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Public Administration and Democratic Governance: Governments Serving Citizens



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**PUBLIC ADMINISTRATION
AND DEMOCRATIC GOVERNANCE:
Governments Serving Citizens**



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FOREWORD

Making public administration and governance more responsive to the needs of citizens is one of the most important aims of the United Nations' "Reinventing Government" programme. This volume brings together concepts and ideas from around the world about the need for and ways of achieving more responsive and accountable public administration within the framework of democratic governance. The chapters are edited versions of papers that were originally prepared for the Sixth Global Forum on Reinventing Government held in Seoul, Republic of Korea, on 24-27 May 2005.

The Global Forum, in accordance with UN General Assembly resolution A/RES/57/277/ of 2002, is held every two years. The Forum is a bridge on which governance principles and practices meet, and on which global initiatives interact with regional and local priorities. The Forum offers tremendous opportunities for diverse stakeholders – notably, high-ranking government officials, eminent public administration scholars, corporate leaders, representatives of international organizations, donor agencies, and non-governmental organizations – to exchange ideas on approaches that are critical to public policy and management challenges facing the world as a whole and its constituent regions. As part of the United Nations' efforts to promote excellence in governance and public administration, the Division for Public Administration and Development Management (DPADM) provides support to the Global Forum on Reinventing Government as an international gathering of policy makers and experts so that it can serve as a worldwide laboratory for new ideas and policy development. DPADM extends these discussions not only through the biennial Global Forum but also through a series of regional forums on reinventing government that focuses on specific challenges and innovations in particular geographical regions of the world.

The Global Forums on Reinventing Government have explored a wide range of topics for improving governance and public administration including the challenges facing governments in the 21st century arising from globalization, means of fostering democracy and development through e-government, partnerships among citizens, businesses and governments for development and democracy, innovation and quality in government, and participatory and transparent governance. The Seventh Global Forum, to be held in June 2007, will explore ways of building trust in government.

All of these themes are reflected in the chapters in this volume and focus on ways of strengthening trust, accountability and participation in government so that it can serve citizens more effectively, efficiently and responsively. This publication is one of the analytical products emerging from the Global Forum on Reinventing Government designed to make the ideas and approaches developed during

discussion more widely available to policy makers and practitioners, scholars and researchers and the public at large. Its aim is to provide interested governments with conceptual and policy tools to understand the complex challenges facing 21st century public officials and administrators and to select and adapt those ideas that are most appropriate for enhancing their ability to serve citizens effectively.

I hope that this publication will stimulate thinking, policy discussions and implementation of innovative ideas to strengthen democratic governance and public administration in ways that will enhance citizens' trust in government and participation in public affairs.

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Chapter 1

GOVERNMENTS SERVING PEOPLE: THE CHANGING ROLES OF PUBLIC ADMINISTRATION IN DEMOCRATIC GOVERNANCE

Dennis A. Rondinelli

The role of public administration in governance is a continuing topic of discussion and debate. The current worldwide reassessment of the functions of the State and of public officials and civil servants arises from two major sources: one is globalization and its impacts on what governments must do to adapt and respond to rapidly changing international economic, social, political and technological trends; the other is increasing dissatisfaction among citizens in many countries with the functions of government and the services that public administrations provide.

Globalization – the movement toward greater interaction, integration, and interdependence among people and organizations across national borders – is increasing transactions among countries in trade and investment and in the international flows of capital, people, technology, and information.¹ It is evident in the growing levels of international political interaction and widespread social and cultural interchange that have occurred over the past quarter of a century.² Globalization has brought both benefits and challenges to countries around the world.³ Globalization offers new economic opportunities but also imposes new political, social, technological, and institutional complexities, especially on poorer countries, that governments must address in order to stimulate more equitable economic and social development. In order to benefit from more open and widespread economic interaction, governments must support an economic system that promotes and facilitates the ability of business enterprises to compete effectively in international markets and of people at all economic levels to earn a decent livelihood.

Over the past two decades, in the wake of pressures of globalization and technological innovation and more widespread access to communications, citizens in many countries began demanding more of their governments. These rising expectations, too often, have led to growing dissatisfaction with or lack of trust in government. In its review of government reinvention experiences in nine countries, the Organization for Economic Cooperation and Development (OECD) noted that “a growing disenchantment with government performance” increased pressures for

1 United Nations, *World Public Sector Report: Globalization and the State*. United Nations, New York: Department of Economic and Social Affairs (2001).

2 Stanley Hoffman, “Clash of Globalizations,” *Foreign Affairs*, Vol. 81, No. 4 (2002): 104-115.

3 Dennis A. Rondinelli and Jack N. Behrman, “The Promises and Pains of Globalization,” *Global Focus – International Journal of Business, Politics and Social Policy*, Vol. 12, No. 1 (2000): 3-16.

reform in Europe.⁴ But such widespread public dissatisfaction with government is seen in other regions of the world as well.

The World Economic Forum's tracking of public opinion in 14 countries – Argentina, Brazil, Canada, Germany, India, Indonesia, Italy, Mexico, Nigeria, Russia, Spain, Turkey, the United Kingdom and the United States – found a strong deterioration in public trust in government between 2001 and 2005 in all but a few of the countries. In only six of the 14 did more than half of the citizens trust government.⁵

In Latin America, only 49 per cent of the population surveyed by Latinobarómetro approved of the government in 18 South and Central American countries in 2005; trust in the elite that led the country was only 33 per cent.⁶ The survey of 176,554 people in Latin America found that in only five of the 18 countries did more than half of those surveyed believe that elections were “clean.” Only about half of the respondents believed that the State enforces laws effectively. About 72 per cent of those surveyed did not trust the government to know how to spend tax money; 66 per cent of the region's inhabitants expressed little or no confidence in the judiciary; and only about 30 per cent thought that the government had made progress in reducing corruption in state institutions.

Surveys of more than 21,500 people in 12 African countries showed widespread discontent with the performance of governments in that region.⁷ Asked how well the government performed in creating jobs, 60 per cent of the respondents said “fairly badly or very badly;” about 62 per cent were dissatisfied with government performance in keeping prices stable; 63 per cent did not think government did a good job in narrowing income gaps. Half of the citizens surveyed believed that government did badly at reducing crime and 48 per cent believed that it did not effectively fight corruption in government.

Dissatisfaction with government is not restricted to national governments. In Europe, public opinion surveys point out that in 2005, only 51 per cent of the people interviewed by Eurobarometer had confidence in the European Parliament,

4 Organization for Economic Cooperation and Development, “Synthesis of Reform Experiences in Nine OECD Countries: Government Roles and Functions, and Public Management,” PUMA/SGF (99)1, Paris: OECD (1999): 5.

5 World Economic Forum, “Full Survey: Trust in Governments, Corporations and Global Institutions Continues to Decline,” Geneva, Switzerland: WEF (2005).

6 Corporación Latinobarómetro, “Latinobarómetro Report 2005,” Santiago, Chile: Corporación Latinobarómetro (2005).

7 Carolyn Logan and Fabiana Machado, “A Comparative Series of National Public Attitude Surveys on Democracy, Markets and Civil Society in Africa,” *Afrobarometer Paper No. 11*, Cape Town, South Africa: The Institute for Democracy in South Africa (2002).

only 46 per cent trusted the European Commission, and only 40 per cent were satisfied with the European Council.⁸

As all of these surveys imply, too often, government is seen by citizens, the media, and sometimes by public servants and political leaders themselves, as plodding, inefficient, bureaucratic, change-resistant, incompetent, unresponsive or corrupt. Citizens often complain that governments provide services that are inadequate, inappropriate, inferior or too costly of their hard-earned tax payments. Frequently, people see government officials to be acting in their own interests rather than responding to the needs of citizens. In many countries, the claim that “we are from the government and are here to help you” is met with popular derision. Surveys and opinion polls confirm that the public wants improvements in the ways in which governments serve citizens, that is, a public administration that delivers better services and extends their reach and coverage more effectively and efficiently. Citizens expect improvements in the capacity of the public service to deliver more and better services at lower cost.

Serving Citizens More Effectively: The Government Reinvention Movement

Many political leaders and government officials know that doing things the “old way” no longer meets the demands of a more complex and interconnected international economy or the expectations of a more globally-linked and politically-aware citizenry. Globalization has brought stronger competition among businesses and pressures on governments to create economic, political and social conditions within which the private sector can compete more effectively and in which people can develop their human resources to benefit from participation in productive activities. Over the past quarter of a century international organizations and progressive political leaders have called for government reinvention.

Debates during the 1980s over whether or not government was a hindrance or a facilitator of economic development have largely been resolved. Even the most ardent critics of big government now recognize that the State will continue to be an important political institution that can for good or ill influence the welfare of millions of people. The challenge for political and administrative leaders in all countries is to redefine the roles of government and to build the capacity of public and private institutions to play beneficial roles in helping citizens to cope with the uncertainties, and benefit from the opportunities, of globalization.⁹

⁸ Eurobarometer, “Standard Eurobarometer 64: Public Opinion in the European Union,” Brussels, Belgium: The European Commission (2005).

⁹ Dennis A. Rondinelli and G. Shabbir Cheema (eds.), *Reinventing Government for the Twenty-first Century: An Introduction*, Chapter 1. Stanford, CT: Kumarian Press (2003).

The need to improve governance and public administration and to enhance the State's capacity to carry out new functions and roles is now widely recognized. The United Nations Millennium Declaration calls for respect for human rights and the promotion of democracy and good governance (including efficient and effective public administration). Good governance is a necessary condition for the achievement of each of the Millennium Development Goals (MDGs) – eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality; reducing child mortality; improving maternal health; combating HIV/AIDS and other diseases; ensuring environmental sustainability; and promoting global partnership for development. Governments in developing countries and their international development partners have significantly increased their financial support to strengthen governance and enhance the efficiency and effectiveness of public administration.

But rapid globalization over the past two decades assured that governments could no longer carry on as usual, at least in terms of the functions and roles many of them played in the 1960s and 1970s. As the OECD has pointed out, by the 1980s governments were widely “criticized for their lack of capacity to respond quickly and effectively to strategic issues and for failing to leverage off opportunities in emerging markets offered by, among others, new technologies. Conflicts inherent in combining multiple roles (for instance, policymaker, regulator, monitor, competing service provider, funder), often with conflicting objectives, became obvious.”¹⁰ Globalization and technological advances have been and will continue changing the “rules of the game” for government. The roles of the government as a central planner and controller of the national economy, as the primary provider of goods and services, and as the engine of economic growth, have largely been discredited as functioning effectively in countries seeking to promote national competitiveness. Indeed, even the ability of states to exercise sovereign control over internal economic activities and transactions across their borders is changing in the face of relentless globalization.¹¹

In response to widespread citizen dissatisfaction, governments in Australia, New Zealand, the United Kingdom, the United States and other countries adopted new approaches to public administration and governance reform in the early 1980s that collectively came to be known as the “New Public Management.” In their book *Reinventing Government*, which reflected and influenced reform in the United States and other countries during the 1980s and 1990s, David Osborne and Ted Gaebler summarized the principles and characteristics of the New Public

10 Organization for Economic Cooperation and Development, “Synthesis of Reform Experiences in Nine OECD Countries: Government Roles and Functions, and Public Management,” PUMA/SGF (99)1, Paris: OECD (1999): 3.

11 Dennis A. Rondinelli, “Sovereignty On Line: The Challenges of Transnational Corporations and Information Technology in Asia,” in John D. Montgomery and Nathan Glazer (eds.), *Sovereignty Under Challenge: How Governments Respond*. New Brunswick, NJ: Transaction Publications (2002): 345-371.

Management movement.¹² They described ten characteristics of what effective governments should be:

1. *Catalytic* – governments should “steer rather than row” and see that services are provided rather than always delivering them directly;
2. *Community-empowering* in ways that encourage local groups to solve their own problems rather than dictating bureaucratic solutions;
3. *Competitive rather than monopolistic* by deregulating and privatizing those activities that could be carried out by the private sector or non-governmental organizations more efficiently or effectively than public agencies;
4. *Mission-driven* rather than rule-bound, setting goals and allowing employees to find the best ways of meeting objectives;
5. *Results-oriented* by funding effective outcomes rather than inputs;
6. *Customer-driven* in meeting the needs of citizens rather than those of the bureaucracy;
7. *Enterprising* in earning revenues rather than just spending tax resources;
8. *Anticipatory* by investing in the prevention of problems rather than spending to solve problems after they occur;
9. *Decentralized* – working through participation and teamwork among government agencies at different levels and with groups outside of government; and;
10. *Market-oriented* in solving problems through market forces rather than larger government programmes.

These ten characteristics, or ones similar to them, became the principles for government reinvention for many federal agencies and state and local governments in Australia, Canada, New Zealand, Portugal, the United Kingdom, the United States and other countries during the 1990s. The Government of Mexico, in pursuing an “Agenda for Good Government,” focuses on six objectives that clearly reflect these principles of reinventing government. In Mexico, the government is seeking ways of “doing more with less,” of applying new technologies to make government tasks more efficient, and of combating corruption through education, prevention and penalties. As a part of its reform agenda, Mexico is seeking to create a government of quality under internationally accepted regulations; professionalizing the public service through career development programmes and training; and pursuing deregulation so that government does not hinder its citizens from participating effectively in the world economy and from expanding their horizons.¹³

¹² Osborne, David and Gaebler, Ted, *Reinventing Government*. Boston, MA: Addison-Wesley Publishing (1992).

¹³ President Vicente Fox, “Foreword,” in Dennis A. Rondinelli and G. Shabbir Cheema (eds.), *Reinventing Government for the Twenty-first Century: State Capacity in a Globalizing Society*. Stanford, CT: Kumarian Press (2003).

In an interrelated global society, governments must take on new roles in creating and sustaining viable economies, reducing poverty, and raising standards of living. Over the past decade, an increasing body of knowledge has emerged to describe a set of fundamental roles or functions that innovative governments perform effectively in a globalizing society. These roles and functions can all contribute to achieving the equitable, sustainable, and participative economic and social development reflected in the United Nations' Millennium Development Goals and in other international declarations of human aspirations. The Millennium Development Goals define the fundamental role of governments as achieving sustainable economic and social progress that leads to higher standards of living for all people. The United Nations Millennium Declaration calls for states and international organizations to promote freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility in working towards these goals.

Although governments have a crucial role in achieving sustainable human development and reducing poverty, they cannot achieve these goals alone. Effective governance in a global society implies cooperation or partnerships in which national governments work collaboratively with lower levels of public administration, the private sector, organizations of civil society, other states, and international organizations through democratic, transparent, and participative processes.

In the 21st century, there are four important roles through which governments can contribute to achieving sustainable economic and social development. The most crucial of these roles is developing institutional capacity because this creates the context and the foundation for all of the others. Without strong institutions neither government nor the private sector can stimulate economic growth or social progress. A second important role is enacting and implementing policies that create an enabling environment for effective participation in a globalizing economy. The inability of some countries or population groups to benefit from international economic interaction virtually assures their inability to achieve economic or social progress. Third, in order to achieve socially equitable economic growth, especially in the poorest developing countries, the government must focus on pro-poor policies that combat poverty and enhance the capacities of people who are normally bypassed in the distribution of the benefits of economic growth to participate more effectively in productive activities on which their livelihoods depend. Fourth, government has a crucial role in strengthening the capacity of public administration to promote socially equitable economic growth, enable participation in the global economy and combat poverty.

What is Good Governance?

The United Nations has taken a leading role in reconceptualizing governance. In the UN's paradigm, governance is defined as "the exercise of political, economic,

and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences.”¹⁴ In this framework, the State is only one of the institutions through which authority is exercised. The private sector and civil society organizations play important roles in helping citizens articulate their interests and exercise their rights. Government's role is not only to exercise political governance but to interact effectively with the private sector and civil society organizations in achieving public goals and objectives.

As the United Nations Development Programme (UNDP) has defined good governance, its characteristics include widespread participation by all citizens, decision making by rule of law, transparency in the actions of governance institutions, responsiveness to the needs and desires of citizens, equity in the treatment of citizens, effectiveness and efficiency in the use of public resources, public accountability, and the exercise of strategic vision in planning for development. These characteristics are described in Box 1.

Underlying the United Nations' conception of good governance is the need for governments to reinvent themselves in order to conform to the basic characteristics of good governance and to enhance their capacity to work effectively with other governance institutions in the private sector and civil society organizations.

Box 1: UNDP Characteristics of Good Governance

Much has been written about the characteristics of efficient government, successful businesses and effective civil society organizations, but the characteristics of good governance defined in societal terms remain elusive. The characteristics are:

- *Participation* - All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.
- *Rule of law* - Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.
- *Transparency* - Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.
- *Responsiveness* - Institutions and processes try to serve all stakeholders.

¹⁴ United Nations Development Programme, “Reconceptualizing Governance,” Discussion Paper No. 2. New York: UNDP (1997): 9.

- *Consensus orientation* - Good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures.
- *Equity* - All men and women have opportunities to improve or maintain their well-being.
- *Effectiveness and efficiency* - Processes and institutions produce results that meet needs while making the best use of resources.
- *Accountability* – Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.
- *Strategic vision* - Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

Source: United Nations Development Programme, "Governance for Sustainable Human Development," New York: UNDP, 1997.

Improving Government Service to Citizens through Public Innovation

If governments must reinvent themselves in order to satisfy citizens' demands and meet the challenges of globalization through innovation, what do these concepts mean and how are they applied in public administration?¹⁵ Innovations are fundamental changes in the course of action of governments or other institutions in society that alter the *status quo* in more than an incremental way. Innovations introduce new ideas or ways of doing things that strongly depart from convention or that require new or unfamiliar forms of behaviour and interaction.¹⁶ Few innovations in government are pure invention; they are more often discoveries combining ideas that have been tried elsewhere, recast to meet new

¹⁵ For a more detailed discussion, see Dennis A. Rondinelli, "Processes of Strategic Innovation: The Dynamics of Decision Making in the Evolution of Great Policies," in John D. Montgomery and Dennis A. Rondinelli (eds.), *Great Policies: Strategic Innovations in Asia and the Pacific Basin*. Westport, CT: Praeger (1995): 223-240.

¹⁶ For a discussion of the characteristics and processes of innovation see Rogers, Everett M., *Diffusion of Innovations*, 3rd ed. New York: Free Press (1983); James Utterback, "The Process of Technological Innovation Within the Firm," *Academy of Management Journal*, Vol.14, No. 1 (1971): 75-88; Zoltman, G., Duncan, R. and Holbek, J., *Innovation and Organizations*. John Wiley and Sons (1973); Argyris, Chris, *Organization and Innovation*. Homewood, Ill: Dorsey Press (1965); and Downs, Anthony. *Inside Bureaucracy*. Boston: Little Brown (1966).

circumstances.¹⁷ Changes bringing about higher quality services or improvements in government agency performance are one form of innovation.

Where do innovations in government come from? Most often, innovations are motivated by dissatisfaction with existing conditions or conventions. They are sometimes demanded by groups outside of government – special interest groups, political parties, organized groups of citizens, or international organizations – or by dissatisfied factions in government bureaucracies, legislatures, or the executive branch of government, or mandated by the judiciary. Often, innovations result from performance gaps – that is, from disjunctions between public expectations and institutional performance. The recognition that conventional policies or programmes are no longer achieving their objectives can inspire innovative changes that set them on new paths.

Other innovations are advocated by political or non-governmental leaders with “strategic notions.” Strategic notions are strongly held beliefs by influential people about how situations can be improved through drastic changes in policy. Innovations sometimes emerge from the strategic vision of political leaders and set a whole new direction and agenda for government. Changes in external economic, political, social, or technological conditions often generate ideas that become innovations. Crises, emergencies or threats to the survival of a government or other important social or economic institution sometimes force leaders to seek new ways of dealing with problems or opportunities.

Some innovations emerge only after fundamental shifts in concepts and assumptions allow new ways of doing things to become “thinkable.” A paradigm shift changes the conceptual framework that allows large numbers of people to perceive problems and opportunities in very different ways than in the past, or to conceive of responses to problems and opportunities in a new context. The management scholar, Peter Drucker, contends that innovation also emerges from “process needs,” that is, from the realization that an organization must change what it does in order to conform more realistically to the needs and characteristics of its clientele or to broader and more encompassing processes in which it must operate.¹⁸ The most common types of innovations are technological, value-oriented, organizational, legal, procedural, political, or economic.

How are innovations adopted by governments? Whatever the sources of innovations, they require both the introduction of new ideas and their translation into specific courses of action. Innovation is a process. It begins with the transformation of new ideas into plans for action. This usually requires wider

¹⁷ See the discussion of public sector innovations in the United States by Alan Altshuler and Marc Zegans, “Innovation and Creativity: Comparisons Between Public Management and Private Enterprise,” *Cities*, Vol. 7, No. 1 (1990): 16-24.

¹⁸ Drucker, Peter F., *Innovation and Entrepreneurship: Practice and Principles*. New York: Harper and Row (1985).

recognition in society of the problems and opportunities that inspired the initial advocates of change. The transformation of ideas into action defines the nature of an innovation. Some degree of "social learning" must take place in order for innovations to be widely accepted.¹⁹ Some degree of consensus must develop in society that new problems or opportunities are important, that old ways are no longer effective, or that conventional approaches are too costly in economic, political or social terms.

Once significant problems and opportunities are identified and recognized among a large enough segment of society to stimulate action, innovative ideas must be transformed into specific courses of action and new policies and programmes must be proposed to undertake them.²⁰ In nearly all political systems, innovations must be legitimized before they can be implemented. A large enough portion of society must approve – or at least not strongly oppose – the changes in order for them to be adopted formally and implemented effectively. Policies must be "enacted" by a unit of governance within society – usually a government institution – with the authority to impose changes on society. Innovations are usually made acceptable through any of a number of means, including persuasion, bargaining and negotiation, coalition building, authoritative command, or force.²¹ Innovations are legitimized and implemented through one or more of six major methods: enactment into law; administrative decrees; creation of new bureaucratic structures; reorganization of social, political, or economic institutions; procedural or regulatory changes; or the imposition of new norms or conventions that govern behaviour.

Finally, the assessment of innovations must take into account their results, outcomes and disposition. Some strategic innovations are applied successfully and largely achieve their objectives. Others undergo substantial adjustment through experimentation or are revised and reformulated during implementation. They may achieve some but not all of their goals and generate unexpected or unintended consequences that either displace original problems with new ones or alter the original intent of policies. Still others are unsuccessful; they are either terminated after they have been tried or simply disappear after unsuccessful attempts have been made to implement them. Whatever their disposition,

¹⁹ See Goldstein, Howard, *Social Learning and Change: A Cognitive Approach to Human Services*. New York: Tavistock (1981).

²⁰ For a discussion of the dynamics of policy formulation, legitimation and implementation see Jones, Charles O., *An Introduction to the Study of Public Policy*. Belmont, CA: Wadsworth Publishing Company (1970).

²¹ For a discussion of how policies are legitimized and implemented in different types of political and economic systems see Lindblom, Charles E., *The Intelligence of Democracy: Decision Making Through Mutual Adjustment*. New York: Free Press (1965); and Lindblom, Charles E. *Politics and Markets: The World's Political-Economic Systems*. New York: Basic Books (1977).

innovations may also set in motion fundamental and profound changes that were never intended.

At each stage of the process of innovation, key actors play crucial roles in identifying problems and opportunities, disseminating knowledge, building awareness among relevant segments of the public, and translating ideas into policy proposals. Other actors must take part in mobilizing support for alternative courses of action, legitimizing the policies that are adopted, and implementing new courses of action and assessing their outcomes and results.

The processes seem to be similar in both democratic and authoritarian political systems although there are substantial differences in the ways in which the process is organized and decisions are made. Differences may arise from: 1) variations in how open and participatory the process is; 2) the institutional structures through which decisions are made; 3) whether politics, the market, or authoritarian controls are used to allocate resources and resolve conflicts among interests in society; and 4) the degree to which decision making is visible to the public. Most frequently the key actors are formal and informal political leaders or bureaucratic officials. But sometimes, depending on the characteristics of the political system, they are leaders of non-governmental organizations (NGOs), representatives of special interest groups, members of the media, private business leaders, personnel in international organizations, technical experts, and others. Usually different sets and combinations of actors enter and leave the decision-making process at different stages.

Reinventing government through innovation is never an easy process. Experience has shown that government reinvention faces strong obstacles and opposition from those benefiting from the *status quo*.²² Innovations often fail when there is not strong support for them by political leaders and heads of government; when those advocating change within government either are not rewarded for their efforts or are punished or penalized; and when governments withhold sufficient resources to implement the changes effectively. Innovations often fail because civil service systems are inflexible in allowing government agencies to hire the types of people who are needed to implement them or because of strong opposition within government agencies to changing traditional ways of doing things. The unwillingness of bureaucracies to cooperate with or support each other, and “turf battles” or inter-governmental conflicts over resource allocations also undermine the success of innovations.

Political and government leaders, or groups within or outside of government seeking to promote service delivery improvements and other innovations in the public sector must plan not only for the implementation of substantive changes but

22 Jonathan Walters, “Understanding Innovation: What Inspires It? What Makes it Successful?” in Abramson, Mark A. and Littman, Ian D. (eds.), *Innovation*. Lanham, Md: Roman and Littlefield Publishers (2002): 13-58.

also for averting the obstacles that can delay, weaken or subvert them. Reinventing government is often a long, complicated, and contentious process, but one that will be essential to meet the challenges of a globalizing society.

The Driving Force of Technological Change

As the world economy becomes more deeply integrated, the economies of most industrialized and many developing countries have shifted from mass-production manufacturing to technology- and knowledge-based systems of production and services. Technology embedded in new production techniques, products, and communication, transportation and energy systems has driven the growth of global markets and the economies of competitive countries. The United Nations Development Programme's *Human Development Report* points out that the world's economy is shifting from the Industrial Age to the Network Age.²³ It notes that while the industrial age was "structured around vertically integrated organizations with high costs of communications, information and transportation ... the network age is structured along horizontal networks, with each organization focusing on competitive niches. These new networks cross continents, with hubs from Silicon Valley (United States) to Sao Paulo to Gauteng (South Africa) to Bangalore."

For the private sector, new technologies both enhance factor mobility and create new varieties of products and services. New technologies change the relative costs of production and distribution and the comparative advantages of enterprises. Technological innovation also accelerates global economic integration.²⁴ Rapid advances in information technology and electronic commerce are fundamentally changing the demands on businesses and revolutionizing the way they conduct transactions across national borders. Advances in digital communications technologies are driving down costs and increasing capacity for exchanging information. The costs of computing (millions of instructions per second) fell by nearly 99 per cent between 1991 and 1997.²⁵ E-commerce will continue generating new business opportunities for manufacturers, suppliers and service providers. In the computing, electronics, shipping, warehousing and utilities industries especially, more than 70 per cent of trade is expected eventually to go through e-market places, restructuring existing supply chains and increasing the number of new industry connections.

23 United Nations Development Programme. *Human Development Report 2001: Making New Technologies Work for Human Development*. New York: UNDP (2001): 4.

24 Harald B. Malmgren, "Trade and Technology in a Single Global Marketplace," *Global Focus – International Journal of Business, Economics and Social Policy* Vol. 12, No. 1: (2000): 27-44.

25 Meares, C. and Sargent, J.F. Jr., *The Digital Workforce: Building Infotech Skills at the Speed of Innovation*. Washington, DC: U.S. Department of Commerce (1999).

Both broader international economic interaction and rapidly advancing technology also require governments in countries seeking to participate effectively in a globalizing economy to assume new roles – as catalysts for market development, enablers of productivity and efficiency, regulators ensuring that markets remain open and equitable, promoters of private sector expansion, and stimulators of human and capital resource development. Innovative governments are using their resources to provide services and infrastructure that make productive activities competitive nationally and internationally. In a globalizing society, responsive governments are working cooperatively with the private sector, civil society organizations, international financial institutions, and public interest groups to develop institutions and policies that support and sustain market systems through which enterprises of all sizes engage in regional and global trade and investment.²⁶

Although governments in many countries with developing and transitional economies are transforming their roles, not all have embraced change. Experience over the past 50 years clearly shows that what is needed are not large and all-powerful governments that plan for and control all aspects of economies and societies. Innovative governments seek new ways to guide and facilitate economic growth, enhance human capacity, mobilize financial and human resources for development, promote and encourage private enterprise, protect economically and socially vulnerable groups, combat poverty, and protect the natural environment and physical resources through democratic, participative, honest, efficient, effective, and accountable political and administrative systems.²⁷

Strengthening Public Institutions for Economic Development

Perhaps the single most important challenge facing governments in the 21st century will be how to strengthen the institutional capacity of public, private and civic sectors to meet both the needs of citizens and the requirements of an international economy. Institutional capacity-building is the process through which individuals and organizations in any country strengthen their abilities to mobilize the resources needed to overcome economic and social problems and to achieve a better standard of living as generally defined in that society. Institutions include both sustainable organizations and widely accepted rules of behaviour in both the public and private sectors.

Recent studies emphasize the pivotal role that institutions play in economic and social development. Examining experience with economic growth and social

26 Dennis A. Rondinelli and Jack N. Behrman, "The Promises and Pains of Globalization," *Global Focus – Journal of International Business, Economics and Social Policy*, Vol. 12, No. 1 (2000): 3-15.

27 For a more detailed discussion see Dennis A. Rondinelli and G. Shabbir Cheema, "The Competent State: Governance and Administration in an Era of Globalization," in Rondinelli and Cheema (eds.), *Reinventing Government for the Twenty-First Century*, *op. cit.*, Chapter 13.

development in 140 countries over the past century, economists Dani Rodrik, Arvind Subramanian and Francesco Trebbi contend that the primacy of institutions becomes clear in distinguishing countries that progressed economically and those that did not.²⁸ Strong institutions can overcome geographical disadvantages, promote integration into the world economy and the capacity to trade, and increase income levels of the population. In explaining economic development, they conclude that “the quality of institutions trumps everything else.”

Establishing and enforcing a “rule of law” – that is, providing a reliable set of legal institutions – gives participants in market economies the guidelines to operate efficiently and effectively. Without transparent legal institutions, owners and managers of enterprises waste time and money negotiating each transaction with government officials – a process that opens the way for bribery and corruption. Legal institutions provide rules for structuring and organizing corporations, identifying the activities in which they can engage, defining the nature and characteristics of legitimate business practices, and clarifying corporations’ rights and obligations. Either by national law or by international agreement, legal institutions should set the standards for treatment of foreign-owned or multinational corporations.²⁹ They should determine allowable levels of foreign ownership of joint ventures and identify conditions of business entry and exit, including visa restrictions for doing business in the country on non-citizens, business registration, liquidation and bankruptcy, and import and export requirements.

Creating Enabling Policies for Participation in the Global Economy

Achieving sustainable human development in the 21st century, as outlined in the Millennium Development Goals, requires governments to enact and implement policies that create an enabling environment in which individuals and enterprises can participate in and benefit from global economic interaction. The heads of state that ratified the United Nations Millennium Declaration believed “that the central challenge we face today is to ensure that globalization becomes a positive force for all of the world’s people.”³⁰

Innovative governments respond in new ways to the opportunities and risks that globalization brings to all areas of modern life – the economy, society,

28 Dani Rodrik, Arvind Subramanian, and Francesco Trebbi, “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development,” NBER Working Paper 9305, Cambridge, MA: National Bureau of Economic Research (2002): 4.

29 R. M. Sherwood, G. Shepherd, and C. Marcos De Souza, “Judicial Systems and Economic Performance,” *The Quarterly Review of Economics and Finance*, Vol. 34, Special Issue (1994): 101-116.

30 United Nations, “United Nations Millennium Declaration,” Resolution A/55/L.2, New York: United Nations (2000): Section I.5.

communications, transportation, trade and investment. National economic and social development is being driven increasingly by the multinational regionalization and internationalization of trade and investment. Innovative governments participate effectively in shaping the international rules of global economic interaction. In a global economy, governments must be willing and able to participate in regional trade agreements – free trade areas, customs unions, common markets, or economic unions. Since the 1970s countries have been expanding their international trade by cooperating in regional trade alliances such as the North America Free Trade Agreement, the Association of Southeast Asian Nations, the Arab Common Market, the Southern Africa Customs Union and the European Union.

Innovative political leaders and public administrators recognize that increasing global economic interaction and technological advances in communications and transportation result in greater similarities in production capabilities around the world, in the need for agile business practices by companies seeking to meet growing international demands for speed, efficiency and quality, and in the expansion of markets required to attain economies of scale and scope.³¹ All of these trends affect the competitiveness of individual firms and often require them to forge international strategic alliances and cooperative arrangements in order to compete. In a global society, innovative governments create a climate of national competitiveness in which enterprises, localities, and regions can engage profitably in international transactions and contribute to national economic and social development.³²

Governments in those countries seeking to expand their international trade and investment, create jobs, increase incomes and wealth and improve the standards of living for their citizens must find ways to create a domestic economic system in which most or all goods are available for purchase or sale on the market. Effectively operating markets allow prices to reflect true relative scarcities in the economy, encourage decision makers to behave according to rules of the market, and allow producers to obtain fair profits. For innovative governments, this means finding effective ways of implementing structural adjustment policies, liberalizing trade and investment, creating or strengthening property rights, and developing a legal framework for economic transactions.

Government's Role in Combating Poverty

At the core of the United Nations Millennium Goals is a challenge to United Nations Member States both to pursue socially equitable economic development

³¹ John D. Kasarda and Dennis A. Rondinelli, "Innovative Infrastructure for Agile Manufacturers," *Sloan Management Review*, Vol. 39, No. 2 (1998): 73-82.

³² See Jack N. Berhman and Dennis A. Rondinelli, "Urban Development Policies in a Globalizing Economy: Creating Competitive Advantage in the Post-Cost War Era," in William Crotty (ed.), *Post Cold War Policy, Vol. I: The Social and Domestic Context*. Chicago: Nelson-Hall (1995): 209-230.

and to reduce poverty. As countries integrate more tightly into the global economy they also become more vulnerable to international economic cycles and external financial forces that can adversely affect poor countries and poor groups within all countries. Governments serving citizens go beyond conventional macroeconomic adjustment, trade and investment liberalization, and exchange rate reform that are necessary to create an enabling environment for economic growth, and even beyond policies aimed at capital accumulation, labour force expansion, total factor productivity, and infrastructure expansion that accelerates economic growth, to achieve sustainable human development.

The United Nations Development Programme (UNDP) notes that in order to alleviate poverty in developing countries, governments and the private sector must take actions to prepare the poor to participate effectively in the economy.³³ This requires providing social services and increasing the access of the poor to basic education and health services; enacting agrarian reform policies that give the rural poor a more equitable distribution of land and agricultural resources; and opening access to credit for the poor by changing criteria of creditworthiness and decentralizing credit institutions. In many countries governments must help expand productive employment opportunities and sustainable livelihoods for those who are unemployed or underemployed and increase the participation of the poor in the development and implementation of poverty alleviation policies and programmes to assure that they are needed and appropriate. In all countries undergoing transition, governments need to provide an adequate social safety net to protect those excluded temporarily or permanently from the market. Pursuing policies that promote economic growth and increased productivity so that new opportunities are available for the poor to improve their living standards, and increasing people's capacity to use resources in a sustainable and environmentally beneficial manner are high priorities for innovative governments seeking to alleviate poverty.

In order to spread the benefits of globalization, innovative governments place poverty reduction at the core of the development process. They combat poverty and increase participation in economic growth through policies and programmes that direct resources to the sectors in which the poor earn their livelihoods (agriculture and food production); to the areas in which the poor live (rural and underdeveloped regions); to the factors of production they possess (largely unskilled labour); and to the outputs they consume (food and basic necessities).³⁴

33 United Nations Development Programme, *Human Development Report 1994*. New York: Oxford University Press (1994): 20.

34 Hafiz A. Pasha, "Pro-Poor Policies for Development," in Rondinelli and Cheema (eds.), *op. cit.*, Chapter 5.

Enhancing Public Administration Capacity

Public administration or management must be strengthened, especially in developing countries, if governments are to perform the functions required to promote socially equitable and sustainable economic growth, create enabling policies for participation in a globalizing economy, and combat poverty. Among the most important of those functions are: a) developing human resources; b) protecting human rights and political freedoms; c) protecting security, health, safety and welfare; d) building social capital by strengthening civil society; e) protecting the natural environment; f) mobilizing financial resources for development; g) creating partnerships and collaborations with the private sector and non-governmental organizations for service delivery; h) democratizing and decentralizing government; i) providing or facilitating the provision of physical and technological infrastructure; and j) enabling private sector development. Although each of these functions is important in its own right, they are all interrelated and together affect the ability of governments to achieve social and economic development goals. Achieving socially equitable economic development depends on the ability of the leaders of national and local governments, NGOs, civil society organizations, and businesses and industries to adjust rapidly to complex international social, political, and economic changes.

The challenge facing all governments in the 21st century is to create a system of governance that promotes and supports efficient economic interaction and that, at the same time, advances the health, safety, welfare, and security of their citizens. All states face continuing challenges in renewing political institutions, finding new modalities of governance, and expanding political capacities to guide national economic activities without undue intervention and control. Innovative governments create a political system that can elicit at least a minimum level of public consensus on social and political goals; encourage political, business, and civic leaders to articulate social and economic priorities; and guide the actions of public and private organizations toward economic objectives that benefit society.

Among the means available to strengthen public administration are constitutional, electoral, governance, administrative, and civil service reforms. Constitutional reforms restructure and revise the basic principles and institutions of governance; establish the structure of government as a federal, federation, or unitary system; identify the purpose and powers of the State; delineate the powers and limitations of and relationships among legislative, executive, and judicial branches of government; and clarify the responsibilities and obligations of government and citizens. Electoral reforms create new types of and bases for representation; establish or revise the qualifications for registration and voting; modify election rules and voting procedures; determine the process of candidate selection;

prevent corrupt or unfair voting practices; guarantee voting rights; and determine how the public can hold elected officials accountable.³⁵

Governance reforms delineate the units of government at national, regional and local levels, their roles and responsibilities, and the relationships among them that can strengthen mechanisms for decision making, interaction, coordination and cooperation and create procedures for dispute resolution and settlement. Administrative reforms improve the quality of government by specifying the procedures of bureaucratic accountability, of decision making by rule of law, and of the role of the judiciary in maintaining them. Innovative governments concerned with quality strengthen the efficacy and transparency of financing, procurement, contracting, accounting and other management functions. Civil Service reforms establish or adjust the duties, responsibilities and obligations of public employees, pay levels, recruitment procedures, incentives, training and career development rules, and ethical standards.

Globalization requires governments to not only arrange for the provision of conventional physical infrastructure such as roads and utility systems but, increasingly, to take a strong role in strengthening the infrastructure required to promote technological innovation, apply knowledge, and expand information systems. Expanding knowledge-oriented infrastructure requires government to collaborate with the private sector and with universities and research institutes in creating what the United Nations describes as “Knowledge, Innovation and Technology Systems” (KITS).³⁶ Governments are increasingly developing electronic systems (e-government) that open access to information about public institutions, allow public agencies at different levels of administration to cooperate more effectively, and make it easier for citizens to obtain public services. More governments are strengthening their e-government capacity to cut costs, increase the efficiency and effectiveness of public agencies, make decision-making and service delivery faster, improve the quality of service delivery and enable new and innovative approaches to governance.³⁷

The widely varying impacts of globalization require governments to provide a social safety net for the most vulnerable groups in society until these groups are able to develop their capacities to participate productively in the economy. In every society, government has a responsibility to create and maintain social assistance

35 G. Shabbir Cheema, “Strengthening the Integrity of Government: Combating Corruption Through Accountability and Transparency,” in Rondinelli and Cheema (eds.), *op. cit.* Chapter 6.

36 Jennifer Sisk, “Creating and Applying Knowledge, Innovation and Technology,” in Rondinelli and Cheema (eds.), *op. cit.* Chapter 9.

37 Richard Heeks, “Building e-Governance for Development: A Framework for National and Donor Action,” Paper No. 12, Manchester, UK: University of Manchester, Institute for Development Policy and Management (2001).

programmes for the disabled, the disadvantageded, or the poor, who are adversely affected by economic reforms.

Decentralization and Public Service Delivery

A recurring lesson of experience with economic and social development over the past half century is that central government alone cannot achieve economic and social equity. Innovative governments find appropriate ways to de-concentrate or devolve authority, resources and responsibilities to local governments and NGOs in order to elicit greater participation in political and administrative decision making and to deliver social services that are essential to creating a strong economy. Governments seeking to improve the quality of their services strengthen the capacities not only of national bureaucracies, but of subnational regional and local administrative units as well. Strengthening local governance capacity can be done through vertical decentralization of authority, responsibility, and resources to subnational administrative units, local governments, and other organizations working at the local level; and through horizontal decentralization that empowers local communities. Strengthening local governance capacity involves a variety of stakeholders, including central government agencies, local governments, civil society organizations, community groups, the private sector, and international donor organizations.³⁸ Innovative governments play an important role in empowering these organizations to participate in five essential functions: priority-setting, planning, producing, paying or financing, and consumption.³⁹ All of these functions are critical in engaging local groups, and in encouraging them to take ownership of development projects and programmes.

Governments that seek to serve citizens find new ways to strengthen their fiscal architecture in order to mobilize the financial resources needed for development. Although managing domestic resources has always been an important role for the State, national governments must now develop greater competency in managing foreign financial resources as well. States face increasing challenges in widening the tax base, enforcing tax compliance and managing tax competition. As tax systems become more complex, the State must take a stronger role in ensuring that taxes fall equitably on all groups in society. Innovative governments develop new sources of revenue for financing essential economic and social programmes and tap into revenues generated by international business opportunities created by globalization.

To satisfy citizens' needs and meet the challenges of globalization, the State must support a fiscal architecture that not only strengthens central government

38 John-Mary Kauzya, "Strengthening Local Governance Capacity for Participation," in Rondinelli and Cheema (eds.), *op. cit.*, Chapter 10.

39 See Dennis A. Rondinelli, *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration*. 2nd Edition, London and New York: Routledge (1993).

revenues, but also the capacity of the central government to expand local government finances. Beginning in the 1980s, for example, the Government of China initiated fiscal reforms that changed the system of public finance from a unitary one in which the central government exercised total control over revenue collection and budget allocation to a more decentralized one in which provincial and central governments shared revenues and provincial governments gave greater flexibility to lower tiers of government. Studies show that fiscal decentralization not only increased economic efficiency in China but also contributed significantly to economic growth.⁴⁰

Innovative political leaders and public administrators know that the success of democratic governance requires decentralizing participation in public policy making and the implementation of government programmes, and that the success of decentralization depends, in turn, on giving local administrative and political units adequate revenue and spending powers. Central governments can strengthen the fiscal capacity of local governments by, among other things, expanding taxing and revenue-raising authority for them, allowing them to raise taxes from a wider variety of local sources and to use a greater number of tax instruments. In some countries the central government has created special funds that can be replenished from national revenue sources such as customs, excise, or import taxes or regular budgetary assignments that are set aside from line agency budgets to be used to finance costly capital investments. In other countries the State provides statutory payments to local governments from fixed percentages of recurrent revenues of central or provincial government budgets as unrestricted grants, thus giving local administrations more flexibility to meet local needs and demands.⁴¹

Empowering Citizens through Organizations of Civil Society

Strengthening the capacities of public administration to empower organizations of civil society to participate in economic, social, and political activities will be an increasingly important function for all governments in an era of globalization. Civil society organizations not only supplement services provided by the private sector and maintain a check on government power, but they can also help to distribute the benefits of economic growth more equitably within society, and offer opportunities for individuals to improve their standards of living. Civil institutions channel people's participation in economic and social activities and organize them into more potent forces in influencing public policies. Organizations of civil society have an important role in mitigating the potentially adverse impacts of economic

40 Justin Yifu Lin and Zhiqiang Liu, "Fiscal Decentralization and Economic Growth in China," *Economic Development and Cultural Change*, Vol. 49, No. 2 (2000): 1-21.

41 Dennis A. Rondinelli, "Financing the Decentralization of Urban Services in Developing Countries: Administrative Requirements for Fiscal Improvements," *Studies in Comparative International Development*, Vol. 25, No. 2 (1990): 43-59.

instability, creating efficient mechanisms for allocating social benefits, and providing a voice for poorer groups in political and governmental decision making.

A robust network of social and civic institutions – which political economist Robert Putnam refers to as “social capital” – contributes to the capacity of society to undertake activities that facilitate economic and social development.⁴² Putnam’s studies of regional economic development in Italy showed clearly that regions with higher endowments of social capital were far more successful at stimulating and sustaining economic growth, social progress, and democracy over a long period of time than regions with less social capital. These regions were established throughout the country and had the same structures and authority, as well as substantial amounts of money (about 10 per cent of GDP) to spend for economic development. But despite their identical form, some of the regions flourished and others failed to achieve their objectives.

Putnam found that the regions – some predominantly Catholic, some communist, and others almost feudal – with strong and extensive networks of social and civic organizations invariably did far better than those with weak social capital. The former not only achieved higher levels of regional development but were also more democratic. Putnam points out that social capital has powerful consequences because civic networks and norms ease the dilemmas of collective action by institutionalizing social interaction and reducing the attractions of opportunism, by fostering norms of social reciprocity and social trust, and by facilitating political and economic transactions.⁴³ Well-developed networks of civil institutions also amplify the flows of information and help transmit knowledge of people’s reputations that lower economic and social transaction costs and provide the means for reliable political, economic, and social collaboration, all of which are essential to the effective operation of market systems.

Among the most important institutions of civil society that must be created or strengthened in countries seeking to promote sustainable economic and social development are employer organizations, workers organizations, professional associations, policy and advisory groups, public interest groups, community groups, consumer groups, charitable and philanthropic organizations and a variety of social organizations.

Organizations of civil society can provide functions and services that markets cannot offer, facilitate social transactions, and protect vulnerable groups in society from adverse economic impacts. These organizations have especially strong impacts on economic, political and social development when they work in cooperation with each other, the government and the private sector. Civil society

42 Robert D. Putnam, “What Makes Democracy Work?” *IPA Journal*, Vol. 47, No. 1 (1994): 31-34.

43 Robert D. Putnam, “Comment,” in *Proceedings of the World Bank Annual Conference on Development Economics, 1994*. Washington, DC: World Bank (1995): 198-199.

groups can contribute to economic development by helping to create the “entrepreneurial milieu” that is so essential to sustaining a competitive system.

Organizations of civil society can make a contribution in all of these areas of human resource development. As the World Bank points out, governments have a strong responsibility to provide the “public goods” aspects of health care – that is, to provide information about and control contagious diseases; require child immunizations and vaccinations against transmittable diseases; reduce environmental pollution and social behaviours posing health hazards; provide cost-effective health services to the poor and unemployed; and overcome problems created by uncertainty and insurance market failure.⁴⁴ But a wide range of civil society organizations – including employer and trade union organizations, charitable groups, and religious organizations – also play an important role in influencing health care policy and in providing some types of health services directly to their members or to other groups in society.

In all of these areas, governments can find innovative ways of working with or supporting organizations of civil society that make strong contributions to protecting the interests of the poorest groups, which are most likely to suffer from traumatic economic changes.

Extending Services through Public-Private Partnerships (PPPs)

Public dissatisfaction with the quality and coverage of government-provided services and the slowness with which national and local governments extend infrastructure often pressures societies to seek more private sector participation. Economic globalization is also creating strong pressures on private firms to respond more flexibly to rapidly changing world markets, and to gain access to modern transportation and telecommunications systems that facilitate international trade and investment. The private sector can fill a void in countries where governments are slow to respond to demands for the technologically sophisticated infrastructure and services on which improvements in economic competitiveness depend.⁴⁵ Moreover, international assistance organizations such as the World Bank and the International Finance Corporation often require as a precondition for infrastructure loans to developing countries that governments mobilize private investment and improve public service delivery. Privatization of state-owned enterprises (SOEs) is usually a basic component of economic reform programmes and PPPs can help privatize commercially viable services.

The private sector is playing increasingly important roles in producing goods and providing services that were once considered “public” and therefore exclusively the

44 World Bank, *World Development Report 1993*. Washington, DC: World Bank (1993).

45 Dennis A. Rondinelli and Gyula Vastag, “Urban Economic Growth in the 21st Century,” in R. Bilborrow (ed.) *Migration, Urbanization and Development*. Norwell, MA: Kluwer (1998): 469-514.

responsibility of governments.⁴⁶ PPPs and other forms of cooperation between the private sector and local and national governments are being used frequently around the world to develop and expand energy and utility networks and services, extend telecommunications and transportation systems, construct and operate water, sewer, and waste treatment facilities, and provide health, education and other services.⁴⁷ In many developing countries, innovative governments are also using PPPs to finance and manage toll expressways, airports, shipping ports, and railroads, and to reduce environmental pollution, build low-cost housing, and develop ecotourism.⁴⁸

Governments and the private sector are cooperating in the provision of services and infrastructure through a variety of mechanisms including contracts and concessions, build-operate-and-transfer (BOT) arrangements, public-private joint ventures and informal and voluntary cooperation.⁴⁹ Innovative governments are also deregulating many industries and allowing the private sector to compete with public agencies and state enterprises. They are “corporatizing” SOEs that are not privatized, requiring them to compete with private firms and to cover their costs and manage their operations more efficiently. They are allowing or encouraging businesses, community groups, cooperatives, small enterprises, private voluntary associations and other NGOs to offer social services. In some countries governments are using PPPs as an intermediate phase in the process of privatizing SOEs or as an alternative to full-scale privatization.

Forming public-private partnerships to assume functions that were formerly public sector responsibilities has potential benefits for both citizens and governments. PPPs can increase competition and efficiency in service provision, expand coverage, and reduce delivery costs. As the U.K. government points out, PPPs allow optimal overall risk allocation between the public and private sectors, facilitating the distribution of risk to the organizations that can most effectively manage it.⁵⁰ Involvement of the private sector ensures that projects and programmes are subject to commercial discipline and due sound financial diligence. Moreover, the private sector can often manage the entire supply chain

46 See Dennis A. Rondinelli, “Public-Private Partnerships,” in Colin Kirkpatrick, Ronald Clarke and Charles Polidano (eds.), *Handbook on Development Policy and Management*. Cheltenham, England: Edward Elgar Publishing Ltd. (2002): 381-388.

47 Dennis A. Rondinelli and Max Iacono, *Policies and Institutions for Managing Privatization: International Experience*. Geneva: International Labor Office (1996).

48 J. Rivera, E. Brenes, and G. Quijandria, “The Tourism Industry in Costa Rica,” in B.S. Gentry (ed.), *Private Capital Flows and the Environment: Lessons from Latin America*. Cheltenham, England: Edward Elgar Publishing Ltd. (1998): 223-240.

49 Savas, E.S., *Privatization and Public-Private Partnerships*. New York: Chatham House (2000).

50 United Kingdom, *Public Private Partnerships: The Government's Approach*. London: Her Majesty's Stationery Office (2000).

needed to provide and distribute goods and services more efficiently than can government agencies. Public-private partnerships can bring new ideas for designing programmes and projects, and greater synergy between design and operation of facilities. Through public-private partnerships, governments can avoid expensive over specification and design of public assets and focus on the life-of-project costs of initiating new activities or building new facilities. Cooperating with the private sector also allows governments that are seeking to improve the quality and efficiency of service delivery to adjust the size of programmes incrementally as demand or needs change. Partnerships that partially or completely displace inefficient SOEs can help reduce government subsidies or losses and relieve fiscal pressures on the national treasury. PPPs can usually respond more flexibly to "market signals," more easily procure modern technology, and develop stronger capacity to maintain infrastructure than can public agencies. Public-private sector cooperation can also generate jobs and income while meeting demand for public goods and services.

Exploring the Changing Roles of Public Administration and Democratic Governance

Each of these topics is explored in the following chapters of this volume. Each author examines from a different perspective these elements of reforming public administration and democratic governance for improving government's capacity to serve citizens. The chapters in this volume explore the changing roles of public administration and democratic governance to make governments more responsive to citizens' needs and more effective in providing public services.

In Chapter 2, G. Shabbir Cheema provides an overview of the issues that can strengthen the link between government and citizens. He notes that concepts of public administration have changed over the past 50 years and that good governance is now conceived of by both theorists and practitioners – and increasingly by citizens – as being accountable, transparent, decentralized and instrumental in ensuring fair and legitimate elections. Moreover, as Cheema points out, good governance is based on a system of checks and balances among executive, legislative, and judicial branches. In addition to providing a wide variety of services, public administration in a system of democratic governance protects the rights of minorities and the disadvantaged, enhances access to justice, facilitates the engagement of civil society and the private sector, uses the power of information and communications technology to increase citizens' access and participation in development, and seeks partnerships to achieve public objectives.

In order to perform these roles, governments must be representative of the citizens they are attempting to serve. Massimo Tommasoli, in Chapter 3, explores the concepts of democratic governance. He examines the challenges to democracy, especially in developing countries, and the deterioration in public trust in governments, elections and public leadership that were noted earlier in this chapter. Tommasoli assesses various channels for popular participation –

including mass action and social movements, and the engagement of civil society organizations in policy making – and notes the advantages and defects of majoritarian democracy. He focuses on the options and instruments that governments and international organizations have to facilitate representative democracy, including capacity building, training for government reform, information sharing, providing country level assessments, election monitoring, professionalizing election administration, and civic education.

Gowher Rizvi delves more deeply into the concepts and approaches to reinventing government in Chapter 4. He provides insights into the evolution of the reinventing government movement and traces the transformation of the concepts of governance and their implications for the roles and functions of the State. Rizvi examines the elements of government reinvention that help public administrators to serve citizens more effectively: information and communications technology, deregulation, civil service reform, outsourcing of services, improved service delivery through performance assessment, and combating corruption. He notes that although many governments have been innovative not all new approaches to governance have always worked well, and that all have some limitations and shortcomings. He argues that ultimately, however, the objective of reinventing government should be to strengthen democratic governance and promote social justice.

The crucial importance of transparency in restoring the trust of citizens in their governments and in assuring that governments deliver services to citizens with integrity is highlighted by Jeremy Pope in Chapter 5. Pope explores the ethics, core values, and standards of public service, outlining principles for the behaviour of public officials and administrators in democratic governance. He examines codes of conduct and the means by which they can be enforced. Having codes of conduct is not enough, he contends; governments must adopt tools for implementation including open public procurement, declarations of assets, civil society monitoring and rules for political party financing. In addition citizens need access to information and the media must be able to report violations. Pope assesses the use of Anti-Corruption Commissions and civil law remedies in combating poverty, the role of the judiciary in promoting trust and transparency, and the importance of checks and balances among the executive, legislative, and judicial branches. He then examines other alternatives for increasing transparency and accountability of governments and public officials.

In Chapter 6, Jerzy Szeremeta and Richard Kerby focus on one means of increasing transparency in government and linking public administration to citizens that is being adopted more widely around the world. They point out the beneficial roles of e-government in helping public administrators to serve citizens and describe the United Nations' guidelines for developing e-government. Szeremeta and Kerby also describe barriers to implementing e-government programmes and some of the ways in which governments can overcome them.

Achieving accountable governance often requires both political and administrative reforms. In Chapter 7, Sabino Cassese and Mario Savino explore the types of reforms that can lead to more efficient and effective government and assess the challenges of reinventing government in Europe and specifically in Italy. They describe the legal and policy changes made in Italy to decentralize and privatize government, reform government organization, restructure the bureaucracy and the budgetary process and improve public services. All of these reforms aimed at “putting the citizen in the driver’s seat.” Few of them were enacted or implemented easily, however, and the goals of many have not yet been achieved. Cassese and Savino compare the attempts at reform in Italy with those in other European countries and draw lessons from the experience.

In many countries, civil society organizations (CSOs) are taking a stronger role in governance and in supplementing public administration’s capacity to deliver services to citizens. Aisha Ghaus-Pasha reviews the roles of CSOs in participatory and accountable governance in Chapter 8. Ghaus-Pasha examines the significance of the civil society sector in Asia, Africa, and Latin America, the concepts and definitions of civil society, and how CSOs create social capital. In many countries, however, achieving the Millennium Development Goals and other social and economic objectives through civil society organizations is inhibited by barriers. Ghaus-Pasha assesses the impediments to the growth of CSOs arising from authoritarian political control, religion, colonialism, low income and constrained social development, limited resources, legal treatment, and the development paradigm. Although the roles of CSOs in local economic and social development are well known, Ghaus-Pasha also highlights their potential as advocates of policy change and examines the strategies they use to attain their objectives.

One of the most important innovations in governance emerging over the past two decades has been the growing role of NGOs and CSOs in holding government accountable. In Chapter 9, Samuel Paul examines the ways in which collective action is now being used as an instrument of accountability. He discusses the means through which non-governmental organizations channel people’s voices to authorities and pressure for remedial action. Paul explores civil society initiatives for accountability through community management of local services, independent budget analysis and tracking, public hearings, public interest litigation, and the use of citizen report cards on services. He then expands on the policy implications of citizen involvement for Supreme Audit Institutions.

Promoting participatory decision making in democratic governance requires governments to create the means by which citizens can voice their concerns and needs and gain some control over the resources through which public services are provided. In many countries, this implies greater decentralization and local autonomy, as James Katorobo points out in Chapter 10. Katorobo reviews different forms of decentralization that governments can use to extend participation, including de-concentration to field offices, delegation to semi-

autonomous agencies, and devolution to subnational governments. He describes a framework conducive to democratic decentralization, noting the importance of political will, appropriate policies, effective legislation, and constitutional and institutional structures. He examines alternative approaches to redistributing functions and resources, and ways of enhancing the capacity of local governments for greater autonomy and strengthening channels for citizen participation. Katorobo then draws lessons from experience of government innovations in decentralized governance.

In Chapter 11, David Satterthwaite and his associates delve more deeply into participatory governance in cities, reinforcing Katorobo's and others' arguments for the importance of decentralization for participatory governance and meeting the needs of citizens living in urban areas. Satterthwaite and his colleagues review a variety of concepts of participatory governance and their underlying focus on local structures. They examine innovations in participatory governance, especially those focusing on organization of the urban poor and their partnerships with local governments. They draw lessons from experience with urban poor federations and the work of NGOs in participatory decision-making in cities.

Conclusion

As the foregoing descriptions clearly illustrate, governments around the world are experimenting with many innovative approaches to serving citizens more effectively. The 21st century began a new era of globalization, not only for economic trade and investment, but for technological, social and political interaction as well. Because of the necessity in an era of globalization for all nations to participate through open markets in international trade and investment, governments can no longer centrally plan and manage national economies or merely provide traditional public services. Global competitiveness will require governments in nations at all stages of economic development to strengthen market-supporting institutions and improve the capacity of public administration to serve citizens efficiently and effectively.

Yet, government cannot meet increasingly complex challenges and demands alone. Private businesses, private voluntary organizations and even informal sector enterprises are providing more of those goods and services for which user charges can be levied and from which private companies can derive a reasonable profit. Governments' roles are changing rapidly from controlling, directing and intervening in the economy to supporting and facilitating productive economic activities, providing adequate infrastructure and social overhead capital, creating and maintaining a competitive business climate, assuring fair market access, protecting the interests of workers and consumers, and providing for the health, safety and security of their citizens.

Experience suggests, however, that no single approach to government reinvention is suitable for all countries. Although they are an important form of government

reinvention, public-private partnerships, for example, are not panaceas for all of the ills confronting governments in providing services and infrastructure. Public-private partnerships that are carefully planned and implemented can help governments to improve the quality, reduce the price, and extend the coverage of services, and they can accelerate the construction of infrastructure and facilities that are crucial for economic development and social progress. PPPs and other forms of public-private cooperation can be valuable instruments for leveraging the resources of both the public and the private sectors and of enhancing the capabilities of national and local governments to achieve their development goals.

Those governments that reinvent their roles and functions through innovation can play a positive role in helping citizens and enterprises participate more effectively and share in the benefits of globalization. Governments that continually reinvent themselves through innovation and quality improvements can strengthen their relationships with their own citizens, the private sector, and organizations of civil society. National governments are taking a strong role in shaping the rules of global interaction so that all countries can benefit equitably from the opportunities and minimize the burdens of globalization. During the 21st century governments must be efficient, effective, participative, honest, transparent, professional, responsive, and collaborative if they are to achieve the goals of socially equitable economic growth and sustainable human development. Both rapid external economic and technological changes and growing internal demands from citizens for better services will make government reinvention an imperative of good governance in the future.

Chapter 2

LINKING GOVERNMENTS AND CITIZENS THROUGH DEMOCRATIC GOVERNANCE

G. Shabbir Cheema

Effective and efficient public administration, including public sector management, promotes and strengthens democracy and good governance. An effectively functioning civil service is essential in order to ensure that democratically elected leaders are able to protect the rights of citizens and mobilize resources through taxes and other sources in order to pay for police, judges, and the provision of services. A consolidated democracy requires the administrative capacity of the State to maintain law and order, and to promote and protect public goods such as the environment. Public confidence in the political system – and subsequently the political legitimacy of the government – is increased where the public service delivery system is effective, public officials are accessible to local citizens, and government agencies and departments work together in well-coordinated, complementary ways. Equally important is the “capacity to govern” – to make important policy choices, design and implement programmes and actions to achieve policy objectives, and anticipate emerging trends and challenges. However, public sector management capacity to perform the above and related tasks requires merit-based recruitment of qualified personnel, effective human resource development strategies, motivation and commitment of civil servants, and transparent processes for policy formulation, budgeting, and implementation.

Over the past few decades, improving public administration capacity has been one of the most critical issues facing developing economies.¹ With the rapid pace of globalization, the public sector is under even greater pressure to increase its capacity to deal with the new challenges and opportunities presented by globalization, such as new information and communication technologies, expansion of trade and investment, an increased focus on such public goods as the environment and human rights, and the proactive role of global institutions, such as the World Trade Organization, which affect development processes at the country level. For example, Transparency International (TI), a Berlin-based international NGO, has national chapters in about 70 countries that provide a forum for civil society, private sector, and government functionaries to interact with one another to create public awareness about corruption in the country.

The United Nations General Assembly has passed a resolution requesting Member States to design and implement strategies to combat corruption. The Organization for Economic Development and Cooperation (OECD) has approved

¹ Dennis A. Rondinelli and G. Shabbir Cheema (eds.), *Reinventing Government for the Twenty-First Century: State Capacity in a Globalizing Society*. Westport, Connecticut: Kumarian Press (2003).

an anti-corruption convention, endorsed by its member countries, making the bribery of public officials in developing countries by multinational corporations a criminal offence. The international business sector wants regulations that are conducive to investment and not state controls that stifle private sector initiatives. Each of the above and related actions that have emanated from the rapid pace of globalization have shifted the focus of the public sector from control to accountability and transparency in government actions – a trend that is likely to continue and expand.

Four Phases of Public Administration

Over the past 50 years, the concept of public administration has gone through four phases. Historically, public administration was perceived to be a set of state structures, institutions, and processes. It was characterized, among other features, by hierarchy, continuity, impartiality, standardization, legal-rational authority, and professionalism. It was expected to provide human security and protection of property, establish and enforce societal standards, and sustain the rule of law, among other functions. Yet, in practice, traditional public administration was severely criticized in the 1970s for red tape, slowness, paternalism vis-à-vis citizens, wasting resources, and a greater focus on processes and procedures rather than results.²

The second phase, Public Management, focused on the application of management principles, including efficiency in utilization of resources, effectiveness, customer orientation, reliance on market forces, and greater sensitivity to public needs. It called for expanding the role of the private sector and correspondingly, minimizing the size of the public sector and the domain of traditional public administration. It sought to use private sector principles in public sector organizations.

The third phase, New Public Management (NPM), continued the previous trends. It focused on outcome-oriented partnerships between the public and the private sector to provide services to citizens. Its main principles were: (1) flexibility to enable managers to cope with on-going changes in the national and global environment; (2) empowerment of citizens to promote more efficient, entrepreneurial, and results-oriented management including “steering rather than rowing;” (3) new responsibility mechanisms that go beyond compliance mechanisms to search for innovations and results over processes; (4) introducing business principles into public affairs, including out-sourcing and contracting out; (5) promoting professional ethics in the public sphere; and (6) performance management and budgeting.³

² United Nations Department of Economic and Social Affairs, *World Public Sector Report 2003: E-Government at the Crossroads*. New York: United Nations (2003).

³ United Nations Department of Economic and Social Affairs, *World Public Sector Report: Globalization and the State*. New York: United Nations (2001).

The fourth phase, governance, has been defined as a system of values, policies, and institutions by which a society manages its economic, social, and political affairs through interactions within and among the State, civil society and the private sector. It comprises the mechanisms and processes through which citizens and groups can articulate their interests, mediate their differences, and exercise their legal rights and obligations. It provides the rules, institutions, and practices that set limits and provide incentives for individuals, organizations and firms.⁴ Three actors are involved in governance: the State, which creates a conducive political and legal environment; the private sector, which generates jobs and income; and civil society, which facilitates social and political interaction. The essence of governance is to foster interaction among these three types of actors to promote people-centred development.

Although governance is one fabric, for the sake of analysis and entry points for action, it can be divided into three dimensions. Political governance means the range of processes through which a society reaches consensus and implements regulations, human rights, laws, and policies. Economic governance is the architecture for national and international economic activities, including processes to manage the production of goods and services and to marshal and protect natural, fiscal and human resources. Social governance is the set of norms, values, and beliefs that guide society's decisions and behaviours. Each dimension of governance affects and interacts with the other two dimensions.

Good governance refers to the question of how a society can organize itself to ensure equality of opportunity and equity (social and economic justice) for all citizens. Good governance is a value in itself, but it is also the most critical means for achieving the Millennium Development Goals – the eradication of extreme poverty and hunger, the achievement of universal primary education, the promotion of gender equality, the reduction of child mortality, the improvement of maternal health, the fight against HIV/AIDS and other diseases, and the promotion of environmental sustainability and a global partnership for development.

Despite significant differences in the focus of each of the aforementioned phases, public administration continues to be indispensable for performing core functions of the State, including maintenance of law and order, setting societal standards and goals, protecting society's vulnerable groups, and safeguarding the environment. What has changed is that public administration must respond to the new context in which it operates. Changes in this context bring about changes in its internal structures and functions.

⁴ United Nations Development Programme, *Governance for Sustainable Human Development: A UNDP Policy Paper*. New York: UNDP (1997).

Principles at the heart of good governance are participation, pluralism, subsidiarity, transparency, accountability, equity, access, partnership, and efficiency. The essence of public administration as a democratic institution is to use the principles of good (democratic) governance to design and structure state institutions, their internal processes and mechanisms, and their mission. Simply stated, it implies that public administration as a democratic institution has the following characteristics:

- It is accountable and transparent;
- It is decentralized;
- It is instrumental in ensuring fair and legitimate elections;
- It is based on a system of checks and balances between the executive branch and the parliament;
- It plays a central role in combating exclusion and protecting the rights of minorities and disadvantaged groups;
- It has adequate management capacity to enhance access to justice;
- It protects public goods;
- It provides a facilitating environment for the active engagement and role of civil society and the private sector;
- It utilizes the power of information and communication technology to promote citizens' access and participation in the development process;
- It promotes and strengthens partnerships of various types to achieve objectives.

Accountable and Transparent Public Administration

Accountability is the pillar of democracy and good governance that compels the State, the private sector, and civil society to focus on results, seek clear objectives, develop effective strategies, and monitor and report on performance. It implies holding individuals and organizations responsible for performance measured as objectively as possible. It has three dimensions. Financial accountability implies an obligation on the part of the person(s) handling resources, or holding public office or any other position of trust, to report on the intended and actual use of the resources. Political accountability means regular and open methods for sanctioning or rewarding those who hold positions of public trust through a system of checks and balances among the executive, legislative, and judicial branches. Administrative accountability implies systems of control internal to the government, including civil service standards and incentives, ethics codes, and administrative reviews.

Transparency promotes openness of the democratic process through reporting and feedback, clear processes and procedures, and the conduct and actions of those holding decision-making authority. It makes understandable information and clear standards accessible to citizens. Integrity completes the continuum of accountability and transparency since it is essential to the concept of professional ethics. It is synonymous with incorruptibility or honesty. It requires

that holders of public office do not place themselves under financial or other obligations to outside individuals or organizations that may influence them in the performance of their official duties.

Control orientation has been one of the characteristics of public sector management in many developing countries, especially during the early post-colonial period. In the process of enforcing national regulations and maintaining law and order, government officials often saw their role as guardians of the State. This control orientation was also triggered in many cases by the feudal structure of societies, with an overwhelming majority of the poor having limited education and little or no awareness of their rights. Globalization has been instrumental in changing that in several ways – through access to global media, a revolution in information technology, the global movement for transparency and accountability, and increased pressure from below for better access to government services.

The basic cause of corruption is monopoly and discretion without adequate accountability. This implies that the expanding role of government in development has placed bureaucracy in a monopolistic position and enhanced opportunities for unlimited administrative discretion. Corruption results from excessive regulation, increased bureaucratic discretion, and the lack of an adequate, accountable, and transparent system. The State intervenes in the economy to provide a framework for economic and social activities – protection of personal and property rights, provision of public goods not supplied by the market, redistribution of income, and the provision of opportunities for education, health, and employment. However, State intervention is also likely to expand the discretion of public officials to make decisions. It is the misuse of unchecked discretion that is one of the primary causes of corruption.

The causes of corruption are both economic and political. A study commissioned by the United Nations identifies five main causes.⁵ First, payments are made for goods and services that are available below the market price. Examples include producer goods being sold in China, both at the state subsidized prices and on the free market; setting the price of oil at an artificially low level in Nigeria; payoffs for getting credit in Russia and Eastern Europe; and South Africa's twin currency system as a source of payoffs. Conditions for corruption are rife when a service is scarce, so that only those with the ability to pay the highest price are able to obtain it.

Second, bribes can serve as incentive payments for government officials to undertake their tasks. Firms and individuals are willing to pay in order to avoid delays in cases where, for example, a government department does not pay its bill on time, or services such as telephone connections and driver's licenses are

⁵ United Nations Development Programme, *Governance for Sustainable Human Development: A UNDP Policy Paper*. New York: UNDP (1997).

delayed. When fees are required for even routine services, the system can gravely undermine the legitimacy of the State.

Third, bribes can help to reduce transaction costs for firms when governments impose regulations, levy taxes and enforce criminal laws because payoffs tend to reduce the “regulatory load.” When a state has many inefficient regulations and imposes high taxes on businesses, bribes to avoid regulations and taxes may raise the efficiency of a firm. Thus, to lower their costs, firms make an alliance with tax collectors or others charged with public regulation and enforcement and the benefits are divided between the firm or tax payer and the public official. While such practices result in savings for the firm, the revenue losses for the State are enormous and limit its ability to perform its tasks effectively.

Fourth, payments to obtain major contracts, concessions and privatization of state-owned enterprises are the main causes of “grand corruption,” which has a significant impact on government budgets. Illegal payments are made by a firm in order to ensure it will be included on the list of pre-qualified bidders, to gain inside information, to have bidding specifications structured in its favour, to win the contract, or simply to avoid quality controls. Examples of grand corruption are found in both developing and developed countries – allegations of up to \$7.1 million against senior ministers in Zimbabwe and a Swedish telecommunication company for the “circumvention” of local tender board procedures; allegation of bribes in an airplane deal between the Republic of Korea and several U.S. companies, with the national security advisor to former President Roh Tae Woo acknowledging receiving money from businesses involved in the contract. The privatization of state-owned enterprises increases opportunities for corruption in ways similar to those found in large-scale infrastructure projects.

Finally, the business climate is negatively affected where the judiciary is perceived to be corrupt and the legal and regulatory framework is not enforced. Businesses seek private arbitrators and use other mechanisms such as protection by organized crime to operate in a country.

Other causes of domestic corruption include loopholes in laws that define it, conflicts of interest on the part of those directly involved in decision making, inadequate funding for the civil service, and weak systems of government auditing and monitoring. Domestic corruption is also likely to increase where the press is not free to expose misuse of authority and public resources, where civil society organizations are not actively engaged in holding those in power accountable for their actions through advocacy and public awareness, and where political opposition is too weak to expose corrupt practices through the use of parliamentary and other forums.

When corruption is endemic, piecemeal reforms are not likely to make a difference. Partial solutions can offer some help to countries with strong and relatively clean government traditions. Other countries need more

comprehensive reforms. There are no quick fixes. Experience suggests several rules for successful reform: 6

- Create strong political will – a critical starting point for sustainable and effective anti-corruption programmes;
- Focus on prevention and improving systems by changing values, creating a culture of professionalism and training, providing adequate pay, and ensuring deterrence;
- Identify the government activities most prone to the problem of corruption and review both substantive law and administrative procedures;
- Enforce accountability mechanisms and learn from good practices and examples of others;
- Enact comprehensive anti-corruption legislation;
- Establish broad ownership of reforms, among other methods, by creating strong partnerships with civil society and the private sector;
- Make corruption “high risk” and “low profit.”

Examples of Good Practices in Combating Corruption

The Independent Commission Against Corruption in Hong Kong was empowered to investigate and prosecute corruption cases and to promote public education and awareness. The Commission received a large number of complaints from the public. Surveys showed its effectiveness, measured by the reduction in the level of corruption as a result of its activities. The Commission's success was due to the strong political will and long-term commitment of the government, the independence of the Commission, the resources at its disposal to pursue its investigation and prosecution of those involved in corrupt practices, public education programmes, and the active participation of an informed public.

The Corrupt Practices Investigation Bureau in Singapore had sufficient resources, highly qualified staff, a supportive legal framework, an independent judiciary, and a competent public administration system. The case of Singapore shows the significance of an independent commission in combating corruption. The government has undertaken several steps to reduce incentives for corruption including increasing wages of civil servants and improving their working conditions, rotating officials, and increasing supervision. However, in an authoritarian regime with weak rule of law, such a model could be used as an instrument to victimize political opponents.

The Directorate on Corruption and Economic Crime (DCEC) in Botswana can investigate and prosecute offenders, prepare strategies to combat corruption, and provide public education and training. With a high conviction rate and

6 This section builds on the work of Transparency International, especially *Transparency International Manual*. Berlin, Germany: TI (2000).

collection of fines in excess of its operating costs, DCEC is perceived in the region as a good practice of combating corruption in a democratic country. Many factors account for Botswana's success in combating corruption – the operational independence and prosecution powers of the Directorate, the focus on strong enforcement, financial independence, and viability. The country's achievement was also based on structural factors – a favourable political climate, state capacity to govern, effective civil service reforms, macroeconomic stability, a strong resource base, and the record-keeping capacity of the government.

The Integrity Pact (IP) in the Republic of Korea provides a mechanism to ensure that all bidders for a city's construction projects, technical services, and procurement are required to sign a pact to fight corruption. During the bidding stage, the IP is explained to bidders and only those who agree with the "Bidders' Oath to Fulfil the IP" are qualified to register their submissions. At the same time, a related government official submits the "Principal's Oath to the IP." During the contract's finalization and execution, both parties must sign a "Special Condition for Contract." Provisions are made to protect and reward those reporting inside corruption. Violators of the Pact are disqualified by the city from submitting bids or face termination of existing contracts. They are banned from bidding for other contracts for six months to two years.

The Philippine Center for Investigative Journalism (PCIJ) is an independent, non-profit media agency. It was founded on the belief that media play a crucial role in scrutinizing and strengthening democratic institutions and should thus be a catalyst for social debate and consensus for public welfare inasmuch as well-researched information communicated to citizens leads to informed public opinions and public decisions. The PCIJ aims to provide training for investigative reporting to full-time reporters, free-lance journalists, and academics. In addition to training, it uses information technology to optimize research and investigation as well as to systematize access to data. The success of the PCIJ is due to its recognized professional expertise and to its focus on capacity building and training. Its self-sustaining operations and high-quality outputs have attracted the attention of development partners nationally and regionally.

In Central and Eastern Europe (CEE), most observers see the continued promotion and strengthening of ethical standards in public administration as one of the most significant factors in ensuring mature democracies in the region. Recognizing this, regional governments give high priority to actions to promote accountability and transparency in the ways that decisions are made and programmes and projects are implemented and evaluated.⁷

7 NISPA CEE, *Public Policy in Central and Eastern Europe: Theories, Methods, and Practice*. Bratislava (2003).

Decentralized Public Administration

Decentralization – including political devolution, de-concentration, delegation, and transfer to non-governmental organizations – promotes public administration and good governance by providing an institutional framework to bring decision making closer to the people, and by building partnerships and synergies among actors and organizations at multi levels to achieve economic and human development goals. Over the years, policy makers, politicians, and practitioners in developing countries have supported decentralization policies and programmes, driven by a variety of internal and external factors. The scope of decentralization has ranged from de-concentration of some of the routine functions of government departments and ministries to their field offices to devolution of political authority and resources to local governments. The results of these efforts have been mixed. Yet, decentralization continues to be one of the predominant approaches to strengthening democracy, especially at the grass-roots level, as well as to improving service delivery.

Decentralization of authority and resources from the centre to subnational and local levels of government and administration must take place if public administration, with its core principles, is to be promoted as a democratic institution. Advocates of decentralization have provided a variety of reasons for political, financial, and administrative decentralization. In fact, decentralization can promote the effectiveness of public administration and good governance in several ways.

First, it provides an institutional framework through which groups and individuals at multi levels can organize themselves and participate in the decision-making process. It helps to develop democratic values and skills among citizens. Effective subnational and local political institutions serve as mechanisms through which the voices of groups and individuals are communicated to national political decision makers, which allows for greater representation of various political, religious, social, and ethnic groups. This enhances the active participation of local citizens and, consequently, the political legitimacy of the government and national integration.

Second, decentralization is seen as a more effective means to ensure the accountability of government officials and, consequently, improve the access of people to government-initiated services and facilities. More direct interaction between local residents and elected leaders promotes a culture of accountability. Where local government has sufficient political and financial authority and community-based groups are active, people have greater access to such services as primary health care, agricultural extension aid, education, and low-income housing. Proximity to a demand base for a service renders responses more effective and promotes a more rationalized use of resources. This proximity also allows for closer monitoring by the beneficiary population of projects intended to serve them. However, the way that decentralization affects service

delivery and access also depends on such programme design aspects as the extent of resources and responsibilities granted to local governments and their administrative capacity to carry out their assigned responsibilities.

Third, decentralization reduces red tape and rigid and uniform procedures of central governments, relying instead on the knowledge, expertise, and experience of local people. It strengthens the capacity of local governments and civil society organizations because they perform some functions that were previously undertaken by central governments. It facilitates the exchange of information about local needs. Close interaction and dialogue among groups and individuals about local priorities and concerns increases their “stake” in maintaining the political system and creates a culture of tolerance of different points of view – a necessary condition to consolidate democracy.

Fourth, decentralization promotes checks and balances between the centre and subnational/local units of government and administration – one of the key ingredients of effective public administration aimed at promoting people-centred development.

Finally, the transfer of authority and resources for the design and implementation of development programmes to local units of government and administration provides opportunities for more citizens to play a direct role in the development process. As catalysts for development and local change agents, citizens can make decisions about the location of services and determine local priorities. Decentralization facilitates the growth of civil society organizations and networks because it provides the greatest scope for the establishment of such groups around local issues that directly impact people’s lives. Decentralization can be both a means – to improve efficiency and effectiveness of public services – or an end in itself – to promote the values of pluralistic, participatory democracy.

Electoral Management Bodies and Public Administration

The role of Electoral Management Bodies (EMBs) is to organize elections. Depending upon the system, this can include revision of the voter lists, voter identification and the registration of new voters, dissemination and collection of voting materials, training of poll workers, voter and civic education, announcement of the results, and so on. The management of the electoral process influences the extent to which a country's voters accord legitimacy to their government. Case studies from Ghana, Indonesia and Mexico show the significance of EMBs in enhancing the legitimacy of elections as events, as well as of the electoral process.

EMBs come in a variety of models. They may be temporary or permanent bodies; partisan, partially partisan, or non-partisan bodies; centralized or decentralized bodies; a specialized judicial body or government ministry; or even a mixture of several of these types and thus not easily categorized. One thing fairly common

to every EMB is the requirement that it act as both an administrative and a supervisory body. However, one or both of these functions can be compromised depending upon the model concerned. For example, excessively large EMBs can be unwieldy and slow to make and implement decisions. EMBs dominated by political parties can wind up stalemated in partisan battles. And EMBs not fully independent of the government can find their actions subject to charges of manipulation and fraud. A growing consensus is emerging that an EMB needs to possess three qualities in order to fulfil its mandate in today's democracies. It must be independent, non partisan, and professional.

