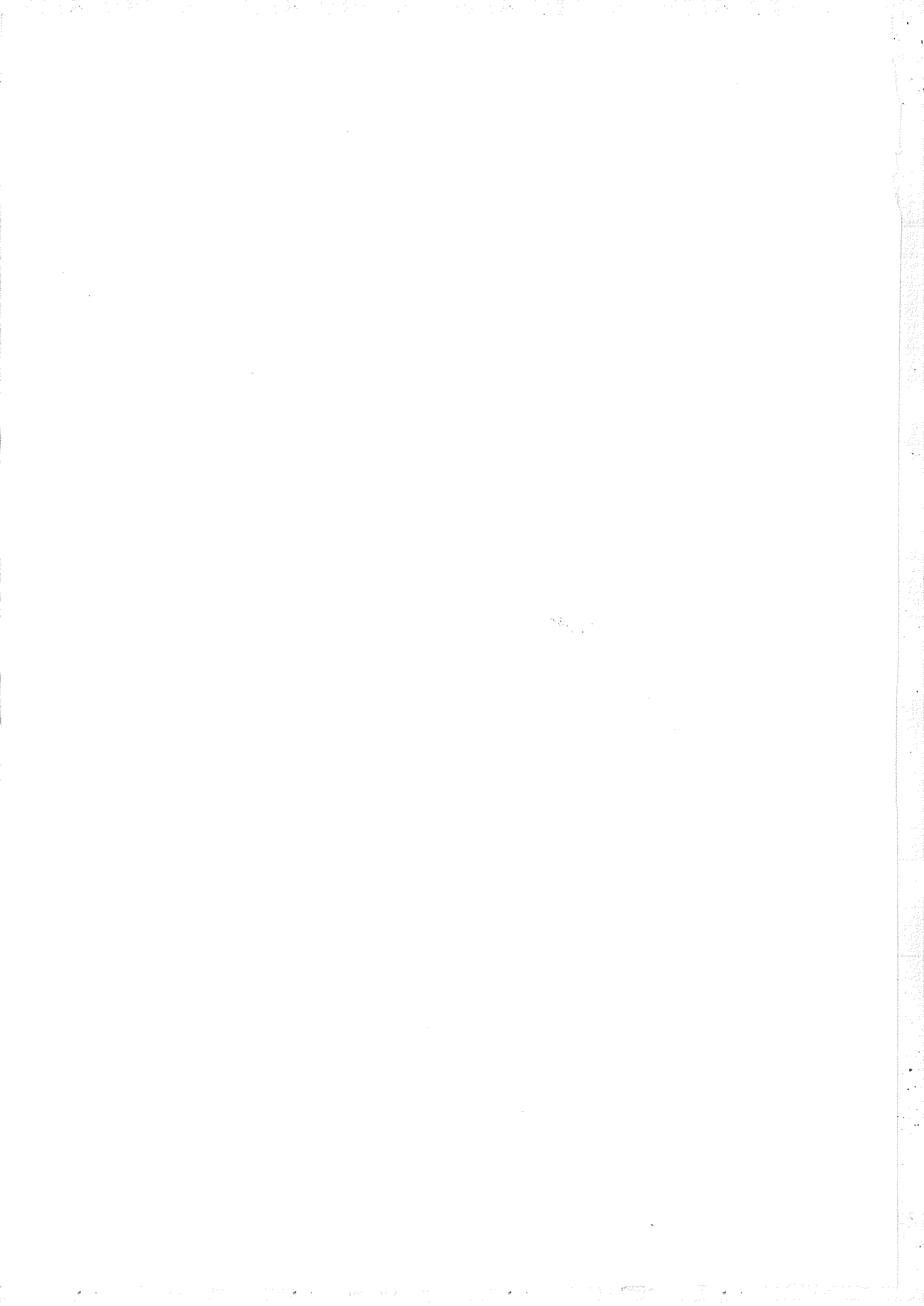


# Public Administration



**DR. MCR HRD INSTITUTE OF TELANGANA**



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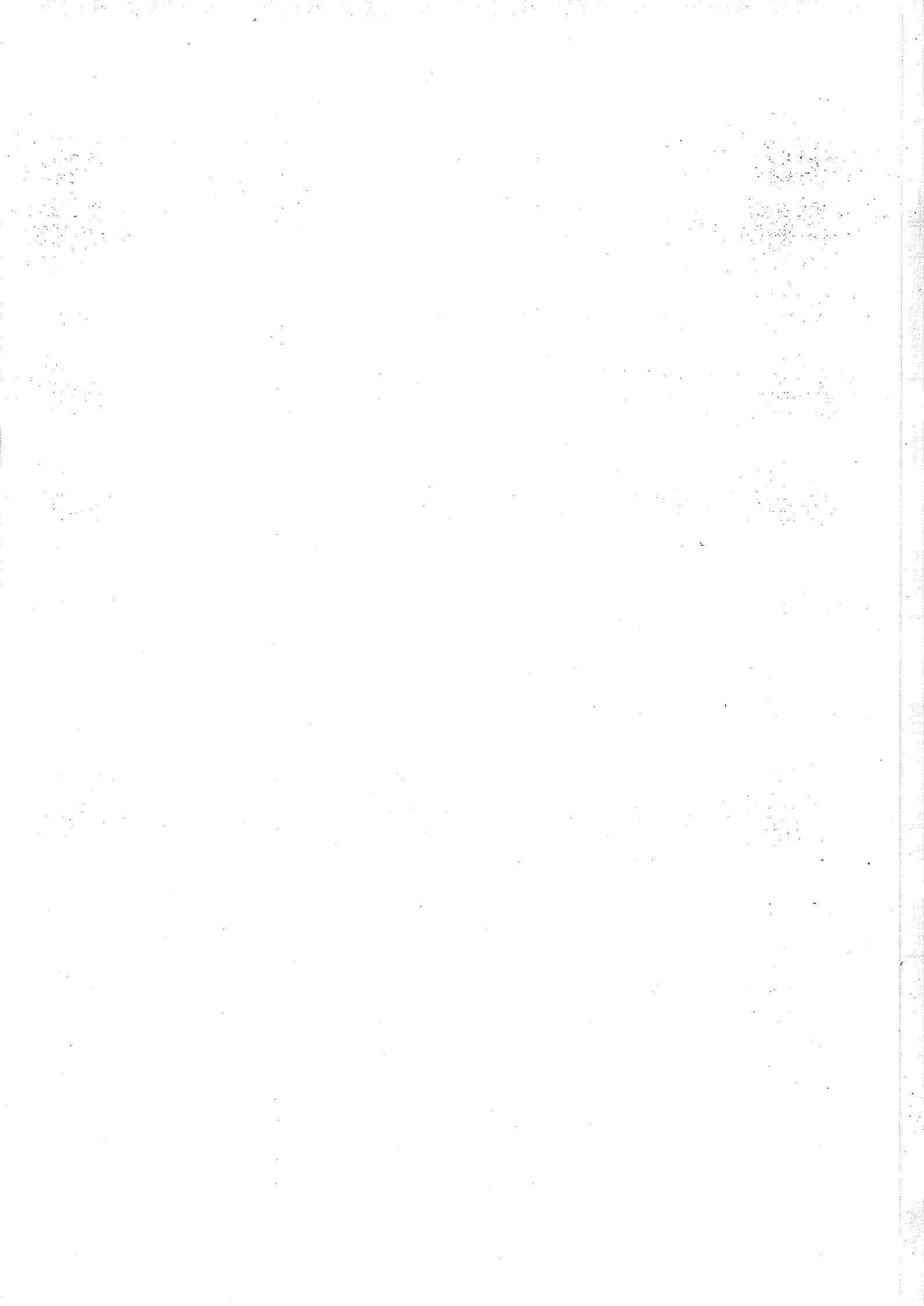
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# Unit I

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# Organization Theory and Bureaucratic Structure

## Categories of Explanations

When we examine the extensive literature on complex organizations in the fields of economics, sociology, political science, and history, there appears to be no adequate explanation of why different modes of bureaucratic rationalization occur. The explanations that do exist appear to be of three basic types: system needs/coordination, bounded rationality/uncertainty, and natural selection/ecological.

### *System Needs or Coordination Explanations*

In this type of explanation, rational bureaucratization and its structural form (viewed primarily in terms of Weber's description of legal-rational bureaucracy) is seen as emerging as a response to problems of coordination. Failures in coordination are seen as arising from a variety of sources: (1) *size*—large numbers of actors and/or transactions without any systematic rules for sharing information (Dahl and Lindblom 1963; Blau 1970; Blau and Schoenherr 1971; Hickson et al. 1969; Goldman 1973; Child 1973a; Hage 1980; Weber 1947:334–38); (2) *social and economic complexity*—specialization and differentiation of roles and organizations (Parsons 1964:507–8; Cutright 1965:548; Tilly 1975:72–73); (3) *interdependence*—complexity of systemic relations (Thompson 1967; Boulding 1964); (4) *technology and technological innovation*—economies of size and scale (Woodward 1965; Lorsch 1965; Aldrich 1972; Lawrence and Lorsch 1967a; Perrow 1968, 1986; Hickson et al. 1979; Mohr 1971; Leatt and Schneck 1982; Chandler 1977; Chandler and Daems 1979; Finer 1975; Hage 1980; Jones 1982); (5) *internalization of cost externalities*—public provision of social welfare, education, health care, etc. and internalization of various functions with high transaction costs (Barker 1944; Baumol 1967; Buchanan and Tullock 1962; Coase 1960; Williamson 1975, 1985); and (6) *war or external threat* as the source of state organizational structure (Hintze 1968; Skocpol 1979; Dorn 1963; Tilly 1975, 1990; Schmitt 1984 [1963]; Brewer 1989).

Whatever variable is emphasized, the development of the large-scale bureaucratic organization along legal-rational lines is seen as a response by decision-makers to the need of the organization or of society to avoid the costly consequences of uncoordinated activity. In this view, state bureaucratization

and, indeed, sometimes the modern state itself, is seen as emerging from demands by elites and/or various social and economic interest groups for coordination of critical elements of the social-economic system or organizational system. The demands are seen as emerging "naturally" in increasingly complex systems where maximization of utility is viewed as the basic goal of individuals and groups. Rational organizations are thus sometimes seen as responses to system needs for stability and survival. In this regard, individual actors are seen as "black boxes" for system needs. The desire to coordinate arises out of the individual's conflation of his or her interest with that of the system or organization.

Bureaucratization is seen here as a systemic response (Astley and Van de Ven 1983). It is functionally efficient in doing what the market does inefficiently in the case of private organizations—it provides greater information, more efficient allocation of resources, and reduces opportunism. Or, as in the case of the state, bureaucratization of administration does what voluntary association or social organization cannot or will not do: enforce the distribution of social costs and/or services over a wider number of actors. Systemic conflict and instability in the society are avoided by the expansion of social and/or private values through the allocational efficiency provided by the bureaucratic structure. In this approach, bureaucracy's structural characteristics are seen as possessing a kind of allocative and relatively frictionless efficiency, especially in the areas of decision making, organizational control, information and communication (Arrow 1974; Williamson 1975, 1981; Perrow 1986:46–48). As one sociologist put it, "Nevertheless, the vast majority of large organizations are fairly bureaucratic, and, for all but a few, the rational-legal form of bureaucracy is the most efficient form of administration known" (Perrow 1986 [1972]:5). Efficiency is seen as a function only of organizations possessing the Weberian rational-legal characteristics. These characteristics are viewed as emerging from a logic of systemic structural demands.

#### *Bounded Rationality-Uncertainty Explanations*

This approach combines the bounded rationality of the decision-maker with environmental uncertainty (although sometimes the latter is confusingly seen as a function of the former) as the starting point for general explanations of the emergence and variation of bureaucratic organization.<sup>1</sup> Simply put, bureaucratic organization is seen as the means for overcoming both of

1. Bounded rationality may be defined as those limitations on an individual's capacity to make the most efficient decisions and actions. These limitations are: (1) skills, habits, and reflexes; (2) values and goals; and (3) extent of the individual's knowledge. Of these, the third limitation is perhaps the most important (see H. Simon 1976:40–41; 1972 [1982]:410).



these conditions. There are two distinct strands in this literature. One of these, primarily sociological in character, emphasizes the problems of structuring and allocating power as the focus of decision-makers' concerns. The other, dominated largely by economists but including sociologists and political scientists as well, stresses the problem of profit or efficiency maximization as the goal of decision-makers. Both strands tend to view bureaucratization as a function of conscious choice about pursuing maximizing strategies.

The first of these sees challenges to decision-makers' power and their legitimacy as being most likely to occur under conditions of continued environmental uncertainty. It is not always clear what is meant by uncertainty here, but it usually seems to mean the inability to predict the kind of decisions that will arise and/or the degree of acceptance of decisions. This condition most often arises at those times when there has been a change in leadership in organizations that do not have highly specified rules governing leadership succession or when such rules have been abrogated (Gouldner 1954; Grusky 1964). Under these conditions, the bounded rationality of individuals leads them to seek to maintain their power and status by resorting to the utilization of rules of decision making that are presented as being objective—that is, as stemming from organizational and not personal necessity. These rules require hierarchy of authority, obedience, well-defined roles, and what constitutes appropriate knowledge for decision making (Gouldner 1954; Selznick 1957:105; Grusky 1961, 1964; Zald 1970; Crozier 1964; Palumbo 1975:357–58; Dreyfuss 1938; Warner and Low 1947:78–80, 174; Selznick 1949:252; Clegg and Dunkerley 1980; Pfeffer 1981; Pfeffer and Salancik 1978).

Here the concept of expertise is seen almost as an ideology in which decision-makers claim obedience because of their possession of systematic knowledge about the organization and/or the means for achieving its goals (Wolin 1960:352–434; Urban 1982; Braverman 1974; Clawson 1980; Meyer and Rowan 1978; Habermas 1975; Dunn and Fozouni 1976; Denhardt 1981; Marglin 1974; Goldman and Van Houten 1977). Expertise thus becomes the basis of legitimate authority, and rules of bureaucratic organization become legitimate because they appear to be based on scientific observation and analysis of large populations of organizations or analogous systems. Bureaucratization, in this view, is seen as the product of elites or managers seeking to maintain or hold power in the face of uncertainty by transforming the structure of authority and legitimacy into both an object of systematic analysis and an “objectively” rational organization.

In sum, the warrant for authority in such organizations is no longer manifestly the quest for or possession of individual power, status, and material rewards. It stems, rather, from the emergence of a science of organizations or

social behavior that "reveals" the necessity for rules, hierarchy, and other characteristics of rational-legal organization. In this explanation, bureaucratization is constrained by the desire of decision-makers to maximize the security of their position. They seek to achieve this by emphasizing the necessity for hierarchical discretion and obedience to organizational rules as the most efficient means for arriving at decisions and achieving goals (Crozier 1964; Reder 1947; Barnard 1938; Papandreu 1952; Gordon 1961; Monsen and Downs 1965; Gouldner 1954; Williamson 1964; Marris 1964; Marris and Mueller 1980).

The second strand in the bounded rationality/uncertainty literature views rational bureaucratization primarily as the solution imposed by the nature of environmental uncertainty, given the bounded rationality of decision-makers and the ubiquitous character of opportunism. Under these conditions, it is assumed that organizational utility maximization (sometimes fused with the idea of organizational survival when there is the assumption of large numbers and low entry costs) is the aim of decision-makers. On the economics side of this literature, rational bureaucratic structure—described in terms of the organizational structure and behavior of the firm—is seen as the direct consequence of internalizing external functions. When faced with market uncertainty or market failure, decision-makers seek to overcome the high transaction costs generated by imperfect information, the inability to write contracts covering all contingencies, and the tendency of some individuals to use guile in pursuing self-interest. The most efficient way of overcoming the costs generated by these problems, it is argued, is by internalizing a number of functions previously performed outside of the organization. Internalization provides greater information, control over opportunism, greater predictability, and the capacity to stretch decisions out over time, thereby avoiding the worst aspects of failed contracts (Williamson 1975:1–40; 1981, 1983, 1984, 1985:15–130; Coase 1937, 1972; Alchian and Demsetz 1972:779–81; H. Simon 1957, 1973:183–95; Carlton 1979; Ouchi 1980; Francis 1983; Cheung 1983; Teece 1982). The following bureaucratic characteristics result from this internalization process: specialization and differentiation, managerial control in the form of rules regarding allocation of resources and utilization of resources for individual goals, and hierarchy as an efficient means of allocating decision making. Bureaucratization is seen as the result of adjustment to change in which the individual interests of the decision-maker about security are synonymous with the survival of the organization. As a distinguished economist has put it:

[I]n the economics of adjustment to change the issues of security, survival and maximum profit are merged . . . If a change in conditions calls for a certain re-

action in the name of maximum profits, the very same reaction is called for also in the name of security or survival. (Machlup 1967:13)

More recently, some of the economics literature has focused on the opportunism aspect as one, or the sole, major constraint on the emergence of firm or organization structure. This literature suggests that hierarchy and division of labor are the means by which the free-rider or shirking problem in any group contractual arrangement is overcome (Jensen 1983; Alchian and Demsetz 1972; Fama 1980; Jensen and Meckling 1976; Williamson 1981:1,545). The political science version of this approach stresses the agency problem (all organizational arrangements are contractual between a principal and his or her agent) as the source of developing governmental structure (Moe 1984; Miller and Moe 1983; Hammond and Miller 1985). A range of functions, such as hierarchy, hierarchical responsibility, financial and decisional rules of accountability, are developed and internalized to overcome the negative externalities of unenforced and/or unmonitored contracts. Organizational structure is the outcome, then, of the problems inherent in those forms of economic or social contract where there are strong incentives to shirk or withhold information.

