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A Missing Link in Federalism Reforms: The Culture of Governance

Anwar Shah

Fiscal Federalism in Mercosur

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Why are developing and transition economies (DTE) decentralizing?

Serving citizens better ? NO

Decision to decentralize primarily guided by politics

Motivation	***Countries/Regions***	***Motivation***	***Countries/Region***
Political & economic transformation	Central and Eastern Europe, Russia	Improving service delivery	Chile, Uganda, Cote D'Ivoire
Political crisis due to ethnic conflict	Bosnia-Herzegovina, Ethiopia, Yugoslavia, Nigeria, Sri Lanka, South Africa, Philippines	To centralize	China, Turkey, European Union
Political crisis due to regional conflicts	Indonesia, Madagascar, Mali, Senegal, Uganda, Mexico, Philippines	Shifting deficits downwards	Eastern and Central Europe, Russia
Enhancing participation	Argentina, Brazil, Bolivia, Colombia, India, Pakistan, Philippines	Shifting responsibility for unpopular adjustment programs	Africa
Interest in EU Accession	Czech Republic, Slovakia, Hungary, Poland	Prevent return to autocracy	Latin America
Political maneuvering	Peru, Pakistan	Preservation of Communist rule	China
Fiscal crisis	Russia, Indonesia**,** Pakistan	Globalization and information revolution	Most countries

Decentralization: progress so far

- **Political decentralization**: Good progress but citizen empowerment issues remain.
- **Fiscal decentralization**: Modest progress but incomplete tax decentralization, and manna from heaven fiscal transfers encourage leviathan, institutional void
- **Administrative decentralization**: Poor progress especially in re-orienting political and bureaucratic culture of governance to service delivery performance and citizen satisfaction

A citizen's perspective on the unfinished agenda for public governance reforms

- Being Responsive or Doing the right things
  - Matching public services with citizens' preferences
  - Improving the quality, quantity and access of local public services
- Being Responsible or Doing it right
  - Earning trust
  - Working better and costing less
- Being Accountable
  - Citizens charter
  - Social norms and trust, consensus on limits to govt. intervention

How it can be done?

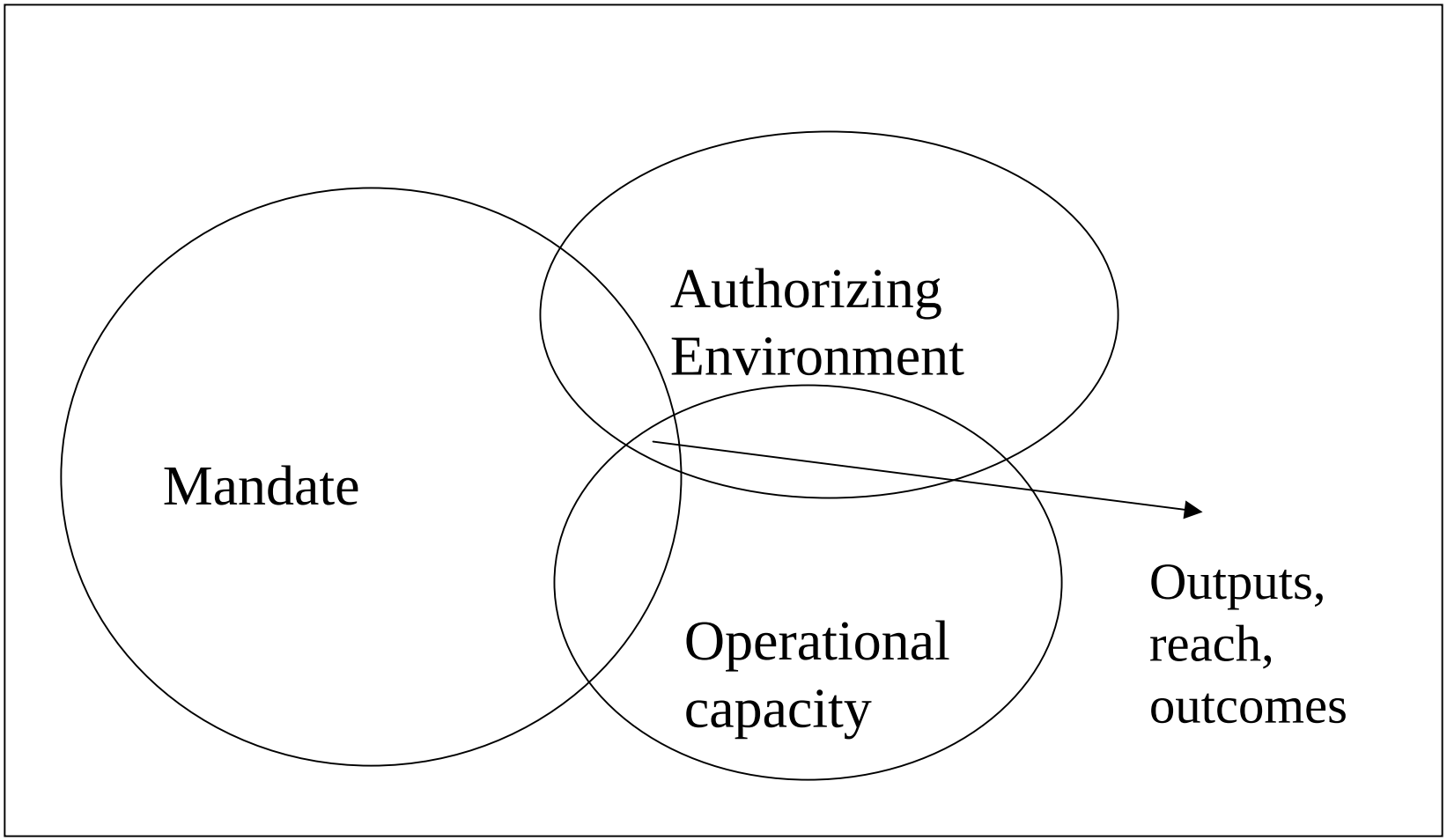
- Greater reliance on own benefit taxes and charges
- Credit market access and private sector participation in infrastructure provision
- Avoiding self-defeating investment promotion and fiscal wars
- Re-orienting the political and bureaucratic culture of governance to service delivery performance and citizen satisfaction