On the surface, temporary or quasi-governmental bodies might appear to be more cost-effective in the short term, but research has shown that permanent and independent EMBs are the most cost-effective ones. This is because such EMBs develop experience and expertise in basic planning and cost-effective techniques. Permanent, independent, and multi-party EMBs also tend to encourage greater credibility in the electoral process. Indeed, the perception of neutrality and impartiality is critical in order for EMBs to successfully function as institutions of governance.

A recent survey of electoral management bodies shows that elections are organized by independent election commissions in 53 per cent of democracies; the government under the supervision of an autonomous electoral authority in 27 per cent of democracies; and directly by the executive branch in 20 per cent of democracies.⁸ With the global trend towards democratization, many developing countries are creating permanent commissions that are independent of the executive branch, include representatives of various political parties, and are staffed by professional civil servants.

In most of the Latin American democracies and in some in Africa and Asia, the status of the electoral management bodies is included in the Constitution to ensure that the executive branch does not interfere in open and transparent electoral processes. The practice also shows that – despite differences between the common law systems of the Anglo-Saxon world and continental Europe – some degree of de-concentration of electoral administration is required to facilitate voter registration, voter education and related tasks.

There are regional variations concerning the types of institutions. In 86 per cent of the cases in North America and Western Europe, the government either runs the elections directly or under supervisory authority. In Latin America, 70 per cent of the countries have independent electoral commissions. In Asia and the Pacific, 63 per cent have independent electoral commissions and 30 per cent those that are government-run. In Africa, 53 per cent of the elections are run by

⁸ Rafael Lopez-Pintor, *Electoral Management Bodies as Institutions of Governance*. New York: United Nations Development Programme (2000).

independent electoral commissions and 39 per cent by the government under supervisory authority.

Executive and Parliament Relations

Parliamentarians interact with the executive branch in the process of performing their law-making, representation and oversight functions. Where the executive branch is dominant, usually through a political party, parliaments are not able to effectively check its abuses. On the other hand, a confrontational legislature leads to a breakdown of effective legislation and good governance. To promote their complementary roles, the executive branch needs to recognize the parliament as one of the pillars of democracy and the parliament needs to work on a bi-partisan basis to achieve societal goals.

The relationship between the executive and the legislative branches depends upon two models that demarcate functions between the two: the presidential system in which the chief executive is elected by the people, and members of the parliament are elected by different geographic or other units; and the parliamentary system, under which the executive is usually the head of the majority party in the parliament. The separation of powers is particularly important in the case of the presidential system because the executive usually has more power than the parliament in that system.

In practice, countries have followed different models based on country-specific situations. The 1996 Constitution of Guinea-Bissau, for example, combined the characteristics of the presidential and parliamentary systems, providing for both the president and the prime minister to be directly elected in a multi-party system. In Mozambique, the parliament has the power to approve, alter, or reject legislation submitted by the president. However, the government has encroached upon the parliamentary responsibilities because of the parliament's weak technical and human resource capacity. Furthermore, funding for parliamentary oversight of the economic and social plan and the state budget has largely been financed through external sources, which further limits the negotiation powers of the legislature.

The case of Chad also shows the same trend. Even though the 1996 Constitution emphasized decentralization to regions as a mechanism to reduce central executive power, the president and the prime minister, usually both from the same party, were in practice in a better position to take leadership in public policy and law making than was the new National Assembly, which lacked technical and human resource capacity to provide leadership.

Oversight Function

Oversight by the legislature aims to ensure that the executive branch is held accountable for its actions and the money it spends. To perform this function effectively, legislators need adequate constitutional authority, sufficient staff resources to scrutinize programmes, and the political will to force the executive to make changes in programmes.

The oversight function of the parliament is essential for checks and balances and the effective functioning of democracy. While in the presidential system the executive signs bills passed by the parliament – and thus acts as a check to the legislative branch – parliaments in developing countries find it difficult to check the activities of the executive office, usually because of the dominance of one party and the historical legacy of a weak legislative branch. Oversight powers and functions of an effective parliament include the ability to remove the executive, obtain required information from the executive, and control the budget. Also important is a committee system to monitor and assess the government's activities. However, parliaments in many developing countries are too weak to effectively exercise their powers of oversight.

Oversight of government income and expenditure policies – “the power of the purse” – is the primary tool for parliamentary oversight. It leads the executive branch to get parliament involved in general spending policy even before the formulation of the budget. To effectively provide oversight of government income and expenditure, parliament should have the power to approve the budget and review its implementation, access to advance information, the time and ability to analyse the budget, and mechanisms for parliamentary committees to hold public hearings.

Experience in the Arab region shows that the contribution of parliaments to the compilation, review, and approval of budgets is “minimal.” Because the budget presented to the parliament usually provides general principles instead of specific appropriations, government officials are in effect able to use extensive discretion.

Even though parliaments have the power to reject the budget, they rarely challenge the executive by exercising this power because of their fear that the parliament might be dissolved. Parliamentarians use several techniques to perform their often very limited oversight functions. These include requests for information, the question and answer period, the deliberation of parliamentary committees, general parliamentary debates and special investigation committees.

In developing countries, parliamentarians use several oversight instruments. MPs can put questions to the ministers about executive decisions and activities. This is a common practice in Bangladesh, Mali, Uganda, and Zambia. A motion

enables parliament to challenge or modify the government action. Although this method is used extensively in many countries, experience in Africa shows that parliamentarians lack adequate research capacity to support their arguments, and that in many cases this leads to the defeat of such motions. Another oversight instrument is the impeachment or censure of the president or ministers based on procedures specified in the Constitution. In the case of Uganda, for example, several ministers have been removed due to censure motions. Finally, parliamentarians can raise questions during debates on bills or departmental budgets.

Watchdog institutions responsible to parliament, such as the offices of the auditor-general and the ombudsman, human rights groups and parliamentary committees, play a central role in the system of checks and balances. The office of the auditor-general should be empowered by the Constitution to audit and supervise the proper utilization of funds authorized by parliament to different ministries and departments. However, in African countries, the auditor-general's office has inadequate funds and staff to effectively perform its tasks. Furthermore, in many cases, the executive branch tends to ignore the decisions of the legislature's public accounts committee.

While the report of the auditor-general is an important tool for the legislature to use in ensuring accountability and transparency, experience in developing countries shows that the effectiveness of this tool depends upon many factors: timely receipt of the independently-audited report of the government accounts; the presentation of extra-budgetary spending (such as for emergencies); the ability of the legislature to elicit the views of experts in public hearings; the role of the public accounts committee in the legislature; and the ability of the legislature to take actions to correct the misappropriation of funds.

Oversight of the executive by parliament is largely exercised through committees, which should include all political parties. Parliamentary committees usually have the power to investigate and question ministers and public officials, ask for relevant information, and summon public officials. They consider bills, amend and approve or reject them, review policies, and examine budgets.

Role of Public Administration in Exclusion, Rights of Minorities, and Inequalities

In democratic governance, competition for political power and access to power are based in principle on the number of persons supporting a party or individual. The contested issues are usually resolved through the principle of majoritarianism with the assumption that a minority group can be a part of the majority. The rights of minorities are particularly vulnerable where political parties, alliances, and subsequently, the outcome of political competition are based on ethnicity or regional affiliation. However, mistrust among the majority and minority ethnic groups makes such alliances difficult to sustain. Therefore,

the rule of the majority has to be reconciled with protection of the fundamental civil, political, socio-economic, and cultural rights of minorities. For this reason, inclusive democracies provide for the protection of minority groups through specific measures: granting regional autonomy to a minority group, thus making it a majority in its own region; creating a quota system for the composition of the parliament, local government bodies, and the executive branch of the government; and relying on various forms of power sharing and affirmative actions programmes.

Women's Rights

Women's rights are a key element of the rights-based approach to development. Although gender equality is recognized in the Universal Declaration of Human Rights, the world community only began to systematically take stock of it during the preparatory process of the First United Nations Conference on Women, held in Mexico City in 1979, which led to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), an international human rights instrument. This was followed by UN conferences on women held in Copenhagen, Nairobi, and Beijing. In the Beijing Plan of Action, the recommendations that dealt with "women in power and decision making" included the following: a timetable to eliminate all types of legal discrimination against women; the establishment of a framework to promote legal equality; initiation of specific measures to acquire a short-term threshold of 30 per cent for women in national decision making; and mobilization of national and international efforts to facilitate women's access to economic and political opportunities. The strategic objectives of the Beijing Platform of Action are to ensure equal access to and full participation of women in decision-making processes while increasing their capacity to participate in leadership and decision making.

Since the 1995 Beijing Conference, several trends in women's participation are discernible. In 1998, the world population of women in parliament was 12.7 per cent, with the highest percentage in the Nordic countries (36.7 per cent). This was followed by the Americas (15.5 per cent), Asia (13.4 per cent), Sub-Saharan Africa (11.6 per cent), the Pacific (8.3 per cent) and the Arab States (3.3 per cent). In 1996, the percentage of women in both ministerial and sub-ministerial positions ranged from zero per cent in 15 countries (eight of which were in the Arab region) to 30 per cent in Sweden and the Bahamas. Women's participation at the local level generally surpasses national trends. The number and level of women in decision making in the United Nations has increased both at the level of heads of UN agencies and at different levels of UN staff.

Even though many governments have adopted affirmative action policies to promote gender balance, the threshold of 30 per cent advocated by the *Human Development Report 1995*, issued by UNDP, remains remote, especially in the Arab region. Women are increasingly seizing opportunities for political

participation at the local level, which enables them to balance their political activities with their household responsibilities.

Some of the recent UN-sponsored case studies of women's participation in political processes to promote and protect their rights show progress being made at country and regional levels. The South African Women's Budget Initiative is an innovative mechanism that promotes gender equality through three components. The first, gender-specific expenditures, consists of funds allocated for programmes targeted along gender lines, such as the economic empowerment programme for unemployed women with children under five years of age, initiated by the South African Department of Welfare. The second component consists of expenditures that promote gender equity within public services—equal representation within management and decision-making positions in different occupations and under various conditions of service. The third component, mainstream expenditures, is the largest and the most difficult category because it requires serious consideration of gender concerns in making allocations. The initiative emanated from an alliance among parliamentarians, women in the civil service, and civil society organizations, which served as a “shadow” for incorporating gender concerns within the national budget. Budget analysis through this initiative is based on the assumption that budget follows policy and suggests a range of alternatives for budget allocations.

The Alliance for Gender and Politics: The Uganda Women's Caucus presents another case showing the need for women to play a proactive role in promoting and protecting their economic, social and political rights. The female members of the Constituent Assembly created a “women's caucus” and began to forge a series of strategic alliances that included representatives of youth, workers and disabled persons. The Caucus then took positions on issues of importance to each of these groups. It also organized a series of workshops with the support of the Ministry of Gender and Community Development and the U.S. Agency for International Development on issues such as campaign management, constituency building and parliamentary procedures. The Caucus forged working relationships with Ugandan Women Lawyers and other prominent NGOs and broadcast a weekly radio programme to discuss gender-related issues in the Constituent Assembly. The activities of the Caucus led to the promotion of gender concerns in many ways. For example, the Constitution explicitly stated the principles of equality among men and women and prohibited laws, traditions and customs that undermine the dignity and welfare of women. Due to strong lobbying by the Caucus, an Equal Opportunity Commission was established to ensure that the constitutional provisions on gender issues would be enforced. Women are now guaranteed about 14 per cent of seats in the parliament and about one third of all local council seats.

The Gender Violence Campaign in Latin America and the Caribbean is an example of a region-wide effort to respond to one of women's key human rights issues. In 1997, various UN entities joined forces to assist national and local-

level actors to combat gender violence and enforce public and private standards. The objective was to shift violence against women from a private to a public issue by encouraging governments and citizens' groups to expose the magnitude of this problem and the need for effective policy and programme responses. The campaign consisted of four components: (1) Media actions focused on increasing general awareness of the problem. In Brazil, for example, the slogan "A Life Free of Violence: It's our Right" is written on more than one million checks payable to the employees of the federal government every month. In Ecuador, the slogan is on a postage stamp. Media events included television documentaries and programmes on community and commercial radio stations. (2) The second component was to sensitize and motivate governments to formulate and implement new policies and programmes to prevent violence against women and girls. For example, the Venezuelan Parliament passed a Law on Violence Against Women and Family that included severe penalties against physical violence and sexual harassment. In Peru, heads of relevant departments signed an Inter-Ministerial Agreement on Violence against Women. (3) Training programmes were initiated to re-shape attitudes and practices of local security forces. In the Caribbean, for example, a police training manual was prepared and a "Protocol of Cooperation" between women's crisis centres and district level police was prepared. (4) Political alliances among civil society institutions, government agencies, training and research institutions and the private sector were forged to both enforce existing regulations and create increased awareness about this issue.

Management of the Judicial System and Access to Justice

Independence and impartiality of the judiciary is one of the central pillars of democracy and good governance – which in turn depend upon the effectiveness of institutional and organizational mechanisms and procedures for appointment, promotion and tenure of judges; processes of budgetary allocation and controls; and procedures for judicial administration.

Effective and efficient management of the judicial system requires increasing the judiciary's budget, improving its physical infrastructure and reforming judicial selection and career laws. Other measures to improve efficiency and effectiveness of the judiciary are training judges and other court personnel, strengthening Bar associations, curriculum reform in the universities, increasing the availability of legal materials for judges, and strengthening case management and other administrative tasks.

Judiciaries in many developing countries have outdated personnel practices, procedural requirements and equipment. Furthermore, judicial personnel perceive their professional roles and responsibilities differently from career government officials.

One of the important areas of judicial management, especially in Latin America, is alternative dispute resolution – usually through mediation and arbitration – to keep many cases out of the courts, ease the backlog, and reduce costs for the people involved. Revitalizing or reshaping the role of public prosecutors and public defenders is an important complementary element of most judicial reform programmes. This is especially important in post-conflict situations such as those in Bosnia, Rwanda and Somalia.

Civil society organizations play an important role in enhancing the efficiency and responsiveness of the judiciary, including those branches that work for the reform of public interest laws such as those involving political and civil rights, government transparency and environment; those seeking to help groups such as farmers and tenants through legal advocacy appeals to local government officials, judges and other authorities; and those CSOs whose explicit goal is to promote and advance judicial, police and other institutional reform. Other CSOs are involved in media training, teaching journalist about legal and judicial reform, and legal aid clinics, assisting the disadvantaged to gain access to justice.

In the Arab region, many changes over the years have led to improvements in the management and administration of courts. These have included the establishment of a professional judicial corps, identification of procedures to improve citizen access, improvement in the professionalism and integrity of judiciaries, salary increases for judges, improved training of judges, and the greater independence of judicial councils. However, serious problems still remain, such as inadequate administrative support for the courts, the continuation in some cases of exceptional courts, which negatively affects the establishment of a unified judicial system, overworked and underpaid clerks and other personnel, and tensions between the judiciary and the Ministry of Justice over budget and administrative support for the courts.

Role of Public Administration in Protecting Public Goods

Globalization has led to both opportunities and crises – the economic miracle in East Asia that was followed by financial turmoil and social costs; the end of the Cold War, followed by an increase in civil strife and conflict; prospects of healthy lives resulting from progress in medicine, followed by new diseases such as HIV and AIDS; and technological advances, followed by ecosystems overloaded with waste and pollution.

Many issues such as the environment – traditionally considered to be national issues – now require actions by more than one nation state. In cases of the environment and the protection of cultural heritage, for example, major strides have been made in policy development at the national and global levels, as well as in technical cooperation to respond to global environmental concerns, including the Montreal Protocol and the Global Environment Facility. The process of consensus building on global public goods requires the State to look beyond

its borders. Increasingly, government ministries and departments have international cooperation units and divisions to prepare national strategies as a part of global concerns.

The shift from inward-looking attitudes of public officials to the recognition of the interdependence of nation states in effectively dealing with public goods is one of the key outcomes of globalization. Over the past few years, the celebration of the 50th anniversary of the Declaration of Human Rights, the human rights initiative of the Secretary-General of the United Nations and the proactive role of national and international human rights institutions – both governmental and non-governmental – have been instrumental in building pressures at local as well as global levels to promote and protect civil and political rights of all individuals, especially marginalized groups, the poor and women.

The rapid pace of globalization requires governments to make decisions in a global environment of uncertainty, heterogeneity and high levels of complexity. Governments, therefore, need to possess requisite capacity in terms of institutions, knowledge, skills, and information flows within public administration structures and processes to cope with the challenges of globalization.

As the experience of the countries in Central and Eastern Europe shows, public administration plays a critical role in promoting public goods. To successfully do that, however, public administration needs to partner with and gain the support of the private sector and civil society organizations.

Matching the role of the State to its capability is essential to ensure effective and efficient use of public resources. It implies identification of what states do and how they do it. The World Bank in its 1997 *World Development Report* identified three types of state functions: “minimal;” “intermediate;” and “activist.” The report argues that countries with low state capability should focus first on the provision of “pure public goods” – macroeconomic stability, the provision of basic services such as safe water, control of infectious diseases, law and order, and property rights. The second category of functions includes “management of externalities (pollution control, for example), regulation of monopolies, and the provision of social insurance (pensions, unemployment benefits).” The “activist” functions include the State’s role in the promotion of markets through industrial and financial policy.

The administrative capacity of the State needs to be strengthened to cope with globalization. This may include strengthening the State’s capacity to manage change and its role as a “learning organization,” enhancing leadership skills and strategic planning capacities, the need for performance standards for management development, and the training of top-level managers to perform significant tasks on a supranational level. Competencies needed to cope with the challenges of globalization include a combination of knowledge, skills, behaviour and attitudes.

Expanding Roles of Civil Society and the Private Sector

Effective governance is the process of fostering interaction among actors from civil society, the private sector and the State. Traditionally, mistrust – and in many cases hostilities – between the public and the private sectors have constrained complementary actions on both sides. This had gradually, but significantly, affected the role of public administration and the way this role is performed.

Similarly, lack of trust and good will characterizes relationships between the State and civil society actors. Practices in developing countries show that each of these three actors have their strengths – the State in providing the economic and legal framework, the private sector in creating jobs that provide income to improve living conditions, and civil society in protecting rights of all citizens and facilitating their participation in civic life. Where they work together – as in the cases of Japan and the Republic of Korea – the capability of society to deal with its economic and social problems is enhanced. Of particular importance is the role of civil society, which is increasingly called upon to play an important part in ensuring proper accountability of the State and, in some cases, serving as an alternative channel for the provision of basic services, and defending the interests of the poor in national and global forums. At the national level, civil society has been recognized as a significant governance partner. Thus, there is added pressure to enhance its capacity for policy level interaction with state institutions.

Civil society will be increasingly called upon to play an important role to ensure proper accountability of the State and the private sector, defend the interest of the poor in national and global forums and facilitate the participation of people in decision making. At the global level, civil societies are playing an increasing role in strongly advocating global concerns, such as environmental protection, protection of human rights, gender equity, trade negotiations and debt relief.

As the main engine of economic growth, the private sector has increased responsibility for employment creation that brings high value added, greater income, and subsequently added state revenue that could be used for social spending. Opportunities for joint ventures with advanced countries promote new technology and knowledge in developing countries. One of the areas of close interaction between the State and the private sector is the need for the private sector to be more socially responsible as it improves productivity, and for the State to create an enabling environment – including policy, legal, and regulatory frameworks – that promotes competitiveness in the economy. State institutions are assuming added responsibility in the formulation of and adherence to new global rules, dealing with such matters as protecting public goods and enhancing the equity of exchange between firms from different countries.

European Union and OECD countries have been increasingly engaging civil society in the process of formulating policies and laws and monitoring and evaluating their impacts. In Central and Eastern Europe, many questions related to the enhanced role of civil society have been discussed – including the contribution of civil society to the policy-making process, strengths and pitfalls of civil society contributions, and its capacity and ability to interface with the private sector. Each topic has reflected the changing role of public administration.⁹

Impact of E-Participation on Public Administration

Internal and external relationships and processes of public administration around the world are being transformed with the rapidly increasing use of modern information and communication technology (ICT). E-Government is the government that “applies ICT to transform its internal and external relationships.”¹⁰ It strengthens the capacity of public administration to increase the supply of “public value;” i.e., what the people want. A meaningful e-government development adds value to the government operations because: (1) it empowers people and enhances their capabilities; (2) it equips people to effectively participate in the political and economic development process; and (3) it adds to the values of inclusive democracy.

There are three main forms of participation: (1) economic participation that provides people, including women, the disabled, and marginalized groups, with opportunities to use their capabilities and gain income to increase their choices; (2) political participation, which includes freedom of speech and association, guarantees of human rights, free and fair elections, a multi-party system, and the rule of law; and (3) social and cultural participation, which implies the rights of all people and their communities to shape their own social and cultural environment, including language, art, and music. These forms are complementary – progress in one can positively affect progress in the other. Public administration structures and processes provide anchors to facilitate each of the above forms of participation. Of particular importance are access to quality information, open channels for electronic communication, responsiveness of administrative structures and connectivity and networking among citizens.

A recent United Nations survey on “e-participation” was undertaken to review the following: the use of ICT to increase the supply of information that was useful in the process of consultation and for decision making (e-information); to enhance consultation (e-consultation); and to support decision making by facilitating people’s participation within the framework of government to citizen (G2C) and

9 United Nations Development Programme, *The Role of Think Tanks in Shaping Government Strategy: Experience from Central and Eastern Europe*. Bratislava (2003).

10 United Nations, Department of Economic and Social Affairs, *Citizens, Businesses, and Governments: Dialogue and Partnerships for Development and Democracy*. New York: Report of the Fourth Global Forum on Reinventing Government (2003).

citizen to government (C2G) interactions (e-decision making). The “E-Participation Index” thus focused not only on the willingness and ability of the State to provide reliable information and quality services but also to engage citizens, through the Internet, in dialogue and consultations in the process of public policy making and in service delivery.

The survey shows that only 14 per cent of the countries offered on-line consultation facilities, and that nine per cent allowed any citizen feedback on official policies and activities posted on the government website. As expected, income per capita had a correlation with e-participation initiatives, with the high-income countries above average in high quality and useful services for e-participation and low-income countries providing very few citizen-centric participatory services. Out of the top 20 countries in the E-Participation Index, only five were middle income countries and none were among the least developed countries.

Building Partnerships in Public Administration

Partnerships among the public sector, civil society organizations, and the private sector, and other forms of cooperation between local and national governments are instrumental in achieving the primary tasks of the State. Such partnerships are frequently used to develop and expand energy and utility networks and services, extend transportation systems, construct and operate water and waste treatment facilities, and provide such basic services as primary health care, education, and shelter. Specifically, governments and the private sector cooperate through a variety of mechanisms, which include contracts and concessions, build-operate-and-transfer arrangements, and public-private joint ventures. Interest in public-private sector cooperation has emerged for many reasons – insufficient resources at the disposal of national and local governments to extend services, public dissatisfaction with the quality and coverage of government-provided services, the ability of the private sector to furnish some services such as transportation and housing with greater efficiency, and pressures from international assistance organizations to mobilize private investments.

A recent UN report identifies five types of partnerships based on practices around the world – partnerships between the public and the private sector; between different levels of government dealing with effective planning, implementation, and evaluation of activities; between social groups, employees, and trade unions on the one hand and employers and their representative bodies on the other; partnerships between organizations and entities in different countries; and partnerships in relation to knowledge.

Fostering and promoting outcome-oriented partnerships requires fundamental shifts in government structures and processes as follows:

- Shift from the traditional form of hierarchy in government organizations to team-orientation;
- Shift from direct delivery of services to a catalytic and “steering” role and market-orientation;
- Shift from bureaucratic red tape to community empowerment;
- Shift from input to results orientation;
- Shift from centralized to decentralized and participatory modes of policy and programme design and implementation;
- Shift from secrecy in decision-making to administrative, financial and political accountability;
- Shift from bureaucratic paternalism to community empowerment and active engagement of civil society organizations.

Chapter 3

REPRESENTATIVE DEMOCRACY AND CAPACITY DEVELOPMENT FOR RESPONSIBLE POLITICS

Massimo Tommasoli

Definitions of democracy differ and evolve. Democracy goes beyond the rule of law and the protection of human rights; and it means more than good governance and the effective management of public resources.¹ Democracy is about the use of power and the management of conflict. It requires a set of political institutions and processes based on the principles of popular control over public decisions and decision makers, and equality of respect and voice between citizens in the exercise of that control. There are no blueprints since every country's political institutions and practices are shaped by its history, culture, social and economic factors.

Moreover, the quality of democracy will vary according to how well the institutions allow for these two principles to be given practical expression, which can be done through processes of participation, representation, accountability, transparency and responsiveness to the citizens. Such processes imply a culture of participation, in which pluralistic media, an active civil society, competing political parties and other mechanisms allow all citizens to acquire political voice. The International Institute for Democracy and Electoral Assistance (IDEA) has produced a methodology to enable local stakeholders and citizens to assess the quality of their democracy.² (Ratings given by outsiders are much less relevant.) The higher the rating given by its citizens, as long as it can be given freely, the more stable and sustainable the democracy and the more secure the human rights and good governance.

Making democracy work is an ongoing task, a continuing challenge for all countries that like to call themselves democratic. It is concerned with the conditions conducive to the emergence of democratic systems, their development and consolidation, their effectiveness and their sustainability. Democratization is not a linear process that moves from an authoritarian to a democratic regime. The process often stalls or regresses into lawlessness or violence. Democracies may remain fragile long after multiparty elections are established. Democracy cannot thrive without basic conditions of human security and a civic political culture that allows for the rule of law and protection of basic

¹ This paper draws on IDEA's experience in democracy building. It is presented in the context of its mission to produce high-quality and policy-relevant comparative knowledge on democracy promotion made available to, owned and used by key actors at local, national, regional and international levels, addressing the links between the consolidation of democratic institutions and the conditions for strengthening democratic processes.

² <http://www.idea.int/democracy/sod.cfm>

freedoms. A common sense of national sovereignty and citizenship, and of the nation itself, are also required, as is a supportive regional and international environment. Democracies may also be mismanaged, unable to maintain peace and security, or deliver public welfare and assist economic growth.

The task of making democracy work belongs to the countries themselves, their citizens, civil associations, social and economic forces, professional associations, and religious groups, as well as public bodies, political parties and institutions. The notion of local ownership of the process of reform and development follows from the logic of a democracy drawing its legitimacy from the support given to it by its citizens.

For significant political reforms and public policy decisions, there needs to be the space and time for knowledge to be shared, information circulated, opinion groups to form and debate, and to build consensus with key stakeholders. The quality of the dialogue and the inclusive nature of the decision-making processes will tend to condition the acceptability and effectiveness of the reforms in question. Building local capacity for dialogue as well as for institutional strengthening is thus one of the priorities in the work of IDEA.

The challenges of building sustainable democracy are still enormous, though better understood than a decade ago and increasingly in the public eye, thanks in part to media attention to the challenges of building democratic governments in Afghanistan and Iraq. There are no blueprints or objective truths about how to build and strengthen a democracy. There is, however, much useful experience that can be drawn upon to gain ideas about what may have worked well or not so well in other fairly comparable situations. There may be lessons learned in democracy and peace building, enforcing standards of integrity and transparency within political parties and institutions, designing institutional arrangements to enhance participation and governability, establishing good practices in political management, negotiating techniques and consensus-building processes, and so on. Such comparative knowledge and experience is more than ever in demand by local and national political reformers and at intergovernmental levels.

Challenges to Democracy

Democracy is now widely accepted as a goal and generally recognized for both its intrinsic merits and its instrumental values – as the only valid response to terrorism (though the perception of this validity could be undermined by the “democracy at the barrel of a gun” approach), as the key to conflict prevention and the goal for sustainable peace building, and as the only way to achieve responsive and accountable government and to build firm foundations to achieve Millennium Development Goals.

Despite significant steps towards democratization in the last two decades, however, problems of consolidation are evident. Too often, steps towards

democracy disappoint, bring few benefits in terms of more equality or better governance and leave the people disenchanted. The situation varies within and between continents. In several countries, semi-authoritarian regimes persist, manipulating electoral processes or otherwise allowing little space for opposition forces. Elsewhere, elections may produce a change of governing elite, but little change in levels of corruption or delivery on election promises. Electoral processes may be well managed in many countries, but voter registration may be biased and inadequate, and election systems may freeze out specific interests and ignite tensions. Political parties across the globe fail to inspire trust or respect, and in most countries appear unable to demonstrate a worthy role between elections.

The situation varies across and within continents. Africa, beset with problems of poverty, debt, HIV/Aids, armed conflict etc., has managed against great odds to move forward in many respects in the last year. Despite continuing imperfections in elections and chronic corruption, there appears to be a strong popular demand for more and better democracy. While there are still black spots, where despotic and aging leaders resist all pressures to move on, there is also progress in overcoming violent and difficult legacies of the past, with more stability in prospect in the Manu river area, the Great Lakes, and even Sudan. The slowly emerging new African Union has focused the minds of political elites on the business of responsible economic and political governance and a new sense of collective responsibility would seem to be developing.

In Latin America, the past few years have seen evidence of the fragility of several democracies on the sub-continent and, at the same time, a growing concern by political elites to tackle together some of the underlying causes of democratic weakness. The Andean region has been most affected, with confrontations in Bolivia and Venezuela, as well as in Ecuador and Peru. Popular discontent across the continent has reached worrying proportions, the most obvious cause being the lack of tangible socio-economic benefits for the vast mass of the population. With severe and rising poverty and the worst income distribution in the world, the public has lost confidence in the key institutions of democracy, particularly political parties and legislatures. Proportional representation combined with presidentialism, together with high levels of fragmentation in the party system, have often led to volatile political environments and divided governments. As political elites now identify and seek to act on the “crisis of governability,” they have begun to focus, for instance, on the problem of weak and non-transparent political parties, and on political representation and participation. These issues are taken up in international forums such as those of the Organization of American States (OAS), the Inter-American Development Bank (IADB), the Grupo de Rio, and the Parlatino.

Experience with democracy in Asia is not more positive, though there is a much greater diversity of situations than elsewhere. If parts of East and South East Asia seem to be consolidating democracy, the older democracies in South Asia

may appear blocked, with their highly stratified societies, desperately poor populations, hierarchical and class-based structures, kinship and personality-driven political forces, and criminalization as well as corruption in political life. Populist ethnic or religious nationalism remains a threat in several regions. The problem of money in politics affects all parts of Asia, yet the ordinary people appear to treasure and use their vote to topple non-performing governments. Indonesia has made major progress but has a struggle in trying to implement its ambitious reforms to decentralize and give more voice to the people. Myanmar (formerly called Burma) remains a challenge to the international community in its refusal to build pluralistic democratic institutions to replace rule by military Junta.

The challenges of building democracy in weak states have become more pronounced in some parts of the Pacific, especially in Melanesia. Where the State is able to play little or no role in the delivery of services and may even be unable to guarantee human security it is not valued by its citizens. Formal institutions at the national level can become little more than piggy banks for individual power holders, or at best, for the particular communities from which they spring. The real choice is often not among competing policy approaches but among the relative competence and honesty of different leaders in implementing basic development and service delivery – or among the abilities of different leaders to deliver for their own individual communities at the expense of others. The design of government structures that can deliver services at a sustainable cost to the national budget, the relationships between the centre and the community, and the relationships among what are too often counterpoised as “democratic” and “traditional” approaches to government are all not yet fully understood.

In the former communist world, there are all shades of progress towards sustainable democracy, from the successful transitions made by the Central European and Baltic states, to the more varied progress in the Balkans, the hopes for a fast pace of reform in Georgia and Ukraine, the very mixed picture in Russia, and varying degrees of autocracy in much of the Commonwealth of Independent States (CIS). Disenchantment with politics comes fast in much of the post communist world, where democracy is often associated with generalized corruption, social injustice and steep falls in living standards of large sections of the population. Women have often been among the losers, with very low levels of political representation.

Despite problems in building and sustaining democracy, in many parts of the world there seems to be increasing commitment by political elites, as well as pressure from civil society, to work at improving the functioning of democracy – to adapt institutions and electoral processes so as to give more voice to the underrepresented, strengthen the rule of law, improve transparency and limit the role of money in politics. The enormous challenges involved in rebuilding functioning states from above and outside, as in Afghanistan and more recently in Iraq, have absorbed much of the energy and resources of the international

community. But they have also alerted public opinion as never before to the complexities of building democracy – problems of security, legitimacy, local ownership, the interplay of cultural, religious and democratic values, and the importance of the “process” of decision making, as well as the design of political institutions and also the need for a long-term perspective. Democracy assistance is not necessarily adapted to support such processes.

Participatory development and democratic governance are increasingly recognized as key factors of an enabling environment for the achievement of the Millennium Development Goals. Democracy assistance in the broader context of development cooperation has thus become commonplace, though most frequently focused on the performance of public institutions (“governance”) and on anticorruption strategies, rather than on improving the mechanics of the political system itself. Local ownership is frequently emphasized as a principle of development cooperation but this tends to stop at dialogue with the beneficiary government and maybe a few NGOs. It is still rare that donors urge their partner governments to engage in full consultation with their parliaments on the political issues of development, though this could serve to strengthen the legitimacy of political processes in the newer democracies.

Trust in Representative Democracy and Citizens’ Participation

We will address the crisis of representative democracy and citizens’ participation from two complementary angles: (a) people’s perceptions; and (b) voter turnout. To analyse trust in political institutions we will make use of the data of the Global Barometer Surveys Network, a scholarly collaboration of social scientists that addresses the task of finding out what people are thinking and doing. The analysis of voter turnout will be based on the IDEA’s database and its experience in monitoring voter turnout global data.

The Issue of Trust

Trust, the process by which government policies are carried out through the cooperation of citizens with public officials, is of fundamental importance for governance. While implementing popular decisions is easy, leaders need the governance capital that trust provides in order to carry out unpopular decisions. If major political institutions are deemed trustworthy, citizens are more likely to cooperate with unpopular decisions necessary for the long-term benefit of a society. If institutions are distrusted, citizens may refuse to cooperate or ignore laws and regulations, and the effectiveness of government is thereby reduced.

During their term of office, political leaders often become unpopular because of their own behaviour or because of unsuccessful efforts to deal with such issues as the economy or rising crime. In a democratic system, a low level of popularity can lead to defeat at a general election and authoritarian leaders can be deposed

abruptly too. When leaders are unpopular, trust in political institutions provides a reservoir of political support. Furthermore, the rejection of an elected incumbent does not automatically lead to rejection of the institutions of democratic governance. Finally, while electoral demands for prosperity cannot guarantee an economic boom, a high level of popular trust can make governance work better by encouraging cooperation between governors and the governed.

Trust in political institutions is thus particularly appropriate to address through surveys of public opinion. Every Global Barometer survey includes a battery of questions about trust both in key representative institutions (parliament, political parties) and in key institutions that maintain the State's authority (the army, police and courts).³ Since interviews are conducted in more than three dozen languages, the exact wording of questions must vary among continents but the meaning is common. The replies show that on every continent, there are trusting and distrusting citizens. In societies in transformation, political institutions have not (or have not yet) secured the trust of a majority of citizens. The degree of trust and distrust differs across continents. In East Asia almost half the evaluations of five major political institutions register a lot of or some trust and in Africa more than two in five responses are positive. The situation is less favourable in the post-communist countries of Europe and in Latin America. Clear majorities register distrust in political institutions there. Yet the picture is not totally negative, for at least a fifth of responses in each of these continents express positive trust. In addition, 21 per cent are sceptical about political institutions, choosing the neutral midpoint between trust and distrust in the seven-point New European Barometer (NEB) scale.

In every country on every continent the degree of trust shown specific political institutions varies. These differences are evident within as well as between countries. Across continents the army, the institution with the least claim to be democratic, ranks first or second. This is true not only in post-communist countries and in Asia, where the army has usually remained politically neutral, but also in Africa and Latin America, where military rule has frequently occurred. Even in countries where the army has been in power and where the overall level of trust in institutions is low, such as Argentina and Nigeria, the army is nonetheless less distrusted than civilian institutions

Even though competitive elections are held in Global Barometer countries, representative institutions consistently rank lowest in trust. In nine of the 11 new countries in Europe, nine-tenths of citizens withhold trust from their political parties. Similarly, only 14 per cent of new Europeans express trust in their popularly elected parliament. Hungary is the only country in which as many as one-sixth express confidence in both parliament and parties. Although Latin

³ Global Barometer Surveys: www.globalbarometer.org. New Europe (2004/05): 11 countries; Latin American (2003): 17 countries; East Asia (2001-2002): 8 countries; Africa (2002-2003): 16 countries. Average is for five institutions.

Americans have not been subject to the intense pressure of Communist Party mobilization, they too distrust both parties and parliament. The "highest" (*sic*) level of trust in representative institutions is found in Brazil and Uruguay, yet only one in four trusts parliament there and one in six trusts parties.

What Explains Differences in Trust?

Just as free elections reveal differences of opinion about who should govern, so, in every country surveyed, there are major differences among citizens about trust in 10 political institutions. In the average Asian and African country, from two-fifths to half the people interviewed express trust in political institutions, while the other portion do not. Moreover, there are differences of degree in the extent of trust or distrust. The New Europe Barometer finds that one-fifth of post-communist citizens are neutral or sceptical about rather than actively trustful or distrustful of institutions and those expressing extreme distrust on the seven-point scale are outnumbered by those who are a little or somewhat distrusting.

Many theories are put forward to explain why people differ in their evaluation of major political institutions. These include social differences between young and old or between men and women; economic differences between those who see themselves or their country as better or worse off financially; perceived differences in political performance, such as the level of corruption in government; and cultural differences distinguishing Chinese from Japanese or Russians from Hungarians.

Contrasting theories about why people differ in trust have practical implications. Insofar as generational differences between young and old are the chief determinant, there is little that today's governors can do to prompt an increase in political trust. Only the gradual turnover of generations could alter the trust in political institutions. But insofar as economic conditions are influential, then governors can try to "buy" trust by promoting a rising standard of living. Insofar as political performance influences trust, governors can earn more trust by rooting out corruption in the political institutions for which they are responsible.

Before prescribing what needs to be done, we must determine which of the competing explanations of trust is best supported by the systematic statistical analysis of evidence. Many explanations of why individuals in countries as different as Chile, China or the Czech Republic trust or distrust political institutions are stated as universal propositions about the motivation of people everywhere, for example, "It's the economy, stupid." The multi-continental scope of Global Barometer Surveys provides evidence specially suited for testing the validity of such generalizations by pooling surveys from all countries in a continent to identify influences and comparing the results to ascertain similarities or differences among continents.

Since many citizens have limited knowledge of politics, this implies that political trust or distrust is not a reflection of specific characteristics of courts or of MPs but reflects a generalized attitude toward political institutions as a whole. Factor analysis statistics confirm that this is the case. Individuals have an underlying predisposition to be more or less trusting of all political institutions. Even though the level of trust may differ from one institution to another, an African who trusts the police is more inclined to trust parliament and a Latin American who distrusts the courts is more inclined to distrust political parties. Therefore, the answers that each individual gives about trust are combined into a single measure of trust – the average of their responses about trust in the army, police, courts, parliament and political parties.

Even though explanations of trust have different theoretical rationales, they are not mutually exclusive. Overall, what government does has the biggest impact on trust.

While the above point may seem obvious, it is often overlooked. Governors find it easier to blame the world economy or foreigners for citizens distrusting them than to accept that distrust is their own fault. Citizens who see the government treating people like themselves fairly and equally will have more trust in political institutions than those who think it is being unfair. Net of all other influences, on a four-point scale the effect of seeing government as very fair boosts trust by a third of a point, and the impact is consistent across continents. Those in the professional bureaucracy of an authoritarian regime can treat people fairly. However, an authoritarian regime is less likely to be trusted while citizens who see their government as democratic are likely to trust it. Thus, among citizens who see their government as both fair and democratic, trust is two-thirds of a point higher.

A government that abuses its authority has a large negative impact on trust. Corruption at the national level can lead to a waste of scarce resources and the conspicuous enrichment of a narrow political elite. At the local level, corruption can take the form of officials extracting money from poor people for doing what public officials ought to do anyway. Thus, the trust a government gains by being perceived as democratic will be lost if it is also perceived as corrupt. The negative impact reduces trust by more than two-thirds of a point if a person not only sees corruption as widespread but also views government as treating people like themselves unfairly.

Economic conditions exert a big impact on trust in political institutions too. The state of the national economy rather than individual circumstances is the feature of the economy that is important. If individuals view the national economy positively, then on a four-point scale their level of trust rises by more than one-third of a point. Whether or not its actions are a major cause of prosperity, the government gets the credit or the blame for the national economy. Many factors outside the control of government can produce a sense of economic progress, for

example, a boom in oil prices benefits the Russian economy whatever its governors do. Likewise, a fall in world commodity prices hurts African economies.

In established democracies, political interest and education are expected to encourage positive attitudes toward political involvement. However, in societies in transition this is only half true. Those who are interested in politics and identify with a political party are more likely to trust political institutions. But insofar as a government is untrustworthy, then the more you understand what is going on politically, the less you will trust it. Thus, in societies in transition educated citizens tend to be less trustful of political institutions. A greater knowledge of how a country ought to be governed makes educated people more aware of the gap between ideals, including those enshrined in their national Constitution, and how governors actually use and abuse political institutions. This implies that political involvement is less likely to reflect the civic virtues of an ideal democracy and more likely to be due to individuals calculating that having party ties and being in the know politically are useful ways to advance their material interests and career.

Many of the attitudes that increase trust are cumulative. People, who see their government treating people fairly, being democratic and associated with economic success are, net of all other influences, likely to be a full point higher in trust in political institutions than citizens who view their country negatively on all three counts. But in some instances influences tend to push in opposite directions. If people view the economy as successful but regard their government as corrupt, then corruption cancels out the gain in trust generated by economic success.

Implications for Governance

The Global Barometer Surveys' diagnosis of the causes of distrust also highlights ways in which governors could act to increase trust. Since many of the causes of distrust are due to actions of governors, prescriptions for change are within their responsibility. The priority for increasing trust in political institutions is a change in the behaviour of government officials.

Promoting the rule of law and bureaucratic fairness is the single biggest step that governors could take to increase trust. The more individuals perceive their government as corrupt and unfair, the less likely they are to trust its institutions. Even though public officials may argue that corrupt practices are traditional, that does not make them any more acceptable to ordinary citizens who are vulnerable to exploitation by unfair officials. Transparency International not only assesses the extent to which national political systems are corrupt; it also prescribes steps that can be taken to reduce corruption (www.transparency.org). In addition to abstaining from corruption, officials in societies in transformation need more incentives and training to be bureaucrats, that is, public officials who exercise their powers impersonally and fairly according to the rules.

Improving democratic practices will also increase trust. While the great majority of countries covered in Barometer surveys hold elections, this is not sufficient to make government trustworthy. Where free elections are held, if political parties are led by cliques that blatantly ignore public opinion, few people will want to identify with a political party. While an elected government can claim legitimacy, if it wins because it is seen as the lesser evil and politicians use their offices to enrich themselves, this will breed distrust. In new democracies the *sine qua non* for trustworthy government is that elected representatives should be accountable to the courts. If this does not happen, laws on campaign finance and civil society generally will not be enforced and representative institutions may be viewed with suspicion.

Where government is associated with economic growth, there is more trust in political institutions, because growth implies governmental effectiveness. In a single term of office the government of a developing country cannot deliver a high standard of living, but it can achieve economic growth. This not only encourages citizens to be more optimistic about the future but also to be more trusting of political institutions here and now. The bad news for distrusted governors is also the good news for political reformers.

Political distrust is not due to shortcomings of individuals, such as a lack of education, or to a national political culture. High levels of political distrust reflect low levels of political and economic performance by governors. Many of the measures required to increase political trust are within the hands of governors: improving adherence to the rule of law and reducing high-level and low-level corruption; making officials conform to bureaucratic principles of fairness in treating citizens; improving the responsiveness of central democratic institutions such as parties and parliament; and promoting economic growth. In short, good government makes for trust and bad government makes for distrust.

Popular Participation, Democracy and Conflict Management

The revolutions in Serbia in 2000, in Georgia in 2003-2004, and in Ukraine in November 2004 raised anew the role of large-scale demonstrations – an outpouring of public participation – in the process of transition to democracy. Many analysts of democratization have observed the role of a “popular upsurge” as a key turning point in the process of ending authoritarian rule. Can mass protests demanding an incumbent’s ouster, together with new accountability, be the basis for launching and sustaining a democracy? In recent years, crowds on the streets in Hong Kong, Lebanon, Togo or Venezuela raise questions about the immediate and long-term impact that such mass public gatherings can have in demanding democracy. Sometimes, as in Georgia, Serbia and Ukraine, they produce regime change; in other places, such as Hong Kong or Venezuela, they fizzle out without producing change; in yet other places, such as Tiannamen

Square in China in 1989, pro-democracy gatherings are crushed by the State as threats to national security.

At the same time, mass public action is not always pro-democracy and, rightly, questions are raised about the limits of direct participation by the masses in achieving long-term democratization or conflict management. Clearly mass outpourings have been pivotal moments in recent democratization processes, but at other times there is danger of conflict in such public confrontations. From mob justice to deadly ethnic riots to genocidal fratricide, there is every possibility that mass public action will not advance democracy but will instead inflame deep and dangerous social conflicts that provide the potential for mass action to turn into mass violence. When is mass, direct, public involvement “true” democracy, salutary to democratization and to conflict management, and when it is a dangerous form of potential social conflict?

There are no easy answers to this question. But the very fact that there are limits to and ambiguities about what constitutes healthy popular participation in politics does not undermine an essential premise of democratic practice: the right and benefits of direct involvement of citizens in public affairs. In extraordinary times, such involvement may take the form of mass public protests like those that bring down dictators. But more regularly and frequently, democratic popular participation is seen in a wide variety of public policy arenas, in civil society organizations, and through community-level action. Public participation in this sense is not only a critical part of democracy – because such participation can yield social capital, or trust among citizens – but also an essential element in conflict management initiatives. Through participation, mechanisms can deepen a peace process by incorporating a wider array of interests and individuals at various levels, from constitution-making exercises to community-level conciliation.

This section considers the theme of democratic public participation for conflict management. It begins with an evaluation of the conditions under which mass action is salutary for democracy and conflict management, and when it is injurious to democratic values and conflict-inducing. It explores successful public participation through civil society and issues of public policy (the official approaches of the State to addressing social issues). What principles, guidelines, and mechanisms for popular participation contribute to the twin goals of democracy building and conflict management?

Mass Action as Public Participation: Panacea or Perilous?

Today there is widespread interest in the phenomenon of mass social movements in terms of their potential contribution to democracy, and the role of mass action in conflict settings. In the last four decades especially, there has been a widespread explosion of direct popular activism in Asia, Africa, Latin America, Europe, and more recently in the former Soviet states. As suggested

above, there is no simple formula for when popular uprisings are helpful in promoting democracy or in pursuing conflict, and when they are potentially detrimental to these goals. Generally, such action is rightly seen as a sign of broad popular engagement in democracy. In Serbia, the *Otpor!* (Serbian for “resistance”) movement grew from a student-led anti-government group into a social movement that included local-level authorities, farmers, and trade unionists. Eventually, by marching on Belgrade, they brought down the government of Slobodan Milosevic, a person widely seen as shouldering special responsibility for the Balkan wars of the 1990s and some of the crimes against humanity in which they resulted.

Otpor!, like many social movements before it, was celebrated because of its non-violent approach to resisting against the State. From the organization of Solidarity in Poland in 1980 at the Gdansk shipyard, to “People Power” in the Philippines in 1986, social movements demanding democracy have been critical to democratization in recent years.

Social Movements and Democratization

Likewise, the Rose Revolution in Georgia and the Orange Revolution in Ukraine have been more recently celebrated by democracy observers as a new form of public bravery in opposition to the first wave of post-Soviet leaders in the newly independent states of the former U.S.S.R.; they have taken a stand against corruption and the usurpation of power, against electoral fraud, and against governments that have lead to the creation of “new oligarchs” whose rapid accumulation of wealth was unimaginable just a few years ago. Some, such as Freedom House analyst Adrian Karatnycky, see the Orange revolution as evidence of new “winds of change” blowing across the former Soviet space; the popular revolt, he asserts, is both indicative of a new demand for democracy in formerly socialist countries and a “seismic” shift of geopolitics away from Russian and toward the West.⁴ Protestors, wearing distinctive orange scarves and waving orange flags, camped for weeks in Kiev’s Independence Square demanding the affirmation of now-President Victor Yushchenko’s win at the ballot box in second-round presidential elections held in late December, 2004. Eventually they prevailed. Observers around the world heralded the mass action as a triumph of 21st century democracy.

The phenomenon of social movements has been critical in the evolution of democracy, and these movements are widely seen as moments in time – sometimes lasting years, while other times fleetingly brief – in which people turn to the streets to exercise their democratic right of direct participation. From the Civil Rights struggle in the United States in the mid-1960s, which brought new laws preventing racial discrimination, to the anti-nuclear protests of the 1980s in Europe, to anti-apartheid mass action that finally brought down apartheid in

⁴ See Adrian Karatnycky, “Ukraine’s Orange Revolution,” *Foreign Affairs*. (March/April 2005).

South Africa in the late 1980s, to the gay and lesbian rights protests of the 1990s and the anti-globalization protests of today, social movements arise to press demands for political change. Is this democracy? Clearly public participation is in some basic sense democratic, such that there are guides to social organization that are simply described as “Doing Democracy.”⁵

The causes of human rights and environmental protection, especially, have been advanced in recent years by direct social action by broad social movements, sometimes to pressure the State and sometimes in direct opposition to state politics. In sum, modern social movements are often aimed at challenging the dominant paradigms in society, and are in opposition to particular leaders, regimes or policies. Charles Tilly, the eminent sociologist, observes that “Significant changes in social movements are, indeed, occurring in the 21st century. As compared with the 20th century, internationally organized networks of activists, international nongovernmental organizations and internationally visible targets such as multinational corporations and international financial institutions all figure more prominently in recent social movements, especially in richer and better connected parts of the world.”⁶

The causes of recent social movements are as widely debated as many of their effects. Some see the rise of such movements in modern frustrations that have led to a reawakening of cultural and ethnic identities (particularly after the decline of ideologies such as communism). Others see the role of mass communications: both broadcast communications, which allow for mass mobilization, and more recently, the Internet, which gives opportunities for easier mobilization and coordination of groups across borders. There is also an apparent diffusion of tactics and methods of organization in contemporary social movements and, since Mahatma Gandhi and Martin Luther King, Jr., a general commitment to non-violent forms of protest and, at times, civil disobedience. Struggles of indigenous groups against centuries of oppression, poverty and deprivation, or other groups demanding social justice, political equality, or democratic elections are part and parcel of today’s political landscape.⁷ It is fundamentally clear that mass social movements are redefining concepts of direct participation in modern democracy.

5 Moyer, Bill, McCallister, JoAnn, Finlay, Mary Lou, and Soifer, Steve, *Doing Democracy: The MAP Model for Organizing Social Movements*. Gabriola Island, BC, Canada: New Society Publishers (2001).

6 Charles Tilly, “Social Movements Enter the Twenty-first Century,” Conference on Contentious Politics and Economic Opportunity Structure. University of Crete. (October 2003): 3

7 These topics are investigated more fully in Guigni, Marco; McAdam, Doug; and Tilly, Charles, *How Social Movements Matter*. Minneapolis: University of Minnesota Press (1999).

Social Movements as Mass Action: Is There a Dark Side?

The romantic view of social movements demanding accountability, pursuing rights and improving governance is a generally accepted one. At the same time, there is real appreciation that “people in the streets” is a form of social conflict and contentious politics, and that such conflict and contention can go beyond “constructive” protest leading to positive outcomes (such as ending racial discrimination) and cause “destructive” conflict. For example, an outpouring of nationalism or ethnic particularism by a social group can be constructive – pursuing group or collective rights – but it can also induce fears in the State (especially the police), minorities or other groups, leading them to pursue a violent response. Is there a dark side to social movements that act as stimulants of conflict?

Some have seen such a dark side in many instances of mass action. That is, mass direct participation can sometimes go hideously awry, leading to destructive violent conflict. A common manifestation of this problem is overreaction to public outpourings by fearful or belligerent authorities unwilling to accept a challenge by protest groups, or because of a misperception of what is happening on the ground. The January 30, 1972 “Bloody Sunday” incident in Northern Ireland – the spark that set off 27 years of “Troubles” – is such an example; inexperienced British troops, sent to the province to bolster local police forces, fired on allegedly unarmed protestors.⁸ The scenario of overreaction to social protests by state authorities is one that has been seen time and again. Indeed, in recent years most contemporary internal conflicts have been precipitated by an event similar to the Bloody Sunday outbreak, with clashes between protestors and police or the military acting as a further catalyst for civil war.

Another concern about social movements is their potential to become what has been identified as another common type of destructive conflict: the deadly ethnic riot. That is, many divided societies around the world have seen a type of social violence in which public demonstration is met by counter demonstration, or when the masses are incited to violence against enemies, real or perceived. In a landmark study, scholar Donald Horowitz has described a deadly ethnic riot in stark terms that relate mass action and social movements to the underlying causes of conflict.

A deadly ethnic riot is an intense, sudden, though not necessarily wholly unplanned, lethal attack by civilian members of one ethnic group on civilian members of another ethnic group, the victims chosen because of their group membership. So conceived, ethnic riots are synonymous with what are variously called “communal,” “racial,” “religious,” “linguistic,” or “tribal” disturbances. Not

⁸ For full analysis of this event, see the CAIN project at the Institute for Conflict Resolution and Ethnicity (INCORE) at <http://cain.ulst.ac.uk/events/bsunday/index.html>.

surprisingly, therefore, riots are a frequent forerunner of secessionist warfare, of terrorism, and of several major forms of political change, including coups, martial law, and suspension of democratic liberties.⁹

Horowitz notes, critically, the importance of mass participation: "... while there are those who organize for violence through mobilization of supporters and through espousing an understandable 'code' of rhetoric to justify violence, mass participation is an essential element of such episodes that link outbreaks of violence to the deep origins of conflict in society. Organization without deep social sentiment of enmity won't be successful. At the very far end of fears about mass violence in such conditions is genocide, such as that which engulfed Rwanda in April-June of 1994: in 100 days, some 800,000 lost their lives. One of the most disturbing findings of the causes and dynamics of the genocide was the mass participation in killing that took place."¹⁰

Civil Society, Peacemaking and Public Policy

The findings on social movements above – that they generally contribute to democracy but that romanticism about them must be limited by severe caveats about the ways in which direct public participation can go horribly wrong – suggest that for sustainable democracy other forms of direct public participation are required.

In this respect, the potential role of electoral instruments of direct democracy should be noted – like referendums, citizens' initiatives and recall votes. These are becoming more common, and imply a sort of irreversible effect: once introduced into the political system, it is almost impossible to abolish them because "taking away the people's right to decide" is a very powerful argument to overcome. And when neighbouring countries use instruments of electoral direct democracy, it can be easy to mobilize them too.

Today, civil society is often simply defined as "nongovernmental organizations," or happily stated as "NGOs." But the term "NGO" implies a very imprecise understanding of civil society. Everyone seems to appreciate that a purely charitable organization is an NGO, but what of the private sector, or religious organizations, or even organized criminal groups? A clearer understanding is needed of NGOs and the "civil society."

9 Donald Horowitz, *The Deadly Ethnic Riot*. Berkeley and Los Angeles: University of California Press (2001): 1, 12.

10 For a summary evaluation of the perpetrators in the Rwandan genocide, see Chapter 5 of "The International Response to Conflict and Genocide: Lessons from the Rwandan Experience." Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda; available at the *Journal of Humanitarian Assistance*, posted 14 April 1996, <http://www.reliefweb.int/library/nordic/book1/pb020.html>.

Much has been written on the critical connections among civil society, states, and democracy from a variety of ideological perspectives: pluralistic democracy sees civil society as a critical component of interest representation and aggregation, emanating from a market economy, while Marxism views civil society as inherently constrained under capitalist modes of production.¹¹ In more recent analysis, civil society is seen as essential to creating the social capital necessary for a state to be “strong” – that is to be able to govern effectively and produce public goods such as essential services like education and health care. A strong civil society creates a strong state in which people trust in government and are more likely to comply with laws even if they don’t agree with them or if their direct interests are not served by a particular policy. Student movements, churches, professional associations, women’s groups, trade unions, trade associations, civic organizations, and the like give voice and opportunity for direct public participation through citizens and civil society leaders.

The arguments about civil society and democracy are complicated in societies prone to or emerging from violent conflict. In divided societies such as these, civil society often reflects the underlying divisions between groups rather than serving as a conciliatory factor in promoting democracy and peace. Indeed, religious leaders are often key actors in providing justification for violence. Scholar David Little observes that modern religious nationalism’s contribution to conflict, and to peace, is found in the interpretation of key tenets by religious leaders in terms of justifying inclusion and tolerance as well as exclusion and conflict.¹² Religion can be interpreted to provide injunction to conflict, and to peace.

The problem of “parallel” civil societies in countries torn by conflict has been seen as a contributor to strife. While civil society is often (rightly) associated with contributing to peace, separate civil societies may compete for legitimacy. For example, while religious leaders are often seen as key players and social peacemakers in civil society, at times, in divided societies, these leaders have not served as social unifiers. Indeed, through their interpretation of religious canons they have exacerbated conflict by articulating a basis in religion for extreme, narrow nationalism in a multicultural society, leading to social discrimination or intolerance.

If parallel or separate civil societies contribute to social tensions, then it follows that an integrated civil society contributes to peacemaking. In diverse, multicultural societies organizations that cross-cut lines of identity, such as interfaith organizations, are best positioned to contribute to peace through

11 For an overview, see Adam Przeworski, *Democracy and the Market*. Cambridge: Cambridge University Press (1991).

12 David Little, “Religious Nationalism and Human Rights,” in Gerard F. Powers, Drew Christiansen, SJ, and Robert Hennemeyer (eds.), *Peacemaking: Moral and Policy Challenges for a New World*. Washington, DC: U.S. Catholic Conference (1994): 84-95.

democratic participation. Ashutosh Varshney, for instance, demonstrates that Indian neighbourhood peace committees, consisting of Hindus and Muslims, played an important role in preventing ethnic tension from turning into violence. These committees “policed neighbourhoods, killed rumours, provided information to the local administration, and facilitated communication between communities in times of tension.”¹³ Finally, civic groups are important agents of socialization. If organized across ethnic borders, they promote norms and values of ethnic tolerance and cooperation. And a tolerant culture is arguably the best guarantor for a durable peace among ethnic groups.

Research on conflict management has come up with two important findings: first, a dense network of formal associations and informal institutions connecting various social groups strengthens societies by providing an over-arching national identity that is inclusive, not exclusive. For example, if citizens can identify not only as Serbs, Pashtuns, Kurds, Abkhazs, or Hutus but also as union workers, parents, and members of certain neighbourhoods, interests and grievances are not exclusively identified with and expressed through one’s ethnic community. Social struggles might then be fought not for one’s ethnic group but for all members of a particular socio-economic group irrespective of their identity in ethnic, racial, or religious terms. In short, by cross-cutting societal polarization, institutionalized cooperation among communal groups mitigates conflict. A second aspect of deepening moderation is the existence of cooperative links among elites and representatives of multiethnic organizations.

Civil Society and Public Policy

One of the most critical questions regarding mass or direct participation in democracy through civil society is how such activity affects the policies of states. Public policies are especially important in states prone to or recovering from violent conflict because it has been seen that state policies can either work to exacerbate social tensions or to ameliorate them. Among the broad themes of public policy that are of critical importance in such divided societies are instruments to promote, monitor, and protect human rights, specific policies such as those that relate to language use, various levels of policy making, such as managing culturally diverse cities, and processes for making public decisions, such as consensus-based policy making.

Grievance over diversity issues such as religious, cultural, or language rights is a common and sometimes pivotal driver of conflict in deeply divided societies. With regard to language, for example, a debate rages over whether the State should encourage assimilation through the adoption of a single official language, or whether “language pluralism” is preferable. Similar debates occur over whether a democratic system necessarily demands a pluralistic approach or whether

¹³ Ashutosh Varshney, *Ethnic Conflict and Civic Life: Hindus and Muslims in India*. New Haven: Yale University Press (2002).

diversity is best accommodated by fostering unity.¹⁴ The study concludes that “In a democratic nation, every group has an equal right to speak out and to associate. But there should be a constitutional guarantee that the foundations of the nation will not be modified by anyone or any one group in power.”

Democratic Practice

Democratic practice refers to both formal and informal institutional arrangements for collective decision making and a wide variety of deliberative decision-making processes that incorporate core values of democracy in efforts to build and sustain peace. The concept includes both traditionally conceived institutional arrangements of power sharing and process options aimed at creating and strengthening democratic values and behaviour and promoting positive outcomes related to human development and human security. In the 21st century, democracy must be able to relate the values of human rights and participation to meeting the challenges of poverty, inequality, and the peaceful management of complex social relations.

The practice of democracy has become a universally accepted value, even in societies where social tensions limit its possibilities, where war and political violence make democracy difficult, where there are tough policy choices on balancing security and freedoms, and where the socio-economic conditions for the rapid introduction of democracy are not conducive to its quick consolidation. Arguing for the universality of democracy in practice when circumstances are unfavourable for its success is a marked change from contending that democracy must wait until certain favourable “preconditions” are achieved.¹⁵

The universality of democracy applies even in deeply divided societies, including war-torn “failed states” in which state capacities are destroyed, civil society is weakened, and political violence and manipulation are paths of least resistance to securing territory and power. In internationally managed transitions in such failed-state environments (such as those in which the United Nations has exercised trusteeship-type authority), tight control over politics by the UN during a transitional period has been aimed at building democratic institutions to eventually allow for direct public participation in governance.

The end goal of transitional administrations in war-torn or failed states has invariably been the creation of new institutions and frameworks that are

¹⁴ John Paul Lederach, *Building Peace: Sustainable Reconciliation in Divided Societies*. Washington, DC: United States Institute of Peace Press (1997): 45.

¹⁵ See Amartya Sen, “Democracy as a Universal Value,” *Journal of Democracy* 10 (3) (1999): 4; and Sen, A., *Development as Freedom*, Chapter 6, “The Importance of Democracy.” New York: Anchor Books (1999): 149-159

independently democratic, capable, and autonomous.¹⁶ Democratization is the basic approach to promoting peace in divided societies. A central tenet of the democratic practice concept is that political institutions and processes, to successfully contribute to peace, must advance the most basic aims of governance: human development and human security. That is, to have value in a deeply divided society, democratic practice as a concept needs to go beyond a simple procedural notion of democracy. It must acknowledge and address head on the need to deliver on essential developmental and security imperatives. Two essential arguments underlie the need to articulate more fully the possibilities of democratic practice contributing to peace.

First, for democracy to flourish over time it should not be introduced or imposed by fundamentally undemocratic means. Second, progress toward democracy can be enhanced in myriad ways in divided societies, even when national or transitional processes limit the functioning of a fully fledged, complete system of democracy at all levels. Through transitional processes, at local levels, in interim ways, or through dialogue processes, practices based on the fundamental values of democracy can lay the foundation for a more extensive, meaningful and stable system to emerge over time.

Democracy and the Principle of Majority Rule

The association of democracy with competition and conflict is intrinsic to its common definition. From ancient theorists to present analysts and politicians, democracy has traditionally been defined as the realization in practice of two essential principles – participation of citizens, at the ballot box and through direct involvement in social life; and competition of candidates for votes in elections, with those elected serving as representatives of the people in decision-making institutions. Ideal forms of democracy maximize these two principles in practice simultaneously, such that high levels of participation and high levels of competition yield the most democratic polities, or what the eminent theorist of democracy Robert Dahl has termed “polyarchy.”¹⁷ Democracy defined as competition to secure majority rule is an enduring concept in contemporary theory and practice, for good reason. This is true even though most systems with strong majoritarian features also include institutions and practices that encourage

¹⁶ On internationally administered transitions and democracy, see Chesterman, Simon, *You the People: The United Nations, Transitional Administration, and State-Building*, Chapter 7. (Oxford, UK: Oxford University Press (2004): 204-233.

¹⁷ See the concept, classically articulated, in Robert A. Dahl. New Haven: Yale University Press (1977).

compromise and consensus building; there are very few pure majoritarian systems in the world.¹⁸

To be sure, in virtually every major world region there are myriad examples of ways in which democratic political competition has exacerbated underlying social tensions, impeding the realization of development goals and threatening human security. Elections especially, as a principal form of democratic practice, have been the precipitating event for an escalation of violent conflict in virtually every world region. Afghanistan, Burundi, Cambodia, Colombia, Iraq, Haiti, Liberia, Nigeria, Sri Lanka and Zimbabwe are just a few 21st century examples of countries in which electoral processes, or the prospect of elections on the horizon, have sharply heightened social tensions and induced or exacerbated political violence.¹⁹ Violence debilitates support for democracy by polarizing societies, undermining the social cohesion necessary for political compromise, and threatening the human security and human development imperatives that democracy must deliver to remain a legitimate answer to the real challenges of contemporary governance.²⁰

In so many societies today, where ethnic, religious, racial, or deep class divisions run deep, democratic competition does indeed inspire and inflame political violence. Violence is often a tool to wage political struggles: to exert power, rally supporters, destabilize opponents, or derail the prospect of elections altogether in an effort to gain total control of the machinery of government. The disparity between sharp democratic competition and goals of social peace in deeply divided societies has been recognized in modern experiences with democracy in ever-increasingly complex societies; in the 21st century, the concern about democracy's ability to heighten tensions and conflict in society has only risen in poignancy in response to new diversity, globalization, and the pursuit of sustainable development.

The Allure of Competitive Democracy

The rationale for democracy as an essentially majority-rule form of decision making remains compelling. Indeed, many believe that the determination of collective decisions in any society is maximized, most fair, and most just under conditions of simple majority rule. In the view of eminent social contract theorists,

¹⁸ Andrew Reynolds, for example, distinguishes between majoritarian systems and "qualified majoritarian" systems. See *Electoral Systems and Democratization in Southern Africa*. (Oxford, UK: Oxford University Press (1999).

¹⁹ See Terrence Lyons, "Post Conflict Elections, War Termination, Democratization, and Demilitarizing Politics." George Mason University Institute for Conflict Analysis and Resolution, Working Paper 20 (February 2002); available at www.gmu/depts/icar/Work_Paper20.pdf.

²⁰ For a poignant empirical example, see Somini Sengupta, "Violence Jolts the Still Fragile Democracy in Nigeria," *New York Times*. (May 24, 2004).

majority-rule decision making is arguably the fairest way to make collective decisions, for a very good reason. In *A Theory of Justice*, for example, John Rawls argues that under the “veil of ignorance” – the original condition in which the members of a group of people come together to make collective decisions without knowledge of the preferences of the others – majority rule will ultimately emerge as the democratic principle on which every rational person will eventually agree. Liberal democracy, conceived of in this way, is the outcome of simple reasoning. That is because, for each individual, majority rule is the decision-making system that will maximize opportunities for being in a winning coalition and minimize the likelihood of being among the losers on any given policy decision.

As long as democratic decisions benefit even the least well-off in society (an important assumption, especially in deeply divided societies), majority rule is an ideal way to determine basic issues of fairness and justice in a society. Under majority rule, each voter’s preference is weighted equally (that is, each voter has an equal chance of influencing the outcome). *The Encyclopedia of Democracy* succinctly captures the clear allure of majority rule as a “default” decision rule in democratic systems:

Majority rule treats all individuals as equals. The decision of a numerical majority thus carries the most weight; in contrast, accepting the decision of the minority would mean a relative devaluation of the vote of each member of the majority. Because majority rule respects the individual choices made by the majority of the citizenry, it implies a utilitarian theory of justice. If people vote according to their own perceived best interest, majority rule will result in policies that are perceived to benefit most people.

Majority rule presumes that all individuals are capable of understanding their own interests and that no single group has the monopoly on truth or political wisdom. Majority rule is therefore not compatible with claims to possess and enforce the singular truth about human nature, the good life, or the just society.²¹

Majority rule may, in some instances, lead to moderate politics – just the kind of avoidance of extreme positions that deeply divided societies need. In theory, and indeed in the experience of highly developed, long-standing democracies such as those of France, the United Kingdom, or the United States, governments in majoritarian political systems – especially those with directly elected presidents – are arguably more moderate because in order to attain power political leaders have strong incentives to appeal to the “median” (or average) voter. Political

²¹ Joel B. Grossman and Daniel M. Levin, “Majority Rule, Minority Rights,” in Seymour Martin Lipset, ed. *The Encyclopedia of Democracy* 3. Washington, DC: Congressional Quarterly (1995): 788.

parties will naturally gravitate toward the centre, eschewing extremism and policies that alienate moderate voters.

Defects of Majoritarian Democracy

Majority-rule systems of democracy arguably have a variety of intrinsic defects even in those societies where there is a high degree of value consensus. Among these are the concerns classically outlined by Robert Dahl and other theorists over the years concerning policy “cycling” and the “impossibility” of stable coalitions. Another core defect involves the problem of intensely held preferences, in which strongly motivated losers will be unduly harmed. In addition to these concerns, there are at least four clear and well-substantiated arguments against the use of majority-rule decision making in especially deeply divided societies that resonate in the scholarly literature, and which are confirmed by studies that emanate from lessons learned in recent experience.

First, majority rule exacerbates ethnic politics and leads to permanent minorities. Deeply divided societies lack “cross-cutting cleavages” – the panoply of economic and vocational interests that cross-cuts lines of identity such as ethnicity or religion – and thus voting occurs based not on economic or interest criteria but on identity issues. Elections are an “ethnic census.” In situations where there is a clear identity-based majority (or stable coalition of minorities), the permanent exclusion of minorities is likely.²²

Second, given the absence of fundamental human rights, majority democracy heightens the vulnerability of social “out groups.” Divided societies often lack neutral security forces, let alone private militias that act to protect the rights of all citizens. Thus, the presence of basic human rights, required for majority rule to function effectively, is absent; social groups that are at odds with the central state are thus more vulnerable under majority-rule institutions than otherwise.

Third, majority rule undermines the need to resolve commitment problems and security dilemmas in post-war settings. Such settings are likely to feature divided societies, including elements that have the capacity to “spoil,” and upon which the resolution of social disputes cannot therefore be imposed. In such situations, majority rule can only heighten commitment problems.

Fourth, democratizing states are prone to social meltdown; majority rule approaches increase the likelihood that new social tensions will emerge in the course of democratization as winners consolidate their control over the

²² For the extensive argument against minority governments and narrow majoritarian governments (minimum winning coalitions) in divided societies, see Arend Lijphart, “Back to Democratic Basics: Who Really Practices Majority Rule?” in Axel Hadenius, (ed.), *Democracy's Victory and Crisis*. Cambridge, UK: Cambridge University Press (1997): 143-159. See also, Donald Horowitz, *Ethnic Groups in Conflict*. Berkeley and Los Angeles: University of California Press: 649-50.

transitional process. Particularly vulnerable are societies that have experienced violent conflicts, such as civil wars or internal social strife, or risk the imminent outbreak of such conflicts as old tensions flare and new differences emerge. Democratic competition seems fundamentally ill-suited to the goals of conflict prevention, management, resolution and transformation.²³ Electoral politics in particular – power-driven political campaigns determined by voting at the ballot box – can lead to competitions fought as easily on the battlefields or in the streets as in the arenas of the parliament.²⁴ Competitive politics defines, enhances, and sharpens differences in society in an effort to clarify the agendas of those aspiring to political power.

Still Alive and Well

Is majoritarian democracy always conflict-inducing? While there are those who suggest that, in deeply divided societies, majority-rule decision making is invariably conflict inducing, critics also point out the efficiency and coalition-building gains that majority-rule democracy offers. Policy makers, as well, still cling to the view that there are instances in which majority-rule procedures are just and fair. The principle of majority rule as the defining approach to democratic decision making is alive and well, even in its application to the most contentious issues in deeply divided societies.

For example, today the use of referenda to address even the most poignant decision for a society – whether to stay together or to separate through secession – are commonplace. In contested territories such as Serbia (Kosovo), Sudan (Southern Sudan), Morocco (Western Sahara), and Papua New Guinea (Bougainville), there is a reflexive reaction by policy makers to determine the will of the people in disputed territories by simple majority rule; in all of these divided societies, referenda are seen as the legitimate way to determine the will of the people on the most essential element of the social contract: sovereignty. That is, in these and other similar situations there is apparently broad acceptance that simple majority rule is a legitimate way to determine the question of politics: Who constitutes the “people?”

Thus there are – even in deeply divided societies – arguably conditions under which majority-rule systems may be appropriate for definitive resolution of social disputes, though the question of how a “majority” should be constituted remains open.

23 For an overview, see Krishna Kumar, (ed.), *Post-conflict Elections, Democratization, and International Assistance*. Boulder, CO: Lynne Rienner (1999).

24 For example, in a significant 1995 study Human Rights Watch argued that the most deadly civil wars of the early 1990s were precipitated by political entrepreneurs that inflamed social tensions as a route to maintain or gain political power. See Cynthia Brown and Farhad Karim, eds., *Playing the Communal Card: Communal Violence and Human Rights*. New York: Human Rights Watch (1995).

Facilitating Democracy: Options, Instruments

Just as the network for global democracy promotion has evolved, there has been an expansion in the options and instruments available for facilitating peace through democratization transitions. These instruments involve dissemination of best practices, creation of communities of practitioners, cross-border learning, and professionalism of elements of democratic practice such as dialogue processes and electoral administration. While the list below is by no means exhaustive, it is representative of the “how to” side of democracy promotion.

- *Capacity building.* NGOs such as party-affiliated organizations in the United States (National Democratic Institute for International Affairs on Africa and International Republican Institute) at times have been involved in directly training political party officials and candidates in transitional countries. Similarly, training has been provided for functions such as electoral administration and election-related dispute resolution. International IDEA, for example, convened a major international meeting of the world's "election management bodies" in September 1999.

- *Training for government reform or improved practices.* The network has promoted democracy through training programmes aimed at improved transparency and accountability, and through more effective aspects of governance such as parliamentary rules and guidelines. The international NGO, Parliamentarians for Global Action, for example, has provided opportunities for training of newly elected legislators in law-drafting procedures.

- *Information-sharing.* Best practices, comparative information, and specific consulting. Due to the highly technical nature of aspects of democracy such as constitutional design and electoral system choice and administration, a key function of the Democracy-building Network has been to provide information and specific consultative advice on these often complex issues. In 1995, for example, the UN's Electoral Assistance Division helped sponsor the work of the Fiji Constitutional Review Commission, which toured the globe meeting with scholars, NGOs, and officials in states on best practices for constitutional design in multi-ethnic societies.

- *Providing country-level assessments.* In countries where democracy promotion has been extensive, actors in the Democracy-building Network have teamed up to provide country-level assessments of the challenges to democracy, options for transition, and recommendations. International IDEA, for example, has produced detailed assessments of the prospects for improving democracy in Burkina Faso, Guatemala, Nepal and

Romania. The World Bank completed a major country level assessment of conflict in Nigeria in 2003, following the country's transition to democracy in 1998 and 1999. The report identifies a number of ways in which democracy and development are critical to future conflict mitigation in this complex and multicultural society.²⁵

- *Election monitoring.* The most celebrated function of the Democracy-building Network has been its extensive work in monitoring transitional elections. Monitoring involves everything from placing international poll watchers at voting booths, assessing media coverage and evaluating vote tabulation and results to tracking public opinion, and the often controversial practice of parallel vote tabulation independent of the authorities. Election monitoring has been a particularly regular instrument in post-war situations, a practice which was first widespread in Namibia in 1989 and which has been a remarkable feature of virtually every post-war election since then. In a recent comprehensive look at the evolution of election monitoring in the 1990s and early 2000s, Eric Bjornlund concludes that "the involvement of multilateral organizations in elections monitoring has helped them to strengthen their commitment to promoting genuine democracy among member states. Meanwhile, non-partisan domestic-monitoring groups in developing countries have not only deterred fraud and improved public confidence in important elections, but have also encouraged citizen involvement in political life more generally."²⁶⁷⁹

- *Professionalizing election administration.* The powers, responsibilities, capacities, and professionalism of electoral management bodies are critical to processes of democracy worldwide. In recent years, organizations such as IDEA, UNDP and the International Foundation for Election Systems (IFES)²⁷ have teamed up to provide "one-stop shopping" on electoral costs, administration, and all other election management issues. The Administration and Cost of Elections Project (ACE)²⁸ provides on-line, up-to-date information on best practices, options, and issues in the rapidly growing world of election management. This knowledge base is combined with careful work with electoral management bodies to share information, develop professional standards and train new cadres of professional election managers.

²⁵ See the study of the World Bank at <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/ConflictAnalysis>.

²⁶ Eric Bjornlund, *Beyond Free and Fair: Monitoring Elections and Building Democracy*. Washington, DC: The Woodrow Wilson Center Press (2004): 304-305.

²⁷ <http://www.ifes.org/>

²⁸ <http://www/aceproject.org/>

- *Civic education.* International NGOs have been extensively involved in mounting civic education campaigns in transitional societies, from "get out the vote" campaigns to "street law" (practical applications of human rights), to awareness of constitutional concepts and the meanings and purposes of democracy. The aim of such activities is to work at the grass-roots level to provide awareness of the meaning of human rights, as well as knowledge of how the public can acquire capacity to directly participate in pursuing their promotion and protection.

Conclusion

Common threads have gradually been woven into donors' democracy assistance programmes as they have evolved over the last ten years. Each approach to building democracy has been simultaneously significant and circumscribed. Most unequivocally, donors stress a conviction that democracy assistance is moving away from support for self-standing projects in different thematic sectors towards the moulding of holistic linkages among different arenas. At the same time, political aid still often appears to function as a relatively modest and hermetically sealed pocket of aid activity. A shift away from attempts at direct institutional engineering is universally proclaimed and acclaimed; but it is uncertain that what has emerged in its place is capable of generating significant democratic change. At best, the value of gradualism remains convincingly to be substantiated, and in the absence of assessment mechanisms so far has intuitive rather than demonstrable merit. Few benchmarks have been rigorously designed or applied that suffice to hold donors to account against their own logic of incremental capacity enhancement. Independent monitoring agencies are lacking at the political level, while on the ground, judgment is rarely derived from the participation of local "stakeholders." It is now widely recognized that democracy assistance will at most have impact at the margins, and that support relating to the broader context of political change represents a hitherto under-estimated key. And yet, in practice democracy officers commonly remain focused simply on "running good projects" and meeting the attendant reporting requirements.

Concepts and criteria relate, at one level, to individual projects, and at another, to generic macro-level aims – "good governance," "the rule of law." One is too narrow to look beyond the confines of individual parcels of aid; the other is too broad to guide actionable priorities. A central challenge for democracy assistance is to fashion, from all the strands of new thinking elaborated in this paper, strategies able to articulate a linkage between these two levels.

Chapter 4

REINVENTING GOVERNMENT: PUTTING DEMOCRACY AND SOCIAL JUSTICE BACK INTO THE DISCOURSE

Gowher Rizvi

The discourse on reinventing government has largely focused on the re-conceptualization of government – to redefine the role of government in the governance of society; to make governance more effective; and to harness technology to deliver better governance at a lower cost. In the last quarter of a century, since the movement for the reinvention of government began, we have moved away from the concept of government to governance and we have witnessed some spectacular changes that have done much to make government more effective, transparent, and innovative. However, the discourse on new governance is somewhat limited and does not adequately address the concerns of developing societies. A large part of the impetus for the reinvention of government has come from developed countries with mature democracies, and hence the existence of strong and established democratic institutions and processes has been taken for granted.