The sociological side of the bounded rationality/uncertainty literature goes under two names: "open system" (Katz and Kahn 1966; Baker 1973; Cyert and March 1963; Emery and Trist 1965; Terreberry 1968; Lawrence and Lorsch 1967a, 1967b; Rice 1963; Burns and Stalker 1961; Weick 1969; Dill 1958; Duncan 1972; Thompson 1967; Hickson et al. 1971) and "dependence exchange" (Jacobs 1974; Hasenfeld 1972; Aldrich and Pfeffer 1976; Aldrich 1979). Here, as in the bounded rationality discourse generally, the environment is seen as contingent but it is not well specified. Sometimes contingency is defined as lack of information, sometimes as unpredictability arising from organizational or system complexity, sometimes as uncertainty about resources, and sometimes as the unpredictability about the consequences of any set of decisions (Simon 1972; Luce and Raiffa 1957; Terreberry 1968). Organizational structure is viewed as variable and the result of constant adaptation to uncertainty by decision-makers who make relatively unconstrained strategic choices. A major concern in this part of the literature is with the structural variations that occur within organizational populations. In this aspect, the open systems/dependence exchange literature is closely related to the evolutionary and ecological concepts of organizational formation. Like the ecological view, the open systems outlook concludes that structural outcomes are survival-functional for specific environments. Where attention is paid to general bureaucratic characteristics, such as hierarchy, specialization and differentiation, and hierarchi-

cal authority (Katz and Kahn 1966; Pugh et al. 1968; Child 1972a, 1972b; Lawrence and Lorsch 1967a, 1967b; Hage 1980), variations in these aspects of bureaucratization are seen as a consequence of environmental contingency (Leibenstein 1966, 1969, 1976, 1987). On the whole, however, the implication of this literature is that while rational-legal characteristics may be dysfunctional in some ways, they are, for the most part, functionally efficient in overcoming internal "transaction costs" stemming from conflict, opportunism, or inability to predict behavior. At the same time, they are efficient in reducing environmental uncertainty by internalizing functions and providing the capacity to restructure relationships to the market to capture externalities. In short, like the economics view, this one takes the position that bureaucratic structure is functionally determined and therefore efficient in a context of uncertainty and bounded rationality. Rational-legal characteristics are the response to both internal and external (inter- and intra-organizational) uncertainty about behavior and outcomes. In this sense, much of the literature constituting this view seems to agree with Machlup's statement about the identity of reactions called for by changes in conditions.

#### *Natural Selection-Evolution-Ecological Explanations*

This view includes several strands of literature: one that has implicit evolutionary explanations, a second that is explicit in its use of a natural selection model, and a third that seeks to construct an ecosystem as the engine of evolutionary change.

The first view suggests that bureaucratization grows out of historical conditions of cultural and structural conduciveness. Some environments have evolved to a point where they possess values and social structural characteristics which make it possible for rational-legal bureaucracy to emerge (Weber 1958; Bellah 1957; Eisenstadt 1969; Bendix 1964; Riggs 1964; Stinchcombe 1965; Huntington 1968; Huntington and Dominguez 1975; Jaguaribe 1973; Skocpol 1979). "[C]ertain kinds of organizations . . . could not be invented before the social structure was appropriate to them" (Stinchcombe 1965:160).

The conditions said to reflect conduciveness for rational bureaucratic organization are the existence of free-floating resources, manpower, and a value system that is not completely tied to ascriptive or particularistic groups (Eisenstadt 1969; Stinchcombe 1965). Elites, rulers, or entrepreneurs are in the position to take advantage of these resources by virtue of their smaller numbers, their access to information and symbols, and their wealth. Bureaucratic characteristics are functional in these environments but not in others. Inherent in this argument is a notion of selection that provides for survival functional outcomes. Thus, environments that provide high levels of uncer-

tainty produce variant solutions, some of which are successful in constraining the centrifugal forces inherent in these conditions. Uncertainty is indicated by unallocated resources, undifferentiated or nonallocated resources, undifferentiated or nonallocated human resources, and values that allow unpredictable choices. Success in gaining access to these resources produces widespread imitation and thus institutionalization.

The second strand in this literature, that of explicit natural selection, is difficult to separate clearly from the ecological view; thus, they will be treated together here. The basic premise is that bureaucratic organization is seen as the consequence of a process of natural selection occurring within a population or ecosystem of organizations (Granovetter 1979; Hannan and Freeman 1977, 1984, 1986; Freeman 1982; Aldrich and Mueller 1982; Aldrich 1971; Campbell 1969; McKelvey 1982; McKelvey and Aldrich 1983; Kaufman 1991; Blute 1979; Carroll 1984; Nelson and Winter 1982; Langton 1984; Bidwell and Kasarda 1984, 1985; Astley 1985). The Marxian version of environmental dominance over selection is well-stated (Heydebrand 1977; Goldman 1973; Clegg and Dunkerley 1980). Bureaucratization occurs as the result of the environment differentially selecting either of the organizational variations for survival on the basis of the functional fit between organizational structure and environment. "Those organizations that have appropriate social structure, for whatever reasons, are selected over those that do not" (Aldrich and Pfeffer 1976:81). With the exception of the recent work by Bidwell and Kasarda (1985), the literature does not provide much in the way of specifying the criteria for selection or retention of variants. Implicit in much of this work, however, is the view that retention of functional random variations occurs through their contribution to organizational stability or survival under conditions of competition with large numbers (Weick 1969; Aldrich and Pfeffer 1976; Astley and Van de Ven 1983; Langton 1984; Perrow 1986 [1972]:208-18; Nelson and Winter 1982; Hannan and Freeman 1989). This approach is similar to the coordination explanation in that both stress the determination of organizational characteristics primarily by external market or environmental constraints. They differ, however, in that the natural selection explanation does not specify maximization of profits as the primary criterion for selecting out organizational form. Rather, the emphasis on appropriateness of fit between environmental demands and organizational structure allows the inference that criteria for selection and retention may vary over time, place, and goals. An approach intermediate between macrostructural and individual determinants of organizational structure is represented by Hrebiniak and Joyce (1985), who argue, with considerable cogency, that adaptation is a function of the interdependent relations between individual choice, strategic choice, and external constraints.

One example of how this view has spurred new thoughts on environmental variables is the isomorphic-legitimization approach to structural change in organizational populations. This view argues that once structural changes are adopted by significant organizations, they become legitimized. Once changes are adopted by some organizations, other organizations also adopt the changes in order to acquire the benefits of organizational legitimacy—even though such changes may bring no other organizational benefits (Meyer and Rowan 1977; Rowan 1982; Tolbert and Zucker 1983; DiMaggio and Powell 1983; Meyer and Scott 1983).

Finally, in recent years, the concern with environmental constraints and the ambiguity of the concept has led to attempts to specify variables that make up the environment. This specification has emerged out of the population-community concepts of ecology (Hawley 1950, 1968; Duncan and Hauser 1959; O. D. Duncan 1964). One strand of this relatively new literature tries to follow the dynamic process (Bidwell and Kasarda 1985). Another strand stresses the texture, density, and interdependence of the environmental population and community (Evan 1960; Weick 1979; Laumann, Verbrugge, and Pappi 1974; Laumann and Pappi 1976; Aldrich and Whetten 1981). Network analysis as utilized by organizational theorists is an attempt to put some empirical bite into propositions about natural selection. By tracing networks and organizational changes over time, the hope is that relationships between environmental changes and organizational structure can be specified. Presently, the literature in this area stresses the degree to which the environment is constructed by organizations as they seek rules of cooperation for organizational populations (Emery and Trist 1973; Cook 1977; Van de Ven, Delbecq, and Koenig 1968) or seek rules which allow certain organizational types and goals to dominate (Benson 1975; Clegg 1981; Jackson 1983; Perrow 1984).

### Problems Arising from the Literature

At first glance the literature seems both overdetermined and overdetermining. The state of the literature seems analogous to the situation of the man who has lent his lawn mower to his next-door neighbor. On seeking its return after several weeks, his neighbor explains his failure to return it by saying, "In the first place it wasn't working; in the second place, I haven't finished using it; in the third place, you didn't lend it to me." Like the lender, we seem to be confronted with explanations, each one of which would be, on the face of it, sufficient to explain the behavior but when taken together seem at times to be mutually exclusive or contradictory. All of them can't be right, thus the possibility arises that none of them are.

Part of this apparent overdetermination is illusory. Like the neighbor's response, these explanations are aimed at different possible questions. Coordination explanations seem to be directed primarily at explaining and predicting changes in observed levels of coordination. That is to say, it seems to be the attempt to work out systematically the way in which coordination levels will vary with particular changes in conditions such as system size, technology, war, interest-group formation, system complexity, etc. In this sense, the explanation is not aimed at explaining or predicting the behavior of any particular real set of organizations but only the reactions of numerous actors to the existence of changes in the environment affecting coordination. The bureaucratic organization is the theoretical link or "black box" that helps explain how one gets from cause to effect. Indeed, this appears to be the deductive mode utilized by Weber in constructing his ideal type of legal-rational bureaucracy—it is a mental device that explains the capacity of individuals and groups in Western society to grasp positive externalities, to maximize profits or utility. Just as in the marginalist or equilibrium theory of the firm (Machlup 1967; Loasby 1968, 1971; Horowitz 1970:154–248; Williamson 1981:1,539), a set of organizational characteristics is posited that is assumed to be functional to profit or utility maximization on the part of decision-makers.

Although the assumption about maximization is logically necessary, it must be combined with the concept of effective competition in order to produce a conclusion about the identical nature of individual and organizational goals. The efficiency of bureaucratic organization does not rest solely on its allocative capacities but also on both organizational competition and individual competition to induce persistent attempts to grasp externalities (Leibenstein 1966, 1973, 1975; Jackson 1983:178–84). Characteristics such as hierarchy, hierarchy of authority, specialization, differentiation, decision-making rules based on the accumulation of information, expertise, careerism, and secularity are all deduced as efficient responses to *ceteris paribus* conditions of effective competition and maximization of utility. In short, bureaucratic organization or the firm, in the theory of the firm, is a heuristic device adopted as the simplest and most efficient way to explain the relationship between variations in levels of coordination and variations or changes in conditions. By inference, bureaucratic organization in this kind of explanation is not meant to be a concept by which to examine any real organization either in processual or normative terms. This explanation uses price theory as a model of explanation.

Precisely because of the heuristic character assigned to the organization, this explanation is poorly equipped to examine the process of bureaucratization and thus to provide an understanding of why it takes on different

modes. The weakness of the explanation in this regard stems from assumptions utilized to create the link between cause and effect. There are two such assumptions: (1) decision-makers seek to maximize profit, and (2) there is effective competition. The two must be joined since either one by itself clearly is not sufficient to explain why changes in coordination should occur. The explanation thus assumes a uniform set of constraints over time. It is not at all clear that these constraints *require* any narrowly specific form of organization. They require only that decision-makers pursue profit-maximization as their goal. Presumably, they can use any means that existing rules allow and they will make the most of those means if there are large numbers competing. The point is, it is not necessary for this explanation to specify any particular form, so long as the aim is *not* to explain bureaucratic organization but rather the change in coordination levels. It is merely sufficient, in a logical sense, to say that the organization is rational or utility maximizing.

Due to its heuristic "black box" approach to organizations, this view suffers from the defects of its advantages. It appears to be an entirely appropriate approach, if the idea is to provide a set of variables governing the relationship between environment and levels of coordination in the manner of price theory. It faces severe problems, however, because it views rational bureaucratic organization as a category that emerges unmediated from a specific environment of the division of labor—that is, the greater the division of labor, the greater the number of actors; the greater the need for coordination, the greater the rationality (utility maximization) of the organization. Other concerns of social or collective choice do not enter into the equation.

When it comes to the question of explaining concrete examples, this explication runs contrary to our knowledge and understanding of contemporary and recent history. Even a brief glance at the historical development of three major cases of state bureaucratic rationalization in the late nineteenth century, France, Japan and Prussia-Germany, indicates that rationalization did not arise unmediated from problems of coordination. In the 1870s and 1880s, when state bureaucratic rationalization became institutionalized in these countries, problems of economic coordination (or resource allocation) arising from an expanding division of labor were considerably fewer and less intense than in the United States and Great Britain, where the process of industrialization was farther along (Mathias and Postan 1978; Ohkawa and Rosovsky 1973; Landes 1965, 1969; Chandler and Daems 1980). Indeed it was the rationalized state administration in Japan and Prussia-Germany that undertook to subsidize and encourage the economic transformation of society. This developmental pattern forcefully suggests that problems of governmental coordination may not arise simply out of the failure of the market or politics to coordinate. Rather, such problems may be the result of self-con-



scious decisions arrived at by rationalized bureaucratic organizations aiming to achieve politically determined goals. In this situation, coordination problems are not the cause of bureaucratization so much as the symptom of the bureaucratization process itself (Silberman 1982; O'Donnell 1973; Collier 1979).

The natural selection explanation raises problems in a somewhat different direction. It fails to specify in any but the broadest terms the criteria for selection and retention of bureaucratic structures. This view recognizes that different modes of bureaucratization occur, but it doesn't tell us why there are systematic variations. Nor does it specify any process or mechanism to help us understand why some rulers, elites, or entrepreneurs are capable of seizing opportunities presented by the environment while others in similar situations are not. The implication seems to be that those who are successful operate not only on short-term maximization of utility as everyone might but also have specific opportunistic advantages—more information and resources. Bureaucratization is thus seen as arising out of the attempt to institutionalize or stabilize organizational success. Weber's routinization of charisma is an example of this approach. The problem lies, however, in specifying the mechanism or process and the conditions which lead strategic choosers to the same or similar choices. The systematic character of similarities and variations in the history of bureaucratic evolution in the late nineteenth and early twentieth centuries clearly suggests nonrandom constraints on the selection process.

One inference we might draw is that varying bureaucratic modes are selected as a result of variations in uncertainty about organizational authority, power, and stability (Aldrich and Pfeffer 1976). This suggests there are close similarities between this approach and the bounded rationality/uncertainty explanation. This latter approach has been largely confined to analysis within the framework of the theory of the firm (Coase 1937; Williamson 1975, 1985; Marris 1964); organizational behavior theory (Simon 1976; Cyert and March 1963; Zald 1970a; Thompson 1967; Hickson et al. 1971; Allison 1971); and complex organizations (Gouldner 1954). Only in some recent studies has uncertainty as a variable been utilized in attempting to explain systematic differences in public bureaucratic organization (Meyer and Brown 1977; Meyer 1975, 1979; Meyer, Stevenson, and Webster 1985).

Of course, bounded rationality and uncertainty about authority, power, and control is a recurrent theme in much of the historical literature on the emergence and development of the modern state. However, uncertainty is not viewed in a systematic way by historians. It is usually seen as a background constant against which is played out the virtuosity of historical actors. That is, historical explanations or descriptions often fail to define the

constraints within which individuals make choices in a systematic way. Thus, for example, where war is seen as the major dynamic driving state bureaucratization, no explanation is provided as to why *rationalization* of bureaucracy occurs the way it does. Tilly is instructive in this regard. His discussion of the emergence of "direct rule" as an aspect of rational administration following the French Revolution emphasizes the uncertainty of political leaders as the driving force rather than war itself (Tilly 1990:109). Brewer, in his analysis of English development, describes the eighteenth century as a period of bureaucratic rationalization. Even if we suspend disbelief on this issue, Brewer provides us with no explanation as to why rationalization took on the particular forms he describes (Brewer 1989:64-87). In both cases, which are in many ways typical of historically oriented analyses, the assumption appears to be that war and its demand on finances automatically produces rationalization of bureaucracy with no mediation. This is essentially a systemic functionalist account in which the agents are passive objects of systemic requirements. However, there is no inherent logic in the demands stemming from war that requires the production of a specific organizational structure except the argument that war creates problems of coordination. But this does not, for example, answer the question of why the English in the eighteenth century choose to create bureaus in the form of collegial boards (Brewer 1989:83). Coordination, while it might constrain organizational behavior in some directions, does not provide any logic for the production of the kind of structures described by Tilly or Brewer.