..missing piece: bureaucratic culture and incentives

- “Government is the coldest of all cold monsters – whatever it says it lies – and whatever it has -it has stolen.”

»Nietze

Why governments do not deliver?



The bottomline

- It is the culture of local governance and not the operational capacity that is critical.

One solution- fiscal transparency

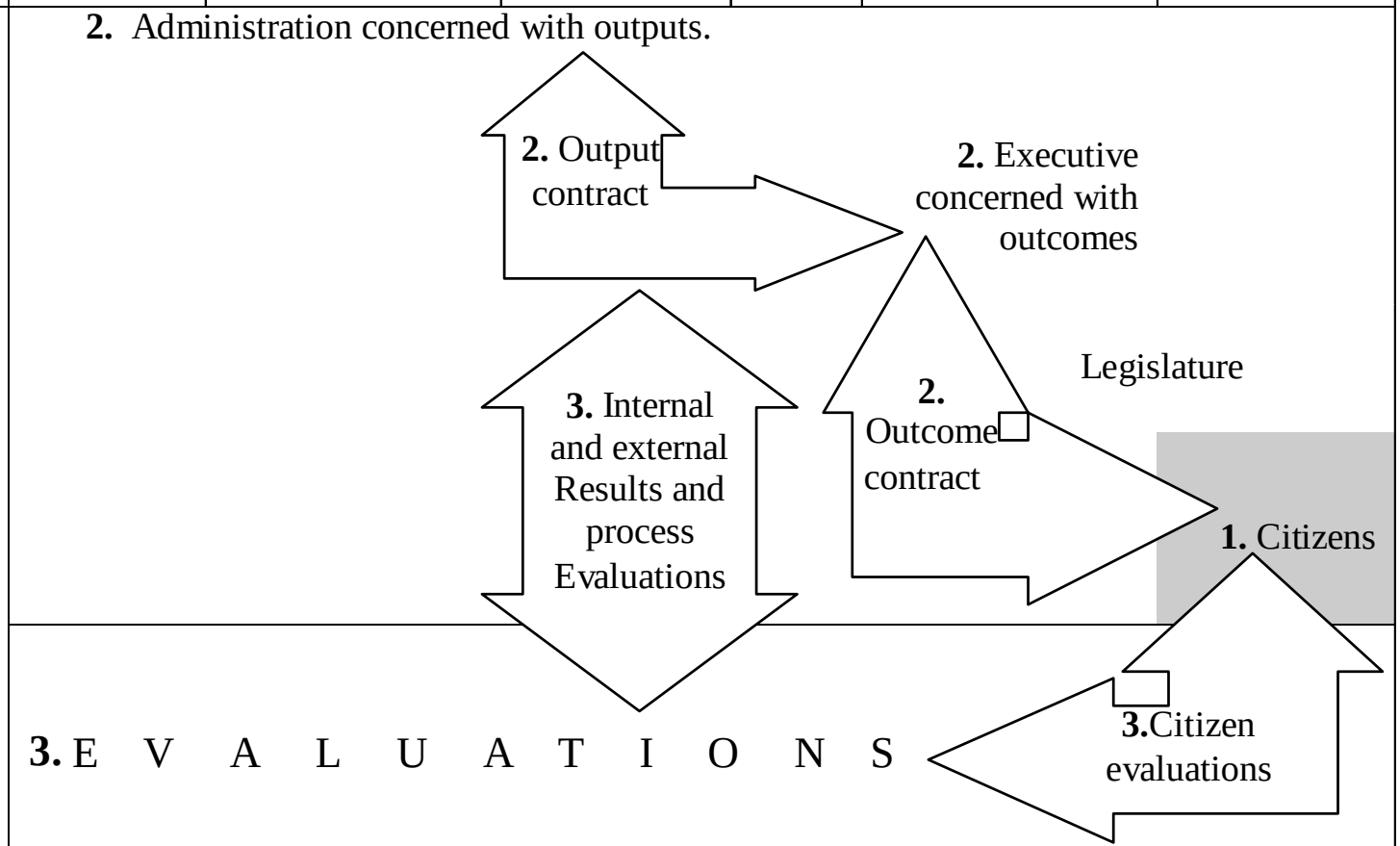
- "…to protect the Treasury from being defrauded, let all money be issued openly in front of the whole city, and let copies of the accounts be deposited in various wards…" ----Aristotle, *The Politics*