Because the debate mainly focuses on efficiency, on the reduction of the cost of governance, and more generally on whittling down the all embracing role of the government, not enough attention has been paid to strengthening democracy – in fact the debate might have contributed to the weakening of democratic processes and especially democratic accountability. The zeal for the pursuit of efficiency through the adoption of market-place practices appears to have become an end in itself, thereby obscuring the very purpose of good governance and the centrality of the role of the government as the guarantor of social justice.

In this essay, we will outline the compulsions for reinventing government, critically examine the concept and practice of “reinvented governance,” and argue that the emphasis on efficiency and cost reduction, while welcome and highly desirable, without adequate safeguards for democratic accountability and social justice defeats its purpose. Second, we will argue that the relevance and applicability of “reinvented government” in developing countries is limited because the existence of effective democratic institutions and the rule of law are taken for granted by the authors and advocates of reinvented government. For the movement to reinvent governments in developing societies to succeed requires that it go hand in hand with strengthening democratic institutions and processes. Third, and perhaps most importantly, the overt and often uncritical enthusiasm for market-based reform of government has weakened democratic accountability, and in the process, may have cast aside a central concern for the government as the guarantor of social justice. Democracy is not only valuable in itself, but also has the best potentials for advancing human welfare, development

and social justice, and for distributing the benefits of development. An explicit effort to ensure that the marginalized and historically disadvantaged groups are not excluded from the purview of the government must remain integral to any government reform.

The central thesis of this paper is that for the concepts and principles of reinvented government to be meaningfully transposed to developing societies will require making democratic governance, political processes, and institutions more effective; the constitutional, institutional, and structural arrangements will have to be modified to enable more effective participation by all citizens in diverse conditions, especially in plural societies; and most importantly, it is essential that concern for social justice remains at the core of the government.

The paper is organized into five sections. The first section sets the scene and describes the compulsion, both systemic and political, behind the movement for the reinvention of government (from laissez faire to welfare to tri-sector governance). In section two, we describe what is meant by the re-conceptualization of government and identify the principal characteristics and mechanisms of “new governance.” This is followed by stocktaking of the new paradigm, exploring some of its weaknesses, and questioning its applicability to the circumstances of developing societies. And in section four, we examine the structural and institutional weaknesses of democratic governance in developing societies; we reflect on the critical dilemma of tempering majority rule with the accommodation of minority concerns in plural and divided societies; and finally, we argue why an effectively functioning democracy is not only the best route to economic development but also the only way of ensuring a socially just and equitable distribution of state resources and opportunities.

Setting the Scene: Reinventing Government

The scepticism about democratic governments is being manifested in a variety of ways in both developed and developing societies. More and more people do not trust their governments, which are viewed as synonymous with corruption, cronyism, and misrule. Governments no longer attract the best, the most talented, or the most idealistic people and many government departments are finding it difficult to recruit trained and competent staff. Meanwhile, those already in the government often feel disillusioned, cynical, and frequently like they are just marking time. Even more telling evidence of declining public confidence in government is reflected by the dwindling numbers of citizens who turn up to vote both in developed and developing countries. Corruption, mismanagement, and patent breach of faith by public leaders are so commonplace that they cease to outrage citizens.

While some of the criticisms may not be entirely true or are exaggerated, the fact remains that there is widespread disillusionment with government and many of

the complaints are not without good cause. Some of the dissatisfactions relate to the very fundamentals of democratic government itself. Others arise from government's inability to adapt to compelling changes taking place globally that impact on the very nature and character of the State. For democratic government to survive and to retain its universal appeal, it must revitalize and adapt. The real challenge for us in the 21st century is how to secure the future of democracy by making governments effective and responsive to the needs of the citizens. Equally important is the challenge to adapt democratic institutions to meet the specific needs of diverse societies. In other words, democratic constitutions, institutions, and political processes cannot be simply transferred from one society or culture to another. Rather, they have to be adapted to suit particular circumstances. This will call for careful nurturing of democratic institutions, a fresh vision, and a renewed commitment to social justice as the core mandate of the government. Tinkering at the edges will not suffice.

Government has been criticized from both the left and the right of the political spectrum. The left claims that the democratic process has been distorted by special interest groups and corporate campaign financiers. The gradual but persistent rollback of the welfare state, the onslaught on affirmative action and entitlements, and the influence of campaign financing in distorting the outcome of election results and unduly influencing policies has confirmed for many that government is co-opted by the wealthy and special interest groups. It was not lost to those on the left that while the last two decades of the 20th century saw the largest economic expansion in the history of the West, the benefits of that opulence barely accrued to the poor. According to Anuradha Mittal of the Oakland Institute, 45 million people in the U.S. – 17 per cent of the population – live below the poverty line. In fact, not only has the polarization between the rich and the poor become wider but also the poor have been further impoverished. The faith of the liberals in the government's role as the guarantor of social justice has been badly shaken.

The conservatives, on the other hand, have always been suspicious of government and have consistently argued for its minimal involvement. President Ronald Reagan's slogan, "the problem of the government is the government itself," resonated with all those who worried about the government's excessive reach. Earlier, Prime Minister Margaret Thatcher, borrowing from Gladstone, had powerfully articulated a similar feeling: "Government that governs least governs best." The collapse of communism and the failure of socialism and planned economy in the former Soviet Union and Eastern Europe gave teeth to those who argued that governments should get out of running industries and make way for the market to provide many of the services that they habitually performed.

To the question of more effective use of tax money, the conservatives have added a powerful ideological concern. They are not only distrustful of government but also fear that it is using its authority to stifle individual freedom and entrepreneurship for the benefit of those groups who do not contribute to

building national wealth. They particularly object to the role of the government as the guarantor of social justice and do not consider the government responsible for redistributing wealth.

The conservatives have also accused the government of using progressive taxation as a means of redistributing wealth. To them, the invisible hand of the free market most efficiently allocates resources; therefore the government should not interfere.

Although for different reasons, the right and the left have combined in criticizing the escalating cost of government. The ever bloating bureaucracy had gone out of control and was using a large proportion of tax revenue to keep itself in place. In the three decades after World War II, taxation increased significantly, primarily to rebuild the war-shattered economy but also to create a welfare state that would “build a home fit for heroes” returning from battle. However, in the last quarter of the 20th century there was a popular revolt against high taxes. Taxation has become a dirty word in the electioneering lexicon and a party lessens its chances of winning the vote by proposing higher taxes. While both sides wanted to reign in the runaway cost of government administration, there was no consensus on where the cuts should be imposed. The right attacked the spending on welfare and demanded a reduction in taxes; the left generally opposed tax hikes but did not want cuts that would put the welfare state at risk.

Since the 1980s, politicians of all shades have been averse to raising taxes. While Reagan aggressively cut taxes, he was astute enough not to attack the welfare programmes frontally for fear that he would lose some of his electoral support. Instead, he pushed the government into huge budgetary deficits. He shrewdly understood that no future government – conservative or liberal – would roll back the tax concessions he had made without damaging its electoral prospects. Twelve years later, when the Republicans left the White House, the budgetary deficit had become quite unsustainable. Faced with a bankrupt government, the Democrats were forced to make deep inroads, cutting back many of the welfare programmes. Thus, the conservatives killed two birds with one stone; they not only fulfilled their promise of reducing taxes (albeit mostly for the wealthy) but also, by leaving behind a depleted treasury, obliquely advanced their goals of dismantling the welfare programmes and furthering “small government.” The hapless liberals, while protective of the welfare state, were caught in a dilemma. They denounced tax reductions as subsidies for the wealthy; but they also realized that higher taxation would be unacceptable to the electorate. It was clear that in part the onslaught against the State was motivated by an ideological predilection that, at its most extreme, would replace the State with the market. The natural corollary was that the role of the government as the guarantor and protector of social justice would be whittled away.

The dilemma for the government was real: how to provide better and more extensive services with diminished resources. To be able to continue its function

and regain its legitimacy the government would have to rethink its role, be innovative, and find new, flexible, and alternative ways of doing business. However, that would not be easy. Governments are normally content with the status quo. Change and innovation are not usually a part of a government's vocabulary.

In some ways, the very tradition of government is against innovation. The most important concern of those involved in public management reform has been to curb the discretionary powers of public officials. Governments in most countries invariably control the largest share of public resources and unless constrained by laws and procedures there is nothing to prevent wanton greed, avarice, nepotism, and corruption. Preventing public officials from abusing their power has long been the primary concern of those working in the field of public management. The insistence of public sector reformers on defining precise rules for the disbursement of public funds and for appointments, transfers, promotions, entitlements, etc. might have kept avarice and nepotism at bay but it stifled initiative, creativity, and plain common sense. Bound by such rules, with "going by the book" a virtue, a bureaucracy becomes an end itself. Officials who obfuscate behind red tape epitomize the best in government while those that take initiatives and risk bringing about change are penalized. Under such conditions, many public servants forgot the very purpose for which they were being paid by the taxpayers and the loss of public service ethos was the death of public service itself. Not surprisingly, governments have become bureaucratic, outmoded, inefficient, irresponsive, rigid, bloated, and wasteful; and citizens, despite their differing political predilections, love to hate the bureaucracy.

While criticism of government is largely justified, this should not lead us to conclude that government or the State has become obsolete. Any expectation of the demise of government is not just premature but also mistaken and misplaced. An efficient, effective, and democratic government is the best guarantor of social justice and order and government is, and will remain, central to society. The discussion about the "reinvention" or the re-conceptualization of government is about better and more effective governance. It is obvious that if the government is to regain popular trust and proactively advance social justice, it must become smarter, flexible, and innovative. We have to revisit the societal vision of the role of government, rethinking the whole concept of governance and developing a new paradigm for it.

Breaking Out of the Intellectual Straight Jacket: From Government to Governance

By the 1980s, the crisis of governance had come to a head and forced urgency in the debate about the need for re-conceptualization and reinvention of the role of government. Reinventing government implies fundamental shifts in our conception of the character and the role of the State and its functions; it also

refers to a set of operational changes that are essential for moving from the old to the new. Before we examine the main components of “re-inventing government,” let me summarize some of the conceptual reformulations which have enabled us to view the role of government in new ways.

First, and perhaps most important, is the recognition that “government” and “governance” are fundamentally different. This simple realization has helped to shake us out of an intellectual straightjacket and alter the parameters of our discourse. We now agree that governance is not the exclusive preserve of the government, nor even that of inter-governmental organizations. Governance of a society takes on a larger role, consisting of all the processes, rules, and institutions that enable the collective affairs of society to be managed and controlled. At its broadest, governance includes the totality of all societal institutions – governmental and non-governmental – including, but not limited to, the market, non-governmental organizations (NGOs), private and commercial firms working for profit, networks and associations, trade unions, social movements, and advocacy and pressure groups.

These organizations all function within the limits of particular laws that are laid down sometimes in collaboration with, at other times independent of, and occasionally even against the government. However, the pre-eminence of the government cannot be challenged. Only the government can act with legitimate authority, exercise coercive powers, and create formal obligations for its citizens. But regardless of the numerous parts that form an established government, the idea of governance is larger in both scope and function.

In retrospect, it might be argued that what has been described by scholars as a radical re-conceptualization of the role, scope, and function of the government already began to take place long before academics and reformers picked up on the idea. Two compelling factors forced many of the functions of the government to be transferred to non-governmental agencies, such as religious institutions and civil society organizations, and to the market.

In the first place, governments faced with budgetary constraints cut many of their social services (often referred to as “entitlements” in the U.S.A.) or devolved responsibilities for these programmes to state and local governments. Local governments were scarcely in any better position to meet these unfunded mandates and increasingly looked to religious institutions or voluntary organizations to take on added responsibilities.

Developing countries faced even more dire circumstances. In the three decades starting in the late 1950s, military regimes overthrew elected governments and usurped power in many countries. Lacking popular legitimacy, these regimes attempted to bolster support by buying off powerful groups, mostly in urban areas, through elaborate patronage networks. With the bulk of the revenue committed to supporting political patronage, and to keeping the armed forces

happy, these military regimes were compelled to abdicate many of their responsibilities to citizens, especially to poor and marginalized people living in rural areas. Many of the functions and services that governments were expected to perform – such as providing education, basic health care, drinking water, and sanitation – were either neglected or defaulted to charitable and voluntary organizations.

In many countries, the authority of the government was scarcely visible outside urban areas. The neglect of the countryside was further reinforced by large inflows of development assistance and soft loans. This had two unintended consequences. First, the authoritarian rulers used foreign aid to support their “client” regimes; and second, they were freed from raising taxes. Under these circumstances, the city elite monopolized the benefits of development, leaving the poor and marginalized groups to fend for themselves. Non-governmental organizations and charitable institutions filled the vacuum created by the abdication of government responsibilities, often in opposition to the government. Despite their own failure to deliver services, governments often viewed voluntary organizations as intruders funded by foreign agencies or governments. However, tri-sectoral governance took shape before the new governance paradigm was developed. The academic reformulation was largely a recognition and refinement of what already existed.

Second, governments are moving away from being operational agencies and becoming regulatory authorities. Most governments now recognize, albeit in varying degrees, that the appropriate role of the State is to regulate, to facilitate, and to create an enabling environment that fosters development and empowers citizens while not stifling initiative or enterprise. Citizens retain the power to manage and shape their own communities. While the conceptual recognition is clear and logical, the practical application is more difficult. For generations, government officials have been trained to rule, to deliver services, and to run industries and banks, especially in developing countries. Understandably, they have difficulty making an intellectual paradigm shift, giving the impression that a loss of power and patronage is something to be resisted. In addition, in many countries civil society has neither the depth nor the capacity to perform the functions that, under the new governance paradigm, would legitimately be transferred to them, nor do they have the effective market institutions required. There are many areas in which the private sector did not show much interest in the early years, especially infrastructure building and capital intensive project development. Few entrepreneurs were willing to make long-term investments in infrastructure or enterprises where returns were not guaranteed.

Many state-owned enterprises are not commercially viable and private sector firms are unwilling to buy them even when the State wants to sell them off. Closing such enterprises is often not a viable option, especially in the absence of a social safety net, because that would create widespread unemployment, worker distress, and social upheaval. Additionally, the privatization of public

assets is not favoured due to the legitimate fear that governments, often corrupt, would use the proceeds from the sale of these assets to reward their supporters and allies. Since the rationale for privatizing state enterprises is to make them more competitive and reduce the drain on the public treasury, there may be other ways of reaching the same objectives. In China, the government retains the ownership of some state enterprises but has cut off their state subsidies and given them the autonomy to compete in the market. In India, the government built a large number of hotels and holiday resorts at a time when private investors were not forthcoming; but now, faced with domestic and international hotel competition, India has decided not to privatize but rather to franchise its facilities to private operators in order to make a profit.

Many, but not all, of the traditional functions that governments have historically performed can now be left to the market and civil society. However, neither the market nor civil society can be substituted for the government; and depending on the specific circumstances of a society, the government will have to continue providing services and producing goods that only it can undertake to supply. Privatization is a means to an end, not an end itself. Its purpose is to deliver better services to the citizens while reducing the burden on government treasuries subsidizing state enterprises. Privatization should not measure the success of government reform.

Third, the government needs to constantly explore the best means to achieve its goals. However, a broad societal consensus has emerged that the orderly and effective governance of a society requires a multi-sectoral approach in which the government, the market and civil society each perform different roles, sometimes independently, sometimes in support of each other, and sometimes even in opposition to one another. Governance is a tripartite and shared endeavour in which each sector has its own comparative advantages and specializes in what it does best without detracting from the government's role as the guarantor of social justice. The government is only one of the parts of the tripartite structure responsible for the ordering of society. Governments control large resources and expertise, but invariably these are never enough to meet all the needs and demands of the citizens. Public problems are best solved through collaborative governance that brings together the resources and expertise of the different segments of the society to address common public issues. Many governments have involved the private and non-profit sector in governance. The OECD calls this "distributed public governance." Here "co-produced" governance is a product of joint public and private efforts.

Fourth, governments as well as the corporate and civil sectors have all recognized that society is complex and that the problems confronting it call for a more concerted and integrated approach. No sector or agency of the government has all the capabilities or expertise needed to solve problems. Increasingly, governments have learned to build networks of capacities in which the combined resources and expertise of many agencies (governmental and non-

governmental) and individuals are brought together to address particular public problems. This has come to be known as the “network of capacities” or “networked governance.”

The acknowledgement that public problems are best solved by combining societal efforts has transformed our views of how society is governed. This has opened up enormous new possibilities and opportunities. In the last two decades, there have been numerous innovations in governance that have not only made governments more effective but also more citizen-centric. We have seen that the re-conceptualization of government has enabled us to govern in ways very different from the past. Governance is no longer a top-down execution of the government fiat. It is diffused, but at the same time focused and integrated from the perspective of the citizens and service users. Governance is produced collaboratively by the pooling of resources, personnel, and capacities. The old style “silo” with its bureaucratic structures no longer fits the needs of societies and is being replaced by an interlinked network of agencies within the government, often connected to civil society organizations and the market. We have learned from Professor Lawrence Lessig that governance is facilitated through law, norm, markets, and architecture. In the new governance, all these mechanisms have been used and do not have any rigid or overriding characteristics.

We now turn to examining the principal characteristics of new governance. Here I will briefly turn to the broad strategies or elements of reinventing government and examine some of the best innovations drawn from different parts of the world, both developed and developing.

Information and Communications Technology

The search for better governance was driven primarily by the concern that governments were ineffective, expensive, inflexible, and insufficiently responsive to the needs of citizens. The threat of government bankruptcy and the resulting need for retrenchment accelerated the pace for reinventing government. This was facilitated by the timely development and harnessing of information and communication technology (ICT). The private sector has long used ICT both to enhance productivity and to reduce costs, but neither cost cutting nor adoption of new technology is easy in the government. In the first place, government agencies do not have the resources to incorporate technologies, especially in developing country societies. The introduction of technology has been piecemeal and slow; and it has not been easy in societies where the availability of funds for technological change is minimal. Governments cater to all citizens and in most countries vast majorities of the people are not yet wired to the Internet. Hence, the governments have to maintain – at least for the interim period – both the traditional methods of facilitation and the progressive ICT options for delivering government services. Unlike the private sector, governments have been unable

to effect cost savings by staff reductions because of more stringent labour laws and strong union pressures.

Finally, governments have been hamstrung by concerns over security and privacy. While technology continues to evolve, it is still far from secure. For example, the verification of electronic signatures is still in its early stages and necessary legislations for use of electronic signatures are still absent.

But despite all these impediments, governments have, in varying degrees, enthusiastically responded to the adoption of ICT in both bringing the government to the people and in cutting the costs and time frame of service delivery. Two decades ago only a handful of governments offered services via the Internet. Today there is scarcely a government that does not have some form of Internet connectivity to service delivery. At the bottom of the spectrum are the governments who merely dish out information via the Internet while actual services continue to be delivered using old methods. There are others in between who offer facilities for downloading applications and information via the Internet thereby saving citizens multiple visits to a government office; but actual transactions are still done physically over the counter. Finally, in technologically advanced societies, citizens conduct most of their transactions on line. Democratic governments have long promised to make government accessible to the people (rather than making people come to the government). The introduction of ICT promises to make the realization of that goal a distinct possibility.

ICT has also led to the achievement of other desirable objectives. First, there is greater pressure on governments to become more transparent and ICT provides them with an easy way of doing that. More and more governments are making information, accounts, White Papers, government reports, and parliamentary discussions available on line to keep citizens informed. In Scandinavian countries, the governments post the expense reports of elected officials for public scrutiny. In India, ICT has provided an unintended but easy way of exposing government corruption. In what is now famously known as the "Tehelka tapes," some politicians were caught red-handed taking bribes, thereby empowering citizens to enforce government accountability. ICT is also being used imaginatively and constructively to involve citizens in government discourse.¹ In Canada and the U.K., the governments have used ICT to involve and gauge citizen reactions to proposed legislation and solicit comments on White Papers. On the other side, citizens have set up websites to inform people and mobilize public opinion concerning specific issues and successfully brought pressures on governments to modify their policies. The most dramatic instance of ICT being used for social mobilization has been seen in the civil society campaign against the excesses of globalization.

ICT makes it possible for governments and citizens to engage each other, and to introduce government transparency and accountability, thus giving citizens the ability to participate in ways that make representative democracies more effective and accessible. It is also helping to break the monopoly of news media and cable networks by giving citizens alternative mechanism for keeping themselves informed. The so-called “bloggers” on the Internet are often a better source of citizen information than the propaganda and “spin” coming from the privately owned media conglomerates. ICT may yet make freedom of the press (rather than freedom of the owners of the media) a reality.

The application of ICT with its dramatic reduction in the cost of telephone service and transfer of electronic data is also reducing the cost of government operations in the long run. At a minimum, it has helped to cut the time of operations and service delivery, thereby greatly enhancing productivity. There are numerous other ways in which the cost of government is being reduced.

Deregulation

The government is making its rules much more flexible and less cumbersome. For example, former U.S. Vice President Al Gore, in his effort to reinvent government, eliminated thousands of pages of government regulations which unnecessarily clogged government functions. This gave officials more flexibility, initiative, and capacity to focus on delivering services to the citizens as they no longer had to spend such a huge amount time merely ensuring compliance with set procedures. The government is slowly importing from the private sector innovative concepts such as productivity, performance-based budgeting, cost accounting, and flexible budget accounts, thus allowing the agencies to roll over and retain savings from one fiscal year to another. Like their counterparts in the private sector, government managers have adopted the practice of setting goals and targets. The powers of the treasury and finance departments to micro manage have been trimmed; the audit rules have been changed to allow the shifting of money among accounts and budget lines, thus freeing departments to work more flexibly to achieve their departmental goals. For example, in Singapore, a department is allowed to borrow up to 10 per cent from its budget allocation for the following year in order to facilitate present restructuring costs. A system of rewards and recognition gives incentives to save through innovation. Citizens in many countries have been given a greater say in deciding on budgetary allocations, ensuring that government priorities are relatively in line with citizens' preferences.

The availability of ICT plays a key role in cutting the cost of government and increasing access to the people; but it is arguable whether operationalizing many of the ideas and approaches of new governance could have occurred without the availability of the Internet. It is inconceivable that the idea of governance by networking the capacities of different agencies – governmental and non-governmental – would have been possible without ICT. The inability of many

developing countries to harness technology for governance may also explain why they lag behind.

Reforming the Civil Service

Access to technology and more flexible rules for government audits and procedures are important, but in themselves they are insufficient to make governments cost effective and responsive to citizens' needs. It is no exaggeration to suggest that new governance will not succeed without a first-rate civil service sector and a well-established rule of law. However, creating and retaining an effective civil service is not easy. With the enormous expansion of the private and non-profit sectors, both as a result of an expanding economy and also because many of the functions of the government have devolved to these sectors, governments find it difficult to recruit competent staff. The government and the private sector compete for the same pool of talent and often governments are handicapped by their inability to offer as competitive a compensation package as the market. Additionally, the erosion of the government's prestige has made recruitment even more problematic. Lifetime tenure of civil servants with guaranteed promotions and increments based on seniority is being replaced by more flexible service with competitive salaries, bonuses, and performance contracts. Governments are moving away from "generalists" to "specialists" in order to meet the technical complexities of jobs and allowing for short-term contracts and lateral entries to bring fresh talent from the private sector. But most importantly, governments have begun to separate their policy making from their implementation functions – the "steering" from the "rowing" functions as David Osborne picturesquely puts it.

Outsourcing Services

More and more functions of implementing government policies and delivering services are being separated from policy makers and transferred to separate, often autonomous agencies, known as "Next Step Agencies" in the U.K. In New Zealand, such demarcation has perhaps been carried the furthest. There, even research and advisory services for the government have to be competitively bid for by government departments and outside organizations.

This not only makes government cost effective by reducing large staff overhead but also leaves it to get on with its core functions of policy making and regulation of society. While this is a welcome step forward, such delegated governance requires effective compliance and a thriving culture of the rule of law. In societies where legal institutions are either weak or non-transparent, this could open up large possibilities for corruption and mismanagement. The "contracting out" or "outsourcing" of government functions depends heavily upon the government's ability to define clearly and transparently performance outcomes and mechanisms for measuring the success of these outcomes. Implicit in this as well, is that government leaders must have a clear vision of what they are

seeking to accomplish and how each contract fits in with the realization of that goal.

The most important characteristic of reinvented government is that it is seen to be citizen-centric. In fact, the recognition that governments exist to serve citizens has driven the search for the new governance paradigm. As the sphere of government activities expanded over the years, public servants became more like masters and rulers; and as the bureaucracy acquired a virtual monopoly on delivering services, a preoccupation with compliance to rules made systems actively inefficient and receptively indifferent to citizen concerns.

The ethos of civil service was distorted if not dead, and service was delivered in a manner determined by the convenience of the government rather than based on citizens' wishes or preferences. As stated earlier, the citizens were alienated and lost confidence in their government. The delivery of quality government or citizen-centric governance lies at the core of reinvented government, intended to focus on citizens' needs.

Improved Service Delivery

The delivery of better and more efficient service to the citizens has, in many ways, become the test of a government's ability to regain its legitimacy and the trust of citizens. In our discussion on ICT, we saw how governments are endeavouring to bring the government to the people and to better listen to what citizens say they need. Much effort centres on providing what is commonly referred to as quality government, measured through adherence to the International Standards Organization (ISO) benchmark. This idea was pioneered in the U.K., where the government introduced a Citizen's Charter in which it laid out clear promises of the quality of services that citizens could expect and spelled out the mechanisms for citizen redress should the government fail to deliver on its promises. The Charter, which has gone through a number of iterations, laid down standards for public transport, health services, education, and virtually everything else that affects the daily life of a citizen.

Each commitment is explicitly defined, easily quantifiable, and measured. Each agency responsible for delivering services has to report to the parliament through its parent ministries. The ministers and civil servants are held responsible for failure to meet the standards. This idea has been immensely successful and has been tried in different parts of the world. In the prevalent market culture in the United States, citizens are seen akin to customers in the private sector. The government has defined a "customer service" standard and laid out an elaborate mechanism to ensure compliance. Countries as far apart as Brazil, India, Ireland, Mexico, New Zealand and South Africa have all developed their own indigenous schemes with the same primary aim of delivering better services to citizens. In India, where compliance is weak, the government agreed to penalize departments for failing to meet standards by offering cash compensation to

citizens not receiving timely services. Civil society organizations in many countries are monitoring service delivery and frequently have brought court action to hold the government accountable.

The role of the government, although transformed, has not become obsolete. We have already noted important changes in the nature and character of states and governments. Many of the functions that have been traditionally provided by the government can now be left to the market or private entrepreneurs. While we have argued that social justice and the economic well-being of the citizens still remain important responsibilities of the government (economic liberalization now being the accepted orthodoxy), the role of governments in managing the economic life of their citizens has diminished. The governments are moving away from being operators and managers of the economy to being facilitators and regulators. The old style operational government is being replaced by one whose role is essentially to create an enabling environment to facilitate the free functioning of the market.

The transition from an operational to a regulatory state is often not easy for developing societies, where the importance of regulatory reform is not fully understood. Even though the governments have “privatized” and opened large areas of the economy including banking, insurance, energy, commercial aviation, and some of the public utilities to the market, bureaucrats have been unable to shake off their old mindset. For example, in India, while textile, banking, and insurance industries have now been “de-regulated,” the ministries earlier responsible for managing these sectors remain intact and according to some estimates the size of the bureaucracy has actually increased! Similarly, the creation of “one window clearance” to facilitate rapid approval of private investment has not streamlined the investment process since the individual ministries refuse to give up their powers of vetting and approving proposals. However, the truth is that both changing the bureaucratic culture and transitioning to new governance will take time. In fact, creating a regulatory regime and structure that is honest, reliable, uncomplicated, and at the same time rigorously enforced is perhaps the greatest challenge for governments.

Again the task is complicated by the fact that for a regulatory regime to work effectively, an essential precondition is a sound judiciary and the rule of law – neither of which can be taken for granted in developing countries. We also have to be careful that the regulatory regime does not become more burdensome or expensive than the old fashioned operational State that it is intended to replace. Cumbersome and intrusive regulatory systems push the cost of compliance away from the government (hence making it invisible to publicly audited budgets) to the producer and ultimately the consumer. A badly designed regulatory regime will smother entrepreneurship, encouraging corruption as some businesses bribe public officials to circumvent or evade regulatory compliance. This encourages a black economy in which the exchequer loses tax revenue, and perhaps most important of all, in the absence of legal property rights the poor are unable to

accumulate capital or to provide for the intergenerational transfer of property. The regulatory regime must be simple, transparent and capable of being easily enforced.

Combating Corruption: Accountability and Transparency

Government corruption is probably the single largest factor hindering the efforts to eliminate poverty in the developing world. It is not only morally reprehensible and socially corrosive but also hinders development and perpetuates poverty. Typically, countries with high levels of corruption are perpetually poor. It is a blot on humanity that corruption causes about 40 per cent of the population in Asia and Africa to live below the poverty line. These people do not get enough to eat to preserve their body weight, are physically stunted before they reach adulthood, and are unable to lead healthy and productive lives. Today nearly 400 million people are illiterate and have no real hope of escaping from their state of ignorance. These abominable figures of disadvantage and deprivation become even more grotesque when we also proudly claim that our world is richer today than at any time in history. The reasons for these problems are complex, but not unrelated to high levels of corruption.

In 1999, the Ministry of Planning and Budget in collaboration with the Ministry of Government Administration and Home Affairs began drafting a plan to nationalize a local best practice from Seoul, Republic of Korea, called the On-line Procedure Enhancement for Civil Application or OPEN. The central government deemed OPEN an “advanced tool to foster innovation in management,” having found the outcomes of the programme to be satisfying to both officials and the public.

Corruption had been endemic in many Korean civil administration departments and OPEN was designed to cast public scrutiny on various government processes in order to prevent unnecessary delays and arbitrary decisions. OPEN is a web-based programme that allows citizen access to civil transactions via the Internet. Citizens can apply for a variety of permits, monitor applications and raise questions in the event of irregularities. The fields of operation currently covered are: transportation, housing and construction, environment, urban planning, industry and economy, sanitation and welfare, and fire emergency services. All civil application documents now show the name and contact information of the public official in charge, allowing citizens to supervise their application processing and hold an individual accountable for the outcome. Rewards are given to public officials who input the most comprehensive data into the OPEN system, thus enhancing incentives for bureaucrats to perform well. Additionally, aggressive public service announcements have elicited large-scale public buy-in to the programme.

By making the civil application process transparent, the Government of the Republic of Korea is investing in corruption-free government where the rule of

law is not obstructed by individual interests. Government-citizen connections are also strengthened through OPEN. Whereas in the past civil application decision making and paperwork were taken up by isolated bureaucrats who answered to no one, OPEN has now created a clear window for citizens to view and monitor the actions of public officials.

The culture of transparency, accountability and the rule of law is essential to eliminating corruption. Corruption in the Swedish government is almost nonexistent because of its transparency. For example, public officials have to post very extensive information about their activities, including trivial items such as travel expense reports. India pioneered the practice of posting the names of corrupt officials under investigation – the so-called “E-Shame” – to help deter corrupt practices. Greater transparency in government, simplification of regulations, better compensation and motivation of public servants, and public exposure of corrupt officials are some of the many innovations that check corruption.

New Governance Paradigm: Some Limitations and Shortcomings

The introduction of certain market principles and practices into the functions of government has been beneficial in introducing flexibility, cost consciousness and responsiveness to the needs of citizens. In particular, the incorporation of the idea of competition in government service delivery and procurement policies has helped to reduce the indifference and callousness that had set into the behaviour of public servants who viewed government as a monopoly in which citizens had little or no choice. However, it is important to underline the fact that the critical factor that accounts for efficiency and reduction in governmental costs is not whether the goods are being produced by the private or public sector, or if the services are delivered by the government or market, but rather, that competition exists amongst the governmental sectors. We know from experience that a monopoly of the market, even in the private sector, invariably leads to poor products, indifference to customer preferences, and price gouging.

An example from the airline industry elucidates this idea. A deficit spending airline owned by the Indian government maintained a monopoly on air travel in the country; additionally, the airline was considered to be one of the world’s worst in terms of quality and service. However, once faced with competition from Jet Air and other private airline companies, the Indian airline was forced to vastly improve its quality and services in order to compete in the larger market. The Indian airline and the consumer market mutually benefited from outside competition while the increased market size helped prevent privately owned companies from price fixing. The market functioned more efficiently and consumers received better service once the monopoly was gone.

There is no evidence to suggest that the government, the private commercial sector, or the non-profit sector is better suited to the task of service delivery; each brings its own strengths and weaknesses, advantages and disadvantages. The deciding factor should be which of the three has the comparative advantage in delivering a particular service to a particular place under specific circumstances. At the same time, governments understand that a centralized bureaucracy is effective for the implementation of only certain policy agendas – and totally incapable in other policy areas. It was this realization that led to the division and devolution of powers, responsibilities and roles among federal, state and eventually local governments. However, this simple realization did not come easily and took many years to filter into policy making. Even today, the failure to comprehend this basic concept of devolution and decentralization lies at the root of government's ineffectiveness and corruption.

Devolution and decentralization is premised on a belief that different functions are best performed at different levels and by different agencies. The services that most affect the daily lives of citizens, such as garbage removal, schools and health services, are probably best delivered at the local level. Even though the government has the responsibility for delivering these services to the citizens, it does not always have a competitive edge. It therefore follows that many of the services presently provided by the government can be left to the market or non-profit groups that are better and more efficiently equipped to handle the job.

It is safe to argue that the government lacks comparative advantage in service delivery, thus leaving responsibility to the market or non-profit organizations. However, there are some cases where this may not be possible. Markets operate to make profit; they are unlikely to provide a service that is not profitable. The government, on the other hand, is under an obligation to provide any service that is considered essential for the citizens. Take, for example, the case of postal service. Although an important service to citizens, it is unlikely to be provided by the market sector. It is true that commercial courier agencies and parcel delivery services have mushroomed in urban areas, especially in big cities where opportunities for profit abound. As the commercial organizations are driven by the profit motive, they invariably cherry-pick and will only be attracted to a lucrative market. The commercial courier services neglect or even exclude a large part of the rural and far-flung places. Even in urban areas courier services have few offices, making it necessary for citizens to drive or take public transport to deliver their parcels. However, the government-run postal service cannot confine its activities to the urban areas.

To meet the needs of the citizens, the government has to provide post offices and pillar boxes in remote villages and sparsely populated areas. Here the criterion is not so much who has the comparative advantage – the government or the private sector – but rather that the government has to serve all of its citizens and cannot focus only on profitable operations. However the fact that the courier companies have taken a sizeable portion of business away from the post offices

has injected competition and has improved the quality of service. Anyone who has walked into a post office in the U.S.A. will notice the customer-oriented attitude. The offices offer a wide range of services and delivery options that are faster and more reliable. In addition, the improved postal services have kept prices in check.

The government's postal service has certainly benefited from competition; but competition is only one aspect of improving service and cost effectiveness. More and more governments are now beginning to recognize innovative ways of doing government business by harnessing the synergy and value added of collaboration with the private sector. Let us continue with the example of the post office, but this time focusing on the U.K. As a part of its cost-cutting exercise, the British government decided to shut down a large number of post offices that were directly run by the government and outsourced services by contracting with corner shops in both rural and urban areas. Many of the services that the post offices were performing, such as cashing pension and social security checks, selling investment bonds and postage stamps, delivering government forms for things like driver's licenses, accepting parcels on behalf of the Royal Mail, etc. are now undertaken by these shops. This has considerably cut the size of the work force, freed up high value real estate, and allowed the postal service to commit its resources to its core area of work – collecting, sorting, and delivering mail.

It is incorrect to state that privatization is a panacea for service related problems; and it is still less correct to assume that the market is a better option for providing services than the State. For example, the British railway was privatized, resulting in unfortunate consequences: the frequency of service on most of the routes diminished, fares went up in excess of the inflation rate, there was little new investment in rail stocks or for tracks, and passenger safety became a widespread concern following an unduly large number of serious accidents. Privatization, by itself, did not improve the rail service and customers did not receive better quality service. This shows that there is no guarantee that privatization or outsourcing automatically enhances the quality of services, efficiency, or safety. In large part, the inefficiency of British Rail prior to privatization was due to a lack of investment in infrastructure and technology. Clearly that problem did not go away with a change of management. Private operators are seldom prepared to make infrastructure investments. Today, there is considerable opinion in the U.K. that the railways may have to be brought back under government ownership to improve their status. This further shows the government's need to regulate service provision so as to ensure that the citizens are not being short-changed.

While selective use of market practices has certainly helped to make governments more efficient and responsive, the pendulum is in danger of swinging too far to the other side. Not all the concepts borrowed from the private sector have equal applicability or validity in the government sector. There are a

number of areas where we need to be particularly cautious. At one level, the concept of customer service borrowed from the private sector makes a great deal of sense but its mechanical application to the business of the government is questionable. Success in the market is determined by customer satisfaction; in that sense, the corporations are there to serve the customers. The customers express their satisfaction by consuming a particular product or service, and by remaining loyal to a particular brand. Likewise, they signal their dissatisfaction by using a rival supplier or product. In competitive markets, consumers benefit, and competition in the market ensures that customers have choices.

The concept of citizens as customers is a useful way of looking at the way governments serve the people. The citizens pay for services with taxes; therefore, it is only proper that citizen satisfaction be the yardstick for judging the government's performance. Citizens also have certain legitimate expectations with regard to the standards and quality of services to which they are entitled. There is no reason why the government should not be able to deliver services equivalent to those provided by the market. As we have seen, a number of governments have employed instruments like "citizen's charters" to set out in a transparent way the standards and types of services that are being offered and provide clear mechanisms for redress if their commitments are not fulfilled.

While the concept of customer is clear for the private sector, for the government it is ambiguous. In the first place, the government cannot be selective and must serve all citizens. It cannot discriminate between those that pay higher taxes and those that do not. The case of a welfare recipient or substance abuse patient provides an example. There is no question that each of these citizens is entitled to courteous, timely and efficient service provided by the responsible government agency. However, unlike in the market, the welfare recipient or substance abuser is not the only "customer" of the government agency concerned. The parliament, the government as a whole and the taxpayers also have a stake in the service delivered and their concerns thus also need to be heeded. Perhaps the government wants to make life difficult for the recipient of the benefit so that the person will be motivated to seek gainful employment or quit substance abuse as soon as possible. Society often deems that high benefit payments reduce the incentive of the individual on welfare to look for employment and consequently tries to limit these benefits to a minimum. Society also might restrict the choices of a beneficiary by prescribing what may or may not be consumed. Sometimes recipients of food coupons (instead of cash) can redeem them only for groceries, not alcohol. Here, the choice of the actual consumer (the benefit recipient) of what to buy is not taken into account; instead the decision is made by society or the government acting on its behalf. Here, the society understands that providing food for a pauper is its responsibility but at the same time makes clear its disapproval of alcohol consumption by forbidding its purchase.

Another example shows how the wishes of the society and the beneficiary of a programme are articulated through representative government. Most societies

disapprove of drug use, and it is neither uncommon nor unfair for the society to insist that a substance abuser be required to attend a clinic or programme to kick his or her drug habit before qualifying for benefits. The preference of the drug user to continue substance abuse is ignored altogether. In this example, the service delivery agency has to deal with two conflicting sets of demands – from the service user and from the government – and it is not always clear who the customer is. This certainly poses a problem. The Internal Revenue Service in the U.S., for instance, has sought to deal with the often diverging demands of the taxpayers and the government by separating the tax collection agency, which is responsible for dealing with the taxpayer, from the regulatory body, which sets taxation policies.

Accountability is a more complicated problem. In the corporate sector, managers and workers have a clear idea as to what and to whom they are accountable. In general, it is primarily to the shareholders, the owners, and the board of directors of the company. The yardsticks for measuring accountability are also pretty straightforward. So long as the managers are producing acceptable returns on investments without infringing on the law, they have fulfilled their responsibilities. The accountability is intensive; the performance goals are clearly defined and measurable by the profit line. However, in the public sector, where the managers are custodians of taxpayers' money, accountability is both extensive and much more rigorous; it has to be more transparent to the public. It is not surprising that in the public sector accountability is spread through a number of layers – parliament, ministries, departments and agencies – and is assured through compliance with a large number of rules and regulations by auditors and comptrollers. Such extensive accountability, even though it often reduces speed and flexibility, is considered essential in democracies where the citizens are the theoretical masters. By copying the flexible rules and compliance requirements of the market, governments can become flexible and more responsive, but at the cost of democratic accountability. There appears to be a pay-off between accountability and flexibility and one of the challenges of new governance is to devise mechanisms that are flexible and accountable at the same time.

The problem of ensuring accountability is further complicated in countries where political institutions and the rule of law are weak and the propensity towards corruption is greater. Moreover, the challenges of new governance go beyond accountability. Governance is not solely the responsibility of the government; rather, it is only one element in a tripartite structure – the government, the market and civil society – that is jointly responsible for the ordering of society. While each sector has its own sphere of action, together they provide the governance of the society. The challenge for us is to discover mechanisms and procedures which enable these three principal actors to collectively supplement each others' capabilities. Just as the powers of the government have to be tempered to make it responsive to the wishes of the people, the market has to be kept in check to prevent excesses. The invisible hand supposedly regulating and self-correcting market forces is nothing more than a fiction. Markets cannot function without

government regulation. In order to effectively function, the market must rely on the government to protect private property rights, enforce contracts, provide arbitration in the event of disputes, manage and regulate patents and trade marks, facilitate the exchange of goods and services by setting standards for measurement, create conditions favourable for international trade, protect against theft and fraud, and control the money supply through manipulation of interest rates. There is clearly no such thing as an unregulated free market. Nor can any society leave the market uncontrolled. Markets based on short-term profit maximization cannot be sound or desirable for societal organization. Markets invariably have winners and losers, and the market has no responsibility towards those who lose. Governments, on the other hand, have broad responsibility towards their citizens. Unlike the market, they cannot ignore the weak, the vulnerable, the unemployed, the sick, and the destitute. They have a responsibility towards all of them as the guarantor of social justice.

Reinventing Government: Development and Social Justice as the Core of Government

In this essay, we have talked about how reinvented government has helped to cut government costs, how to make governments more citizen friendly, how technology has been creatively harnessed to bring the government to the doors of the citizens, how improvements in the quality and delivery of services have contributed to citizens' satisfaction, and finally how government has gradually transformed itself from an operational entity to a regulatory and facilitating body. These important and essential elements of good governance should not be underestimated. But the "revolution" in governance, however impressive and far-reaching, is not in itself enough to justify the role and the authority of the government. Reinvented government has to be more than just effective government. It has to be democratic government that enjoys popular legitimacy and effectively fulfils its role as the guarantor of social justice. This can only happen if we make our democratic institutions more inclusive and committed to creating an even playing field in which all citizens have equal opportunities and access to government benefits. Reinvented government must also reflect the will of the people, respect the sensitivities and needs of the minorities and disadvantaged communities, and be more accountable, transparent, participatory, and innovative in its responses to citizens' needs.

For the concept of "reinvented government" to be meaningfully applied to developing and transitional societies, the scope of reinvention has to be extended to strengthening democratic governments, institutions and processes, and social justice must be placed at the core of governance concerns. The current literature on reinventing government takes the existence of democratic governments for granted and does not show any explicit concern for social justice. The challenges are two-fold: first, how to make democratic governments, processes, and institutions function more effectively, especially in developing

societies; and second, how to ensure that governments fulfil their role as the guarantor of social justice. The latter has an important corollary; the ability of the government to alleviate poverty effectively largely depends on its ability to stimulate rapid, sustainable, and equitable development.

Democracy and Development

In this section, we will first revisit the linkage between democracy and development and ask what comparative advantages democratic governance may have in poverty reduction. We will examine the record of democracy in managing long-term and sustainable economic growth and inquire whether its performance here is better or worse than that of authoritarian regimes. In other words, we will look at whether there is a trade-off between democracy and rapid economic development. After arguing for economic growth as a means of realizing certain socially desirable public policy goals, we will suggest that it might be possible to achieve these goals without actually waiting for high levels of income.

Second, we will argue that, in claiming that democracies are better equipped to deal with the question of social justice and to promote broadly defined social indicators, we cannot ignore the fact that the performance of many so-called democratic governments is uneven or mixed at best. We shall need to explain this glaring inconsistency in our democratic audit and suggest how the defects might be remedied so that democratic governments can perform their role as the custodian of social justice. Finally, if the evidence suggests that the record of democracy in promoting both development and equity is superior, we will consider how to explain that the gap between the rich and the poor is widening more rapidly than at any time in history despite the significant growth in wealth.

Government is central to our society because it is supposed to be the guarantor of social justice. We know that a government that is popularly elected is more likely to be accountable, transparent, and responsive to public opinion; therefore, it follows that such a government will respect human rights and gender equity and permit freedom of expression and religion. A government that does all this will also allow full human creativity by creating an even playing field in which citizens will be able to develop their talents fully and receive the services they need. We assume that “good governance” means effective democratic governance. Is this near universal preference for democracy just an ideological preference for liberals and progressives? Or rather, is its desirability based on the superior record of democratic governments in managing economic development and promoting a more equitable society?

The causal relationship between regime types and economic performance is admittedly difficult to establish. Similar regimes do not necessarily adopt similar policies and all regimes are constrained by the alternatives available within their particular circumstances. More importantly for the developing countries (given their vulnerability and dependence on the developed world), their economic

performance is influenced not only by policy choices, but also by the state of the world economy, fluctuations in commodity prices, the state of social and economic infrastructure at home, and the availability of domestic natural resources and external economic assistance. Nevertheless, policies do matter in economic development and there is no denying that a regime's choice of policy reflects the pressures on that regime. Unpopular and authoritarian regimes promote urban-based development programmes to "buy" influential supporters in mainly urban, professional and business groups. Democratic regimes, on the other hand, being popularly accountable and dependent on voters for their continuance in power, have to target their development programmes to win over the masses.

Professor Atul Kohi of Princeton University has argued that the development performance of democracies in the developing world is relatively impressive. He has examined the development records of five diverse democracies, namely those of Costa Rica, India, Malaysia, Sri Lanka, Venezuela, and compared them with the records of countries that followed authoritarian routes to development, such as Argentina, Brazil, Egypt, Morocco, and Republic of Korea, in terms of three factors: economic growth, income distribution, and foreign debt management. His conclusions are revealing. The authoritarian group initially achieved high growth rates compared to the democratic states, but in the long run the gap between the two groups considerably narrowed. This is easily explained. The democracies, because of longer term political stability, were able to maintain steady progress and suffered little regression resulting from political upheaval or a succession of crises.

In terms of debt management, democracies showed markedly better performance while the countries with staggering and unmanageable debts were from the authoritarian groups. This is not surprising. Democracies enjoy legitimacy and therefore, unlike military regimes, do not have to borrow desperately to buy support. Popular legitimacy gives elected governments the mandate and authority to raise taxes.

Finally, in income distribution, the performance of democracies was superior. Even in those democracies where income inequality has not narrowed, the gap did not broaden, while in the authoritarian countries the income gap widened. Governments dependent on votes have to cater to all sections of the population and provide political mechanisms and pathways through which the deprived groups can make sure their claims are heard. Authoritarian regimes depend upon the support of narrow influential groups and therefore pander more to them. It should be stressed that income inequality is not only in itself undesirable but also creates sectional and regional tensions and conflicts that in turn disrupt economic development. We also know that countries with greater inequality have higher rates of economic growth. The sample is obviously much too small to make a firm generalization, but it is sufficiently indicative to suggest that even on purely economic performance (which is only a part of the development process)

democracies have a sound track record. It is important to emphasize that democracies also have certain intrinsic values independent of their economic record.

Social Justice and Development

One important caveat needs to be addressed. Experience has taught us that the excessive concern with the rate of economic growth is sometimes misplaced. Nor is the contention that economic growth is an essential precondition for political stability particularly well-founded. This is putting the cart before the horse and confusing means with ends. The development of a sound political system and democratic institutions are prerequisites for development and indeed a *sine qua non* for the benefits of development to be enjoyed by the majority of the people.

Part of the reason for confusing means with ends is that, until recently, development economists used a narrow concept of development. Development was viewed in terms of certain critical indices: per capita income, rate of increase in the GDP, ratio of savings, level of industrialization, and so forth. There was very little concern with the qualitative improvement of life, which must be the end purpose of all development activities. The quality of life cannot be measured merely in terms of per capita income or average life span, but must also take into account popular participation and the accountability of the regime to the public; the ability of the population to read and write; the choice to pursue scientific and literary interests; freedom of expression, association and movement; the preservation of human rights and safeguards against intrusion into individual liberty; the enforcement of social justice through income redistribution; protection against discrimination based on racial, religious or ethnic origins; a guarantee of the rights of minorities; and equality before the law and equal access to the benefits of the State. These are not merely values we cherish; they are essential preconditions and ingredients for development.

Today, largely due to the work of UNDP and its human development indicators, the new paradigm of development is fairly well accepted. Development is no longer seen as one-dimensional, with progress measured primarily in terms of economic growth and an accumulation of wealth. There is a consensus that development is about enhancing individual freedoms, expanding human capabilities, widening choices, and assuring citizens their basic human rights. Poverty is not merely a shortfall in incomes. Human beings are multi-dimensional and so is the scourge of poverty. Human deprivations such as ill health, gender discrimination, poor education, and malnutrition are constituents of poverty. This deprivation is caused by poverty of opportunities, not just by poverty of incomes. And the denial of opportunities is dependent on a lack of economic opportunities (income, employment, access to credit, ownership of assets, etc.) as well as on the denial of political, social, and cultural opportunities.

Such a “human development” perspective does not in any way undermine the significance of economic expansion. On the contrary, it draws an important distinction between the means (income expansion) and the ends of development, emphasizing in the process the need to ensure that growth gets adequately translated into tangible changes affecting the quality of people’s lives. The human development paradigm recognizes the close interconnections between the fulfilment of social and economic rights and political and civil rights.

The new paradigm also takes into account human security concerns. Human security is about the security of people’s lives and not just about territorial security. It is related to the persistence of human poverty and the negative effects war has on alleviating poverty. It is about protecting adequately and effectively people’s health, education, employment, and social circumstances. Embedded in the concept of human security is a concern for human dignity, democracy, participation, and pluralism.

To say that development economists have confused the means with the ends is not to suggest that they have no role in policy prescriptions. Indeed, Professor Amartya Sen reminds us that some of the major ideas put forward by the development economists remain valid. The major themes of development economics – industrialization, rapid capital accumulation, mobilization of manpower, and the government’s role in creating a facilitating and enabling environment for development – still remain important concerns for policy formulators. The rate of growth, the state of industrialization, and the level of unemployment are useful indicators and give us a fairly good understanding of the state of economic growth. Growth only matters because it is a means to an end and not an end in itself; it enables other desirable goals to be realized. Growth is not the same thing as development but only a small part of the development process. Professor Albert Hirschman points out that development economists go wrong in believing that developing countries have “only interests and no passions.” Hirschman goes on to say that these countries cannot be “expected to perform like wind-up toys and ‘lumber through’ the various stages of development single-mindedly.” Economists often forget that human beings matter.

We have argued so far that economic growth is important in that it helps to bring about a qualitative improvement of life; that only when the benefits of development are actually transferred to all segments of society are the ends of development actually achieved; and that the benefits of development are better distributed through the mechanism of democratic governance. This does not imply that economic growth and democracy are in any way incompatible, nor is there any reason to believe that the economic performances of democracies are less successful than those of authoritarian regimes. In fact, democracies even in the developing world can boast of impressive economic records.

It may further be argued that the achievement of socially desirable goals need not be predicated upon achieving high levels of per capita income. Improvements in life expectancy, literacy, health, higher education, and other signs of development are not necessarily related to per capita income. Brazil, Mexico, and Republic of Korea have a GNP per capita many times larger than that of China or Sri Lanka, yet the average life expectancy at birth in all five countries is around 65 years. Professor Sen points out that had Sri Lanka tried to achieve high life expectancy through the traditional method of increasing per capita income rather than through directing government policy, it would have taken the country from 58 to 152 years to achieve its existing standards.

The discussion so far demonstrates that democracies have a respectable track record in stimulating rapid and sustainable economic growth; and that socially desirable goals can be realized without having to wait for a higher level of per capita income to be achieved. Moreover, Professor Sen has long argued that there is little evidence to suggest that an economy grows faster if unfettered by concern for social justice, or that an increase in national wealth gradually trickles down from the top to the bottom. There is no compelling evidence to believe that either the economic performance of democracies is any worse than those of authoritarian regimes, or that a government's concern for social justice has any adverse effect on the economy. A democratic government is not only economically efficient but also socially desirable. However there is a large gap between the ideal and reality. The gap between the rich and the poor in both the North and the South is widening, and many governments have relegated the concern for social justice or redistributive justice to the back of their agenda. The number of countries claiming to be democracies has proliferated, yet more than 40 per cent of the world's population is living below the poverty line. How does one explain this apparent contradiction?

It is not because democracy is unsuitable for developing countries. Contrary to popular belief, the democracies in post-colonial states, both at formal and substantive levels, appear to have been remarkably successful. Many of the states that emerged with the demise of colonial empires have what may ostensibly be described as democratic governance. Despite periodic political upheavals and sporadic military interventions, the post-colonial states have shown a tremendous tenacity in their pursuit of democracy. In most of these countries we have seen popular and periodic elections to renew the mandate of the government. These elections have been mostly free and fair, the voter turnout has been invariably high and enthusiastic, and in many instances there has been a smooth transition of power from the incumbent government to the opposition party that wins a majority in the election. Multiple competing parties, free press (to the extent that the press is free of the owners' views, interests, and ideological preferences), a constitutionally-autonomous election commission, an independent judiciary, and the existence of other democratic paraphernalia have ensured that voters are able to exercise their franchise effectively.

The voters have also belied many of the worries and pessimisms of those who thought that democracy was suited only to the Anglo-Saxons, or perhaps to people of European extraction. The enthusiasm for the vote, as demonstrated by voter turnout, has been impressive, even when compared to mature democracies. Citizens have quickly grasped the power of the vote, used it as an instrument for political bargaining to extract their demands from the leaders seeking their votes, and frequently voted out an incumbent government that had failed to deliver on its promises. That voters displayed their innate astuteness, their judgment on critical electoral issues, and their mature voting preferences belied the misgivings of the so-called “modernists” of any clear linkage between literacy and the exercise of democratic choices. Moreover, evidence from countries where there have been periodic elections suggests that voters have used the ballot as an opportunity to empower their groups and interests. Even when faced with dictatorial and corrupt regimes, citizens have used mass mobilization to force out unpopular governments. These are impressive achievements by any standard and should help lay to rest any misgivings about the suitability of democracies for people of non-European origin.

Despite successful transitions, our evidence suggests that some democracies have failed the poor and historically disadvantaged groups in the society by routinely not delivering on their promises. Whether in advanced democracies like the United Kingdom or the United States, transitional societies like Poland or Russia, or fledgling and emerging democracies like the Philippines or South Africa, there is widespread mal-governance and a popular perception of betrayal by elected governments. Increasingly, we hear that democracies are not working; or that they are ineffective in delivering services and meeting the aspirations of the citizens; or that democracies are incompatible with the developmental aspirations of the majority of the people in developing countries; or perhaps that democracy is not a part of certain societal values, cultures, or religions. It is ironic that just when democracy has become a universal aspiration, and despite its impressive gains, it is in danger of losing its appeal. People are disillusioned and opinion polls of citizens in a number of countries suggest a general weariness with government performance. Citizens have even ominously expressed a willingness to trade so-called democratic governance for a more effective authoritarian regime that is stable and less corrupt. It is important to stress that citizen frustration is not so much with democratic governments but rather with the failure of governance. A large number of factors contribute to the underperformance of democracies.

That authoritarian regimes neglect the weak and the vulnerable is to be expected. In many of the post-colonial states, the governments were captured by military dictators and despots who ruled without popular legitimacy. These rulers compensated for their lack of popular support by building client regimes. These regimes were urban focused and sought to strengthen themselves by building a coalition of the urban elite, big business, bureaucrats, soldiers, landlords, and professionals. The coalition of clients was held together by the dispensation of

patronage, jobs, and commercial opportunities. In many cases, those resources for patronage were augmented by foreign aid and borrowing from other governments and multilateral institutions. With resources thus appropriated by rapacious elite, it was invariable that the poor and the rural areas would suffer.

Nor did the poor fare any better under so-called socialist economies with their stated commitments to creating an equitable society. The promised surplus from state-owned enterprises never materialized. On the contrary, these heavily loss-making businesses were subsidized by tax revenues, thereby diverting resources from education, health, development, and welfare. State enterprises, despite their inefficiency and history of loss making, have not been scrapped because in many countries they still provide the political elite a monopoly for lucrative employment and sinecures for their families and clients. So the poor and disadvantaged have lost both ways. Without access to the political elite, they were unable to benefit from employment in state-owned enterprises; and because these enterprises did not generate a surplus but instead were kept afloat with tax money, the meagre tax revenue available for development and welfare was siphoned off to cushion the privileged. Recent economic liberalization and the shift to market economy have brought little cheer to the poor. The 40 per cent of the world's population that lives below the poverty line has not benefited from the growing global affluence.

The story in democratic countries has been less stark, but ironically the poor have fared no better. The democratic process in many developing countries is largely telescoped between periodic general elections. The needs and views of the poor are seldom factored into policy making and only those with access to the government or political powers have benefited and done extremely well. Even those welfare schemes that were specifically designed for the poor, like subsidized electricity, water, fertilizer, and credit facilities were usurped by the marauding elite. Many of the services that citizens can legitimately expect from their governments – schools, hospitals, irrigation, public transport, water, and sanitation – have been non-existent in much of the rural areas and therefore not available to most of the poor.

We noted earlier that democracies have a sound record for economic growth in the long run, and that they tend to exercise policy choices to advance socially desirable goals rather than wait for incomes to rise. We have also postulated that because democratic governments are accountable to the people, they are better placed to distribute the benefits of economic growth and development. However, the actual record of “democracies” in developing countries in promoting social justice or poverty alleviation is not particularly inspiring. The explanations are complex, but some insights may be gained from the Indian experience.

India is the world's largest democracy; it has enjoyed continuous democratic institutions and processes for longer than Germany, Italy, or Japan. The government has regularly held elections and incumbent governments have been

thrown out of power. It has a long experience of smooth transition of power – an acid test for many democracies – from an incumbent government to the one that has won a popular mandate; it has a multiple party system, high voter turnout, free and fair elections, an independent judiciary, and constitutionally guaranteed fundamental rights. Successive elections have broadened the circle of people who benefit from the actions of the government. India is a world leader in the field of information technology, has developed nuclear weapons capability, has successfully launched rockets into outer space, and can rightly boast of the second largest scientifically trained workforce in the world.

By all accounts, democracy has taken firm roots in the country. India has retained a liberal constitution and federal political institutions. Indian citizens generally accept the legitimacy of the electoral system, reflected by large voter turnouts and regular changes of governments at state and national levels. Surveys indicate a strong commitment to the principles of electoral democracy among the poor. A vibrant English and vernacular media and a rich variety of social reform movements, non-governmental organizations, and pressure groups help to ensure some measure of government accountability and transparency.

Democratic Institution for Local Governance

Political participation and democracy in India have been strengthened considerably by constitutional amendments approved in 1993 that created new democratic institutions for local governance. So far, 2.5 million members have been elected to Village Councils (Gram Panchayats). Even more striking, the constitutional amendments ensured reservation for women of one third of the seats in elections to local-level institutions of rural and urban governance. The impact of this has been phenomenal. In 1999, some 750,000 women were elected to village councils (Gram Panchayats) and a further 42,500 to higher-level councils. Several positive changes are beginning to be felt at the grass-roots level with the induction of more and more women into public decision making. In addition to enhancing women's participation, the reforms have contributed to boosting their confidence and improving their status and position in society.

Admittedly, the country has come a long way since Independence in 1947. Most noticeable are the expansion and diversification of food production, the adoption of new technologies and modern management, and advances in science, medicine, engineering, and software development. India is one of the few developing countries that has enjoyed sustained growth in per capita income since 1950. In fact, the GDP growth rate after the initiation of economic reforms in 1991 was impressive, ranging from six to eight per cent per annum from 1991 to 2000. Perhaps even more impressive is India's political success, despite problems of political instability, institutional decay, and inter-group conflict.

Significant changes are also visible in the social sphere, where affirmative action, political organization, and collective mobilization are gradually transforming the status and position of many socially backward communities. Minorities, socially disadvantaged groups, and women are more free to speak out today than ever before. They are less fearful, more outspoken, less apprehensive, and more demanding of their rights. Factors contributing to this positive behavioural change include higher levels of education, increased participation of women in politics, greater awareness, improved access to justice, and a stronger collective identity. Above all, public perceptions of many forms of exploitation and abuse are changing.

There can be no denying that at an aggregate level India's record is good; but when the figures are disaggregated, an alternate picture emerges. Despite all the formal paraphernalia and prerequisites of a democracy, the Indian government has failed to bring the benefits of development to a large part of the disadvantaged. India is home to half of the world's illiterates and impoverished. Nor can it escape from the fact that malnutrition is widespread, a sizeable segment of the population has no access to safe drinking water or sanitation, and millions are homeless, unemployed, and without hope.

What is striking is that India's development has been characterized by persistent inequality. Caste and class differentials are stark, such as in discrimination against girls and women. Public provisioning in rural areas is far worse than in urban areas. Dalit (the so-called untouchable) and Adivasi (the indigenous people of India) communities fare worse on almost all indicators of human development.

At a conservative estimate some 350 million people – the equivalent of India's entire population at the time of its independence in 1947 – are now living below the poverty line. Vulnerable groups, especially those that have suffered historic discrimination, have received little or less than their fair share of the benefits of development. And even more glaringly, women in general, but especially those from the disadvantaged groups, have benefited least and continue to face discrimination. The quality of life for the vast majority of people in India remains unsatisfactory. For example, India has achieved remarkable expansion in food production, and famine death rates have been virtually eliminated; yet, 55 per cent of children under five years old remain malnourished – nearly twice the levels reported in many parts of sub-Saharan Africa. Similarly, there has been a rapid expansion in the physical provisioning of schools and close to 95 per cent of the villages have a primary school within walking distance of one kilometre; yet, adult literacy in 1991 was only about 52 per cent, and close to two-thirds of Indian women could not read or write.

Again, while life expectancy at birth has doubled from around 31 years in 1950 to 62 years today, India's maternal mortality rate – 410 per 100,000 live births – is almost 100 times the levels found in the West. From 1950-1998, infant mortality

rates were halved to 74 per 1000 live births; but, close to two million infants die each year – and most of these deaths are avoidable. Public health care through primary health care centres has spread to most parts of India; but serious issues of quality, access, and efficiency plague the proper functioning of the system. Considerations of gender, caste, and class continue to affect access to basic social services. Finally, despite the record of sustained economic growth, some 34 per cent of the country's population continues to live below the poverty line.

Another striking feature of India's skewed development is the persistence of widespread inequalities. These inequalities are visible across states, between rural and urban areas, within communities, and most significantly between women and men. Women are particularly disadvantaged, even though in the last 50 years India has certainly made impressive progress in enhancing women's condition and capabilities. On the positive side, a woman's life expectancy at birth has almost doubled in the past 50 years, from barely 32 years in 1950-1951 to 63.36 years today, and female literacy rates rose from around 15 per cent in 1951 to an estimated 42 per cent in 1998. These are not insignificant achievements, but beyond that women fare worse than men on almost all counts. There is perhaps no more shameful statistic than the fact that there are only 93 women for every 100 men with the trend worsening over the years. As Professor Amartya Sen has pointed out, some 40-50 million girls and women are "missing" from the Indian population. In all but a few countries of the world, there are typically 105 women for every 100 men.

Despite all the constitutional and legal statutes conferring women equal status, in everyday life they face much discrimination and degradation. Rape, sexual assault, and sexual harassment are common and go largely unpunished. Women also suffer discrimination in the economic sphere. They are typically concentrated in insecure jobs in the non-farm sector where earnings are low and rates of pay well below those for men. Despite the growing involvement of women in recognized economic activities, they remain dominant in unpaid household labour and home-based occupations. It is clear that the historically disadvantaged groups, and especially the women amongst them, have been largely excluded from the benefits of development in India.

Our cursory review of the Indian government's record shows that the benefits of progress have not accrued uniformly to all people. To a large extent, government has bypassed these socially and politically disadvantaged groups. The failure of the government to fulfil its role has raised serious questions about its credibility and legitimacy. From the perspective of the poor, the combination of the failure of the government and the market has led to distorted development in which the rich have become richer and the poor poorer.

The Indian example is particularly poignant. It is instructive in both illustrating the success of a democratic government in expanding human freedom and promoting development, and in revealing the limitations of a democratic

government when its institutions are not sufficiently strong and citizens are inadequately empowered. India is rightly regarded as one of the best examples of a developing and economically successful democracy; yet its record in poverty alleviation is dismal. How then does one explain this apparent anomaly? How do we square this with our earlier claims of the superior record of democracies?

Popular elections and the existence of formal democratic structures, constitutions, and guarantees of fundamental rights are essential prerequisites for liberal democracies; but these are not completely sufficient conditions. A host of other factors have contributed to the emaciation of the will of the people and the erosion of democratic institutions:

- In most countries, the gap between the rulers and the ruled has widened, with no signs of that divide being bridged. The rulers and the ruled may live in the same country but often they traverse different universes. The voters are consigned to hibernation between elections and the elected leaders largely cease to be held accountable by them.
- The influence of campaign financing, criminalization of politics, special interest groups, and the dominance of big business further ensures that freedom of action on the part of the elected representatives is constrained and takes its toll on the functioning of representative systems of government. Elections are often free and fair but electoral outcomes may or may not always reflect popular choices. Evidence suggests that negative campaigns and a costly media blitz can often obscure issues, instil fear amongst voters, and adversely effect voter choices.
- The gradual but persistent roll-back of the welfare state, the onslaught on affirmative action, and the influence of campaign financing in determining the outcome of election results has shaken the faith of the citizens in the government's role as the guarantor of social justice. Not surprisingly, citizens are distrustful of politicians and elected leaders.
- In many countries, the benefits of the State's development efforts are mostly monopolized by the powerful, especially those with access to the government. Projects and policies for the benefit of the poor and for poverty alleviation have proliferated, but few of the benefits of development have actually accrued to the impoverished. Many projects never reach their intended beneficiaries and there is plenty of evidence to suggest that much of their funding is either lost through corruption, or that the benefits of the schemes are usurped by the socially and politically powerful, and by those with access to the government. The ruling elites in all of these countries have tended to monopolize access to the resources of the State by controlling the state apparatus and by influencing economic policies for their selfish and sectional ends. Even some of the best conceived poverty alleviation schemes have

mainly benefited the better-off groups and those individuals with access to the government.

- While most democracies have a plural political system, an independent judiciary, and other institutions associated with formal democracies, for all practical purposes, access to these institutions is denied to the poor. For example, justice, quality education, health or basic amenities of life like sanitation, electricity, and clean water have yet to reach the poorest.
- Free media is supposed to be the watchdog of democracy. While most countries today have free media, that freedom is the freedom of the owners or groups that control the media. Issues and concerns of the disadvantaged seldom engage the editorials because poverty and deprivation are not considered newsworthy.
- Liberal democracies are based on one person, one vote; and this means that in many plural societies the minorities are often rendered voiceless. In most constitutional arrangements, there are few mechanisms to check the tyranny of the majority or to temper majority decisions with minorities' legitimate concerns. The democratic practice of "majority rule" often leads to the winner taking all and domination by those in the majority. Minority groups and communities, especially women and the economically least well-off, are often rendered voiceless and neglected. There are very few homogeneous nations in the world today. Yet current democratic constitutions, governments, institutions, and processes have not been designed or adapted to respond effectively to the challenges of diverse and divided societies.

There is no question that the Indian government's record on social justice is mixed, but it would be a mistake to lay the blame on India's democratic system. The reality, however, is that democratic government works within a broadly based consensus which is negotiated through complex bargaining amongst numerous stakeholders and powerful interest groups who have strong vested interests in preserving the *status quo*. There is therefore a limit to the ability of the government to persuade the groups that benefit from the *status quo* to voluntarily give up their privileged position in the name of fair play or social justice. The entrenched group will resist any attempts by a government that threatens to alter the existing power structure. On the other hand, the poor are largely unorganized and cannot be mobilized easily despite their large numbers. In the abridged version, democracy is reduced to the right of periodic electoral participation; for the rest of the time, citizens have come to be seen as bystanders in the game of politics. Governments, faced with the conflicting demands of the articulate sections of the population and the voiceless poor, seek safety by siding with the powerful. This probably helps to explain why the most vulnerable are also the poorest, most illiterate, least healthy, most malnourished, and least secure. Not surprisingly, those that suffer from a congruence of such disabilities are also usually politically un-empowered, emaciated, and voiceless.

It is undeniable that poverty results from the failure of “economic entitlement;” and we know that the realization of that entitlement is a political process of the empowerment of citizens. The poor are poor because they are not empowered enough to establish their entitlement. A major consequence of this has been not only to widen inequalities across the country but also a congruence of human deprivations. The poor of India are the ones who tend to be the most voiceless and disadvantaged (economically as well as politically), and they belong predominantly to the Dalit and Adivasi communities. Among them, it is women and children who are affected most adversely. In fact, human poverty is concentrated in the bottom 20 per cent of the country’s population.

The correlation between poverty and lack of political power suggests important possibilities. Professor Sen has argued that if the concern of development is to improve the quality of life for the poor, then the surest and quickest way of doing this is to concentrate on improving the entitlement of people and the “capabilities” that this entitlement generates. Entitlement, according to Sen, “refers to the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces.” However, the benefits of economic development can only be distributed through an expansion of the capabilities of the people. When this does not happen, it is essentially a failure of the political processes. But history gives us some clues as to how we might move forward.

That economic development is meaningless without recognition of the entitlement or the expansion of capabilities is well known to most students of the past. The industrial revolution in England in the 18th century, and later elsewhere in Western Europe, dramatically increased gross national product, aggregate income, and the total supply of particular goods; but for nearly a hundred years after industrialization few of the benefits filtered to the masses.

The so-called “Age of Elegance” which saw the flowering of some of the finest country mansions, and landscaped gardens by Capability Brown, also saw the wretched poverty and grotesque living conditions so vividly depicted in Hogarth’s prints and Dickens’ novels. While the captains of industry amassed vast fortunes and lived in splendid grandeur, the bulk of the workers’ lives were nasty, brutish, and short. Living conditions in the slums were appalling and labourers had to spend long hours in monotonous work, which children and women were also forced to perform. The reason for this is easily explained. The majority of the population had no political rights and hence no capability to enforce their entitlement. It took the French Revolution, the revolutions of 1830 and 1848, and the Great Reform Acts of 1832 and 1867 to broaden political participation through the gradual extension of the franchise. The Russian Revolution of 1917 was the culmination of a process begun in 1789. It was only through the exercise of their new voting power that British and Western European workers were gradually able to secure a welfare state that distributed some of the benefits of

economic growth to the population. In short, popular participation and the establishment of democratic institutions are essential preconditions for the expansion of capabilities and entitlements, without which the benefits of development cannot be distributed to the people. The secret to empowering the poor is to strengthen democratic institutions and processes so that people can use their political muscle to make governments more responsive to their needs.

The Role of Civil Society

From the perspective of the poor, the combined failure of the government and the market has led to distorted development in which the rich have become richer and the poor poorer. Neither the government nor the market, left to its own devices, is able to fully serve the needs of the poor. The challenge for those engaged in reinventing government is to find new democratic mechanisms and institutions that will make governments more accountable in empowering disadvantaged groups so that the latter can realize their entitlement through greater political involvement. For democracies to fulfil their role as guarantor of social justice, democratic institutions will need to become more inclusive. This calls for mobilization, community organization, advocacy, training, and the building of human capacity. It is here that the civil society comes into play. A strong and well organized civil society can both ensure that government itself is accountable and responsive to the citizens and persuade the government to regulate the market so as to prevent it from committing excesses that are detrimental to society as a whole. In the new tri-sector governance, non-governmental organizations (NGOs) enjoy considerable comparative advantage. They have a distinctive niche and can play an influential role. Unlike governments, NGOs are not constrained by political pressures or the prospects of electoral contests. They can therefore take on the cause of the poor with greater freedom and effectiveness. Unlike governments, NGOs are (in theory at least) nimble, flexible, and unencumbered by interest groups. Moreover, NGOs, because they address the specific concerns and needs of the people, can be experimental, innovative, and take risks. And because they work mostly at the grass-roots level, they have a better appreciation of the problems and the solutions. It is at the intersection between the government and the market that the civil society organizations meet.

Just as the government regulates the market and thereby prevents it from committing excesses detrimental to society, it is the role of civil society to ensure that government is not only accountable and responsive to the citizens but also performs its essential role as the guarantor of social justice. In the emerging multi-sectoral structure of governance, NGOs play a crucial role in harnessing the resources of the government and tapping the potentials of the market to advance the interests of the poor. It is quite appropriately the “third sector” in the new multi-sectoral arrangement that can turn the government and the market to benefiting the poor. Moreover, with the gradual “hollowing” of the government, civil society has assumed a much greater role and increasingly begins to see

itself as a partner, along with the government and the market, in the country's governance.

NGOs choose to focus on vulnerable groups, where they can supplement and complement both the government and the market. This clarity of focus is needed if NGOs are to harness their comparative advantages and maximize their limited resources. NGOs have already demonstrated their capabilities for policy advocacy and political action. Many of them have been in the forefront of action, research, and process documentation that has helped to inform and shape policy; and because they are small, flexible, and work directly with the people they can experiment and seed new ideas. Unlike governments, NGOs are not constrained by voters or electorates. However, for them to remain effective and be taken seriously, they have to become more accountable, democratic, and transparent. Accountability is not essential solely for an NGO's donors, but also for its constituency, members, and beneficiaries. To become more transparent, NGOs need to publish their annual reports not only for the benefit of their funding agencies, but also to inform the public at large, so that their legitimacy in the society is not questioned. (Many NGOs post their accounts on the Internet.) This means that the NGOs must work with the people they try to serve; they must have faith in the innate wisdom of these people, however downtrodden or illiterate they may be; they must involve them in solving their problems themselves and accept their solutions and ways of doing things; they must let the people they serve set their own agendas, priorities, and goals; and above all, they must have the humility to recognize that people who are living with problems usually know their solutions. These are the most important lessons that we have learnt from more than 50 years of development experience. The NGOs can be a tremendous force for change and for good, but only if they recognize that change will come if the people are empowered to make that change. Herein lies the unique strength of NGOs.

In the last 30 years, there has been an enormous expansion in the number and roles of NGO. During the last decade alone, the number of international NGOs increased from 6,000 to over 26,000, while the number of national and local NGOs is now too large to even hazard a guess as to its magnitude. In recent years, the NGOs have mobilized in excess of US\$25 billion for their developmental work from private, state, bilateral, and multilateral sources. The Bangladesh Rural Advancement Committee (BRAC) has more students benefiting from its programmes than the government of Bangladesh. The Grameen Bank (technically speaking, a bank and not a NGO) is now replicated in over 46 countries and disburses more rural credit than all of Bangladesh's state and private commercial lending institutions combined. The size and scope of the work of the NGOs as providers of services in the provision of information and analysis, and in the mobilization of political action, is truly breathtaking.

Conclusions

While criticism of government ineffectiveness, inflexibility, and waste might be largely justified, it should not lead us to conclude that government has become obsolete and is doomed to be replaced by other institutions. Government is, and will remain, central to society. An efficient, effective, and democratic government is the best guarantor of social justice and an orderly society. Any expectation of the demise of government is not just premature but also mistaken and misplaced. The discussion about the “reinvention” or the re-conceptualization of government is about better and more effective governance of society. It is not about its replacement by the market or the civil society.

It is also clear that if government is to regain popular trust, then it must become smarter, flexible, and more innovative in proactively advancing social justice. The “crisis of governance” is real and just tinkering on the edges will not be sufficient to fix it. We have to rethink the whole concept of governance and also revisit the societal vision of the role of government. In other words, we have to break out of the old mould of thinking and develop a new paradigm for governance.

We have seen that the aspiration for democratic government is almost universal. The expectations of the citizens have changed and they want a government that is responsive to their needs and wishes. An awakened and empowered citizenry considers the business of governance too important to be left entirely to the government itself. People are no longer content to be passive onlookers or to hibernate between elections. Nor are they merely content to let the State or the government do things for them; rather, they want the government to enable them so that they themselves are able to accomplish the things they want. A free and easy flow of information means that citizens no longer depend on the government as a source of information; censorship – the most potent instrument of tyrants – is obsolete and the growth of an informed public has increased the pressures on governments to be more accountable and transparent.

Obituaries for the government are premature. Government has not, and will not, become obsolete. Like the State, the government is undergoing a profound transformation and has to reinvent its role, structure, and character. To meet the numerous demands of the citizens, governments have to reinvent themselves and remain innovative. Innovation is central to enabling societies to build anew the models of government and governance now needed to address the dramatic challenges of the 21st century. There is no doubt that governments are capable of addressing these challenges. However, we cannot wait for the innovations to come through slow evolutionary means; instead, we must actively work to promote deliberate and innovative leadership. Significant strides have been made in the “reinvention” of government; and the various innovations and reforms have done much to make governments more effective.

It is naïve to think that government can be supplanted by the market or the civil society; but this is not to deny the fact that many of the functions historically performed by the government cannot be transferred to the market. Markets are better at delivering services and catering to the citizens as clients. Moreover, in a competitive environment the market can be both cheaper and more effective than the government in providing certain types of services. Markets operate for profit, but must be regulated to decrease excesses.

We have already noted that innovations in public management are changing the ways in which government works; but it is important to emphasize that reinvention of government is a means to an end and not an end in itself. The end is its role as the guarantor of social justice. The focus of government and reinvention must put social justice at the heart of the discourse on governance.

Our experience of economic liberalization and the shift to market economy shows that it has brought little cheer to the poor. Not only does a third of the world's population live below the poverty line but these people also remain outside the domain of the market; and much more importantly, in the absence of any political entitlement, they have not benefited from the growing affluence of society. From the perspective of the poor, the combined failure of the government and the market has led to distorted development and their further impoverishment.

However, the inability of government to tackle poverty is not due to any inherent defect of democracy but rather to the weaknesses of political institutions and processes which have largely excluded the poor and vulnerable groups. The poor are poor because they are not empowered enough to establish their entitlement. Our evidence suggests that even democratic governments are constrained by the powerful elite and special interest groups. While it is valid to say that democratic government is the best guarantor of social justice, this statement needs to be modified. Popular elections and representative governments, although essential, are not the only prerequisites for an effective democracy. For a government to be truly democratic there must also be effective accountability. Only a regime which is accountable, transparent, participatory, and responsive to the will of the people will put adequate emphasis on the people's entitlement. In this new tri-sector governance structure, it is ultimately the "third sector" that is capable of harnessing the resources of the government and the potentials of the market to advance the interests of the poor.

Chapter 5

DIMENSIONS OF TRANSPARENCY IN GOVERNANCE

Jeremy Pope

It is now generally accepted that transparency in government is an essential element of good governance. The more informed citizens can be, the more meaningful the role they will play in dialogue with their governments and with each other. This does not imply that citizens are entitled to know everything about the workings of their government. But it does suggest not only that there should be clear definitions as to what is and what is not in the public domain, but also that there should be clear and cogent reasons for any secrecy, justified by the demands of the “public interest” – and not just the interests of those holding power.

Corruption, it is said, thrives in the dark. By contrast, “Sunlight is the best disinfectant.” So noted Justice Brandeis in one of the most quoted utterances of any U.S. Supreme Court judge. Any campaign to counter corruption can usefully start with efforts to minimize the extent and depths of the shadows within officialdom.

Broadly speaking, there have been three distinct phases in the global movement against corruption, starting from the late 1980s when mass mobilizations in countries as diverse as Bangladesh, Brazil, China, the Philippines, and Venezuela demonstrated that many people throughout the world were no longer prepared to tolerate corrupt leaders. A decade-long phase of awareness-raising and the “breaking of taboos” followed, so that by the end of the 1990s, development agencies, international organizations, and many governments were no longer in denial, and countries were now expected to address corruption openly and systematically in their funded programmes.