In more traditional Marxist analysis, however, there is the assumption of rationality that is almost completely constrained and, therefore, unable to explain the variation (Marx and Engels 1965:59; Lenin 1947). More recently, there have been attempts to explain the variation in organizational structure in terms of variations in capitalist structure and the path of capitalist accumulation (Johnson 1977; Carchedi 1977:127-34). This provides no clear explanation about how specific paths of capitalist development and capitalist organization produce the variation in organizational forms that exists in a systematic way across capitalist countries. Nor does it explain why some noncapitalist societies like the traditional Soviet regime underwent bureaucratic rationalization similar to those of noncapitalist societies.

In the nonhistorical literature, analysis is rather narrowly limited to contemporaneous private organizations within single societies. The results are generalizations largely deduced from static analysis within the framework of market or general environmental uncertainty. These shed little light on public bureaucracies precisely because the latter do not have to face conditions of market competition. Thus, if generalizations are to be deduced, an analog

of economic market competition must be well specified (Niskanen 1971). Furthermore, the static character of the analysis assumes a *ceteris paribus* condition of uncertainty—uncertainty is seen as constant. But, as historians are fond of pointing out, uncertainty varies over time and place as well as over a cross section of societies, markets, or what have you (Meyer 1979:2, 5–10).

If variation occurs, then the problem is to explain how *systematic* variations in bureaucratic organization occur over time in a variety of settings. Historical case studies and descriptions of the development of the modern state system aim to do this but err in the opposite direction. The historical literature by and large, as I have argued, fails to provide us with any systematic generalizations of process because of its inevitable emphasis on the uniqueness of organizational development and change. There have been, as a consequence, almost no attempts to conceptualize which elements of uncertainty in the environment are critical to producing those outcomes we characterize as legal-rational bureaucratic.

In sum, the existing literature suffers from both overdetermination and underdetermination. On the one hand, it cites many conditions to which rational bureaucratization is a functional response, but it does not specify any particular set of conditions to which rational bureaucratization is *always* the response. On the other hand, these explanations fail to provide any adequate proposition for why systematic differences occur across historical, cultural, and national boundaries.

### Common Themes

Some of the reasons for this continuing confusion and ambiguity with regard to state bureaucratization are partly revealed when we look at the major themes running through the literature. Despite the considerable differences between explanations, there appear to be three common themes. First, all of them stress some aspect of uncertainty—uncertainty about availability or proper allocation of resources, about legitimate authority, transaction costs, organizational environment, organizational stability or managerial power or status. Second, there seems to be common agreement that limited or bounded rationality—that is, limitations on the availability of information and the limited capacity to search for the best solution—of decision-makers is a major factor in rational bureaucratization. Bureaucratic organizations are seen as the response to the continuing problem of imperfections of individual decisions in situations where neither perfect information nor a perfect market exist. Third, all of the explanations appear to agree that internalization is the processual means by which bureaucratization occurs. It is either a process of internalizing positive externalities or of internalizing transaction

costs, or it is the internalization of information and resources generally. The internalization process is seen as the primary mechanism of response. "Adaptation" is the most commonly used word to describe this process. Whatever the wording, agreement is widespread that internalization accounts for the emergence of hierarchy, specialization and differentiation, career structures, and the utilization of formal rules. This process, depending on the point of view, produces different organizational shapes: unitary or multidivisional (Williamson 1975; Chandler 1962, 1977); loose-rigid (Lawrence and Lorsch 1967a, 1967b); centralized-decentralized (Pugh et al. 1968); tall-short [hierarchies] (Woodward 1958, 1965). Whatever the shape, they all appear to exhibit the structured role characteristics implied by Weber's description (Mansfield 1973; Aldrich and Pfeffer 1976; Perrow 1986 [1972]).

The presence of these themes over a wide variety of explanations reveals the long-standing debate in organizational theory about what it is that constrains organizational emergence and change. The debate revolves around whether: (1) rational strategic choices of decision-makers seeking to maximize their and their organization's interests; or, (2) environmental factors to which organizations respond in the systemic pursuit of survival and growth, are chiefly responsible for molding the shape of organizations (Astley and Van de Ven 1983). In terms of the paired notions of bounded rationality/uncertainty, the debate is focused on the question of what constrains decisions—the role and nature of the decision-maker or the environment. From the point of view of internalization, the debate centers on what shapes process—the maximization of the decision-makers's utility or environmental demands which enforce systemic maximization of utility. Thus, while there seems to be agreement on the central factors in the emergence of organizational rationality, wide differences remain in explanation, depending upon which side of the debate one stands.

The problem is, however, that a commitment to either side makes it impossible to explain the existence of the two major modes of state bureaucratization. To depend only on rational choice arguments without specifying different environmental states is to ignore differences in the institutionalization of rational bureaucratic modes and to seek explanations only at the most general level. Environmental states provide a powerful variable in the search for explanations as to variations in modes of bureaucratization. At the other extreme, to depend solely on macro constraints invites the criticism that all one has said is that different environments produce different modes of institutionalization. This does not tell us what factors in the environment vary systematically so as to produce different modes. Such an approach must rely on some notion of organizational or emergent rationality distinct from those

who make and organize its decisions. This would have strong appeal, had we some clearer understanding of how such emergent properties worked, so as to allow us to distinguish between more or less structured rationality. In the last analysis, macro explanations centering on environmental forces lead only to rather gross distinctions between more or less complex or uncertain environments and thus help explain, as Weber did, the differences between patrimonial and rational bureaucratic administrations. Reliance on either one or the other explanatory approach, therefore, leaves us in the dark about the whole process of rational bureaucratization in the state and why it should take on the general and specific forms we observe.

*Among the best-known of Weber's generalizations is that which holds that the bureaucratic machine will ordinarily continue to operate essentially unchanged even in the face of revolutionary changes in the society. On the basis of case materials dealing with the transformation of bureaucracies during the National Socialist regime, Burin demonstrates that Weber's hypothesis involved an over-estimate of the political importance of the technical knowledge possessed by the bureaucratic expert. And Gouldner draws upon recent studies of industrial organization to re-examine Weber's characterization of bureaucracy, particularly the "norm of impersonality."*

*Supplementing these discussions of Weberian theory is Simon's critical review of bureaucratic theory current among students of administration, designed to clarify some of the major concepts presently employed in the study of bureaucracy.*

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## THE ESSENTIALS OF BUREAUCRATIC ORGANIZATION: AN IDEAL-TYPE CONSTRUCTION

*Max Weber*

The effectiveness of legal authority rests on the acceptance of the validity of the following mutually inter-dependent ideas.

1. That any given legal norm may be established by agreement or by imposition, on grounds of expediency or rational values or both, with a claim to obedience at least on the part of the members of the corporate group. This is, however, usually extended to include all persons within the sphere of authority or of power in question—which in the case of territorial bodies is the territorial area—who stand in certain social relationships or carry out forms of social action which in the order governing the corporate group have been declared to be relevant.

2. That every body of law consists essentially in a consistent system of abstract rules which have normally been intentionally established. Furthermore, administration of law is held to consist in the application of these rules to particular cases; the administrative process is the rational pursuit of the interests which are specified in the order governing the corporate group within the limits laid down by legal precepts and following principles which

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are capable of generalized formulation and are approved in the order governing the group, or at least not disapproved in it.

3. That thus the typical person in authority occupies an "office." In the action associated with his status, including the commands he issues to others, he is subject to an impersonal order to which his actions are oriented. This is true not only for persons exercising legal authority who are in the usual sense "officials," but, for instance, for the elected president of a state.

4. That the person who obeys authority does so, as it is usually stated, only in his capacity as a "member" of the corporate group and what he obeys is only "the law." He may in this connexion be the member of an association, of a territorial commune, of a church, or a citizen of a state.

5. In conformity with point 3, it is held that the members of the corporate group, in so far as they obey a person in authority, do not owe this obedience to him as an individual, but to the impersonal order. Hence, it follows that there is an obligation to obedience only within the sphere of the rationally delimited authority which, in terms of the order, has been conferred upon him.

The following may thus be said to be the fundamental categories of rational legal authority:—

(1) A continuous organization of official functions bound by rules.

(2) A specified sphere of competence. This involves (a) a sphere of obligations to perform functions which has been marked off as part of a systematic division of labour. (b) The provision of the incumbent with the necessary authority to carry out these functions. (c) That the necessary means of compulsion are clearly defined and their use is subject to definite conditions. A unit exercising authority which is organized in this way will be called an "administrative organ."

There are administrative organs in this sense in large-scale private organizations, in parties and armies, as well as in the state and the church. An elected president, a cabinet of ministers, or a body of elected representatives also in this sense constitute administrative organs. This is not, however, the place to discuss these concepts. Not every administrative organ is provided with compulsory powers. But this distinction is not important for present purposes.

(3) The organization of offices follows the principle of hierarchy; that is, each lower office is under the control and supervision of a higher one. There is a right of appeal and of statement of grievances from the lower to the higher. Hierarchies differ in respect to whether and in what cases complaints can lead to a ruling from an authority at various points higher in the scale, and as to whether changes are imposed from higher up or the responsibility for such changes is left to the lower office, the conduct of which was the subject of complaint.

(4) The rules which regulate the conduct of an office may be technical

rules or norms.<sup>1</sup> In both cases, if their application is to be fully rational, specialized training is necessary. It is thus normally true that only a person who has demonstrated an adequate technical training is qualified to be a member of the administrative staff of such an organized group, and hence only such persons are eligible for appointment to official positions. The administrative staff of a rational corporate group thus typically consists of "officials," whether the organization be devoted to political, religious, economic—in particular, capitalistic—or other ends.

(5) In the rational type it is a matter of principle that the members of the administrative staff should be completely separated from ownership of the means of production or administration. Officials, employees, and workers attached to the administrative staff do not themselves own the non-human means of production and administration. These are rather provided for their use in kind or in money, and the official is obligated to render an accounting of their use. There exists, furthermore, in principle complete separation of the property belonging to the organization, which is controlled within the sphere of office, and the personal property of the official, which is available for his own private uses. There is a corresponding separation of the place in which official functions are carried out, the "office" in the sense of premises, from living quarters.

(6) In the rational type case, there is also a complete absence of appropriation of his official position by the incumbent. Where "rights" to an office exist, as in the case of judges, and recently of an increasing proportion of officials and even of workers, they do not normally serve the purpose of appropriation by the official, but of securing the purely objective and independent character of the conduct of the office so that it is oriented only to the relevant norms.

(7) Administrative acts, decisions, and rules are formulated and recorded in writing, even in cases where oral discussion is the rule or is even mandatory. This applies at least to preliminary discussions and proposals, to final decisions, and to all sorts of orders and rules. The combination of written documents and a continuous organization of official functions constitutes the "office"<sup>2</sup> which is the central focus of all types of modern corporate action.

1. Weber does not explain this distinction. By a "technical rule" he probably means a prescribed course of action which is dictated primarily on grounds touching efficiency of the performance of the immediate functions, while by "norms" he probably means rules which limit conduct on grounds other than those of efficiency. Of course, in one sense all rules are norms in that they are prescriptions for conduct, conformity with which is problematical.—Ed. [Parsons.]

2. *Bureau*. It has seemed necessary to use the English word "office" in three different meanings, which are distinguished in Weber's discussion by at least two terms. The first is *Amt*, which means "office" in the sense of the institutionally defined status of a person. The second is the "work premises" as in the expression "he spent the afternoon in his office." For this Weber uses *Bureau* as also for the third meaning which he has just defined, the "organized work process of a group." In this last sense an office is a particular type of "organization," or *Betrieb* in Weber's sense. This use is established in English



(8) Legal authority can be exercised in a wide variety of different forms which will be distinguished and discussed later. The following analysis will be deliberately confined for the most part to the aspect of imperative co-ordination in the structure of the administrative staff. It will consist in an analysis in terms of ideal types of officialdom or "bureaucracy."

In the above outline no mention has been made of the kind of supreme head appropriate to a system of legal authority. This is a consequence of certain considerations which can only be made entirely understandable at a later stage in the analysis. There are very important types of rational imperative co-ordination which, with respect to the ultimate source of authority, belong to other categories. This is true of the hereditary charismatic type, as illustrated by hereditary monarchy and of the pure charismatic type of a president chosen by plebiscite. Other cases involve rational elements at important points, but are made up of a combination of bureaucratic and charismatic components, as is true of the cabinet form of government. Still others are subject to the authority of the chief of other corporate groups, whether their character be charismatic or bureaucratic; thus the formal head of a government department under a parliamentary regime may be a minister who occupies his position because of his authority in a party. The type of rational, legal administrative staff is capable of application in all kinds of situations and contexts. It is the most important mechanism for the administration of everyday profane affairs. For in that sphere, the exercise of authority and, more broadly, imperative co-ordination, consists precisely in administration.

The purest type of exercise of legal authority is that which employs a bureaucratic administrative staff. Only the supreme chief of the organization occupies his position of authority by virtue of appropriation, of election, or of having been designated for the succession. But even *his* authority consists in a sphere of legal "competence." The whole administrative staff under the supreme authority then consists, in the purest type, of individual officials who are appointed and function according to the following criteria:<sup>3</sup>

(1) They are personally free and subject to authority only with respect to their impersonal official obligations.

× (2) They are organized in a clearly defined hierarchy of offices.

(3) Each office has a clearly defined sphere of competence in the legal sense.

(4) The office is filled by a free contractual relationship. Thus, in principle, there is free selection.

(5) Candidates are selected on the basis of technical qualifications. In such expressions as "the District Attorney's Office has such and such functions." Which of the three meanings is involved in a given case will generally be clear from the context.—Ed. [Parsons.]

3. This characterization applies to the "monocratic" as opposed to the "collegial" type, which will be discussed below.

the most rational case, this is tested by examination or guaranteed by diplomas certifying technical training, or both. They are *appointed*, not elected.

(6) They are remunerated by fixed salaries in money, for the most part with a right to pensions. Only under certain circumstances does the employing authority, especially in private organizations, have a right to terminate the appointment, but the official is always free to resign. The salary scale is primarily graded according to rank in the hierarchy; but in addition to this criterion, the responsibility of the position and the requirements of the incumbent's social status may be taken into account.

(7) The office is treated as the sole, or at least the primary, occupation of the incumbent.

(8) It constitutes a career. There is a system of "promotion" according to seniority or to achievement, or both. Promotion is dependent on the judgment of superiors.

(9) The official works entirely separated from ownership of the means of administration and without appropriation of his position.

(10) He is subject to strict and systematic discipline and control in the conduct of the office.

This type of organization is in principle applicable with equal facility to a wide variety of different fields. It may be applied in profit-making business or in charitable organizations, or in any number of other types of private enterprises serving ideal or material ends. It is equally applicable to political and to religious organizations. With varying degrees of approximation to a pure type, its historical existence can be demonstrated in all these fields.

1. For example, this type of bureaucracy is found in private clinics, as well as in endowed hospitals or the hospitals maintained by religious orders. Bureaucratic organization has played a major role in the Catholic Church. It is well illustrated by the administrative role of the priesthood in the modern church, which has expropriated almost all of the old church benefices, which were in former days to a large extent subject to private appropriation. It is also illustrated by the conception of the universal Episcopate, which is thought of as formally constituting a universal legal competence in religious matters. Similarly, the doctrine of Papal infallibility is thought of as in fact involving a universal competence, but only one which functions "ex cathedra" in the sphere of the office, thus implying the typical distinction between the sphere of office and that of the private affairs of the incumbent. The same phenomena are found in the large-scale capitalistic enterprise; and the larger it is, the greater their role. And this is not less true of political parties, which will be discussed separately. Finally, the modern army is essentially a bureaucratic organization administered by that peculiar type of military functionary, the "officer."

2. Bureaucratic authority is carried out in its purest form where it is most clearly dominated by the principle of appointment. There is no such

thing as a hierarchy of elected officials in the same sense as there is a hierarchical organization of appointed officials. In the first place, election makes it impossible to attain a stringency of discipline even approaching that in the appointed type. For it is open to a subordinate official to compete for elective honours on the same terms as his superiors, and his prospects are not dependent on the superior's judgment.

3. Appointment by free contract, which makes free selection possible, is essential to modern bureaucracy. Where there is a hierarchical organization with impersonal spheres of competence, but occupied by unfree officials—like slaves or dependents, who, however, function in a formally bureaucratic manner—the term “patrimonial bureaucracy” will be used.