An approach that always works

Athenian Oath: “We will strive increasingly to quicken the public sense of public duty; That thus… we will transmit this city not only not less, but greater, better and more beautiful than it was transmitted to us”.

A ROAD MAP FOR ROME

Program/ project	Inputs	Activities	Outputs	Reach	Outcomes	Impacts (goals)
Clear roles in the government production process, **1.**Bottom-up, **2.**Focused on managing for results, and **3.**Evaluated in terms of those results.						



A Road Map for ROME

- Program/project=> inputs =>activities=>outputs=>reach=>outcome=> impact=>**citizen feedback and evaluations**=> Program design => Program/project

ROME in a nutshell…

Extends results movement beyond concern for capacity, internal structure…

1. Results-Oriented Management alone does not lead to results…
2. Citizen voice and choice is central to achieving results
3. ROME incorporates citizens voice and choice.
4. Results-Oriented Management + Results-Oriented Evaluation = ROME=RESULTS

Key Elements of Citizen Centered Governance Reforms

- Citizens charter
  - Service standards
  - Requirements for citizens voice and choice
- Subsidiarity
- Citizen oriented output budgeting
  - Service delivery outputs and costs
  - Citizens report card on service delivery performance for the previous year
- Public sector as a purchaser but not necessarily provider of services through performance contracts
- Alternate Service Delivery Framework
- Benchmarking

Making the Dog Wag Its Tail: Blueprint for a citizen-centered civil service (cccs)