The second phase was one of standard setting and convention making. Starting in the mid-90s with the Inter-American Convention Against Corruption (1996) and the development of the OECD Convention Against the Bribery of Foreign Public Officials in International Business Transactions (1997), and continuing with the Council of Europe’s Criminal and Civil Conventions (1999), the phase culminated in the signing of the UN Convention Against Corruption in Mexico in December 2003.

The third and current phase is by far the most challenging: that of implementation and enforcement of these standards. A number of governments have embarked on this third phase and many are finding the path extremely difficult. The answers are proving to be elusive. Reforms are being attempted in the face of myriad obstacles. The situation in each country is to a greater or lesser degree unique,

and there seem to be no “off the shelf” solutions. Containing corruption is not a mere matter of drafting the right laws – in many countries, for diverse reasons, legal systems are not functioning reliably. Nor is it primarily a matter of establishing a major anti-corruption agency with draconian powers. Rather it is the challenge of making containing corruption the business of every manager within public service and of forging an ethic of “public service for the public.”

In this, governments face formidable impediments. Not only may there be systemic corruption within their own institutions, but corrupt practices appear to be multiplying beyond the public sector and across society at large: in a private sector prepared to bribe for business and to lobby against necessary reforms; in the privately-owned media; on the Internet, where scams abound and confer bogus qualifications; among job-seekers, who forge doctors’ curricula vitae; and even on the sports field, where the concept of “the best person winning” is called into question.

Even national integrity institutions designed to promote accountability can fall victim. In Brazil in October 2003, “Operation Anaconda” dismantled a ring that offered court sentences for “sale.” More recently, four highly-ranked officials from the federal accounting court, a body overseen by the congress and responsible for monitoring public resources, and fighting corruption, were arrested on charges of aiding and abetting fraud. Elsewhere, major audit companies fail to see their public interest role and lobby for limitations of their liability, even when they publicly endorse the accounts of corrupt corporations. Yet in rural areas, where the world’s most poor predominantly live, ethics of honesty and trust can prevail, despite the poor themselves frequently being the subject of extortion on the part of local officials.

It would be a mistake to believe that corruption is only a scourge in the developing world and in countries in transition. Far from it. Although the industrialized countries are widely regarded as having sound standards of administration and have been the most active in generating good practice – they, too, experience much corruption.

Ethics Advances, Core Public Service Values, and Standards In Public Service

International Standards

In 1996, the United Nations promulgated an International Code of Conduct for Public Officials (Resolution 51/59: Action Against Corruption adopted by the General Assembly on 12 December 1996), which was recommended to Member States as a tool for guiding their efforts against corruption.¹

¹ <http://www.un.org/documents/ga/res/51/a51r059.htm>

Similar to the United Nations' Code is the Council of Europe's Model Code of Conduct for Public Officials (2000).² The Code contains some mandatory items, but the document itself is a Recommendation and is intended to set a precedent for countries drafting their own mandatory codes of conduct. Many of the standards set by the Council of Europe deal with subject matter which is similar to that in the United Nations text, but the Council of Europe text goes beyond those aspects of public service conduct that are linked to anti-corruption measures or policies. Article 6, for example, which deals with arbitrary actions, is broad enough to cover problems, such as general discrimination, as well as conduct, which is specifically biased by corrupt influences.

Earlier, in an effort to hold its public servants to such standards, the United Kingdom had in 1994 introduced a broad code of behaviour for those in public life. Although developed under the stewardship of Lord Nolan in the context of the United Kingdom, the Seven Principles of Public Life ⁴ can be applied universally, regardless of differences in politics, history or culture.³ The Principles, which have since been adopted by a number of countries, state:

- *Selflessness* – Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- *Integrity* – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance of their official duties.
- *Objectivity* – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merits.
- *Accountability* – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- *Openness* – Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

² <http://www.greco.coe.int/docs/codee.htm>

³ See http://www.public-standards.gov.uk/about%20us/seven_principles.htm

- *Honesty* – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interests.
- *Leadership* – Holders of public office should promote and support these principles by leadership and example.

Codes of Conduct for Ministers and Public Officials

Codes of conduct 5 – for ministers, legislators, civil and foreign service officers, the judiciary, and local government officials – can assist countries in putting these principles to work.⁴ Similarly, citizen's charters can compel government agencies to provide certain levels of service to citizens and to solicit complaints if these levels are not met. Guatemala is among the countries that have instituted codes of conduct for ministers and permanent secretaries. Both South Africa and the United Kingdom have taken a lead in addressing the needs of local government.

In the United Kingdom, the Standards Board for England⁶ is active, setting and enforcing standards of conduct, transparency, and accountability across local government structures.⁵ It asserts that confidence in local democracy is a cornerstone of our way of life. It can only be achieved when elected and co-opted members of local authorities are seen to live up to the high standards the public has a right to expect from them. The Board is responsible for promoting high ethical standards and investigating allegations that members' behaviour may have fallen short of the required standards.

In South Africa, political restructuring has brought new entrants into local government administration. Unsurprisingly, ethics and ethical issues have accordingly become more important for municipal officials and both directly and indirectly developments in this regard derived an added impetus from the worldwide drive for enhanced levels of ethical conduct among public servants. A code of conduct for municipal officials accordingly has come to be seen as a matter of necessity.⁶

⁴ The United Kingdom has a commissioner who oversees the openness and propriety of public appointments (see <http://www.ocpa.gov.uk/index2.htm>). A further recent example of openness at the level of local government is the UK's project, Modern Local Government in Touch with the People.

(http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_605468.hcsp). Under a new ethical framework, councils are expected to embrace a new culture of openness and ready accountability for which a new Model Code of Conduct for Councilors is promoted. The code requires that elected Councilors of local authorities in England behave according to the highest standards of personal conduct in the performance of their duties.

⁵ <http://www.standardsboard.co.uk/index.php>

⁶ http://www.absa.co.za/ABSA/Content/PubRef_Content/Article_Files/PubRefArtFile1017_0.html

Citizen's Charters

A comparatively recent innovation in a number of countries has been the introduction of "Citizen's Charters." In the typical Charter, a government department or agency sets out its commitments to the public it serves. Copies of the Charter are then displayed prominently wherever the department or agency is doing business with the public. A Charter from a customs department, for example, would be displayed in customs halls and customs offices. Their purpose is to increase public sector accountability through the publication of government services. They can be introduced at the level of national or local services and are also intended to improve service delivery. In India, Citizen's Charters are being used to tackle low-level corruption by providing citizens with access to information about services where bribes are often levied.⁷ The Charters describe the services that the government will provide, the time frame for each service, the government officer who should be contacted, and a remedy should the service not be provided.⁸

Ethics Officers

Codes and charters do not implement themselves. Training and advice are needed by officials. To be effective, over-all responsibility for public ethics development and training must be vested in a particular agency of government. Frequently, this is within the ministry for government administration, which can also provide a counselling service for public servants who face difficult conflict of interest questions and who need to be able to talk through the position with a trusted professional on whose advice they can safely rely.

In the wake of the Watergate scandal, the United States created the Office of Government Ethics (OGE) in 1978.⁹ The OGE provides policy leadership and direction for the executive branch of the government's ethics programme. The system is decentralized, with each department or agency having responsibility for the management of its own ethics programme.

The OGE issues Standards of Ethical Conduct for Employees of the Executive Branch, a document that applies to all officers and employees of executive branch agencies and departments.¹⁰ These contain specific standards that

7 See Geoffrey Sadler, "Experience With Citizen's Charters in the UK," unpan1.un.org/intradoc/groups/public/documents/nispacee/unpan006575.pdf

8 See <http://goicharters.nic.in/>.

9 <http://www.usoge.gov/>

10 www.usoge.gov/pages/forms_pubs_otherdocs/fpo_files/reference/rfsoc_99.pdf

provide detailed guidance in a number of areas: gifts from outside sources, gifts between employees, conflicting financial interests, impartiality, misuse of position, and outside activities. The rules are enforced through the government's normal disciplinary process.

The Office has also implemented uniform systems of financial disclosure. These are enforced throughout all agencies and are subject to periodic review by the OGE. In recent years, a number of countries have followed the United States' lead, including Argentina and South Africa. Former members of the OGE have worked with the Ethics Resource Center to create parallel bodies in Colombia, South Africa, Turkey and the United Arab Emirates.¹¹

In Canada, the federal government as well as a number of provinces have introduced ethical advisors to provide guidance to parliamentarians and senior public officials on ethical issues.¹² These all recognize that, in the area of ethics, there are two major risks when administrations rely solely on a legalistic system. First, public office holders can easily forget what truly ethical conduct actually is and choose to dwell on what they understand to be the legal technicalities of words and concepts – not the spirit that lies behind them. Second, rules are often extremely detailed about matters that should be self-evident to anyone with sound moral judgement. Canada's federal government has taken an approach that assumes that public office holders do want to take ethical actions. It assumes that they do want to earn a high level of respect among citizens. For this reason, it has chosen not to codify ethical behaviour rigidly through an exhaustive list of forbidden conduct.

Civil society is also active. To strengthen the ability of countries to teach public sector ethics and to raise standards, a Public Integrity Education Network, based in Budapest, has recently been formed which brings together some 20 academic institutions to work on the teaching of corruption control.¹³ A complementary initiative is the Global Integrity Alliance, where the majority of the 45 participants include current and prospective ethics and anticorruption NGOs, as well as representatives from multinational corporations, intergovernmental institutions, and multilateral organizations.¹⁴

¹¹ <http://www.ethics.org/>

¹² Office of Public Service Values and Ethics (Canada), http://www.tbs-sct.gc.ca/veo-bve/res_e.asp

¹³ http://www.ceu.hu/cps/res/res_pien_firstmeeting.htm and <http://www.integrityeducation.org>

¹⁴ http://www.ethics.org/i_turkey_fgia_es.html

Gifts

Cultures where gift giving is a feature can present problems, particularly where public servants are inadequately paid. This has been tackled frontally in Indonesia, where for public servants, the annual *Idul Fitri* holiday (marking the end of the Islamic holy month of Ramadan) has traditionally meant a seasonal financial boom when civil servants are showered with hampers and other expensive gifts from those eager to lay the groundwork for future favours. The year 2004 was different. Only three weeks into a five-year term Indonesia's new president was already pushing through his pledge to fight the country's endemic corruption. He ordered public servants to refuse all *Idul Fitri* gifts.

The new president demonstrated leadership, turning away presents sent to the presidential palace and ordering his ministers to do likewise. In addition, the country's new anti-corruption commission issued guidelines specifically banning public servants from accepting *Idul Fitri* gifts, arguing that the practice can be accused of impropriety. The shift has caused civil servants to turn away the traditional baskets stuffed with dates, chocolate, and, occasionally, crystal decanters and bone china tea sets, which they had accepted in the past. Other high-profile figures have followed suit. "I'm not banning people from buying a gift," said one governor, "But don't send it to my house ... Just send it to City Hall and I'll pass it on to charities."¹⁵

Conflicts of Interest

Most countries consider the question of conflicts of interest so important and so fundamental to good administration, that they enact a specific conflict of interest law.¹⁶ This can provide, for example, that "a State officer or employee shall not act in his official capacity in any matter wherein he has a direct or indirect personal financial interest that might be expected to impair his objectivity or independence of judgment."¹⁷ Given the interplay between the concepts – conflict of interest, nepotism, and cronyism – the three are often rolled together in a single pithy phrase.

The drafters of Thailand's 1997 Constitution saw conflicts of interest as being so important as to require provisions in the Constitution itself – and not just the ordinary law. Specific provisions are included requiring government officials to be politically impartial (Section 70, Chapter IV) and which prohibit a member of the House of Representatives from placing himself or herself in a conflict of interest

¹⁵ "Indonesian officials give up their gifts," *Financial Times*. (11 November 2004).

¹⁶ http://www.transparency.org/activities/nat_integ_systems/country_studies.html

¹⁷ For a detailed discussion of the issue at senior levels of government, see Gerard Carney, "Conflict of Interest: Legislators, Ministers and Public Officials," (TI, Berlin) at <http://www.transparency.org/documents/workd-papers/carney/3c-codes.html>.

situation. Section 110 (Chapter VI, Part 2) clearly states that a member of the House of Representatives shall not:

hold any position or have any duty in any State agency or State enterprise, or hold a position of member of a local assembly, local administrator or local government official or other political official; receive any concession from the State, a State agency or State enterprise, or become a party to a contract of the nature of economic monopoly with the State, a State agency or State enterprise, or become a partner or shareholder in a partnership or company receiving such concession or becoming a party to the contract of that nature; or receive any special money or benefit from any State agency or State enterprise apart from that given by the State agency or State enterprise to other persons in the ordinary course of business.

Section 111 provides:

A member of the House of Representatives shall not, through the status or position of member of the House of Representatives, interfere or intervene in the recruitment, appointment, reshuffle, transfer, promotion and elevation of the salary scale of a Government official holding a permanent position or receiving salary and not being a political official, an official or employee of a State agency, State enterprise or local government organisation, or cause such persons to be removed from office.

By virtue of Section 128, the provision also applies to senators. However, in countries emerging from totalitarian regimes, the concept of the “public interest” colliding with a public official’s “private interest” has been taking some time to be fully appreciated.

Monitoring and Surveys

There is a strong case for continuously monitoring the performance of service delivery agencies. Much work has been done in this area, with civil society monitors, in particular, being independent from the service providers and feeding back useful insights to responsible managers.

Similarly, there is much to be said for measuring how countries are addressing corruption and how individual initiatives are faring. In this field, the national integrity system (NIS) concept not only offers a systematic, comprehensive, and coherent approach to what is being measured and how, but also can encourage countries (such as Pakistan) to use it as the basis for national plans and to identify areas for further reform. For donors, it provides a sound basis for their discussions with governments. It has been used by civil society to assess some 70 or so countries.

The NIS provides a methodology concerned with combating corruption, not simply as an end in itself, but rather as part of the larger struggle against official abuse, malfeasance, and misappropriation in all its forms. This, in turn, is part of a general effort to create more effective, fair, and efficient government. As such, the NIS presents a conceptual framework for an informed and intelligent reform of existing institutions and practices that work together toward delivering just and honest governance. In short, the NIS is about delivering good governance.

NIS Country Reports outline a formal framework that provides for anti-corruption measures in the following areas of public affairs: conflict of interest, declaration of assets, lifestyle monitoring, access to information, freedom of the press, freedom of speech, post-employment restrictions, whistle-blowing, codes of conduct, blacklisting, and complaints mechanisms. This is followed by an assessment of what actually takes place in practice. The assessment highlights deficiencies, both in the formal framework itself and in its implementation.

More recently, the use of the national integrity system as an auditing tool has been taken to a higher level by the development of “integrity system mapping.”¹⁸

A second tool, the Public Integrity Index is the centrepiece of the Global Integrity Report, produced by the Center for Public Integrity.¹⁹ This provides a quantitative scorecard of governance practices in a range of countries. It brings together data on 292 corruption-related governance variables for 25 countries and assesses the institutions and practices that citizens can use to hold their governments accountable to the public interest. The Public Integrity Index does not measure corruption itself, but rather the opposite of corruption: the extent of citizens' ability to ensure their government is open and accountable.

Tools to Enhance Integrity in Governance Including Codes of Conduct and Conflict of Interest Policies

Open Public Procurement

The procurement of goods and services by public bodies amounts on average to between 15 and 25 per cent of a country's Gross Domestic Product (GDP) and in some countries even more. In absolute terms, this means the expenditure of trillions of dollars each year. Such is the importance of public procurement that South Africa accorded it special attention in its 1994 Constitution.

It is no surprise that there is a great temptation for many players to manipulate the processes for their own private benefit by extorting money and other favours from bidders, bribing purchasing agents, and giving contracts to friends and

¹⁸ <http://www.griffith.edu.au/centre/kceljag/nisa/>

¹⁹ <http://www.publicintegrity.org/ga/>

relations. A recent court case in Lesotho has laid bare the practices of industrialized firms joining together to bribe a senior procurement official in a developing country. The result of that case was a series of convictions, large fines, and the prospect of multi-national corporations being debarred from World Bank-financed projects worldwide for some time to come. The actions of a small and impoverished country in locking horns with some of the giants of international commerce, and winning, earned the country wide-spread extensive acclaim.²⁰

Whether corruption in public contracting is really the most common form of public corruption may be questionable, but without doubt it is alarmingly pervasive. It is almost certainly the most publicized and arguably the most damaging form of corruption affecting the public welfare. It has been the cause of countless dismissals of senior officials, the imprisonment of former presidents, and even the collapse of entire governments. It is a source of astronomical waste of public expenditure, estimated in some cases to run as high as 30 per cent or more of total procurement costs. It is also the engine for much of the corruption in political party financing.

Corruption in procurement is sometimes thought to be a phenomenon found only in countries with weak governments and poorly paid staff. Yet highly developed countries with long traditions of democratic accountability have amply demonstrated in recent years that corrupt procurement practices can become an integral part of the way in which they, too, do business. Nor is procurement corruption the exclusive domain of the buyer who controls the purse strings. It can as easily be initiated by a supplier or contractor, who makes an unsolicited offer. Clearly, bribery and corruption need not necessarily be a part of doing business, but the risks will always be there. When they materialize, debarment (discussed below) is an obvious response.

Civil society has responded by monitoring what it can, but with profits being made on both sides of the corruption equation, the cloak of secrecy is hard to pierce. A possible approach is Transparency International's so-called "Integrity Pact" under which all the parties to a tender agree in advance that there will be no bribery, and civil society provides oversight to assure the integrity of the process. It is designed (a) to enable companies to abstain from bribing by providing assurances to them that their competitors will also refrain from bribing; (b) for government agencies to undertake to prevent corruption, including extortion, by their officials and to follow transparent procedures; and (c) to enable

²⁰ For a description of the events see "At Goliath's feet: the Lesotho corruption and bribery trials," by Fiona Darroch, Barrister, U.K. Paper delivered to the Institute for Security Studies (ISS) seminar held in Gauteng, South Africa (March 15, 2004). Download from <http://www.odiousdebts.org/odiousdebts/index.cfm?DSP=titles&SubID=526>

governments to reduce the high cost of corruption on public procurement, privatization, and licensing.²¹

Declarations of Assets

Although forms providing for the disclosure of assets and income are unlikely to be accurately completed by those who are taking bribes, the requirement that they formally record their financial positions can lay an important building block for any subsequent prosecution. It would, for example, preclude them from suggesting that any later wealth that had not been disclosed was, in fact, acquired legitimately.

Disclosure, the argument runs, should also extend to a certain post-service period, as a deterrent to the receipt of corrupt payments after retirement. Studies have suggested that it is unlikely that corrupt payments are made more than three years after a person has retired.

But do disclosure requirements work? Experience has been patchy. In some countries, politicians have legislated for disclosure and then ignored the requirements completely. In other cases, the politicians have established agencies merely to receive declarations, but have prohibited the agencies from making the declarations available to the media or to the public. The agencies themselves have also been denied the power and/or the resources to check the accuracy of the disclosures. More recently, however, in several countries, the process has brought delinquent politicians to book – though whether through carelessness rather than corrupt intent is at least arguable. The transgressions have generally been because the first declarations had not been completed accurately, rather than due to failures to notify significant changes in wealth thereafter. What the declarations do achieve, however, is to record a person's interests – information that can be invaluable later when it comes to dealing with particular questions of conflict of interest.²²

In making the declarations, a compromise has been reached in an effort to meet legitimate claims to privacy. Certain disclosures are made openly and publicly; some are made as to the substance of the interest, but the actual value is disclosed privately, and the interests of family members are disclosed, but in confidence. The argument for the last is that members of a parliamentarian's

21 http://hq.unhabitat.org/cdrom/TRANSPARENCY/html/2c_5.html. See also the cautions in Claudio Weber Abramo, "Citizen's Participation in Procurement: Some Pitfalls." <http://www.10iacc.org/content-ns.phtml?documents=104&art=190> and also in "What if? A Look at Integrity Pacts," econwpa.wustl.edu:8089/eps/pe/papers/0310/0310008.pdf. South Africa has introduced a scheme for the monitoring of all parliamentarians (including Ministers).

22 Hugh Corder, "South African code of conduct for MPs," <http://www.transparency.org/newsletters/96.4/dec96-3.html> See also <http://www.pmg.org.za/docs/2003/comreports/030530ethicsreport.htm>

family have a right to privacy, and it should be sufficient for the disclosure to be made on the record, but not on the public record.

Civil Society Contributions

A triangular relationship exists among government, the private sector, and civil society. Corruption can take root in all or any of the three parties. It is therefore impossible, both theoretically and in practice, for just one of the parties to address the issue of corruption in isolation from the other two – and it is arguably impossible to tackle the issue effectively without the participation of all three. Civil society encompasses the expertise and networks necessary to address issues of common concern, including corruption. And it has a vested interest in doing so.

As power devolves from the centre to local authorities, opportunities for corruption to take place shift downwards towards new actors who are in more direct contact with the public. At this level the ability of civil society to monitor, detect, and reverse the activities of the public officials in its midst is enhanced by proximity and familiarity with local issues. It is at the local level that civil society is at its most effective.

A classic example occurred in the province of Abra in the northern Philippines. There, a river divided a province, there were few bridges and many towns remained isolated, trapping their inhabitants in a cycle of poverty. When in 1987 an article appeared in a local newspaper boasting of 20 successful government infrastructure projects in the region, the Concerned Citizens of Abra for Good Government (CCAGG) took notice.²³ Its members – students, professionals, housewives, priests, church workers, and government employees – had little in common, but did share a sense of outrage at the waste of the province's precious financial resources. The organization's very first initiative exposed the uncompleted projects of the Department of Public Works and Highways, which resulted in the suspension of 11 government engineers who were found guilty of dishonesty and misconduct. Since then bridges have been completed, not simply abandoned when the funding vanished. Lives have been transformed.

Elsewhere, a number of NGOs, in discharging their various roles, systematically monitor the media for the content of its reports.²⁴ “Revenue Watch” committees track revenue flows. Still others survey public perceptions and the performance of service providers, the latter often yielding useful information for managers. The efforts of civil society have been greatly aided by those governments willing to place information on the Internet. In parallel with improved access to information

²³ http://www.transparency.org/pressreleases_archive/2000/2000.09.28.i_award_portraits.html

²⁴ A Media Monitoring Manual is available at <http://www.mediadiversity.org/resource%20categories/diversity%20manuals.htm>

arrangements, “open budgeting” has been introduced in a number of countries and municipalities, and across the world NGOs are monitoring expenditures as part of the International Budget Project.²⁵

In several countries, civil society has played a leading role in protecting the integrity of the electoral process. Particularly interesting was the way in which civil society in Zambia was able, in 2001, to mobilize to prevent changes to the Constitution that would have permitted the incumbent President (since jailed for corruption by his successor) to enjoy a third term in office.²⁶

There is also an increasing awareness of the particular importance of the part civil society can play when its leading citizens are involved in oversight committees. The strengthening of “horizontal accountability” in this way reinforces the core of a national integrity system.

One such example, cited earlier, is the group of 40 leading citizens who act as a watchdog over Hong Kong’s anti-corruption agency. Another is the Anti-Corruption Prevention Unit (CPU) in the Philippines, where an NGO can be accredited as a CPU by the Office of the Ombudsman to help combat graft and corruption. This enables an otherwise severely under-resourced Ombudsman to function effectively.²⁷

In any national strategy, the professions must also play their part. Corruption and incompetence among lawyers, doctors, and engineers inflicts considerable damage on many societies. These professions need to take firm action to discipline their own members – or risk having a government agency do it for them. There are, of course, Rule of Law objections to governments controlling the legal profession – some lawyers attract government attention because of the clients they represent. Thus, there is every reason to suppose that law societies and Bar councils should not require any encouragement to maintain standards within their profession, subject to their having the legal authority to do so.²⁸ In several countries, the participation of laypersons on disciplinary committees for

²⁵ For the International Budget project, see: <http://www.internationalbudget.org> and “A Taste of Success: Examples of the budget work of NGOs” (2000) <http://www.internationalbudget.org/resources/success.pdf>; for Russia, see <http://www.internationalbudget.org/groups/russia.htm>

²⁶ http://www.afrol.com/News2001/zam005_chiluba_3_term3.htm

²⁷ Republic of the Philippines, Office of the Ombudsman: <http://www.ombudsman.gov.ph/index.php?pagename=Home&tag=>

²⁸ A common practice would be for the legal profession to be empowered to investigate and adjudicate on complaints, with a right of appeal to the courts by the lawyer, the subject of the disciplinary action. A number of countries insist that there be some non-lawyers on the disciplinary committees to increase public confidence in the integrity of the proceedings.

the professions, such as lawyers and doctors, is a further way in which public confidence (and the actual integrity of the processes) is advanced.

Civil society is not without its own problems. The One World Trust's NGO accountability forum is among those addressing the need for adequate NGO reporting standards.²⁹

Parliaments

A legislature has a crucial role to play in any integrity system, as the watchdog for the people as to how the executive is spending their money. The Supreme Audit Institution frequently reports to the legislature or to a Public Accounts Committee (where best practice suggests that the Chair should not come from the governing party). In addition, the legislature usually has a role to play in the approval or otherwise of significant public appointments proposed by the executive. As expected, arrangements in the new democracies have taken some time to settle down, and in a number of these there has been open competition for power between the legislature and the presidency. Promising signs are that the spectre of the overly-dominant presidency is being confronted successfully, and several countries have been moving to distribute power more rationally and more effectively between the executive and the legislature.

The legislature's role as financial watchdog, however, becomes blurred when members of the legislature vote themselves discretionary "development funds" to spend in their constituencies, funds often seen as "slush funds" and disbursed without any form of accountability. A menace, too, are those who "trade in influence" and sell access to decision makers, something that has given rise to the passing of laws to regulate lobbying in various parts of the world.

Crucial to the legitimacy of a legislature or a presidency are free and fair elections. These are run most smoothly when in the hands of an independent electoral commission which enjoys the confidence of the voter and the candidate alike. In many countries, substantial work has been done to improve procedures, and the Administration and Cost of Elections (ACE) Electronic Publication (a joint undertaking by Elections Canada, International IDEA, the Federal Electoral Institute of Mexico, IFES-democracy at large, UNDESA and the UNDP) is presently undertaking the first-ever attempt to provide a globally accessible information resource on election administration.³⁰ The participation of election monitors, both local and international, adds to the transparency of processes and facilitates exchanges of good practice.

²⁹ <http://www.oneworldtrust.org/> For a country code of conduct for NGOs in Ethiopia, see <http://hq.unhabitat.org/cdrom/TRANSPARENCY/html/box49.html>

³⁰ <http://www.aceproject.org/>

Truly remarkable progress has been made by the Electoral Commission of India. In 2002, to make good the failure of the country's parliament to legislate, the commission itself moved to compel candidates to provide the information voters needed before they could make informed decisions. The commission demanded disclosure, by affidavit, of such personal details as pending and previous prosecutions and convictions, educational achievements, wealth and their own income and that of their spouses and dependents. The commission proposed to make the information freely available to the media, the public, and to rival candidates.³¹

Political parties challenged these actions, but the Supreme Court of India held that where the enacted laws are silent or make insufficient provision to deal with a given situation in the conduct of elections, the Election Commission has residuary powers under the constitution to act in an appropriate manner to fill the void. This provides an example of best practice, in which integrity institutions were working cooperatively towards a shared goal.

Political Party Financing

Without proper checks and balances, ruling political parties can gain a significant and essentially non-democratic grip on public life and political power. In some countries, efforts to avoid this situation have focused on the possibility of empowering electoral commissions to preside over elections within party congresses. This would separate the functions of a political party from those of the government and help avoid a *de facto* administrative "merger" of political parties with the State. Elected ad-hoc party commissions can play a similar role.

Political parties need adequate funding for offices, staff, and communication with the electorate, but individuals or companies often agree to fund a political party with the expectation that they will benefit in some way if the party is elected to office. Such benefits can come in the form of appointments to public office or awards of lucrative contracts for the execution of state-funded projects. Often, much of the money that finds its way into the coffers of political parties has been illicitly acquired or not declared to tax authorities.

There are two models for political financing – the public model (for example, France, Japan, and Spain) and the private model (for example, the United Kingdom and the United States). However, few systems are exclusively one or the other. State funding would seem to offer a way out, but in South Africa, for instance, the argument was made that the country's 1998 Public Funding of Represented Political Parties Act unlawfully discriminated against parties that failed to meet the required funding threshold.³² Many countries have

³¹ <http://www.loksatta.org/ecreforms.htm#amends>

³² www.gov.za/gazette/acts/1997/a103-97.pdf Amended in 2002, www.pmg.org.za/docs/2002/appendices/021025funding.htm

implemented mechanisms to monitor this situation, but often these mechanisms have been ineffective. Even long-established democracies with generous state funding of political parties have been wracked by scandals. In one country, an outgoing head of government persistently refused to disclose the identities of illicit funders on the grounds that he had promised to keep their names confidential. Certainly, a requirement to disclose the source of donations can give rise to claims that the right to privacy has been violated. The provision of confidentiality for donations up to a certain modest level can usually assuage this concern. In cases of disclosure, rights of freedom of association can also be asserted. For example, should public servants be required to disclose the fact that they are donating funds to an opposition party? Are spending limits imposed on candidates an infringement of their right to free speech?

If the funding process is not transparent and political parties are not required to disclose the sources of sizeable donations, then the public is left to draw its own conclusions when it sees those suspected of secretly funding political parties as openly benefiting from handsome contracts and other government business. The election process can quickly degenerate into an auction of political power. Aspiring parties raise funds from supporters who believe them likely to win. Individuals do the same when legislators have "executive" powers in the granting of contracts. Transparency in political donations has become a major issue in virtually every democracy. Opinion surveys around the world show an almost universal distrust of their political elites.

In some countries, the cost of political campaigning has become so high that it is well above the limits prescribed by law. Therefore, in some, perhaps many countries, political parties quietly flout campaign finance laws. Political opponents frequently complain to international election observers about this practice, but few are willing to raise the matter officially as they, themselves, are doing the same.

Donations by foreign donors to political parties can often raise greater concerns among democratically-minded citizens. Such donations can easily be represented as an attempt by foreign powers, companies or individuals to place in power a party most likely to do their bidding. Political parties in Australia, Germany, the U.K. and the U.S. have all been asked to explain why foreign individuals and corporations have given them massive donations. Some countries, such as Poland, avoid the problem completely by simply prohibiting all foreign contributions to political parties.

At least for the time being, the topic of political corruption remains off-limits for the World Bank – although in view of the importance of the issue it may now be time for this restriction to be reviewed.

Citizens' Needs - The Right to Information

An “open society” recognizes that no one has a monopoly on the truth.³³ In such a society, citizens are able vigorously to debate government policies and the future direction of their country, and freedom is maximized, but the weak and the poor are protected. Legal guarantees of freedom of association and freedom of speech are assured.

Such societies are not just the exclusive domain of mature democracies. They can be part of any state's democratic development. An open society is not a function of culture or history, but of a genuine commitment to government transparency and civil rights. It was a state of affairs that existed in many traditional societies.

In building a successful open society, guaranteed access to information is the most critical element. Freedom of speech and freedom of association also play a crucial part. Citizens should be able to discuss the issues of the day, challenge the media and government, and, when they see fit, take to the streets to register their protest in peaceful demonstrations. In turn, those in positions of public trust and authority should listen to citizens' concerns. Voters should be consulted on proposed legislation. Except in extreme circumstances, legislatures – and judiciaries – should sit in public session and their committee hearings should be open to all.

Underpinning these processes should be a lively and independent media, ready, willing, and able to hold those who occupy positions of public trust to the standards of an open society. The government should accept the media's legitimate right to challenge its policies and also the public's support for such critiques. Politicians should make themselves readily accessible to the media. In a society where this is the practice, the media accepts its responsibility to filter information fairly and objectively, so that citizens are accurately informed.

The purpose of such access is clear: to build public trust, which in turn safeguards against corruption. Political leaders who find themselves under intensive, regular public scrutiny are more inclined to act honestly, ethically, and in the public interest – and less inclined to sell out the public interest in favour of their own.

³³ The concept was advanced by the philosopher, Karl Popper, in *The Open Society and its Enemies* (written between 1938 and 1943 while he was a refugee from Nazism).

Access to Information

Article 19 of the Universal Declaration of Human Rights provides a starting point for any discussion of access to information, but its applications are limited.³⁴ The article is clearly aimed at curtailing government censorship, rather than promoting government transparency. Thus, the task of the reformer is to elaborate on Article 19.³⁵

One can begin with the assumption that all information belongs to the public. For unless there are compelling reasons why it should be withheld, information is held in trust by a government to be used in the public interest.³⁶ This is the approach adopted in such countries as Brazil and New Zealand, where there is a legal requirement that all official information be made available to anyone who seeks it unless there is adequate cause to withhold it.³⁷ If the reverse position is adopted – the starting point being that information belongs to the State and is to be used in the interests of the government of the day – then any residual rights of the citizen will be of little value in advancing a democratic environment or informed debate.

In Latvia, the rights of the citizen are specifically provided for in the constitution. The 1998 Law on Freedom of Information guarantees public access to all information in “any technically feasible form” not specifically restricted by law. Bodies must respond to requests for information within 15 days. Appeals can be made internally to a higher government body or directly to a court. For example, the Latvian Constitutional Court ruled in 1999 that a regulation issued by the Cabinet of Ministers restricting access to budget information was void because it violated the Freedom of Information Act’s requirements. Bosnia-Herzegovina and Moldova also require that government institutions respond within 15 working days.

³⁴ www.un.org/Overview/rights.html

³⁵ For a general discussion of contemporary access to information issues, see Jeremy Pope, “Access to information: Whose right and whose information?” in the *2003 Global Corruption Report*, <http://www.globalcorruptionreport.org/gcr2003.htm>

³⁶ The Swedish government in November 2002 launched “Open Sweden” as part of its programme, “A Government in the Service of Democracy,” intended to help ensure that the basic principles of democracy, the rule of law and efficiency are in force throughout the country. The need for greater openness is of central importance to Sweden’s 21 county councils and 289 municipalities. As a result, Open Sweden is a joint effort involving representatives from the national, county council and municipal levels. See www.atirtf-geai.gc.ca/consultation-sweden-e.html.

³⁷ Brazilian Constitution, Article 5, Item 33. Such is also the case with New Zealand’s 1982 Official Information Act that reversed the principles of secrecy set out in its 1951 Official Secrets Act, which was repealed. For the New Zealand legislation, see: http://www.legislation.govt.nz/browse_vw.asp?content-set=pal_statutes

Experience shows that it takes time for reforms to be implemented, and for fresh approaches towards the public and its right to know to become embedded in bureaucratic cultures. Several countries have found that a lack of public education about civic rights, coupled with unreliable records management systems and an unwillingness by some public officials to change their ways, have frustrated the intentions of the promoters of reform and meant that so far little use has been made of freedom of information legislation. Perhaps this is only to be expected and points to a need for governments to retrain public servants and to raise public awareness.

Although the right of access to public information is generally increasing worldwide, many countries are lagging behind when it comes to implementation. A recent survey conducted in Armenia, Bulgaria, Macedonia, Peru, and South Africa was one of the most comprehensive efforts yet to test the extent of government transparency. On average, only 35 per cent of requests for information in these countries were fulfilled. Many requests not explicitly rejected were simply ignored.³⁸

A surprise result was that short time frames for official responses, far from posing a disincentive to the meeting of requests as some had feared, actually appeared to improve the chances of positive reactions. Peru, the country with the best rating of the five, permits the least time for officials to respond: just seven working days.

Initiatives at the level of local government can move faster than those at the national level. Home to some 16 million people in China, Shanghai adopted the country's first provincial-level open information legislation in January, 2004. It has worked hard to transform itself into an international financial, trade, and shipping centre, with the goal of becoming a "global metropolis." Shanghai was an early proponent of e-Government and the nationwide movement for more "open government affairs," recognizing that making more information available to its citizens would stimulate economic activity, help curb corruption, and ensure more efficient and effective governance.

The pilot survey monitoring freedom of information (FOI) was released by the Open Society Justice Initiative (OSJI) on September 28, 2004, designated "Right to Know Day" by global FOI groups. Conducted in Armenia, Bulgaria, Macedonia, Peru and South Africa, the survey marks one of the most comprehensive efforts yet to test the limits of government transparency. The OSJI is also campaigning to have access to information declared to be a fundamental human right.

³⁸ See <http://www.justiceinitiative.org/>

The Provisions of Shanghai Municipality on Open Government Information³⁹ represent the most comprehensive framework to date in China for accessing government-held information, building on the initiative taken by the pioneering Guangzhou Municipality of 2003. In May of 2004, Shanghai launched its Transparent Government Programme and the new legislation came into force. There is a presumption of disclosure, making secrecy the exception rather than the rule. The law provides citizens, legal persons, and other organizations the right to request government information from government agencies, including information about individuals. It also imposes a legal obligation on government agencies to disclose all information not covered by a specified exemption. The new law was formulated through a process that included posting a draft for public comment and the final law was published together with an explanation of the drafting process and the comments that had been received. Intensive training should help ensure effective implementation.

Against the trend in favour of openness, the so-called “war against terror” has led a number of governments to review some of the material previously available to citizens and is proving to be a set-back for campaigners for greater transparency.

The Media

A free, independent and pluralistic media is essential to a free and open society, and to accountable systems of government.⁴⁰ However, the year 2004 has been described by the Committee to Protect Journalists as the most deadly year for media since 1994.⁴¹ Fully 54 journalists died in the course of their work. Some died in crossfire while covering dangerous wars, but the majority were murdered as a direct reprisal for their reporting, frequently of corruption. A campaign begun in September 2004 by news organizations is exploring the scope for an international convention that would oblige governments to investigate such killings.⁴²

Allied to the protection of journalists is the protection of their sources. Here, too, there are indications of growing concern within the profession. In May of 2003, the International Federation of Journalists and its regional organization, the

³⁹ Adapted from: Shanghai Advances the Cause of Open Government Information in China (April 20, 2004) in which Yale Law School expert Jamie P. Horsley explains the importance of the Shanghai provisions, <http://www.freedominfo.org/news/shanghai/>

⁴⁰ For an excellent review of the position of the media, see “The Enabling Environment for Free and Independent Media: Contribution to Transparent and Accountable Government.” Occasional Papers series: Office of Democracy and Governance, USAID (January 2002), <http://www.polity.org.za/pol/acts/2004/>

⁴¹ Daily Dispatch (13 December 2004)

⁴² “Geneva Declaration on Actions to Promote Safety and Security of Journalists and Media in Dangerous Situations,” www.ifj.org/pdfs/journalistssafetygeneva210904.pdf

European Federation of Journalists, initiated a global campaign to highlight the need to protect sources. They have also supported journalists who have refused to give evidence, even to international courts, if this might expose confidential sources. A further negative development has been that some governments have started to block access to the Internet.

Governments should embrace a basic set of principles to inform their policies towards the media. In general, media organizations argue against legislation and restriction. A good example is the Charter for a Free Press, approved by journalists from 34 countries at the Voices of Freedom World Conference on Censorship Problems.⁴³ The then-United Nations Secretary-General, Boutros Boutros-Ghali declared that the Charter's principles "deserve the support of everyone pledged to advance and protect democratic institutions." He added that the provisions, while non-binding, express goals "to which all free nations aspire."

The countries participating in the Organisation for Security and Cooperation in Europe (OSCE) declared their own commitment to the principle of a free, independent and pluralistic media in the Helsinki Final Act of 1975. This has been a guiding concept for all OSCE countries, as well as an integral part of all OSCE documentation regarding freedom of expression, from 1975 to the present day.

In order to strengthen the implementation of their commitments to freedom of expression, the OSCE countries established in 1997 the unique institution of the OSCE Representative on Freedom of the Media.⁴⁴ The OSCE Representative has since outlined a number of issues of general concern in Eastern Europe and in the countries of the former Soviet Union. Paramount among these is "structural censorship," indirect pressure on the media from existing political and economic structures that can be remnants of the past. "Structural censorship," like any other form of censorship, can effectively muzzle a free media.

Outside the channels of government-owned media, the media is essentially self-appointed. It can be sustained by citizens when they see the privately owned media as valuable, and so support it by consuming its products, be they print or electronic. However, concentrations of media ownership in private hands are a concern in some countries. These concentrations can give small numbers of unaccountable individuals considerable power to decide what citizens should – and should not – be told and an ability to manipulate election outcomes. A number of countries are legislating in an effort to ensure a diversity of ownership. These virtual monopolies are also being countered from the grass roots, with the emergence of a proliferation of community radio stations, and even Internet

⁴³ <http://www.wpfc.org/index.jsp?page=Charter%20For%20A%20Free%20Press>

⁴⁴ <http://www.osce.org/fom/representative/>

newspapers – with “fact checkers,” rather than journalists – and where citizens act as reporters and file their own stories.

Within the media, too, there are problems with corruption, exacerbated by poor levels of pay. In a number of countries, journalists can be bribed to run fictitious accounts – or to suppress genuine stories. A survey of International Public Relations Association (IPRA) members published in 2003 revealed media corruption in most of the 52 countries surveyed.⁴⁵ Disclosed in the survey was the fact that when the 2001 crisis hit Argentina, a newspaper agreed only to report positive news about a mayor’s party in exchange for a regular subsidy.

It was further reported that in China, firms and NGOs find it cheaper to pay journalists for stories than to pay for advertisements, and that in a “sting” operation in Moscow, 13 out of 21 journalists accepted bribes to run a fictitious account about the opening of an appliance store. A leading Russian journalist, however, described this result as an encouraging sign that professionalism is taking root in his country. He had expected all 21 to demand a bribe.

Anti-Corruption Commissions and Their Effectiveness

In recent years, a number of governments have sought to bolster detection efforts by introducing “independent” anti-corruption agencies or commissions based on the highly successful Hong Kong model.

The Hong Kong model has proved effective, not just because of the quality of its staff, the readiness of the executive to provide adequate funding and the legal framework that has facilitated its work, but because the concepts of prevention and prosecution have both been functions of the commission. Its role in prevention was not an afterthought in the law establishing its responsibilities. Rather, prevention (and the community education and awareness raising that goes with it) has been a core activity of the Hong Kong model from the outset. Prevention policies have often been informed by the revelations of investigators working on the enforcement side. This has enabled the commission to develop a coherent and coordinated set of strategies. It has also been able to use the simplified enforcement technique of prosecuting officials who possess unexplained wealth without having to prove specific acts of corruption, a practice discussed in this paper below in greater detail.

Success in combating corruption in Singapore has owed much to the determination of a former Prime Minister and Head of Government. Some writers have pointed to the agency's placement in the office of the prime minister, and the personal commitment of the prime minister to its mandate, as being an

⁴⁵ Reported in Mike McGraw, “Money vs. Ethics: a balancing act: Corruption infests the news business: Money compromises journalistic integrity,” *IPJ Global Journalist*, First Quarter (2003), www.salzburgseminar.org/reports/Knight/McGraw_Feb2003_GlobalJournalist.pdf

important factor in Singapore's success. The positioning of the office was also a key factor in Hong Kong's highly successful onslaught. There, it was placed in the office of the governor, but at the same time, it reported to the legislature. Its separateness from the public service and its autonomy of operation were and are reflected in both law and practice.

Whether this particular feature is a model for others to follow depends very largely on the accountability mechanisms that are in place. In some countries, the positioning of such an agency in the heart of the executive office has proved to be counter-productive, exposing the agency to political manipulation and fatally undermining its independence of action. Such an agency can itself be used corruptly by being turned – with its formidable array of special powers – against political opponents. Furthermore, the worst excesses of "grand corruption" can take place in and around an office of the president. An anti-corruption agency placed in such an office is hardly in a position to investigate superiors in the hierarchy, unless it is supported by other independent accountability mechanisms. Thus, an agency should be responsible to the legislature and to the courts in much the same way as an Ombudsman. Citizens' advisory committees monitor the daily work of the Hong Kong Independent Commission Against Corruption (ICAC), building added public confidence in the integrity of the institution.

There have also been other factors in Hong Kong's success. The agency has enjoyed independence from political interference, political will has been in abundance, adequate resources have been provided, and the agency has been able to rely on the support of independent courts committed to the Rule of Law. Those who have tried to copy the model have largely failed when they have lacked one or more of these elements.

Some countries have also experienced difficulties when they have turned to the judiciary to provide the heads of commissions. In both Kenya and South Africa, the highest courts have overturned provisions for serving members of the judiciary to hold what they considered to be positions in the executive branch as being an unconstitutional breach of the doctrine of separation of powers.

As noted, one of the keys to Hong Kong's success was an ability to prosecute civil servants who were conspicuously living beyond their known means, and who were unable to provide credible explanations of their ability to do so. In Pakistan, a policy of "plea bargaining" with suspects, who have been able to repay what they have purloined and escape further punishment, has met with considerable success.

Some countries combine the functions of an anti-corruption agency with the office of the conventional Ombudsman (as in Papua New Guinea and Uganda). Others argue that there should be a clear distinction between the two roles: that the Ombudsman exists to promote administrative fairness and that this is best

achieved by winning the confidence of a public service. They suggest that an Ombudsman-type agency, which is also charged with the investigation and prosecution of public servants, is more likely to be feared than trusted.

Civil Law Remedies

The Council of Europe's Civil Law Convention on Corruption (1999) is a unique attempt to provide remedies for victims through the civil process. It deals with such questions as compensation for damage and loss sustained by victims; liability (including state liability) for acts of corruption committed by public officials; validity of contracts; protection of employees who report corruption; and the clarity and accuracy of accounts and audits.

As far as the State is concerned, a highly successful initiative in South Africa has been a strategy of civil asset forfeiture.⁴⁶ The country's Asset Forfeiture Unit is placed within the Office of the National Director of Public Prosecutions. When property is tainted by criminal activity, the Unit can commence court proceedings for its forfeiture to the State. Under the Prevention of Organized Crime Act 1998, such property is liable to be forfeited to the State by way of a civil action.⁴⁷ Civil asset forfeiture enables the State to confiscate suspected criminals' assets purely through a civil action against the property, without the need to obtain a criminal conviction against the owner of the property. This is important given that relatively few "Mr. Bigs" are convicted in the courts and, consequently, few are available to have the value of their assets confiscated.⁴⁸

On an application made by the National Director of Public Prosecutions, the High Court can take an order forfeiting property to the State, which the court, on a balance of probabilities, finds to be "an instrumentality" of a crime (i.e. used in the crime, such as a vehicle, or a building where stolen property was stored) or the "proceeds of unlawful activities." The validity of such an order is not affected by the outcome of criminal proceedings. Even if a suspected criminal is acquitted in a criminal court (where the State has to prove its case beyond a reasonable doubt – a higher burden of proof than a "balance of probabilities"), he or she can still have property forfeited to the State. A specialist multi-disciplinary unit, comprising lawyers (criminal and civil), accountants, and financial investigators was established in 1999 to ensure that forfeiture was used effectively.

46 <http://www.iss.co.za/PUBS/CRIMEINDEX/00VOL4NO3/Assetforfeiture.html>

47 Republic of South Africa, Prevention of Organized Crime Act (1998), <http://www.info.gov.za/gazette/acts/1998/a121-98.pdf>.

48 For a discussion of constitutionality issues, see Deepak Gupta, "Republic of South Africa's Prevention of Organized Crime Act: A Comparative Bill of Rights Analysis," <http://www.law.harvard.edu/students/orgs/crcl/v.37/gupta.pdf>

Assets forfeited can be used to assist law enforcement agencies in combating organized crime, money laundering, criminal gang activity, and crime in general, as well as to compensate victims of crime. In the United States, where similar civil asset forfeiture legislation has been in existence since 1970, forfeiture actions annually raise about \$500 million for the federal government.

Experience in the United States shows that, initially, civil asset forfeiture legislation was often implemented poorly, because the police and prosecutors tended to focus on achieving convictions, rather than on also gathering evidence to support civil forfeiture proceedings. Forfeiture involved a relatively complex and novel law about which most police officers and prosecutors then knew very little. It was only after Congress passed a special budget to employ forfeiture specialists in each of the U.S. Attorney General's offices nationwide, that civil asset forfeiture legislation started to be used as effectively as it is today.

The South African Unit was warned to expect litigation from rich and powerful criminals, desperate to retain their ill-gotten gains and able to afford the best legal brains in the country to raise every imaginable technicality. This proved to be the case. In the United States, the courts had consistently upheld civil asset forfeiture legislation against countless technical objections. The U.S. courts have held that proceeds forfeiture is a simple "restitution" and represents neither a fine nor a punishment. The courts have also rejected arguments that the assets in question should be available to pay for a defendant's lawyers on the grounds that a defendant has no right to spend another person's (i.e. the State's) money.

A similar strategy has netted large returns for the Treasury in Ireland (under its Proceeds of Crime Act 1996 and the Criminal Assets Bureau Act 1996) and likewise for the United Kingdom.⁴⁹ In Scotland alone, in the six months leading up to October 2004 almost \$1.5 million was recovered from criminals under the Proceeds of Crime Act.⁵⁰

Immunities and Privileges

One of the greatest problems for anti-corruption commissions and other criminal law enforcement agencies is presented by the immunities possessed by high officials. This can render them effectively above and beyond the reach of the law. As a consequence, it is believed that criminals have run for political office in some countries solely to obtain this protection.

It is generally accepted that there should be some form of immunity for senior public figures and judges to enable them to perform their tasks. But the debate

⁴⁹ <http://www.iap.nl.com/forfeit.html>

⁵⁰ <http://www.assetsrecovery.gov.uk/downloads/newsletter35.pdf>

over the extent of these immunities is highly polarized. For some, the immunity principle safeguards freedom of expression in the legislature, and so lies at the core of the democratic system. For others, immunity actively undermines equality before the law and the very foundations of a democracy.

In a recent multi-country survey conducted by Gallup International, 63 per cent of respondents considered public officials' immunity from prosecution to be the main cause of an increase in corruption levels in their countries.⁵¹ It seems that many investigations into high-level corruption allegations have been significantly impeded by claims of political immunity, although with recent changes in political leaders some high-office holders are being prosecuted in such countries as Cameroon, Costa Rica and Zambia after their immunities have been lifted.

Such protection is designed, not to bestow a personal favour on the office holder, but to facilitate his or her ability to perform the functions of office. It is not meant to enable a senior public official to conduct private business without having to pay rent or creditors or avoid contractual obligations of a personal nature. Rather, immunity from prosecution is meant: ⁵²

- To ensure that the elected representatives of the people can speak in the legislature without fear of criminal or civil sanctions and a host of claims for defamation;
- To protect elected representatives from being arbitrarily detained and so prevented from attending the legislature; and
- To act as a shield against malicious and politically-motivated prosecutions being brought against them.

Immunity for politicians is designed to protect the democratic process – not to establish a class of individuals who are above and beyond the reach of the law. Immunity from arrest has been a cause for concern for the Group of States Against Corruption (GRECO), made up of member states of the Council of Europe, in their reviews of transition countries' anti-corruption legislation. In its review of Romania, the GRECO team of experts noted that the Romanian Constitution grants deputies and senators immunity from prosecution, not only for opinions expressed during the exercise of their mandate, but also from arrest, detainment, search, and prosecution for any criminal offence or transgression. As GRECO noted, "This situation has an undeniable potential for permanent obstruction of the judicial system."⁵³

Another country where the subject of immunity has been openly debated is Slovenia. In its review, GRECO recommended that guidelines be established to

⁵¹ <http://www.assetsrecovery.gov.uk/downloads/newsletter35.pdf>

⁵² <http://www.transparency.org/surveys/index.html#barometer>

⁵³ [www.greco.coe.int/evaluations/cycle1/GrecoEval1Rep\(2001\)13E-Romania.pdf](http://www.greco.coe.int/evaluations/cycle1/GrecoEval1Rep(2001)13E-Romania.pdf)

provide criteria for deciding on requests to lift parliamentary immunity. The guidelines are meant to ensure that in the case of judges, decisions concerning immunity are free from political consideration and are based on the merits of the request submitted by the public prosecutor.⁵⁴

In Belgium, the police can investigate the activities of parliamentarians without political interference – including through searches, seizures, and questioning – but authorization is required for a member of parliament to be committed to trial. By that stage, such authorization meets little resistance. The accused still has certain rights, such as the guarantee of having a representative of the assembly present during any potential search. By comparison, in Nicaragua in 2002, it was only after a public petition had been signed by more than half a million citizens that a reluctant legislature cleared the way for a former president to be prosecuted for embezzling over US\$100 million of public funds.

In addition to legislators, a head of state is generally immune for the period of his or her office (as confirmed in a recent decision in France). Constitutions usually provide for the impeachment of a president, and serious criminal acts would provide those grounds. Therefore, there is usually a remedy, but it lies with the legislature, rather than with the judiciary.

There are also classes of officials who enjoy personal immunity for their official actions. This simply means that they cannot be sued personally for mistakes that they may have made during their employment. The remedy for the wronged citizen is to sue the official's employer, the State. However, there is no valid reason why any such immunity should extend to cover the personal life and the private business dealings of such persons.

The Swedish Constitution states that the inviolability principle does not cover criminal offences that are punishable by two or more years in jail. In Finland, the provisions are more severe: parliamentarians are only protected if the potential investigation relates to a crime where the maximum penalty is less than six months' imprisonment. The latter is generally deemed to be a best practice.

Immunity is given not as an honour or a privilege, but rather is a sacred trust that enables an individual to discharge his or her public duties effectively. Upon leaving office, the official must answer for any criminal conduct that he or she may have been involved in during his or her time in office. Non-liability for official acts would, of course, continue.

Members of the judiciary present special difficulty. They are generally immune from being sued personally for errors they may have made in their judgments (for example, for exceeding their jurisdiction). To protect them from political pressures, they are generally also immune from criminal prosecution, unless the

⁵⁴ [www.greco.coe.int/evaluations/cycle1/GrecoEval1Rep\(2000\)3E-Slovenia.pdf](http://www.greco.coe.int/evaluations/cycle1/GrecoEval1Rep(2000)3E-Slovenia.pdf)

immunity is lifted. In the case of Estonia, the GRECO review recommended that any decision to lift the inviolability of judges should be free from political influence; it should be a decision based on a request from the prosecutor, supported by the Supreme Court.

Legal systems usually provide periods within which most types of criminal proceedings must be commenced. However, under the law of some countries such proceedings must also be completed, and this within a comparatively short time frame. Such a state of affairs not only renders the law simple to evade by time-wasting tactics on the part of the defence, but can also deprive an accused of the opportunity to establish his or her innocence in open court. To citizens, it can appear to be a form of *de facto* immunity for those who can afford lawyers' fees.

Role of the Judiciary in Trust and Transparency

Throughout the world, experience has shown that without the Rule of Law, efforts to combat corruption are largely futile. If judges are not impartial, professional in their work, and independent, the criminal law cannot be relied upon as a major weapon in the struggle to contain corruption. If they are actually corrupt, the situation is even worse. Judicial independence is asserted internationally in the Universal Declaration of Human Rights and in the International Covenant on Civil and Political Rights. However, global surveys suggest that the public sees many judiciaries as being weak, dictated to by politicians, or even indulging in corrupt practices.

In a landmark development, chief justices drawn from a variety of countries drafted and adopted the Bangalore Principles of Judicial Conduct (2002).⁵⁵ These principles are designed to provide guidance to judges and to afford the judiciary a framework for regulating judicial conduct. Endorsed by the United Nations in 2003, they are also intended to assist members of the executive branch, the legislature, lawyers, and the public in general to better understand and support the work of the judiciary. The principles assert that judges should be accountable for their conduct to appropriate institutions established to maintain judicial standards, which are themselves independent and impartial. The principles are intended to supplement and not derogate existing rules of law and conduct that bind the judge. The Bangalore Principles have been used to develop national codes in such countries as the Philippines and Thailand.

⁵⁵ http://www.unodc.org/pdf/crime/corruption/judicial_group/Bangalore_principles.pdf. The Judicial Integrity Group is taking further initiatives to promote judicial standards and independence (see <http://www.tiri.org/implementation/judicial-integrity.html>).

In the European context, there are a number of major instruments in this field. Among them are The Judges' Charter in Europe,⁵⁶ a Recommendation on the Independence, Efficiency, and Role of Judges made by the Council of Europe, and the European Charter on the Statute for Judges ⁶⁶ adopted by participants at a multilateral meeting in 1998.⁵⁷

Judicial integrity is best built and sustained by the judiciary itself as the “third arm” of the State (together with the executive office and the legislature). This can be achieved through clear, well-publicized and enforced codes of conduct, and through judges providing examples of high personal standards. Leadership has to be asserted from the top, and instances of judicial malpractice disciplined. Courts should be inspected, and judgments examined for their consistency. Court staff should be properly supervised, and effective complaint mechanisms established for the public. Adequate personal security, facilities, salaries and status are also important. Subjecting the lower judiciary, in particular, to examinations has proved successful in weeding out incompetent judges in some countries of the former Soviet Union and is now being used elsewhere in the world.

Like any public organization, the judiciary must be well-managed if it is to deliver its services swiftly and efficiently. But the product of the judiciary is the just resolution of disputes, which demands that it be independent and operate without pressure from other branches of government. ⁵⁸

The mechanism for the appointment of judges is often a matter of controversy. Together with guarantees of judicial independence, it is frequently provided for in a country's Constitution.⁵⁹

Many believe that politicians are only interested in appointing judges who will do their bidding. Politicians can feel able to challenge the legitimacy of judges sitting in judgment of elected officials when the judges themselves have not been elected. Criticisms of the judiciary as not being accountable are widely off the mark when the judiciary sits in public, it gives reasons for its decisions, its actions are reported in the media and, for the most part, its decisions are subject to

⁵⁶ <http://www.richtervereinigung.at/international/eurojus1/eurojus15a.htm>

⁵⁷ [http://www.coe.int/T/E/Legal_affairs/Legal_co-operation/Conferences_and_highlevel_meetings/European_Public_Prosecutors/Rec%20R\(94\)%2012%20E.asp](http://www.coe.int/T/E/Legal_affairs/Legal_co-operation/Conferences_and_highlevel_meetings/European_Public_Prosecutors/Rec%20R(94)%2012%20E.asp)

⁵⁸ http://www.coe.int/T/E/Legal_Affairs/Legal_co-operation/Legal_professionals/Judges/Co_operation_activities/lisbonn99.asp#

⁵⁹ Examples of best practice include, e.g., Articles 174 and 178 of the Constitution of South Africa, <http://www.saweb.co.za/election/constit/saconst08.html>

appeal to higher courts. Some countries are also establishing “court user committees” in which representatives of user groups meet with local judges to find appropriate remedies for any problems experienced. This establishes *de facto* accountability at the grass-roots level.

To prevent judicial appointments and case management from becoming a means by which judicial independence is compromised, many countries have created, or are in the process of creating, judicial councils. These bodies, separate from other government branches, are entrusted with the selection and promotion of judges, and with otherwise overseeing the court system, including its disciplinary procedures.

Although these councils differ from country to country, their success depends on how well policymakers address questions relating to their composition, the selection of their members, their responsibilities, and their accountability. Spain’s experience with its *Consejo General del Poder Judicial* is a good illustration of how one country has dealt with these issues, and reveals the factors that must be taken into account when addressing them. To guard against political cronyism, and to render appointment processes fully transparent, South Africa provides for open hearings at which candidates for the Bench are questioned by an appointments committee drawn from a variety of quarters.⁶⁰ However, it has to be said that experience in the United States has shown that even judges carefully chosen by conservative administrations for political reasons, once on the bench can flourish as progressive and fully independent reformers.

Removing Judges

Judicial independence exists for the benefit of the institution, not the individual judge. But judges’ independence does not place them beyond the reach of accountability. The chief justices at Bangalore concluded that judicial independence is best served by other judges assuming responsibility for the accountability of the individual judge, at least up to the point where impeachment by the legislature may come into play. Individual judges, they declared, must be both appointed and held directly accountable in ways that do not compromise the institution’s independence. In general, best practice dictates that disciplinary tribunals should have a majority from the judiciary and can be rendered more legitimate by the inclusion of non-lawyers, but never politicians (or at least no more than a small minority of them).

In most countries, constitutional guarantees require that only a special process, usually involving the legislature, can result in the removal of a member of the higher judiciary – and even then, only after due process. However, these processes are generally designed to deal with the occasional errant judge, not an

⁶⁰ Articles 174 and 178 of the Constitution of South Africa,
<http://www.saweb.co.za/election/constit/saconst08.html>

entire judiciary that has gone “bad.” Hence there were concerns about process in 2003, when an incoming administration in Kenya felt compelled to remove a significant number of senior judges (however suspect they had been thought to be).

Judicial Codes of Conduct

The chief justices who drafted the Bangalore Principles were convinced that the senior judiciary should accept the task of building and sustaining judicial integrity for itself. In this the most potent tool is an appropriate code of conduct. The code should be developed by the judges themselves, who should provide both for its enforcement and for advice to be given to individual judges when they are in doubt as to whether a particular provision in the code applies to a particular situation. Judicial codes of conduct have been used to reverse such unacceptable practices as having sons and daughters of judges appear as lawyers to argue cases before their parents. In a country where there is considerable trust in the judiciary, such an appearance may not give rise to concern, but in a country where there is widespread suspicion that there is corruption in the judiciary, such a practice takes on an altogether different dimension, at least in the eyes of the public.⁶¹

Systems and Processes of Checks and Balances Among the Executive, Legislative, and Judicial Branches

Checks and balances are crucial to the functioning of any system of effective accountability. Not only must they exist on paper, but they must have functional independence, and in cases touching on the Rule of Law, be able to operate without political interference. As noted above, efforts are being made in a number of countries to redress the inheritance of overly-powerful presidencies, where the executive has been able to suborn both the legislature and the judiciary. In the GRECO processes leading up to new countries acceding to the European Union, special attention was paid to the separation of powers.

Integrity Systems and Horizontal Accountability

The concept of the single national integrity system may be relatively new, but in fact all societies possess an integrity system of sorts. It is simply a matter of

⁶¹ The “Restatement of Values of Judicial Life,” a code of conduct adopted at a full court meeting of the Supreme Court of India on May 7, 1997, lists 16 principles to be followed by every judge in order to reaffirm people’s faith in the impartiality of the judiciary. Not permitting any member of the immediate family or any other close relative to appear before him or her in court, and not associating in any manner with a cause to be dealt with by that relative who is a member of the Bar are among the prescriptions. Other items require a judge to practice a degree of aloofness consistent with the dignity of his or her office; bar judges from accepting gifts of hospitality except from family members, close relatives and friends; prohibit contesting any election; and require him or her to avoid close association with individual members of the Bar.

perception. The system does not comprise a host of separate instrumentalities, nor a set of separate systems operating in comparative isolation from each other (parliament, judiciary, civil service, media, civil society, etc.). Rather, the system should be viewed as a totality – one in which each component sustains, serves, is served by, or protects, some or all of the others.

If a system is wholly dependent on a single element or “pillar” (perhaps a benign dictator), or if it possesses very few pillars, then it is vulnerable to collapse. It may seem to function in the short term (as with the clean-ups conducted by military governments of overthrown corrupt civilian regimes), but the absence of a functioning integrity system carries with it a high risk of progressive decay.

This holistic approach unlocks a new form of diagnosis and potential cure. Instead of looking at separate institutions (e.g. the judiciary) and focusing on a stand-alone reform programme, reformers look at inter-relationships and effectiveness. For example, what is the value of a sound and clean judiciary ready to uphold the rule of law if there is corruption within the police force, investigators, prosecutors or the legal profession? The judges would simply not have cases presented to them for hearing and the judiciary would sit in isolation, able to achieve little. This holistic approach has been described as embodying “horizontal accountability,” another concept useful for visualizing the way in which the pillars maintain each other’s integrity. This contrasts with the top-down approach of autocratic government.

With a near-universal collapse of trust in government, and a public deeply suspicious of decision making taking place behind closed doors, there is an increasing recognition of the part civil society can play in strengthening “horizontal accountability” in support of its own national integrity systems.

Records Management

There can be no effective systems of accountability in the absence of a dependable records management system. Without paper and electronic trails, there is little or no accountability and corruption can flourish in the vacuum. In Mexico, where a freedom of information law was enacted in April 2002, a report stated that “public records, transcripts, and notes from important meetings have been purposefully kept from public view, leaving almost no official record of how key decisions have been made. In many cases, official records have been destroyed or taken home by officials when they left office.” In some countries in Central America it is said to be a long-standing tradition for an outgoing administration to shred most of its sensitive records.⁶²

62 See <http://www.salon.com/books/feature/2002/04/10/records/print.html>

Given such disorder, the role of the chief archivist is coming into focus. Long overlooked, this official is increasingly seen as holding one of the keys to accountability. The archivist's records can provide the paper and electronic trails crucial for exposing mismanagement and corruption. Unfortunately, in most countries archivists' posts are relatively junior, and their work under-resourced. Too many of them also work in the absence of a coherent and enforced records management policy.

Ideally, the post of chief archivist should be granted constitutional protection – perhaps placed on a par with a Supreme Court judge or the head of an independent financial watchdog body. An alternative might be to designate the chief archivist an officer of the legislature, appointed by and responsible to the elected representatives of the people. Close to such a model exists in the United Kingdom. There, the chief archivist is not a political appointee, and not selected by the government from a pre-set list of nominated persons, as happens elsewhere. Practice varies widely. Some countries see records as a matter of “executive privilege;” others, as a means of preserving the free and frank discussions and advisories of ministers and other officials.

One legacy of Richard Nixon's troubled presidency in the United States is that of a restriction of the power of the executive branch, in particular a former president's claim to his papers – what he has the right to keep secret vs. what the public has a right to know. After Nixon left office and tried to maintain control of his papers – along with his infamous tapes – Congress eventually set limits to executive privilege in 1978 by passing the Presidential Records Act (PRA), which legally established that the papers of an outgoing president were public property. Instead of presidents deciding what should be released, the PRA set specific release guidelines and entrusted the papers to federal archivists, assuring that historians and researchers would have access to source materials without the vanity and prejudices of the former president impeding the process.

Innovations at Sector and Systemic Levels

Although there are examples of failure, many lessons have been learned, and efforts to contain corruption have produced a variety of imaginative responses from reformers. A number of examples, and some of the lessons learned, are given below, in addition to those already discussed.

“Due Process”

Beset though Nigeria is with rampant corruption, a highly successful initiative there has been the establishment of a “due process” office to clean up public procurement undertaken by the federal government. The Office of Budget Monitoring and Price Intelligence Unit (BMPIU), otherwise known as “Due Process,” was established in June 2003, headed by a financial specialist and

staffed with experts in financial regulation, project management and corruption prevention. Before a major contract can be signed, the unit must be satisfied that the correct tendering procedures have been followed, and that the proposed contract represents value for money. Situated in the Office of the President, it wields considerable power and has saved the State many millions of dollars by conducting value-for-money checks – so much so that there are plans for the unit to be placed on a constitutional footing.⁶³

The objectives of the BMPIU include:

- harmonizing existing government policies and practices and updating those on public procurement;
- determining whether or not due process has been observed in specific procurement exercises;
- introducing more honesty, accountability and transparency into the procurement process;
- establishing and updating pricing standards and benchmarks for all supplies to the federal government;
- monitoring the implementation of projects during their execution to provide information on performance, output and compliance with specifications and targets; and
- ensuring that only projects which have been budgeted for are admitted for execution.

The awarding of contracts is meticulously scrutinized by the BMPIU, with projects being cleared on the basis of financial prudence and the ability of a tendering company to perform effectively. This has curbed colossal wastage and has prevented public funds from being embezzled through bogus projects. It has also effectively checked the problem of abandoned projects. By August 2004, effectively the end of its first year of operation, the BMPIU and its efficient monitoring system had achieved savings of some \$US600 million.⁶⁴

Licensing

Systems for licensing, fraught with technicalities and frequently completely unnecessary, have been fertile fields for the corrupt in many countries. Many have, or are, simplifying requirements, reducing the number of applications needed (e.g. to open a new business). One country that has tackled the problem in a particularly imaginative way is Bolivia. Reforms there have included the publication of details on all government procedures and fees. All government offices now have to display posters explaining the required paperwork and the exact costs of each transaction. This is designed to prevent government

⁶³ “Due Process Saves Nigeria N102bn, Says Obasanjo,” *This Day*. (July 13, 2004)

⁶⁴ “Anti-Corruption Efforts of the Obasanjo Administration”

employees from demanding bribes, and to dispense with the need for “middle men” to help citizens through their transactions.

Alongside this, “positive silence” has been introduced. This means that citizens applying for occupational licenses, car registrations or other government certificates will be considered to have had their applications approved automatically if the applications have not been rejected within 15 days. The expression “Come back tomorrow,” has been famous in Bolivia. What it really meant was “Come back with money.” Under the reforms, if citizens are asked to “come back” they need only to wait 15 days; thereafter, they can invoke “positive silence” if the application has not been refused before the deadline passes.⁶⁵

Police

INTERPOL (International Criminal Police Organization-Interpol officially abbreviated to ICPO-Interpol) actively promotes integrity in policing the world over. Not only does it make use of a panel of anti-corruption experts, but also has developed a set of standards for fighting corruption in police forces worldwide.

Its Global Standards to Combat Corruption in Police Forces/Services seek to ensure that police forces of member states have high levels of probity.⁶⁶ Each member state commits to making corruption by a police officer a serious criminal offence. Other standards include establishing and maintaining high standards of conduct for honest, ethical and effective performance; and setting up and maintaining effective mechanisms to oversee and enforce high levels of conduct in the performance of policing functions. INTERPOL is now developing ways in which to provide practical assistance and training to the forces of member states that require it.

In various parts of the developed world, police corruption reform strategies had been misconceived. Scandals had come in cycles because clean-ups had been based on the mistaken belief that getting rid of “rotten apples” would be sufficient to contain the problem.⁶⁷ Now, systems are being developed to ensure that police integrity receives continuous attention. In this, “integrity testing” has emerged as a particularly useful tool in metropolitan areas such as New York and London. The object is to test the integrity of an official, not to render an honest official corrupt through a process of entrapment.

⁶⁵ The initiative has been followed in Chile with the Terms for Administrative Procedure Act of 2003, better known as the “Administrative Silence Law.” For a discussion, see *Legal Bulletin*, “*Carey v Cia*,” (December 2003), www.carey.cl/pdf/diciembre2003_i.pdf

⁶⁶ <http://www.interpol.int/Public/Corruption/Standard/Default.asp>

⁶⁷ It is widely accepted now that, where there is systemic corruption, the replacement of one “bad apple” without any change being made to the system simply produces a second bad apple, and arguably a second victim of circumstances.

The Internal Affairs Bureau of the New York Police Department (NYPD) now creates fictitious scenarios based on known acts of police corruption, such as the theft of drugs and/or cash from a street-level drug dealer, to test the integrity of its officers. The tests are carefully monitored and recorded using audio and video electronic surveillance as well as the placement of “witnesses” at or near the scene. Those who fail the tests are either disciplined or dismissed from the force.

Predictably, the introduction of the system has seen the number of reported attempts to bribe police officers soar – officers seldom know if an offer of a bribe is for real or simply part of an integrity test. The London Metropolitan Police has initiated a similar programme of integrity testing, administered by specialist internal anti-corruption units. Early reports indicate that the London police are obtaining some of the same benefits as the NYPD.

Most countries have agent provocateur rules in their criminal codes, which act as a judicial check on what is permissible in this area. These rules vary from jurisdiction to jurisdiction, but they obviously have to be borne in mind by those introducing the technique. It is, of course, important to ensure that the degree of temptation offered to an officer is not extreme.

The concept need not be confined to police activities. In some countries, hidden television cameras have been used in the ordinary process of criminal investigation to monitor illicit activities conducted in the private offices of judges. These cameras have captured corrupt transactions between judges and members of the legal profession. They would also seem to have potential use in other areas where the public sector is engaged in direct transactions with members of the public, particularly in customs.

The possibilities the technique presents have yet to be thoroughly explored. On the face of it, there would seem to be considerable merit in establishing a system under which all officials (be they police, customs or others) would know, at the very least, that integrity testing is taking place as a means of tackling levels of petty corruption.

Revenue Collection

There is no more notorious an area for corruption than revenue collection – nor, perhaps, one where the consequences can be so grave. In some countries (e.g. Peru and Uganda), corruption related to state revenues had become so endemic that governments decided to close down existing tax administrations and replace them with new ones. In a number of countries, poorly paid positions in tax and customs administrations are eagerly sought after as applicants know that these jobs create opportunities for considerable extra income. Indeed, in several

countries, the jobs are so highly sought after that they are actually bought and sold.⁶⁸

Corrupt customs officials also mean porous borders. Through these can flow not only untaxed goods, but also arms and illicit drugs, illegal immigrants, goods that compete unfairly with those produced by local protected industries, and plants, species and commodities afforded protection by national and international law, such as ivory. The damage to a country can extend well beyond the fiscal. In this age of international terrorist networks, corrupt officials (custom officers, border police, etc.), who act as *de facto* members of transnational organized criminal groups, may seriously endanger national and international security.

The organizational structure of Latvia's State Revenue Service was improved to integrate tax, customs, and social security collections, and to create strong internal control and anticorruption functions. A Vigilance Unit, operating independently from the tax police, was also established. Implicit in this was the need to ensure that tax assessments were simple to calculate, and that levied rates were realistic. A code of conduct, based on the World Customs Organisation (WCO) model, was developed that includes instructions on the proper response for staff when offered a bribe.⁶⁹

Guatemala decided to merge its tax and customs agencies into a single autonomous agency. All staff were either replaced or had to reapply for their positions. This hiring process was contracted out to private recruitment firms and a local university. In addition, an integrated financial management system was introduced, and procedures overhauled and simplified. A public information campaign was also launched to publicize the agency's progress in improving customer service and in meeting its revenue targets.⁷⁰

A further example is provided by Poland, where the Central Board of Customs has embarked on sweeping reforms for revenue collection that address the integrity of its staff and introduce a range of anti-corruption measures. Greater care is now being taken in the recruitment of customs officials. During a probationary period, new staff members are assessed every six months to verify not only their competence, but also their susceptibility to corruption. Those permanently appointed to customs work are similarly assessed. Annual declarations of financial assets have been introduced; the director can require

68 Odd-Helge Fjeldstad, "Fighting fiscal corruption: Lessons from the Tanzania Revenue Authority," *Public Administration and Development* 23, 2 (2003): 165-175; and Odd-Helge Fjeldstad and Bertil Tungodden, "Fiscal corruption: A vice or a virtue?" *World Development*, 31, 8 (2003): 1473-1475.

69 The Code is at www.vid.gov.lv/eng/2vidinf/docs/208-01.pdf

70 See World Bank PREM Note 33, "Anti-Corruption Strategy for Revenue Administration," (October 1999), <http://www1.worldbank.org/publicsector/corecoursepapers.htm>

further declarations at any time. Internal controls have been strengthened and a customs ethics code introduced.⁸¹ In addition, an independent research company carries out surveys of taxpayers to gain feedback as to the success of the reforms.

In the Philippines, automation has been used to reduce transactions, from 10 documents in triplicate and about 91 steps, to one single administrative document for the whole process. This has simplified work and minimized red tape, corruption, and tax evasion. It has also reduced cargo release times, from six to eight days to as little as four hours.

Independent Revenue Authorities

Three African countries (Ghana, Uganda and United Republic of Tanzania) are among those that have undertaken comprehensive reforms of their tax administration to increase revenue and curb corruption. In doing so, they have established special tax collection authorities outside the conventional public service as a way of increasing the salaries of staff beyond the levels of their counterparts in public service. Tanzania has also introduced a telephone hotline and a system of rewards for informants reporting tax evasion. However, after an initial spurt of success, problems have emerged in all three countries. First, the higher wage rates were not maintained *vis-à-vis* the conventional public service, with the result that the “elite” status of the special tax collection authorities was lost. Second, there was no effective internal strategy to establish and maintain a sound ethical framework.⁷¹

Without effective management of government ethics, even with relatively high salaries and good working conditions, corruption has continued to thrive in Tanzania and Uganda. Salary increases have been shown to produce a highly paid, but nevertheless, still highly corrupt tax administration. When corrupt officials have been identified and fired, they have tended to move into the private sector as tax consultants and have been able to exploit their internal networks to continue their corrupt activities. Nevertheless, tax revenues have increased.

E-Procurement and E-Government

Another powerful instrument against malpractice is the Internet. Several countries (Chile, Colombia, Mexico and, more recently, Austria) and a number of major municipalities (e.g. Seoul, Republic of Korea) have placed their entire procurement information system on the web and allowed free access to the documentation. The Seoul city system, the On-line Procedures Enhancement for Civil Applications (OPEN)⁸³ was developed to achieve transparency in the city's

⁷¹ Michael Waller, “Review of Integrity Management of Staff in the Ghana, Tanzania and Uganda Revenue Authorities,” TI-CIR, London, www.transparency.org/working_papers/mwaller/integrity_management_review.html

administration by preventing unnecessary delays or abuses of civil affairs by its public servants.⁷² The web-based system allows citizens to monitor applications for permits or approvals, where corruption is most likely to occur, and to raise questions in the event of any irregularities detected. The site receives over 2,000 visitors daily.

E-Government is not without its difficulties. Among these is the loss of control of records and information trails, a hazard to which electronic environments are particularly vulnerable. Accurate official records are essential in providing a sound basis for the rule of law, economic development, poverty reduction, and accountability frameworks. However, in many countries the systems for creating, organizing, and preserving reliable official information have broken down. Where records are absent, accountability is highly problematic. Meanwhile the task of preserving electronically-generated records in authentic form is growing.

Solutions may be on the horizon. "Evidence-Based Governance in the Electronic Age" is a five-year project initiated by the World Bank in partnership with the International Records Management Trust.⁷³ It is coordinating a global network of institutions in order to tackle a significant worldwide problem – the failure of records systems, particularly in electronic environments, to provide complete and trustworthy information. In parallel with measures to improve public sector management, the project supports the modernization of records management systems for a global network of institutions. Ultimately, the aim is to mainstream records management as a cornerstone of the global development agenda.

Mobile Phones

New technology has also helped to reduce electoral corruption. Mobile phones showed their usefulness in countering corruption in the local elections in Senegal in November 1996. Senegal's interior minister was caught out when he admitted, in a low voice near an open mobile phone, that there had been fraud. As a result, the president was obliged to annul the election. Then, in the presidential election of 2000, the use of mobile phones forced the two presidential candidates to accept the results when the vote count was announced almost instantaneously by two main private radio stations that had sent reporters to cover polling stations all over the country. Equipped with mobile phones, they were able to announce the results as soon as the votes had been counted. The organized presence of journalists, and the speed with which the results were announced, facilitated the peaceful handover of power from the defeated president to his successor. No fraud was possible, and the much-feared clashes between supporters of the two political leaders were avoided.⁷⁴ Mobile phones have also been put to good use

⁷² www1.worldbank.org/publicsector/egov/seoulcs.htm

⁷³ <http://www.irmt.org/evidence/index.html>

⁷⁴ http://www.unesco.org/courier/2000_07/uk/connex2.htm

in elections in the Philippines.⁷⁵ In addition, through text messaging, they can greatly facilitate civil society efforts to mobilize in times of crisis.

Debarment.

In Lesotho, corruption scandals and criminal prosecutions against major Western corporations have led to several companies being “debarred” (or blacklisted) by the World Bank.⁷⁶ The Bank has taken the lead in recent years by publicly naming, shaming and debarring those identified as undertaking corrupt practices in connection with projects the Bank has been funding.⁷⁷ This form of retribution is also used in Singapore, and is widely practiced in the United States at both federal and state levels.

A major study conducted for the Utstein Group of governments against corruption (U4) (enlarged to include Canada, Germany, The Netherlands, Norway, Sweden and the United Kingdom) concluded that the sanction of debarment should be available to a government when its contracting partners breach ethical and performance standards.⁷⁸ Those found to have bribed, committed price-fixing or bid-rigging, or to have provided substandard or sub-specification goods or services – whether or not in collusion with any official –should be debarred from future contracts with the government. This should either be indefinitely, or for an appropriate period of time. They should also be subject to loss or denial of contractual rights; forfeiture of their performance bond; and liability for damages, both to the government principal and to competing bidders (for losses incurred through an unsuccessful bid).