4. The role of technical qualifications in bureaucratic organizations is continually increasing. Even an official in a party or a trade-union organization is in need of specialized knowledge, though it is usually of an empirical character, developed by experience, rather than by formal training. In the modern state, the only “offices” for which no technical qualifications are required are those of ministers and presidents. This only goes to prove that they are “officials” only in a formal sense, and not substantively, as is true of the managing director or president of a large business corporation. There is no question but that the “position” of the capitalistic entrepreneur is as definitely appropriated as is that of a monarch. Thus at the top of a bureaucratic organization, there is necessarily an element which is at least not purely bureaucratic. The category of bureaucracy is one applying only to the exercise of control by means of a particular kind of administrative staff.

5. The bureaucratic official normally receives a fixed salary. By contrast, sources of income which are privately appropriated will be called “benefices.” Bureaucratic salaries are also normally paid in money. Though this is not essential to the concept of bureaucracy, it is the arrangement which best fits the pure type. Payments in kind are apt to have the character of benefices, and the receipt of a benefice normally implies the appropriation of opportunities for earnings and of positions. There are, however, gradual transitions in this field with many intermediate types. Appropriation by virtue of leasing or sale of offices or the pledge of income from office are phenomena foreign to the pure type of bureaucracy.

6. “Offices” which do not constitute the incumbent's principal occupation, in particular “honorary” offices, belong in other categories. . . . The typical “bureaucratic” official occupies the office as his principal occupation.

7. With respect to the separation of the official from ownership of the means of administration, the situation is essentially the same in the field of public administration and in private bureaucratic organizations, such as the large-scale capitalistic enterprise.

8. . . . At the present time [collegial bodies] are rapidly decreasing in importance in favour of types of organization which are in fact, and for the

most part formally as well, subject to the authority of a single head. For instance, the collegial "governments" in Prussia have long since given way to the monocratic "district president." The decisive factor in this development has been the need for rapid, clear decisions, free of the necessity of compromise between different opinions and also free of shifting majorities.

9. The modern army officer is a type of appointed official who is clearly marked off by certain class distinctions . . . In this respect such officers differ radically from elected military leaders, from charismatic condottieri, from the type of officers who recruit and lead mercenary armies as a capitalistic enterprise, and, finally, from the incumbents of commissions which have been purchased. There may be gradual transitions between these types. The patrimonial "retainer," who is separated from the means of carrying out his function, and the proprietor of a mercenary army for capitalistic purposes have, along with the private capitalistic entrepreneur, been pioneers in the organization of the modern type of bureaucracy. . . .

THE MONOCRATIC TYPE OF BUREAUCRATIC ADMINISTRATION. Experience tends universally to show that the purely bureaucratic type of administrative organization—that is, the monocratic variety of bureaucracy—is, from a purely technical point of view, capable of attaining the highest degree of efficiency and is in this sense formally the most rational known means of carrying out imperative control over human beings. It is superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability. It thus makes possible a particularly high degree of calculability of results for the heads of the organization and for those acting in relation to it. It is finally superior both in intensive efficiency and in the scope of its operations, and is formally capable of application to all kinds of administrative tasks.

The development of the modern form of the organization of corporate groups in all fields is nothing less than identical with the development and continual spread of bureaucratic administration. This is true of church and state, of armies, political parties, economic enterprises, organizations to promote all kinds of causes, private associations, clubs, and many others. Its development is, to take the most striking case, the most crucial phenomenon of the modern Western state. However many forms there may be which do not appear to fit this pattern, such as collegial representative bodies, parliamentary committees, soviets, honorary officers, lay judges, and what not, and however much people may complain about the "evils of bureaucracy," it would be sheer illusion to think for a moment that continuous administrative work can be carried out in any field except by means of officials working in offices. The whole pattern of everyday life is cut to fit this framework. For bureaucratic administration is, other things being equal, always, from a formal, technical point of view, the most rational type. For the needs of mass administration to-day, it is completely indispensable. The

choice is only that between bureaucracy and dilettantism in the field of administration.

The primary source of the superiority of bureaucratic administration lies in the role of technical knowledge which, through the development of modern technology and business methods in the production of goods, has become completely indispensable. In this respect, it makes no difference whether the economic system is organized on a capitalistic or a socialistic basis. Indeed, if in the latter case a comparable level of technical efficiency were to be achieved, it would mean a tremendous increase in the importance of specialized bureaucracy.

When those subject to bureaucratic control seek to escape the influence of the existing bureaucratic apparatus, this is normally possible only by creating an organization of their own which is equally subject to the process of bureaucratization. Similarly the existing bureaucratic apparatus is driven to continue functioning by the most powerful interests which are material and objective, but also ideal in character. Without it, a society like our own—with a separation of officials, employees, and workers from ownership of the means of administration, dependent on discipline and on technical training—could no longer function. The only exception would be those groups, such as the peasantry, who are still in possession of their own means of subsistence. Even in case of revolution by force or of occupation by an enemy, the bureaucratic machinery will normally continue to function just as it has for the previous legal government.

The question is always who controls the existing bureaucratic machinery. And such control is possible only in a very limited degree to persons who are not technical specialists. Generally speaking, the trained permanent official is more likely to get his way in the long run than his nominal superior, the Cabinet minister, who is not a specialist.

Though by no means alone, the capitalistic system has undeniably played a major role in the development of bureaucracy. Indeed, without it capitalistic production could not continue and any rational type of socialism would have simply to take it over and increase its importance. Its development, largely under capitalistic auspices, has created an urgent need for stable, strict, intensive, and calculable administration. It is this need which gives bureaucracy a crucial role in our society as the central element in any kind of large-scale administration. Only by reversion in every field—political, religious, economic, etc.—to small-scale organization would it be possible to any considerable extent to escape its influence. On the one hand, capitalism in its modern stages of development strongly tends to foster the development of bureaucracy, though both capitalism and bureaucracy have arisen from many different historical sources. Conversely, capitalism is the most rational economic basis for bureaucratic administration and enables it to

develop in the most rational form, especially because, from a fiscal point of view, it supplies the necessary money resources.

Along with these fiscal conditions of efficient bureaucratic administration, there are certain extremely important conditions in the fields of communication and transportation. The precision of its functioning requires the services of the railway, the telegraph, and the telephone, and becomes increasingly dependent on them. A socialistic form of organization would not alter this fact. It would be a question whether in a socialistic system it would be possible to provide conditions for carrying out as stringent bureaucratic organization as has been possible in a capitalistic order. For socialism would, in fact, require a still higher degree of formal bureaucratization than capitalism. If this should prove not to be possible, it would demonstrate the existence of another of those fundamental elements of irrationality in social systems—a conflict between formal and substantive rationality of the sort which sociology so often encounters.

Bureaucratic administration means fundamentally the exercise of control on the basis of knowledge. This is the feature of it which makes it specifically rational. This consists on the one hand in technical knowledge which, by itself, is sufficient to ensure it a position of extraordinary power. But in addition to this, bureaucratic organizations, or the holders of power who make use of them, have the tendency to increase their power still further by the knowledge growing out of experience in the service. For they acquire through the conduct of office a special knowledge of facts and have available a store of documentary material peculiar to themselves. While not peculiar to bureaucratic organizations, the concept of "official secrets" is certainly typical of them. It stands in relation to technical knowledge in somewhat the same position as commercial secrets do to technological training. It is a product of the striving for power.

Bureaucracy is superior in knowledge, including both technical knowledge and knowledge of the concrete fact within its own sphere of interest, which is usually confined to the interests of a private business—a capitalistic enterprise. The capitalistic entrepreneur is, in our society, the only type who has been able to maintain at least relative immunity from subjection to the control of rational bureaucratic knowledge. All the rest of the population have tended to be organized in large-scale corporate groups which are inevitably subject to bureaucratic control. This is as inevitable as the dominance of precision machinery in the mass production of goods.

The following are the principal more general social consequences of bureaucratic control:—

- (1) The tendency to "levelling" in the interest of the broadest possible basis of recruitment in terms of technical competence.
- (2) The tendency to plutocracy growing out of the interest in the great-

est possible length of technical training. To-day this often lasts up to the age of thirty.

(3) The dominance of a spirit of formalistic impersonality, "*Sine ira et studio*," without hatred or passion, and hence without affection or enthusiasm. The dominant norms are concepts of straightforward duty without regard to personal considerations. Everyone is subject to formal equality of treatment; that is, everyone in the same empirical situation. This is the spirit in which the ideal official conducts his office.

## SOME OBSERVATIONS ON WEBER'S ANALYSIS OF BUREAUCRACY

Carl J. Friedrich

Max Weber's analysis of bureaucracy is one of the central points in his general sociology. His key concept of rationalization as a distinctive feature of modern society, especially as linked to his notion of a de-mystification of the world (*Entzauberung der Welt*), finds one of its concrete manifestations in bureaucracy and bureaucratization. Here lies one of the important limits of his analysis; for this notion of a progressive rationalization and de-mystification, while more sophisticated, is linked to the earlier and more grandiloquent sociological system of a Comte with its universal progress toward an intellectually conceived goal.

Rationalization and de-mystification are in turn linked to Weber's emphasis on power (*Macht*) in all social relationships, and receive their methodological patterning from his concept of an "ideal type." To deal with the second aspect first, this methodological concept of "ideal types" has aroused a good deal of speculation and controversy. Neither the careful analysis of von Schelting<sup>1</sup> nor the thoughtful commentary by Parsons<sup>2</sup> This paper was written especially for this volume. The critical assistance of Theodore S. Baer is gratefully acknowledged.

1. A. von Schelting, "Die logische Theorie der historischen Kulturwissenschaften von Max Weber," *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 49, and Max Weber, *Gesammelte Aufsätze zur Wissenschaftslehre*, pp. 329 ff.

2. Talcott Parsons, *The Structure of Social Action* (1937), pp. 601 ff. Limitations of space prevent a detailed analysis of this discussion, but it might be well to remark that Parsons, after outlining what an ideal type is *not*, namely (1) an hypothesis, (2) a thing or process, (3) a *Gattungsbegriff* as an average, nor (4) a *Gattungsbegriff* as a collection of common traits, agrees with von Schelting that there are two kinds of ideal types, (a) generalizing and (b) individualizing concepts. Leaving aside the latter, of which "modern capitalism" may be considered an illustration, and turning to the generalizing type of which "bureaucracy" is presumably a case, Parsons suggests that "a general ideal





# The Proverbs of Administration

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**A** FACT about proverbs that greatly enhances their quotability is that they almost always occur in mutually contradictory pairs. "Look before you leap!"—but "He who hesitates is lost."

This is both a great convenience and a serious defect—depending on the use to which one wishes to put the proverbs in question. If it is a matter of rationalizing behavior that has already taken place or justifying action that has already been decided upon, proverbs are ideal. Since one is never at a loss to find one that will prove his point—or the precisely contradictory point, for that matter—they are a great help in persuasion, political debate, and all forms of rhetoric.

But when one seeks to use proverbs as the basis of a scientific theory, the situation is less happy. It is not that the propositions expressed by the proverbs are insufficient; it is rather that they prove too much. A scientific theory should tell what is true but also what is false. If Newton had announced to the world that particles of matter exert either an attraction or a repulsion on each other, he would not have added much to scientific knowledge. His contribution consisted in showing that an attraction was exercised and in announcing the precise law governing its operation.

Most of the propositions that make up the body of administrative theory today share, unfortunately, this defect of proverbs. For almost every principle one can find an equally plausible and acceptable contradictory principle. Although the two principles of the pair will lead to exactly

opposite organizational recommendations, there is nothing in the theory to indicate which is the proper one to apply.<sup>1</sup>

It is the purpose of this paper to substantiate this sweeping criticism of administrative theory, and to present some suggestions—perhaps less concrete than they should be—as to how the existing dilemma can be solved.

## *Some Accepted Administrative Principles*

**A**MONG the more common "principles" that occur in the literature of administration are these:

1. Administrative efficiency is increased by a specialization of the task among the group.
2. Administrative efficiency is increased by arranging the members of the group in a determinate hierarchy of authority.
3. Administrative efficiency is increased by limiting the span of control at any point in the hierarchy to a small number.
4. Administrative efficiency is increased by grouping the workers, for purposes of control, according to (a) purpose, (b) process, (c) clientele, or (d) place. (This is really an elaboration of the first principle but deserves separate discussion).

Since these principles appear relatively simple and clear, it would seem that their application to concrete problems of admin-

<sup>1</sup> Lest it be thought that this deficiency is peculiar to the science—or "art"—of administration, it should be pointed out that the same trouble is shared by most Freudian psychological theories, as well as by some sociological theories.

istrative organization would be unambiguous and that their validity would be easily submitted to empirical test. Such, however, seems not to be the case. To show why it is not, each of the four principles just listed will be considered in turn.

*Specialization.* Administrative efficiency is supposed to increase with an increase in specialization. But is this intended to mean that any increase in specialization will increase efficiency? If so, which of the following alternatives is the correct application of the principle in a particular case?

1. A plan of nursing should be put into effect by which nurses will be assigned to districts and do all nursing within that district, including school examinations, visits to homes or school children, and tuberculosis nursing.

2. A functional plan of nursing should be put into effect by which different nurses will be assigned to school examinations, visits to homes of school children, and tuberculosis nursing. The present method of generalized nursing by districts impedes the development of specialized skills in the three very diverse programs.

Both of these administrative arrangements satisfy the requirement of specialization—the first provides specialization by place; the second, specialization by function. The principle of specialization is of no help at all in choosing between the two alternatives.

It appears that the simplicity of the principle of specialization is a deceptive simplicity—a simplicity which conceals fundamental ambiguities. For “specialization” is not a condition of efficient administration; it is an inevitable characteristic of all group effort, however efficient or inefficient that effort may be. Specialization merely means that different persons are doing different things—and since it is physically impossible for two persons to be doing the same thing in the same place at the same time, two persons are always doing different things.

The real problem of administration, then, is not to “specialize,” but to specialize in that particular manner and along those particular lines which will lead to adminis-

trative efficiency. But, in thus rephrasing this “principle” of administration, there has been brought clearly into the open its fundamental ambiguity: “Administrative efficiency is increased by a specialization of the task among the group in the direction which will lead to greater efficiency.”

Further discussion of the choice between competing bases of specialization will be undertaken after two other principles of administration have been examined.

*Unity of Command.* Administrative efficiency is supposed to be enhanced by arranging the members of the organization in a determinate hierarchy of authority in order to preserve “unity of command.”

Analysis of this “principle” requires a clear understanding of what is meant by the term “authority.” A subordinate may be said to accept authority whenever he permits his behavior to be guided by a decision reached by another, irrespective of his own judgment as to the merits of that decision.

In one sense the principle of unity of command, like the principle of specialization, cannot be violated; for it is physically impossible for a man to obey two contradictory commands—that is what is meant by “contradictory commands.” Presumably, if unity of command is a principle of administration, it must assert something more than this physical impossibility. Perhaps it asserts this: that it is undesirable to place a member of an organization in a position where he receives orders from more than one superior. This is evidently the meaning that Gulick attaches to the principle when he says,

The significance of this principle in the process of co-ordination and organization must not be lost sight of. In building a structure of co-ordination, it is often tempting to set up more than one boss for a man who is doing work which has more than one relationship. Even as great a philosopher of management as Taylor fell into this error in setting up separate foremen to deal with machinery, with materials, with speed, etc., each with the power of giving orders directly to the individual work-

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man. The rigid adherence to the principle of unity of command may have its absurdities; these are, however, unimportant in comparison with the certainty of confusion, inefficiency and irresponsibility which arise from the violation of the principle.<sup>1</sup>

Certainly the principle of unity of command, thus interpreted, cannot be criticized for any lack of clarity or any ambiguity. The definition of authority given above should provide a clear test whether, in any concrete situation, the principle is observed. The real fault that must be found with this principle is that it is incompatible with the principle of specialization. One of the most important uses to which authority is put in organization is to bring about specialization in the work of making decisions, so that each decision is made at a point in the organization where it can be made most expertly. As a result, the use of authority permits a greater degree of expertness to be achieved in decision-making than would be possible if each operative employee had himself to make all the decisions upon which his activity is predicated. The individual fireman does not decide whether to use a two-inch hose or a fire extinguisher; that is decided for him by his officers, and the decision is communicated to him in the form of a command.