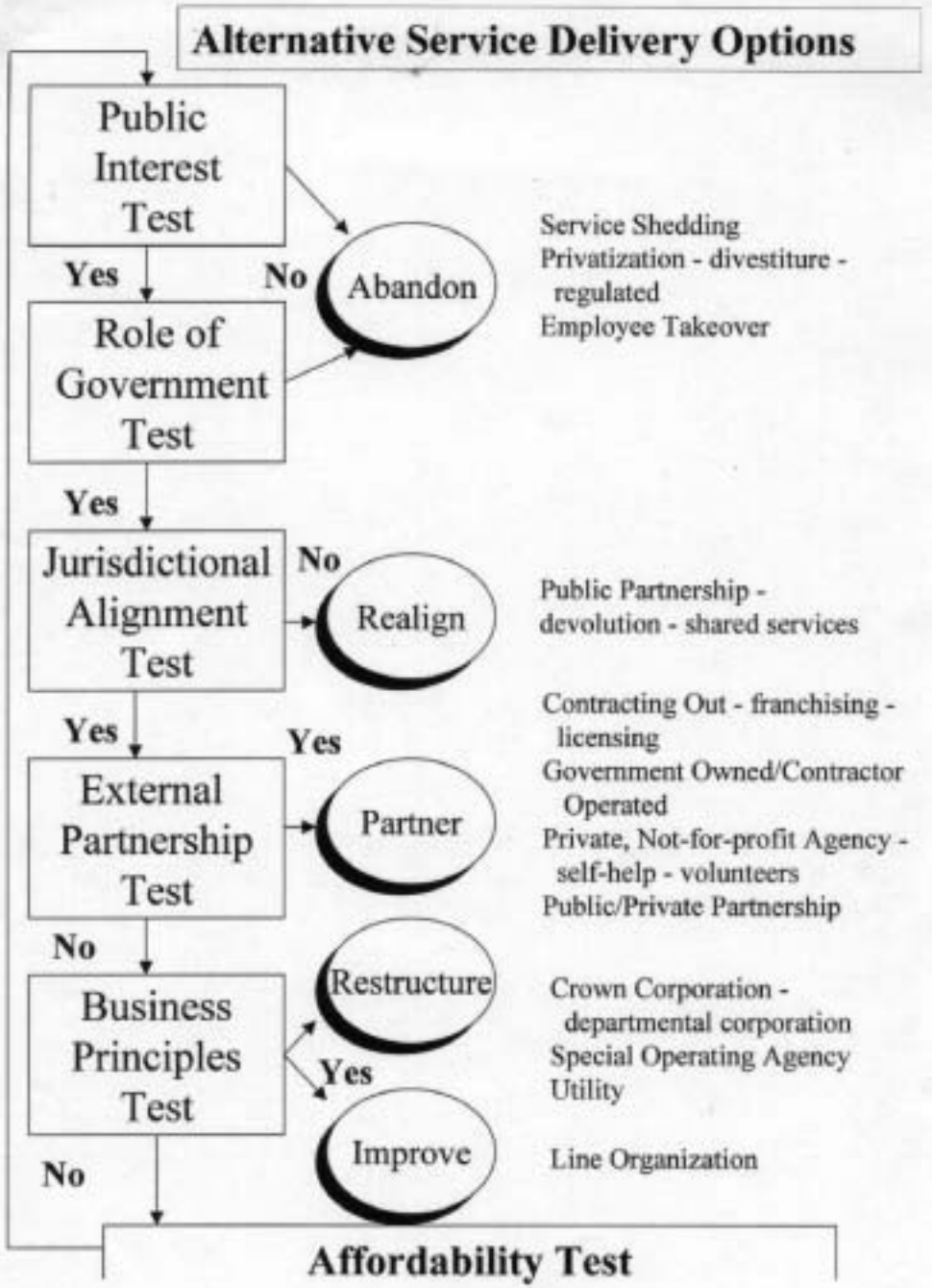
Current culture

- Rigid rules
- Input controls
- Top-down accountability
- Low wages and high perks
- Life-long and rotating appointments
- Intolerance for risk/innovation

CCCS

- Managerial flexibility
- Results matter
- Bottom-up accountability
- Competitive wages but little else
- Contractual and task specialization
- Freedom to fail/succeed

Alternative Service Delivery Framework



An Example: Education grant to Encourage Competition and Innovation

- **Allocation basis among local governments**: School age population (ages 5-17)
- **Secondary distribution to providers**: Equal per pupil to both public and private schools
- **Conditions:** Universal access to primary and secondary education regardless of parents' income, improvement in educational outcomes. No conditions on the use of grant funds.
- **Penalties:** Public censure, reduction of grants funds
- **Incentives:** Retention of savings

PROMISES MADE, PROMISES KEPT

- An example from the Town of Papakura, New Zealand

Governance Structure: 20th Versus 21st Century

- Unitary
- Centralized
- Center manages
- Bureaucratic
- Command and control
- Internally dependent
- Closed and slow
- Intolerance of risk