Companies that have been debarred could be re-admitted to bidding processes after they have complied with stated requirements, such as paying damages, terminating the employment of the staff who had bribed public officials, or introducing an effective no-bribery policy in the company and systematically implementing that new policy through a compliance programme.

In South Africa, the Prevention and Combating of Corrupt Activities Act, 2004 (No. 12 of 2004)⁹⁰ provides that blacklisting take place after companies or their members have been convicted of corruption in court, rather than be imposed

⁷⁵ <http://www.ipsnews.net/interna.asp?idnews=23663>

⁷⁶ <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20229958~menuPK:34463~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html> and www.iss.co.za/SEMINARS/2004/1503graft/lesotho.pdf

⁷⁷ See “Contractors beware: the pitfalls of a World Bank debarment proceeding,” www.pattonboggs.com/Views/releases/002_09_24_World%20Bank%20Article.pdf

⁷⁸ Pope, Doig and Moran, “Debarment as an Anti-Corruption Means - a Review Report,” <http://www.u4.no/document/debarment/main.cfm>

administratively as is the case elsewhere.⁷⁹ This would seem to limit the scope for debarment, as only where successful criminal prosecutions have been brought would it be available. Happily, in other respects the Act represents one of the best pieces of anti-corruption legislation of recent years.

Complaints Systems

A major obstacle has been the reluctance of individuals to “blow the whistle” on corrupt activities. Fear of retribution from employers or colleagues dissuades many from reporting cases of corruption. The Protected Disclosures Act, in South Africa, is one example of legislation that sets out procedures through which both public and private sector employees who report unlawful or corrupt activities by their employer or colleagues are protected from reprisals. The law is intended to encourage honest employees to report wrongdoing. However, three years on, an overwhelming majority of South Africans seem to be unaware of the protection the Act accords, or of how to use it. The provisions are based on legislation enacted earlier in the United Kingdom.⁸⁰

Measures to protect whistle-blowers have been enacted in various countries, so far only to limited success. In part this stems from a lack of confidence in the law’s ability to provide adequate protection. There are some acts of retribution that even the law is unable to prevent. An additional factor comes into play in countries where, because of their recent history, blowing the whistle on colleagues can all too easily be presented as practicing the detested “denunciations” of a past era of non-democratic rule.

Witnesses can play a crucial role in bringing to justice those responsible for human rights violations. However, Amnesty International reports that witnesses who are prepared to testify against police and hired gunmen (often protected by powerful political interests in the area) are routinely harassed and intimidated in such countries as Brazil. There the provisions for protection of witnesses are wholly inadequate; the vast majority of witnesses receive no official protection, although the Brazilian government, for one, has now moved to create a national witness protection programme.

Privatization and Competition Policy

Although privatization has its critics in established market economies, entirely different forces are at work in countries emerging from decades of central planning and communist rule. Few would disagree with the proposition that

⁷⁹ <http://www.polity.org.za/pol/acts/2004/>

⁸⁰ <http://www.pcaw.co.uk/legislation/legislation.html> ; “Public Interest Disclosures Act,” UK www.legislation.hmso.gov.uk/acts/acts1998/19980023.htm.

ambitious privatization programmes were urgently needed in transition countries to end the grossly inefficient, state-owned monopolies that dominated their economies. Riddled with cronyism, bled to provide illicit funding for the party in power, plundered by corrupt managers and pilfered by staff at all levels, many of these companies were as bankrupt as they were unproductive. They survived only through unsustainable state subsidies and indefensible state protection.

Private ownership could be expected to bring a degree of rationality and efficiency to such companies. A company's financial and operating performance would improve, and the government would start collecting taxes instead of providing subsidies. Against this, formerly subsidized firms, once privatized, would be likely to experience a significant decrease in staff numbers, which could provoke opposition. By contrast, companies that were already competitive would experience only minimal lay-offs, if any.

Privatization can result in a diminution of corrupt practices by shifting the emphasis of an operation from an amorphous and opaque public sector to the transparent discipline of the private sector's pursuit of profit. Privatization can reduce forms of corruption: managers of companies make decisions that ultimately have to satisfy owners instead of public officials; government assets for which no one is held accountable cease to exist; and once a particular privatization has been completed, the company can conduct its affairs without government interference.

To be effective, however, policies must go beyond the mere process of privatization and address the integrity of the markets in which the privatized concerns are to function.⁸¹ As commentators such as economist Jeffrey Sachs have pointed out, a change of ownership in itself is insufficient to achieve economic performance gains. It is only when the legal and regulatory institutions supporting private ownership are in place and functioning that the owners can exercise their new rights and improve productivity and profitability.⁸² In addition, schemes that do not create arrangements that are conducive to effective corporate governance are unlikely to achieve the desired outcomes.⁸³

Experience in Eastern and Central Europe and elsewhere has shown how privatization can create opportunities for politicians to distribute favours to their friends. Major economic assets have been let go at knock-down prices and still remain in the hands of elites. New owners who have acquired companies through patronage have tended to be very slow in restructuring them, and many

81 <http://www.labournet.net/world/0208/psi4.htm>

82 Jeffrey Sachs, Clifford Zinnes and Yair Eilat, "The Gains from Privatization in Transition Countries: Is Change of Ownership Enough?" <http://www.cid.harvard.edu/caer2/htm/content/papers/confpubs/bns/dp63bn.htm>

83 OECD, "Privatizing State-owned Enterprises: An Overview of Policies and Practices in OECD Countries." Paris: OECD (2003) ISBN 92-64-10408-9: 17.

such companies have had to be bailed out by the State. Although a government can privatize “profit,” where strategically important assets are involved they cannot privatize “risk.”

International Monetary Fund (IMF) senior official Vito Tanzi has commented that privatization of “non-natural monopolies” is necessary to keep state enterprises from being used as a corrupt source of financing for political parties and to provide employment for those with party connections. “Unfortunately,” Tanzi writes, “the process of privatizing public or state enterprises has itself created situations whereby some individuals (ministers, high political officials) have the discretion to make the basic decisions, while others (managers and other insiders) have information not available to outsiders so that they can use privatization to benefit themselves ... The abuses appear to have been particularly significant in the transition economies [in which] terms such as asset stripping and *nomenklatura* privatization have been used to describe the abuses associated with the transfer of state enterprises to private ownership... [This] leads to the conclusion that the current interest in corruption probably reflects an increase in the scope of the phenomenon over the years and not just a greater awareness of an age-old problem.” 84

One critic of the privatization of essential services has commented that, “The problem for any government which attempts to run its services on free-market principles is that some people cannot afford to pay... [When] pre-paid meters were first installed ... those who had no money had to draw their water from the rivers. The inevitable outbreak of cholera infected over 100,000 people, and killed 260. The meter scheme was dropped.”85

In some countries, mass privatization schemes have been implemented. They were considered to be a corruption-free way of distributing assets fairly. However, Public Services International (PSI)’s research unit claims that multinationals privatizing water in the developing world are dogged by corruption, close to financial collapse, and have long records of exploiting the poor. Based on economic criteria, the approach failed because it did not result in raising capital, improving management or restructuring companies to meet market challenges.

In many parts of the world, too, even when privatization is not actually corrupt, there are instances where the officials responsible for the privatization policies (and their private sector advisors) are inadequately informed as to the value of

84 Vito Tanzi, “Corruption Around the World,” *IMF Staff Papers*, 45 and 4 (December 1998), <http://www.imf.org/external/Pubs/FT/staffp/1998/12-98/pdf/tanzi.pdf>

85 George Monbiot, “Exploitation on tap: Why is Britain using aid money to persuade South Africa to privatize its public services?” *Guardian*. UK (19 October 2004), <http://talk.workunlimited.co.uk/print/0,3858,5042241-111446,00.html>

the assets they are selling. In particular, management buy-outs have been exorbitantly profitable where those individuals calculating prices have had inadequate records of ownership of even such obvious assets as land.

Given public distrust of politicians and of private sector interests, privatizations will always carry a degree of political risk. Experience suggests that this is best minimized by making the whole process as transparent as possible, including, most importantly, the criteria against which the bidders will be judged.

Corruption does not, of course, take place only within the public sector. Nor is it restricted to public procurement transactions involving both the public and private sectors. It can also take place within and between private sector organizations, when corporations abuse market power in areas of the economy that should be governed by a country's competition policy.⁸⁶

The development of a sound competition policy is an essential tool for protecting and promoting economic activity, and for underwriting the integrity of private sector activities. It determines appropriate ways in which the private sector should function to ensure that its performance serves the best interests of all.

A prime purpose in developing a sound competition policy is to minimize the scope for rigging markets. To this end, cartels and bidding rings should be outlawed. Such a policy also aims to reduce barriers to business entry, thereby expanding opportunities for small and medium-sized businesses. Another objective is the establishment of sound corporate governance.

Some might be forgiven for thinking that competition policy and its laws are designed only for rich and urban societies. However, today's industrialized countries also once laboured under the handicaps of rampant corruption and blatantly self-interested government. To escape from this situation, a growing number of countries have opted for competition policies governing their market activities.⁸⁷

Although it can be said that every country has a policy on competition, even if this is not articulated and amounts to simply letting the status quo remain

86 For a detailed discussion, see John Nellis, "The World Bank, Privatization and Enterprise Reform in Transition Economies: A Retrospective Analysis," http://www.wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000094946_02030804050325

87 For a discussion, see Jeremy Pope, "Competition Policy and Containing Corruption," <http://www.transparency.org/sourcebook/26html>.

undisturbed, those who are consciously developing their policies tend to enact competition laws.⁸⁸

Others might think that competition law is intended to impose forms of capitalism at the expense of the poor and vulnerable. In fact, its functions are, if anything, the reverse. They are not confined to the economic. They also include social objectives, including equity, the welfare of consumers and the enhancement of the quality of life for all (and particularly for those most at risk).

Competition law builds and sustains public confidence in institutions, and so, in the end, can help underpin the stability of democracies. It is the key to an effective market economy. As many now believe, the route to development for the world's poorer nations may lie in enhancing private sector activity, rather than by way of the failed government-led commercial activities of the past. A sound competition policy can, therefore, provide the bedrock for a country's development.

Conclusion – Are We Making Progress? The Impact of Public Service Ethics on the Millennium Development Goals (MDGs)

At the end of the day we must ask ourselves: are efforts to contain corruption meeting with success? Intuitively we know they must be, despite the well-known Corruption Perceptions Index, compiled by Transparency International, annually suggesting that little if anything has changed in countries with severe corruption problems. Throughout the world public services are being reformed and systems of government are opening up. People are more able than ever to know about the functioning of their administrations, are more aware of their rights, and are engaging in dialogue with decision makers. In many countries democratic practices are evolving – slowly, erratically, and not always progressively, but nonetheless the leaders of many nations are now more accountable to their citizens than ever before.

For over a decade now, the international community has engaged with the issue, giving rise to a web of international conventions, some with monitoring provisions, others, as yet, without them. International judicial assistance is being taken to new levels of cooperation, particularly in the area of asset repatriation. The World Bank has demonstrated remarkable leadership, reversing decades of declining to tackle the issue and leading the way in actively debarring the corrupt from its projects. A major process of standard setting has resulted in a plethora of codes and requirements across the private sector, the banking system and international bourses.

⁸⁸ At present, some 80 of the World Trade Organization's members have such a law, and the number is increasing. Recent examples include Thailand and South Africa, where competition commissions have been established.

Progress is being made, however tentative, in putting many of these measures into practice. In these efforts, the Global Compact, between leading private sector interests and the United Nations, with its “tenth anti-corruption principle” launched in June 2004, has the potential to achieve meaningful change.⁸⁹

The practices of donors, too, have evolved with the realization that building just and honest administrations is a long-term undertaking, and not one for which exit strategies can be designed. For sustainable development to be achieved, it is not enough for a country’s institutions to be honest, they must also be competent. One can point to highly corrupt administrations that have been efficient, and arguably more effective in their developmental efforts, but at the price of wholly unacceptable human rights abuses. An interesting development is the establishment by USAID of the \$US5 billion Millennium Challenge Account, a “new compact for global development ...which links greater contributions from developed nations to greater responsibility from developing nations.”⁹⁰

These advances have been underscored by the emergence of a range of networks. Within the UN, the inter-agency anti-corruption coordination meeting (the International Group on Anti-Corruption) has been established; the Development Assistance Committee (DAC) of the OECD is addressing the issue; a group of donor countries has been formed under the Utstein umbrella to share experience and pool resources; the GRECO Group of States Against Corruption has been conducting peer evaluations, as have the signatories to the OECD Convention Against the Bribery of Foreign Public Officials in International Business Transactions under the auspices of its active Working Group on Bribery in International Business Transactions. The same processes are getting underway in sub-Saharan Africa with the New Partnership for Africa’s Development (NEPAD).⁹¹ The OECD has also been providing a lead in promoting best practice in the field of public sector ethics, both with its member countries and beyond, with the wider world.⁹²

As well as governments, others have come together. These include the Group of Parliamentarians Against Corruption (GOPAC)⁹³; the chief justices of the Judicial Integrity Group⁹⁴; academics and training institutions under the rubric of

⁸⁹ http://www.transparency.org/un_day/dnld/global_compact.pdf

⁹⁰ <http://www.mca.gov/> The MCA is not without its critics, who point to problems of indicators and measurement which will be applied to determine eligibility.

⁹¹ <http://www.nepad.org/>

⁹² Among other relevant monitoring mechanisms are those of the Financial Action Task Force and the Multilateral Evaluation Mechanism (MEM) of the Inter-American Drug Abuse Commission.

⁹³ http://www.parlcent.ca/gopac/index_e.php

the Public Integrity Education Network (PIEN)⁹⁵; members of the International Chamber of Commerce with its Commission on Anti-Corruption;⁹⁶ and global banks under the caption of the Wolfsburg Principles.⁹⁷

In almost every country, there are civil society groups active on the ground – lobbying for institutional change, raising public awareness, and working to empower citizens in their day-to-day lives. People are more engaged with the issue than ever before, monitoring the activities of their governments in public procurement and service delivery and organizing themselves in order to press for needed reforms, be it improved access to information or perhaps the establishment of an Ombudsman.

Corruption, long rampant in the extractive industries, is being tackled jointly by governments and corporations through the Extractive Industries Transparency Initiative (EITI), the brainchild of the NGO, Global Witness and an example of governments listening and responding to constructive proposals emanating from civil society.⁹⁸

At the national level a very steep learning curve continues. New tools and approaches are being generated and many lessons are being learned along the way, among them:

It is not enough for an incoming president to be personally committed to anti-corruption reforms – existing corrupt networks will be resilient and able to frustrate reforms unless the new president has sufficient support throughout the administration;

2. When leaders come to power on high-profile anti-corruption platforms, public expectations for immediate reductions in corruption levels can be unrealistically high, leading to swift disillusionment;

3. Making a break with the past is difficult, as amnesties and the like run into public and legislative opposition;

4. “Country strategies” to combat corruption are frequently no more than “wish lists,” quite incapable of implementation within existing absorptive capacity and frequently lacking any strategic thinking in the sense of sequencing;

94 <http://www.tiri.org/implementation/judicial-integrity.html>

95 http://www.ceu.hu/cps/res/res_pien_firstmeeting.htm

96 http://www.iccwbo.org/home/menu_extortion_bribery.asp

97 <http://www.wolfsberg-principles.com/>

98 [http:// www.eitransparency.org /](http://www.eitransparency.org/)

5. It is insufficient to address problems in isolation, as elements interact within integrity systems;

6. There are no “quick fixes” or “magic bullets,” and certainly a single anti-corruption agency is unable by itself to address deep-seated problems;

7. Anti-corruption laws are not a complete answer in countries where there is systemic corruption in the judicial system;

8. Transparency in and of itself does not necessarily bring accountability;

9. Building an ethic of “public service to serve the public” throughout an administration that has been experiencing serious systemic corruption problems is a huge undertaking, but without major changes in attitude and behaviour significant progress is likely to remain elusive – institutional integrity management should therefore be an integral element in any public service reform programme;

10. Countering corruption in the public sector is the task of every manager in his or her daily work, and this calls for continuous training in the recognition of “red flags” and in corruption risk management;

11. The pursuit of “absolute integrity” is unrealistic and counter-productive – managers will always need areas of discretion or administrations will become rule-bound; and

12. Donors must achieve much higher levels of cooperation if their collective efforts are to bear fruit, and accept that imposed conditionalities seldom have desired outcomes.

Yet, for all this, there are those who see the glass as being at least half empty. At times, globalization, for all the benefits claimed for it, can seem to be undermining international governance structures and making possible corruption on a scale never before seen. Political corruption and private sector corruption have never seemed as visible, though it is at least arguable that this is due, in part, to the emergence of a freer media operating with improved access to information, coupled with a more assertive stance adopted by enforcement agencies. Policies of decentralization, by governments with central accountability structures that are far from being optimal, seem to some to be pouring fuel on the corruption fire. Civil society, too, is viewed with increasing suspicion in a number of countries and needs to better its own processes of transparency and accountability.

Given this somewhat confused picture, there are those who may think that corruption will always be with us, and that efforts to date have been overly ambitious. Such feelings of negativism render the quest for reliable indicators more urgent than ever before.¹¹⁰

Measuring perceptions is relatively simple but clearly insufficient. Yet how does one measure reality when those realities lie cloaked in secrecy? It is generally accepted that crude, single-figure country “corruption scores” have their uses for awareness-raising purposes but are not designed to measure progress on the ground, or to provide data indicating precisely where attention is needed.

Fortunately, three new approaches to meet these needs have evolved. The first, a Public Integrity Index,⁹⁹ provides a quantitative scorecard of governance practices in a range of countries to assess the extent of citizens' ability to ensure that their government is open and accountable. The second, the Country Assessment in Accountability and Transparency (CONTACT) model, developed by UNDP, is designed to “assist governments in conducting a self-assessment of their financial management and anti-corruption systems.” The stated reason for the initiative is to provide “an international, uniform and comprehensive set of guidelines to any stakeholder in financial accountability.”¹⁰⁰

Under a third and complementary approach, the functioning of National Integrity Systems is starting to be “mapped,” and in ways that can provide much greater insight than hitherto as to where things are going wrong, and why, and where progress is being made. The tracking of the success – or otherwise – of reforms provides information that is presently not available.¹⁰¹ As the World Bank's Dani Kaufmann has observed, one does not fight corruption simply by “fighting corruption.” He notes, “Merely embarking on more campaigns, adopting more anti-corruption laws, or creating anti-corruption commissions will not do ... The answer is to take a complex, systemic view of all the institutions and governance components in a country.”¹⁰² National Integrity System mapping enables just that.

What, then, does this mean for the achievement of the Millennium Development Goals? At the macro level, it suggests that optimism that the anti-corruption efforts will yield short-term significant gains towards realization of the MDGs needs to be tempered with reality.

That said, there is encouraging news at the micro level. The success, for example, of reform efforts to get budget moneys to schools in Uganda, and thereby advance the MDG goal of education, shows that when people and reformers coordinate their efforts, corruption and incompetence can be squashed

⁹⁹ <http://www.publicintegrity.org/ga/>

¹⁰⁰ http://www.undp.org/governance/contact_2001.htm

¹⁰¹ www.griffith.edu.au/centre/kceljag/nisa/brown_uhr04.pdf

¹⁰² “No country is corruption-free, says World Bank,” *This Day* (14 December 2004)

and positive results can be quickly achieved.¹⁰³ The reforms in Uganda involved much more than simply posting school budgets on the school-house doors (as sometimes portrayed). Civil society, through parents, played a significant monitoring role, but the increase in funds for schools was only made possible through reforms in financial management. Such collaboration between service providers and their clients offers fruitful fields for further endeavours.

The most effective way forward would seem to involve two complementary approaches. One, at the macro level, would focus on strengthening national integrity systems in an holistic and informed manner. The second, working with citizens on the ground, would actively involve them in the formulation and implementation of policies that affect their daily lives. Taken together, these approaches offer promising prospects for concrete progress in the present “third” and most testing phase of anti-corruption work – that is, putting newly-agreed standards into practice and thereby contributing significantly towards the realization of the Millennium Development Goals.

¹⁰³ Ritva Reinikka and Jakob Svensson, “Fighting Corruption to Improve Schooling: Evidence from a Newspaper Survey in Uganda,” econ.lse.ac.uk/staff/rburgess/eea/svenssonjeea.pdf.

Chapter 6

E-GOVERNMENT: PROVIDING VALUE TO CITIZENS

Jerzy Szeremeta and Richard Kerby

The challenges in an information age society are more daunting than anything governments had to face in the past. Governments in their typical bureaucratic mode and political nature adapt very slowly to changes; thus meeting the needs of an Internet savvy society can become problematic.

E-government, democracy, and e-participation are the foundation of e-democracy. Today, we see citizen discussions and activism affecting the politics and governance of most developed countries. With the easy access of information and knowledge in the information age, the notion of e-citizen is taking root. The question, therefore, that most governments will have to answer with this potential new savvy e-citizen coming of age, is what will be the value added of e-government to the daily lives of the people.

Governments will play a critical role in the development of the on-line world. They need to incorporate and adapt strategies and technologies that will expand participatory democracy. Enhancing the participation of citizens is vital to ensuring the views and inputs of the people are taken into account and have an effect on the policies of governments.

The challenge for governments is how to move from focusing on service delivery to providing people-centred tools and applications. This means not just placing priority on how to deliver services to citizens, but using e-government to enrich the lives of citizens. E-Government should also be employed to improve the way public servants use public resources to support society.

With the advent of the role of the e-citizen, governments will have to change their current ways of doing business in order to meet the needs of this newly empowered constituent.

United Nations' Proposed Guidelines for E-Government

As noted in the United Nations *World Public Sector Report 2003: E-Government at the Crossroads*, "public value refers to the value created by government through provision of services, the passing of laws and regulations and other actions. Only the public can determine what is truly of value to society. In a representative democracy, value is determined by people's preferences, expressed through a variety of means and refracted through the decisions of elected politician. People's preferences are formed socially – in the family,

among friends and in public debate. Citizens' engagement in public affairs is desirable precisely because it challenges and changes underlying preferences."

The *World Public Sector Report* has outlined 15 guiding principles for successful e-government:

1. Priority development needs that require government involvement. E-government applications are best embedded in areas that are perceived as closely related to the priority development needs of the society. This brings broad support and makes it easier to overcome inherent difficulties and sustain attention, commitment and funding.
2. Efficiency and effectiveness as key success criteria of government involvement. It is best if the role that the government plays in such areas is judged partly or predominantly by factors that ICT can bring. The link between ICT applications, optimization of government operations and achievement of important social development goals is a very convincing argument for continued development of e-government.
3. Availability of funding. Even initial pilot e-government operations should start with a good understanding of costs involved and assured funding that follows careful analysis of opportunity cost. Whenever advisable and feasible, funding should be treated as a business investment and carry expectation of reforms.
4. Skills and culture of the civil service. Civil servants must be able (though ICT, change and project management and partnership building skills) and willing to support e-government or at a minimum, must be eager to learn and change. The culture prevailing in the civil service determines the assessment of expected loss that e-government applications can bring to individual civil servants and, *eo ipso*, the eventual strength and effectiveness of the anti-change lobby.
5. Coordination. Needed "backroom" coordination and effort – within and between government agencies – must be ironed out before any e-government application goes on line to avoid duplication, assure interoperability, and meet the expectations of users.
6. Legal framework. E-government introduces unique legal requirements and these should be realized and faced early on.
7. ICT infrastructure. Infrastructure needs should be assessed against the background of requirements and desired results of planned e-government development. Anything short of this limits both. Anything that goes beyond this carries the danger that ICT infrastructure will be converted into expensive and idle office equipment.

8. Political leadership and long-term political commitment. The Chief Executive Office of the public sector must be committed to e-government development, lead and build broad support for it, and be eager to learn. This generates the all-important signals that the civil service needs to receive from its top leadership.
9. Public engagement. The public should have a personal stake in e-government development. This should be reinforced by actively, genuinely and continuously soliciting people to participate in the development of e-government applications so that these are custom-crafted to the way people live and work.
10. Plans for development of human capital and technical infrastructure. There should be a vision and plans for closing existing divides in skill and access. Otherwise, neither the public administration nor the society can hope to become ICT literate and capable – an important ingredient for e-government success.
11. Partnerships. Early on, the government should see business firms and civil society organizations (CSOs) as its partners in securing financial resources, skills improvement, better access, and adequate capacity to service the ICT network. Partnerships should never be forged at the cost of transparency, accountability or economic soundness of investment.
12. Monitoring and evaluation. Setting clear responsibilities and realistic benchmarks for e-government development, as well as for their transparent monitoring, is an important ingredient for eventual success and builds up the overall transparency and accountability framework in the public sector.
13. Perception of added value. Any design of e-government development must incorporate a calculation of the added value that the application intends to bring to individual users. It is best if this calculation proves to be congruent with that of the users.
14. Access and skills. It should be made easy in terms of time, cost and effort for the potential users of e-government to actually employ it. Imaginative solutions for increasing the level of this “ease of use” must be part of any e-government development plan. They should include, but also transcend, individual access and skills.
15. Privacy and security. Security and privacy concerns – culturally defined as they are – must be addressed early on, openly and with demonstrated professional aptitude. The public is bound to expect a breakdown in this

area and any news (even informal) of one is bound to become a huge setback with long-lasting consequences.

Against this background, for a State to effectively serve its citizens, it must seek out their participation in making new laws and policies and in the allocation of financial resources. States must provide the means for citizens to provide some feedback on all issues that concerned them, and more importantly, they should listen and incorporate their views.

In the United Nations Millennium Declaration, UN Member States have:

- pledged to work “for more inclusive political processes, allowing genuine participation by all citizens;”
- determined to ensure the right of the public to have access to information;
- expressed their conviction that “democratic and participatory governance based on the will of the people best assures these rights;”
- said that in eliminating poverty and securing the right of development, “success in meeting these objectives depends, *inter alia*, on good governance within each country. “

Putting the Citizen First

E-government can transform governments by making them more accessible to their citizens. In addition, through e-government, governments can become more accountable, effective and transparent. A properly implemented e-government strategy will enhance and cement the bond between the government and its citizens. The bond will enable the government to have confidence that its policies are in the best interest of its citizens and furthermore, that its policies have been influenced by their inputs.

Governments should encourage their citizens to increase their use of on-line services in doing business, including interactions with the public service (through the Internet, PCs, phone, etc). The net result should be better value for costs paid, delivered to the citizens through increased efficiencies enabled through e-Government.

Building from consultation with its e-citizens, governments should support means that increase the participation among citizens on issues concerning them. The participation of the e-citizens will have real value only if all sections of civil society are able to participate equally.

There are a number of ways in which the government can strengthen the bond with its citizens:

- Simplifying delivery of services to the people;

- Providing greater access to information on line;
- Increasing the accountability of government to its citizens by making it more transparent;
- Eliminating layers of government management;
- Providing resources that enable society to benefit to a greater extent;
- Simplifying government's business processes and reducing bureaucracy;
- Reducing corruption, which exists in many governments;
- Promoting people-centred dialogue that allows the public to interact with policy and decision makers.
- Increasing the extent to which decision makers listen to e-citizens

The bond between government and its citizens is greater at the local level than at the national one. The use of e-government at the local level will enable a broad cross-section of e-citizens to see the results of their participation. And once they see that their views have an impact on government, they will continue to enhance their participation.

As noted in the *UN World Public Sector Report of 2003*, "participation must be well informed and skilled. Education, including literacy, general knowledge and civic knowledge must be present in this process. If education and those skills are not present, they must be supplied in an easy-to-use, affordable way. Literacy today also means ICT literacy and skills. Participation means networking skills; skills to organize and sustain domains of shared interest and action; debating and negotiating skills, etc."

If a government cannot provide the necessary skills and knowledge to the vast majority of its citizens, then there is a very real possibility that cross-sections of the society will be disenfranchised and thus unable to voice their views and inputs. This could create an elitist class that has its views incorporated into government policies while others are left behind.

Case Study of Tampere, Finland

As noted in the *UN World Public Sector Report 2003*, the objective of the eTampere programme is to develop a sustainable knowledge society that supports active citizenship and innovative business. Its three mutually supportive dimensions are: strengthening the expertise base of research and education; generating new business connected to the information society; and developing the digital services of the local government and making them accessible to the entire population

Programmes developed by the City of Tampere (Finland) to support e-government are:

- On-line discussion platforms for topical issues;
- A system for on-line consultation about citizens' development priorities;

- An on-line facility for commenting on administration plans and their funding;
- Q&A e-booths that assure the administration's response in a matter of days;
- All facilities on line open for content provision by citizens and for group communication;
- An intensive ICT skills training programme for all.

There are other public sector institutions that have embraced e-government and increased efficiency, transparency and accountability. The Republic of Korea's Open System, which allows the posting of all procedures of cases undergoing administrative processing, is one example.

Singapore's eCitizen portal provides the public with accessible and integrated customer-centric e-services, which enables citizens to carry out complete transactions with the government without dealing with several agencies separately.

The portal, Canada Site, is the primary Internet access point for comprehensive and up-to-date on-line information about the Government of Canada's programmes and services.

Barriers to E-Government

The barriers to e-government continue to include the perception that it is difficult for users to find the information that they require in a timely and efficient manner on line. In countries with low Internet connectivity, people prefer human contact when they deal with the government.

There are a number of other potential barriers that can reduce the effectiveness of e-government to civil society. Among them are:

- Leadership and political commitment
- Infrastructure
- Access to the Internet
- Trust
- Financial Resources

Leadership and political commitment

Commitment from the top is critical to any implementation of e-government strategies and application. That commitment must also involve genuine outreach to the citizens. Most e-government applications fail when decision makers do not fully understand the importance of a project and thus do not place their full weight

and power behind it. Most civil servants will not buy in to any project unless there is full commitment from senior management.

Infrastructure

In the developed world, when we talk about infrastructure we are speaking about the quality of the e-government portal, its ease of use, and the ability to navigate through it. One school of thought is that all government portals should have the same feel – no matter what agency one is accessing, the portal looks and feels the same. This clearly is more effective in smaller countries than in larger ones.

In the developing world, the “infrastructure” to which we refer is the actual infrastructure for on-line communication, such as connectivity, bandwidth, networks, portals, data bases, etc. The limitation of such infrastructure reduces the potential benefits of e-government in most developing countries. If one cannot access the information on line, then even if a country has the best of all possible systems, it is of little use to its citizens.

Access to the Internet

In this section we are not talking about infrastructure, but rather skill and time variables. This is where the “five-minute activist” comes into play. Many citizens do not have enough time to make meaningful contributions but instead, quickly provide minimal response. The “elitist” citizen thus becomes a potential barrier to equal opportunity for all to have their say. This is the person who has a great deal of time on his/her hands and spends an inordinate amount of it on the Internet, answering surveys and providing feedback. The blue-collar worker who doesn’t have the luxury of time is unable to benefit to the same extent from e-government applications, especially in terms of affecting policies.

Trust

Trust is probably the most important aspect of e-government. Without it, citizens will not go into portals, will not answer questionnaires, and thus will not participate in e-government. If one doesn’t believe that his/her viewpoints are being seriously considered or feels that the government is just paying lip service to him/her, then that person’s future participation will be lost for a very long time. As a result, government will have to make tremendous investments to regain that trust.

Financial Resources

Any project that is not fully funded is doomed to fail and e-government projects are no different. In fact, it is even more important to have the funding secured prior to beginning work on such projects, because a failure will be felt by a large cross-section of society.

The adage, “think big, start small and scale fast” is relevant to most e-government applications. Small e-government applications have a greater chance of succeeding and thus should be encouraged.

Conclusion

Participation, equal access, and transparency are the foundations of an effective e-government programme. Although ICT will be the engine driving e-government, the e-citizen will be its conductor. In the near future, citizens will determine how resources are spent and allocated within most governments.

ICT will provide governments with the possibility of becoming more responsible to their citizens, thus making e-democracy and e-participation a reality. As technology becomes more efficient and feasible, governments will have no choice but to enact laws and policies that enable the e-citizen to fully participate in the democratic process. We have already seen how the Internet has affected a number of political situations.

However there is still a digital divide that must be addressed. The gap between the haves and have-nots is unfortunately increasing. Developing countries are still very far away from reaping the benefits of e-government. But as the cost of ICT decreases and the political will of decision makers increases, there is an opportunity for the digital divide to be reduced.

As the e-citizen becomes more empowered, politicians will become more responsive and accountable to people’s needs and thus a fundamental change will take place. Politicians will gain greater knowledge of their constituents and will be able to enact laws that are influenced by them. The political aspects of e-government will replace the art of backroom lobbying, taking power away from the well-endowed lobbyist and placing it in the hands of ordinary citizens.

Chapter 7

ACCOUNTABLE GOVERNANCE AND ADMINISTRATIVE REFORM IN EUROPE

Sabino Cassese and Mario Savino

The processes of administrative reform in the major European countries have undergone a sudden acceleration in the last quarter of the 20th century. During this period, public administration reform became a stable and autonomous policy, occupying a prominent position on the political agenda.¹ There are many pressures to change the machinery of the State. First of all, economic globalization creates competition between different national regulators and administrative systems, exposing them to the judgment of the market. Moreover, we are seeing a widespread diffusion of techniques, originating in the private sector and collectively known as “New Public Management,” for increasing the efficiency of the public sector. A further push towards reform is tied to technological development: public administrations are expected to keep pace with technological innovation to improve their own efficiency, to bear comparison with private enterprises and to protect the national system from being displaced by global dynamics.²

In the course of the 20th century, most international organizations have welcomed the participation of all states. They have become intergovernmental decision-making bodies with independent secretariats, charged with making proposals and implementing programmes. Another tendency is the rise of national powers that act on a global basis. Individual administrations establish cooperative relationships with corresponding bodies in other states. This phenomenon creates further pressure for change. First of all, the rising number of national authorities acting at the international level creates a “Balkanization” of the executive power. This requires corrective measures: in order to prevent polycentrism from weakening their capacity to govern their internal administrative systems, central powers test new mechanisms for internal coordination. Secondly, the administrations operating at the global level are challenged by partner administrations to become more efficient. The authorities that best represent their respective states at the global level – in terms of expertise, credibility, and implementation capacity – are more likely to influence the outcome of supranational and international decision-making processes.

1 S. Cassese, “L’età delle riforme amministrative,” in *Rivista trimestrale di diritto pubblico* n. 1 (2001): 81 s.

2 Cfr. United Nations, Department of Economic and Social Affairs, *World Public Sector Report 2003: E-Government at the Crossroads*. (New York, 2003).

Global procedural standards dictating the principles and criteria to which national administrations ought to conform are particularly widespread in the area of trade services. These norms seek to prevent barriers to international trade (i.e. health or consumer protection measures effectively introduced in order to favour national products and impede the importation of foreign products). To this end, these international norms establish obligations of transparency, standards to be respected, procedures of notice and comment, and procedural requirements upon the national activities of certification and oversight. On the one hand, national administrations are required to respect the procedural principles and criteria laid down by international bodies. On the other, private actors, even those belonging to legal systems other than those of the relevant administrations, may enjoy rights (for example, to participation) deriving from global standards.³

These and other global pressures lead states to reform their administrations. In the following sections we will examine first, the administrative reforms in Italy, and then similar reforms in the major European state systems.

Administrative Reform in Italy

The first comprehensive programme for reforming the Italian public administration was set forth in the 1979 *Rapporto sui principali problemi dell'Amministrazione dello Stato* (the so called *Giannini Report*), which specified the main causes of inefficiency in the public sector and proposed a series of innovations regarding administrative techniques, technology, personnel and organization. It took a decade to begin implementing these proposals. The first important reform laws go back to 1990: that year several fundamental laws were enacted, such as Law 8 June 1990, n. 142 on the new system of local bodies; Law 30 July 1990, n. 218 on the privatization of public banks; Law 7 August 1990, n. 241 on administrative procedure; and Law 10 October 1990, n. 287 on competition.

Three reform cycles followed. The first took place in 1993-1994. The Ciampi government set forth a broad plan for reform in two important documents: the *Rapporto sulle condizioni delle pubbliche amministrazioni* and the *Indirizzi per la modernizzazione delle pubbliche amministrazioni*. The first document examined in depth the problems affecting the public administration, while the second set forth possible remedies. Notwithstanding the brief duration of the Ciampi government, many reforms were carried out: the reorganization of mechanisms of control; the introduction of citizen's charters; the launching of a policy of simplification; and the development of a plan for the privatization of public employment (already delineated by the previous government). Other reforms –

³ Cfr. S. Cassese, "Gamberetti, tartarughe e procedure: standards globali per i diritti amministrativi nazionali," in *Rivista trimestrale di diritto pubblico*, N. 3 (2004): 1 ss.

the reorganization of the central administration, in particular – were not completed, due to the brief life of the government.

After three years of relative stasis, a second cycle of reforms took place from 1997-2000. A new round of decentralization was launched (realized first through regular legislation, and then by amending Title V of the Constitution); the central administration was reorganized (reducing the number of ministries and creating agencies); the privatization of public employment was carried forward; new changes were made in the management of public administrations; the policy of simplification was pursued; and the reorganization of the system of controls and evaluation was completed (at least at the normative level).

Finally, in 2001, the centre-right coalition came to power. The current government, after an initial period of relative inaction, has also launched a series of initiatives. We have thus seen another reform of the high bureaucracy, a new effort to reform the central administration, and the implementation of simplification and decentralization policies.

We shall now move on to a closer analysis of the reforms summarily mentioned in this section, taking into consideration the following aspects: functions, organization, personnel, finances, control mechanisms, and procedures.

Reform of the Functions: Decentralization and Privatization

The Italian administrative system in the late 1980s was highly centralized. The delayed establishment of the regions and the failure of the first two attempts at “regionalization” in the 1970s can at least partially explain this situation. Moreover, banking and insurance services were still mostly in the hands of public actors. At the organizational level, this created a serious overburdening of central government apparatuses. In addition, the State was facing a growing public debt.

The reforms launched in the 1990s reversed these tendencies. A far-reaching process for redistributing administrative functions emerged at this time. The following phenomena began to take effect: the decentralization of state functions in favour of the regions and local bodies, and the privatization of public enterprises, which helped to balance the budget and gave the exercise of some economic activities back to private actors.

- *Decentralization.* An important early measure was Law 8 June 1990, n. 142 on the system of local bodies.⁴ This law, however, did not affect the sphere of state functions, but rather transferred regional functions to local bodies and required that this transfer respect the principle of subsidiarity. A far-reaching

⁴ Later subjected to a comprehensive revision by Law 3 August 1999, n. 265 and incorporated in the Single Text of the Law of Local Bodies, approved by the Legislative Decree of 18 August 2000, n. 267.

decentralization of state functions was instead foreseen by Law 15 March 1997, n. 59, in which the legislature reallocated public functions in two ways. First, it defined the State's functions and tasks as deriving from a series of expressly enumerated subject matters (Article 1, Law n. 59/1997), and conferred all other functions upon the regions and local bodies. Secondly, it required that the distribution of competences among the various levels of government adhere to a series of principles, some of which are subsidiarity, differentiation and proportionality.

While the resources necessary for the exercise of the reallocated competences were being transferred to carry out this reform, Parliament approved Constitutional Law 18 October 2001, n. 3, adopting a new reform by directly amending the Constitution. With respect to the structure set forth by Law n. 59/1997, the constitutional law confirmed the reversal of the relationship between the centre and the periphery in the relocation of administrative functions. The principles of subsidiarity, differentiation and proportionality, moreover, achieved constitutional dignity.⁵ There was, however, a decisive element of novelty: municipal governments were given preference in the attribution of administrative functions, and then, only in a subsidiary and subordinate way, provinces, regions and the State. The two principles at the heart of the 1948 Constitution – the principle of residual state power and the principle of parallelism between legislative and administrative functions – were thus turned upside down. The first principle was inverted into the opposite principle of residual municipal power. The principle of parallelism was supplanted by an asymmetrical division of legislative competences on the one hand, which were shared by the regions and the State, and administrative competences on the other, which give a pre-eminent role to the municipalities. These fundamental features of the reform have become even more prominent with the current “federalist” constitutional reform.

- *Privatization.* Though this policy was launched only in 1990,⁶ it has had particularly important results. According to a recent report by the Ministry of the Economy, Italy holds second place in the world ranking (after Japan) for selling off public holdings and is first among the countries of the European Union. The revenues from the sale of public shares between 1992 and 2003 came to 88 billion Euros, of which 16.6 billion was realized in 2003 alone (which amounts to 34 per cent of the proceeds from privatization in the whole world).⁷ The engine

⁵ Article 118 of the Constitution.

⁶ The first legislative measures were Law n. 218/1990, on the privatization of public banks; laws 29 January 1992, n. 35 and 8 August 1992 n. 359 on the transformation and privatization of public economic entities; and law 30 July 1994, n. 474, on the privatization of publicly owned corporations.

⁷ Cfr. Sole-24-ore, (7 September 2004): 13. For more detailed, but less updated data, see Ministry of the Treasury, Budget and Economic Planning, *White Paper on Privatization Measures 1996-2001* (April 2001).

behind this policy has not yet run out of steam: the current government has announced that it wants to sell another 100 billion Euros worth of state holdings in the next four years.

As a consequence of decentralization and privatization, the exercise of public functions is no longer generally entrusted to the State at the ministerial administrative level: the State has lost its exclusivity in the exercise of these functions and has transferred them to sub-state public powers and private actors.

Reform of the Organization: Specialization, Reform of the “Centre” and Coordination at the European Level

Organizational reform has affected three aspects of the Italian administrative system: specialization, size and coordination.

- *Specialization.* This was pursued mainly by the establishment of independent administrations and agencies.⁸ Before 1990, there were only three independent authorities: the *Consob*, for financial markets (1974); the *Garante per l'editoria*, for publishing (1981); and the *Isvap*, for insurance (1982). During the 1990s, some 10 more were established: the most important examples are the *Autorità garante della concorrenza e del mercato*, for the protection of competition (1990); the *Commissione di garanzia per l'attuazione della legge sull'esercizio del diritto di sciopero nei servizi pubblici*, regulating the right of strike in public services (1990); the *Autorità per l'energia elettrica ed il gas*, regulating electric energy and gas (1995); and the *Autorità per le garanzie nelle comunicazioni*, regulating communications (1997). Lately, the independent authorities have seen an erosion of their competences as they have been re-appropriated by the executive branch. This tendency is, however, counterbalanced by European and global powers: ultra-national regulatory norms and networks require an independent exercise of most of the regulatory functions exercised at the national level.

With respect to the administrative agencies, prior to the reorganization of the central government in 1999 there were the following bodies: a regional health services agency (1993); an agency representing public administrations in collective bargaining (1993); a national environmental protection agency (1994); an independent agency for the management of municipal secretaries' registers (1997); a national agency for energy and the environment (1998); and an Italian space agency (re-formed in 1998). The 1999 reform set forth a general model and provided for 13 new agencies. Still, many of these were never established,

⁸ C. Pollitt and G. Bouckaert, *La riforma del management pubblico*, Milano, Egea (2002): 100 s., mention a reverse tendency: in some strongly fragmented administrative systems, like those of New Zealand and the United Kingdom, there is an ever more heated debate on the need to reduce administrative polycentrism.

others were abolished,⁹ and still others were subsequently transformed.¹⁰ Lastly, a new agency was recently established, but with characteristics somewhat different from those provided by the general model, currently in decline.¹¹

The differences between independent authorities and agencies stem mainly from their different relations with the central administration (only independent authorities are completely excused from the principle of ministerial responsibility) and the different nature of their functions (rule making and adjudication in the case of independent authorities, technical and operative functions in the case of agencies). Still, these two organizational models share some features as well: they represent an alternative to the ministerial model; they are examples of the growing organizational importance of technical administrative activities; they enable the ministries to lighten their functional responsibilities; they highlight, on the organizational level, the separation or distinction between politics and administration.

The establishment of these sectoral administrations, outside the ministerial apparatuses and free (to various degrees) from governmental control, creates a “Balkanization” of the executive: the government’s ability to coordinate the action of state administrations is reduced. Specialization thus translates into a fragmentation of the administrative system, which is no longer “compact,” but multi-organizational.

- *Size of the central administrations.* An early reform initiative, set forth by Law n. 537/1993, provided for a broad reorganization of the ministries. However, the government in office at the time fell before the reforms could be implemented. This event notwithstanding, a first step towards streamlining was made with the elimination of the Ministry of the Merchant Marine.

A second, more far-reaching reorganization would have been required by the implementation of Law n. 59/1997, which provided for the reordering of the central administrations as a consequence of decentralization. The reform, set forth in Legislative Decree n. 300/1999, reduced the number of ministries from 18

9 For example, the *Agenzia per la protezione civile*, formally created by Legislative Decree n. 300/1999, Article 79 ss., was not established until the end of 2001 – with Legislative Decree 7 September 2001, n. 343. Converted by Law 9 November 2001, n. 401, it was transformed into a first-level office (department) in the ministry of the interior. The same fate befell the *Agenzia per il servizio civile*, abolished by Article 3 of Law 16 January 2003, n. 3.

10 The *Agenzia del demanio* (an agency for the management of state property) was transformed into an economic public entity (Article 1, Legislative Decree 3 July 2003, n. 173).

11 This refers to the *Agenzia italiana per il farmaco*, established by Article 48, l. 24 November 2003, n. 326. Only some of the tasks assigned to this agency have a technical or operative character, like those of the other agencies created by the 1999 reform.

to 12, but their number then went back up to 14. This reduction did not, however, really slim the size of the governmental apparatus. First of all, unification took precedence over elimination in reducing the number of ministries: not only the tasks, but also the offices and resources of the new ministries were determined by simply combining the old ministries. Moreover, the introduction of departments – originally envisaged in nine out of 12 ministries – was not counterbalanced by the elimination of pre-existing general directorates. For that reason, the total number of internal offices actually increased, as did their overall costs. Finally, if one counts the agencies created by the 1999 reform (some of which are larger than a ministry), it is clear that the total number of central apparatuses has increased with respect to the past.

The reordering of the ministerial structures does not seem to be over. Law n. 137/2002 delegated to the government the power to adopt, within a year and a half, amendments and corrections to the reform of the ministries implemented in 1999, and the deadlines for exercising these powers were extended for one year by the recent Law 27 July 2004, n. 186. It remains to be seen whether this reorganization will produce any real downsizing in the central state administrations. Until now, this has not been the case.

- *Coordination at the European level.* Looking finally at the reform of coordination mechanisms, it must be said that the state administrations' conformity with the Europeanization process has not yet proved sufficient. With regard to general coordination functions, there is a clear overlap among many different institutional actors: the President of the Council of Ministers, the Council of Ministers, the Department for European Community Policies, the Secretary General of the Presidency of the Council, the Ministry of Foreign Affairs, the Permanent Conference of the State, Regions and Local Bodies and the Inter-ministerial Committee for Economic Planning. Legislative Decree 30 July 1999, n. 303 recognized the guiding role of the Department for European Community Policies, but only partially eliminated the overlap and fragmentation of existing competences. A bill currently in Parliament (A.S. 2386) provides for the establishment, in the Presidency of the Council, of another coordination body, the Inter-ministerial Committee for European Community Affairs, to be charged with defining the Italian government's position in European Community and Union acts when they are initiated. The problem, however, remains: there continue to be too many coordinators and, as we know, "too many coordinators do not coordinate" but simply fragment responsibility.¹²

The relationships between individual ministries and community bodies also need to be rationalized. The task of managing relationships with European bodies has been entrusted, in some cases, to one office; in other cases, it is carried out by the various offices with competence in the sector concerned, based on a model

¹² "Dipartimento per la funzione pubblica," *Rapporto sulle condizioni delle pubbliche amministrazioni*, Roma: Istituto Poligrafico e Zecca dello Stato (1993): 37.

of dispersion; other offices do a little of both. Therefore, even in this area, there seems to be no unitary plan for the coordination of ministerial apparatuses at the European level.

In conclusion, the reform of the ministries failed to further its goal of territorial decentralization and also neglected organizational pulls towards the supranational level. The total outcome is contradictory: while the system tends towards decentralization and pluralism, the centre grows and loses its ability to dialogue with the other levels of government.

Reform of Personnel: Privatization of Public Employment and Reform of High-level Bureaucracy

In the last quarter of the 20th century, public employment has been the object of particularly intense reform activities in the major Western legal systems. These reforms all pursued the same four main objectives: more flexible management of personnel; greater attention to effectively achieving results; more competent public employees; quantitative containment of human resources and thus costs.

The achievement of these goals in the Italian administration required the preliminary resolution of two problems. With regard to civil servants, the pursuit of efficiency meant supplanting a public law system with a private law one. In the past, the relationship between the state administrations and their employees had been set up as a unilateral relationship, rigidly governed by public law. With respect to high-level bureaucracy, the main obstacle to the pursuit of such objectives as flexibility and responsibility was the functional overlap between political bodies and senior officials. The system rested on the exchange between power (of the ministers) and job security (of the high-level bureaucrats).¹³ The political leaders used their power to appoint directors, in order to obtain their support; the senior officials, then, had to go along with the ministers' choices if they wanted to keep their jobs. The reforms of the last decade have resolved the first problem but aggravated the second one.

- *Privatization of public employment.* This was foreseen by Legislative Decree n. 29/1993, followed by corrective laws (Legislative Decree 10 November 1993, n. 470 and Legislative Decree 23 December 1993, n. 546), which launched a reform considered "the most important development in administrative law of this century."¹⁴ In the first instance, this reform subjected public employment relations to civil law and collective bargaining. Secondly, it changed the sources

13 S. Cassese, "Grandezza e miserie dell'alta burocrazia italiana," in *Politica del diritto* (1981): 234. For a historical treatment, J.Y. Dormagen, "Pourquoi il n'y a plus de haute fonction publique en Italie," in *Rivista trimestrale di diritto pubblico* (2004): 59 ss.

14 S. Cassese, "Le ambiguità della privatizzazione del pubblico impiego," in S. Battini and S. Cassese (eds.), *Dall'impiego pubblico al rapporto di lavoro con le pubbliche amministrazioni*. Milano: Giuffrè (1997): 77.

of law governing the employment relationship with public administrations, favouring bargaining over public law dispositions, which assumed a residual character: public administration hiring now takes place through an individual employment contract. Thirdly, privatization has transferred controversies arising out of public employment (with few exceptions) from administrative to civil courts. Thus, the principle of the exclusive jurisdiction of administrative courts, which dated back to 1923, has been set aside.

For this reason, the “problem of the public employee” can be considered as resolved, at least on the normative level. But the rise of a new private law contractual regime is only one of the measures required to make public employment more like private employment, and to achieve the desired reforms of efficiency and flexibility. Privatization does not in fact automatically or spontaneously make a public administration like a business. Among the residual obstacles to achieving this goal is the failure of collective bargaining in regulating job classification, seniority systems and productivity awards.¹⁵

- *Reform of the high-level bureaucracy.* The senior officials’ regime has been affected by three reforms in the last decade. The first, set forth by Legislative Decree n. 29/1993, was inspired by the principle of separation of politics and administration. The power to make policy and to review outcomes was entrusted to the political leadership while the power of day-to-day administration rested with the high-level bureaucracy. The appointment of directors was to be governed by strong guarantees of stability. In this way, the foundations were laid for an impartial administration, managed exclusively by senior officials.

Less than five years later, the legislature intervened again (with Legislative Decree n. 80/1998 and with d.P.R. n. 150/1999). The desire to make public directors like private managers led it to extend privatization to the general directors’ employment relationship. But the main innovation was in granting wide discretion to political leaders in choosing the directors. The declared goal was to increase flexibility. But in fact, it reduced senior civil servants’ autonomy. It established that: a) with the implementation of the law, all existing directorship positions would terminate, if not confirmed within 90 days (a so-called spoils system *«una tantum»*); b) the duration of senior directorship positions would depend on the executive, as secretaries-general and departmental heads would have to be confirmed, revoked, modified or renewed within 90 days by a government vote of confidence; c) all directorship positions would be conferred for a determinate period of no more than seven years and no less than two, with the possibility of renewal.

¹⁵ Cfr. Dipartimento della funzione pubblica, *La valutazione e la retribuzione delle prestazioni*. Soveria Mannelli, Rubbettino (2001).

The third reform (Law 15 July 2002, n. 154) further compromised the job security of top bureaucrats. First of all, it reintroduced an *una tantum* version of the spoils system with regard not only to the general directors (to be nominated *ex novo* within 60 days of when the law takes effect), but also the non-general directors (confirming the rule of silent assent at the expiration of 90 days after the law takes effect, a rule which, in 1998-1999, was used only for general directors). Moreover, in the case of failure to renew an appointment, there is no longer the guarantee that an incumbent will hold on to director status and the relative pay; instead, he or she will become a “consultant,” appointed for no longer than one year. Secondly, senior directors’ posts expire 90 days after the vote of confidence on the government (without the possibility that these officials might tacitly continue until the natural expiration of their positions). Thirdly, the minimum duration of employment contracts (formerly two years) was abolished while the maximum duration (formerly seven years) was reduced to three years for first-level posts and five years for second-level ones.

The overall outcome of this reform process has been the capture of the high-level bureaucracy by politics. The introduction of the principle of non-permanence and of various forms of the spoils system has made senior officials’ tenure precarious. Directors have become easy to manipulate and even to blackmail. Political leadership has thus taken over the management of public administration, without, however, assuming the necessary responsibility, which still belongs to the directors.

Thus, this reform, though originally aimed at separating politics from administration and strengthening high-level bureaucracy, has had the opposite effect. Senior level positions have become precarious, politicized and thereby weakened. The Italian administration continues to be a “headless” administration.

Reform of the Budget: From the Budget as a Means of Spending Containment to Super Budgeting

Many OECD countries have attempted budget reform in order to contain public spending and alleviate the public deficit. In some of these countries, the reform strategy was more sophisticated: the goal of savings was accompanied by the goal of improving the performance of public administration. Thus, the advent of “super budgeting,” through which the budget becomes more than a mere instrument of political economy and takes on other functions connected to the process of administrative reform.¹⁶

¹⁶ The concept of “super budgeting” is used by N. Caiden, “Shaping Things to Come,” in I. Rubin (ed.), *New Directions in Budget Theory*. Albany: Suny Press (1988): 43 ss., describing the tendency to reform the budget by widening its scope and purpose.

The Italian system has experienced similar developments. Beginning with the reforms of 1978 and 1988 (completed in 1999),¹⁷ the legislature intervened in the budgeting process in order to maximize the ability of the parliament and the executive branch to govern and control financial resources. To this end, rules (governing financial coverage of expenses) and instruments (the finance law and the economic and financial planning document) were introduced to overcome the rigidity of the budget law¹⁸ and to ensure the containment of expenses. These reforms were pursued from the traditional perspective, which sees the budget simply as a tool for setting levels of revenue and spending.

In the 1990s, the pursuit of efficiency in the use of financial resources led to a widening of the purposes of the budget (super budgeting). Two other functions were added to the regular function of spending containment. The first related to the distinction between politics and administration. The 1997 reform distinguished the competences of the ministers from those of the high-level bureaucrats. The ministers were assigned the role of financial planning: they were to determine and divide resources among the general directorates on the basis of programmes and objectives set forth in their directives. Senior officials, on the other hand, were to be responsible for the management of resources (i.e. the budget and related micro-planning).

The budget assumed a second new function with the 1997 reform related to changes in controlling and evaluating administrative activities. A system of economic accounting based on cost analysis was introduced. This accounting system ought to have helped in evaluating the results of administrative action. However, a delay in implementing internal evaluation units hindered the realization of this ambitious project.

We see that even the Italian system has experienced “super budgeting:” its budget fulfils not only the traditional function of political and economic policy-making, but also serves as an instrument for separating politics and administration, and as a parameter for evaluating administrative performance.

At the same time, the State’s margin of discretion has been eroded in two directions. On the one hand, rigorous community obligations require a basically balanced budget and make the State completely responsible for excessive public debt through the external Stability Pact. On the other, there has been increasing pressure for local autonomy: financial autonomy has been reinforced, first at the legislative level,¹⁹ then at the constitutional level, with the new Article

17 This refers to Law 5 August 1978, n. 468 and Law 23 August 1988, n. 362, which was supplemented by Law 25 June 1999, n. 208.

18 This rigidity stems from Article 81 of the Constitution, which provides that new taxes and expenditures cannot be established through the budget law.

19 With Law 13 May 1999, n. 133 and Legislative Decree 18 February 2000, n. 56.

119 (the so-called fiscal federalism). The multi-level system of governance has thus reduced the State's ability to govern public finance.

Reform of the Instruments of Control: Evaluation of Outcomes and the Citizen's Charter

A decade ago, review and evaluation of administrative activities in the Italian system were still conceived of as preventive controls of the legitimacy and accounting regularity of individual acts. This approach responded to a twofold need: to preventively protect (before the administrative acts were to become effective) citizens from authoritative acts of public power harmful to their legal interests; and to make sure that financial resources were employed for authorized purposes (auditing).

Other needs emerged in the course of the 20th century. The advent of the "pluriclass" State²⁰ led to the growth of public social services.²¹ For this reason, contemporary public controls also tend to check whether public services fulfil their prescribed goals and ensure the quantitative and qualitative satisfaction of the public's needs. As a consequence, the reform of checks on administrative activity proceeded in two directions. An evaluation of the results of the total activity replaced preventive checks of the legitimacy of individual acts; and the so-called "citizen's charter" imposed fixed standards upon public service providers.

The first phase of the reform coincided with the Ciampi government (1993-1994). Legislative Decree 29 of 1993 provided for the establishment of evaluation units within administrations – the first attempt to introduce a culture in which results would be reviewed. Law n. 20 of 1994 then redesigned the system of administrative controls, decentralizing them and introducing three innovations. First of all, it provided for the establishment of internal review services in each administration. Secondly, the Court of Auditors ceased performing preventive reviews of the legitimacy of individual administrative acts (with the exception of acts of the government) and became responsible for a second-level review of the correct functioning of internal controls. Thirdly, it palpably reduced reviews of legitimacy and introduced evaluations of results, which required fixing objectives, declaring costs and measuring the degree of efficiency in fulfilling objectives.

20 On the concept of the "pluriclass" State, M.S. Giannini, "I poteri pubblici negli stati pluriclasse," in *Studi in onore di F. Satta*. Padova: Cedam (1979); Id., "Il pubblico potere," cit.:69 ss; S. Cassese, "Lo «Stato pluriclasse» in Massimo Severo Giannini," in S. Cassese, G. Carcaterra, M. D'Alberti and A. Bixio (eds.), *L'unità del diritto, Massimo Severo Giannini e la teoria giuridica*. Bologna: il Mulino (1994): 11 ss.

21 On these developments, and the related jurisprudential debate, see L. Mannori and B. Sordi, *Storia del diritto amministrativo*. Roma-Bari: Laterza (2001): 418 ss.

The second phase of the reform (Legislative Decree 30 July 1999, n. 286) addressed internal controls. In addition to the traditional reviews of administrative and accounting regularity (aimed at verifying the legitimacy, regularity and correctness of administrative activity), other forms of control were made subject to law: control over management (carried out on the basis of such parameters as the efficiency, effectiveness and economy of administrative activity); evaluation of senior officials (directors and general directors); and evaluation and oversight of strategy (to verify the adequateness and congruence of management choices with respect to the objectives set forth by public policy makers).

This reform of control and evaluation mechanisms has remained largely unimplemented. Not all of the administrations have established internal evaluation units. Moreover, controls over administrative and accounting regularity have not been set up in accordance with private sector criteria of internal accounting (though required by Article 2, comma 2, Legislative Decree n. 286/1999). Evaluation of the directors has not been implemented either, with some rare exceptions. Also, ministerial policy directives, which ought to set administrative management goals and thus the parameters for evaluating results, are either not issued or so generic as to be useless for the purpose of evaluation (except in the case of a few ministries).

The need to evaluate the results of public service activities also extends to those public and private actors that perform essential public services. To this end, an apposite instrument was established in 1994, inspired by Anglo-American citizen's charters: the so-called *Carta dei servizi*.²² The purpose of this charter is to improve the quality of public services and thus the public's satisfaction. The charter fixes qualitative and quantitative performance standards and simplifies procedures. Moreover, it provides for the participation of public service users in the definition of standards, as well as complaints procedures to obtain reimbursement for services that do not reach the qualitative and quantitative levels set forth in the charter.

Reform of the Procedures: Law 241/1990 and the Policy of Simplification

For a good part of the 20th century, procedure has illustrated the distance between public powers and civil society. Administrative proceedings resulted from a "closed" procedure in which an administration's *chef de file* weighed one public interest against others of relevance. The consideration of private interests was excluded. Law n. 241 of 1990 profoundly changed the character of administrative procedures, establishing mechanisms of protection (duty to adopt an express provision, maximum duration, duty to give reasons); transparency (responsibility for the proceeding, right to access administrative documents); and

²² The norm was first set forth by a directive of the President of the Council of Ministers of 27 January 1994, then by Law 11 July 1995, n. 273, and later by Article 11 of Legislative Decree n. 286/1999.

participation (communication of the initiation of a proceeding to interested parties, right to review the acts of a proceeding and to present written memoranda and documents, agreements additional to or in substitution of the provision). By virtue of Law n. 241/1990, procedure has the function of democratizing administrative activity. It has become a mechanism through which citizens can participate in the public decisions that most directly affect them and one that is transparent, as the administrative power's decision-making process is visible and subject to review. Thus, a conception of administration as a (relatively) autonomous power emerges: administration that – according to the interest representation model – has its own head and is legitimated from below.

A further objective of recent reforms has been the simplification of administrative procedures, which has unfolded in three phases. At the outset, Law n. 241/1990 simplified the structure of procedures, introducing instruments to promote the contextual (through a conference among services) or consensual (through agreement among administrations or between an administration and citizens) decisions and the elimination of phases. In addition, it enabled the public to better deal with the consequences of administrative inertia, through mechanisms of reporting the initiation of activity and silent assent. In the second phase, Law n. 537/1993 widened the scope of the application of some of the simplification instruments provided by the 1990 law (in particular, those regarding the initiation of commercial activities). In its third phase, the simplification policy took two main roads. First, simplification was institutionalized by an annual law, by adopting codification measures, and by the creation of a Simplification Observatory within the Presidency of the Council (in addition to a Unit for the simplification of law and procedures, later abolished). In addition, the simplification of proceedings was pursued through non-legislative measures. However, some limits to this process are evident. Since 1990 only a few hundred proceedings have been simplified, out of the nearly six thousand that crowd the Italian administrative panorama. Moreover, because of the different rules governing different sectors, the rate of complication grows more rapidly than the rate of simplification. The politics of simplification is like an “immense Penelope's shroud.”²³

A final area in which progress can be seen is public communication and information. In the mid-1990s, public relations offices (URPs) were introduced, along with a language style manual (to facilitate the comprehension of administrative language) and a code of conduct for civil servants. Law n. 150 of 2000 set forth comprehensive rules for administrations' external information and communication activities, including appropriate modalities (publicity, organization of demonstrations, fairs, congresses) and structures (public relations offices, press offices, spokespersons, information windows for the public and business). A February 2002 circular issued by the minister of public functions gave new

23 This metaphor is borrowed from G. Vesperiini, “La semplificazione dei procedimenti amministrativi,” in *Rivista trimestrale di diritto pubblico*. (1998): 674.

impetus to the policy of public communication, providing for on-line data banks and services to facilitate public relations.

As far as e-government is concerned, a norm for the electronic management of administrative documentation was introduced at the end of 2000.²⁴ A minister (without portfolio) for innovation and technology was then nominated and, in 2003, a fund for financing technological innovation projects in public administration was established, along with a national agency for technological innovation.²⁵ The main successes have been in the area of e-procurement, through which the administration acquires goods and services through electronic calls for tender, and in the construction of a virtual market place. Not only have contractual procedures been streamlined and accelerated, but consistent savings in the acquisition of goods and services have been realized.²⁶

In a 2000 survey on the degree of e-government development,²⁷ Italy came in next to last out of the 22 countries examined, followed only by Mexico. Since 2000, however, the development of e-government has become more intense and the results can be considered positive on the whole, even if the delay with respect to the Anglo-Saxon countries is still considerable.²⁸

An Assessment of the Italian Reforms

In 1993, an important document on the modernization of public administration, published by the department of public functions²⁹ set forth several reform

24 D.P.R. 28 December 2000, n. 445, single text of the legislative dispositions and the regulations in the area of administrative documentation. This also includes the norms governing the digital signature, previously contained in D.P.R. 10 November 1997, n. 513. On these innovations, see Dipartimento della funzione pubblica, S. Paparo (ed.), *Semplifichiamo*. Soveria Mannelli, Rubbettino (2001): 49 ss. and 63 s.

25 A Digital Administration Code is currently being approved. It would simplify and improve the dialogue between public institutions and the public through the use of information technology.

26 The norms are contained in Article 26, l. n. 488/1999 (financial law of 2000), Article 24 of l. n. 340/2000, Articles 58 and 59, l. n. 388/2000 (financial law of 2002), D.P.R. 4 April 2002 and Article 24, l. n. 289/2002 (financial law 2003).

27 Accenture, *E-Government Leadership. Rhetoric vs. Reality – Closing the Gap*. (2001) <http://www.accenture.com>

28 In the world ranking of e-government readiness, Italy came in 20th, while it is in 16th place in the web measure index and 13th in e-participation: cfr. United Nations – Department of Economic and Social Affairs, *World Public Sector Report 2003: E-Government at the Crossroads*. cit.: 15 ss.

29 Presidenza del Consiglio dei ministri – Dipartimento per la funzione pubblica, *Indirizzi per la modernizzazione delle pubbliche amministrazioni*. Roma: Istituto poligrafico e Zecca dello Stato (1993).

objectives to guide future programmes. To evaluate the results of Italian administrative reform, we shall assess whether these objectives have been reached over the last decade.

One goal outlined in the document was to decentralize decision making, leaving the central administrations with just the work of policy making and coordination. Notwithstanding important recent legislative and constitutional innovations, the realization of this project continues to be blocked by several factors: a) the irrational allocation of administrative functions among various levels of government, which creates much fragmentation and a growing constitutional conflict between the regions and the State; b) the limited financial autonomy of the regions and local bodies, which prevents either from being fully responsible for the implementation of their policies; c) the transfer of work to still fragile (especially in the South) local and regional administrations; d) the irrational binary system of the decentralized administration, in which local and regional bodies, plus the peripheral offices of the State, all operate in the same area, inevitably overlapping each other.

A second objective – to reduce the size of the public sector – has not been fulfilled. The process of privatization illustrated above has had important results, like thinning out the jungle of public economic entities. Still, a downsizing of central apparatuses has not taken place. As noted above, if one counts agencies, the number of central government administrative bodies actually increased following the 1999 reform, as did the size of the new ministries, which were created by simply unifying the old ones. Reform of the central administration did not even strengthen the presence of public administrations in Europe, inasmuch as the problems of redundancy and dispersion, which characterized their coordination with communities, were not resolved.

Another purpose of reform was to make public employees more productive. To this end, various kinds of temporary employment contracts were introduced. But their impact has been limited. Around 20 per cent of Italian public administration employees have a time-limited contract, which is the average rate for Europe.³⁰ Merit as a criteria has yet to be seriously implemented, there being frequent departures from the constitutional principle of hiring by means of public competition. The merit system mechanisms of award and sanction are still inadequate, in part because unions resist them in collective bargaining.

30 Cfr. Dipartimento della funzione pubblica, *I rapporti di lavoro flessibile nelle amministrazioni pubbliche*. Soveria Mannelli, Rubbettino (2004): 18 s., which reports that, according to a survey carried out by the ministry of the economy through the annual census, the total work force analysed in 2001 included 3,196,583 employees with a permanent position and 307,047 with a time-limited employment contract; of the “contractualized” employees, subject to a private law employment relationship, there were 2,688,240 with an unlimited contract and 299,153 (10 per cent) with a time-limited contract, for a total of 2,987,393.

Turning to the goal of separating politics from administration, the management tasks of the administrative head have been formally distinguished from the political representatives' work of agenda-setting and review. The establishment of independent authorities and agencies insulated those administrative activities that could be exercised independently from political interference. At the end of the 1990s, however, the greater stability of governmental structures prompted the return of politics. The directorate's autonomy was compromised by the broadened scope of political nomination and the new precariousness of its offices. At the same time, the powers of regulatory authorities were partly eroded – to the advantage of the ministers – and the general model of the agencies, delineated in the 1999 reform, has been progressively dismantled.

The slogan “spend less and spend better” has translated into a reform of the budget and controls that, notwithstanding their comprehensiveness, have not produced the results expected. Lacking any adequate planning of administrative activity, spending levels continue to be determined by previous expenses rather than future projects. Furthermore, the inefficiency of management oversight precludes examining the relationship of spending to output, and thus eliminating waste.

The goal of “putting the citizen in the driver's seat” has been realized only in part. Citizen's charters have established quality standards and the relative rights of public service users. But administrative output has not been measured and the introduction of competition has been delayed; competition between public and private operators occurs only in a few sectors and there are no comparative assessments of the outputs of the different administrative units. Therefore, resources are not allocated according to productivity criteria and there is no incentive to improve quality.

Finally, the goal of simplifying governmental activity and decision making, and freeing the public administration from legislative obligations, has been realized only to a limited degree. On one hand, the reduction of the number of ministries has led to a corresponding reduction in the interests represented in the Council of Ministers, thus facilitating government action. New technologies enable the modernization of internal communications systems and record keeping. On the other, only a few of the new ministries have been unified around homogenous functions. As a consequence, proceedings have not been freed from those procedural burdens (acts of agreement, requests for opinions) that come from the irrational distribution of competences among departments. Simplification and administrative rationalization measures cannot keep up with the rate of administrative complication.

To conclude, the process of administrative modernization in Italy is full of contradictions. Two factors conspire to explain the failures mentioned. First,

Italian reformers' "textual obsession"³¹ makes them as careful in the definition of the normative framework as they are indifferent to its concrete implementation. The second factor, produced by the majoritarian logic of alternation, is represented by administrative reforms *à la carte*. The quick succession of reformist attempts, without any review of the efficacy of the previous government's reforms, is fruitless. It prevents progressive adjustment of the framework to reality. Furthermore, it fuels a resistance to changing bureaucratic structures, inducing a "saturation psychosis."³²

Administrative Reform in Other Legal Systems and at the Global Level

Having examined the Italian administrative reforms of the 1990s, let us now turn to those of other European countries, particularly the United Kingdom, France, Spain and Germany. The analysis shall be carried out from two points of view: the relationship between politics and administration on the one hand, and efficiency on the other. We then shall attempt to evaluate the influence of the dominant reformist paradigm – "new public management" – on the modernization processes under consideration. But first we must explain the way in which the national and the global levels interact in the processes of reform.

The overall purpose of this part of the examination is to demonstrate how reforms that look the same on paper may produce different practical results. Modernization programmes are often analogous and thus foreshadow a convergence of administrative systems. But their implementation is conditioned by the diversity of specific institutional and cultural contexts. Convergence is therefore only partial.

Relationships between the National and Global Levels

The global level affects national administrative reform both directly and indirectly. Its direct effects can be seen in that state authorities are not the only public powers guiding national administrative modernization process. Take, for example, the influence of the European Union on the transformation of its Member States' legal systems. European law sets forth functions, organizational requirements and proceedings that national administrations are obliged to respect. As such, many of the changes in domestic public administrations are

31 Y. Meny, "Le riforme amministrative in Italia e in Europa," in *Le riforme amministrative italiane: un confronto europeo*. Spisa Conference, 8 March 1999. Bologna: Clueb (2000): 18.

32 The expression *saturation psychosis* comes from G.E. Caiden, "Administrative Reform. Proceed with Caution," in *International Journal of Public Administration*, vol. 22, n. 6 (1999): 818, which explains that: "[w]hen rulers change, as frequently they do, they have reform proposals of their own and often abandon their predecessors' reforms without caring whether they are working out. When governments do this in quick succession, administrators throw up their hands until the dust settles" (*ibidem*: 824).

triggered by legislation ratified by the European Parliament. The little attention given to community-driven transformation processes can probably be explained by looking at the particular characteristics of such changes. First of all, unlike the pattern followed by national reform, community-driven reform is not cyclical, since European norms are enacted by politically independent authorities (mainly the Commission), whose continuous actions are shielded from the destabilizing effects of electoral cycles. European norms also follow an incremental logic: innovations generally come from multiple sectoral norms, which individually escape political attention, rather than from grand reform projects. A similar explanation also holds true for the changes brought about by international norms and decisions.

With respect to indirect effects, the internationalization of States' and sub-state bodies' activities has two consequences worth considering. The dispersion of state functions in favour of other (supra- and infra-national) levels of government attenuates the States' centrality as producers of norms. Moreover, the State participates in the decision-making processes of the composite systems to which it belongs. It takes part in these composite systems mainly through its own administrations, which send their representatives to the many international and European committees that elaborate norms and standards. This creates a need to reform national administrations in order to ensure adequate mechanisms for coordination with ultra-state public powers, and to enable an active participation in ultra-state decision-making processes.

Relationships between Politics and Administration

In the major European legal systems, administrative reforms have affected the relationships between politics and administration by triggering two opposite tendencies: on the one hand, they have given rise to "agencification" processes, that is the establishment of administrations enjoying a certain degree of autonomy from the government and its policy-making power, thus weakening the relationship between politics and administration; on the other hand, they have reinforced this relationship by making the high-level bureaucracy more dependent on political leadership.

The paradigmatic experience of *agencification* is no doubt the British one. Bringing together some suggestions of the 1968 Fulton Report, the Next Steps programme (*Improving Management in Government: Next Steps*), launched in 1988, led to the establishment of over 130 executive agencies in 10 years.³³ The Next Steps agencies are autonomous, but not independent of the government:

³³ According to data contained in "Chancellor of the Duchy of Lancaster," *Next Steps: Agencies in Government – Review*. London: The Stationery Office (1997) and published in C. Pollitt and G. Bouckaert, *La riforma del management pubblico*, cit.:100 s. e 353, in the mid-1990s there were over 140 agencies. E. Gualmini, *L'amministrazione nelle democrazie contemporanee*. Roma-Bari: Laterza (2003): 44, reports that there were 135 agencies in 1998.

the agencies' directors enjoy wide autonomy in managing resources and answer to the competent minister, with whom they negotiate the objectives and the service quality standards in the context of framework agreements.³⁴

An analogous phenomenon can be seen not only in Italy, where numerous agencies emerged in the 1990s (especially following the 1999 reform of the ministries), but also in France and Spain. In France, the modernization programme set forth by the Rocard government in the 1989 circular, *Renouveau du service public*, provided for the establishment of *centres de responsabilité*. These administrative units were created to improve the efficiency and the quality of administrative action at the ministerial and other levels. These centres of responsibility (or centres of cost) can be compared with the Next Steps agencies, though they generally enjoy somewhat less autonomy. The centres' budgeting powers, objectives and resources are fixed by conventions stipulated every three years with the sectoral minister and the ministers of public functions and the economy. In 1994, there were already 207 centres, of which 109 deal with the ministries' local services (*services déconcentrés*); in the second half of the 1990s, their number stabilized at around 400 units.³⁵

A number of agencies have been established recently in Spain as well. The model followed is once again the British one. Directors and ministers negotiate conventions setting forth objectives, standards and resources. The outcomes bear strong analogies to the Italian agencies. The Spanish agencies have a strong tie with the relevant minister and the rules governing their functions are rigidly fixed by specific laws and conventions. The first agency was the State Tax Administration Agency, established in 1991. After this, many other agencies were created, especially in the second half of the 1990s.

Germany does not have executive agencies like the Next Steps ones. Still, it cannot be said that the administrative competences are concentrated in the federal ministries. First of all, most of the operational tasks, which in other countries would be conferred upon executive agencies, are instead allocated to the local administrations of the *Länder*. Moreover, in Germany there are many bodies (agencies, independent authorities, semi-public organizations) charged with coordinating the various levels of government and the public and private sectors: the federal ministries delegate technical tasks and service provision to such bodies as the Agency for Foreign Trade and the Federal Labour Office.

We thus observe that *agencification* processes have been experienced in all of the major European national systems, with the exception of that of Germany. But while other countries have taken the British experience as a model, they have not

³⁴ The organizational characteristics of the agencies are set forth in the 1989 White Paper entitled *The Financing and Accountability of Next Steps Agencies*.

³⁵ E. Gualmini, *L'amministrazione nelle democrazie contemporanee*, op cit.: 51.

faithfully reproduced it. The *Next Steps* agencies have greater autonomy (in budgeting, definition of objectives and personnel management) than their French, Spanish or Italian equivalents. In the United Kingdom, agency directors pursue objectives that they themselves have defined, while in continental Europe the functions and programmes have to be negotiated with the relevant ministries and are conditioned by a dense body of norms. In the British case, *agencification* has created a situation that tends towards a full separation between politics and administration. In the other cases, a more tenuous organizational separation between policy making and management has been realized.

We turn now to the second tendency, which regards the intermeshing of politics and administration created by the weakening of the high-level bureaucracy's autonomy. The model in this case is the United States, where this tendency has historically taken on greater proportions. Here, the spoils system goes back to the Jacksonian era. In virtue of this system, the duty of loyalty prevails over the principle of impartiality, and favours politicization of top officials' posts. The faction that wins the election and control of the government has the right to choose the senior directors from outside of the administration.³⁶ Even career senior civil servants (currently there are around 8000, organized in the Senior Executive Service established by the Civil Service Reform Act of 1978) have short-term contracts and are hired on the basis of criteria that leave wide discretion to the federal executive.

Senior civil servants are less politicized in the United Kingdom. In the British tradition, all civil servants are conceived of as impartial and apolitical professionals, according to the Whitehall model set forth in the *Northcote-Trevelyan Report* of 1854. The rules governing high-level bureaucrats however are increasingly different from those governing the rest of the personnel. The managerial revolution launched by the Thatcher government created strong politicization: between 1979 and 1985, 43 secretaries-general and 138 vice secretaries were removed and replaced by politically nominated directors.³⁷ The Major government later reorganized the high-level bureaucracy by instituting the New Senior Civil Service (to replace the Senior Open Structure) and changed the rules governing top offices to favour flexibility and mobility, and to encourage productivity. Senior officials are currently organized into eight levels and subjected to nomination mechanisms that leave wide discretion to the Prime Minister and relevant sectoral minister.

In France, l'*Ecole Nationale d'Administration* (ENA) controls access to high-level bureaucracy. At the end of their studies, ENA students are admitted to the *Grand*

³⁶ In 1998, there were 2462 politically-appointed senior directors (E. Gualmini, *L'amministrazione nelle democrazie contemporanee*, cit.: 85).

³⁷ R. A. W. Rhodes, "Reinventare Whitehall, 1979-1994: sviluppare lo Stato vuoto?" in B. Dente et al. (eds.), *Riformare la pubblica amministrazione*. Torino: Fondazione Agnelli (1995): 315.

Corps (Council of State, Court of Accounts, etc.) or assigned to various ministries. Many, having reached the top of the administrative apparatuses, pursue a career in politics. The osmosis between the administrative directorate and the political leadership explains the criticism of this system as elitist. There are two criteria for career advancement: seniority and political nomination. The latter criterion prevails for senior ministerial directors: every new government has the right to replace them. Testifying to the growing politicization of senior officials in recent years is the growing rate of replacement: the government that took office in 1958 replaced 33.9 per cent of the directors in the central administrations; the replacement rate rose to 82.5 per cent in 1986.³⁸

The evolution of rules governing the Spanish directorate is similar to the American experience. The Cadiz Constitution of 1812 introduced the system of *cesantías* (or spoils), which was later supplanted by meritocratic criteria with the enactment of the Civil Service Statute in 1918 (the Maura Statute). The principle of *confianza política*, reintroduced during the Franco dictatorship, is to this day the basis for the rules governing the Spanish directorate. However, to limit the abuse of political appointment, Law n. 30 of 1984 introduced a system of “free nomination” for second-level directors.³⁹ This system was extended in 1997 to some of the senior directors (*altos cargos*). The Spanish higher-level bureaucracy remains one of the most politicized. According to a recent estimate, some 6000 directorate positions are conferred by the government based on discretionary political criteria.⁴⁰

Finally, in Germany the politicization of higher-level bureaucracy is low. Directors are nearly all career civil servants, promoted to a high level on the basis of seniority and an evaluation of merit carried out by hierarchical superiors and the political leadership. Only those in each ministry in the two highest administrative positions – Secretary of State (*Staatssekretär*) and General Director (*Ministerialdirektoren*) – are considered (together with the minister’s personal assistants) to be political functionaries (*Politische Beamte*) and, as such, subject to the minister’s power to temporarily remove them from office. Other personnel are protected by the constitutional principle of career stability. A partial derogation was effected by a 1997 reform, which introduced the possibility of stipulating time-limited contracts for senior administrative offices. This innovation

³⁸ For these and other statistics, L. Rouban, *The French Civil Service*. Paris: La Documentation Française (1998).