However, if unity of command, in Gulick's sense, is observed, the decisions of a person at any point in the administrative hierarchy are subject to influence through only one channel of authority; and if his decisions are of a kind that require expertise in more than one field of knowledge, then advisory and informational services must be relied upon to supply those premises which lie in a field not recognized by the mode of specialization in the organization. For example, if an accountant in a school department is subordinate to an educator, and if unity of command is observed, then the finance department cannot

<sup>1</sup> Luther Gulick, "Notes on the Theory of Organization," in Luther Gulick and L. Urwick (eds.), *Papers on the Science of Administration* (Institute of Public Administration, Columbia University, 1937), p. 9.

issue direct orders to him regarding the technical, accounting aspects of his work. Similarly, the director of motor vehicles in the public works department will be unable to issue direct orders on care of motor equipment to the fire-truck driver.<sup>2</sup>

Gulick, in the statement quoted above, clearly indicates the difficulties to be faced if unity of command is not observed. A certain amount of irresponsibility and confusion are almost certain to ensue. But perhaps this is not too great a price to pay for the increased expertise that can be applied to decisions. What is needed to decide the issue is a principle of administration that would enable one to weigh the relative advantages of the two courses of action. But neither the principle of unity of command nor the principle of specialization is helpful in adjudicating the controversy. They merely contradict each other without indicating any procedure for resolving the contradiction.

If this were merely an academic controversy—if it were generally agreed and had been generally demonstrated that unity of command must be preserved in all cases, even with a loss in expertise—one could assert that in case of conflict between the two principles, unity of command should prevail. But the issue is far from clear, and experts can be ranged on both sides of the controversy. On the side of unity of command there may be cited the dictums of Gulick and others.<sup>3</sup> On the side of specialization there are Taylor's theory of functional supervision, Macmahon and Millett's idea of "dual supervision," and the practice of technical supervision in military organization.<sup>4</sup>

<sup>2</sup> This point is discussed in Herbert A. Simon "Decision-Making and Administrative Organization," 4 *Public Administration Review* 20-21 (Winter, 1944).

<sup>3</sup> Gulick, "Notes on the Theory of Organization," p. 9; L. D. White, *Introduction to the Study of Public Administration* (Macmillan Co., 1939), p. 45.

<sup>4</sup> Frederick W. Taylor, *Shop Management* (Harper & Bros., 1911), p. 99; Macmahon, Millett, and Ogden *The Administration of Federal Work Relief* (Public Administration Service, 1941), pp. 265-68; and L. Ur-

It may be, as Gulick asserts, that the notion of Taylor and these others is an "error." If so, the evidence that it is an error has never been marshalled or published—apart from loose heuristic arguments like that quoted above. One is left with a choice between equally eminent theorists of administration and without any evidential basis for making that choice.

What evidence there is of actual administrative practice would seem to indicate that the need for specialization is to a very large degree given priority over the need for unity of command. As a matter of fact, it does not go too far to say that unity of command, in Gulick's sense, never has existed in any administrative organization. If a line officer accepts the regulations of an accounting department with regard to the procedure for making requisitions, can it be said that, in this sphere, he is not subject to the authority of the accounting department? In any actual administrative situation authority is zoned, and to maintain that this zoning does not contradict the principle of unity of command requires a very different definition of authority from that used here. This subjection of the line officer to the accounting department is no different, in principle, from Taylor's recommendation that in the matter of work programming a workman be subject to one foreman, in the matter of machine operation to another.

The principle of unity of command is perhaps more defensible if narrowed down to the following: In case two authoritative commands conflict, there should be a single determinate person whom the subordinate is expected to obey; and the sanctions of authority should be applied against the subordinate only to enforce his obedience to that one person.

If the principle of unity of command is more defensible when stated in this limited

wick, who describes British army practice in "Organization as a Technical Problem," Gulick and Urwick (eds.), *op. cit.*, pp. 67-69.

form, it also solves fewer problems. In the first place, it no longer requires, except for settling conflicts of authority, a single hierarchy of authority. Consequently, it leaves unsettled the very important question of how authority should be zoned in a particular organization (i.e., the modes of specialization) and through what channels it should be exercised. Finally, even this narrower concept of unity of command conflicts with the principle of specialization, for whenever disagreement does occur and the organization members revert to the formal lines of authority, then only those types of specialization which are represented in the hierarchy of authority can impress themselves on decision. If the training officer of a city exercises only functional supervision over the police training officer, then in case of disagreement with the police chief, specialized knowledge of police problems will determine the outcome while specialized knowledge of training problems will be subordinated or ignored. That this actually occurs is shown by the frustration so commonly expressed by functional supervisors at their lack of authority to apply sanctions.

*Span of Control.* Administrative efficiency is supposed to be enhanced by limiting the number of subordinates who report directly to any one administrator to a small number—say six. This notion that the "span of control" should be narrow is confidently asserted as a third incontrovertible principle of administration. The usual common-sense arguments for restricting the span of control are familiar and need not be repeated here. What is not so generally recognized is that a contradictory proverb of administration can be stated which, though it is not so familiar as the principle of span of control, can be supported by arguments of equal plausibility. The proverb in question is the following: Administrative efficiency is enhanced by keeping at a minimum the number of organizational levels through which a matter must pass before it is acted upon.

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This latter proverb is one of the fundamental criteria that guide administrative analysts in procedures simplification work. Yet in many situations the results to which this principle leads are in direct contradiction to the requirements of the principle of span of control, the principle of unity of command, and the principle of specialization. The present discussion is concerned with the first of these conflicts. To illustrate the difficulty, two alternative proposals for the organization of a small health department will be presented—one based on the restriction of span of control, the other on the limitation of number of organization levels:

1. The present organization of the department places an administrative overload on the health officer by reason of the fact that all eleven employees of the department report directly to him and the further fact that some of the staff lack adequate technical training. Consequently, venereal disease clinic treatments and other details require an undue amount of the health officer's personal attention.

It has previously been recommended that the proposed medical officer be placed in charge of the venereal disease and chest clinics and all child hygiene work. It is further recommended that one of the inspectors be designated chief inspector and placed in charge of all the department's inspectional activities and that one of the nurses be designated as head nurse. This will relieve the health commissioner of considerable detail and will leave him greater freedom to plan and supervise the health program as a whole, to conduct health education, and to coordinate the work of the department with that of other community agencies. If the department were thus organized, the effectiveness of all employees could be substantially increased.

2. The present organization of the department leads to inefficiency and excessive red tape by reason of the fact that an unnecessary supervisory level intervenes between the health officer and the operative employees, and that those four of the twelve employees who are best trained technically are engaged largely in "overhead" administrative duties. Consequently, unnecessary delays occur in securing the approval of the health officer on matters requiring his attention, and too many matters require review and re-review.

The medical officer should be left in charge of the venereal disease and chest clinics and child hygiene work. It is recommended, however, that

the position of chief inspector and head nurse be abolished and that the employees now filling these positions perform regular inspectional and nursing duties. The details of work scheduling now handled by these two employees can be taken care of more economically by the secretary to the health officer, and, since broader matters of policy have, in any event, always required the personal attention of the health officer, the abolition of these two positions will eliminate a wholly unnecessary step in review, will allow an expansion of inspectional and nursing services, and will permit at least a beginning to be made in the recommended program of health education. The number of persons reporting directly to the health officer will be increased to nine, but since there are few matters requiring the coordination of these employees, other than the work schedules and policy questions referred to above, this change will not materially increase his work load.

The dilemma is this: in a large organization with complex interrelations between members, a restricted span of control inevitably produces excessive red tape, for each contact between organization members must be carried upward until a common superior is found. If the organization is at all large, this will involve carrying all such matters upward through several levels of officials for decision and then downward again in the form of orders and instructions—a cumbersome and time-consuming process.

The alternative is to increase the number of persons who are under the command of each officer, so that the pyramid will come more rapidly to a peak, with fewer intervening levels. But this, too, leads to difficulty, for if an officer is required to supervise too many employees, his control over them is weakened.

If it is granted, then, that both the increase and the decrease in span of control has some undesirable consequences, what is the optimum point? Proponents of a restricted span of control have suggested three, five, even eleven, as suitable numbers, but nowhere have they explained the reasoning which led them to the particular number they selected. The principle as stated casts no light on this very crucial

question. One is reminded of current arguments about the proper size of the national debt.

*Organization by Purpose, Process, Clientele, Place.* Administrative efficiency is supposed to be increased by grouping workers according to (a) purpose, (b) process, (c) clientele, or (d) place. But from the discussion of specialization it is clear that this principle is internally inconsistent; for purpose, process, clientele, and place are competing bases of organization, and at any given point of division the advantages of three must be sacrificed to secure the advantages of the fourth. If the major departments of a city, for example, are organized on the basis of major purpose, then it follows that all the physicians, all the lawyers, all the engineers, all the statisticians will not be located in a single department exclusively composed of members of their profession but will be distributed among the various city departments needing their services. The advantages of organization by process will thereby be partly lost.

Some of these advantages can be regained by organizing on the basis of process *within* the major departments. Thus there may be an engineering bureau within the public works department, or the board of education may have a school health service as a major division of its work. Similarly, within smaller units there may be division by area or by clientele: e.g., a fire department will have separate companies located throughout the city, while a welfare department may have intake and case work agencies in various locations. Again, however, these major types of specialization cannot be simultaneously achieved, for at any point in the organization it must be decided whether specialization at the next level will be accomplished by distinction of major purpose, major process, clientele, or area.

The conflict may be illustrated by showing how the principle of specialization according to purpose would lead to a different result from specialization according to

clientele in the organization of a health department.

1. Public health administration consists of the following activities for the prevention of disease and the maintenance of healthful conditions: (1) vital statistics; (2) child hygiene—prenatal, maternity, postnatal, infant, preschool, and school health programs; (3) communicable disease control; (4) inspection of milk, foods, and drugs; (5) sanitary inspection; (6) laboratory service; (7) health education.

One of the handicaps under which the health department labors is the fact that the department has no control over school health, that being an activity of the county board of education, and there is little or no coordination between that highly important part of the community health program and the balance of the program which is conducted by the city-county health unit. It is recommended that the city and county open negotiations with the board of education for the transfer of all school health work and the appropriation therefor to the joint health unit. . . .

2. To the modern school department is entrusted the care of children during almost the entire period that they are absent from the parental home. It has three principal responsibilities toward them: (1) to provide for their education in useful skills and knowledge and in character; (2) to provide them with wholesome play activities outside school hours; (3) to care for their health and to assure the attainment of minimum standards of nutrition.

One of the handicaps under which the school board labors is the fact that, except for school lunches, the board has no control over child health and nutrition, and there is little or no coordination between that highly important part of the child development program and the balance of the program which is conducted by the board of education. It is recommended that the city and county open negotiations for the transfer of all health work for children of school age to the board of education.

Here again is posed the dilemma of choosing between alternative, equally plausible, administrative principles. But this is not the only difficulty in the present case, for a closer study of the situation shows there are fundamental ambiguities in the meanings of the key terms—"purpose," "process," "clientele," and "place."

"Purpose" may be roughly defined as the objective or end for which an activity is

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carried on; "process" as a means for accomplishing a purpose. Processes, then, are carried on in order to achieve purposes. But purposes themselves may generally be arranged in some sort of hierarchy. A typist moves her fingers in order to type; types in order to reproduce a letter; reproduces a letter in order that an inquiry may be answered. Writing a letter is then the purpose for which the typing is performed; while writing a letter is also the process whereby the purpose of replying to an inquiry is achieved. It follows that the same activity may be described as purpose or as process.

This ambiguity is easily illustrated for the case of an administrative organization. A health department conceived as a unit whose task it is to care for the health of the community is a purpose organization; the same department conceived as a unit which makes use of the medical arts to carry on its work is a process organization. In the same way, an education department may be viewed as a purpose (to educate) organization, or a clientele (children) organization; the forest service as a purpose (forest conservation), process (forest management), clientele (lumbermen and cattlemen utilizing public forests), or area (publicly owned forest lands) organization. When concrete illustrations of this sort are selected, the lines of demarcation between these categories become very hazy and unclear indeed.

"Organization by major purpose," says Gulick, ". . . serves to bring together in a single large department all of those who are at work endeavoring to render a particular service."<sup>1</sup> But what is a particular service? Is fire protection a single purpose, or is it merely a part of the purpose of public safety?—or is it a combination of purposes including fire prevention and fire fighting? It must be concluded that there is no such thing as a purpose, or a unifunctional (single-purpose) organization. What is to

<sup>1</sup> *Op. cit.*, p. 21.

be considered a single function depends entirely on language and techniques.<sup>2</sup> If the English language has a comprehensive term which covers both of two subpurposes it is natural to think of the two together as a single purpose. If such a term is lacking, the two subpurposes become purposes in their own right. On the other hand, a single activity may contribute to several objectives, but since they are technically (procedurally) inseparable, the activity is considered a single function or purpose.

The fact, mentioned previously, that purposes form a hierarchy, each subpurpose contributing to some more final and comprehensive end, helps to make clear the relation between purpose and process. "Organization by major process," says Gulick, ". . . tends to bring together in a single department all of those who are at work making use of a given special skill or technology, or are members of a given profession."<sup>3</sup> Consider a simple skill of this kind—typing. Typing is a skill which brings about a means-end coordination of muscular movements, but at a very low level in the means-end hierarchy. The content of the typewritten letter is indifferent to the skill that produces it. The skill consists merely in the ability to hit the letter "t" quickly whenever the letter "t" is required by the content and to hit the letter "a" whenever the letter "a" is required by the content.

There is, then, no essential difference between a "purpose" and a "process," but only a distinction of degree. A "process" is an activity whose immediate purpose is at a low level in the hierarchy of means and ends, while a "purpose" is a collection of activities whose orienting value or aim is at a high level in the means-end hierarchy.

<sup>2</sup> If this is correct, then any attempt to prove that certain activities belong in a single department because they relate to a single purpose is doomed to fail. See, for example, John M. Gaus and Leon Wolcott, *Public Administration and the U.S. Department of Agriculture* (Public Administration Service, 1940.)

<sup>3</sup> *Op. cit.*, p. 23.

Next consider "clientele" and "place" as bases of organization. These categories are really not separate from purpose, but a part of it. A complete statement of the purpose of a fire department would have to include the area served by it: "to reduce fire losses on property in the city of X." Objectives of an administrative organization are phrased in terms of a service to be provided and an area for which it is provided. Usually, the term "purpose" is meant to refer only to the first element, but the second is just as legitimately an aspect of purpose. Area of service, of course, may be a specified clientele quite as well as a geographical area. In the case of an agency which works on "shifts," time will be a third dimension of purpose—to provide a given service in a given area (or to a given clientele) during a given time period.

With this clarification of terminology, the next task is to reconsider the problem of specializing the work of an organization. It is no longer legitimate to speak of a "purpose" organization, a "process" organization, a "clientele" organization, or an "area" organization. The same unit might fall into any one of these four categories, depending on the nature of the larger organizational unit of which it was a part. A unit providing public health and medical services for school-age children in Multnomah County might be considered (1) an "area" organization if it were part of a unit providing the same service for the state of Oregon; (2) a "clientele" organization if it were part of a unit providing similar services for children of all ages; (3) a "purpose" or a "process" organization (it would be impossible to say which) if it were part of an education department.

It is incorrect to say that Bureau A is a process bureau; the correct statement is that Bureau A is a process bureau *within* Department X.<sup>1</sup> This latter statement would

<sup>1</sup> This distinction is implicit in most of Gulick's analysis of specialization. However, since he cites as examples single departments within a city, and since he

mean that Bureau A incorporates all the processes of a certain kind in Department X, without reference to any special sub-purposes, subareas, or subclientele of Department X. Now it is conceivable that a particular unit might incorporate all processes of a certain kind but that these processes might relate to only certain particular subpurposes of the department purpose. In this case, which corresponds to the health unit in an education department mentioned above, the unit would be specialized by both purpose and process. The health unit would be the only one in the education department using the medical art (process) and concerned with health (subpurpose).

Even when the problem is solved of proper usage for the terms "purpose," "process," "clientele," and "area," the principles of administration give no guide as to which of these four competing bases of specialization is applicable in any particular situation. The British Machinery of Government Committee had no doubts about the matter. It considered purpose and clientele as the two possible bases of organization and put its faith entirely in the former. Others have had equal assurance in choosing between purpose and process. The reasoning which leads to these unequivocal conclusions leaves something to be desired. The Machinery of Government Committee gives this sole argument for its choice:

Now the inevitable outcome of this method of organization [by clientele] is a tendency to Lilliputian administration. It is impossible that the specialized service which each Department has to render to the community can be of as high a standard when its work is at the same time limited to a particular class of persons and extended to every variety of provision for them, as when the Department concentrates itself on the provision of the particular service only by whomsoever required, and looks beyond the interest of comparatively small classes.<sup>2</sup>

usually speaks of "grouping activities" rather than "dividing work," the relative character of these categories is not always apparent in this discussion (*op. cit.*, pp. 15-30).