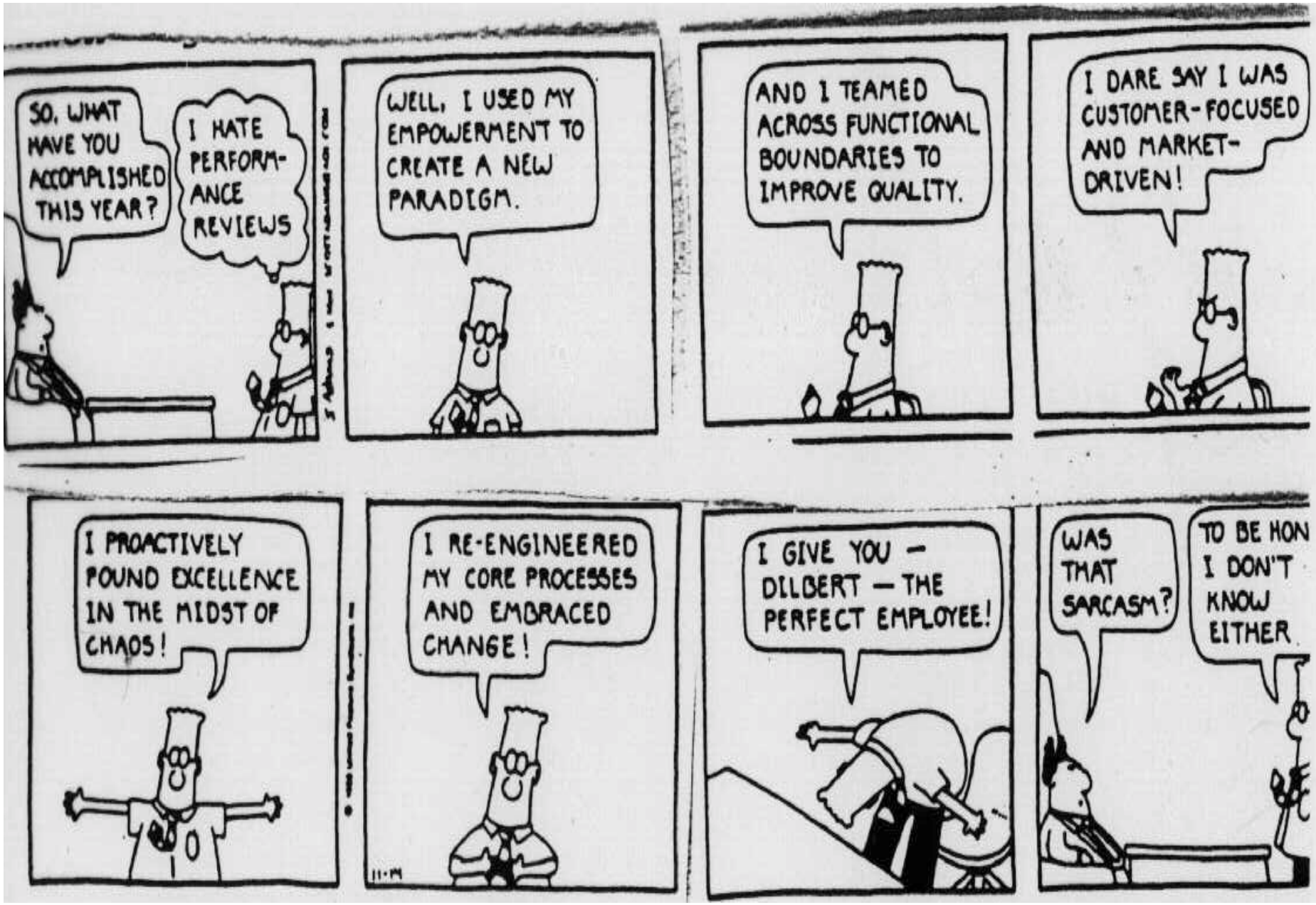
- Federal / confederal
- Globalized & localized
- Center leads
- Participatory
- Responsive and Accountable
- Competitive
- Open and quick
- Freedom to fail/ succeed

ROME: towards a better tomorrow?

- Improved norms of conduct (Malaysia, UK)
- Cultural shift from input controls to output and accountability (New Zealand)
- Encouragement of partnership, competition and risk taking (Canada Alternative Service Delivery Framework, Malaysia)
- Greater bottom-up accountability
- Design of incentives critical
- In LDCs strong potential for improving public sector performance
- Moral: Leapfrog or meet a slow death

ROME - Road Map to Wrecks and Ruins ?

- **Dilbert’s perspectives - This fad will also pass away.**


SO, WHAT HAVE YOU ACCOMPLISHED THIS YEAR?
I HATE PERFORM-ANCE REVIEWS
WELL, I USED MY EMPOWERMENT TO CREATE A NEW PARADIGM.
AND I TEAMED ACROSS FUNCTIONAL BOUNDARIES TO IMPROVE QUALITY.
I DARE SAY I WAS CUSTOMER-FOCUSED AND MARKET-DRIVEN!
I PROACTIVELY POUND EXCELLENCE IN THE MIDST OF CHAOS!
I RE-ENGINEERED MY CORE PROCESSES AND EMBRACED CHANGE!
I GIVE YOU — DILBERT — THE PERFECT EMPLOYEE!
WAS THAT SARCASM?
TO BE HON I DON'T KNOW EITHER