³⁹ This procedure provides for the publication of the job announcement and the presentation of an application by the interested and qualified civil servant. Directors are then chosen by the executive, exercising total discretion. The removal of directors from office is equally discretionary. The system thus leaves considerable power of choice to the political leadership.

⁴⁰ S. Fabbrini e S. Vassallo, *Il Governo. Gli esecutivi nelle democrazie contemporanee*. Roma-Bari: Laterza (2000): 207.

has made German top officials' positions relatively more precarious, though not as precarious as the posts affected by the recent Italian reforms.

To sum up, the countries under examination all show growth in mechanisms to ensure the political loyalty of members of the higher-level bureaucracy. American-style spoils systems have not been universally adopted and, starting in the 1980s, each of the countries concerned saw an overall decrease in senior officials' autonomy. Subjecting senior civil servants to the pleasure of the current political leadership compromises their independence, undermining the principle of administrative impartiality. This tendency is countered by the tendency towards *agencification*, which increases the organizational distinction between politics and administration. As a consequence, the sphere of governmental administration – the administration directed by the executive branch – becomes more politicized, but less extensive.

Efficiency

The reforms of the last quarter century have also had a profound impact on efficiency. A recent report on the British public sector defines efficiency as follows: "Efficiency in the public sector involves making best use of the resources available for the provision of public services." The objective of efficiency is pursued by "those reforms to delivery processes and resource (including workforce) utilisation that achieve: reduced numbers of inputs (e.g. people or assets), whilst maintaining the same level of service provision; or lower prices for the resources needed to provide public services; or additional outputs, such as enhanced quality or quantity of service, for the same level of inputs; or improved ratios of output per unit cost of input; or changing the balance between different outputs aimed at delivering a similar overall objective in a way which achieves a greater overall output for the same inputs ('allocative efficiency')."41

British reforms inspired by the principle of efficiency have pursued two main objectives: to improve administrations' internal functioning through downsizing and appropriate management techniques; and to raise the quality of the services by setting standards and adopting a consumer orientation. As early as 1968, the Fulton Report proposed the adoption of private sector techniques (specifically, accountable management, measuring and evaluating outputs) to remedy the inefficiency of public administration. The paradigm of the three "E"s – efficiency, efficacy and economy – was greatly emphasized by the Thatcher government. An Efficiency Unit was established in the Cabinet Office in 1979 to develop new proposals for improving the output of departmental programmes. The 1982 *Financial Management Initiative* (FMI) introduced the "management by objectives" method and management review, which brought a steady stream of managers and private consultants into the public sector. The 1987 White Paper

41 P. Gershon, *Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency*. CBE (July 2004): 6 s. <http://www.hm-treasury.gov.uk>

on public spending set parameters for management review, the evaluation of results and productivity awards. Downsizing in the United Kingdom assumed unique proportions compared with other European countries: between 1983 and 1988 the number of public employees fell from 730,000 to 590,000.

In more recent years, the main goal of the Major and Blair governments has been to improve the quality of services. The Citizen's Charter, in operation since 1991, established standards for public service provision and gave citizens the right to a remedy for departures from these standards. Also in 1991, the Treasury Ministry's *Competing for Quality* report introduced market-testing procedures (competitive tendering and best value) to control the quality of privatized services. In 1996, the Civil Service Code and the Civil Service Management Code took effect: the former established principles of good conduct for civil servants; the latter set forth rules for external appointments. In 1997, with the *New Charter Program* and the *Service First* report, the Blair government gave new impetus to the citizen's charters, providing for different ones in relation to different categories of public service users. The *Modernising Government* report launched an intense information technology programme, which brought e-government to a remarkable level of development.⁴² Following the recommendations of the 2004 Gershon⁴³ and Lyons⁴⁴ reports, Chancellor Gordon Brown announced a new downsizing of the public sector. Within three years, the current 520,000 public sector employees must be reduced in number to 100,000, and another 20,000 are to be transferred from the capital to the periphery. The expected savings of approximately 20 million pounds (30 million Euros) are to be invested in improving the quality of services.

As in the United Kingdom, private management techniques have been introduced in French public administrations in order to increase efficiency and improve the quality of services. The Chirac and Balladur governments launched initiatives aimed at the simplification of administrative proceedings and at raising the standards of public services (in 1986 and 1988, respectively). The most important reform programme however was set forth in the 1989 Rocard circular, *Le renouveau du service public*. In addition to the establishment of the *centres de responsabilité*, discussed in the previous section, the circular emphasized management by objectives: administrations should draw up *projets de service* to speed up the provision of services and introduce specific mechanisms to review the results. Following the British example, the Cresson government introduced

42 The United Kingdom is the country that offers its citizens the greatest chance to interact with public service-providing administrations over the Internet. It holds first place in the 2003 ranking of *e-participation*: cfr. United Nations – Department of Economic and Social Affairs, *World Public Sector Report 2003: E-Government at the Crossroads*, cit.:19.

43 P. Gershon, *Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency*, op cit.

44 M. Lyons, *Well placed to deliver? – Shaping the pattern of Government service* (March 2004).

the citizen's charter in 1992. Later, the 1995 Juppé circular on the reform of the State launched an ambitious reform project, based on the redefinition of state tasks and the boundaries of the public sector, as well as the improvement of the quality and transparency of services.

A 2000 law on the relationship between citizens and public administration increased the transparency of administrative activity. An important budget reform was then enacted in 2001 (by the comprehensive law on finance laws, to be fully implemented in 2006). It aimed to increase the efficiency of the management of public resources by defining objectives and performance indicators. In 2003, a constitutional law on the decentralized organization of the Republic provided for the possibility of experimenting with the transfer of certain competences (in the areas of health, education, youth and culture) to local governments, so as to maximize the fulfilment of their activities. E-government has also received growing encouragement in recent years with a programme launched by the Jospin government in 1998; Internet use, however, is not as developed in France as it is in the English-language countries.⁴⁵ Finally, the Prime Minister's circular of 2 July 2004 set forth *Stratégies Ministérielles de Réforme* (SMR): the 225 proposals aim to increase the efficiency of the ministerial administrations by means of a more accurate definition of objectives and a more careful evaluation of results.

Modernization of the administrative machinery in Spain began in 1989 with the *Reflexiones para la modernización de la Administración del Estado*, published by the then-minister of public administration, Almunia. The reform introduced strategic planning into central administrative bodies and established mechanisms for evaluating the quality of public services. A *Plan de Modernización de la Administración del Estado* was published in 1992 with the twofold purpose of rendering the functioning of state administrative bodies more efficient and improving the quality of public services. To this end, the plan set forth 204 projects to be implemented in the ministerial department and introduced goal-oriented management, together with other managerial techniques. Also in 1992, a law on public administration and administrative proceedings was enacted (amended in 1999), which strengthened the position of the citizen with respect to the administration and provided for some administrative simplification. The 1997 law on the organization and function of the general administration of the State incorporated the principle of customer service, along with principles of functional decentralization, efficiency, efficacy and managerial responsibility. The 1999 launching of the *Plan de Calidad para la Administración General del Estado*, was accompanied by the approval of norms (royal decree n. 1259 of 1999) regulating state administrative bodies' citizen's charters. In 2000, the government published a White Paper on the improvement of the quality of services, which preceded a

⁴⁵ France occupies the 27th place in the world web measure index, while it is 7th for e-participation: cfr. United Nations – Department of Economic and Social Affairs, *World Public Sector Report 2003: E-Government at the Crossroads*, cit.:15 ss.

wide-ranging reform proposal containing such innovations as guaranteed public participation, competition with the private sector and e-government. In recent years, the government has continued its efforts to improve the quality of services: a new version of the White Paper was prepared in 2003, citizen's charters have been implemented and information technology is being introduced.

In Germany, the pursuit of efficiency through private sector-style management techniques and raising the quality of services has been less important at the federal level than other objectives, such as simplification and "delegification." Early programmes for the simplification of legislation, carried out by an independent federal commission, go back to 1983. The commission's activities led to the adoption of measures for the simplification of administrative proceedings and the deregulation of many sectors (the postal service, telecommunications, insurance, transportation, electricity) between 1984 and 1989. In 1987, the commissioner for administrative efficiency published a report on personnel and the organization of public administration that gave new impetus to simplification. After some years, in 1997, the consultative committee on "streamlining of the State" (established in 1995) published a report which advanced previous simplification efforts. More innovative is the programme, *Modern State – Modern Administration*, published by the federal government in 1999: it advances proposals for increasing the transparency of management and introducing productivity incentives. Finally, in 2001, a plan was launched for the promotion of e-government, to enable some services to be accessed directly through the Internet. The reform of the central German administrative bodies has thus been influenced by the managerial paradigm less than similar reforms in the other countries under examination. However, this cannot be said for the administrative operations of the *Länder*, which have provided an important contribution to administrative reform experiments: many interesting initiatives have been carried out at the regional and local level, inspired by "new public management" (the *Neues Steuerungsmodell*).⁴⁶

New Public Management

Based on the analysis of administrative reform carried out in Italy and other European countries, we can attempt to respond to the recurring question: can the cycles of innovations described above be explained by the dominant paradigm of New Public Management?⁴⁷

46 Cfr. C. Reichard, "Local public management reforms in Germany," in *Public Administration*, vol. 81, n. 2 (2003): 345 ss.

47 In the well-known book of D. Osborne and T. Gaebler, *Reinventing Government*. Reading: Addison Wesley (1992): 325 ss., it is affirmed that a new model of reform of public apparatuses is spreading at the global level. For a careful discussion of this thesis, see C. Hood, "Beyond 'Progressivism': A New 'Global Paradigm' in Public Management?" in *International Journal of Public Administration*, vol. 19, n. 2 (1996): 151 ss.

The managerial revolution advanced by this paradigm stimulated processes of agencification, marketization, customer orientation, results orientation, value for money, and outsourcing.⁴⁸ Many of the reforms described above did in fact provide for the introduction of these techniques and are therefore related to New Public Management.⁴⁹

We can thus ask, what are the causes and effects of the wide diffusion of this paradigm of reform? Among the causes is the continuous activity of the OECD, which conducted important comparative studies and promoted reforms in many countries through the Puma programme. The spread of New Public Management as a “global” model is, however, linked to a structural condition: the rise of a liberal ideology in Western countries, which enabled rediscovery of the market, business and private law, and gave an important role to the user of public services. It is perhaps no coincidence that New Public Management has been developed precisely in English-language legal systems (where the liberal tradition is stronger) and has been welcomed in the major market economies.

The major effect is the convergence of administrative systems. However, this convergence, promoted by the adoption of a body of common techniques, has only been partial. Implementation of these reforms has given rise to different outcomes. There are at least three reasons for these differences. First of all, the reform model has been interpreted in different ways by different national administrative cultures. *New Public Management* in the United Kingdom, *Renouveau du service public* in France, *Modernización* in Spain, *Neue Steuerungsmodell* in Germany, and *Modernizzazione* in Italy are different not so much in their contents, but in the way they combine and emphasize various instruments of reform. Secondly (and most importantly), the institutional contexts in which the reform recipes are tested differ from one another. The possibility of reforming an administrative system depends upon many variables: a political leadership capable of reform, a relationship between bureaucracy and politics that facilitates dialogue and favours change, the rigid or flexible nature of administrative structures and procedures. Finally, a cultural factor may sometimes be decisive. The Italian reformer, for example, often proceeds on the assumption that passing a law is enough to change the system. Here the emphasis is placed on the legislative phase, and there is indifference towards the conditions necessary for implementation. This creates a tendency to reform the reforms before they have actually been implemented. This also leads to a failure to evaluate results, which makes it difficult to understand if and how reforms have worked and, as a consequence, if and how they ought to be corrected.

48 Cfr. United Nations – Department of Economic and Social Affairs, *World Public Sector Report: Globalization and the State*, cit.: 36 ss.

49 The originality of the concepts at the basis of new public management and the argument that they represent a paradigm shift have come under discussion: see G. Gruening, “Origini e basi teoriche del New Public Management,” in *Azienda pubblica* (1998): 669 ss.

Implementation takes a long time and requires the capacity to progressively adjust ideas to reality. A reformist culture is sometimes lacking and this conditions the results of modernization efforts.

The Advantages of a More Efficient Administration from a Global Perspective

A more efficient public sector has advantages not only from the domestic perspective (reduced costs of the functioning of the state machinery and public service user satisfaction), but also from a global perspective. We shall set forth three reasons for this.

First of all, administrative efficiency might determine private actors' choice of law. Communications among legal systems favour the most efficient administrations. Preferred over others, these administrations widen their sphere of action beyond their national borders, acquiring a prominence similar to that of a business with a dominant market position. Administrative efficiency can guarantee "centrality of influx," which ensures the State's continuing relevance in the context of global governance.

Secondly, efficiency promotes a rigorous and timely execution of ultra-state law. International institutions' vigilance over implementation creates a comparison among legal systems at the European and global levels. The most efficient administration serves as a benchmark for the others, which are then pressured to improve their performance. The other administrations are called upon to reorganize themselves in order to strive towards the standards of the most efficient one, and to remove obstacles (rigid ministerial structures, functionaries' training, coordination mechanisms, etc.) that impede their interaction and cooperation with other actors in the public arena.

Thirdly, an efficient administration enables a State to exercise particular influence in initiating community and international decision-making processes. Transnational decision-making bodies compare national experiences to determine the best solutions. A national administration's credibility rests upon its efficiency and such credibility increases chances that its best practices will be taken as a model for ultra-national norms. This means that the model will be transplanted in other Member States; it also means that the model State does not have to sustain the costs of conforming to the European or international norm.

The improvement of efficiency is not the only objective of administrative reform. As the modernization processes described above demonstrate, the emphasis of efficiency often obscures the value of impartiality, which has not yet become the guiding principle in reforming the relationship between politics and administration. This creates a paradox in the administrative model delineated by the most recent reforms: public administration is a slave to both politics and users. Subjugation to

politics compromises the impartiality of administrative activity, which is an indispensable condition to users' satisfaction.

Conclusions

The administrative reforms illustrated above provide important, somewhat paradoxical, lessons. First of all, administrative reforms take root where there is the least need for them: it is precisely in the countries with the most modern and least extensive public sector systems, like the United Kingdom, that there is a greater capacity to change and to respond to global pressures.

Secondly, one of the main objectives of managerialism is to increase the autonomy and responsibility of senior civil servants. The politicization of high-level bureaucracy has, however, obscured the distinction between administrative responsibility and political responsibility. Public managers' autonomy has thus been weakened rather than reinforced.

Thirdly, the pursuit of efficiency can have unintended consequences and can even lead to the opposite of its main objective (the reduction of costs). Many European countries have adopted citizen's charters. But by introducing qualitative standards for the provision of services and granting citizens corresponding rights, this "charterism" can end up fueling litigation between private actors and public administrations, leading to a rise in costs for the public sector, at least in the short run.

Fourthly, the efficiency paradigm requires considering citizens as user-consumers. But this does not transform civil servants into producers, as this would compromise both the public *ethos* that ought to inspire their conduct, and the social needs underlying the provision of public goods and services. As these contradictions make clear, private management, idealized and taken as the universal model of administrative reform, is only partially compatible with the public sector. For this reason, private sector techniques must be adapted in order to be applied to public administrations.

A final paradox. Administrative reforms are often considered or vaunted as a way of contracting the public sphere and reducing the role of the State; however, the realization of these very reforms requires a strong State, a command centre that can guide implementation. Analogously, the consolidation of a global legal and economic order suggests the possibility of overcoming the State; but it is in fact the State and its apparatuses that enable the effectiveness of ultra-state decisions. Economic globalization and administrative reform do not therefore imply the retraction of the State but, rather, an inescapable need to modernize it.

Chapter 8

ROLE OF CIVIL SOCIETY ORGANIZATIONS IN GOVERNANCE

Aisha Ghaus-Pasha

For over two decades, the process of globalization has been influencing countries' socio-economic environment. While globalization provides countries with new opportunities for economic development through trade liberalization, foreign direct investment, capital flows, information exchange, and technological transfer, it has meant increased deprivation for those nations that have been unable to adjust to the requirements of a global society. Thus, while we witness rapid economic growth and prosperity in some regions, there are more than a billion people who continue to live in poverty with purchasing power of less than a dollar a day. In the least developed countries, in 2004, per 1000 live births, 98 children died in their first year of life, as opposed to the world average of 54, and 155 children died before their fifth birthday, compared to the world average of 79.1 In these countries, nearly half of the children who survive are malnourished. A significant proportion of the population does not have access to clean water, sanitation, basic health services and education.

The harsh realities of increasing global inequalities have been of major concern to the international community over the years. But the 21st century opened with an unprecedented declaration of solidarity and determination to rid the world of poverty. The Millennium Declaration, adopted at the largest ever gathering of heads of state in September 2000, commits countries – rich and poor – to do all they can to eradicate poverty, promote human dignity and equality and achieve peace, democracy and environmental sustainability. World leaders promised to work together to meet the Millennium Development Goals (MDGs) and their specific targets, including the call to reduce poverty by half by 2015.

However, four years after the adoption of that Declaration, progress is only partial. Some regions, like Asia and the Pacific, and some countries, like China, may generally be on track, but others are not. According to current trends, it seems that most countries will not reach many of the MDG targets. Achieving these goals requires a shift in the development paradigm with: 1) new, focused and coherent strategies that prioritize the MDGs; 2) sustained commitment and enhanced political will on the part of world leaders and; 3) new development partnerships based on shared responsibilities among major stakeholders. Many combined and complementary efforts are required by international agencies, national governments, local authorities, the private sector, and civil society

1 http://www.unicef.org/sowc06/pdfs/regional_stat_sum_s21_idc.pdf; "Excluded and Invisible: The 2006 State of the World's Children." UNICEF Report. New York: Brodock Press (2006).

organizations (CSOs). Civil society has to make a larger contribution both directly and indirectly to the process of poverty reduction and the attainment of the other MDG targets.

In fact, one significant area of progress over the past decade has been the growing influence of local, national and global CSOs and networks in driving policy change, as they are doing with debt relief and trading arrangements. Non-governmental organizations (NGOs), community organizations, professional associations and other civil society groups are regularly called on to help design and implement poverty reduction strategies. Their participation is also built into special initiatives, like the Global Fund to Fight AIDS, Tuberculosis and Malaria.

These new approaches reflect the three roles of civil society: as participants in the design of strategies; as service providers through community organizations and national NGOs; and as watchdogs to ensure government fulfilment of commitments. But in many countries these roles are taking root only gradually, with governments continuing to dominate decision making and implementation. By insisting on a transparent process for the development of national strategies to achieve the MDGs, bilateral and multilateral institutions can help civil society gain a stronger foothold in policy making and implementation.

Role of Civil Society Organizations in Participatory and Accountable Governance

The purpose of this paper is to analyse and assess the role of these increasingly important actors in development. What can CSOs do to promote local economic development and poverty alleviation? Are CSOs effective advocates of policy change? Do they have a role in ensuring greater accountability and transparency in governance? How are they contributing to realization of the MDGs? These are some questions we attempt to address in this paper. In the course of discussion, we highlight the opportunities, challenges and threats they face, illustrating, wherever possible, with examples of good practices.

Significance of the Civil Society Sector

Recent years have witnessed a significant upsurge of organized private, non-profit activity in some countries in Asia, Africa and Latin America.² Long recognized as providers of relief and promoters of human rights, such

² L. M. Salamon and H. K. Anheuer, "The Third World's Third Sister in Cooperative Perspective," Working Paper of Johns Hopkins Comparative Nonprofit Sector Project. The Johns Hopkins University Institute of Policy Studies (1997).

organizations are now increasingly viewed as critical contributors to economic growth and civic and social infrastructure essential for a minimum quality of life.³

Despite their growing importance, CSOs in the developing world remain only partially understood. Even basic descriptive information about these institutions – their number, size, areas of activity, sources of revenue, and the policy frameworks within which they operate – is not available in any systematic way. Moreover, the civil society sector falls within a conceptually complex social terrain that lies mostly outside the market and the State. For much of recent history, social and political discourse has been dominated by the “two-sector model” that acknowledges the existence of only two actors – the market (for-profit private sector) and the State. This is reinforced by statistical conventions, which have kept the “third sector” of civil society organizations largely invisible in official economic statistics.⁴ On top of this, the sector embraces entities as diverse as village associations, grass-roots development organizations, agricultural extension services, self-help cooperatives, religious institutions, schools, hospitals, human rights organizations, and business and professional associations. As such, a comprehensive and representative understanding of the role and significance of the civil society sector continues to be a major gap in development literature, particularly in the context of developing countries.

The purpose of this section is to put the civil society sector in perspective in terms of its definition and dimensions, and to examine the factors that inhibit its development in developing countries.

Definition of Civil Society

The concept of civil society goes back many centuries in Western thinking and has its roots in Ancient Greece. The modern idea of civil society emerged in the 18th century, influenced by political theorists from Thomas Paine to George Hegel, who developed the notion of civil society as a domain parallel to but separate from that of the State.⁵ The 1990s brought about renewed interest in civil society as the trend towards democracy opened up space for civil society and the need to cover increasing gaps in social services created by structural adjustment and other reforms in developing countries.

How is civil society as we know it today defined and what are some of its key elements?

³ Francis Fukuyama, *The Social Virtues and the Creation of Prosperity*. London: Penguin (1995).

⁴ L. M. Salamon, S. W. Sokolowski and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol. Two. Bloomfield, CT: Kumarian Press (2004).

⁵ Carothers, Thomas. *Aiding Democracy Abroad: The Learning Curve*. Washington, DC: Carnegie International Endowment for Peace (1999).

“Civil society is a sphere of social interaction between the household (family) and the State, which is manifested in the norms of community cooperatives, structures of voluntary association, and networks of public communication ... (N)orms are values of trust, reciprocity, tolerance and inclusion, which are critical to cooperation and community problem solving ... (structures of association) refer to the full range of informal and formal organizations through which citizens pursue common interests.”⁶

The key features of successful civil societies that emanate from various definitions include the following: they are separate from the State and the market; formed by people with common needs, interests and values such as tolerance, inclusion, cooperation and equality; and develop through a fundamentally endogenous and autonomous process that cannot easily be controlled from outside.

The experience of developing countries highlights the presence of a wide range of such organizations, from large registered formal bodies to informal local organizations, the latter being far more numerous and less visible to outsiders. These include traditional organizations (e.g. religious institutions, modern groups, mass movements, action groups, political parties, trade and professional associations, non-commercial organizations and community-based organizations). Civil society should not be equated with non-governmental organizations (NGOs). NGOs are a part of civil society and play an important and sometimes leading role in activating citizen participation in socio-economic development and politics, and in shaping or influencing policy. But civil society is a broader concept, encompassing all organizations and associations that exist outside the State and the market.

Role of Civil Society

Civil society has been widely recognized as an essential “third” sector. Its strength can have a positive influence on the State and the market. Civil society is therefore seen as an increasingly important agent for promoting features of good governance such as transparency, effectiveness, openness, responsiveness, and accountability.

Civil society can further good governance, first, by policy analysis and advocacy; second, by regulation and monitoring of state performance and the action and behaviour of public officials; third, by building social capital and enabling citizens to identify and articulate their values, beliefs, civic norms and democratic practices; fourth, by mobilizing particular constituencies, particularly the vulnerable and marginalized sections of masses, to participate more fully in

⁶ Lisa Veneklasen, “*Building Civil Society: The Role of Developments NGOs*,” The Civil Society Initiative: Concept Paper # 1. Washington, DC: Inter-Action (1994).

politics and public affairs; and fifth, by development work to improve the well-being of their own and other communities.

Dimensions of the Civil Society Sector

Given the importance of the potential contributions of CSOs, the question arises: Is the presence of such organizations sufficient to make a meaningful contribution? It is difficult, if not impossible, to come up with a clear answer to this question due to the paucity of quantitative and qualitative information on the dimensions of civil society, particularly in the context of developing countries. There are, however, fragmented pieces of research that throw some light on the size of the sector in different countries/regions.

The number of CSOs is impossible to calculate but it is safe to say that it is very large. A report by the Commonwealth Foundation states that Britain alone has over 500,000 NGOs. In India, there are an estimated 100,000 NGOs, with 25,000 registered grass-roots organizations in the state of Tamil Nadu. UNDP estimates that the total number of people “touched” by NGOs in developing countries around the world is probably 250 million, although this almost certainly underestimates the case if account is taken of the NGO influence on public policy making.⁷

According to a recent study of 36 developed, developing and transitional countries, undertaken by the Johns Hopkins Comparative Non-profit Sector Project, the civil society sector has emerged as an important economic force with an expenditure of \$1.3 trillion, equivalent to 5.4 per cent of the combined GDP of the countries studied, and a major employer (of 45.5 million full-time equivalent (FTE) workers), accounting for 4.4 per cent of the economically active population. Out of the 45.5 million FTE civil society workers, over 20 million, or 44 per cent, are volunteers. This demonstrates the ability of CSOs to mobilize a sizable amount of volunteer effort. Since most volunteers work fewer hours than paid workers, the actual number of people working in the civil society sector exceeds this number. Estimates show that the number may be as high as 132 million, amounting to about 10 per cent of the adult population of these countries.⁸

However, countries vary greatly in the overall scale of their civil society workforce. For the 36 countries studied, the CSO workforce as a percentage of the economically active population ranged from 14.4 per cent in the case of the Netherlands to 0.4 per cent in Mexico. Overall, the civil society workforce in

7 Anthony Adair, “Code of Conduct for NGOs – A Necessary Reform,” London: Institute of Economic Affairs (1999).

8 L. M. Salamon, L. C Hens, and K. Chinock, “The Nonprofit Sector: For What and For whom?” Working Paper of the Johns Hopkins Comparative Nonprofit Sector Project, Johns Hopkins University (2000).

developed countries is, on average, almost four times larger than that in developing and transitional countries (8 per cent vs. 2 per cent). This is not to say that there is any absence of relatives helping family members in developing countries. In many of them there is a strong tradition of family, tribal, clan or village networks that perform many of the same functions as civil society institutions in a less formally organized and structured way.

Empirical research on CSOs reveals that they are performing a number of functions. On average, about 64 per cent of the total paid and volunteer FTE workforce in the countries studied is primarily engaged in service functions. Education and social services (including child welfare, service for the elderly and handicapped, emergency and relief services, and income support and maintenance) dominate, with a share of about 43 per cent within the service function.

Also important is the advocacy role of civil society. This includes identifying unaddressed problems and bringing them to public attention, protecting basic human rights, and giving voice to a wide range of political, environmental, social and community interests and concerns. Beyond political and policy concerns, civil society also performs a broader expressive function, providing a vehicle through which artistic, spiritual, cultural, ethnic, occupational, social and recreational sentiments find expression. Opera companies, soccer clubs, book clubs, places of worship, and professional associations constitute examples of such forums, which enrich human existence and contribute to the social and cultural vitality of community life. Altogether, about 32 per cent of the civil society workforce is engaged in performing an expressive function.

CSOs are also important in creating what is increasingly referred to as “social capital.” “Social capital is... the web of associations, networks and norms (such as trust and tolerance) that enable people to cooperate with one another for the common good. Like economic and human capital, social capital is a productive asset that accumulates with use... the institutional arrangements and values which make up social capital constitute the foundation for good governance, economic prosperity and healthy societies.”⁹

Are there any variations in the structure and nature of CSOs’ activities between developed and developing countries? While the service functions of the civil society sector on average absorb the largest share of the CSO workforce in developed as well as developing countries (64 per cent and 63 per cent respectively), significant variations exist among countries. In Peru, 95 per cent of the CSO workforce is in the service sector, while in Poland this percentage falls to less than half a per cent. Also, in developed countries, most paid staff perform service functions while volunteer staff tend to focus on expressive activities. In

⁹ Lisa Veneklasen, “*Building Civil Society: The Role of Developments NGOs*,” The Civil Society Initiative: Concept Paper # 1. Washington, DC: Inter-Action (1994).

developing countries, paid and volunteer efforts alike go mostly into service functions.

Another important insight into the civil society sector relates to the financing patterns of its institutions. Over half of CSOs' income, on average is generated from fees and charges for services rendered and income received from investments, dues and other commercial sources; 34 per cent comes from public sector sources, either through grants and contracts or reimbursement payments made by governmental or quasi-governmental organizations such as publicly financed social security and health agencies; while about 12 per cent comes from private philanthropy, individuals, foundations and corporations. Interestingly, the pattern of financing is quite different for developed, and developing and transitional countries. In the former, reliance on government sources is much greater, with the highest revenue share at 48 per cent; in the latter two types of countries, the share is only 22 per cent. Compared to this, dependence on fees and philanthropy is much higher in developing countries (61 per cent and 17 per cent respectively) than in developed countries (45 per cent and seven per cent, respectively).

The picture of CSO revenues portrayed above changes somewhat when the contribution of time represented by volunteers is added to the contribution of money and treated as philanthropy. The share of philanthropy rises from 12 per cent to 31 per cent, making it the second largest support base to CSOs globally, ahead of public sector payments, (with a share of 26 per cent), though still behind fees and charges, (with a share of 42 per cent). In the case of developing and transitional economies, the contribution of philanthropy doubles, to 33 per cent. The big difference, however, is in the context of developed countries, where the share of philanthropy rises to 29 per cent (from seven per cent). This reflects the substantial volunteer presence in the workforce of the civil society sector in these countries.

Impediments to Growth of Civil Society in Developing Countries

The issue of the small scale of the civil society sector in developing countries, where the potential contribution of CSOs to the achievement of MDGs is high, deserves further attention. If these organizations are to be strengthened, it is important to understand what factors have historically hindered their growth.

Variation in the scale and nature of the civil society sector in different countries is largely affected by the country's historical, cultural, social and political environment. Impediments to the growth of CSOs can be identified as follows:¹⁰

¹⁰ Lester M. Salomon and Helmut K. Anheier, "The Civil Society Sector," *Society* 34 (1997): 60-65.

- *Authoritarian Political Control:* Perhaps the most basic factor accounting for the generally retarded pattern of development of the third sector in many developing countries is the long history of authoritarian rule. In Latin America, for example, the non-profit sector in Brazil has taken shape in an historical context characterized by a strong state and a weak civil society. As Landim (1998) puts it, "In Brazil, the state has always taken on itself the task of creating society, whether by arranging groups and individuals ... or by intervening to destroy autonomy." Strong state control also figured prominently in the histories of Egypt and Ghana. First under the Ottoman Empire, and later under British colonial rule, Egypt was ruled by a succession of authoritarian leaders with only limited opportunity for effective democratic involvement.¹¹ Similarly, in Ghana the pre-colonial societies were organized in traditional tribal form with local chieftains exercising dominant control. In South Asia, in Bangladesh, India, Nepal and Pakistan, history is dominated by successive empires that rose, flourished and declined with a hierarchical social structure, and with limited social organization outside the control of the state.

Given this pattern of authoritarianism, little room was left for a truly independent third sector in these societies. What charitable institutions emerged had to fit within the prevailing structures of political and social power and avoid posing a serious challenge to the dominant political authorities. Passivity and dependence rather than empowerment and autonomy thus became the early watchwords of non-profit sector activity.

Authoritarian political control did not end in these countries with independence. Rather, it persisted. The upshot has been a continuing atmosphere of distrust between the non-profit sector and the State in many of these countries. The State remains highly watchful of its power and too easily interprets the emergence of CSOs as a challenge to its very legitimacy. In Egypt, for example, this distrust is currently fuelled by the antagonism between a strong secular State and Islamic fundamentalist groups that are using civil society institutions as a means of strengthening their links with the urban poor. In Brazil, state distrust is a residue of the recent authoritarian past and current social and economic policy that seeks to build up the private business sector and still views the "citizen sector" as an antagonist. In Thailand and India, a stronger tradition of partnership in emerging, though not without deep-seated reservations about the bonds formed between indigenous non-profit institutions and their foreign supporters. In Pakistan, the new NGO Bill is a reflection of the continued effort by government to "keep a close eye" on the CSOs.

¹¹ Leilah Landim, "The Nonprofit Sector in Brazil," in Helmut K. Anheier and Lester M. Salamon (eds.), *The Nonprofit Sector in the Developing World*. Manchester: Manchester University Press (1998).

- *Religion:* Religion has a multiple impact on the development of the non-profit sector. In addition to the basic creed and support it gives to acts of charity, other crucial facets of religion's impact need to be taken into account – its posture toward individualism, its commitment to institution building, and its relationship with state authorities. Indications are that while religions can share a positive orientation toward philanthropy, they may not generally be supportive of the emergence of CSOs.

For example, the church in Brazil functioned historically to reinforce secular authority and a monolithic system of social and cultural control, thereby sharply reducing opportunities for developing an independent non-profit sector. In Pakistan, human right CSOs, particularly those working on issues like women's rights, are constantly challenged and sometimes threatened by the dominant religious fundamentalist segments of society that continue to have influence over the State.

- *Colonialism:* Another factor that helps to explain the generally retarded pattern of third sector development in developing countries is the recent history of colonial control. Like religion, however, colonialism's impact on third sector development has been multi-dimensional. What is more, it has varied somewhat, depending on the national traditions and values of the colonial power. Colonialism has tended to undermine the independence of local social classes that might have provided the rallying point for civil society institutions. This was particularly true of the Spanish and Portuguese colonial powers, which created especially authoritarian political and social structures in their respective colonies. In much of Latin America, colonialism created an environment highly inhospitable to the emergence of truly autonomous civil society institutions that might have challenged the monopolistic power of the colonial regime and its local allies.

- *Low Income and Constrained Social Development:* Perhaps the most important impact of colonialism on some of the countries was its constraint on social development. One of the principal consequences of the colonial experience, in fact, was to limit the space that indigenous middle class elements could occupy in the developing world. This was the case because colonial administrations handled many governmental and commercial functions that might otherwise have been performed by indigenous people, thereby restricting middle class professional opportunities. What middle class cadres emerged in these countries tended to be tightly bound to the colonial administrations and therefore lacked the independence of the urban commercial and professional middle class elements that emerged in Western Europe during the dawn of the industrial era.

This situation persisted due to the general poverty and lack of development in these countries. However, as growth has gathered momentum in at least some regions, there is a change. Indeed, the significant upsurge of non-profit activity in countries like Brazil, Egypt and Thailand over the past two decades can be

attributed in part to the emergence of a sizable new urban middle class as a result of recent economic growth.

- *Limited Resources:* An important factor hindering the growth of the civil society sector is the scarcity of financial resources. Funding constraints limit the scale and functioning of CSOs, significantly impairing their ability to deliver and maintain services. In the case of large NGOs in particular, heavy reliance is frequently placed on funding from foreign donors. This is making CSOs more reflective of donor interests than those of their own communities or designated target groups. Many CSOs have to review their missions or undertake work outside their mandate just to survive. The difficult economic conditions make local fundraising very difficult. Competition for scarce resources is also limiting opportunities for coalition building, long-term institutional development and other aspects of local capacity building. CSO performance in terms of poverty reach and popular participation is likewise compromised. Sometimes only certain regions are serviced by well-equipped CSOs and other areas more desperately in need are neglected.

- *Legal Treatment:* A further factor impeding the development of the non-profit sector in some developing countries has been the legal environment within which non-profit organizations must operate. Certainly in civil law, countries such as Brazil, Egypt, and Thailand, where no “basic” right to organize is automatically recognized in law, formal law can shape the environment for action rather fundamentally. Reflecting the generally authoritarian politics that have characterized these countries during much of their recent history, the legal structure for civil society activity has been quite restrictive. For example, the Religious Bodies Registration Act of 1981 in Ghana revoked the legal status of all religious CSOs and required them to reapply through a highly restrictive registration procedure. In Brazil, Law 91 of 1935, regulating the public utility statutes of CSOs, was used as a means of political control and favouritism. In Egypt, Law 32 of 1964 establishes *de facto* government control of large segments of the civil society sector, and in Thailand, the Cremation Welfare Act of 1974 was passed by the military government to pre-empt feared infiltration by communists. This Act required all existing local cremation and related communal welfare societies to register with the central authorities in Bangkok and to submit to state supervision.

In other cases, the basic legal provisions affecting CSOs in India, Pakistan and Ghana were borrowed from those in force in late 19th and early 20th century England through a system of legal ordinances. The environment for CSOs in these countries therefore appeared quite open. To get around these general legal provisions, however, governments have added various restrictions to limit their general thrust and make them more cumbersome. Thus, for example, tax laws and related legislation often create significant obstacles to CSOs’ operations. What this makes clear is that establishing an enabling legal environment for civil society action is only a first step towards opening the way

for a viable civil society sector. A variety of other obstacles can easily frustrate the intent of even the most supportive legal provisions.

- *The Development Paradigm:* One other factor helping to explain the historically constrained pattern of civil society sector development in developing countries is the changing fashion in development policy and development ideology. During the 1950s and 1960s, development thinking emphasized the importance of the State as the principal agent of modernizing reforms. As a consequence, considerable effort went into differentiating a sphere of state action outside the pre-modern structures of tribe or community, and into creating modern, secular administrative structures that could effectively operate in this sphere. This development framework included a sphere of business in addition to that of government, but it downplayed, or even excluded, CSOs, which were viewed as only marginal in the frame of affairs.

The shift to “structural adjustment” in the 1980s did not change this fundamentally. To the contrary, the “structural adjustment” paradigm of development merely replaced government with the private business community as the primary mode of development. In the process, however, it reinforced an essentially two-sector model of society that left little room for a vibrant civil society sector. The lack of civil society growth is thus understandable given that it has been historically neglected in central policy debate.

In short, the development of the third sector seems to have been inhibited by a long history of authoritarianism; by colonial heritage and a history of limited economic growth that restricted the growth of an independent urban middle class; by religious traditions that placed less emphasis on “modularity” and the fostering of independent institutional structures; by legal structures that often placed impediments in the way of civil society formation; and by development policies that stressed the creation of a modernizing State and later the development of private enterprise rather than the promotion of independent institutions outside the confines of the market and the State.

CSOs’ Role in Local Economic Development and Poverty Alleviation

Recent years have witnessed a considerable upsurge of interest throughout the world in CSOs, which are now recognized as strategically important participants in the development process and an effective but underutilized vehicle of development. The rising popularity of CSOs is largely in response to widespread disillusionment with the performance of the public sector in developing countries. In fact, even governments are now increasingly viewing CSOs as an integral part of the institutional structure, particularly for addressing the problem of rising poverty. This is reflected in the poverty reduction strategy put in action by governments in most developing countries.

What is the link between civil society and poverty alleviation? What role can CSOs play to help tackle the problem of poverty and promote local economic development? Arguments in favour of CSOs include:

- CSOs are perceived as more flexible, participatory and responsive to local needs of the poor – all prerequisites for sustained development. State bureaucracy and corruption erodes finances and policies are often motivated by institutional, political and even kinship interests. These policies are typically urban based, delivering to politically favoured areas (Lehmann, 1990). CSOs can counter this by better targeting pockets of poverty.

- CSOs can potentially foster and support grass-roots organizations to become more numerous, sizable, resourceful, and self-reliant. Also, grass-roots contacts enable CSOs to provide critical information on potential crises and thus contribute to early warning systems.

- Typically, CSOs require fewer financial inputs than government agencies and therefore are more cost effective, an attribute that is important in financially constrained developing countries.

- CSOs can be more resourceful and innovative as they involve local communities in the identification and resolution of development problems that are more cost effective, more sustainable, and more compatible with community values and norms.

- Over and above these direct development roles, CSOs also have a very important advocacy role to play in promoting effective governance.

Specifically CSOs, both local and international, can potentially contribute to local economic development and respond to the growing problem of poverty in a number of ways. Their responses can be categorized as follows: improve the local business investment climate; encourage new enterprises and livelihood programmes; deliver social services; provide training and capacity building programmes; and contribute to relief and rehabilitation.

Furthermore, through advocacy, CSOs can also play a very significant role in influencing economic and political policies that impact upon local development in general and the poorer sections of a country in particular. The agents of an active society, for example, can give useful input on the thrust and design of economic policies. Public policy think tanks, as well as academic and journalistic writers are able to provide support in terms of intellectual vision and can help to define development paradigms and objectives, as well as to design and promote specific policy agendas. This independent source of creative intellectual input and visionary thinking provides an important conduit for the development of strategic rather than reactive approaches to development challenges.

An important problem in some developing countries is over-centralization of decision making and lack of stakeholders' involvement, which permits the patronage of powerful special interests and high levels of corruption. Corruption diverts scarce funds from development projects and social safety nets into private pockets. Furthermore, it lowers investment, decreases efficiency and becomes an additional tax, thereby adversely affecting economic growth. Civil society can play a major role by contributing to greater transparency and accountability. Accountability has three dimensions: 1) financial accountability implies an obligation of the persons handling resources, public offices or any other position of trust to report on the intended and actual use of those resources; 2) political accountability means regular and open methods of sanctioning or rewarding those who hold positions of public trust through a system of checks and balances; 3) administrative accountability implies a system of control internal to the government, including civil service standards and incentives, ethnic codes, and administrative reviews.¹²

Through the free flow of information that is clear and accessible, civil society groups, particularly a vibrant press, can serve as a monitoring mechanism to ensure that government policies are carried out in the manner intended and thereby significantly contribute to good governance.

Social mobilization – organization and strengthening of Community-based Organizations (CBOs) at grass-roots and sectoral levels is another major contribution of CSOs. Many civil society groups are constituted around specific issues of social concern such as the environment, labour rights, gender equality and public health. The advocacy role they play helps to bring these issues into the public spotlight and sometimes even helps to change prevailing social norms.

Encourage New Enterprises and Livelihood Programmes

Encouraging new enterprises involves providing advice, technical support, information and resources to help individuals set up their own businesses, whether as sole entrepreneurs or as partnerships, cooperatives or community enterprises in various agricultural, industrial or trading fields. Financial support for micro-enterprises is key to enabling the start-up of businesses, as proprietors usually cannot access traditional financial institutions.

Civil society organizations in recent years have increasingly widened their activities to include income-generating programmes and micro-credit. Their success in such ventures is in part based on their comparative advantage in both identifying and being able to target the needy segments of the population. Their impact can be significant, depending on prevailing socio-economic conditions. For example, a number of countries have replicated the successful Grameen

¹² Dennis A. Rondinelli and G. Shabbir Cheema (eds.), *Reinventing Government for the Twenty-First Century: State Capacity in a Globalizing Society*. Bloomfield, CT: Kumarian Press (2003).

Bank micro-finance experiment, whose founder, Muhammed Yunus, won the 2006 Nobel Peace Prize. It started in Bangladesh, where the NGO sector is well developed.

Micro-finance has a number of advantages. First, group-based lending reduces the transaction cost of credit delivery and mitigates problems of adverse selection. Also, peer monitoring within the group reduces the risk of default and moral hazard. In group lending it is not the individual, but the community that is responsible for repayment of the loan. An incentive for all members to oblige is that if one member defaults, the whole group's creditworthiness is adversely affected. Second, unlike conventional banks, micro-credit schemes enable substitution of physical collateral with social collateral or a pledge of a fixed proportion of the loan as collateral to the lending institution.

Third, micro-finance provides dynamic incentives to encourage high repayment rates. Micro-financing programmes begin by lending small amounts and then increase the size of loans upon satisfactory repayment. The repetitive nature of the interaction and the threat of cutting off loans in the case of default are used to overcome problems of asymmetric information, and to improve lending efficiency. These incentives motivate a high recovery rate – in the case of the Grameen Bank, for example, over 90 per cent. Fourth, the cost of borrowing is lower for the clients of micro-finance schemes because no physical collateral or other requirements are involved in the loan procedure. Similarly, it is believed that the rate of interest paid by the borrower in these schemes is lower than the interest rate charged by local moneylenders.

Besides finance, those establishing a business for the first time need to know how to produce their products. An entrepreneur also needs to understand finance, business planning, marketing, and relevant aspects of law, including employment, taxation, environmental safety legislation and so on. Provision of training and support in these areas is a basic need, though people also learn from each other as networks facilitate learning. Such services can be effectively provided by CSOs, as is the case with the Sungi Development Foundation¹³ and NGO Resource Centres in Pakistan.

Delivery of Social Services

Efforts to sustain economic development and reduce poverty are unlikely to succeed in the long run unless there is greater investment in human capital, particularly the poor. There is ample evidence that improvements in education,

¹³ The Sungi (Partner) Development Foundation was formed following the devastating floods of 1992 in the Hazara region of northern Pakistan. Sungi supports community-based development programmes through action, training, research and advocacy with the aim of ensuring equitable and sustainable use of natural and human resources. For more information, see <http://www.sungi.org/>

health and nutrition not only directly attack some of the most important causes of poverty but also ensure a sustained supply of productive labour – an important factor of production and contributor to economic growth.

The link between education and productivity is well established and documented. The principal asset of the poor is labour time. Education and training leads to a higher income at the individual level and higher growth at the macro level. A study of small and medium-size enterprises in Colombia showed that entrepreneurs' backgrounds – skills, education and previous experience – strongly influence both the technical efficiency and the profitability of an enterprise. Providing training and capacity strengthening through entrepreneurial, vocational/technical training and workshops for fledgling business and grass-roots organizations is therefore of core importance. Illustrations of the contributions of CSOs in providing education, improving curricula to make it demand-oriented, and providing training are plentiful and include the Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, and KHUDA-KI-BASTI (KKB) in Pakistan.¹⁴

Integrating low-income or hard-to-employ workers and targeting disadvantaged groups are also important cornerstones of poverty alleviation strategies. This implies measures targeted at ethnic minority groups, the poor, women, redundant workers, the unemployed, and youth. There are examples of CSOs springing up because the market fails to offer the goods and services these groups need. Potential measures they can offer may include retraining in skills for which there is local demand, job placement programmes, and activities focused on provision of employment and/or credit for women. The Self-Employed Women's Association in India is a striking example of how poor and disadvantaged people can work together to enhance their bargaining strength. With their flexibility and the need-responsive nature of their activities, CSOs can play an important role in the provision of social services in very innovative ways.

In Armenia, chronic public sector financing problems and low pay for doctors and teachers had caused health care and education to become *de facto* fee-for-service programmes, even before user fees and charges were explicitly set. Parents of children enrolled in public schools have been paying fees for food, for instruction that falls outside the core curriculum, and for use of textbooks – fees that bar access to education for the poor. In response, the government established a school textbook waiver programme, allocating to each school a fixed amount sufficient to permit the waiving of annual textbook rental fees for 10 per cent of the students. The remaining 90 per cent of funds required to buy the

14 Khuda-Ki-Basti (KKB) or "God's settlement" is a new, experimental low-income housing project in Pakistan. It was first developed in Hyderabad, India as a part of the large Gulshan-e-Shahbaz Scheme by the Hyderabad Development Authority (HDA). The programme provides plots of land and housing services to the urban poor while encouraging them to construct their own houses. For more on the KKB Project, see <http://www.unesco.org/most/asia9.htm>.

textbooks are to be raised by charging the rest of the parents a rental fee of approximately \$1 for each textbook their child uses. The decision as to which students will be exempt is in some cases made by the school principal and in others by the school parent-teacher association.

In China, local communities have been responsible for providing assistance to needy or so-called “Five Guarantee” households. Under a new 1985 law “local autonomy was granted in standard setting and financing, with the central government only concerning itself with statutory grants to martyrs, disabled soldiers, and incapacitated veterans in institutions.”¹⁵ However the legislation was perhaps not as significant as one might think. Urban welfare benefits obtained through employers were lavish, but rural benefits negligible. State funds for rural welfare programmes were limited. As migration to cities has increased in recent years, urban neighbourhood committees have taken on increased responsibilities for providing informal welfare services, though the level of benefits remains low.

Relief and Rehabilitation

It may take a long time for some of the poor to fully participate and benefit from policies like those mentioned above and the old or disabled may never be able to do so. Even among those who benefit from the policies and strategies, there will be some who remain acutely vulnerable to adverse events. Such groups of people can best be helped through a system of social safety nets – including income transfers, food distribution, and some form of income insurance/relief or protection during periods of short-term stress or calamity. CSOs’ roles in relief and rehabilitation are probably the oldest and most common ones, particularly in developing countries. Providing emergency services such as temporary shelter and food after disasters or conflicts are the most traditional forms of activities undertaken by CSOs. These organizations bring five main strengths to relief and emergency work: early warnings in the case of disasters; advocacy for international aid; speedy response; cooperation with indigenous organizations; and disaster preparedness.

Governments and communities have come together in countries including Armenia, China and Uzbekistan to improve the efficiency of funding provided for relief for specific communities. In Africa, the post-conflict emergency relief activities of CSOs attract a lot of donor funding. The proximity of CSOs to target communities strengthens the case for their roles in relief and rehabilitation. As they know the communities well, they can improve targeting efficiency (the extent to which a programme expenditure actually reaches the poor); enhance ease of access (the level of transaction costs imposed on eligible households in

15 L. Wong, “Privatization of Social Welfare in Post-Mao China,” *Asian Survey*, 34, 4 (1994): 307-325.

accessing the programme); and maximize programme benefits (measured by the programme budget spent on benefits rather than administration costs).

In conclusion, it is clear that CSOs are playing an important role in promoting local economic development and poverty alleviation through improvement of local business and investment climates, livelihood programmes, delivery of social and economic services, and relief and rehabilitation.

CSOs as Advocates of Policy Change

The increasing global trend toward democratization has opened up political space for CSOs to play a more active role in influencing policy. The promise of democracy becomes a reality when people's voices are heard by policy makers, and when groups (especially marginalized sectors of society) begin to participate in the market place of competing interests. Some of the questions that arise in the context of CSOs as advocates of policy change are: Why should CSOs get involved in policy? What are some of the strategies that they can employ? What has been the role of CSOs in poverty reduction policy? Are CSOs active only at local and national levels? If not, what is the role of CSOs in global policy making? And finally, what are some of their constraints and limitations?

CSOs' Involvement in Policy

CSOs are increasingly demanding involvement in the policy formulation process. They argue that they now play a major role in the implementation of the policies that are formulated by the government, especially those that deal with sustainable development and poverty alleviation. In other words, CSOs' programmes are directly affected by the policies that the government produces. CSOs feel that in order for the government to formulate policies that are appropriate for sustainable development, their involvement is necessary, since they work for development and can make important inputs to the policy-making process. The involvement of CSOs in policy issues will increase the likelihood that they understand these policies fully, and also ensure that policies are appropriate to the needs of the people, feasible, and capable of being implemented on the ground. They can use grass-roots experiences and innovations as the basis for improving policies and strengthening local capacities and structures for ongoing public participation.

CSOs can provide information that is vital for the development of policies that are appropriate to the community the policy is meant to serve. As watchdogs, they can also apply pressure on the government to ensure that appropriate policies are enacted and implemented. With regard to policy implementation, CSOs can monitor the application of laws and, where compatible with community interests, design programmes that complement rather than undermine or contradict government policies.

In most developing countries, CSOs have programmes that complement the policy goals and programmes of the government, such as the MDGs. This necessitates a close working relationship between governments and CSOs in the formulation of policies. Also, the grass-roots groups and support organizations help give voice to those who have been historically marginalized and provide them with a crucial vehicle for exercising their rights and holding the government accountable. In this way, they play a vital role in strengthening democracy and the citizenship skills essential for healthy societies. Increasingly, groups are concerned about gaining the necessary leverage and power, often through coalition building, to expand democratic opportunities, and to ensure the success of their development and policy efforts.

However, inclusion in political systems long dominated by elites depends, in part, on the institutional strength of policy-making newcomers – CSOs – as well as on the perceived legitimacy of their participation. The challenge of building an effective policy-influencing organization increases as groups seek to shape positive policy environments as well as to protest negative ones. For example, winning policy advantage requires that mobilized public opinion be accompanied by convincing analysis that is at least on a par with the analytic capability of the decision makers CSOs are trying to influence.¹⁶ The dual challenges of effectively mobilizing arguments, as well as people, are great. Arguments that gain the attention of development policy makers call for “expert” knowledge of both the issue and the decision-making process. At the same time, public outcry and protest actions that constrain decision makers’ power call for an active and organized grass-roots constituency.

Efforts to influence policy may or may not create conditions that foster greater popular participation in the future. A movement may not achieve its immediate policy objectives. Still, getting an issue on the public agenda expands the range of voices engaged in the political process and so expands political space. On the other hand, attempting policy reform through means that too dramatically threaten vested interests may engender a dangerous backlash from social and political elites – a problem of special importance in less open political regimes.

Campaigns to influence policy can be carried out in ways that strengthen grass-roots organizations and give them a direct voice in affairs affecting their lives, or they can be implemented by intermediaries representing them as their clients. The latter situation can lead to the evolution of a civil society with a strong professional advocacy sector and a weak (unorganized and non-participative)

¹⁶ John Clark, “Policy Influence, Lobbying and Advocacy,” in Michael Edwards and David Hulme (eds.), *Making a Difference: NGOs and Development in a Changing World*. London: Earthscan Publications (1992).

grass-roots base.¹⁷ As such, the strategy employed in an attempt to influence policy is perhaps as important a determinant of success in achieving participation as the willingness to participate may be. We next turn to the important question: What are some of the major strategies used by CSOs to bring about policy change?

General Strategies Employed by CSOs

Covey says that CSOs use five strategies to influence national policy formulation: education, persuasion, collaboration, litigation and confrontation.¹⁸

Employing an education strategy, CSOs attempt to give the government a lot of information, analysis and policy alternatives. They also educate the government by creating and testing innovative development approaches that could be adopted by the State. Education is provided through workshops, conferences, physical visits and the initiation of pilot projects. In addition to the government, education strategies may also target other groups such as the public at large, the media, and CSOs or community members.

Using persuasion as a strategy, a CSO acts like a pressure group to lobby for policy changes and show public support. The idea here is to convince the government that the CSO-supported policy or policy change needs to be recognized as valid and enacted into legislation. Means of persuasion include meetings, workshops, conferences, invitations (to visit a site that will be affected by the policy change), lobbying, demonstrations and even strikes. The main aim is to pressurize the government into changing its policy direction.

A collaboration strategy involves a CSO working hand-in-hand with the government, harmoniously. Relations between the CSO and the government are usually good and amicable, and there is mutual trust. Collaboration also calls for transparency within the collaborating bodies; both sides need to show all their intentions, interests, needs, goals, and agendas to one another as a basis for building trust and relationships.

In the litigation strategy, CSOs use the courts to press for policy change. When a CSO believes that the law is being broken or misapplied it can take the government or other offending parties to court for legal action. In Zimbabwe the Commercial Farmers Union took the government to court over the new land policy through which the government aimed to redistribute land. The government

¹⁷ J. C. Jenkins, "Nonprofit Organizations and Policy Advocacy," in W. W. Powell (ed.), *The Nonprofit Sector: A Research Handbook*. New Haven: Yale University Press (1987).

¹⁸ J. G. Covey, "Accountability and Effectiveness of NGO Policy Alliances," *IDR Reports*, 11 and 8 (1994).

intended to repossess land that it regarded as lying idle and to resettle people from communal areas there. On the other side, commercial farmers were arguing that their land was private property. So their union took the government to court for embarking on the resettlement policy and legitimizing it by passing the 1992 Land Acquisition Act.¹⁹

Lastly, confrontation involves protesting for policy issues in various ways. The protests usually involve radical tactics such as violent demonstrations, destruction of property, etc. In most cases, relations between the government and the CSOs become sour and filled with animosity.

Summary of Some Insights and Issues

As for the outcome of CSOs' efforts to influence policy, a lot depends on the historical, political, and social context in which their activities take place. But have some common lessons been learned and insights gained from the experiences of CSOs' in trying to influence policy making processes? What does success in this area mean? How can it be measured? What are the limitations and dilemmas that constrain CSOs' success? Below, we will attempt an initial answer to these questions.

Based on CSOs' initiatives in Urban Land Reform, the Commercial Log Ban, Agrarian Reforms, the Fishing Code and Ancestral Domain in the Philippines, Miller draws some lessons and insights related to their policy influence.²⁰ According to her findings, the nature and composition of a coalition, the framing of policy issues, and strategies and tactics employed are of basic importance. The composition and structure of coalitions shape what a campaign is able to accomplish. A coordinating body with a full-time secretariat, professional expertise and staff exclusively dedicated to the campaign enables a coalition to plan, coordinate and operate effectively.

Decision-making structures affect an organization's ability to influence policy and represent its members' interests and concerns. Speedy, agile and clear decision-making processes allow groups to respond in a timely fashion to the fast-paced, multi-level nature of policy influence work. Formal democratic structures of coalition decision making and accountability help establish common purpose, responsibility and ownership, and hold together ideologically diverse groups. Without a clear and accountable decision-making system, the contribution of grass-roots groups and other NGOs cannot be fully incorporated into a campaign.

19 H. Sibanda, "NGO Influence on National Policy Formation in Zimbabwe," *IDR Reports*, 11 and 2 (1994).

20 V. Miller, "NGO and Grassroots Policy Influence: What is Success?" *IDR Reports*, 11 and 5 (1994).

Framing the issue is also an important ingredient of success. The nature and definition of the policy issue chosen by a group affects the process and outcome of an influence campaign. Policy issues framed compellingly, in ways that tap into urgent concerns, generate strong grass-roots constituency support. Issues can be framed: a) in terms of achieving narrow policy objectives; b) as comprehensive policy goals aimed at transforming the fundamental structures of a society; or c) in ways that incorporate both. In general, issues framed in ways that combine narrow objectives with more transformational skills provide opportunities for winning modest but strategic policy gains while creating the space and vision necessary for avoiding co-optation, educating constituencies, and building toward long-term fundamental change. When groups can incorporate both, they have the possibility of achieving gains in all these dimensions.

A campaign's strategies and tactics influence the kinds of success a coalition can achieve. Filipino organizations used a rich variety of strategies aimed at different policy players ranging from their own memberships or constituencies to government officials and even to leaders of opposition groups. Building allies among influential policy makers and power-brokers, and getting their support and sponsorship, provides groups with strength for gaining policy influence and organizational legitimacy.

A concrete and effective strategy to counter or co-opt major opposition forces minimizes hindrances along the path. So does a good negotiation strategy. The willingness and capacity of groups to negotiate with government and to accept the validity of incremental reform affects their ability to obtain policy gains and political legitimacy. Finally, effective grass-roots education and organizing efforts help sustain and strengthen the institutional base necessary for holding governments accountable, and for pursuing long-term policy change.

What are the measures of success in CSOs' involvement in the policy process? In order to evaluate policy campaigns fully, both on the basis of their short- and long-term accomplishments, success needs to be measured by gains achieved across three different dimensions – policy, civil society and democracy. Too frequently, a campaign's success is defined solely in terms of winning immediate legislative or policy victories – a definition that ignores the long-term means to sustain those gains. Without strong NGO and grass-roots groups able to hold government accountable, policy victories can be short-lived. Incorporating other dimensions of success, such as gains in the strength of grass-roots organizations, allows for a more complete analysis and understanding of a campaign's effectiveness and potential for long-term impact.

Under this definition, policy success is three-dimensional. Success at the policy level is seen as achieving favourable policy or legislative change. At the level of civil society, it means strengthening non-governmental and grassroots

organizations capable of keeping the government accountable and responsive to community needs. Finally, at the level of democracy, success means expanding the democratic space in which CSOs function, increasing their political legitimacy, and improving the attitudes and behaviours of government officials and elites toward NGOs and grass-roots groups.

In a nutshell, some of the key factors that contribute to the success of CSO policy initiatives include willingness and ability to negotiate and effectively lobby with government, elites and other sectors; a vision of narrow and comprehensive policy goals and good strategies to accomplish them; changed perception of the State; financial and technical resources to campaign, mobilize, network, analyse and disseminate; and good, speedy decision making within CSOs. Unfortunately, these are precisely the factors that CSOs in developing countries find in short supply. Lobbying and negotiations require skills and tactics to persuade and effectively communicate and a level of confidence and independent thinking that some of the grass-roots constituencies lack. Scarcity of funds and technically competent staff is a persistent problem. Lack of internal accountability and transparency, as well as divergent interests and norms limit the perception of their effectiveness and legitimacy.

Given these constraints, to strengthen the impact of CSOs' policy involvement, their personnel need to be trained in such skills as research, information gathering and analysis, conflict resolution, negotiation, communication, organizing, and strengthening public and human resources. Also, coalitions could be very effective in dealing with advocacy issues as they combine skills, labour and resources, give their constituents common goals, and enhance their "voice" and "bargaining power." However, coalition building does not come easy. It requires a lot of compromise on the part of member CSOs. Common goals, interests, norms and values have to be established to provide members with guiding principles upon which to base their actions. A code of conduct is perhaps needed to enhance perceptions both within civil society and amongst government and other development stakeholders. Teamwork needs to be of a high standard so that the coalition works collectively.

Conclusion

In conclusion, civil society is playing an increasingly important role in policy making at local, national and global levels. As discussions continue about democracy and accountability in decision making, it is clear that CSOs will have an increasingly vital role to play. Also, globalization has created both cross-border issues that CSOs are addressing and interested cross-border communities that CSOs represent. National governments cannot do either task as effectively and legitimately. Thus, in the years to come, as the search for a more equitable and just world that is particularly perceptive to the marginalized segments of society, continues, CSOs will have to gear up to meet the increased

demand for their more active and sustained part in policy making. To spread the benefits of globalization more equitably across nations and regions, and to achieve the MDGs, all development partners need to play their due roles. This paper demonstrates that the civil society sector is instrumental in promoting local economic development, alleviating poverty, advocating policy change, contributing to good governance and campaigning for the Millennium Declaration. However, CSOs' contributions need to be strengthened. Critical engagement towards realization of the MDGs can increasingly become the approach for many of them as they adapt, extend, update, and localize these goals as appropriate to their own situations. The Millennium Declaration and local civil society movements can strengthen and reinforce each other at both the local and the national level. Moreover, increased global awareness, dialogue and a true partnership between North and South will strengthen engagement and set us firmly on the road to 2015, especially in terms of reducing global poverty by half.

Chapter 9

AUDITING FOR SOCIAL CHANGE: LEARNING FROM CIVIL SOCIETY INITIATIVES

Samuel Paul

Recent years have witnessed a growing concern in development circles about issues of governance and accountability in developing countries. There are several reasons behind this trend. First of all, there is mounting dissatisfaction with the manner in which the State has performed its functions in these countries. Both citizens and outside observers have questioned the efficiency and effectiveness of resource use by governments. Public investments have resulted in meager returns and low productivity in many cases. Failures in terms of lack of transparency, rule of law, and corruption are often highlighted as the key contributory factors underlying this phenomenon. Pleas for restructuring the State and its functions have been greatly influenced by these perceptions.

Second, the failure of many developing countries to achieve significant poverty reduction and the consequent inequity and injustice suffered by millions of marginalized people is yet another reason for this global concern about governance. The weak bargaining power and organizational capabilities of the poor have no doubt contributed to this outcome. The global campaign under UN auspices in support of the Millennium Development Goals (MDGs) is a response to this reality.

Third, there is a growing realization that existing mechanisms for ensuring public accountability have not been able to resolve these problems. Supreme audit institutions (SAIs) exist in almost all countries. But the efficacy of traditional accountability mechanisms and their impact on the functioning of governments have come in for serious questioning.

International development agencies and donors have given increasing attention to the issues of governance and accountability referred to above. Their responses can be divided into two categories. The first consists of international efforts to reform and restructure government systems and practices so as to strengthen their performance and accountability. It covers a mix of interventions that range from administrative reforms to the redesign of judicial and audit institutions. Many foreign aid projects include reform programmes of this nature. The second focuses on strengthening public accountability through pressure from outside of governments, especially through civil society institutions. The endeavour here has been to experiment with different types of pressure that civil society or citizens at large can bring to bear on their governments to be more accountable to the people. Some donors have begun to invest in creating capabilities within civil society to play this role in specific country contexts.

Since the purpose of this paper is to discuss ways and means for SAls to enhance the relevance and impact of the audit function by drawing upon civil society perspectives and feedback, it aims to focus primarily on the current thinking on this approach as a means of strengthening public accountability.

This is not to deny the importance of restructuring governments. A lot of good work is going on in this regard and it should continue to receive high priority. But as noted above, in our discussion, linking the audit function to the potential of civil society pressure as an aid to accountability has greater relevance.

This paper is divided into three sections. The first presents some basic concepts and approaches that may help us to understand how civil society pressure can influence accountability. A narration of recent civil society initiatives to strengthen public accountability is provided in the second section. A case study of one of these initiatives, namely, citizen report cards on public services, in which this author was personally involved, is also presented. The third section offers some ideas on how SAls might draw upon these concepts and experiences to make their audit of social change more focused and effective.

Accountability and Citizens' Voice

In a democracy, the State is the servant of the people. It performs many functions essential for the welfare and development of its citizens and provides an array of essential services, many of which are "public goods." The State collects taxes from the people to discharge its functions and is accountable to society for proper use of the resources entrusted to it. Periodic elections are seen as the ultimate lever that citizens can use to hold those wielding power in the name of the State accountable for their performance. But the dilemma is that while many transactions between the State and its citizens happen between elections, there is little an individual citizen can do in the short run if things go wrong in the discharge of functions or services by state agencies. Waiting for the next election is of little help to a citizen who needs immediate corrective action. The problem arises because the citizens have no "exit," unlike in the market place where they can exit from one supplier of a good or service and try another. When citizens have no exit option, they can only vent their feelings through "voice." Voice may take the form of protest, non-cooperation or the rejection of political representatives through the ballot process.¹

Collective action in any of these forms can act as an instrument of accountability, signalling the authorities that they must listen to the people's voice and take remedial action. Of these different forms of voice, the ballot process is the most

¹ For a fuller discussion, see S. Paul, "Accountability in Public Services: Exit, Voice and Control," *World Development* (July 1992).

difficult to access because of the long time gap between elections. Other forms of collective action (a form of voice) are more easily resorted to when people continually face problems with the functioning of governments, especially with the delivery of services.

There is a growing literature on the use of voice as an aid to accountability and on evidence from numerous experiments based on this approach.² Illustrative of this trend is the framework for accountability presented in the *World Development Report* (WDR) 2004. The WDR uses the term “client power” to denote the voice of the users of public services. It is true that as customers of a service, citizens are clients. Nevertheless, it is important to note that their role as citizens is larger and has more power than that which a mere client can command. Citizens, for example, have rights and avenues for action that may not always be available to mere clients. The preference of this paper’s author, therefore, is to use the term “citizens’ voice.”

The WDR focuses on accountability with respect to services for the poor. But its implications are by no means limited to those services or functions that matter only to the poor. It assesses four sets of players, namely, citizens or clients; political leaders/policy makers; public service providers; and frontline professionals. Citizens participate in the political process both individually and in groups. But they are also clients of the public agencies that provide different services. Their interests and goals need not always be the same and hence, conflicts between groups cannot be ruled out. Elected leaders and policy makers have the power to formulate policies and laws, and to allocate and supervise resources and their use. Service providers are line departments and agencies charged with the responsibility for the design and delivery of public services. Providers may also be from the private sector, but are required to function under the regulation of public authorities. Frontline delivery personnel such as teachers and doctors work under the supervision of service providers. But their goals and incentives need not always be in tune with those of their service providers or policy makers.

The WDR refers to the long route and the short route of accountability. Both operate in a circular fashion. Citizens or clients can use voice to signal policy makers or leaders concerning their needs and problems. The latter, in turn, can hold service providers accountable for the delivery of services through a compact, much like a contract, with explicit mutual terms and obligations. Service providers then deliver services through their frontline workers and units that directly interface with citizens. Accountability here is enforced through the use of voice, working through the political process. In the short route, the linkage between citizens and providers is more direct. Here, client voice directly impacts on the provider and accountability is achieved through this direct pressure.

² See *World Development Report*. Washington, DC: World Bank (2004); and Manjunath and Balakrishnan, *Civic Engagement for Better Governance*. Bangalore: Public Affairs Centre (2004).

It is not our objective here to delve deeply into this framework and its merits. Suffice it to note that it departs from traditional notions of vertical accountability mechanisms. But the new feature here is the mechanism of voice and the manner in which it acts as an aid to accountability. As such, the big question becomes whether these concepts can actually be made to work together. The logic is appealing. In a democratic setting, listening to the people or responding to their collective voice seems desirable and feasible. Are there barriers that can derail or weaken these linkages?

The WDI identifies barriers to information and collective action, collusion, and corruption. It highlights two sets of barriers, one that could weaken the power of voice and the other that can render the compact ineffective. Voice, for example, will not work when citizens/clients do not have the necessary information or knowledge to make it effective. This can happen when people have limited knowledge in a specific area and are therefore unable to digest new information and make use of it. Even if they are educated, if they have no access to information, the outcome will be the same. Thus, governments can create barriers to voice by denying people knowledge about their rights and entitlements, and concerning standards and norms pertaining to services. Even when such information is available, if citizens do not have a sufficient background for understanding it, this can potentially act as a barrier to voice. The poor often tend to suffer from this handicap.

There are equally important barriers to collective action as a form of voice. Collective action calls for time, organizational skills, and resources. It requires capacity to identify key issues and knowledge about possible remedies. The poor typically are weak in terms of these capabilities. When they are struggling to survive, they may have neither the ability nor the incentive to invest in collective action. That is the reason why intermediary organizations (such as NGOs) enter the scene and organize poor and marginalized communities. Collective action is easier to organize for the better off sections of society. Nevertheless, it is an uphill task even there because of the “free rider” problem and the indifference of many middle class citizens who seek easy exits. It is not uncommon, for example, for people to pay a bribe to get someone to do their work for them.

There is a similar set of barriers that can turn the compact between policy makers and providers into a hollow ritual. There may be a nominal compact, but in reality, both parties may agree to ignore its provisions and collude to follow their own interests rather than the public good. When those who are meant to enforce the compact dilute or ignore it, there is no one left to demand accountability and the service provider’s performance suffers. In a country where citizens’ have limited access to information they will be unable to challenge collusive conduct. More often than not, corruption and political patronage are at the heart of this phenomenon. Extreme cases of this kind signal the existence of a predatory situation that citizens are powerless to undo.

What is described above applies to both the long and the short routes of accountability. Barriers to information and collective action could render voice ineffective when citizens try to influence service providers directly (the short route). Delivery of services to the poor and the accountability of the providers to the people will not improve under these conditions. To conclude, unless the barriers to information and collective action are somehow eliminated, and the citizens' voice is strengthened sufficiently to weaken the grip of collusion and corruption in the government machinery, it is unrealistic to expect that public accountability will improve.

Accountability Initiatives by Citizens

Despite the barriers discussed above, there have been numerous efforts by individual citizens, civil society groups and NGOs in several countries to improve the accountability of governments and service providers. Their interventions have taken different forms, depending on the context, the problems involved, and the skills and resources of the participants in these movements. Whether they have made any lasting impact or led to systemic changes within governments is difficult to say. Some of the interventions have been documented and assessed, and their lessons have been widely disseminated. In all cases, they have exerted pressure from outside the system. And some of them have resulted in models and approaches that have been replicated or adapted in other settings and even countries.

The civil society initiatives for accountability presented below fall into five categories: (1) community management of local services; (2) independent budget analysis and tracking; (3) public hearings; (4) public interest litigation; and (5) citizen report cards on services. A brief description of each follows.

- *Community Management of Local Services.* There are many public services that lend themselves to direct monitoring and supervision by local communities.³ In many cases, citizens and users of such services could participate in aspects of managing and monitoring them. A good example is the local school where the parent-teacher association could actively participate in planning and supervising school programmes.

Similarly, the maintenance of drinking water facilities and community toilets has benefited from the participation of user groups. A recent case from the slums of Mumbai, India has shown how local communities have pitched in to manage and maintain newly built toilet facilities. NGOs and local communities have played a lead role in this project, funded by the government through the World Bank.

³ See *Development Outreach*, World Bank Institute (January 2004) for a number of applications of this nature.

The initiative for community management has come largely from NGOs working in the field in local communities. Their primary interest is in promoting community participation in local development programmes and services so as to make them more relevant to the people and more sustainable. But it turns out that such participation is also a powerful means to hold the government or service provider accountable to its customers. When the latter influence the design of a service and monitor its delivery, or contribute to the maintenance of public facilities, they have a strong interest in ensuring that the agencies involved are responsive to their problems and needs. Being closer to the scene and having a seat at the table, they can observe and challenge abuses and poor performance. Community management of local services can thus act as an aid to accountability, and to a large extent, compensate for the problems inherent in monitoring local activities that higher level officials encounter. In several countries, governments and international donors are now encouraging and facilitating community management of public services and facilities.

- *Independent Budget Analysis and Tracking.* Budgets are the basic instrument of governments to mobilize, allocate and monitor scarce resources (money and personnel). By bringing government budgets under public scrutiny, civil society groups are able to raise important questions about taxation, public expenditure, and the distribution of benefits to different groups of people. As this initiative calls for special analysis and evaluation skills, there are not many examples of civil society groups engaging in budget analysis and using the findings for advocacy. But wherever it has been attempted, the process has resulted in informing and educating both the people and the authorities (legislators and officials) on the implications of the allocations, and on the need to modify them to achieve the stated policy objectives. Budget analysis can also be used to advocate reforms, especially with reference to the poor, as their interests are seldom adequately addressed in the complex bargaining processes behind the budgetary allocations.

A classic case of budget analysis with the active involvement of citizens comes from Porto Alegre, Brazil. Here communities participate by articulating their needs and priorities. This is an open process that helps the government to listen to the people's voice and arrive at allocations that take into account public concerns. Needless to say, the process presupposes a government that is inclined to listen and seek ideas from the people. It is also a time consuming process that calls for a great deal of involvement by community groups. Broad-based budget analysis has also been carried out in South Africa under the auspices of a local NGO. The International Centre on Budget and Policy Priorities in Washington, D.C. is engaged in strengthening civil society capabilities to undertake budget analysis in developing countries.⁴

⁴ See "International Budget Project," Washington, DC: Centre on Budget and Policy Priorities (2003).

A more limited form of budget analysis has been attempted by Developing Initiatives for Social and Human Action (DISHA), an NGO in Gujarat State, India.⁵ The focus here has been on analysis of the budget from the standpoint of the poor, especially the tribal population. The findings are used by the NGO to engage in dialogues with elected representatives and officials. They are also publicized through the media in order to create public support for the proposals made by the NGO.

A third example is from Africa, where public expenditure tracking has been attempted to monitor the effectiveness of public spending on services for the poor. The World Bank has led this effort in Uganda and other countries, but the approach lends itself for use as an initiative to increase accountability. Budget analysis, of course, is primarily a means to improve the process of resource allocation by governments and to nudge them to be effective. But when civil society groups engage governments in this exercise, it can act as a force for greater public accountability.

- *Public Hearings.* Public hearings are a well known mechanism for eliciting the views and concerns of the people on a variety of issues. Regulatory agencies use this approach in the determination of tariff rates and other policies. In recent years, NGOs and other civil society groups have organized public hearings as a means of demanding increased public accountability towards the poor and marginalized communities. Being an open process, it attracts the attention of the media and lends itself to being used as an aid to advocacy to improve the conditions of the poor. NGOs act as intermediaries in the process as the poor are not equipped with the skills and organizational abilities necessary to make a success of public hearings. When people face highly localized problems, however, it is possible to stimulate the poor to participate in public hearings.

A documented case from India narrates how Mazdoor Kisan Shakti Sangathan (MKSS)⁶, an NGO based in Rajasthan, used public hearings in rural areas to publicize the abuses in public employment programmes. The adverse publicity led to the authorities taking corrective action that benefited the local communities. It also gave a strong push to the right to information movement that was gaining momentum in the country in the early 1990s. Public hearings were used in this case to demand accountability in the programmes that are supposed

⁵ Developing Initiatives for Social and Human Action (DISHA) is a mass-based organization in Gujarat, India that started in 1985 with the aim of altering societal power relationships in favour of the poor. For more information, see <http://www.disha-india.org/index.htm>

⁶ Mazdoor Kisan Shakti Sangathan (MKSS) is an organization of peasants and workers active in central Rajasthan, India, which promotes the right of the rural poor to information and active participation in decision making. To learn more about MKSS, see Neeblah Mishra, "People's Right to Information Movement: Lessons from Rajasthan," United Nations Development Programme Discussion Paper Series 4. New Delhi, India: UNDP (2003). Found at <http://www.undp.org.in/hdrc/resources/dis-srs/Rajasthan/Right%20to%20Info.pdf>

to benefit the poor. In the absence of the resultant pressure, abuses in the employment programme might have continued unabated.

- *Public Interest Litigation.* Public interest litigation (PIL) refers to legal action taken in a court of law to enforce the public interest or to protect the legal rights and liabilities of the public or a community. The term “PIL” was first used in the U.S.A. in the 1960s to describe a legal development that sought to widen civic participation in governance. In some developing countries, like India, PIL has been widely used to get the courts to direct governments to take corrective steps to restore the rights and entitlements of the poor. An independent judiciary and a democratic constitution are essential prerequisites for the success of PIL, a potent accountability mechanism when the executive and legislative branches of government are unable or unwilling to protect the rights and entitlements of the poor. However, individual citizens, especially the poor, will find it difficult to resort to PIL to hold the government accountable for the denial of their rights, simply because of the time and costs involved. As in public hearings, it is the NGOs and organized civic groups that make use of PIL in most countries.

- *Citizen Report Cards – An Accountability Tool.* A citizen report card (CRC) is a new way to rate different service providers from a user perspective and to utilize the rating to make the providers more accountable to the people. User feedback is a cost-effective way for a government to find out whether its services are reaching the people, especially the poor. Users of a public service can tell the government a lot about the quality and value of a service. Surprisingly, this is not a method that is known to or used by most developing country governments. The continuing neglect of the quality of services is in part a consequence of this gap. This is in sharp contrast to the practice of seeking “customer feedback” that is common in the competitive market place.

A CRC on public services is not just one more opinion poll. Report cards reflect the actual experience of people with a wide range of public services. The survey on which a report card is based covers only those who have experienced the use of specific services and interacted with the relevant public agencies or other public service actors. Users possess fairly accurate information, for example, on whether a public agency actually solved their problems or whether they had to bribe officials. Of course, errors of recall cannot be ruled out. But the large number of responses generated by sample surveys lends credibility to the findings.

Report cards are prepared on the basis of stratified random sample surveys using well structured questionnaires. It is generally assumed that people from similar backgrounds in terms of education, culture, etc. are likely to use comparable standards in their assessments. But these standards may be higher for higher income groups than for the poor, whose expectations about public services tend to be much lower. Dividing households into relatively homogenous categories is one way to minimize biases that differing expectations can cause.

Since the author of this paper played a modest role in launching the first CRC in Bangalore, India, a brief case study of this experiment is presented below. The Public Affairs Centre (PAC), founded in Bangalore, has taken this initiative much further over the past decade. The first report card on Bangalore's public agencies, in 1994, covered municipal services, water supply, electricity, telecommunications, and transport. Since then, PAC has brought out report cards on several other cities, rural services, and also on specific sectoral services such as health care. But since it has tracked services for a longer period in Bangalore, details on that experiment are given here.⁷

The findings of the first CRC on Bangalore were most striking. Almost all of the public service providers received low ratings from the people. Agencies were rated and compared in terms of public satisfaction, corruption, and responsiveness. The media publicity that the findings received and the public discussions that followed brought the issue of public services out into the open. Civil society groups began to organize themselves to voice their demands for better performance. Some of the public agencies responded to these demands and took steps to improve their services. The inter-agency comparisons and the associated public glare seemed to have contributed to this outcome. When the second report card on Bangalore came out in 1999, these improvements were reflected in the somewhat better ratings that the agencies received. Still, several agencies remained indifferent and corruption levels continued to be high.