<sup>2</sup> *Report of the Machinery of Government Committee* (H. M. Stationery Office, 1918).



The faults in this analysis are obvious. First, there is no attempt to determine how a service is to be recognized. Second, there is a bald assumption, absolutely without proof, that a child health unit, for example, in a department of child welfare could not offer services of "as high a standard" as the same unit if it were located in a department of health. Just how the shifting of the unit from one department to another would improve or damage the quality of its work is not explained. Third, no basis is set forth for adjudicating the competing claims of purpose and process—the two are merged in the ambiguous term "service." It is not necessary here to decide whether the committee was right or wrong in its recommendation; the important point is that the recommendation represented a choice, without any apparent logical or empirical grounds, between contradictory principles of administration.

Even more remarkable illustrations of illogic can be found in most discussions of purpose *vs.* process. They would be too ridiculous to cite if they were not commonly used in serious political and administrative debate.

For instance, where should agricultural education come: in the Ministry of Education, or of Agriculture? That depends on whether we want to see the best farming taught, though possibly by old methods, or a possibly out-of-date style of farming, taught in the most modern and compelling manner. The question answers itself.<sup>1</sup>

But does the question really answer itself? Suppose a bureau of agricultural education were set up, headed, for example, by a man who had had extensive experience in agricultural research or as administrator of an agricultural school, and staffed by men of similarly appropriate background. What reason is there to believe that if attached to a Ministry of Education they would teach old-fashioned farming by new-fashioned methods, while if attached to a Min-

<sup>1</sup> Sir Charles Harris, "Decentralization," 9 *Journal of Public Administration* 117-33 (April, 1925).

istry of Agriculture they would teach new-fashioned farming by old-fashioned methods? The administrative problem of such a bureau would be to teach new-fashioned farming by new-fashioned methods, and it is a little difficult to see how the departmental location of the unit would affect this result. "The question answers itself" only if one has a rather mystical faith in the potency of bureau-shuffling as a means for redirecting the activities of an agency.

These contradictions and competitions have received increasing attention from students of administration during the past few years. For example, Gulick, Wallace, and Benson have stated certain advantages and disadvantages of the several modes of specialization, and have considered the conditions under which one or the other mode might best be adopted.<sup>2</sup> All this analysis has been at a theoretical level—in the sense that data have not been employed to demonstrate the superior effectiveness claimed for the different modes. But though theoretical, the analysis has lacked a theory. Since no comprehensive framework has been constructed within which the discussion could take place, the analysis has tended either to the logical one-sidedness which characterizes the examples quoted above or to inconclusiveness.

*The Impasse of Administrative Theory.* The four "principles of administration" that were set forth at the beginning of this paper have now been subjected to critical analysis. None of the four survived in very good shape, for in each case there was found, instead of an unequivocal principle, a set of two or more mutually incompatible principles apparently equally applicable to the administrative situation.

Moreover, the reader will see that the very same objections can be urged against

<sup>2</sup> Gulick, "Notes on the Theory of Organization," pp. 21-30; Schuyler Wallace, *Federal Departmentalization* (Columbia University Press, 1941); George C. S. Benson, "International Administrative Organization," 1 *Public Administration Review* 473-86 (Autumn, 1941).

the customary discussions of "centralization" vs. "decentralization," which usually conclude, in effect, that "on the one hand, centralization of decision-making functions is desirable; on the other hand, there are definite advantages in decentralization."

Can anything be salvaged which will be useful in the construction of an administrative theory? As a matter of fact, almost everything can be salvaged. The difficulty has arisen from treating as "principles of administration" what are really only criteria for describing and diagnosing administrative situations. Closet space is certainly an important item in the design of a successful house; yet a house designed entirely with a view to securing a maximum of closet space—all other considerations being forgotten—would be considered, to say the least, somewhat unbalanced. Similarly, unity of command, specialization by purpose, decentralization are all items to be considered in the design of an efficient administrative organization. No single one of these items is of sufficient importance to suffice as a guiding principle for the administrative analyst. In the design of administrative organizations, as in their operation, over-all efficiency must be the guiding criterion. Mutually incompatible advantages must be balanced against each other, just as an architect weighs the advantages of additional closet space against the advantages of a larger living room.

This position, if it is a valid one, constitutes an indictment of much current writing about administrative matters. As the examples cited in this chapter amply demonstrate, much administrative analysis proceeds by selecting a single criterion and applying it to an administrative situation to reach a recommendation; while the fact that equally valid, but contradictory, criteria exist which could be applied with equal reason, but with a different result, is conveniently ignored. A valid approach to the study of administration requires that all the relevant diagnostic criteria be iden-

tified; that each administrative situation be analyzed in terms of the entire set of criteria; and that research be instituted to determine how weights can be assigned to the several criteria when they are, as they usually will be, mutually incompatible.

#### *An Approach to Administrative Theory*

THIS program needs to be considered step by step. First, what is included in the description of administrative situations for purposes of such an analysis? Second, how can weights be assigned to the various criteria to give them their proper place in the total picture?

*The Description of Administrative Situations.* Before a science can develop principles, it must possess concepts. Before a law of gravitation could be formulated, it was necessary to have the notions of "acceleration" and "weight." The first task of administrative theory is to develop a set of concepts that will permit the description, in terms relevant to the theory, of administrative situations. These concepts, to be scientifically useful, must be operational; that is, their meanings must correspond to empirically observable facts or situations. The definition of "authority" given earlier in this paper is an example of an operational definition.

What is a scientifically relevant description of an organization? It is a description that, so far as possible, designates for each person in the organization what decisions that person makes and the influences to which he is subject in making each of these decisions. Current descriptions of administrative organizations fall far short of this standard. For the most part, they confine themselves to the allocation of *functions* and the formal structure of *authority*. They give little attention to the other types of organizational influence or to the system of communication.<sup>1</sup>

What does it mean, for example to say:

<sup>1</sup> The monograph by Macmahon, Millett, and Ogden,

"The department is made up of three bureaus. The first has the function of ———, the second the function of ———, and the third the function of ———?" What can be learned from such a description about the workability of the organizational arrangement? Very little, indeed. For from the description there is obtained no idea of the degree to which decisions are centralized at the bureau level or at the departmental level. No notion is given as to the extent to which the (presumably unlimited) authority of the department over the bureau is actually exercised or by what mechanisms. There is no indication of the extent to which systems of communication assist the coordination of the three bureaus or, for that matter, to what extent coordination is required by the nature of their work. There is no description of the kinds of training the members of the bureau have undergone or of the extent to which this training permits decentralization at the bureau level. In sum, a description of administrative organizations in terms almost exclusively of functions and lines of authority is completely inadequate for purposes of administrative analysis.

Consider the term "centralization." How is it determined whether the operations of a particular organization are "centralized" or "decentralized"? Does the fact that field offices exist prove anything about decentralization? Might not the same decentralization take place in the bureaus of a centrally located office? A realistic analysis of centralization must include a study of the allocation of decisions in the organization and the methods of influence that are employed by the higher levels to affect the decisions at the lower levels. Such an analysis would reveal a much more complex picture of the decision-making process than any enumeration of the geographical loca-

*op. cit.*, perhaps approaches nearer than any other published administrative study to the sophistication required in administrative description. See, for example, the discussion on pp. 233-36 of headquarters-field relationships.

tions of organizational units at the different levels.

Administrative description suffers currently from superficiality, oversimplification, lack of realism. It has confined itself too closely to the mechanism of authority and has failed to bring within its orbit the other, equally important, modes of influence on organizational behavior. It has refused to undertake the tiresome task of studying the actual allocation of decision-making functions. It has been satisfied to speak of "authority," "centralization," "span of control," "function," without seeking operational definitions of these terms. Until administrative description reaches a higher level of sophistication, there is little reason to hope that rapid progress will be made toward the identification and verification of valid administrative principles.

Does this mean that a purely formal description of an administrative organization is impossible—that a relevant description must include an account of the content of the organization's decisions? This is a question that is almost impossible to answer in the present state of knowledge of administrative theory. One thing seems certain: content plays a greater role in the application of administrative principles than is allowed for in the formal administrative theory of the present time. This is a fact that is beginning to be recognized in the literature of administration. If one examines the chain of publications extending from Mooney and Reilley, through Gulick and the President's Committee controversy, to Schuyler Wallace and Benson, he sees a steady shift of emphasis from the "principles of administration" themselves to a study of the *conditions* under which competing principles are respectively applicable. Recent publications seldom say that "organization should be by purpose," but rather that "under such and such conditions purpose organization is desirable." It is to these conditions which underlie the application of the proverbs of administration

that administrative theory and analysis must turn in their search for really valid principles to replace the proverbs.

*The Diagnosis of Administrative Situations.* Before any positive suggestions can be made, it is necessary to digress a bit and to consider more closely the exact nature of the propositions of administrative theory. The theory of administration is concerned with how an organization should be constructed and operated in order to accomplish its work efficiently. A fundamental principle of administration, which follows almost immediately from the rational character of "good" administration, is that among several alternatives involving the same expenditure that one should always be selected which leads to the greatest accomplishment of administrative objectives; and among several alternatives that lead to the same accomplishment that one should be selected which involves the least expenditure. Since this "principle of efficiency" is characteristic of any activity that attempts rationally to maximize the attainment of certain ends with the use of scarce means, it is as characteristic of economic theory as it is of administrative theory. The "administrative man" takes his place alongside the classical "economic man."<sup>1</sup>

Actually, the "principle" of efficiency should be considered a definition rather than a principle: it is a definition of what is meant by "good" or "correct" administrative behavior. It does not tell *how* accomplishments are to be maximized, but merely states that this maximization is the aim of administrative activity, and that administrative theory must disclose under what conditions the maximization takes place.

Now what are the factors that determine the level of efficiency which is achieved by an administrative organization? It is not

<sup>1</sup> For an elaboration of the principle of efficiency and its place in administrative theory see Clarence E. Ridley and Herbert A. Simon, *Measuring Municipal Activities* (International City Managers' Association, 2nd ed., 1949), particularly Chapter I and the preface to the second edition.

possible to make an exhaustive list of these, but the principal categories can be enumerated. Perhaps the simplest method of approach is to consider the single member of the administrative organization and ask what the limits are to the quantity and quality of his output. These limits include (a) limits on his ability to perform and (b) limits on his ability to make correct decisions. To the extent that these limits are removed, the administrative organization approaches its goal of high efficiency. Two persons, given the same skills, the same objectives and values, the same knowledge and information, can rationally decide only upon the same course of action. Hence, administrative theory must be interested in the factors that will determine with what skills, values, and knowledge the organization member undertakes his work. These are the "limits" to rationality with which the principles of administration must deal.

On one side, the individual is limited by those skills, habits, and reflexes which are no longer in the realm of the conscious. His performance, for example, may be limited by his manual dexterity or his reaction time or his strength. His decision-making processes may be limited by the speed of his mental processes, his skill in elementary arithmetic, and so forth. In this area, the principles of administration must be concerned with the physiology of the human body and with the laws of skill-training and of habit. This is the field that has been most successfully cultivated by the followers of Taylor and in which has been developed time-and-motion study and the therblig.

On a second side, the individual is limited by his values and those conceptions of purpose which influence him in making his decisions. If his loyalty to the organization is high, his decisions may evidence sincere acceptance of the objectives set for the organization; if that loyalty is lacking, personal motives may interfere with his administrative efficiency. If his loyalties are

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attached to the bureau by which he is employed, he may sometimes make decisions that are inimical to the larger unit of which the bureau is a part. In this area the principles of administration must be concerned with the determinants of loyalty and morale, with leadership and initiative, and with the influences that determine where the individual's organizational loyalties will be attached.

On a third side, the individual is limited by the extent of his knowledge of things relevant to his job. This applies both to the basic knowledge required in decision-making—a bridge designer must know the fundamentals of mechanics—and to the information that is required to make his decisions appropriate to the given situation. In this area, administrative theory is concerned with such fundamental questions as these: What are the limits on the mass of knowledge that human minds can accumulate and apply? How rapidly can knowledge be assimilated? How is specialization in the administrative organization to be related to the specializations of knowledge that are prevalent in the community's occupational structure? How is the system of communication to channel knowledge and information to the appropriate decision-points? What types of knowledge can, and what types cannot, be easily transmitted? How is the need for intercommunication of information affected by the modes of specialization in the organization? This is perhaps the *terra incognita* of administrative theory, and undoubtedly its careful exploration will cast great light on the proper application of the proverbs of administration.

Perhaps this triangle of limits does not completely bound the area of rationality, and other sides need to be added to the figure. In any case, this enumeration will serve to indicate the kinds of considerations that must go into the construction of valid and noncontradictory principles of administration.

An important fact to be kept in mind is

that the limits of rationality are variable limits. Most important of all, consciousness of the limits may in itself alter them. Suppose it were discovered in a particular organization, for example, that organizational loyalties attached to small units had frequently led to a harmful degree of intra-organizational competition. Then, a program which trained members of the organization to be conscious of their loyalties, and to subordinate loyalties to the smaller group to those of the large, might lead to a very considerable alteration of the limits in that organization.<sup>1</sup>

A related point is that the term "rational behavior," as employed here, refers to rationality when that behavior is evaluated in terms of the objectives of the larger organization; for, as just pointed out, the difference in direction of the individual's aims from those of the larger organization is just one of those elements of nonrationality with which the theory must deal.

A final observation is that, since administrative theory is concerned with the non-rational limits of the rational, it follows that the larger the area in which rationality has been achieved the less important is the exact form of the administrative organization. For example, the function of plan preparation, or design, if it results in a written plan that can be communicated interpersonally without difficulty, can be located almost anywhere in the organization without affecting results. All that is needed is a procedure whereby the plan can be given authoritative status, and this can be provided in a number of ways. A discussion, then, of the proper location for a planning or designing unit is apt to be highly inconclusive and is apt to hinge on the personalities in the organization and their relative enthusiasm, or lack of it, toward the planning function rather than upon any

<sup>1</sup>For an example of the use of such training, see Herbert A. Simon and William Divine, "Controlling Human Factors in an Administrative Experiment," *Public Administration Review* 487-92 (Autumn, 1941).

abstract principles of good administration.<sup>1</sup>

On the other hand, when factors of communication or faiths or loyalty are crucial to the making of a decision, the location of the decision in the organization is of great importance. The method of allocating decisions in the army, for instance, automatically provides (at least in the period prior to the actual battle) that each decision will be made where the knowledge is available for coordinating it with other decisions.

*Assigning Weights to the Criteria.* A first step, then, in the overhauling of the proverbs of administration is to develop a vocabulary, along the lines just suggested, for the description of administrative organization. A second step, which has also been outlined, is to study the limits of rationality in order to develop a complete and comprehensive enumeration of the criteria that must be weighed in evaluating an administrative organization. The current proverbs represent only a fragmentary and unsystematized portion of these criteria.

When these two tasks have been carried out, it remains to assign weights to the criteria. Since the criteria, or "proverbs," are often mutually competitive or contradictory, it is not sufficient merely to identify them. Merely to know, for example, that a specified change in organization will reduce the span of control is not enough to justify the change. This gain must be balanced against the possible resulting loss of contact between the higher and lower ranks of the hierarchy.

Hence, administrative theory must also be concerned with the question of the

<sup>1</sup> See, for instance, Robert A. Walker, *The Planning Function in Urban Government* (University of Chicago Press, 1941), pp. 166-75. Walker makes out a strong case for attaching the planning agency to the chief executive. But he rests his entire case on the rather slender reed that "as long as the planning agency is outside the governmental structure . . . planning will tend to encounter resistance from public officials as an invasion of their responsibility and jurisdiction." This "resistance" is precisely the type of non-rational loyalty which has been referred to previously, and which is certainly a variable.

weights that are to be applied to these criteria—to the problems of their relative importance in any concrete situation. This question is not one that can be solved in a vacuum. Arm-chair philosophizing about administration—of which the present paper is an example—has gone about as far as it can profitably go in this particular direction. What is needed now is empirical research and experimentation to determine the relative desirability of alternative administrative arrangements.

The methodological framework for this research is already at hand in the principle of efficiency. If an administrative organization whose activities are susceptible to objective evaluation be subjected to study, then the actual change in accomplishment that results from modifying administrative arrangements in these organizations can be observed and analyzed.

There are two indispensable conditions to successful research along these lines. First, it is necessary that the objectives of the administrative organization under study be defined in concrete terms so that results, expressed in terms of these objectives, can be accurately measured. Second, it is necessary that sufficient experimental control be exercised to make possible the isolation of the particular effect under study from other disturbing factors that might be operating on the organization at the same time.

These two conditions have seldom been even partially fulfilled in so-called "administrative experiments." The mere fact that a legislature passes a law creating an administrative agency, that the agency operates for five years, that the agency is finally abolished, and that a historical study is then made of the agency's operations is not sufficient to make of that agency's history an "administrative experiment." Modern American legislation is full of such "experiments" which furnish orators in neighboring states with abundant ammunition when

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similar issues arise in their bailiwicks, but which provide the scientific investigator with little or nothing in the way of objective evidence, one way or the other.

In the literature of administration, there are only a handful of research studies that satisfy these fundamental conditions of methodology—and these are, for the most part, on the periphery of the problem of organization. There are, first of all, the studies of the Taylor group which sought to determine the technological conditions of efficiency. Perhaps none of these is a better example of the painstaking methods of science than Taylor's own studies of the cutting of metals.<sup>1</sup>

Studies dealing with the human and social aspects of administration are even rarer than the technological studies. Among the more important are the whole series of studies on fatigue, starting in Great Britain during World War I and culminating in the Westinghouse experiments.<sup>2</sup>

In the field of public administration, almost the sole example of such experimentation is the series of studies that have been conducted in the public welfare field to determine the proper case loads for social workers.<sup>3</sup>

Because, apart from these scattered examples, studies of administrative agencies have been carried out without benefit of

control or of objective measurements of results, they have had to depend for their recommendations and conclusions upon *a priori* reasoning proceeding from "principles of administration." The reasons have already been stated why the "principles" derived in this way cannot be more than "proverbs."

Perhaps the program outlined here will appear an ambitious or even a quixotic one. There should certainly be no illusions, in undertaking it, as to the length and deviousness of the path. It is hard to see, however, what alternative remains open. Certainly neither the practitioner of administration nor the theoretician can be satisfied with the poor analytic tools that the proverbs provide him. Nor is there any reason to believe that a less drastic reconversion than that outlined here will rebuild those tools to usefulness.

It may be objected that administration cannot aspire to be a "science"; that by the nature of its subject it cannot be more than an "art." Whether true or false, this objection is irrelevant to the present discussion. The question of how "exact" the principles of administration can be made is one that only experience can answer. But as to whether they should be logical or illogical there can be no debate. Even an "art" cannot be founded on proverbs.

<sup>1</sup> F. W. Taylor, *On the Art of Cutting Metals* (American Society of Mechanical Engineers, 1907).

<sup>2</sup> Great Britain, Ministry of Munitions, Health of Munitions Workers Committee, *Final Report* (H.M. Stationery Office, 1918); F. J. Roethlisberger and William J. Dickson, *Management and the Worker* (Harvard University Press, 1939).

<sup>3</sup> Ellery F. Reed, *An Experiment in Reducing the Cost of Relief* (American Public Welfare Administration, 1937); Rebecca Staman, "What Is the Most Economical Case Load in Public Relief Administration?"

<sup>4</sup> *Social Work Technique* 117-21 (May-June, 1938); Chicago Relief Administration, *Adequate Staff Brings Economy* (American Public Welfare Association, 1939); Constance Hastings and Sava S. Schwartz, *Size of Visitor's Caseload as a Factor in Efficient Administration of Public Assistance* (Philadelphia County Board of Assistance, 1939); Simon *et al.*, *Determining Work Loads for Professional Staff in a Public Welfare Agency* (Bureau of Public Administration, University of California, 1941).





## STRUCTURE IN 5'S: A SYNTHESIS OF THE RESEARCH ON ORGANIZATION DESIGN\*

HENRY MINTZBERG†

The elements of organizational structuring—which show a curious tendency to appear in five's—suggest a typology of five basic configurations: Simple Structure, Machine Bureaucracy, Professional Bureaucracy, Divisionalized Form, and Adhocracy.

The elements include (1) five basic parts of the organization—the operating core, strategic apex, middle line, technostructure, and support staff; (2) five basic mechanisms of coordination—mutual adjustment, direct supervision, and the standardization of work processes, outputs, and skills; (3) the design parameters—job specialization, behavior formalization, training and indoctrination, unit grouping, unit size, action planning and performance control systems, liaison devices (such as integrating managers, teams, task forces, and matrix structure), vertical decentralization (delegation to line managers), and horizontal decentralization (power sharing by nonmanagers); and (4) the contingency factors—age and size, technical system, environment, and power.

Each of the five configurations relies on one of the five coordinating mechanism and tends to favor one of the five parts. In Simple Structure, the key part is the strategic apex, which coordinates by direct supervision; the structure is minimally elaborated and highly centralized; it is associated with simple, dynamic environments and strong leaders, and tends to be found in smaller, younger organizations or those facing severe crises. The Machine Bureaucracy coordinates primarily by the imposition of work standards from the technostructure; jobs are highly specialized and formalized, units functional and very large (at the operating level), power centralized vertically at the strategic apex with limited horizontal decentralization to the technostructure; this structure tends to be found in simple, stable environments, and is often associated with older, larger organizations, sometimes externally controlled, and mass production technical systems. The Professional Bureaucracy relies on the standardization of skills in its operating core for coordination; jobs are highly specialized but minimally formalized, training is extensive and grouping is on a concurrent functional and market basis, with large sized operating units, and decentralization is extensive in both the vertical and horizontal dimensions; this structure is typically found in complex but stable environments, with technical systems that are simple and non-regulating. In the Divisionalized Form, a good deal of power is delegated to market-based units in the middle line (limited vertical decentralization), whose efforts are coordinated by the standardization of outputs, through the extensive use of performance control systems; such structures are typically found in very large, mature organizations, above all operating in diversified markets. Adhocracy coordinates primarily by mutual adjustment among all of its parts, calling especially for the collaboration of its support staff; jobs are specialized, involving extensive training but little formalization, units are small and combine functional and market bases in matrix structures, liaison devices are used extensively, and the structure is decentralized selectively in both the vertical and horizontal dimensions; these structures are found in complex, dynamic environments, and are often associated with highly sophisticated and automated technical systems.

In conclusion, it is claimed that the effective Organization will favor some sort of configuration—some type of a logically consistent clustering of its elements—as it searches for harmony in its internal processes and consonance with its environment. But some organizations will inevitably be driven to hybrid structures as they react to contradictory pressures or while they effect a transition from one configuration to another, and here too it is believed that the typology of five can serve as a diagnostic tool in organizational design.

(ORGANIZATION DESIGN; ORGANIZATION STRUCTURES)

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## 1. Introduction

Five is no ordinary digit. "It is the sign of union, the nuptial number according to the Pythagoreans; also the number of the center, of harmony and of equilibrium." The *Dictionnaire des Symboles* goes on to tell us that five is the "symbol of man . . . likewise of the universe . . . the symbol of divine will that seeks only order and perfection." To the ancient Chinese, five was the essence of the universal laws, there being "five colors, five flavors, five tones, five metals, five viscera, five planets, five orients, five regions of space, of course five senses," not to mention "the five colors of the rainbow."<sup>1</sup>

In an attempt to make some sense out of the large and varied research literature on organizational structuring, that number five kept coming up. First it seemed most logical to isolate five basic parts of the organization, second to distinguish five basic mechanisms of coordination in the organization, and third to identify five fundamental types of decentralization. When the literature pointed strongly to five basic 'configurations' of structure—five pure or "ideal" types—and when a logical correspondence between all of these quintets was found, the historic harmony of the "fives" seemed to be confirmed.

This paper begins with a description of the elements found in the literature which appear to be most important in understanding the structuring of organizations. The tendency in the literature has been to deal with these elements analytically rather than in terms of synthesis, typically to study the relationships between pairs of them in cross-sectional studies. The premise that underlies this paper is that organizational structuring can better be understood through the combination of groups of elements into ideal or pure types, which we call *configurations*. This paper presents a typology of five basic configurations suggested in the research on organizational structuring.

## 2. The Elements of Structure

To understand structure, it seems useful to delineate first the basic parts of organizations and the basic mechanisms organizations use to coordinate their work. In the context of these, it is then appropriate to turn to the means organizations have at their command to design structures—what we call the *design parameters*. And these can then be analyzed in terms of the *contingency factors* that influence their choice.

### *The Basic Parts of the Organization*

As shown in Figure 1, the organization can be described in terms of five basic parts:

- \* The *operating core* includes all those employees who themselves produce the basic products and services of the organization, or directly support their production.
- \* The *strategic apex* consists of the top general managers of the organization, and their personal staff.
- \* The *middle line* comprises those managers who sit in a direct line of formal authority between the people of the strategic apex and of the operating core.
- \* The *technostructure* consists of those analysts, out of the formal "line" structure, who apply analytic techniques to the design and maintenance of the structure and to the adaptation of the organization to its environment (e.g., accountants, work schedulers, long-range planners).

<sup>1</sup>Quotes from *Dictionnaire des Symboles*, sous la direction de Jean Chevalier avec la collaboration de Alain Gheerbrant (Editions Robert Laffont, 1969), p. 208; author's translation from the French.

\* The *support staff* includes those groups that provide indirect support to the rest of the organization (e.g., in the typical manufacturing firm, legal counsel, public relations, payroll, cafeteria).

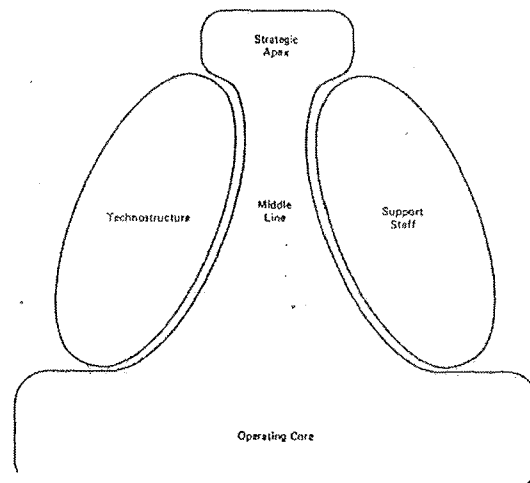


FIGURE 1. The Five Basic Parts of the Organization.

Two points should be noted about this view of the organization. First, a distinction is maintained between “line” and “staff”. This is not meant to ignore the criticisms of this classical notion, but simply to allow for the validity of the distinction in certain kinds of structures. And second, two kinds of staff are in fact distinguished, only one of which—the techno-structure—“advises” in the usual sense identified with staff. The support staff may advise, but its prime role is to provide special services to the organization. This part is seldom distinguished in the literature, despite the fact that a glance at the “organigram” (organizational chart) of most large organizations shows it to be an important component in sheer numbers alone.

#### *The Coordinating Mechanisms*

Organizational structuring, of course, focuses on the division of labor of an organizational mission into a number of distinct tasks, and then the coordination of all of these tasks to accomplish that mission in a unified way. The literature suggests that this coordination can be effected in at least five basic ways:

\* In *direct supervision*, one individual (typically a manager) gives specific orders to others and thereby coordinates their work.

\* In the *standardization of work processes*, the work is coordinated by the imposition (typically by analysts of the technostructure) of standards to guide the doing of the work itself—work orders, rules and regulations, etc.

\* In the *standardization of outputs*, the work is coordinated by the imposition (again, often by the analysts of the technostructure) of standard performance measures or specifications concerning the outputs of the work.

\* In the *standardization of skills*, the work is coordinated by the internalization by individuals of standard skills and knowledge, usually before they begin to do the work.

\* And in *mutual adjustment*, individuals coordinate their own work, by communicating informally with each other.

### *The Design Parameters*

The literature on organizational structuring focuses on a number of mechanisms organizations are able to use to design their structures—in effect, the levers they can turn to effect the division of labor and coordination. Among the most commonly researched are the nine discussed below.

\* *Job specialization*, the chief parameter for determining the division of labor, concerns the number of tasks and the breadth of each in a given position (horizontal job specialization) and the incumbent's control over these tasks (vertical job specialization). Highly specialized jobs in both horizontal and vertical senses usually fall into the category called *unskilled*, those specialized horizontally but “enlarged” vertically are usually referred to as *professional*.

\* *Behavior formalization* is the design parameter by which work processes are standardized, through rules, procedures, policy manuals, job descriptions, work instructions, and so on. Hickson [29] has pointed out that this one parameter of organizational design has dominated the writings on management throughout this century. It is typically the unskilled jobs that are the most highly formalized. Structures that rely on standardization for coordination (whether of work process or otherwise) are generally referred to as *bureaucratic*; those that rely on direct supervision or mutual adjustment, as *organic*.

\* *Training and indoctrination* is the design parameter by which skills and knowledge are standardized, through extensive educational programs, usually outside the organization and before the individual begins his job (particularly in the case of training). This is a key design parameter in all work that is professional.

Two design parameters are associated with the design of the superstructure:

\* *Unit grouping*, the design parameter by which direct supervision is most importantly effected (and one used also to influence mutual adjustment), deals with the bases by which positions are clustered into units and units into ever more comprehensive units, until all are clustered together under the strategic apex. The various possible bases for grouping—by skill, knowledge, work process, business function, product, service client, place—can be consolidated into two basic ones: by *function*, that is, by the means the organization uses to produce its products and services, and by *market*, that is, by ends, by the characteristics of the ultimate markets the organization serves.

\* *Unit size* (usually called span of control) deals with the number of positions, or subunits, that are grouped into a single unit. The literature suggests that the greater the reliance on standardization for coordination (whether by work process, output, or skill), the larger the size of the unit, simply because there is less need for direct supervision, so more positions or units can be grouped under a single manager; it also suggests that a reliance on mutual adjustment keeps unit size small, because informal communication requires a small work group (Ouchi and Dowling [42]; Filley et al., [20, pp. 417–418]).

Two design parameters are associated with the design of lateral linkages to flesh out the superstructure:

\* *Planning and control systems* constitute the design parameter by which outputs are standardized in the organization. These systems may be considered to be two types. *Action planning* focuses on the predetermination of the outputs of specific decisions or actions, for example, that holes be drilled with two centimeter diameters or that new products be introduced in September. *Performance control* focusses on the after-the-

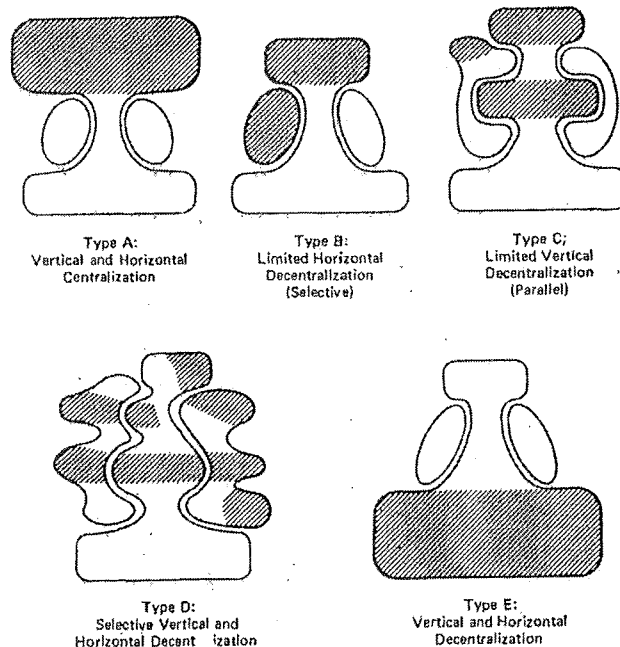
fact measurement of performance of all the decisions or actions of a given position or unit over a given period of time, for example, of the sales growth of a division in the first quarter of the year.

\* The *liaison devices* are the means by which the organization encourages mutual adjustment across units. As Galbraith [23] has shown, these can be placed along a rough continuum of increasing elaboration and formality, from liaison positions and then task forces and standing committees, which establish informational connections across units, through integrating managers who are given some (limited) measure of formal authority over the decisions of the units they connect, to fully developed matrix structures which sacrifice the classical principle of unity of command in favor of the joint responsibility of two or more managers or units over the making of certain decisions.

Finally, there are the parameters associated with the design of the decision making system, generally referred to as ones of *decentralization* (which we define as the extent to which power over decision making in the organization is dispersed among its members). We find it convenient to divide these into two groups:

\* *Vertical decentralization* refers to the extent to which formal decision making power is "delegated" down to the chain of line authority.

\* *Horizontal decentralization* refers to the extent to which power flows informally outside this chain of line authority (that is, to analysts, support staffers, and operators in the operating core).<sup>2</sup> Combining these two design parameters with two other types



<sup>2</sup>The inflated size of the shaded parts indicates their special power in decision making, not their size.

FIGURE 2. The Five Types of Decentralization.