The third CRC on Bangalore, in 2003, showed a surprising turnaround in the city's services. It noted a remarkable rise in the citizen ratings of almost all the agencies.⁸ Not only did public satisfaction improve across the board, but problem incidence and corruption seem to have declined perceptibly in the routine transactions between the public and the agencies. It is clear that more decisive steps to improve services were taken by the agencies between 1999 and 2003.

What accounts for this distinct turnaround in Bangalore's public services? What lessons can we learn from this experiment? Needless to say, without deliberate interventions by the government and the service providers, no improvements in the services would have taken place. But the key question is, what made them act? A whole complex of factors seems to have been at work. The new Chief Minister of the State, who took over in 1999, was very concerned about the public dissatisfaction with the city's services. He set in motion new mechanisms

7 See S. Paul, *Holding the State to Account: Citizen Monitoring in Action*. Bangalore: Books for Change (2002); Paul and Shekhar, *Benchmarking Urban Services*. Bangalore: Public Affairs Centre (2000); and A. Ravindra, "An Assessment of the Impact of Bangalore Citizen Report Cards on the Performance of Public Agencies," OED Working Paper No: 12. Washington, DC (2004).

8 For details, see S. Paul, "Citizen Report Cards in Bangalore: A Case Study in Accountability," mimeo. Bangalore: PAC (2005).

such as the “Bangalore Agenda Task Force,” a forum for public-private partnership that helped energize the agencies and assisted in the upgrading of services. Civil society groups and the media supported and monitored these efforts. What is significant is that the initial trigger for these actions came largely from the civil society initiative that we call “citizen report cards.”

What are the pre-conditions that make such civil society initiatives work? It is obvious that these initiatives are more likely to succeed in a democratic and open society. Without adequate space for participation, CRCs are unlikely to make an impact. A tradition of activism within the civil society also can help. People should be willing to organize themselves to engage in advocacy and seek reforms, supported by credible information. Political and bureaucratic leaders must have the will and resources to respond to such information, and to the call for improved governance by the people. Last, but not least, the credibility of those who craft CRCs is equally important. The initiators of the exercise should be seen as non-partisan and independent. They need to maintain high professional standards. The survey should be conducted and the findings interpreted with utmost professional integrity.

When service providers and governments improve their services and accountability on their own, initiatives such as CRCs may not be necessary. But even under these conditions, a report card can be an effective means for civil society groups to monitor the performance of the government and its service providers. Public agencies can initiate report cards on their performance on their own, as indeed some in Bangalore have done. But when a government is indifferent to citizens’ concerns, advocacy based on a CRC can act as an accountability tool to challenge the government to better performance.

Policy Implications for Supreme Audit Institutions (SAIs)

The range of accountability initiatives described above tells the story of how civil society has responded to the weak public accountability that prevails in many developing countries. In a real sense, they represent a form of people’s audit on the effectiveness and outcomes of what government does. Note that the focus is not on the internal processes of government. A common thread that runs through these diverse experiments is the manner in which they empowered citizens with new information and knowledge that could be used to hold a government or service provider accountable. These initiatives emerged in different countries and contexts, in response to different problems. That some of them are being replicated in other countries and sectors testifies to their wide applicability.

Despite the potential power and impact of the civil society initiatives described above, it is difficult to imagine that they alone can reverse the accountability deficit in developing countries. Still, they do inspire us and provide models for others to follow. In critical situations, such pressure may make service providers

and public agencies more accountable. But while these kinds of initiatives will continue to emerge in different places, they cannot assume the roles of the government institutions that have been assigned responsibility for making accountability mechanisms work. In the final analysis, it is the governments and their supreme audit institutions (SAIs) that have a duty to make public accountability a reality.

What are the policy implications of the civil society initiatives for SAIs? Do they offer new ideas or practices that can be incorporated into the agenda of SAIs? Are there ways to tap into the energies and insights of civil society that can be an aid to the work of SAIs? Admittedly, all of the civil society initiatives discussed above are not equally relevant to SAIs. PIL is clearly not an approach an audit institution can adopt. It cannot get involved in community management. Nor can it be in the business of budget analysis. But there are several other things that SAIs can do. Here are some tentative ideas for consideration.

Incorporating Citizen Feedback into Performance Audits

The audit function in developing countries is, for the most part, compliance oriented. Compliance is certainly a legitimate concern. But in the context of MDG goals and poverty reduction, concern for effectiveness needs to receive far more attention from auditors than at present. Performance audits and value for money audits represent moves in this direction. These practices are beginning to be adopted by developing countries. But the methodology used in these new types of audits may benefit greatly by incorporating the findings of user feedback. Performance audits should go beyond output measures to get an assessment of the quality and effectiveness of services. That is what user feedback can provide to the auditor. Performance audits that focus only on physical outputs and costs may miss this insight. In a drinking water supply programme, a performance audit may count the number of water taps installed or the volume of water supplied. But the regularity of water supply or the maintenance of the facility, both of which matter a lot to citizens, may still leave much to be desired. Corruption may add to users' costs but not get reported anywhere. These aspects of effectiveness can be captured only through systematic user feedback.

CRC for Monitoring MDGs

Using the CRC approach to assess the effectiveness of all government functions and programmes may be unrealistic. CRCs do call for extensive field surveys and the time and cost involved can entail a heavy burden on SAIs. But it should not be difficult for SAIs to use this approach in programmes and departments that provide essential services for the people. MDGs are a case in point. The long-term targets implied by MDGs will be achieved only through the interventions and delivery of services for which the State is responsible over the years. If services do not reach the people as planned it is unlikely that the MDGs will be achieved. If they can tap into the power of user feedback SAIs will be able to give advance

warnings to governments on whether they are on track with MDGs. The message may stimulate governments to make mid-course corrections.

User feedback is already a component in the performance audits being carried out by SAls in some of the more developed countries. The U.S.A., the U.K. and Canada have shown that this approach has merit. India's SAI has sought user feedback in its audit of the public distribution of food programme. CRC's feasibility is thus not in doubt. But it is not known or widely used by SAls. The challenge is to deploy it on a scale that can make a difference.

Auditing a Government's Information Disclosure

A key lesson from the civil society initiatives for accountability discussed in this paper is that empowerment through new knowledge and information can motivate citizens to demand accountability. Governments are not always proactive in informing and educating citizens on their rights, entitlements and what they should know in order to access public services and programmes. This is an aspect of government that needs a systematic audit. Just as SAls audit public expenditure, they should also assess the adequacy and quality of the information being provided to citizens to enable them to access services. There is much talk of citizen's charters, the right to information, e-governance, etc. All of these lend themselves to auditing to determine their relevance, implementation, and effectiveness. If citizens can be empowered through information, they will complement and reinforce the efforts of SAls.

Educate Citizens on SAI Audits

In many countries, SAls's reports and recommendations are not widely known to the public. Audit reports may go to the government and legislature, but may or may not get much attention in the press or other public forums. It is also possible that governments and SAls restrict their public dissemination. Some of the reports that pertain to the inner workings of the government may not, in any case, interest the average citizen. If these reports do not get acted upon by governments, nothing more will be heard of them. But this is not the case with reports and recommendations on programmes that directly impact citizens. If SAls can increase citizen access to such reports, it will be possible to generate public support for the changes and reforms being proposed. In many countries there are public interest groups and NGOs that may help initiate public debates on their implications. Stimulating informed debates on audit findings can be a powerful way to facilitate increased participation by citizens in governance processes, and to strengthen the constituency for accountability.

Chapter 10

DECENTRALIZATION AND LOCAL AUTONOMY FOR PARTICIPATORY DEMOCRACY

James Katorobo

During the last decade, the winds of democratic movements and reforms have blown around the world, and democratic decentralization has spread globally. In every continent, most governments have embraced decentralization programmes. “Some 95 percent of democracies now have elected subnational governments, and countries everywhere – large and small, rich and poor – are devolving political, fiscal, and administrative powers to subnational tiers of government.”¹ A survey of 27 countries in the Commonwealth of Independent States (CIS) found nine to be keen decentralizers, seven to be uncertain decentralizers, eight to be non-decentralizers, and three to be decentralizers by necessity.² During the last 10 years, post communist Russia has seen substantial decentralization to the regions, partly to forestall local demands to set up separate independent republics.

Many Latin American countries have undergone democratic reforms and most of them have carried out democratic decentralization programmes, from large countries such as Argentina, Brazil and Mexico, to smaller states such as Bolivia and Venezuela. In Africa democratic decentralization has been undertaken in Ethiopia, Ghana, Mali, Togo, South Africa and Uganda, among other countries.

This chapter reviews the global phenomenon of democratic decentralization, identifying various practices, experiences, and lessons learned. The review will cover types of decentralization; the legal framework for decentralized governance; redistribution of functions and resources between central and local governments; relationships between local governments and NGOs; enhancement of capacity for local autonomy; local autonomy and checks and balances between the central and local governments; the role of community-based organizations; decentralization and citizen participation; decentralization and service delivery; innovations in decentralized governance; and good practices and lessons learned.

Decentralization, Autonomy and Participatory Democracy

¹ World Bank, “Decentralization: Rethinking Government,” *World Development Report 2000*, Chapter 5. Washington, DC: World Bank (2000): 107-124.

² World Bank, “Decentralization in the Transition Economies: Challenges and the Road Ahead.” Washington, DC: World Bank (2001): 3.

Decentralization involves the transfer of political, administrative and fiscal authority from the central government to subnational governments and authorities. The transfer takes place down a hierarchy of levels of subnational authority. Typically, there are then three tiers of government – at central, state and local levels. Three forms of decentralization have been identified: decentralization by deconcentration, decentralization by delegation, and decentralization by devolution.³

Decentralization by Deconcentration to Lower Field Offices

Decentralization by deconcentration involves the transfer of administrative functions, roles and responsibilities within public administration networks from the national to lower levels. It moves from national administrators to their field staff in different locations. It may be sector specific, such as the decentralization of agriculture services by deconcentration. In Colombia, in 1993 Rural Development Municipal Councils were approved and formally opened for peasants' participation. However, "as a result of the reconstruction of the Ministry of Agriculture and Rural Development, the deconcentration of state services was significant, but the delegation and devolution of powers to the actors in development were limited."⁴ In Mexico the agricultural sector was decentralized in 1995 and the Ministry of Agriculture was restructured and given responsibility for rural development. "The major form of decentralization regarding rural development was the deconcentration of state services followed by a substantial delegation of powers to public entities and by devolution of powers to subnational entities."⁵ In Togo, the government created a Ministry of Decentralization and passed decentralization and constitutional reform laws in 1992. The Ministry of Agriculture was restructured in 1997. "The principal form of decentralization seems to be an extensive deconcentration of central state services followed by limited delegation to semi-autonomous entities."⁶ In Mali, since 1993 "decentralization involves the creation of new subnational entities (region, districts, townships) freely governed by elected councils, and the transfer of

3 Dennis A. Rondinelli and G. Shabbir Cheema, "Implementing Decentralization Policies: An Introduction," in D. Rondinelli and G. S. Cheema (eds.), *Decentralization and Development: Policy Implementation in Developing Countries*. Beverly Hills, CA: Sage Publications (1983): 9-34.

4 FAO, "Decentralization case studies: Republic of Columbia."
http://www.ciesin.org/decentralization/Entryway/E_Case_Studies_list.html
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5 FAO, "Decentralization case studies: United States of Mexico."
http://www.ciesin.org/decentralization/Entryway/E_Case_Studies_list.html

6 FAO, Decentralization case studies: Republic of Togo."
http://www.ciesin.org/decentralization/Entryway/E_Case_Studies_list.html

certain decision-making powers to the regional level.”⁷ This is clearly decentralization by devolution.

Decentralization by Delegation to Semi-autonomous Agencies

Decentralization by delegation involves the transfer of power and authority to semi-autonomous bodies, which may be located at the national level or within the territory of a subnational government. Privatization is also a form of delegation in which functions are removed from government and given to the private sector, with government control severed. In delegating to semi-autonomous bodies, the functions remain in the public sector, but the government is freed from involvement in day-to-day operations. It influences the policy of semi-autonomous bodies through control of the governing Board of Directors. The term decentralization denotes a downward movement from the top. Even though delegation to semi-autonomous bodies located at the national level may appear to be a horizontal transfer, these bodies remain in hierarchical relations with the controlling or parent ministry. Decentralization to semi-autonomous bodies located within the territory of subnational governments is more clearly seen as a process of hierarchic descent. Indeed, Tim Besley considers the standard decentralization model to be a hierarchic one. “At the heart of any scheme of decentralization is the transfer of power from a high to a lower tier of government. Here, tiers are to be understood hierarchically. At the top is the notion of a national government whose jurisdiction is bound by limits of a well-defined nation state. Below that may be multiple tiers.”⁸

Decentralization by Devolution to Subnational Governments

The defining characteristic of decentralization by devolution is that the transferred power should include political power, not just administrative and economic power directed by central governments, namely, deconcentration. The evidence for political decentralization is that the people in the subnational territory democratically elect the subnational governing entity. The subnational government is a legal authority that can sue and be sued and controls its own finances.

“Decentralization entails the transfer of political, fiscal and administrative powers to subnational units of government. A government has not decentralized unless the country contains an ‘autonomous subnational elected government capable of taking binding decisions in at least some policy area.’ Decentralization may involve bringing such governments into existence. Or it may consist in expanding

⁷ FAO, “Decentralization case studies: Republic of Mali.”
http://www.ciesin.org/decentralization/Entryway/E_Case_Studies_list.html

⁸ Tim Besley, “Notes on Different Forms of Decentralization,” California University Task Force on Decentralization, Initiative for Policy Dialogue (IDP) Working Paper Series.

the resources and responsibilities of existing subnational governments. The definition encompasses many variations. India, for example, is a federal state, but the central government has considerable power over subnational governments. Political power in China is officially centralized, but subnational units have substantial de facto autonomy in what can be described as 'decentralization Chinese style'.⁹

Mixing Forms of Decentralization and Globalization

While decentralization by delegation and by deconcentration may be found in autocratic and authoritarian regimes, decentralization by devolution tends to be linked with democratic, constitutional and good governance reforms. Decentralization by devolution may be regarded as a higher form of decentralization that usually coexists with deconcentration and delegation. In most democratic countries there will be a diversity of semi-autonomous agencies exercising delegated authority, subnational governments exercising devolved authority, and sectoral ministries with deconcentrated authority at regional levels. This implies that governments have various options, which they should seek to maximize by offering a menu of different combinations of forms of decentralization within the democratic decentralization modality.

The Primary Unit of Decentralization

Since there are several tiers of subnational units of government, it is very important to specify the primary unit of decentralization. In Uganda there are district, county, sub-county and village levels of governance. The district is the primary unit of decentralization. In India the primary unit of decentralization is at the state level. In China and in Russia it is at the regional level. In large countries such as China, India and Russia, the primary unit of decentralization may be as large or larger than many medium sized countries. These levels may be so remote from citizen settlements that they are still highly centralized governing bodies. True decentralization may require transfers of power further down. Lev Freinkman and Plamen Yossifov are not sure if the transfer of power to the regional subnational primary unit of decentralization has brought benefits to lower levels in the regions, especially the municipalities.

"However, given the relatively large size of most Russia regions, it is not clear if devolution of functions from the center to the regions is sufficient for enjoying all decentralization gains mentioned above. If most resources and functions are concentrated within regional governments and not delegated to the local level, there is a risk that the single centralized state would be replaced by numerous centralized entities of small sizes that could neither exploit informational advantages nor be seriously influenced by competitive pressures. In the latter

9 World Bank, "Decentralization: Rethinking Government," *op. cit.*:108.

case, another stage of the decentralization process would be required to force regions to share more resources with local governments.”¹⁰

Frameworks Conducive to Democratic Decentralization

Political Will

Even if there are legislative provisions for the establishment of decentralized governance, they will remain unimplemented unless there is a political elite or leadership that has a very high commitment to and belief in the value and benefits of decentralized governance. This political commitment, or political will, should be strong, pervasive and enduring. After 30 years (1962-1986) of autocratic and over centralized regimes in Uganda there was widespread belief among elites and the population at large that if absolute national government powers could be dismantled and dispersed to many subnational centres, then autocracy would end. The emerging ruling elites (1986) believed this with zealous commitment. This political will was essential to sustain implementation of the decentralization programmes during the next decade in the face of stiff opposition and resistance from central ministries that were losing power to subnational governments.

Public Policy

Subnational demands for self-determination, such as those of nationalists in Scotland and Wales, became a major political issue for British politics. This gave rise to the government's policy of devolution of power to Scotland and Wales. In large states such as Brazil, China, India, Nigeria, Russia and the U.S.A., bringing government close to the people is a critical governance issue. Creating political arenas near the citizens enhances direct political participation and increases the scope of popular democracy.

Decentralization issues, needs and problems should be systematically assessed and evaluated by a taskforce or a study commission, leading to policy proposals and recommendations. The taskforce or study commission would collect information and views from subnational governments, interest groups and organizations with a stake in decentralized governance. It would then review several participatory methodologies that promote grass-roots involvement in decision making. Sound policy analysis is the essential foundation for a public policy framework that enables the government to formulate and design feasible and sustainable decentralization policies and programmes.

¹⁰ Freinkman and Yossifov, *op cit.*: 3.

These proposals should be subjected to a second round of bottom-level stakeholder consultations and participation. It is also a wise strategy to involve donors at this design stage, as they are likely to provide the main sources of funding to sustain decentralization. The policy should clearly specify what powers are being transferred, to what primary unit or tier of government, and with what resources. The president of the country would lead the process of getting the policy adopted by the cabinet and extract promises from line ministries that they will not obstruct the transfer of power to subnational entities. The Ministry of Local Government in particular tends to resist changes and many governments have found a way around this by setting up semi-autonomous decentralization secretariats.

Legislation

In the past, governments have carried out decentralization policies and programmes without creating new decentralization legislation. During the last 10 years, Spain has undertaken substantial decentralization activities without explicit policies and laws for that purpose. China is another example: decentralization Chinese style has been undertaken quietly, without ringing bells to announce an explicit decentralization policy and legal framework. As pointed out above, a country can have clear, explicitly formulated decentralization policies and legal frameworks but still very limited implementation.

The risk of a government decentralization policy that has no legislative framework is that the government can withdraw the powers it has transferred at any time. Erratic transfers and withdrawals can be disruptive, leaving subnational governments unable to plan, since expectations are uncertain. Getting parliaments to enact legislation to transfer powers to subnational governments gives decentralization a more stable environment. Moreover, Acts of Parliaments confer legal authority to subnational governments to sue and be sued, and to borrow money from financial institutions. The central government can still withdraw power but only after the parliament repeals its legislation and gives its reasons for doing so in a transparent process.

Local government legislative frameworks clarify and specify transferred powers and resources; they define what powers are the exclusive domains of each level of government and which functions are shared between or among tiers of government. The frameworks define legal and illegal conduct, likely rewards and punishments to be meted out in the courts of law, and may create new institutions to maintain checks and balances, accountability and transparency at the local government level.

In case of gross failure or collapse of a local government, legal and constitutional frameworks provide for the central government to take over the subnational government for a specified period, during which the latter may be resuscitated or new elections conducted for new leadership with a renewed mandate.

Constitutional Provisions

Powers transferred to subnational governments are protected most securely when provisions are entrenched in the Constitution. Constitutional amendments may take place five or ten years after the time of adoption. Even then, the required procedures may be lengthy and protracted. Such rigid entrenchment of constitutional provisions may be detrimental to the consolidation and smooth operation of decentralization if the provisions are inefficient and ineffective yet cannot be changed easily. Society may not be protected from their harmful effects. A constitution in country A has a provision that the central government may second staff to subnational governments only if they request the change or concur with a central government offer. Ninety per cent of expenditures by subnational governments come from the central government and there is widespread corruption and misuse of funds. The central government is now pursuing a constitutional amendment to repeal the provision so that it can appoint finance officers with accounting skills. But the process is slow, allowing scarce resources to be squandered by subnational governments.

Democratization

In Uganda a democratic struggle (1980-1986) resulted in the overthrow of an autocratic regime. This put an end to a 20-year succession of such regimes (1966-1986). The new leaders set up a Commission on Local Government (1988) and in 1989-92 the government created a Public Service Review and Reorganization Commission. Finally, a Constitutional Commission was set up to study transition to democracy. These broad democratization reforms provided a setting conducive to proposals for decentralizing government to the subnational level in order to bring it closer to the people. It is inconceivable to consider decentralized governance in a country in which the national level is non-democratic and dominated by absolutism and authoritarianism.

A framework for democratization is a precondition for the introduction of democratic decentralization at subnational levels. This harks back to the concept of political will and political commitment as cornerstones of successful decentralized governance. It means that rule of law and changing leaders through elections have become accepted norms in the culture and society.

Institutions

Several institutions are vital to the success of decentralized governance at the subnational level, including a strong National Ministry of Local Government with a redefined mandate of guiding decentralization policy and programmes. If it is felt that the National Ministry of Local Government is likely to resist transfer of responsibilities to the subnational level, then a semi-autonomous body like a Decentralization Secretariat may be advisable. The formulas and procedures for

fiscal relations between the centre and the subnational government offices are so complex and technical that a local government finance commission may have to be set up at the national level to prepare an appropriate technical financial management and accounting system. The institutions of the Auditor General, the National Planning Agency, the Inspectorate of Government, and the Directorate of Public Personnel have to develop capacity to ensure effective planning and accountability of the decentralized subnational government offices. These institutions, which promote checks and balances, separation of powers, and avoidance of conflict of interest at the national level are also required at the subnational level.

Redistribution of Functions and Resources Between Local and Central Governments

Symmetrical and Asymmetrical Decentralization of Powers and Responsibilities

In the design of decentralization, a distinction is made between the symmetrical and the asymmetrical. In symmetrical decentralization an attempt is made to mirror and reproduce national governance institutions at the subnational level as if the lower unit were a microcosm of the national government. The subnational elected body is conceived of as the equivalent of parliament at the national level, the chief administrative officer is equated to the head of the national public service, and the subnational court is the equivalent of the national supreme court. The three organs of the subnational government are then expected to follow the rules of separation of powers and the mechanism of checks and balances. It is then assumed that these organs at the subnational level should operate without control and interference from the central government. Under this model of symmetrical decentralization provisions may be made to leave policy making and monitoring with the central government and transfer operations to the subnational government.

The design fault here is to assume that the central government at the national level is a sum total of the subnational units, like $2 + 2 = 4$. The reality is that the national level government is a new creature that may obey the rule, $2 + 2 = 5$. There are many dynamics operating at the national level that do not exist at the subnational level (e.g. macroeconomic management, foreign affairs, and dealing with national inequality through economic redistribution). The chemistry and environment at the national and subnational levels differ and the analogy of a microcosm is misleading.

A review of the literature on decentralization from many countries leads to the conclusion that asymmetrical decentralization is more effective than symmetrical decentralization. Certain government functions are better accomplished at the centre and others may be better done at the subnational level. Stabilization of an

economy and economic redistribution are better carried out at the centre. It would be a mistake to decentralize such functions. Similarly, revenue collection and expenditure allocations are best accomplished at the centre, where there is a panoramic view of the whole economy. Thus, from a theoretical point of view the idea of decentralizing government holistically to subnational government units is a faulty decentralization design as it leads to the transfer of inappropriate functions that these units are unable to undertake. Many developing countries are struggling to establish institutions of democratic governance at the national level. Replicating these monumental endeavours at the subnational level not only causes bureaucratic overload, but creates a recipe for chaos and failure. It is advisable to transfer powers and responsibilities to the subnational government units in morsels that they can chew on, gradually increasing the range and depth of functions as their “molars” mature. Such incremental decentralization is most effective.

In many countries symmetrical and non-incremental decentralization is a result of political pressure. When country X planned to begin with financial decentralization to only 13 of its 56 districts, even this gradualist piloting and experimental approach was abandoned because of political demands from the other districts that they not be left behind.

Sometimes, too, financial decentralization has been applied to all districts even though some were not yet equipped with the necessary planning, budgeting, and accounting capacities, nor the required systems and procedures.

It is therefore essential to specify functions exclusive to the national level, those exclusive to the subnational level, and the ones that are shared between the two. If the provision of secondary and primary education is to be allocated to the subnational level, it may be wise for the central government to retain the preservation of educational standards and such highly technical activities as curriculum design and development. If provision of primary health care and the running of health facilities are to be allocated to subnational units, then it may be rational for the central government to keep responsibility for the supply of drugs, the training and certification of professional staff, and the monitoring of standards for the provision of quality health care services. The danger of shared services is that the parties may shirk responsibility and pass blame for inaction to one another. The risk of allocating exclusive functions to the subnational level is that these smaller units may lack the resources and capacity to perform them. All of these elements must be considered in determining how responsibilities are to be shared among the different levels of government.

Sharing Resources between the Central Government and Subnational Government Units

The most commonly used measure of the extent of decentralization is the proportion of expenditure and revenue collection shared between the central

government and subnational units. This can be expressed as a percentage of GDP or the total government budget. If, for example, total subnational government expenditure is 10 per cent, this implies that most government activities remain at the centre. But if, after decentralization, this percentage were to rise to say 40 per cent, then subnational units have been given a significantly high share in the delivery of services to the population. The second measure is the percentage of governments' own revenue and transfers. If subnational governments' own revenues account for only 10 per cent of their expenditures and 90 per cent comes from the central government, then the subnational governments are financially dependent on the central government and their sphere of independent action may be highly restricted. Decentralization may be nominal rather than real. It is therefore important in analysing the degree of decentralization to determine the location of subnational governments on this scale measuring financial independence and financial dependence on the central government.

A Fourfold Typology of Financial Dependence or Independence

First, let us begin with the case of zero decentralization: the subnational units are not involved in revenue collection and therefore contribute nothing to the expenditures incurred in the region. This may be the case when 100 per cent of revenues are collected from customs import and export taxes and there is a limited income tax base because the majority of peasants engage in subsistence agriculture. Second, in an improvement on this situation, the subnational government would be able to collect enough of its own revenue to finance 10 per cent of local expenditure, while 90 per cent would consist of transfers from the central government. This is the situation in Uganda. The central government transfers consist of unconditional grants, conditional grants and equalization grants. Third, in China, before the reforms of 1994, the provinces were collecting 90 per cent of all revenue, retaining a large percentage for their own expenditure and remitting about 10 per cent to the central government for running central government services. The central government was unable to carry out its responsibilities, such as financial macroeconomic stabilization, harmonization of inter-province relations and spillovers, and mitigation of regional economic imbalances and inequality.

Fourth, under recent reforms (since 1994), Chinese provinces still collect most of the revenue, but the bulk is remitted to the central government, which determines the expenditure transfers to all of the provinces of China.¹¹

Need for Analysis of the Revenue and Expenditure Context

11 Kiril Tochkov, "Interregional Risk Sharing and Fiscal Decentralization in China," New York: Department of Economics, Binghamton University (SUNY), unpublished.
www1.worldbank.org/wbiiep/decentralization/listings.htm

It must be noted that measures of expenditure and revenue shares can be very misleading. It is vital to interpret their meaning in terms of analysis of the contingent factor. Take the case of Uganda: most of the central revenues come from taxes on exports and on remittances from nationals abroad, and from donors (60 per cent of the budget comes from donors, who finance the development activities). The dominant economic activity in areas under the jurisdiction of the subnational government units is subsistence peasant agriculture. To expect these units to raise their own funds would not be realistic. But to imagine that the central government can meet 90 per cent of subnational expenditure without guidance and conditions is also unrealistic. And so the level of autonomy that the subnational government units may exercise is circumscribed by these contingent factors. Yet for them to enjoy even 10 per cent autonomy is better than zero decentralization.

Relations between Local Governments and NGOs – The Role of Community Based Organizations

Civil society is one of the essential elements of democracy, along with the parliament, the civil service, the judiciary, the multiparty system, regular elections, and an independent and free press/media. At the decentralized subnational level, civil society's roles are similar to those it plays at the national level: to mobilize people in voluntary organizations in which they may achieve their objectives without waiting for the government; to act as watchdogs over the appropriateness of government policies and programmes; to act as subcontractors for local government service provision. Since the classic study, *Democracy in America*, by the French scholar, Alex de Tocqueville¹², and the recent study of democracy in Italy by Robert Putman, *Making Democracy Work*,¹³ it is now recognized that building sustainable democracy depends on the existence of many vibrant civil society organizations. These voluntary organizations mobilize people at the grass roots and provide avenues for grass-roots participation, self-help, and self-governance. They also act as buffers between the citizens and the State and can be effective watchdogs over citizens' rights and needs.

A mushrooming of civil society organizations, both international and domestic, has followed the demise of autocracy in most African countries. Since in most post-conflict societies, such as Rwanda, Somalia and Uganda, various levels of state collapse have occurred, NGOs have tended to fill the vacuum. For example, shortly after the collapse of the Kigali regime in 1994, Rwanda was

¹² Alex de Tocqueville, *Democracy in America*, J.P. Meyer (ed.). Garden City, NY: Anchor Books (1969).

¹³ Robert D. Putman, *Making Democracy Work: Civic Traditions in Modern Italy*. New Jersey: Princeton University Press (1992).

immediately flooded with about 150 NGOs. About 50 of them turned out to be bogus and lost their registration. But clearly, a good number remained to play a critical role in the delivery of relief and rehabilitation services fundamental to the creation of a new democracy.

The existence of a diverse strong civil society is the third pillar of democracy and good governance, the other two being the State and the private sector. The presence of a vibrant civil society has several advantages. It means that alternative ways of providing services are available to the State. Involving civil society in governance promotes the utilization of accumulated social capital, tapping the wellspring of voluntarism. Civil society organizations provide a buffer between the citizen and the State. They often offer a forum for citizens' participation and the articulation of their needs and demands. In building decentralized democratic governance at the subnational level, it is vital to promote organized and systematic dialogue among the governance stakeholders, including the State, civil society, and the private sector, to map out in a participatory manner their shared roles, responsibilities and mutual expectations for governance. It is also important to determine those governance activities that will require joint action, and by which parties.

There has been a tendency for NGOs to be set up as parallel structures without working links or networks to the hierarchy of state structures. This can create mutual suspicions and antagonisms. Some NGOs understand their watchdog role as one of opposition to the government, which may reel from what it regards as their unconstructive criticisms. Where mutual suspicions exist, state agencies find it hard to regard NGOs as allies in the provision of services. The remedy is for donors to provide technical assistance to increase capacities for building bridges between local government agencies and civil society organizations and community based organizations (CBOs) through joint action, such as development planning.

In some countries too many NGOs and CBOs, too small in size, have been established. Some that exist at the national level are over-centralized, without outreach offices in the countryside. They are fragmented and isolated, often consisting of one individual with a briefcase, and owned, operated and set up as a trap for donor funding. Competition among them is ruthless and attempts to organize them in umbrella networks are resisted. They may be limited in capacity and poor in carrying out assignments. Over zealousness may not be matched by know-how and effective performance. Also, negative NGOs or CBOs might exist in the community, for example, crime syndicates, or groups that carry out tribal or religious female circumcision.

Technical assistance and capacity building for civil society is a major priority in building decentralized governance. In some countries NGOs and CBOs are located in the capital city at the national level and need to be assisted to decentralize. In other countries they are too great in number and need to be

assisted to form umbrella organizations, while in still others, they may be simply too few and the need is to promote the creation of new ones. In some countries NGOS, CBOs and state agencies misunderstand each other's roles and responsibilities and need assistance in recognizing their exclusive boundaries, as well as areas for joint action and programming.

Enhancement of Local Government Autonomy Capacity

Two Ways of Enhancing Local Government Autonomy

One way a local government unit can enhance its autonomy is by mobilizing resources from the local community and reducing its financial dependency on the central government. This option is realistic and practical in a situation where the local community is well off and there are potential revenue bases, although the subnational authority has limited capacity to assess and collect revenue. The second option regards subnational government units that receive substantial transfers from the central government but fail to account for the use of these funds. In such situations, the central government is obliged to interfere in local affairs and thus reduce the degree of autonomy that the subnational unit enjoys. Achieving high levels of financial management will enhance the degree of a local government unit's autonomy

- *Appropriate Design Features that Enhance Local Government Autonomy.* If the area of the local authority is too small, the local government is not likely to be strong and autonomous. The local government area should be a viable economic unit enjoying economies of scale. It should be politically homogenous and able to act with community solidarity. A highly socially and economically divided community will not mobilize the collective energy and force it needs to defend itself from external control and subjugation. Political strength and the capacity to lobby may deter central government encroachment on the authority of local government. One strategy is for all local government units to form an association that which will promote their interests, including keeping central government interference to a minimum. This can be in exchange for mobilizing local electoral support for national politicians.

- *Bottom-up Democratic Participation to Enhance Government Autonomy.* In countries where subnational government officials are not democratically elected and regional leaders are appointed by the central government, introducing democratic elections and enabling residents to choose their regional government officers can dramatically enhance local autonomy. Then the subnational government will be accountable to the citizens on behalf of whom it works. This "bottom-up" democratic participation would allow the conditions of the Tiebout Model to come into effect. Service delivery would be more responsive to needs because consumers would have revealed community preferences. With government activities reflecting household and community priorities and

preferences there would be more willingness to pay taxes and consequently, low levels of tax evasion. Also, officials would not be seen as agents of a remote central government that could be cheated by people shirking responsibility, and by corruption and wasteful expenditure. Citizens would not be indifferent to the corruption of local officials since their own money, paid in the form of taxes, would be at stake. Once a local government has a reputation for good financial accountability, it will receive funds from the central government and from donors without too many conditionalities, thus gaining higher financial autonomy.

Moral Hazards of Failure to Control Finance and Low Levels of Local Government Autonomy

It may be assumed that local government leaders have a moral obligation to deliver services to meet the dire needs of the people who elected them, and that they are also obligated to the central government to use transferred funds for the benefit and the welfare of the people. Yet in the absence of effective controls, some officials may divert the funds, knowing that the chances are slim that they will be caught and punished.

Giving money to local governments without effective controls leads to a “couldn’t care less” attitude. Local government officials understand that the people will not rise against them because they do not know what is going on, and that neither will the controlling government have any way of learning about the misuse of funds since it has not set up an effective financial accounting system. Those benefiting from corruption have no moral pangs and no wounded conscience since the victim is a remote impersonal entity, the central government.

The Operation of Soft and Hard Budget Constraints and Enhancing Local Government Autonomy

Local governments also enjoy “soft budget constraints.” Year in and year out, they expect the central government to transfer money to them. And if they overspend, they rely on the central authorities to bail them out. If they had to undergo the burden and cost of collecting money, they might be more disciplined in their spending. At the same time, the people would be concerned about whether services paid for with their tax money are up to par. Instead, local governments regard the central government as a remote, benevolent, unfailing provider who will always step in to stop bankruptcy. Such attitudes and behaviours are greatly pronounced in situations where there is decentralization of finance without effective external control. If a local government had to suffer the consequences of its financial carelessness, cutting back expenditures to balance its budget, this “hard budget constraint” would teach it to spend within its means. Hard budget constraints would reinforce and entrench financial discipline among local governments. This, in turn, would translate into enhanced local autonomy.

Timely and Accurate Accountability to Enhance Local Government Autonomy

If subnational government financial management systems had the capacity to keep accurate, up-to-date accounts, the high level of diversion of funds would be reduced. Subnational governments that keep their books of accounts according to specified standards should be rewarded with greater autonomy (the “carrot” approach); and those that do not keep these books in good order should be punished with reduced autonomy (the “stick” approach). Rewards could be financial but also symbolic, in the form of annual competitions or prizes.

The Auditor General’s office should ensure that audits of the books of accounts of central government ministries are not out of date. (They are in arrears in many developing countries.) With limited capacity to cope with auditing demands, even at the national level, keeping the auditing of subnational governments’ books of accounts up-to-date has low priority. Thus, financial mismanagement at the subnational government level thrives on incapacity to keep the audits current.

Poorly kept books of accounts make auditing difficult. Late auditing leads to a “couldn’t care less” attitude to keeping the books in good order. The two failures reinforce each other and lead to a major reduction in local autonomy.

An Effective Tender Process and Enhancement of Local Government Autonomy

Most financial losses at the subnational government level are not due to the crude and unsophisticated embezzlement of funds (which may be discovered in the long run). The predominant method of corruption is abuse of the tender process. Subnational leaders or their collaborators will set up their own consulting firms and NGOs, which then compete, win tenders and provide substandard goods and services. Since the subnational leaders thereby lose their moral authority to demand high-quality goods and services, the central government is advised to establish effective monitoring and check compliance with tender regulations. It may be useful to publish a list of winning and losing tender firms and NGOs, including the names of their directors, for each specific bid. The judicial system should enforce and prosecute corrupt officials and confiscate any ill-gotten property.

Local Autonomy and Checks and Balances between Local and Central Governments

In democratic systems of decentralization, national and local politicians may be mutually dependent upon one another for the mobilization of electoral support. Local politicians can resist central government policies by threatening to “de-campaign” national candidates at the local level. Similarly, when local politicians are engaged in competitive elections, getting the endorsements of national figures can be a critical winning strategy.

In most countries subnational governments do not have the right to secede as it is feared that, given this kind of autonomy, local leaders might seek to sever their region from the country and establish an independent state. Subnational governments may push for greater and greater autonomy – short of independence. The potential for local autonomy leading to independence is very real in those countries where the subnational entity has huge mineral resources. In Ethiopia, however, the threat of local autonomy leading to independence (especially if the right to secede is granted) has not materialized, largely because all of the regions are economically dependent on the central government. There, any break-away region would be burdened with large administrative costs, now absorbed by the central government.

It is often feared that local autonomy could be misused to deny human rights to minorities found in a subnational region. National and international human rights and constitutional rights could be invalidated by the attainment of full subnational government authority. However, subnational governments cannot act with impunity and need to be made aware of their limitations through civic education.

Obviously, local autonomy must not be used to nurture and harbour armed rebellion against the central government, for this would be the surest way of ending it; the national army would deploy in the area and curtail the civil liberties of the subnational region's residents. It is in the interest of leaders at the subnational level to promote and preserve democratic practices and culture, which will also guarantee the preservation and deepening of their autonomy.

Lastly, it has been observed that while local elites who have captured an area to corruptly aggrandize their personal and group interests may advocate for checks and balances to keep the central government at bay, the marginalized and excluded will expect the central government to protect them.

“In the traditional discussion of decentralization and federalism, the focus is on checks and balances, on how to restrain the central government's power, whereas in many situations in developing countries, the poor and minorities, oppressed by local power groups, may be looking to the central state for protection and relief.”¹⁴

Decentralization and Citizen Participation

Participation through Voice Mechanisms

¹⁴ Pranab Bardham, “Decentralization of Governance and Development,” *The Journal of Economic Perspectives*, 16, 4, (Fall 2002): 185-205.

The rationale for and benefits of decentralization are fully articulated in the Tiebout model.¹⁵ If subnational regions A, B, and C are homogenous, as in a case in which all of them are rural economies, then it is efficient for the central government to design a development package that is centrally administered in all of the regions. On the other hand, if the regions differ – A is agricultural, B is industrial, C engages in mining – and each region is internally homogeneous, the Tiebout model shows considerable benefits and efficiencies to be gained through democratic decentralization. The residents, better than the central state, are able to determine their issues, priorities, policies and programmes in a manner that will reflect their common and collective interests. And the subnational leaders are in a better position to articulate those preferences in such a way as to ensure that the best representative will be elected. Ideally, the size of the subnational territory should be small enough to facilitate direct participatory democracy. The leaders and the issues are not remote from the citizens. As in the ancient Athenian democracy, or in the current Swiss communes, the citizens can attend the general assembly and directly participate in the discussions and the policy- and decision-making processes.

In Uganda, direct citizen participation has been promoted at the lowest levels of governance (the parish or sub-county units). Every ordinary citizen has a right to attend the parish council meetings. The council has elected officials but any citizen can attend the sessions and contribute to the discussions. At higher levels, direct participation is not feasible and the citizens must rely on elected representatives. This has been called “participation through voice mechanisms.”

In all countries, it is possible to identify the grass-roots level where the population is settled and to set up similar decentralized units for direct participation. The subnational governments offer different public “expenditure bundles,” and individuals can vote with their feet by moving to the regions that offer better conditions and benefits.

Strengthening grass-roots units of feasible direct participatory democracy through decentralization does not preclude the aggregation of higher-level tiers for the purpose of achieving economies of scale. Even in Switzerland, where direct participatory democracy has thrived through the communes, larger regional units have been formed for achieving economies of scale. The critical point is that the communes remain the foundations on which the larger units are based.

In very large and populous countries, such as Brazil, Canada, China, India, Russia, and the United States, decentralizing to the region (province or state) is not adequate because these entities are still too remote from the grass roots where households and communities are settled and direct participatory democracy is not feasible. It is therefore imperative to identify the units through

15 Charles M. Tiebout, “A Pure Theory of Local Expenditures,” *Journal of Political Economy*, 64, 5 (1956): 416-424.

which participation will be meaningful and real, and to further decentralize to these levels.

In the past, emphasis has been placed on “voice” and “exit” as the techniques for enhancing citizen participation. While these remain potent instruments, in this age of the information revolution it is vital to harness information technology for bottom-up citizen participatory democracy. If the digital divide prevailing in developing countries were to be overcome, then genuine bottom-up planning and decision making from the grass-roots areas where the majority of households are located could be achieved. Planning databases could be set up and easily integrated with higher-tier plans and the national plan and budget. In many developing countries planning is now done manually at the grass-roots level and the amount of information generated is not easy to aggregate into higher-level plans. Given advances in information technology, this is a shame on mankind.

Limits of Direct Participation in Management

In the mid-1980s President Julius Nyerere of the United Republic of Tanzania launched a policy to enable workers to influence the management decisions of agencies and enterprises. The directive was misconstrued and workers invaded the offices of managing directors and general managers. Administrative paralysis ensued and the directive was revoked. Yet the goal of bottom-up participation is so fundamental to responsive governance that effective ways must be found to achieve it.

The effectiveness of participation through voice mechanisms depends on commitment to the systems established and rules of fairness and transparency within democratic processes and procedures. Citizens will otherwise resort to the power of the bullet rather than the power of the ballot. Elections must be democratic and frequent, as well as free and fair, and perceived as devoid of manipulation and fraud. In other words, they must be credible and legitimate. They should confer a real mandate on the representatives elected. When citizens lose trust in the efficacy of electoral systems, they may resort to mass demonstrations, as happened in Ukraine and Venezuela, and this may lead to violence.

Governments need technical assistance in institution building in order to set up capable electoral commissions and maintain up-to-date voter registration systems involving computerization, information systems and databases. Participation through electoral voice can result in the choice of alternative leaders, and also in the recall of representatives. In many cases, having the opportunity to vote lessens armed rebellion and leads to peace and security.

Public Hearings

Citizen participation can also be promoted through public hearings. These have been effectively used in Latin America to subject the proposed budget to public scrutiny, inclusions and revisions. In Francophone countries, public hearings are convened at which citizens can pose questions to public officials on public policies, actions and omissions. In Uganda methods used include extensive consultations, public dialogues, and focus group meetings. Proposed draft policies are circulated to relevant stakeholders for comments, observations, and calls for change. Extensive participation in proposed policies also takes place through the media (i.e. newspapers, radios and TV).

Exit Mechanisms

Citizens may participate through exit mechanisms (voting with their feet) as provided for in the Tiebout model. Investors can leave a town or city that has a reputation for poor services and move to another. This mechanism of voting with one's feet can put considerable pressure on public service providers. But unfortunately, moving from an impoverished region with poor governance to one that is better off and has effective governance may not always be feasible. Citizens in developing countries have rigid "sunk costs" in land and housing and it is not easy for them to dispose of their assets and move to better jurisdictions. Some preconditions for the Tiebout model do not exist in poor countries: the citizens are not fully informed, population mobility is very low (except for people moving to urban areas), and information and accounting systems for monitoring public officials are very weak.

Decentralization and Service Delivery to Citizens

Service delivery to citizens may be considered from the standpoint of two types of decentralization – that guided by the principle of subsidiarity; and that guided by the principle of management by results. Some services are best delivered at the national level; others at the regional level; and many at the grass-roots level where the consumers of those services are located. Assigning duties and responsibilities according to the principle of subsidiarity is likely to lead to positive answers to the following eight questions, used in evaluating the efficacy of service delivery performance:

- Are services to citizens relevant and responsive to their real problems and concerns?
- Are services to citizens adequate in quantity in terms of numbers of people served?
- Are services to citizens being delivered effectively in terms of achieving targets?
- Are services to citizens being delivered efficiently with minimal costs and maximum benefits? What is the ratio of outputs in relationship to inputs?

- Are services to citizens being delivered in a timely manner, without undue delays?
- Are services to citizens adequate in quality in terms of standards and norms?
- Are services to citizens achieving results in terms of expected outcomes?
- Are services to citizens achieving results in terms of expected impacts?

The concept of service delivery to citizens forces actors (e.g. local governments, groups of affected citizens) to focus on exactly what the subnational government intends or plans to provide, and what the citizens expect to get in terms of the quantity and quality of services rendered. This is management by results. Perhaps the target is to bring clean drinking water to within half a kilometre of each rural household; or to ensure that each village has at least one primary health care centre and one primary school by the end of 2005.

First, it is essential to establish the baseline and the performance anticipated in terms of that baseline. This should be very explicit in spelling out the expected outcome and impact of the specific services being delivered. Baselines have been successfully introduced in the developed countries (e.g. Australia, Canada, the U.K. the U.S.A., and the OECD countries). However, developing countries are lagging very far behind.

The service delivery approach has also led to innovations in service delivery measurement. Important and well-developed measuring methods are citizen surveys and polls. These seek information on whether services reach their intended beneficiaries and determine the level of satisfaction with the services delivered in terms of the eight qualities outlined above.

Community Information and Epidemiological Technologies (CIET)¹⁶ International, based in Mexico, has used “sentinel sites,” survey-sampling posts located in the countryside among the population receiving the services. The surveys generate data on each specific service being delivered (e.g. health, education, extension) in terms of the frequency with which the citizens receive the service, and how they assess its relevance, quantity, and quality. CIET International calls this approach “evidence-based planning.” Since the sentinel sites do not coincide with the administrative planning boundaries of decentralized units, the data is not easy to aggregate and harmonize with that of subnational government planning areas. The system could be made more relevant by placing the sentinel sites in the grass-roots decentralized units (e.g. the communes, parishes, etc.) and then correlating the data collected with the administrative statistics of the planning areas.

¹⁶ CIET is an international group of epidemiologists and social scientists who bring scientific research methods to local government and community levels. It is an academic institute in Mexico and an NGO in several other developing countries, dedicated to involving local communities in decision making. For more information, see <http://www.ciet.org/>

It is vital that the decentralized subnational governments introduce results-oriented management in terms of targets, inputs, activities, outputs, outcomes and impacts.¹⁷ Implementation of projects and provision of services also need to be based on the results-based concept, monitored, and evaluated.¹⁸

Good Practices and Lessons Learned

Rules of Good Practices and Lessons Learned

Guess, Loehr and Martinez-Vazquez have developed the following principles or “rules” for fiscal decentralization:¹⁹

- *Autonomy*: Subnational governments should be independent in setting their own expenditure priorities. If priorities are determined by centralized structures, then decentralization has not taken place; the subnational government is being treated essentially as an appendage of the central government.
- *Revenue Adequacy*: The subnational governments should have revenues available to meet their obligations. This does not imply that they will necessarily have everything they need to deliver services; however, it points to the need to ensure that central ministries do not consume scarce national resources for functions that have been devolved to the subnational governments.
- *Equity*: Funds for the subnational governments should vary positively with the need factors and inversely with their own capacity to tax. This means that central government must take a careful look at revenue allocations in relation to the unique needs of subnational governments. This rule often gets applied by means of an allocation formula that differentiates among subnational governments according to criteria such as basic needs unmet, the poverty index, population density, remoteness and the like.
- *Predictability*: This rule is very important. Subnational governments should be able to predict revenues available to them from their own sources (via

17 United Nations Development Programme, *Measuring and Managing Results: Lessons for Development Cooperation*. New York: UNDP, Office of Evaluation and Strategic Planning (1997).

18 Jody Zall Kusek and Ray C. Rist, “Ten steps to a Results-Based Monitoring and Evaluation System,” Washington, DC: World Bank (2004).

19 G. M. Guess, W. Loehr and Jorge Martinez-Vazquez, “Fiscal Decentralization: A Methodology for Case Studies,” USAID under the Consulting Assistance on Economic Reform (CAER II) project Task order #4, Washington, DC: US Agency for International Development (1997).

revenue projections), automatic shares in taxes, and transfers for specific purposes. Budget accuracy is essential to good governance. Virtually any system for tax sharing and/or transfers that avoids automatic releases will be open to politicization and administrative fiat. So it is important to devise a system that, to the degree possible, shares resources on an “automatic” basis in accord with one or more formulae.

- *Resource Allocation:* In order to obtain efficiency, revenues should be received in a neutral manner, based on subnational governments’ decisions about allocations to different sectors. Efficiency will decline to the degree that revenues do not allow management flexibility or require excessive “pre-auditing” (i.e. central approval) of expenditures.
- *Simplicity:* Revenue sharing should be simple and transparent so that subnational governments, the central government and citizens understand how much is being shared and for what purposes. The practices of “grantsmanship” should be discouraged even though these tend to be highly valued features of government leadership in the more dysfunctional centralized systems. Grantsmanship refers to the ability of a leader to leverage resources from a system above and beyond the norm. Whether practiced by a politician or a civil servant, the grantsmen approach, if widespread, undermines the system’s credibility and transparency.
- *Incentives:* Good management and efficient service delivery should be rewarded. There are a variety of ways to structure incentives so that they do not get disguised as another form of grantsmanship.
- *Safeguards for Grantors:* Central government plays an acceptable role in imposing safeguards to ensure that objectives are met when it transfers funds for specific purposes, or simply shares a portion of tax revenue. In the former case, a more activist monitoring role is appropriate; in the latter (the untied sharing of revenues), its most important role is to ensure that, cumulatively, subnational governments do not exceed certain safe levels of project commitments and borrowing (e.g., if they are allowed to incur deficits through credit financing). These roles are especially important in a unitary state like Thailand. The trick is to strike a balance between the rule of “safeguarding” and the rules of “autonomy and resource allocation.”

A Holistic Model of Good Practices

The holistic model (by Deborah Wetzel) of good practices and lessons locates the decentralization subsystem within five subsystems with which it interacts.²⁰

²⁰ Deborah Wetzel, “Decentralization in the Transition Economies: Challenges and the Road Ahead.” Washington, DC: World Bank (2001).

At the national level – the first layer – structures conducive to decentralization are established. Administrative reforms are undertaken and legal and regulatory frameworks are set up. This is the first set of “overpinnings.” The second set of overpinnings is the system of accountability that is put in place. This includes electoral systems; channels for the generation and distribution of information and communication; the rule of law and mechanisms to prevent state capture; and macro fiscal management systems. At the micro level, three “underpinnings” are required: 1) the capacity of the urban and rural communities; 2) information and monitoring systems; and 3) the nature and quality of civil society and its mobilization of social capital.

The second layer sets out the constituent parts of a system of intergovernmental finance: expenditure and revenue assignments, the transfer system, and the legal and regulatory framework for subnational borrowing. It is important that this component be coherent and that it create the right incentives for responsible behaviour for each part of the system.

The third layer is composed of elements such as capacity building, strengthening of civil society, and specific systems of information and monitoring.

The effectiveness of an intergovernmental financial system (IGF) for decentralization depends on the performance of the two overpinnings and the three underpinnings. The four elements of an IGF are expenditure assignment, revenue assignment, transfers, and the borrowing framework. When the 27 countries of the Commonwealth of Independent States were rated using this model they were classified as follows, according to their level of progress: Keen decentralizers; Uncertain decentralizers; Non-decentralizers; and Decentralizers by necessity.

The countries were rated in terms of the seven challenges derived from the holistic model:

- Challenge 1. Adapting to changing government structures: They must determine the appropriate role and size of the subnational level. Measures to reform government structures must take into account the appropriate scale of key services and the roles and responsibilities must be set out in a clear legal framework.
- Challenge 2. Strengthening Accountability: Mechanisms that affect the degree to which local governments can be held accountable are: elections, mobility, information, rule of law, and the extent to which the State can be influenced by outside interests. Of these, it has been said that elections (voice) and freedom to move to another jurisdiction (exit) are probably among the most discussed in the literature.

- Challenge 3. Managing shared responsibilities: Although countries usually have legislation indicating the levels of government and their respective responsibilities in given areas, these typically do not go far enough in specifying the details for each level's involvement. It is important that all stakeholders agree upon objectives and decide who does what (e.g. with regard to financing, regulating and providing services). Systems of checks and balances should be established, including alternatives for service provision.
- Challenge 4. Augmenting Revenue Autonomy: The limited amount of revenue autonomy at the local level is perhaps the most significant signal that countries have not really decentralized, but rather have deconcentrated, or delegated responsibilities. Many countries have very high marginal tax rates, which discourage local governments from making use of their own taxing authority. Revenue autonomy can probably best be increased by starting simply and modestly.
- Challenge 5. Clarifying transfers: One basic point that is often disregarded is the need to use the mechanism created as the basis for determining the resources transferred. After going to great lengths to create formula-based systems, some countries carry out actions that completely undermine those very systems. Once an approach for allocating resources is agreed upon, there should not be other ad hoc approaches that undermine the incentives of that system.
- Challenge 6. Managing and monitoring subnational borrowing: Subnational authorities must adapt to a more rigorous standard of accountability associated with financing their activities on commercial terms. National authorities must adapt to the role of an effective regulator, moving away from the more traditional role of directly controlling the finances of subnational governments. Countries that have been active in establishing a stable and effective regulatory framework for subnational borrowing are the most committed to supporting the development of autonomous subnational governments.
- Challenge 7. Capacity Building: Building capacity requires two key elements: creating incentives for localities to undertake actions that enhance capacities effectively; and providing support and guidance as they build skills in decision making, planning, resource mobilization and management, communication and coordination, conflict resolution, etc.

Rather than doing advance planning and making large up-front investments in local capacity building as a prerequisite for the devolution of responsibility, it is likely to be quicker and more cost-effective to permit learning by doing – to begin the process of devolution and build capacity through practice. The key is to make

sure that the capacities built from the bottom up are consistent with the strategies of decentralization being proposed from the top down.

Innovations in Decentralized Governance

Avoid One- Size- Fits- All Solutions and Reinventing the Wheel

Innovation in decentralization must avoid two extremes. There is a lot of scepticism about transferring innovations from one country to another as what works in some of them may be inappropriate, irrelevant or harmful in others. It is important to avoid a one-size-fits-all mentality. Pushing this attitude to the extreme will lead to a lot of wasteful reinventions of the wheel. Decentralization is now a global phenomenon and vast numbers of innovations have been applied and tested in many countries. What is required is creative adaptation and adoption of best practices and lessons learned.

The second extreme is the unimaginative copying of models and approaches from other countries without careful consideration of the contexts in which they were developed. A new decentralization innovation may fail not because it is inherently faulty, but because the society into which it is being introduced is not ready for it. This failure to assess readiness is a common major mistake. For example, if there is no political support for democratic decentralization among a country's leaders, then it is unrealistic to attempt to sell the country on the idea.

Comprehensive Model of Decentralization Actions

The second most important strategy for using innovations in decentralization is to fit them in sequentially as the process moves forward. It is advisable to introduce innovations gradually, allowing subnational governments to bite off only what they can chew. A menu of strategic choices and options for countries at different stages of decentralization – a comprehensive model for decentralization actions – would include:

- *Zero decentralization.* In a State with a highly centralized, autocratic government, a small elite committed to decentralization reforms should network with external partners to advocate and promote support for decentralization. The target should be to create political will and commitment among the top political leadership. External technical assistance should target building the capacities of the domestic champions of decentralization reforms.
- *Emerging political will and committed leadership and champions.* The government may be assisted in setting up decentralization task forces and study commissions to review use of participatory methods to generate decentralization policy proposals and options. Such study and task forces

can access a wealth of on-line information and databases, starting with the World Bank website on decentralization.

- *Policy of democratic decentralization by devolution just adopted.* A legislative framework for democratic decentralization should be adopted and the government's decentralization policy presented to parliament, which should then pass a Decentralization Act. Countrywide debate and consultation with citizens involved in the adoption of decentralization should also take place. Subnational governments would have some legal functions and could sue and be sued in courts (subject to the rule of law).
- *Country has created subnational governments deriving their authority and powers from an Act of Parliament or the highest legislative body in the land.* At the earliest opportunity, the system of democratic decentralization should be embodied as a provision in the national constitution and subnational constitutions, if they exist. This provision should be formulated in terms of enduring principles and avoid time-bound specifics. For example, it should provide the principle of democratic election without specifying types of electoral systems; these can be decided upon by parliament or by the Electoral Commission. This innovation brings decentralization into the realm of constitutionalism, to be interpreted by constitutional courts in case of disagreements.
- *Country is assigning functions and resources to subnational governments.* A whole gamut of national and subnational government agencies' decentralization institutional reforms reflect possibilities for sharing functions and resources. These may also be conceptualized in a sequence, starting with first generation structural reforms that focus on the rationalization and streamlining of functions and structures. This exercise must be carried out at both national and subnational levels.
- *Country is re-assigning revenue and expenditure.* This is a very technical subject for which formulas have been developed. It involves the determination of what revenues shall be collected and by what tier, how the expenditures are to be shared, and the manner of their disbursement.
- *Country practices subnational borrowing.* This practice involves a few large subnational governments (e.g. Brazil, China, Nigeria, Russia) that control substantial economic assets and can engage in commercial borrowing or investment. Subnational policies, regulations and controls need to be designed bearing in mind that this borrowing can be abused, and that the nation can be landed in financial crisis (as happened in Argentina, Brazil, and some Asian countries).
- *Country has completed first generation reforms and is contemplating second generation structural reforms.* There is a need to adopt

innovations of strategic visioning and planning, particularly results-oriented management. Agencies need to shift from management based on inputs to demand-side management focusing on output, outcomes and impacts. The emphasis should be on bottom-up participatory methodologies.

- *Strengthening grass-roots democracy and bottom-up planning.* Deliberate innovations that promote grass-roots democracy need to be promoted. There is a tendency to ignore this, or to relegate it to meaningless rhetoric. The tradition of communes in Switzerland needs to be explored by all countries and lessons derived from it. It is an empty claim to say that grass-roots democracy is not possible because of the large-scale nature of modern states.
- *Curbing propensity for capture of subnational entities by local interests and corrupt elements.* The greatest danger to subnational decentralized democracy is the hijacking or local capture of the subnational polity by political and/or business elites who act against grass-roots interests. This requires the introduction of countervailing innovations such as the mobilization of mass-based NGOs and CBOs to countermand elites with land and property.
- *Innovations and systems of accountability.* Up-to-date financial bookkeeping and audited accounts must be institutionalized and the planning system computerized. The financial management system should be based on modern technology. Budgeting should be subject to strict, hard budget constraints and opportunities for moral hazard eliminated.
- *Introduction and institutionalization of results-based monitoring and evaluation systems.* Results-based planning and programming are preconditions for results-based monitoring and evaluation. The World Bank has evolved a sophisticated results-based monitoring and evaluation system but its application to programmes designed and implemented without results-oriented management and planning is impractical. However, the “better-late-than-never” principle should be adopted.

First Generation Decentralization Reforms

Over the last two decades, public sector reforms have concentrated on redefining the roles and functions of public administration and streamlining structures and institutions to carry out those functions. These were the so-called “first generation reforms.” Massive privatization was undertaken and private sector development initiatives emphasized. Many countries launched democratic decentralization policies and programmes. In many countries, public administrations are still at the stage of grappling with first generation reforms. It is therefore important to determine what stage a country has reached with these reforms, and to consider

whether it is ready to initiate so-called “second-generation reforms,” which focus on performance and the quality of services being delivered to citizens.

Need for Results- and Performance-based Management Systems

In Uganda, the government adopted a policy of results-oriented management. But the rate of implementation has not been high because a lot of money and technical know-how are needed to get such a system up and running. In addition, implementing the system would put heavy demands on the strategic and action planning skills of public administration managers. Besides, the government was already coping with the challenges of implementing first generation reforms and that compounded the difficulties of dealing with the complexities of introducing results- and performance-based management into the public service. There is a need for international agencies and donors to seriously consider the nature of the technical assistance that they provide to countries. They also need to examine the experiences of such countries as Australia, Canada, the U.K. and the U.S.A. to determine the best practices and lessons learned for assisting a country like Uganda in adopting results- and performance-based management in its public sector. In particular, there is a need to assist government agencies to adopt planning to outcomes and impacts, and not simply inputs and outputs. This would also facilitate monitoring and the evaluation of results.

Need for Effective Regulation

It is now very clear that massive privatization of public enterprises creates a need for the regulation of emerging competitive manufacturing and service enterprises. The central government must set production and service standards and insist that they are met. Without such regulation, consumers can be exposed to substandard products and services and the environment can be further degraded. In Uganda it is now realized that the capacity of the Uganda Bureau of Standards needs to be boosted and new regulatory agencies have to be put in place. The extensive decentralization of expenditure to districts has led to the recognition that the central government needs to monitor, regulate, and uphold standards of financial management; the capacity to maintain up-to-date books of accounts hardly exists and capacity to conduct up-to-date audits is limited.

Urban Governance to Cope with User Population Pressure on Services

In many countries, the space occupied by towns and cities has not expanded. But at the same time, populations of users of urban services (transport, water and sewerage systems, the electricity and energy grid) have expanded beyond the capacities of these various services to cope with current needs. There is an urgent strategic imperative for urban public administrations to focus on aligning services to new demands. How can long-term urban planning anticipate rapid expansion of user demands and respond creatively?

Information Systems and the Public Administration Digital Divide

The information revolution has still not been fully realized within the public administrations of developing countries. The vision should be to connect central ministries' databases with each other and with subnational decentralized government units. In Uganda, Internet connectivity should link the lowest administrative units (parishes or sub-counties) to each other and to the districts. The dream should be to have on-line information systems permeate all units and levels of public administration. The digital divide in public administration is very wide in Africa and the UN could coordinate an effort (and mobilization of the necessary resources) to enable African countries to catch up.

Conclusions

Decentralization is the transfer of authority and power from the central government to subnational government units. Instead of political and economic power being concentrated at the national level, power is dispersed to lower level subnational entities. The subnational governments are themselves arranged in tiers (state, region, municipality, canton, parish or town). It is a common practice to specify the lower primary units to which power has been decentralized. This specification may be in steps: the central state transfers to the regional level, the regional level to the municipal level, etc. Transfers may occur within transfers.

Decentralization may take three forms: deconcentration (of the administrative network); delegation to semi-autonomous bodies (also involving purely administrative powers); and devolution, which transfers all forms of power, particularly political power. Under decentralization by devolution, an autonomous corporate body politic is created at the subnational level with both political and administrative powers. These powers are derived from the residents of the area through democratic elections. Grass-roots participatory democratic practices are essential to the success of this form of decentralization.

Several fundamental principles need to be enshrined in the design of decentralized entities. One is the principle of subsidiarity, which specifies that functions (provision of services) should be undertaken at the lowest level at which they can best be provided and consumed. Thus, primary schools and primary health care centres should be provided at the grass-roots level where they are utilized. The word "provided" is meant to include decisions about preferences and options. A remote central authority should not decide on community-level allocations. It is through democratic elections that the preferences of residents are revealed and the leaders likely to deliver them are chosen. Thus, genuine grass-roots democracy is essential to the success of this form of decentralization.

Assistance must be provided to enable the conditions of the Tiebout model to prevail. The population should be homogeneous and the local polity should not

suffer capture by colluding landed, business, trading elites who may use the subnational state machinery to aggrandize power and use it for selfish and corrupt purposes. In such a situation service delivery by the subnational government will be inefficient. In order to assert its autonomy, the local government should be able to raise substantial revenues of its own. The extent to which it relies on central government transfers is the extent to which it is controlled and less autonomous.

When subnational governments depend heavily on central government transfers, agency problems creep in. Since the central government is far away, subnational government leaders do not see themselves as its agents with regard to transferred funds. As residents are not directly paying the money that their leaders are spending, their right to demand accountability is curtailed. This allows moral hazard to prevail: money is wasted, yet more is sent to bail out the local government and ensure that services do not stop. Unfortunately this, in turn, encourages further wasteful spending. Failure to account for the use of resources leads the central government to interfere, and to curtail subnational autonomy.

Subnational governments should be subject to hard budget constraints. They should also balance their budgets and be encouraged not to overspend and expect bailouts. Only very large and prosperous subnational governments should be allowed to borrow, and then, just for capital investments. They should not be shielded from the rewards and punishments of market forces; nor should they be allowed to endanger national financial stability. Subnational governments need not reinvent the wheel, but can engage in the creative and imaginative adoption of good innovations, best practices and lessons learned, reviewed above.

Chapter 11

PARTICIPATORY GOVERNANCE IN CITIES

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with

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Citizens “participate” in government for obvious reasons: to try to get government agencies to meet their needs, support their priorities, and protect their rights. They become involved to get governments to do something or change the way they do things. While this participation can take many forms, it usually falls into two categories: direct engagement with government bodies; and influencing government by voting for elected representatives.

This chapter will highlight the importance of supporting direct engagement with government bodies within urban centres in low- and middle-income countries because of these bodies’ demonstrated capacity to reach large numbers of low-income households with significant improvements for people’s lives. These are potentially important contributions to reducing poverty. Direct engagement can reduce not only the immediate causes of poverty (such as inadequate income, unsafe water and dangerous, insecure housing) but the factors that cause or perpetuate them – especially poorer groups’ exclusion from government processes. As such, support for direct participation in government can contribute to meeting many of the Millennium Development Goals.

Many of the examples given in this chapter show how support for direct participation can greatly reduce unit costs for infrastructure and service provision for local governments – which in turn allows limited public resources to go much further. This also contributes to making representative democracy more accountable to lower income groups. As such, one would expect governments and international agencies to support such innovations. But in reality, in most of the examples of direct participation discussed strong opposition both from within governments and from the outside had to be overcome. In addition, few international agencies were prepared to support innovative concepts until they had been shown to be successful. Most local and national governments and international agencies find it easier to say that they want more participatory governance than to change their structures and their relationships with poorer groups to allow it to happen.

Building Democratic Structures and Systems from the Bottom Up

In meeting citizens’ physical needs in urban areas, representative democracy has worked well in some countries and very inadequately in others. In high-

income and some middle-income nations, most of the urban population (including most households with low income) live in secure, permanent housing with good quality fresh water piped to the home (and available 24 hours a day in kitchens and bathrooms), safe and convenient sanitation, storm drains and regular collection of household waste. People have access to health care and to schools. Their neighbourhoods have police and emergency forces, for instance ambulance and specialized health care services that respond rapidly to serious injuries and fire services that answer emergency calls. There are also complaints procedures to follow if citizens feel they have been poorly served or cheated by any public service, and safety nets to tide them over if they are unable to work or lose their source of income. The webs of local institutions and services may have their limitations, and may fail to adequately serve a proportion of the population (typically the poorest), but they ensure that most of the population avoids physical deprivation.

In low-income and most middle-income countries, few if any of these physical needs are met for large segments of the urban population. Representative democracy has not done much for them. In most cities in these nations, between a fifth and a half of the population live in accommodations that are overcrowded and often of very poor quality. Large sections of the urban population live in illegal settlements, with the constant threat of eviction. Forced evictions are also common, with all the devastation this brings to people's lives, assets and livelihoods. Most households do not have safe, regular, convenient provision of water and sanitation, solid waste collection and storm drains. Tens of millions have no sanitation facilities in their homes. Public provision of schools, health care facilities, emergency services and "law and order" is inadequate or non-existent for much of the population and violence has reached record levels in most cities or poor city districts.¹ It is common for between a third and a half of the urban population to be below the poverty line – and for infant and child mortality rates in urban areas to be 10 to 20 times higher than in any well-governed urban area.² This is even the case in countries with several decades of representative democracy. As Jockin Arpurtham, the leader of India's National Slum Dwellers Federation has commented, India has had a representative democracy for decades, yet over 20,000 households in Mumbai still live on the pavements and millions live in slums.³ Clearly, more effective governance models are needed.

¹ See the special issue on "Urban Violence and Insecurity," *Environment and Urbanization*, 16, 2 (2004).

² David Satterthwaite, *The Under-estimation of Urban Poverty in Low and Middle-Income Nations*, IIED Working Paper 14 on Poverty Reduction in Urban Areas. London: IIED (2004): 1-69.

³ This comment was made at a meeting in South Africa, as the country was making the transition to a representative democracy – to encourage the urban poor to form their own organizations and

Any discussion of the tools and methods of participation in government has to recognize this very large difference. If most citizens have their physical needs met and civil rights protected, a society is more likely to be content with representative democracy. Most people do not want to actively participate in the planning, construction and management of roads, footpaths, water supply systems, sewers and drains, electricity systems and telephones, or in managing street cleaning, solid waste collection, parks, and playgrounds. They want political and bureaucratic systems with channels they can use if they think they are being over charged, receiving poor quality service, or denied service. For most of the population, such channels are available through procedures set up by the service providers or elected representatives. The same is true for schools, other facilities for children and health clinics, although citizens may want more scope for direct involvement in management – for instance in schools through parent-teacher bodies. There is often a need for an official channel for grievances that is independent of political systems and the service provider, but this can only work if the majority of the population does not need to use it.

The discussion of tools and methods for participation is inevitably very different when large sections of the population do not have roads, footpaths, water supply systems, sewers and drains, electricity systems, telephones, solid waste collection systems and facilities such as children's day care centres, schools, and health clinics. Representative democracy may help to reduce the proportion of the population lacking such provisions; it has certainly helped to do so in some Latin American nations – especially those that, in recent decades, have returned to democracy after a period of military dictatorship – and in countries that have experienced a widespread move toward elected city governments and decentralization. But there are many representative democracies in low- and middle-income countries where the basic needs of large sections of the urban (and rural) population remain unmet or inadequately met, and where representative democratic structures have shown little capacity to progress towards meeting them.

This raises the question – are there forms of citizen participation in government that are more effective than conventional representative democracy for citizens with unmet basic needs? This paper seeks to demonstrate that there are many forms of direct citizen participation in government that have expanded and improved provision of basic services for lower-income groups. Furthermore, these types of citizen participation are not damaging or undermining representative democracy; indeed, they are often making it work more effectively. Most of the scope for this direct participation is inevitably in local government – which for urban areas means city or municipal government or the local branches of state or national government agencies.

not to trust “representative democracy” to address them. More details of this are given in a later section.

The Importance of "The Local" for Urban Citizens

It is stating the obvious to say that the deprivations faced by “the urban poor” are experienced locally – inadequate food intake, inadequate asset bases, daily challenges to health in poor quality homes and inadequacies in the provision of infrastructure and services as highlighted above. Most of these deprivations will not be addressed by “more external investments;” changes are needed in the way local and external investments are made, in who determines what investments are made and how external resources are used, and in to whom those who make these decisions and investments are accountable. This implies changes in local governance that increase the power of those whose needs are unmet or inadequately met.

In any urban centre, the proportion of the population facing such deprivations is also greatly influenced by the extent to which local governments and other local institutions act to lessen the cost of necessities (for instance keeping down the price of land for housing with piped water and good provision for sanitation) and provide certain key services that are available to all, independent of their income – such as schools, health care centres, police and emergency services, centres catering to children’s special needs, sufficient safe water even if it cannot be paid for, and safety nets. But in most low- and middle-income countries, local institutions do little or nothing to provide such services – and usually lack the capacity to do so. This helps to explain why so many people live in makeshift homes in illegal settlements that lack a connection to piped water and sewer networks and other public services, and why it is common for a high proportion of a city’s population to be unable to use official health care providers and schools.

Thus, one of the central issues for national governments, and for external development assistance agencies working to reduce poverty, is the extent to which they support the development of stronger local institutions that really deliver for those with limited incomes and are accountable to them. This means not only providing schools, health care, clean water and sanitation, but protecting civil, political and resource-using rights, enforcing the rule of law to shield the poor from powerful vested interests, and ensuring secure tenure of the land on which people have built their homes, micro-finance, and access to local infrastructure-building agencies. The extent to which “non-local” development actors support institutional or political changes that lessen the negative impact of local institutions (anti-poor local governments, pro-rich-and-powerful legal systems) is also a consideration.

It is obvious that most local governments and other official service providers lack the funding and capacity to ensure that everyone’s needs are met. In such circumstances, the key issue becomes how these local governments and other official service providers support other ways of addressing these needs – for instance provision of services by local or international NGOs or community organizations. This paper will provide many examples of community

organizations and local NGOs that have played critical roles in reducing poverty, helping to meet low-income groups' needs in ways that they could afford, were often more participatory, and enabled the poor to hold the service providers accountable. The paper will also describe how such local provision of services can reach a very large scale if supported by local governments and other external agencies.

What is Participatory Governance⁴

Participatory governance places particular emphasis on the inclusion of people who are marginalized or excluded from conventional governance. It implies the introduction or strengthening of mechanisms to encourage the direct involvement of those who find it difficult to participate in state structures and processes. In almost all circumstances, this includes those with limited incomes; it also includes those groups facing discrimination based on gender or ethnicity.⁵

Participatory governance also implies an arena of action that goes beyond a specific project and involves government engagement with civil society groups. Government's engagement with citizens in individualized consultation and decision-making processes may be considered part of good governance but it is not considered here as participatory governance. Participatory governance differs from "good governance" in its emphasis on the inclusion of groups whose interests and priorities tend to get marginalized in representative democracy.

- *Participation.* Before discussing the tools and methods used within participatory governance, it is important to be clear about what is meant by "participatory" and by "governance." The participation of the governed in their government is, in theory, the cornerstone of democracy. Yet as Arnstein's careful analysis of the different levels of citizen participation in community and city programmes in the U.S.A. shows, "participation" can be tokenistic or used by those in power to serve their ends – or it can give citizens more power (see Box 1). Arnstein's "ladder of citizen participation" is specific to the struggles that low-income citizens and their community organizations in the U.S.A. had in getting real participation within particular government programmes in the 1960s. A ladder of participation was constructed to examine an aspect of citizen-government relations (for instance, not specific government programmes but the way that city government worked or its budget was defined), or it was

⁴ This section draws on Diana Mitlin, "Reshaping local democracy," Editorial in *Environment and Urbanization*, 16, 1. (2004): 3-8.

⁵ See Mitlin (2004), *op. cit*; also John Gaventa, "Participatory local governance: six propositions for development," IDS paper presented to the Ford Foundation, LOGO Programme Officers' Retreat (2001); see also Hartmut Schneider, "Participatory governance for poverty reduction," *Journal for International Development*, 11 (1999): 521–534 for a different perspective.

constructed to look at government “housing” and urban programmes “for the poor” in another country. In this chapter, the interest in participatory governance is in cases where this resulted in partnerships between citizen organizations and government that ensured needs were met (or better met) and where citizen groups that are often excluded from government (especially the poorer groups) obtained more power in ways that also had positive benefits in terms of needs met. *The most fundamental test of whether “participation” is real participation is whether it addresses inequality.*

Box 1: Arnstein’s Eight Rungs on the Ladder of Citizen Participation⁶

Citizen Power	8. Citizen control: Where citizens can govern a programme or institution, be in full charge of policy and management, and negotiate the conditions under which “outsiders” may change this.
	7. Delegated power: Where citizens achieve dominant decision making authority over a particular programme.
	6. Partnership: Through agreements to share planning, decision making and other responsibilities, power is redistributed between citizens and power holders. This works best where there is an organized power base in the community that is accountable to community members and has financial resources.
Tokenism	5. Placation: Citizens begin to have some influence but provision for this by power holders is still tokenistic. For instance “worthy” representatives of the poor are put on a board – where they are in a minority and where they are not accountable to a constituency in the community.
	4. Consultation: The extent of participation depends on how much the consultation influences what is done and how it is done (and with whom). Surveys may be carried out with little provision to ensure that their findings influence anything. Governments often use measurements of consultations (how many people attended meetings or answered surveys) as measurements of involvement when they do not actually measure real participation.

⁶ S. R. Arnstein, "Eight rungs on the ladder of citizen participation," *Journal of the American Institute of Planners*, 35, 4, (1969): 216-224. This has drawn from Arnstein’s text in elaborating these different levels but in doing so has sought to make them more general than her original, which was specifically to address the limited participation within community action programmes and model cities programmes in the U.S.A.

	3. Informing: Informing citizens of their rights, responsibilities and options can be the most important first step towards legitimate citizen participation. But this is tokenism when the emphasis is on a one-way flow of information from officials to citizens with no provision for feedback or for citizens to renegotiate. Examples include organizing “community” meetings dominated by officials’ presentations with little opportunity for questions and discussions.
Non participation	2. Therapy: The real objective is to change those attitudes and behaviours of participants that local government officials do not like under the guise of seeking their advice – for instance getting resident groups to help clean up their neighbourhood rather than question the lack of government services.
	1. Manipulation – for example, citizens placed on advisory committees that have no power, or where the citizens have no power.

• **Governance.** Interest in participatory governance developed out of a growing interest in “governance” within discussions of development, as well as environmental management. Its roots can be traced back at least to the 1950s and 1960s, when building the capacity of public administrations received considerable international support – although this was conceived of as support for “good government” rather than “good governance.” Interest in good governance was partly related to the dissatisfaction of official international agencies with the shortcomings of the national recipient governments who were their official partners, and through which their development assistance was largely channelled. In part, it had to do with the search for more effective development strategies after the disappointing results of some international agencies’ promotion of the market – a response to earlier critiques of the performance of government agencies.⁷ During the 1990s, the interest in governance was further fuelled by a growing discussion of how work on poverty should be expanded from its almost exclusive focus on income and consumption to include public services, civil and political rights and voice, all of which relate strongly to governance.⁸ The reason for the search for more effective governance in urban areas was obvious: between one-third and one-half of city populations commonly lived in overcrowded housing structures of poor quality in

7 For a review of the record of privatization with regard to water and sanitation in urban areas, see Jessica Budds and Gordon McGranahan, “Are the debates on water privatization missing the point? Experiences from Africa, Asia and Latin America,” *Environment and Urbanization*, 15, 2 (2003): 87–114 http://www.iied.org/human/eandu/sample_pubs.html

8 Robert Chambers, “Poverty and livelihoods; whose reality counts?” *Environment and Urbanization*, 7, 1, (1995): 173-204; B. Baulch, “The new poverty agenda: a disputed consensus,” *IDS Bulletin*, 27, 1 (1996): 1-10; and Satterthwaite (2004), *op. cit.*

informal settlements, under illegal and insecure conditions, and with inadequate or no provisions for piped water, sanitation and drainage.⁹

But the issue of governance was also pushed onto the development agenda by bottom-up pressures from citizens and their organizations. Better governance had become a pressing issue all around the world, especially for citizens living under dictatorships with large-scale and continuous abuses of human rights. In the closing decades of the last century, people's movements in many countries demanded systemic changes in government, and helped to drive a switch from politically repressive regimes to those offering multi-party democracy.

Governance as a concept recognizes that power also exists outside the formal authorities and institutions of government.¹⁰ At its root, governance is the construction of new relationships between citizens and their governments.¹¹ The term "governance" is used for one aspect of this citizen–government relationship; it encompasses *the institutions and processes, both formal and informal, which provide for the interaction of the State with a range of other agents or stakeholders affected by the activities of government*. Thus, it includes not only government institutions but also the wider set of institutions and organizations that influence the processes of government. "Arguably, this broader set of relationships has long existed, but a previous concept of government was that it should somehow stand back from the messy business of negotiating acceptance of and agreement to its own processes and decisions. There is now recognition that this messy business is part of the process."¹² Rather than government taking decisions in isolation, there is growing acceptance – and indeed, expectation – of an engaged state negotiating its policies and practices with those who are a party to, or otherwise affected by, its decisions. This questions government strategies that simply involve negotiating with a few powerful but unrepresentative groups. Rather, the concept embraces a more systematic consideration of who should be included, and how. Government, and indeed state power, is an important, perhaps predominant, but not all-determining force.

⁹ UN–Habitat, *Water and Sanitation in the World's Cities; Local Action for Global Goals*. London: Earthscan Publications (2003); also UN–Habitat, *The Challenge of Slums: Global Report on Human Settlements 2003*, London: Earthscan Publications (2003).

¹⁰ Yves Cabannes, *Participatory Budgeting: Conceptual Framework and Analysis of its Contribution to Urban Governance and the Millennium Development Goals*. New York: UN Habitat and UNDP (2005).

¹¹ Gaventa, *op. cit.*

¹² Mitlin, *op. cit.*: 3.

Not all relationships between state and citizens fall within this definition of governance. It does not include relationships between persons and the State that concern only an individual and do not significantly affect others.

Putting Participation and Governance Together

As participatory governance implies a need for more scope for participation between citizens and government, it goes beyond increasing this scope in a specific neighbourhood or single development. There are many participatory projects that involve citizens and local government in localized decision-making but do little to change government processes. Hence, even participation involving government agencies and officials is not participatory governance if it is limited in scope, scale and space. As noted above, government's engagement in consultation and decision-making with an individual may be considered good government, but it is not considered here as participatory governance.

Thus, participatory governance implies the engagement of government with groups with interests beyond those of a single individual (although members may not benefit equally). For this to take place, some sense of group identity and interest is needed to form a starting point for a process of negotiation and collaboration between the group and government institutions.

- *Participatory governance is about making government more inclusive and as a result, more effective in poverty reduction.* For those who accept that one key aspect of poverty is poor people's lack of "voice" within political systems and bureaucratic structures, participatory governance measures can themselves be seen as poverty-reducing. For others, who use more conventional definitions of poverty, participatory governance offers potential for more appropriate policies and practices. With more communication with – and influence from – groups of the poor, it is believed that state policies and practices will improve.
- *Participatory governance offers greater scope for action by organized civil society groups.* Increasing numbers of international agencies recognize the importance of citizen movements and associated NGOs and provide these with financial support. Some citizen movements have focused on a specific goal or policy, and then dissipated once success has been achieved, for example, the pro-democracy movements in a number of countries. Some members of such movements have, themselves, sought to join government, with leaders standing for political office or accepting government appointments. However, others offer a grass-roots challenge to existing government processes and have campaigned for greater involvement and inclusion. Such groups see participatory governance as a necessary complement to representative democracy, which often fails to

represent the interests of less powerful groups, especially in situations of resource scarcity where elections become a way of allocating limited state benefits rather than making political choices.

- *Governments may see participatory governance as a way of increasing their legitimacy.* As governments have lost legitimacy and found their scope and decision making being questioned, some have sought to regain citizen confidence and improve performance through offers of inclusive decision making to a range of interested parties. Measures have been taken at national and local levels, and have included further information, formal consultation and increased accountability to citizens. There have been some notable attempts to reach out to groups that have been excluded previously – for instance governments institutionalizing multi-stakeholder decision-making councils. However, the extent to which the “multi-stakeholders” outside of government have real decision-making influence varies greatly. In some instances, this would be no more than tokenism or manipulation on Arnstein’s ladder of participation.

The Local Focus of Participatory Governance

In urban areas, most of the focus of participatory governance is at the local level for two reasons. First, local governments or the local offices of higher levels of government have the most direct impact on the lives and livelihoods of citizens – for instance, in the provision of water, sanitation and drainage, health care and schools, the regulation and management of land for housing, building controls and spaces for informal businesses, police services and the rule of law. Some key government services may be provided by national or provincial/state governments – in some countries, for instance, schools, health care and the rule of law – but citizen and civil society engagement with these governments is usually through their local offices. Second, it is at the local level that most opportunities for civil society groups’ engagement with government exist. However, often changes at the national level – for instance, through democratization, decentralization, legal changes and local government reform – have encouraged or allowed more participatory governance.

In many countries, decentralization and stronger local democracies within local government have given rise to a new generation of local politicians who are often committed to more participatory governance. Many of these politicians have strong links with local political activists. When taking office they have been encouraged to explore partnership arrangements with groups that state authorities traditionally kept at arm’s length. At the same time, national and provincial governments seeking to strengthen local decision making may see advantages in encouraging links between local governments, most of which lack capacity, and local organizations that share a development agenda.

Two sections below discuss tools and methods relevant to participatory governance. These include the mechanisms needed to encourage the involvement of those who do not find it easy to participate in state structures. Before beginning this discussion, however, it should be noted that much of the discussion of “governance” and “good governance” among international agencies focuses on the national level, and that this often ignores urban governments. This means that the critical roles of city and municipal government institutions, and their relationships with poorer groups and their organizations, have not received the attention they deserve in relation to both the scale of poverty in urban areas and the potential to reduce it.

Innovations in Participatory Governance by Cities and Smaller Urban Centres and the Larger Context in Which They Were Embedded

*Participatory Budgeting*¹³

Participatory budgeting is one of the most significant innovations in participatory governance – and one that is being applied in around 250 cities.¹⁴ These cities are mostly in Brazil, but participatory budgeting initiatives are also flourishing in many other Latin American as well as in some European cities. Participatory budgeting means more scope for citizen groups and community-based representatives in setting priorities for local government expenditures; it also implies a local government budgeting system that is more transparent and available to public scrutiny. A review of participatory budgeting in 25 municipalities shows the many different motivations behind the initiation of such programmes. While their approaches have some common aspects, their strategies and outcomes are very much related to contextual factors such as the motivation of the mayor or leading group within the city council, the degree of autonomy that the council has over its budget, and the nature and scope of the groups drawn into the budgeting programme. There are different modes through which citizens can participate in participatory budgeting. These are generally city-wide assemblies and neighbourhood or district meetings in which everyone can take part, and which often elect delegates to represent them in participatory budgeting councils.

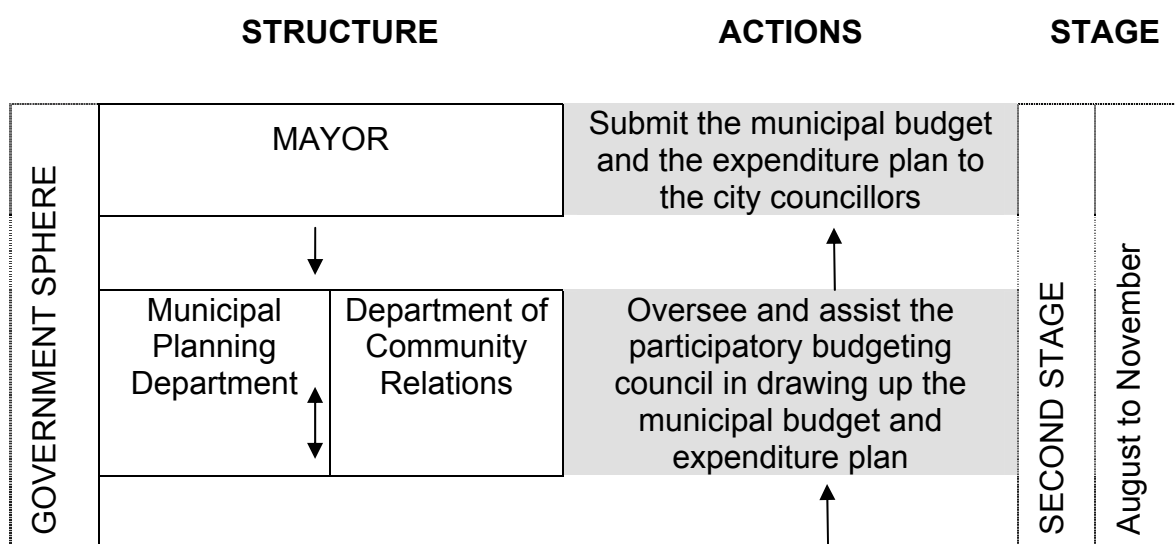
¹³ This section draws heavily on Yves Cabannes, “Participatory budgeting: a significant contribution to participatory democracy,” *Environment and Urbanization*, 16, 1 (2004): 27–46.

¹⁴ See Cabannes, *op. cit.* See also Rualdo Menegat, “Participatory democracy and sustainable development: integrated urban environmental management in Porto Alegre, Brazil,” *Environment and Urbanization*, 14, 2 (2002): 181–206; and Celina Souza, “Participatory budgeting in Brazilian cities: limits and possibilities in building democratic institutions,” *Environment and Urbanization* 13, 1 (2001): 159–184.

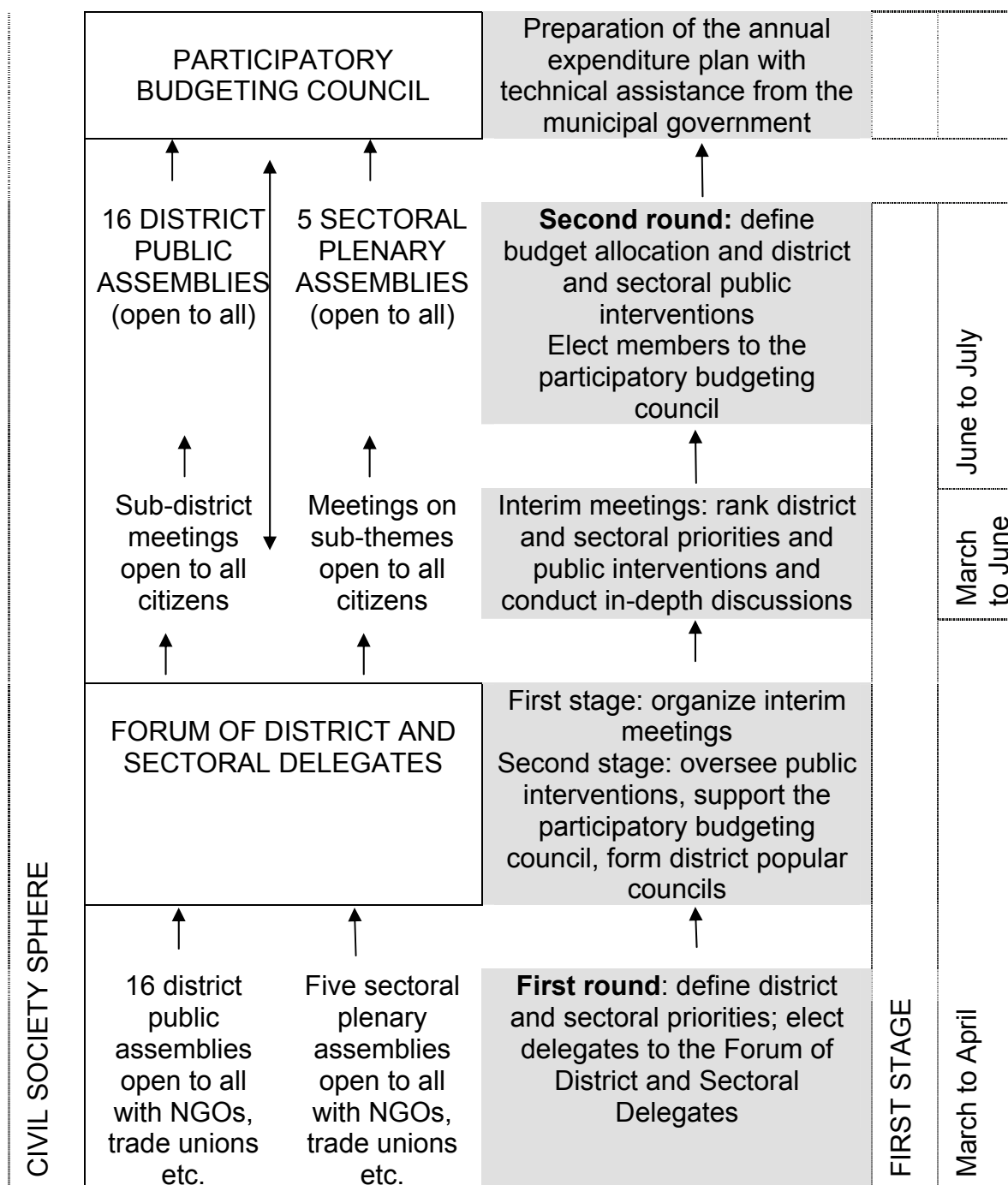
Participatory budgeting discussions also involve delegates and leaders from existing civil society organizations such as social movements, neighbourhood associations and trade unions. The process remains within representative democratic systems because the municipal council is still responsible for approving the budget – but more scope is given to civil society groups to influence it. In most Brazilian experiences, the Council of the Participatory Budget formed by elected delegates at public assemblies and forums has a central role that includes organizing the form of citizen participation, the themes to be discussed, and the preparation of the participatory budget for submission to the municipal council. In many of the non-Brazilian experiences, participatory budgeting is built on already existing social or political frameworks such as neighbourhood associations or elected parish councils.¹⁵

In cities where participatory budgeting is well established, there is an annual cycle of discussions and consultations, usually organized both by district or neighbourhood and by particular themes or sectors. For instance, in Porto Alegre, participatory budgeting has involved discussions held within each of the municipality's 16 districts. There are also city-wide forums on topics such as urban planning and development, traffic management and public transport, health and social welfare, education, culture and recreation, and economic development and taxation. Both in the district discussions and in the sectoral discussions, delegates are elected to take part in the Participatory Budgeting Council (see Figure 1).

Figure 1: The Structures, Stages and Timescales for the Annual Participatory Budgeting Process in Porto Alegre



¹⁵ Cabannes (2004), *op. cit.*



SOURCE: This is a simplified version of diagrams in Menegat, Rualdo (2002), "Participatory democracy and sustainable development: integrated urban environmental management in Porto Alegre, Brazil," *Environment and Urbanization* Vol 14, No 2, October, pages 181–206 (available from www.ingentaselect.com/09562478/v14n2/).

Participatory budgeting also needs systems to monitor the actual expenditures, to see if the commitments influenced by this process were fulfilled, review the projects that are developed, and assess the performance of the agencies commissioned to undertake them.

Participatory budgeting has certainly had many successes. It is no coincidence that Porto Alegre, which pioneered the practice, has one of the highest qualities of life of any city in Latin America. Average life expectancy there is 76 years and the proportion of citizens with good provision of water, sanitation, drainage and solid waste removal is among the highest for any city in the region.¹⁶ From 1992 to 2002, public works worth more than US\$700 million were implemented through participatory budgeting. During this period, the drinking water supply network was expanded to reach 98 per cent of households and the sewage network expanded from 46 to 85 per cent of the population. Provision for street paving and lighting and drainage has also expanded, as these were often among the top priorities defined by district assemblies in poorer areas.¹⁷

However, effective participatory budgeting is not easily implemented. When it was introduced, the municipal authorities had difficulties in responding to the multiplicity of demands and priorities generated. A municipal councillor in Peru has identified the constraints on making participatory budgeting effective for a city or a municipality's development:

- Overcoming the confrontational attitude though which neighbourhood leaders address the authorities; both neighbourhood leaders and municipal officials have to learn to work together;
- Learning to govern in a less politicized way – for example, not disqualifying a proposal because it comes from another political party;
- Learning to move away from the culture of the leader and the follower – with mayors seen as people who will solve everything. Modern mayors have to learn to delegate decision-making and responsibilities. Neighbourhood leaders and the population have to learn that they are co-governors who are entitled to come up with their own proposals and solutions instead of expecting the authorities to solve everything for them just because they have elected them to power;
- Municipal authorities and neighbourhood leaders having a vision that goes beyond short-term actions (for instance what municipal authorities need to ensure re-election), and the scattering of the investment budget among many different small projects to make sure that each neighbourhood gets something. There are a few examples of leaders of various communities pooling the budget and realizing substantial investments that benefited various neighbourhoods (e.g. levelling a major road; a pre-study for the construction of a water and sanitation system). But these examples are rare. It will take a long learning process to change people's mindsets so that we can really speak of co-

¹⁶ Menegat (2002), *op. cit.*

¹⁷ Menegat (2002), *op. cit.*

governance: long-term planning taking a larger area into account than just one's own neighbourhood. A neighbourhood leader is not trained to consider long-term and larger scales.

- The conventional understanding of “neighbourhood improvement” in which modernity is associated with concrete – even if a park is planned.
- Participatory budgeting reaching the leaders but not the entire population.

Other Innovations in Participatory Governance from City Governments

Governments and civil society groups engage in participatory governance strategies with mixed intentions and with a diversity of understandings. From the beginning, these initiatives are strongly influenced by existing relationships and the ways in which power is distributed within such relationships. However, by its very nature, participatory governance should open up new possibilities by allowing non-state groups greater “space for negotiation.”

Participatory budgeting, where implemented seriously, is certainly on the upper rungs of any “ladder of participation” constructed to review citizen-local government relationships. There are various other initiatives centred around greater citizen involvement in local government budgeting and expenditures that can be considered to increase participation, although with lower levels of participation than participatory budgeting. Most instances of budget analyses or reviews in low- and middle-income countries appear to be initiated by civil society rather than by local governments. Civil society groups certainly have importance in bringing greater scrutiny to what government does with its funding base, and to the quality and extent of services provided. However, these groups do not necessarily influence what government does, nor do they redistribute power to poorer groups. In fact, they may not involve poorer groups and their organizations, even if they claim to speak on their behalf, and they may focus primarily on the concerns of non-poor groups. Perhaps more importantly, by focusing on government budgets and expenditures, they do not address the many non-expenditure issues that have particular importance for large segments of the poorest groups – for instance:

- tenure of the land they occupy and protection from forced eviction;
- an “official address,” required to be able to vote, to send one's children to government schools, to use government health clinics, and to access police and emergency services and other citizen entitlements; and
- inappropriate regulations that inhibit their livelihoods or their possibilities of getting safe, legal housing or land on which it can be built.

One measure of participatory governance is how it changes the understanding of the parties involved, enabling a new set of approaches to be explored as

knowledge and confidence grows. This was demonstrated in an analysis of participatory planning exercises in 32 municipal authorities and corporations in Andhra Pradesh, India. The community members learned more about how state resources were allocated and were encouraged to take a greater role in decision-making; and the municipal officials recognized the quality of community decision-making.¹⁸ In Viet Nam, processes involving greater participation in government opened up a space in which civil society contestation became more acceptable.¹⁹

Perhaps the single most important criterion for assessing “participatory governance” for urban governments is the extent to which those groups that are generally excluded or ignored by government investments, programmes and services get more power to influence what government does or does not do and more resources to support their own initiatives. But it is difficult to assess the extent to which innovations by governments provide more scope for poorer groups – and if they do, who benefits and for how long. For instance, in Cambodia, the municipal government in Phnom Penh has developed a city-wide strategy for improving conditions in hundreds of informal settlements, working with the local urban poor federation and a local NGO, with support from international agencies.²⁰ The prime minister of Cambodia has given his support to this initiative and announced a policy backing the upgrading of 100 settlements in a year and 500 more over the next five years.²¹ The vice-governor of Phnom Penh stated, “*This city doesn’t only belong to the rich. It belongs to all of us, so we should all be involved in improving it Now we have a lot of work to do. We have to sit down and set concrete plans for this upgrading programme together.*”²²

This points to the potential benefits of more participatory governance – and this change in the relationship between government (local and national) and citizen groups was certainly influenced by the well-organized, representative federation of the urban poor. However, a review of this process in early 2003 would have presented a pessimistic conclusion because government agencies still saw eviction and resettlement as the main response to informal settlements and they showed little willingness to consider the difficulties experienced by poor and

18 Lesley Dove, "Providing environmental urban services to the poor in Andhra Pradesh: developing strategic decision-making," *Environment and Urbanization*, 16, 1 (2004): 95-106.

19 Mark Mattner, "Power to the people? Local governance and politics in Vietnam," *Environment and Urbanization*, 16, 1 (2004): 121-128.

20 ACHR (Asian Coalition for Housing Rights), "Negotiating the right to stay in the city," *Environment and Urbanization*, 16, 1 (2004): 9-26.

21 *Urban Poor Development Fund (UPDF) in Cambodia*. Phnom Penh: Urban Poor Development Fund (2003): 1-12.

22 ACHR (2004), *op. cit.*: 9; see also <http://www.achr.net/>

vulnerable citizens or to work with organized urban poor groups. Phnom Penh's rapid development also means that powerful vested interests will still seek to displace those living in informal settlements in valuable locations, so this important change towards more participatory governance will always be at risk.²³

The municipal authorities in Mumbai have had some innovative engagements with representative organizations of the urban poor that have produced significant benefits for poorer households. These include upgrading programmes, new housing programmes, a large-scale community-managed toilet construction programme, and community police stations set up in many slum areas (as will be described in the next section). Yet this same authority has also recently launched a very large squatter eviction programme.

In Sri Lanka, the government's Million Houses Programme during the late 1980s and early 1990s presented a radical break from conventional, top-down approaches. Community development councils and a participatory methodology known as "community action planning" meant that residents and community leaders in low-income areas of Colombo worked with government officers to identify problems, set priorities and develop solutions. But it proved difficult to sustain the programme in the face of widespread poverty, entrenched government institutions and power structures antagonistic to community participation. Grass-roots testimony also tells of the difficulties of preventing NGOs from controlling the initiatives and politicians from undermining them. The participatory approaches were abandoned when the government changed in the mid-1990s.²⁴

The Complex Interplay between Representative and Participatory Democracy

Participatory governance implies changed roles for politicians and civil servants. Inevitably, there are complex relationships between decision making by existing state agencies, including elected representatives and government bodies, and decision making emerging from participatory governance processes. Many elected politicians oppose most forms of participatory governance because they see themselves as the legitimate decision makers, elected by citizens through a democratic process, and believe such participatory processes are taking authority and control away from them. This opposition has been evident in Brazil, where participatory budgeting was first developed, and there are many cities

²³ ACHR (2004), *op. cit.*

²⁴ Steven Russell and Elizabeth Vidler, "The rise and fall of government-community partnerships for urban development: grassroots testimony from Colombo," *Environment and Urbanization*, 12 and 1 (2000): 73-86.

where participatory budgeting has been abandoned.²⁵ In Santo André, participatory budgeting was first introduced by Mayor Daniel Celso during his term of office between 1989 and 1992; it was discontinued by the city governments in power between 1992 and 1997; and then reintroduced by Daniel Celso when he was re-elected in 1997.²⁶

Opposition was also evident in Cebu, the Philippines, where there were tensions between elected representatives and those advocating participatory governance initiatives as NGOs and people's organizations found their political space restricted in the 1990s. The city government supported NGOs and people's organizations in service delivery, but not in their attempts to broaden the scope of their involvement through an NGO advisory council. The NGOs are now pressing the municipal council to accept sectoral representation and legislation is being considered by the Philippine congress. But local politicians are not supportive.²⁷

There is also the problem of continuity. In many instances, governments' development of more participatory approaches with citizen groups were cancelled or made less effective when a new political party came to power in an election – or even when the same party retained power but new mayors decided not to continue implementing some of the policies associated with their predecessors. One good example of this comes from the city of Barra Mansa in Brazil, which developed a much admired participatory budget council with children. Here, 18 boys and 18 girls were elected by their peers to ensure that the municipality addressed their needs and priorities. The council allocated a proportion of the municipal budget (equivalent to around US\$125,000 a year) to addressing the priorities identified by children and the child councillors were also involved in other aspects of government. For several years following establishment of the system in 1998, more than 6,000 children took part in discussions and assemblies to elect their child councillors and discuss their own priorities. The elected children also learned how to represent their peers within democratic structures, to prioritize based on available resources, and to develop projects within the complex and often slow political and bureaucratic process of city governance.²⁸ This example encouraged similar innovations involving children and youth in other cities and was a way of involving a group that usually

²⁵ Cabannes (2004), *op cit*.

²⁶ Acioly, Claudio Jr., Herzog, Andre, Sandino, Eduardo and Andrade, Victor Henry, *Participatory Budgeting in Santo André: The Challenge of Linking Short-term Problem Solving with Long-term Strategic Planning in a Brazilian Municipality*. Institute of Housing and Urban Development Studies (2004): 1-100. This also describes the innovations implemented under Mayor Celso after 1997 and presents an analysis of who participated.

²⁷ Felisa U. Etemadi, "The politics of engagement: gains and challenges of the NGO coalition in Cebu City," *Environment and Urbanization*, 16, 1 (2004): 79-94.

²⁸ Eliana Guerra, "Citizenship knows no age; Children's participation in the governance and municipal budget of Barra Mansa, Brazil," *Environment and Urbanization*, 14, 2 (2002): 71-84.

represents 40-60 per cent of the population in cities in low- and middle-income countries. However the initiative in Barra Mansa was not sustained after a change in government.

There is also conflict between urban governments and governments at a higher level when the latter have the power to impose decisions, policies and investments on cities against the wishes of the local government or large segments of the local population. This problem is particularly evident where local governments are weak. Perhaps it is best documented in the city of Bangalore, where the municipal authorities are more responsive to citizen demands than the state government development authority, but where that higher development authority and various state-level government bodies have far more power, resources, and consequently, influence on Bangalore's development.²⁹

Another example is found in the local-national conflict over a power generation scheme in Mangalore, India. This highlights how the planning of large-scale projects by national and state governments in India often bypasses local government and thereby avoids accountability to local populations. Here, the city government of Mangalore, committed to supporting greater participation among citizen groups and political organizations in a fishing settlement (Bengare) within Mangalore, worked with elected city corporation representatives to halt a scheme for barge-mounted power generation that threatened livelihoods. If the municipal government can be overruled by a higher-level government in such situations, this shows the limitations of participatory governance at local levels.

However, participatory governance may provide local government with more legitimacy in the eyes of citizens and thereby help to get local councillors re-elected. The significance of new forms of governance for traditional state activities is shown by the increase in tax revenues achieved in a number of projects as relationships between citizens and the State improve. Participatory budgeting can mean that people are more willing both to pay taxes and to maintain the investments that they have jointly agreed to make.³⁰

Participatory Governance and Service Providers

One of the most important issues that participatory governance would be expected to address is the relationship between poorer groups and official (public, private or NGO) service providers. Both public and private service providers may find it difficult to respond to a new emphasis on participatory

²⁹ Solomon Benjamin, "Governance, economic settings and poverty in Bangalore," *Environment and Urbanization*, 12, 1 (2000): 35-56.

³⁰ Cabannes (2004), *op. cit.*

governance;³¹ it puts them under pressure from international development agencies and national governments to find ways to increase their accountability to those to whom they provide services – or should provide services. Many have sought to improve their performance through a better dialogue with users, but improvements in accountability have often not resulted in greater user satisfaction with planning, delivery and maintenance of urban services. In an era in which state agencies are being questioned, participatory governance is offered as a way of holding service providers to account. But these providers perceive themselves as serving individual customers and accountable only to them for delivery of service. They do not feel they must negotiate with collective customer groups or groups that are demanding services, such as community or neighbourhood organizations. Service providers' capacity to enter into such negotiations is likely to be limited and there are also constraints that may keep them from meeting potential customers' demands. In most cities they are not allowed to provide services in most or all of the informal settlements because the inhabitants have no legal tenure to the land they occupy. And even if they are prepared to work in these settlements, local government or landowners may not permit them to do so. In cases where this constraint is removed, as it has been in much of Buenos Aires, private companies have continued to avoid changes that imply granting more decision-influencing powers to resident/community organizations in unserved areas.³²

A review of community participation within municipalities found that, in general, public works agencies do not like working with community organizations. ³³ Many municipal authorities are staffed by administrators and technical professionals who find the concept of community participation irrelevant. This is perhaps especially so in public works departments. Municipal officials have an incomplete knowledge of the potentials and limitations of participatory approaches. Even if they are willing to try such methods, they often lack the skills and resources needed to do so. They also do not appreciate the difficulties in developing effective partnerships with community organizations – or the extent to which their bureaucratic procedures and official norms, codes and regulations inhibit citizen participation. If municipal authorities want to support the kinds of government-civil society partnerships that are described in more detail in the next section, this will require a transfer of power and decision making from municipal agencies to community organizations. Many international agencies also fail to

31 S. Cavill and M. Sohail, "Strengthening accountability for urban services," *Environment and Urbanization*, 16, 1 (2004): 155-170.

32 Ana Hardoy and Ricardo Schusterman, "New models for the privatization of water and sanitation for the urban poor," *Environment and Urbanization*, 12, 2 (2000): 63-75.

33 Janelle Plummer, *Municipalities and Community Participation: A Sourcebook for Capacity Building*. London: Earthscan Publications (2000).

recognize that, by its very nature, a conventional municipality will find itself in conflict with the concept of participation.³⁴

An initiative in Lucknow, India used community consultations to develop a more effective relationship between low-income citizen groups and government service providers. A set of indicators on infrastructure and service provision was developed and presented to the responsible agencies. These showed the gap between residents' priorities and indicators used by the agencies to monitor their delivery performance. It also showed the potential for developing a dialogue (and even a working partnership) between the agencies and the inhabitants of settlements who had very inadequate provision of infrastructure and services, and also for developing more appropriate indicators to monitor and evaluate the quality of provision. This example illustrates how community consultations can enable public, private or NGO service providers to learn how to make their systems for monitoring performance more participatory, and how to make themselves more accountable to their customers. Such consultations can also help to resolve conflicts, for instance by identifying forms or methods of payment that are realistic for low-income households and also acceptable to infrastructure and service providers.³⁵

With much public works investment and service provision privatized, the relationship between poorer groups and the private enterprises responsible becomes important. In many major cities, privatization of water, sanitation and solid waste collection has not brought the hoped for expansion in provision and improvement of services.³⁶ It was hoped that privatization would bring better management and new sources of capital for investment, and that lower-income households would be willing to pay more for better services. In part, poor performance after privatization has resulted from the way the State has privatized services. For instance, the State has the lead role in setting the rules by which a water and/or sanitation utility operates, whether the utility is public or private. Generally, the framework for privatization has concentrated on contract deliverables such as investment activity, service standards and payments. Few efforts have been made to represent the interests of the urban poor, let alone to involve representatives from urban poor groups directly. Once the concessionaire is in place, with no provisions in the contract or agreed regulatory regime specifying the utility's responsibility to the unserved, it is difficult for those without services to negotiate for their provision.³⁷

34 Plummer (2000), *op. cit.*

35 Aromar Revi and Manish Dube, "Indicators for urban environmental services in Lucknow - process and methods," *Environment and Urbanization*, 11, 2 (1999): 227-246.

36 Budds and McGranahan (2003), *op. cit.*

37 Budds and McGranahan (2003), *op. cit.* See also Ana Hardoy, Jorgelina Hardoy, Gustavo Pandiella and Gastón Urquiza, "Governance for the sustainable provision of water and sanitation

Thus, there is a need for new kinds of participatory governance for service providers – perhaps at a different level. The poor prefer not to use the formal routes offered by service providers, such as complaints procedures, but would rather look for other opportunities to express their frustrations such as “...public meetings, meetings with councillors, voting for politicians and approaching other public figures who also have a catch-all responsibility.”³⁸ For private water utilities, this may mean the need for a specific unit responsible for informal settlements in which local government and civil society are represented either within or outside the concession – although such a model has not proved popular with public utilities.³⁹

Innovations in Participatory Governance by Urban Poor Organizations and their Partnerships with Local Government

Perhaps the most significant point about participatory governance is its potential to create new and unforeseen opportunities for groups with widely differing, but related, interests to realize common objectives in ways that significantly reduce poverty. To date, there has been relatively little understanding of how governments can move towards the practicalities of greater power sharing, especially in ways that include the poorest.⁴⁰ However, there are positive experiences emerging from some cities that have new relationships between the State and civil society. These are the focus of this section.

A starting point is the need to create conditions under which lower-income households and their organizations and other interest groups can make choices about their priority goals and the strategies they wish to use to reach them. For a participatory governance process to succeed, the individual parties must have some clarity of purpose and a common strategy. This is evident in the strategies used by federations formed by urban poor groups in many countries, including India⁴¹, Thailand⁴², South Africa⁴³, Zimbabwe⁴⁴, Cambodia⁴⁵, the

services to low-income settlements; experiences with private-public-community partnerships in Moreno, Buenos Aires,” *Environment and Urbanization*, 17, 1(2005); and Hardoy and Schusterman (2000), *op. cit.*

38 Cavill and Sohail (2004), *op. cit.*

39 Hardoy and Schusterman (2000), *op. cit.*

40 See Mark C. Mulenga and Alain Dubresson (eds.), “International symposium on government, governance and urban territories in Southern Africa,” University of Zambia, Lusaka, 21–22 November (2001). University of Paris X.

41 For more details, see SPARC’s web-site, <http://www.sparcindia.org>; also Sheela Patel and Diana Mitlin, *The Work of SPARC and its Partners Mahila Milan and the National Slum Dwellers Federation in India*, IIED Working Paper 5 on Urban Poverty Reduction. London: IIED (2001): 34 (available from www.iied.org/urban/index.html). See also Sheela Patel, Celine d’Cruz and Sundar

Philippines⁴⁶, and Kenya.⁴⁷ Strong local savings groups enable these federations to collectively consider their needs, while federating with other groups enables city (and sometimes national) positions to develop. In another example, in Cebu, the NGO coordinating group, Kaabag sa Sugbo, moved towards a clear agenda of its own based on the sectoral interests of its members.⁴⁸ Without growth in the institutional capacity of community organizations representing urban poor groups, there is a danger that government initiatives to increase stakeholder inclusion will lead to fragmentation and repeated disputes among divided interests.

Many of the most significant examples of “participatory governance” come from countries where representative organizations and federations of the urban poor and homeless have developed. This can be seen in the scale and scope of their projects or programmes within countries and the links among them – the ways that they have supported and are supporting each other in a transnational movement active in over 20 countries. Table 2 gives examples of some of the larger urban poor or homeless federations, including details of their scale, support, participating NGOs, and the funds that they manage. Some of these federations have achieved a very considerable scale in their work. The scale of CODI’s programme in Thailand has already been noted. The Indian NGO, Society for the Promotion of Area Resource Centres (SPARC), and its alliance with women’s co-operatives, Mahila Mila (MM), formed by “slum” and pavement

Burra, “Beyond evictions in a global city: people-managed resettlement in Mumbai,” *Environment and Urbanization*, 14, 1 (2002): 159–172; and Sundar Burra, Sheela Patel and Tom Kerr, “Community-designed, built and managed toilet blocks in Indian cities,” *Environment and Urbanization*, 15, 2 (2003): 11–32.

42 Somsook Boonyabancha, *A Decade of Change: From the Urban Community Development Office (UCDO) to the Community Organizations Development Institute (CODI) in Thailand*, IIED Working Paper 12 on Urban Poverty Reduction. London: IIED (2003): 31 pages.

43 See www.dialogue.org.za and www.sdinet.org; also Ted Baumann, Joel Bolnick and Diana Mitlin, *The Age of Cities and Organizations of the Urban Poor: The Work of the South African Homeless People’s Federation and the People’s Dialogue on Land and Shelter*, IIED Working Paper 2 on Poverty Reduction in Urban Areas. London: IIED (2001): 40.

44 Beth Chitekwe and Diana Mitlin, “The urban poor under threat and in struggle: options for urban development in Zimbabwe, 1995–2000,” *Environment and Urbanization*, 13, 2 (2001): 85–101.

45 ACHR (2004), *op. cit.* See also <http://www.achr.net/>

46 See Sandra Yu and Anna Marie Karaos, “Establishing the role of communities in governance: the experience of the Homeless People’s Federation Philippines,” *Environment and Urbanization*, 16, 1 (2004): 107–120.

47 Weru (2004), *op. cit.*

48 Etemadi (2004), *op. cit.*

dwellers and the National Slum Dwellers Federation (NSDF)⁴⁹ are engaged in many different projects in various locations in over 50 cities. Goals are to improve housing, living conditions and basic services and to support savings groups, and the projects are reaching hundreds of thousands of low-income dwellers. Achievements include the management of resettlement programmes involving over 20,000 households and a community-managed public toilet programme serving hundreds of thousands of low-income dwellers.⁵⁰

But it would be misleading to judge these federations solely on the basis of the tangible “projects” in which they have been engaged – the houses, toilets and water points built or improved, the evictions prevented, the loans provided, the land acquired and developed. This misses at least four other dimensions:

1. *The contributions of each federation and its savings groups to the daily lives of federation members, not recorded as “tangible projects”* – the short term, quickly-disbursed small emergency loans managed by the community savings groups that are at the base of the federations; the relationships developed by federation members and their families with one another and with other community groups; the increased possibilities for individuals (especially women) of being involved in community discussions, plans and activities; the way that the community organizations that are the foundation of the federations manage things on a routine basis, such as through resident committees, conflict resolvers, facility managers, and emergency support providers; and finally, the actions that savings group members take to help each other.
2. *The possibilities that the federations provide for the urban poor and homeless to learn and teach* – learning about the innovations of other groups; reflecting on their own experiences and telling other groups about their innovations; possibilities of working together on new activities to improve their conditions, without disastrous consequences if they do not succeed. Most of this teaching and learning is through exchange visits among savings groups in a country or city.
3. *Beneficial changes in the relationships of the urban poor with government agencies and other external institutions.* This involves not only work with

49 The Society for the Promotion of Area Resource Centres (SPARC), Mahila Milan (MM) and the National Slum Dwellers Foundation (NSDF) constitute an alliance of three grass-roots organizations active in many cities and towns in India, which aims to empower the urban poor living in slums by bringing them affordable housing and sanitation as well as the means of effective participation in local and national decision making. For more information, see <http://www.sparcindia.org/>

50 Sheela Patel and Diana Mitlin, *The work of SPARC and its partners Mahila Milan and the National Slum Dwellers Federation in India*, IIED Working Paper 5 on Urban Poverty Reduction. London: IIED (2001), available from <http://www.iied.org/urban/downloads.html>

official agencies responsible for housing, but also relationships with the police, staff of schools and health care centres, staff and owners of shops they use, staff of municipal authorities or private utilities responsible for water, sanitation, garbage collection, and electricity, and politicians and staff from local and non-local NGOs. Most of these changes are not easily measured, although they contribute much to the tangible projects in which the federation groups engage. Changes in relationships with external groups include partnerships developed with city and national governments that change the way these governments relate to the urban poor.

4. *Changing the context in which they work and live in ways that bring benefits to them and/or to other poor/homeless people.* This includes not only innovations in “co-management” with local governments and other official institutions, which are working examples of participatory governance in action, but also the contributions of federation members to local democracy and to a greater role for representative organizations of the urban poor in local governance.

Thus, the tangible projects must also be understood as entry points for mobilization, learning and changing relationships with external agencies (in other words participatory governance), but this is a point that many official “development” organizations, especially government agencies and often international funders, fail to understand.

Urban poor federations are also forming in Nepal, Swaziland and Zambia and savings groups that have the potential to form federations are developing in many other countries, including Ghana, Lesotho, Madagascar, Tanzania and Uganda.

The achievements of the federations formed by urban poor groups also demonstrate the value of new kinds of engagement with government, as illustrated by the earlier example of the changes in government attitude in Phnom Penh. The federations of the urban poor or homeless use strategies such as community-designed and managed household enumerations and slum surveys to draw in local authorities. By offering the authorities information that they don't have, but which they need for any upgrading programme, citizen groups start to shift the balance of power. As a more equal partnership begins, both groups explore new ways of working together. In Cambodia, the municipality of Phnom Penh was already engaged with local social movements in jointly operating a fund with the urban poor federation and local NGOs. The fund was collaboratively managed and the confidence gained through its operation became an important factor leading to the engagement of the municipality in the more ambitious and complex programme of strategic planning for the city. The practicalities involved in co-management helped to deepen the nature of the relationship, enabling broad-based support for a jointly planned city strategy and

allowing the critical shift in community organization/local government partnerships to go beyond short-term action to long-term planning. Collaboration in a space in which power is more equally divided is important in enabling some of the benefits to emerge.⁵¹

In the Philippines, tri-party resettlement agreements have helped to provide a basis for new forms of relationship that the urban poor federation hopes will lead to further state support for community activities. Here, the urban poor federation seeks to engage municipal governments in its activities at an early stage, for example in community surveys to identify the number of people living in high-risk areas and their preferences for improved housing. In some cases, the local government simply recognizes that the survey is about to take place and promises to accept the results. In others, government officials are willing to be more actively involved. At the same time, existing government institutions (local development councils) also play a role. Through the more active involvement of civil society existing (but not particularly successful) mechanisms can be renewed and invigorated, providing the basis for new kinds of institutions.⁵²

In Kenya, the urban poor federation, *Muungano wa Wanvijiji*, and the local supporting NGO, Pamoja Trust, are working with local government to develop an upgrading programme in an informal settlement (Huruma) where agreement has been reached on site development and land allocation. This is an important precedent because any attempt to improve conditions in the informal settlements of Nairobi, where half the city's population lives, is complicated by the potential for conflict, between landlords and tenants, and among the different ethnic groups where disputes have been exacerbated by the manipulations of powerful political interests.⁵³

The Tools and Methods Used by Community-Driven Processes⁵⁴

The tools and methods used by the urban poor/homeless federations are beneficial both for these organizations, in strengthening, expanding and supporting learning among them, and for changing the attitudes and approaches of national, state and local government staff and politicians. It is remarkable how a common set of tools and methods to encourage and support participatory governance – modified to fit different local contexts – has proved valid and been

51 ACHR (2004), *op. cit.*

52 See Yu and Karaos (2004), *op. cit.*

53 Weru (2004), *op. cit.*

54 Most of the text in this section is drawn from Sheela Patel, "Tools and methods for empowerment developed by slum dwellers' federations in India," *Participatory Learning and Action* 50. London: IIED (2004).

employed in so many different countries and cities. All of the urban poor/homeless federations use this set of tools and methods.

Savings and Credit

Community-managed savings and credit groups, in which each member saves each day, constitute the foundation of these urban poor/homeless federations; they are often referred to as “the glue” that holds them together.⁵⁵ Daily savings have advantages over weekly or monthly reserves because they match informal earning patterns, build scale and give people opportunities to meet daily. There is no minimum amount that savers must contribute each day. To external experts, daily savings might seem problematic for the poorest households, yet this scheme was first developed in India by women pavement dwellers in Mumbai whose household incomes must have been among the lowest in cities worldwide. Mahila Milan, the savings cooperatives of women slum and pavement dwellers that developed from this simple initiative, now has 300,000 members.

Women are particularly attracted to these savings groups because they provide “crisis credit” quickly and easily, and because they can also develop into savings accounts that help fund housing improvements or new housing, and facilities that provide loans for income generation. The groups can also assist in negotiating financial support from housing or other finance institutions that would not lend to individuals. Women find that their participation in savings groups transforms their relationships with one another, as well as their family and community status. Daily contact between each saver and the community savings’ collector provides a constant source of information on people’s difficulties and how they can be addressed, which are discussed and analysed during the collectors’ regular meetings. Thus, when an individual wants access to credit, the savings collector has personal knowledge of the family’s circumstances and can vouch for the borrower. While saving a small amount every day does not generate large resources quickly, it does produce discipline among group members. When circumstances permit, savings groups also work together to develop plans for new housing or other initiatives, as can be seen in the hundreds of housing projects that have been managed by such groups.

These savings schemes, which are the foundation of the federations, are more than a simple mechanism for meeting daily monetary needs and sharing resources among the poor. They are the building blocks of what begins locally and develops into citywide and national processes. The women leaders play a central role in the collection and management of the savings and loans. Without poor women joining together, there can be no savings; without savings and the efforts of these very poor women, there can be no effective federations. Pooling the funding from all the savings groups also enables each group to experience its

⁵⁵ Most federations are formed by the “savers” and by a large group of individuals or households who work with and support the federations but are not active savers.

share of the collective power, which is further strengthened by the constant contact among savings groups as they work with and learn from each other. These savings groups are managed by community organizations, not professional staff. They serve not only to provide members with credit for their needs, but also to develop decentralized mechanisms for large federations to manage finance. Savings and credit groups build community organizations' capacity to manage finance collectively. This also helps develop their capacity to plan and implement projects within the learning cycle outlined below.

When money goes into community savings, it not only builds community organizations but also circulates many times in the neighbourhood economy. It helps build houses and start small businesses, helps people in crisis and helps pay school fees and doctors' bills, and it helps generate more assets and more options for people's future.

These savings groups usually project an image of efficiently generated and managed savings. But for the federations, the most important function of their savings and credit schemes is that they mobilize large numbers of people who manage money together. This collective management of funds and the trust it builds also increases community organizations' capacity to work together, to address problems and to manage or resolve conflicts. It creates larger federations able to negotiate with external agencies on behalf of all members. It builds "good" and "more participatory" governance from the bottom up.

The Capacity to Innovate and the Learning Cycle

Poor people know what their problems are and generally have good ideas regarding what solutions they want. But they lack the resources and/or capacities to demonstrate that they can realize remedies. So the federations provide support to enable their members to try out their answers in a "learning cycle." Some solutions work so well that they are adopted and adapted by many others – for instance the community-managed upgrading in Phnom Penh described earlier, or the hundreds of community-designed and managed toilet blocks in the slums of Mumbai and Pune developed by the National Slum Dwellers Federation and Mahila Milan.⁵⁶ Some set precedents that allow more external support to be negotiated from governments or international agencies and may also allow changes in rules and procedures to be worked out. These are at the heart of participatory governance, as will be explained in more detail in a later section. Some fail – but even then, lessons learned from the failures are widely shared.

Among the tools and methods described below are slum enumerations/surveys, mapping, pilot projects, house modelling, community exchanges and precedent setting. These take place within a learning cycle that includes several stages:

⁵⁶ See Burra, Patel and Kerr (2003), *op. cit.*

identifying priority concerns, trying out solutions, learning from each other as these solutions are developed, refining the solutions, supporting more community groups to try them, and using solutions as precedents to encourage change in government policies, programmes or regulations.

Priority concerns are identified through discussions in low-income communities, for instance for sanitation upgrading (which often includes securing tenure) or new housing. A debate then takes place, generally leading to the formulation of a strategy for seeking a solution. One or more community organizations come forward with a scheme to address the problems. The federation and the supporting NGO assist these groups financially and organizationally because they offer a living "laboratory" of how change can occur and help the federation develop a solution from which all can learn. For instance, in Mumbai, women pavement dwellers have succeeded in obtaining a land site where they can build their own houses and they are currently building housing to accommodate 326 pavement-dwelling households. The pavement dwellers had put pressure on the local government to provide them with land; when the local government claimed that none was available, the group organized a survey that catalogued how much vacant land existed around the city. When they obtained the site, they designed the housing units and common spaces within them and they are now supervising construction. This project is encouraging other organizations of pavement dwellers to negotiate for land and government support for other such schemes.

Once a crude solution has been developed in a settlement, many groups within the federation visit it to see what has been achieved and to learn how it was organized and how much it cost. This leads to a next generation of volunteers wanting to try out similar actions. Refinements to the solution emerge as other communities go through the process. Progress is always made although many delays take place when external factors prevent communities from achieving change. Once a refined solution has been established, it is explored with officials from local governments who also come to visit the project site. Pilot projects help set precedents that can be used to promote changes in official policies, practices or standards. The learning is shared with other federation groups and other city officials through exchange visits.

The federation then creates a core team comprised of people from the first settlement that experimented with the solution and this team visits other cities to demonstrate the solution developed. The process may have a long gestation period because large numbers of people need to participate in order to create confidence in a local people's movement and convince others that it can transform their situation. Increasing numbers of communities are exposed to the innovation and they put pressure on local officials and politicians for change and support. Depending on the external situation, there may be many possibilities for scaling up through participation in major government projects.

The training process involves several critical principles:

- there are never resident trainers, always visiting ones;
- major training events (including house modelling – see below) are done by community leaders;
- training encourages women to participate in the processes;
- training teaches by doing rather than by telling;
- trainers learn by training, acknowledge this and never consider themselves experts;
- the process helps people to develop a working relationship with professionals and other stakeholders, and to ensure that they are not treated as "beneficiaries."
- *there is no one central training institute but several communities/cities that have become learning crucibles.*

This process is helping more and more communities align with the federation, learn new skills and begin to reconsider their interaction with local government and other external agencies.

Learning from Each Other

One of the key characteristics of the urban poor or homeless federations in the 12 or so countries where they are well established and the many other countries where they are emerging, is the link among community leaders/organizers – their contact with one another, mutual support, and learning from each other's experiences.

For all of the urban poor and homeless federations, exchange visits among the community organizations that make up the federations and other groups interested in what they are doing have been continually developed because they serve many purposes. They:

- spread knowledge – for instance on how to set up savings schemes, manage savings, give and manage loans, collect and manage household and housing data, and manage land, building, and relations with local authorities.
- are a means of drawing large numbers of people into a process of change, supporting local reflection and analysis, and enabling the urban poor themselves to own the process of knowledge creation and change;
- enable the poor to reach out and federate, thereby developing a collective vision and collective strength;
- help to create strong, personal bonds among communities that share common problems, both presenting them with a range of options from

which to choose and for which to negotiate, and assuring them that they are not alone in their struggles.

For instance, in India, since 1988, there has been a constant process of exchange between slum and pavement communities. Representatives from savings groups formed by women pavement dwellers in Mumbai were the first to travel to other settlements in their own city, and later to cities elsewhere in India, to visit other communities. They shared their knowledge of the savings and credit groups they had developed and managed themselves and found many people who were interested in acquiring their skills. These exchanges become routine parts of federation work. For instance, during 2003, there were more than 100 city-to-city exchanges in India and countless exchanges among communities within cities.

Although most community exchanges are within or between cities, there have also been hundreds of international exchanges. For instance, community organizers from the Indian federations have visited many other countries regularly – Cambodia, Lao People's Democratic Republic, Kenya, Thailand, South Africa, Uganda and Zimbabwe – and community organizers from these and many other countries have visited slum and pavement communities in India.

One example showing the influence that these international visits can have comes from a 1991 meeting organized in Johannesburg to bring together community leaders from all over South Africa. At this point, the political changes that ended apartheid were in motion and this was a "Dialogue on land and shelter." The community leaders attending the meeting were divided into two camps. The majority were sure that as soon as political rights were secured, a new non-racial government would deliver social and economic rights, and that it would be reactionary and counter-productive to organize autonomous urban poor institutions. But a significant minority was less convinced that political liberation would bring social and economic emancipation and recognized the need for such an organization – which was to become the South African Homeless People's Federation. One important influence on the decision to create this federation was a speech by Jockin Arpurtham, the President of India's National Slum Dwellers Federation, in which he told how after more than 40 years of representative democracy and independence in India the poor got little or nothing from their government. He also explained how his organization had built up the National Slum Dwellers Federation and Mahila Milan to represent the urban poor. He invited the South Africans to come to India to see the awful conditions under which the poor lived in a democratic country and how the federations worked (which they subsequently did).⁵⁷

57 Ted Baumann, Joel Bolnick and Diana Mitlin, *The Age of Cities and Organizations of the Urban Poor: The Work of the South African Homeless People's Federation and the People's Dialogue on Land and Shelter*, IIED Working Paper 2 on Poverty Reduction in Urban Areas, London: IIED (2001).

Within Africa, there have long been constant exchanges between the well-established federations in Namibia, South Africa and Zimbabwe. Community enumeration developed in Victoria Falls (Zimbabwe) in 1998, after a community exchange from South Africa showed local savings scheme members how to develop a questionnaire, go from house to house collecting information and collate the data. The Zimbabwean federation provides support to the emerging networks in Zambia. Strong federations have also emerged in Kenya and Swaziland, supported by exchanges among the three southern African federations. In several other countries in the region, including Lesotho, Madagascar, Malawi, Tanzania, Uganda and Zambia, savings groups are developing, largely as a result of exchange visits with other federations, although these have not yet achieved the scale needed for the process of Federation building. Several hundred people in Madagascar and Zambia have mobilized to form savings groups as a direct result of the international exchanges.

An exchange in Namibia in which South Africa and Zimbabwe participated illustrates the benefits for all those who took part:

- for the South Africans it was a chance to explore the policy of incremental infrastructure development in Windhoek in more detail; this had developed from a partnership between the Namibian federation and city authorities. It was also a way of introducing new members of the professional team to federation approaches;
- for the Zimbabweans it was a way of spreading an understanding of the policy of incremental development within their federation and with Dialogue on Shelter (their supporting NGO). It also proved an opportunity to explore appropriate professional support strategies within the group.
- For the Namibians it offered an opportunity to assess the technical strengths and weaknesses of their work in installing infrastructure. Using interviews with the local authority, the federation and the local supporting NGO (Namibian Housing Action Group) gained more information on how their work was perceived and what might usefully be addressed.

The benefits of community exchanges include:

- *Strengthening knowledge and organizational capacity through sharing of experience.* Exchanges offer a supportive environment where urban poor groups can share what they have learnt and work collectively to help identify solutions to their problems. They build upon the logic of "doing is knowing." Capacity and confidence is built up within communities. In the exchange process, communities and their leadership have the potential to learn new skills and share teaching. People become involved in

exchanges because they get something out of them, and in the process, build their collective and individual consciousness. The exchanges maintain a rapid learning and teaching curve, assisted by a core team of experienced community organizers who spread new learning and help more people to teach and learn from each other.

- *Community exchanges strengthen the ability of low-income groups to control the development process.* Poor people, especially poor women, are often sceptical of the solutions presented to them by professional experts but they generally have little opportunity to make and develop more appropriate suggestions for themselves. They can do so through community exchanges because, through these, capacities to teach, disseminate new ideas, explore current events, analyse beyond the level of an individual settlement, take on new skilled activities and manage relationships with powerful bodies become vested in individuals who are inside the community. The poor themselves become able to control opportunities for growth and development.

Managing exchanges, and the events associated with them, also pushes forward the development of local capacity. Community exchanges are managed without hotels, caterers or per diems. Local hosts accommodate those who visit. An important part of organizational capability is the ability to plan and manage International community exchanges. This adds a new dimension to the capacity of already experienced communities. Providing new opportunities to stretch the existing capacity of active groups can be important for their growth.

Community leaders often have to deal with guests brought to their settlements by city officials or NGOs but during such visits they are passive observers. In an international exchange, the community leaders themselves are the focus of attention. This makes them re-examine their expectations for themselves and other community members. Having represented their federation in another country, they become more ready and confident to play their roles at home.

The Acquisition of Technical Skills

In addition to enhancing the general capacity to create knowledge, the exchange process helps to spread from community to community, financial management skills needed to run savings and loans programmes, strategies to obtain government entitlements (such as housing subsidies in South Africa or ration-cards in India), and the building and construction skills required for housing and infrastructure. The transfer of skills takes place through practical demonstrations, enabling many people to see how easily they can do what is required. The exchange process is a powerful method for creating skills for two reasons. First, community members quickly believe that they too can acquire the skill demonstrated. When they see professionals undertaking an activity, they may be sceptical about how easily they might take it over, but when they see another

community member doing it, they know it is possible. Second, the teaching is more easily understood and more appropriate.

Using Community Exchanges to Influence Professionals and Governments

As the text above makes clear, the primary goal of community exchanges is to strengthen and support community organizations. But these exchanges have also proved to be useful learning exercises for many professionals, as federations invite key professionals from municipal or national governments to join them in community exchanges, or to attend meetings organized in their own city as part of the community exchange process. For instance, the (then) minister of land within the South African national government went on an exchange visit to India with the South African federation; the (then) secretary of housing for the city of Sao Paulo accompanied community leaders from Sao Paulo on an exchange with South Africa. Within a city, international community exchanges can attract considerable attention from local governments and the media, and presentations become events that senior politicians and bureaucrats want to attend – ironically to hear and learn about innovations in their city of which they had not taken note prior to the international exchange.

The Ministry of Local Government and Housing in Uganda requested assistance from the African federations and from Shack/Slum Dwellers International⁵⁸ in designing and implementing a nationwide slum upgrading programme and a delegation visiting Uganda included members from the South African and Kenyan federations. A programme of support to Uganda subsequently began, with Kenyan and South African federation members supporting shack counting, enumeration and savings in several low-income settlements in Kampala, as well as the construction of a model house. Also, agreement of the local authority was secured for the development of a community-managed communal toilet block.

The federations and their supporting NGOs use innovations achieved in one location to promote discussion among professionals in others. For instance, the innovations in flexible standards for plot sizes and infrastructure implemented in Windhoek helped stimulate many international exchanges. During 2002 and 2003, communities and officials from Windhoek visited or were visited by federations and local government representatives from Mumbai (India), Nairobi (Kenya), Karachi (Pakistan), Cape Town and Port Elizabeth (South Africa), and Asvingo, Bulawayo, Harare, Mutare and Victoria Falls (Zimbabwe). The federations' umbrella organization, Shack/Slum Dwellers International, also profiled Windhoek's policy at the World Urban Forum in Kenya in 2002 and Windhoek hosted a launch of the Global Campaign for Secure Shelter (in which the federations work with the UN Human Settlements Programme) with

⁵⁸ This is the umbrella group that represents all the federations in international discussions and helps resource international exchanges; for more details, see www.sdinet.org

representatives from India, Madagascar, Nepal, the Philippines, Thailand, South Africa and Zimbabwe.

The federations collectively now have a range and depth of experience that can show governments and international agencies new approaches. One particularly significant international exchange was the visit of senior officials from Kenyan Railways and senior planners from Nairobi to Mumbai in April 2004 to see how the resettlement of people from beside the railway tracks was organized there. In Nairobi, 200,000 low-income households (750,000 people) live in informal settlements close to the railway tracks and have been threatened with eviction. This visit to Mumbai showed the Kenyans the possibilities of community-managed resettlement that benefits those who are resettled, while also clearing the tracks and allowing faster and more frequent train service.

Precedent Setting

"Precedent-Setting" is another key tool for the federations. The idea is that urban poor groups need to be able to claim, capture, define and refine their own ways of doing things (designing and building a house, developing a community-managed toilet etc.) in spaces they already control, and then show city officials and external agencies that it is worth investing in such "precedents." This gives legitimacy to the changes that the poor want to bring to a city strategy.

Over the last 50 years, many community-driven processes have set precedents that influenced the policies and practices of governments and international agencies. One of the most important examples was the recognition of "squatters" and the settlements they build as being legitimate (and important) parts of a city. Precedents set during the 1960s then encouraged changes in many government programmes, as well as in some of those of international agencies. For instance, slum and squatter upgrading programmes became conventional parts of many government housing policies.⁵⁹ During the 1970s, many local NGOs worked with community organizations to implement large upgrading or new housing schemes, often with support from government.⁶⁰ Some governments set up agencies to support community driven processes – for instance FONHAPO in Mexico and the Community Mortgage Programme in the Philippines⁶¹ – while others developed

59 For a review of how government attitudes and policies toward squatter settlements and other informal settlements changed from the 1960s to the mid-1980s, see Jorge Hardoy and David Satterthwaite, *Squatter Citizen: Life in the Urban Third World*. London: Earthscan Publications (1989).

60 See, for instance, the work of FUNDASAL in El Salvador, CENVI and COPEVI in Mexico, and Human Settlements of Zambia; see Bertha Turner (ed.), *Building Community - A Third World Case Book from Habitat International Coalition*. London: Habitat International Coalition (1988) for a series of case studies.

national housing programmes which sought to support community-driven processes – for instance the Sri Lankan government's Million Houses Programme.

However, while the urban poor may have set precedents in their organizations for land invasion, site layouts, forms of housing and community-developed infrastructure,⁶² these were not systematically used as evidence of precedents that could form the basis of effective community-government partnerships. Perhaps the most important change here is the shift from organizations of the urban poor making demands on the government to demonstrating to governments what they can do – and what governments could achieve in partnership with them. In part this is based on the urban poor federations recognizing that government systems, for instance those dealing with land management, infrastructure and services, are too weak, ineffective or rooted in vested interests to deliver results for them in conventional projects. In part, too, it is recognition that the federations must define, design and manage the solutions themselves if these are to be appropriate, especially for the poorest. This change in strategy is most evident in the actions of the Indian National Slum Dwellers Federation in the early 1980s when it moved from not only fighting evictions and making demands on government but also to developing projects and programmes that set precedents for community-government partnerships that urban poor organizations designed and managed, working with the NGO, SPARC, and the cooperatives of women slum and pavement dwellers (Mahila Milan). This change can also be seen in Thailand in the land-sharing projects and community organizations and federations that developed there, also with support from local NGOs.

This change has great significance not only for the work of the federations in India and Thailand but also for the way that all the urban poor federations have worked, as it greatly increases the potential scope for participatory governance. The question has been raised as to why this did not happen in Latin America, where in many countries, squatter organizations were stronger and urban poor organizations were important parts of citizen movements fighting dictatorships and demanding democracy and respect for civil rights. This is partly due to the

61 See Preciilla Connolly, "The Mexican National Popular Housing Fund (FONHAPO)" (2004); and Emma Porio, with the assistance of Christine S. Crisol, Nota F. Magno, David Cid and Evelyn N. Paul, "The Community Mortgage Program (CMP): An Innovative Social Housing Program In the Philippines and its Outcomes" in Diana Mitlin and David Satterthwaite (eds.), *Empowering Squatter Citizen: Local Government, Civil Society and Urban Poverty Reduction*, London: Earthscan Publications (2004).

62 See, for instance, Lisa Peattie, "Participation: a case study of how invaders organize, negotiate and interact with government in Lima, Peru," *Environment and Urbanization*, 2, 1 (1990): 19-30; Beatriz Cuenya, Diego Armus, Maria Di Loreto and Susana Penalva, "Land invasions and grassroots organization: the Quilmes settlement in Greater Buenos Aires, Argentina," *Environment and Urbanization*, 2, 1 (1990): 61-73; and Pedro Arévalo, "May hope be realized: Huaycan self-managing urban community in Lima," *Environment and Urbanization*, 9, 1 (1997): 59-79.

fact that when Latin American dictatorships were overthrown and democracy came (or returned), the organizations of the urban poor weakened because their constituents assumed that they now had a government that represented them. In addition, some of their members or staff of the NGOs with which they worked became part of the new government. There was also an assumption that representative democracy would now deliver for them, so many people got involved in party politics. This created divisions in urban poor settlements that were previously united.⁶³ Also, in some cities or districts the new representative democracy actually did deliver more for poor urban groups.⁶⁴

It is entirely legitimate for urban poor organizations to expect governments that they help to elect to deliver for them. The potential divisiveness of this expectation is illustrated by the divisions that occurred among the urban poor organizations in South Africa, mentioned earlier, as the *apartheid* government was replaced by the first democratic government. Many urban poor leaders in South Africa do not see the value of forming an urban poor/homeless federation because their party (the ANC) is in power and they assume that it will address their needs. Some of these leaders were also successful in standing for election, so the urban poor had some of their colleagues in office.

Precedent setting has become a central part of the strategy of the urban poor and homeless federations, with precedents set used to negotiate changes in government policies and practices. This is based on recognition of the need to change the way that government agencies have been operating, including their working relationships with urban poor groups. This also differs from the conventional ways in which NGOs who work with the urban poor seek to change government policies, which is generally through policy advocacy. This usually involves drawing suggestions for alternative policies from consultations with communities, presenting them to the government, and campaigning to have accepted. Though the policies suggested are often good and much needed, they rarely influence government policy. Even when they do, most communities lack the training, exposure or capacity to take advantage of them.

Precedent setting begins by recognizing that the strategies used by the poor are probably the most effective starting point for change, although they may need to be improved. Precedents are set as community organizations within each federation receive support to try out pilot projects and then refine and develop them within the learning cycle described above. Because they emerge from the

63 See Cuenya (1990), *op. cit.*; Pedro Moctezuma Barragán, *Despertares. Comunidad y organización urbano popular en México 1970-1994*. Mexico DF: Universidad Iberoamericana (1999).

64 See, for instance, the experiences with participatory budgeting described earlier; also, on the greater effectiveness of democratic city and municipal governments, Tim Campbell, *The Quiet Revolution: Decentralization and the Rise of Political Participation in Latin American Cities*. Pittsburgh, PA: University of Pittsburgh Press (2003).

existing practices of the poor, where they work well, they make sense to other grass-roots organizations, become widely supported and can easily be scaled up. The roots of setting precedents lie in the demands made by urban poor organizations when they are permitted the space to make requests. In India, women pavement dwellers have been central to setting precedent.

Since 1984, when SPARC was founded, the National Slum Dwellers Federation and Mahila Milan membership at local levels requested it to support activities that the poor and NGOs working with them do not generally take on. For instance, when the women pavement dwellers in Byculla urged SPARC to help them protest the eviction notices posted against them in 1985, the NGO did not want to fight the municipality. Knowing that weaker groups always lose such fights, they wanted to avoid the violence towards which men in the community were moving and instead, sought a long-term resolution to their problems. From discussions between women pavement dwellers and SPARC came the first community-driven enumeration of the pavement dwellers. Published in 1985 as *We the Invisible*, it set a precedent for showing how community-centered enumerations can provide the information base from which community-driven solutions (and partnerships with local governments) can be developed. When the immediate threat of evictions was over, the women demanded that something be done about their inability to get alternative housing – and from this came the savings and credit schemes, the collective leadership, the life-size house models, and later, these women's survey of vacant land demonstrating that there was land available on which they could be re-housed.

The inter-city community exchanges began when the women pavement dwellers were discussing what building materials might reduce housing costs. One of the materials that appeared to have potential was the funicular roofing pre-cast tablet, developed in Kerala, which had greatly reduced the cost of roofing. So a group of pavement dwellers made the long trip to Kerala in 1986. The women pavement dwellers also created the concept of a house model exhibition to demonstrate publicly and visibly what they wanted, understanding that risk-adverse bureaucrats are much more likely to accept a new idea if they see it working in practice.

Constructing exhibits of life-size house models has helped set precedents in many other places. For instance, in the Philippines, in 2000 a model house exhibition in Payatas (Manila) drew over 15,000 visitors from communities around Manila and other cities and provided a focus for discussions on affordable house designs and settlement layouts. House design workshops were also used to explore cost-saving materials and techniques. The waste pickers at Payatas developed a two-storey starter house which had 40 square metres of floor space and cost US\$800 – one of several house designs developed by the federation that are far cheaper than government-built houses.

Changing Standards

Many precedents contravene official rules and standards, but demonstrating to government officials what is possible makes negotiations on how rules and standards can change much easier. The developments in Zimbabwe, noted above, provided an opportunity for the renegotiation of development standards, based on increased recognition of the need for incremental development of housing and infrastructure so that poor households could afford the solutions devised. Changing standards means the need to bridge the rigidities of formal processes and regulations with the flexibilities and rudimentary capacities of informal processes through simplified procedures, appropriate standards and affordable costs.⁶⁵ In Zimbabwe, perhaps as important as negotiating the land sites were the innovations and changes in official rules that the federations are developing with local authorities in Harare, Mutare and Victoria Falls. These have cut the unit costs of housing and infrastructure and ensure that members of the poorest groups can afford the federations' housing solutions.

The main changes involved developing sites with a mix of plot sizes to ensure that the poorest households were able to take part, which had to be negotiated since many sites were below the official minimum plot size; and incremental development of housing and infrastructure such as roads and provisions for water and sanitation. Getting such changes in each location involves long and difficult negotiations with local politicians, planners and engineers; careful documentation, including enumerations of all low-income households; and visits organized for local authority staff to locations in Zimbabwe and to schemes developed by urban poor federations in other countries where these innovations have worked.⁶⁶

Changes in plot size and infrastructure standards in Windhoek, Namibia have already been noted. Although the government there had a pro-poor policy of providing serviced sites at cost, only a very small proportion of those living in informal settlements could afford plots with individual household connections to water mains and sewers. In response to this problem, the city government developed two new options for those with very limited resources: small rental plots of 180 square metres serviced with communal water points and gravel roads; and group purchase or lease of land with communal services and smaller plots permitted. In these schemes (as in all other housing schemes), charges were based on getting full cost recovery for public investments as the city government has no funding to subsidize houses and services, although no charge is made for the land. These changes in standards that also allowed for community development have brought down the unit cost of secure tenure and

65 Sandra Yu and Anna Marie Karaos, "Establishing the role of communities in governance: the experience of the Homeless People's Federation Philippines," *Environment and Urbanization*, 16, 1 (2004): 107-120.

66 Chitekwe and Mitlin (2001), *op. cit.*

services dramatically. In Windhoek, the cost per plot with community development services and individual connections is less than half that of a conventional plot while the cost per plot with communal services is between a third and a fifth that of a conventional plot. Even larger cost reductions were achieved in Walvis Bay.⁶⁷

In India, the NSDF-MM-SPARC Alliance has used precedent setting to change many rules and regulations. This included promoting the use of a mezzanine floor in the design of houses developed by the federation because this provides households with more room and flexibility in their homes but costs much less than a two-storey unit. As government designs did not allow this, the federation demonstrated what could be done (and how well it worked) before negotiating for its approval. Now this design is being used in a new housing development for pavement dwellers and in housing being built within one of Mumbai's densest and largest slums (Dharavi) to allow all the inhabitants to get better quality accommodation. The community-directed house modelling described earlier has also produced precedents showing how particular designs better serve low-income households' needs.

Widening the Discussion of Public-NGO-Community Partnerships

There are many other examples of community-NGO-local government partnerships for service provision which are relevant to discussions of participatory governance. One of the best known is the community-NGO-local government partnerships for sanitation model in urban areas of Pakistan, developed by a Pakistani NGO, the Orangi Pilot Project (OPP). It supports community-managed improvements in water and sanitation in many urban areas in Pakistan, reaching hundreds of thousands of households, with most costs covered by what low-income households can pay. OPP has also developed many other programmes to support community initiatives, including schools and health care facilities, and provides support for building as well. Initially, the support for the partnership for sanitation model concentrated in Orangi, an informal settlement in Karachi with over a million inhabitants. While it initially began as an alternative to improvements that the local government could provide, which were too expensive for low-income households, many local governments now support the approach and it is being applied in many settlements outside of Orangi and in other urban centres.⁶⁸ OPP calls the initiative a "component sharing" model because the inhabitants of streets and neighbourhoods take responsibility for their pipes, sewers and drains and official service providers install the water mains and sewer and drainage trunks into which the neighbourhood systems can connect. However three other important

⁶⁷ Mitlin and Muller (2004), *op. cit*

⁶⁸ Orangi Pilot Project, "NGO Profile: Orangi Pilot Project," *Environment and Urbanization*, 7, 2 (1995): 227-236.

aspects of OPP's work, though perhaps less well known, are also significant in showing new possibilities for participatory governance.

1. The extent to which their model has been used in many areas of Karachi other than Orangi and in many other urban centres in Pakistan, including its widespread adoption by official (national and local) government agencies. Although OPP initially supported the community-developed sewers as an alternative way of getting these built and financed, it never intended to promote an alternative to official provision. Rather, OPP developed this model to change the way official provision worked, so that services would be affordable for low-income households. But in recent years, many official agencies have adopted the model. For instance, in November 2002, the government of Punjab, the most populous of Pakistan's four provinces, adopted it as its policy for low-income/informal settlements (*katchi abadis*). Two foreign funded projects – one by UNDP for three cities and one by the Asian Development Bank for 21 towns – have been influenced by the OPP model as well. In 19 villages comprising 1039 houses, the model has been implemented by a partner NGO in Lodhran and is now being adopted in many other villages in a World Bank project.⁶⁹

2. OPP's demonstration of how to develop detailed maps of informal settlements to provide the information base that allows official agencies to install water and sanitation. When working in Orangi, the OPP Research and Training Institute noted the large investments other communities were making in water and sanitation on a self-help basis. It recognized the need to document this work: to understand the extent of community initiatives being undertaken; to avoid duplication of work being done by government; to enable people to realize the extent of their work and strengthen their capacity for carrying it out; and to inform government of what was going on so that its policies could support work already in progress. OPP decided to document the quality and extent of provision for water and sanitation in each neighbourhood in Karachi, including in clinics and schools. Surveys have been undertaken by trained youths. To date, 334 informal settlements have been surveyed, encompassing 224,299 houses in 19,463 lanes. These detailed neighbourhood by neighbourhood surveys serve two functions. The first is to demonstrate to government the scale and breadth of household and community investment. The second is to provide detailed maps of each neighbourhood that then allow government investments to complement household and community investments in the component-sharing model described earlier.⁷⁰

69 Perween Rahman, *Update on OPP-RTI's Work*. Karachi: Orangi Pilot Project - Research and Training Institute (2004).

70 Perween Rahman, *Katchi Abadis of Karachi; a Survey of 334 Katchi Abadis*. Karachi: Orangi Pilot Project - Research and Training Institute (2004): 24 pages; Orangi Pilot Project Research and Training Institute (2002).

3. OPP's design of a much cheaper and more effective means of improving the city-wide system of sewers and drains, into which community systems can integrate, which is now being used for Karachi-wide investments and improvements.⁷¹ OPP-supported local and city-wide sanitation schemes have achieved what is often deemed impossible by private and public water and sanitation utilities: provision of good quality sewers to each household, with cost recovery and a city-wide system into which these can feed, that does not require large external funding. Official water and sanitation agencies usually refuse to consider extending sewers to low-income settlements because they consider it too expensive or do not believe that residents will cover costs. The fact that it was possible to develop sewers (and the larger sewer system into which these integrate) in the OPP component sharing model in other cities in Asia and Africa shows that the total cost of reaching hundreds of millions of low-income groups with good quality sanitation need not be prohibitively expensive. The OPP model emphasizes how the achievement of ambitious targets for improved water and sanitation is as much about the development of competent, capable, accountable local agencies or utilities that can work with community organizations as it is about external money. But the long struggle of OPP for legitimacy (its model was initially criticized by a UN expert as being completely inappropriate⁷²) is a reminder of how difficult such changes can be. OPP has also needed the long-term support of local foundations to allow it to have the influence it now has at city and national level – and internationally.

There are many other examples of community-government partnerships that have succeeded in extending and improving provision of basic services to lower income groups. Many of these are linked to water, sanitation and waste management. For instance:

- *Water in Luanda, Angola*: In Luanda, a local NGO (Development Workshop Angola) has supported the construction and management of 200 standpipes, each serving around 100 families. Each has a locally elected water committee to manage it, which is done in collaboration with the water utility and the local authority. Where local (public or private) water agencies are too weak to be able to extend provision to unserved, low-income communities, this kind of NGO-community-organization partnership can have particular importance.⁷³

71 Arif Hasan, *Understanding Karachi: Planning and Reform for the Future*. Karachi: City Press (1999): 1-171

72 See OPP (1995), *op. cit.*

73 Allan Cain, Mary Daly and Paul Robson, *Basic Service Provision for the Urban Poor; The Experience of Development Workshop in Angola*. IIED Working Paper 8 on Poverty Reduction in Urban Areas (2002): 1-40

- *Water and sanitation improvement in low-income areas of Dhaka and Chittagong:* Partnerships between community organizations, Bangladeshi NGOs and the U.K. Charity, WaterAid have provided water points and sanitation blocks or community latrines serving tens of thousands of low-income households within a programme that is recovering most of its costs – to allow reinvestment in reaching other low-income communities.⁷⁴ This programme also involves a form of component sharing as most of the facilities draw on the official piped water network.
- *Community managed solid waste collection in Chennai:* A partnership between a local NGO (Exnora international) and neighbourhood organizations (Civic Exnora units) has developed community-managed solid waste collection services for several hundred thousand inhabitants with costs covered by fees collected from those served. To be effective, this scheme also depends on a partnership with the local government, which furnishes the transfer stations to which the local organizations deliver the solid waste they collect.⁷⁵

One final example of a partnership that shows the potential of new forms of participatory governance is the network of community police stations (police *panchayats*) within Mumbai slums. By September 2004, 65 of the slum areas had community policing, developed through a partnership between 10 community representatives (seven women, three men) and local police officers, with similar initiatives planned for many more settlements. Each community representative wears a photo badge, authorized by Mumbai's Police Commissioner, but all are appointed by residents' organizations, not by the police. In each participating settlement the community makes available a room where the police are based, which also serves as an office for the police panchayat. These community police stations are important not only for bringing the rule of law to the settlements but also because they establish a permanent partnership between the police and the slum residents. They help to reduce the prejudices that slum dwellers so often face when they go to police stations to lodge complaints as victims of crimes. As the police get to know the inhabitants of the slum where they are based, especially the community volunteers with whom they work, they find that most of them are law-abiding and helpful citizens. Meanwhile, slum residents feel more confident about using police services, when needed. Residents get to know their local police constables, which also ensures more police accountability to the local population. The decision to have a majority of women on each police *panchayat*

74 Suzanne Hanchett, Shireen Akhter and Mohidul Hoque Khan, summarized by Stephen Mezulianik and Vicky Blagbrough, "Water, sanitation and hygiene in Bangladesh slums; a summary of WaterAid's Bangladesh Urban Programme Evaluation," *Environment and Urbanization*, 15, 2 (2003): 43-56.

75 P. B. Anand, "Waste management in Madras Revisited," *Environment and Urbanization*, 11, 2 (1999): 161-176.

is in recognition of the fact that women are disproportionately the victims of crime and often face problems of domestic violence.⁷⁶

Conclusion

In virtually all low- and middle-income countries, large sections of the urban population lack provision of very basic needs, including secure housing with safe, sufficient, convenient water supply, sanitation, drainage, paved roads and streets, electricity, solid waste collection, schools, health care, emergency services and protection under the rule of law. In most cities, large sections of the population live in illegal settlements where the long, difficult and often conflictive process of regularizing settlements and the provision of utilities to the households within them needs to be undertaken. In most cities, there is also a large backlog in city infrastructure that cannot be addressed without displacing some settlements and their inhabitants. All this implies the need for city governments that are far more effective in working with low-income groups and their organizations to find solutions that serve them both. This paper suggests that far more progress will be achieved if city authorities and agencies develop co-designed and co-managed processes with urban poor organizations, ensuring more localized decision making and greater equality among the groups involved.

Over the last 15 years, there have been many innovations in more participatory forms of governance in low- and middle-income countries. Some have been driven “from the top” by mayors and elected councillors, although often in response to pressures from below from citizen groups or other civil society organizations. Some have been driven by “bottom-up” pressures, especially where representative organizations and federations of the urban poor and homeless are active.

Inevitably, participatory governance’s main focus is at the local level, since this is the level at which people’s physical needs are manifest and where action is needed. It is also the level where the direct participation of citizens and their community organizations is easiest and likely to produce the most impact. In addition, usually it has been the failure or anti-poor nature of local institutions that has produced the need for new forms of governance. Not surprisingly, most of the direct participation by low-income groups has been motivated by the desire to get basic physical needs met more adequately.

Participation by these groups has particular importance in countries where representative democracy has produced inadequate responses to the needs of large segments of the population. This includes virtually all low- and middle-income countries. Many of the innovations in participatory governance described in this paper have ensured that poorer groups or other groups that usually have

76 A. N. Roy, A. Jockin and Ahmad Javed, “Community police stations in Mumbai’s slums,” *Environment and Urbanization* 16, 2 (2004): 135-138.

little or no political influence got better provision of water, sanitation, drainage, health care, schools, police services etc. This was also often achieved at much lower unit costs and frequently with significantly greater effectiveness than with conventional public or private provision. Thus, one of the challenges for participatory governance is for governments to reach out to groups that have traditionally been excluded from development processes.⁷⁷ One measure of the effectiveness of any such initiative is the extent to which it encourages new groups to become involved. There have been attempts both to increase voice (inclusion, consultation and mobilization) and to boost the accountability and responsiveness of the State.⁷⁸ Both are important for participatory governance, although particular emphasis is needed for increasing voice because measures concerned solely with accountability and responsiveness often involve encounters with individuals rather than collective interest groups. Stronger and more effective mechanisms are also needed to hold service providers accountable, especially to the lowest-income groups and groups that the service provider does not reach.

However, perhaps the most important examples of participatory governance are those that were driven not only by the demands of low-income groups and their community organizations but also by their capacities. This paper has described many examples of urban poor or homeless federations working in partnership with local governments to develop slum and squatter upgrading schemes and new housing schemes, or to improve provision of water, sanitation, or public services. It also gives examples of the kinds of national frameworks that can support such partnerships on a large scale in many cities (e.g. the example of the Community Organizations Development Institute in Thailand) and examples of how external donors can support these kinds of participatory local processes. Given experience to date, it may be that success in achieving most of the Millennium Development Goals in urban areas depends not so much on an increase in external assistance but on changes by local and national governments and international agencies in their relationships with poorer groups and their organizations.

⁷⁷ Cabannes (2004), *op. cit.*

⁷⁸ Gaventa (2001), *op. cit.*