<sup>2</sup>A third use of the term decentralization relates to the physical dispersal of services. Since this has nothing to do with the dispersal of decision making power per se, it is not considered here to be a type of decentralization. The term "concentration" is used instead, and is associated with unit grouping (i.e., the determination of where the support units are grouped).

of decentralization—*selective*, in which power is dispersed to different places for different decision processes, and *parallel*, in which power over various decisions is dispersed to the same place—yields five different kinds of decentralization, shown symbolically on Figure 2. In *vertical and horizontal centralization*, formal and informal power remains primarily at the strategic apex. In *limited horizontal decentralization*, informal power flows selectively to the analysts of the technostructure who play major roles in standardizing everyone else's work, while formal power remains at the strategic apex. In *limited vertical decentralization*, much formal power is delegated in parallel to the managers of market-based line units, usually called "divisions". (As shown in Figure 2, some horizontal decentralization takes place here as well, to the analysts who design the performance control systems used to monitor the results of these divisions.) In *horizontal and vertical decentralization*, power flows, largely in parallel, all the way down the line of authority and then out at the bottom to the operators of the operating core. And in *selective decentralization* (horizontal and vertical), decision making power is diffused widely in the organization, to "work constellations" at various levels and containing various mixtures of line managers and staff and operating specialists.

### *The Contingency Factors*

The thrust of research on organizational structuring in the last twenty years has been toward assessing the effects of various so-called *contingency factors* on these design parameters. This research has been based on what might be called the *congruence hypothesis*, that effective structuring requires a close fit between contingency factor and design parameter, more specifically, that structure must reflect situation. Four sets of contingency factors have received the most attention.

\* *Age and Size* have both been shown in the research to have important effects on structure. In particular, the older and/or the larger an organization, the more formalized its behavior (Inkson et al. [34]; Samuel and Mannheim [54]; Pugh et al. [48]; Udy [64]). Moreover it has been found that the larger the organization, the larger the size of its average unit (Dale [14]; Blau and Schoenherr [2]) and the more elaborate its structure, that is, the more specialized its tasks, the more differentiated its units, and the more developed its administrative component of middle line and technostructure (Blau et al. [3]; Reimann [51]; Pugh et al. [48]). Finally, Stinchcombe [60] has shown that the structure of an organization often reflects the age of founding of its industry.

\* *Technical System* has also been found to affect certain design parameters significantly. For one thing, the more regulating the technical system—in other words, the more it controls the work of the operators—the more formalized is their work and the more bureaucratic is the structure of the operating core (Woodward [67]; Pugh et al. [48]; Hickson et al. [30]; Inkson et al. [34]; Child and Mansfield [11]). And the more sophisticated the technical system—that is, the more difficult it is to understand—the more elaborate the administrative structure, specifically, the larger and more professional the support staff, the greater the selective decentralization (of technical decisions to that staff), and the greater the use of liaison devices (to coordinate the work of that staff) (Woodward [67]; Khandwalla [37]; Udy [63]; Hunt [33]; Hickson et al. [30]). Finally Woodward [67] has shown how the automation of the work of the operating core tends to transform a bureaucratic administrative structure into an organic one.

\* *Environment* is another major contingency factor discussed in the literature. Dynamic environments have been identified with organic structures (Duncan [17];

Burns and Stalker [5]; Burns [4]; Harvey [27]; Lawrence and Lorsch [41]), and complex environments with decentralized ones (Hage and Aiken [25]; Pennings [43]<sup>3</sup>). However, laboratory evidence suggests that hostile environments might lead organizations to centralize their structures temporarily (Hamblin [26]). And disparities in the environment appear to encourage selective decentralization to differentiated work constellations (Hlavacek and Thompson [31]; Khandwalla [36]; Lawrence and Lorsch [41]). Finally, there is a good deal of evidence that diversification of the organization's markets encourage the use of market bases for grouping at high levels, assuming favorable economies of scale (Chandler [6]; Wrigley [68]; Rumelt [53]; Channon [8]; Dyas and Thanheiser [18]).

\* *Power* factors have also been shown to have selective effects on structure. Most importantly, external control of organizations appears to increase formalization and centralization (Samuel and Mannheim [54]; Heydebrand [28]; Holdaway et al. [32]; Pugh et al. [50]; Reimann [51]; Pondy [47]). The need for power of the various members can influence the distribution of decision making authority, especially in the case of a chief executive whose strong need for power tends to increase centralization (Dill [16]). And fashion has been shown to have an influence on structure, sometimes driving organizations to favor inappropriate though fashionable structures (Woodward [67]; Lawrence and Lorsch [41]; Rumelt [53]; Franko [22]; Child and Keiser [10]; Azuni and McMillan [1]).

### 3. The Configurations of Structure

The congruence hypothesis related organizational effectiveness to the fit between a given design parameter and a given contingency factor. But a second hypothesis is also possible—what can be called the *configuration* hypothesis—that effective structuring requires an internal consistency among the design parameters. In fact, Khandwalla [35] supports this in his research with the finding that while no single structural variable correlated significantly with performance, when he split his sample of firms into high and low performers, eleven relationships between various structural variables held only for the high performers, eight for both groups, and only two for the low performers alone.

In fact, we can combine our two hypotheses to propose a third, combined one, that we can call the *extended configuration* hypothesis: effective structuring requires a consistency among the design parameters and the contingency factors. In other words, we can search for natural clusters or configurations of the design parameters together with the contingency factors. Implicit in this hypothesis is the notion that the two sets of factors merge into interactive systems, that the design parameters “cause” the so-called contingency factors just as much as the contingency factors influence the choice of design parameters. An organization may become more bureaucratic as it grows, but bureaucracies also have a habit of trying to grow larger; dynamic environments may call for organic structures, but organizations with organic structures also seek out dynamic environments, where they can outmaneuver the bureaucracies. Our

<sup>3</sup>Pennings found few correlations between the environmental variables and the design parameters he measured in his study of stock brokerage offices. One important exception was complexity, which showed some significant correlations with measures that amount to decentralization. But because Pennings made no conceptual distinction between his environmental variables—he viewed them all as “characterized by uncertainty” (p. 394)—instead of concluding support for this hypothesis, he instead rejected the congruency assumption altogether.

sets of elements provide us with enough detail to begin to speculate about what some of those configurations might be.

Let us return to that number five. It must surely be more than coincidental that we have five coordinating mechanisms, five parts of the organization, five kinds of decentralization. In fact, in searching for ways to combine our various elements into configurations, five of these too emerged as most obvious. And this naturally led to a consideration of the correspondences among all these quintets. In fact, these proved to be obvious ones. It turned out that in each configuration a different coordinating mechanism dominated, a different part of the organization was key, and a different one of the five types of decentralization was used.<sup>4</sup> This can be explained by considering the organization as being pulled in five different directions, by each of its parts. Most organizations experience all five of these pulls; however, to the extent that conditions favor one over the others, the organization is drawn to structure itself as one of the configurations.

\* The strategic apex exerts a pull for centralization, by which it can retain control over decision making. This it achieves when direct supervision is relied upon for coordination. To the extent that conditions favor this pull, the configuration called *Simple Structure* emerges.

\* The technostructure exerts its pull for standardization—notably for that of work processes, the tightest form—because the design of the standards is its *raison d'être*. This amounts to a pull for limited horizontal decentralization. To the extent that conditions favor this pull, the organization structures itself as a *Machine Bureaucracy*.

\* In contrast, the members of the operating core seek to minimize the influence of the administrators—managers as well as analysts—over their work. That is, they promote horizontal and vertical decentralization. When they succeed, they work relatively autonomously, achieving whatever coordination is necessary through the standardization of skills. Thus, the operators exert a pull for professionalism, that is, for a reliance on outside training that enhances their skills. To the extent that conditions favor this pull, the organization structures itself as a *Professional Bureaucracy*.

\* The managers of the middle line also seek autonomy but must achieve it in a very different way—by drawing power down from the strategic apex and, if necessary, up from the operating core, to concentrate it in their own units. In effect, they favor limited vertical decentralization. As a result, they exert a pull to Balkanize the structure, to split it into market-based units which can control their own decisions, coordination being restricted to the standardization of their outputs. To the extent that conditions favor this pull, the *Divisionalized Form* results.

\* Finally, the support staff gains the most influence in the organization not when it is autonomous but when its collaboration is called for in decision making, owing to its expertise. This happens when the organization is structured into work constellations to which power is decentralized selectively and which are free to coordinate within and between themselves by mutual adjustment. To the extent that conditions favor this pull to collaborate, the organization adopts the *Adhocracy* configuration.

<sup>4</sup>At the risk of stretching my credibility, I would like to point out that this neat correspondence was not fabricated. Only after deciding on the five structural configurations was I struck by the correspondence with the five coordinating mechanisms and the five organizational parts. Slight modification in the typology of five kinds of decentralization (which rendered it more logical) was, however, suggested by the five configurations.



These five configurations constitute a typology of "ideal" or "pure" types. The central purpose of this article is to present this typology, and in so doing to make the case that it brings together the various elements of structuring discussed in the

TABLE I  
*Elements of the Five Structural Configurations*

	Simple Structure	Machine Bureaucracy	Professional Bureaucracy	Divisionalized Form	Adhocracy
Key coordinating mechanism:	Direct Supervision	Standardization of work	Standardization of skills	Standardization of outputs	Mutual Adjustment
Design parameters:					
Specialization of jobs:					
-horizontal	low	high	high	some (between HQ and divisions)	high
-vertical	high	high	low		low
Training	low	low	high	some (for division managers)	high
Indoctrination	low	low	high (retraining)		varies
Formalization of behavior	low	high	low	high (within divisions)	low
Bureaucratic/organic	organic	bureaucratic	bureaucratic	bureaucratic	organic
Grouping	usually functional	usually functional	functional and market	market	functional and market
Unit Size	large	large (at bottom, narrow elsewhere)	large (at bottom, narrow elsewhere)	large (between HQ and divisions)	small (throughout)
Planning and control systems	little	action planning	little	perf. control	limited action pl. (esp. in Adm. Ad.)
Liaison devices	few	few	some in administration	few	many throughout
Decentralization	centralization	limited horizontal decentralization	horizontal and vertical decentralization	limited vertical decentralization	selective decentralization
Contingency factors:					
Age (typically)	young	old	varies	old	young (Op. Ad.)
Size (typically)	small	large	varies	very large	varies
Technical system					
-regulation	low	high	low	high	low
-complexity	low	low	low	low	low/high (Op./Adm.Ad.)
-automated	no	no	no	no	no/often (Op./Adm.Ad.)
Environment					
-complexity	low	low	high	low	high
-dynamism	high (sometimes hostile)	low	low	low (diversified markets)	high (sometimes disparate)
Power					
-focus	strategic apex	technostructure, often external	professional operators	middle line	experts
-fashionable	no	no	yes	yes	especially

literature and also encompasses many of the major findings of the research.<sup>5</sup> As such, it is hoped that the typology will be viewed as a framework useful for comprehending and analyzing the behavior of organizations. Table 1 shows how the various elements we have been discussing are incorporated into the typology of the five configurations. The remainder of this article is devoted to a description of the five configurations.

### *The Simple Structure*

As shown in Figure 3, the Simple Structure is characterized, above all, by what it is not—elaborated. Typically it has little or no technostructure, few support staffers, a loose division of labor, minimal differentiation among its units, and a small middle line hierarchy. Little of its behavior is formalized, and it makes minimal use of planning, training, or the liaison devices. It is, above all, organic. Its coordination is effected largely by direct supervision. Specifically, power over all important decisions tends to be centralized in the hands of the chief executive officer. Thus, the strategic apex emerges as the key part of the structure; indeed, the structure often consists of little more than a one-person strategic apex and an organic operating core. Grouping into units—if it exists at all—more often than not is on a loose functional basis. Likewise, communication flows informally in this structure, most of it between the chief executive and everyone else. Likewise, decision making is informal, with the centralization of power allowing for rapid response.

Above all, the environment of the Simple Structure tends to be at one and the same time simple and dynamic. A simple environment can be comprehended by a single individual, and so allows decision making to be controlled by that individual. And a dynamic environment means organic structure: because the future state of the environment cannot be predicted, the organization cannot effect coordination by standardization. Another condition common to Simple Structure is a technical system that is neither sophisticated nor regulating. A sophisticated one would require an elaborate support structure, to which power over technical decisions would have to be delegated, while a regulating one would call for bureaucratization of the operating core. Young

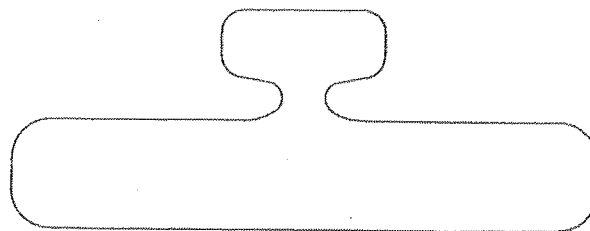


FIGURE 3. The Simple Structure.

<sup>5</sup>This typology is also consistent with a number of those presented in the literature. For example, Simple Structure followed by Machine Bureaucracy followed by Divisionalized Form corresponds to various "stages of growth" theories (Starbuck [49]; Filley and House [20]; Chandler [6]; Scott [55]; Whyte [66]), while Perrow's [44] four basic types of organizations correspond to our Simple Structure in a simple, dynamic environment, Machine Bureaucracy in a simple, stable one, Professional Bureaucracy in a complex, stable environment, and Adhocracy in a complex, dynamic one. Segal [56] and Van de Ven [65] each present typologies of three structures that correspond to three of ours, as do two of those of Lawrence and Lorsch [41] and Pugh et al. [49].

organizations and small organizations also tend to use the Simple Structure, because they have not yet had the time, or yet reached the scale of operations, required for bureaucratization. Finally extreme hostility in their environments force most organizations to use the Simple Structure, no matter how they are normally organized. To deal with crises, organizations tend to centralize at the top temporarily, and to suspend their standard operating procedures.

The classic case of the Simple Structure is, of course, the entrepreneurial firm. The firm is aggressive and often innovative, continually searching for risky environments where the bureaucracies hesitate to operate. But it is also careful to remain in a market niche that its entrepreneur can fully comprehend. Entrepreneurial firms are usually small, so that they can remain organic and their entrepreneurs can retain tight control. Also they are often young, in part because the attrition rate among entrepreneurial firms is so high, and in part because those that survive tend to make the transition to bureaucracy as they age. Inside the structure, all revolves around the entrepreneur. Its goals are his goals, its strategy his vision of its place in the world. Most entrepreneurs loathe bureaucratic procedures as impositions on their flexibility. Their unpredictable maneuvering keeps their structures lean, flexible, organic.

Khandwalla [38] found this structural form in his research on Canadian companies. Pugh et al. [49] also allude to this form in what they call "implicit structured organizations", while Woodward [67] describes such a structure among the smaller unit production and single purpose process firms.

#### *The Machine Bureaucracy*

A second clear configuration of the design parameters has held up consistently in the research: highly specialized, routine operating tasks, very formalized procedures and large-sized units in the operating core, reliance on the functional basis for grouping tasks throughout the structure, little use made of training and of the liaison devices, relatively centralized power for decision making with some use of action planning systems, and an elaborate administrative structure with a sharp distinction between line and staff. This is the structure Woodward [67] found in the mass production firms, Burns and Stalker [5] in the textile industry, Crozier [13] in the tobacco monopoly, Lawrence and Lorsch [41] in the container firm; it is the structure the Aston group (Pugh et al., [49]) referred to as "workflow bureaucracy".

Despite its sharp distinction between line and staff, because the machine bureaucracy depends above all on standardization of work processes for coordination, the technostructure—which houses the many analysts who do the standardizing—emerges as the key part of the structure. Consequently, these analysts develop some informal power, with the result that the organization can be described as having limited horizontal decentralization. The analysts gain their power largely at the expense of the operators, whose work they formalize to a high degree, and of the first-line managers, who would otherwise supervise the operators directly. But the emphasis on standardization extends well above the operating core, and with it follows the analysts' influence. Rules and regulations—an obsession with control—permeate the entire structure; formal communication is favored at all levels; decision making tends to follow the formal chain of authority. Only at the strategic apex are the different functional responsibilities brought together; therefore, only at that level can the major decisions be made, hence the centralization of the structure in the vertical dimension.

The Machine Bureaucracy is typically associated with environments that are both simple and stable. The work of complex environments cannot be rationalized into simple operating tasks, while that of dynamic environments cannot be predicted, made repetitive, and so standardized. Thus the Machine Bureaucracy responds to a simple, stable environment, and in turn seeks to insure that its environment remains both simple and stable. In fact, this helps to explain the large size of the support staff in the Machine Bureaucracy, as shown in Figure 4. To ensure stability, the Machine Bureaucracy prefers to make rather than buy—to supply own support services wherever possible so that it can closely control them. In addition, the Machine Bureaucracy is typically found in the mature organization, large enough to have the scale of operations that allows for repetition and standardization, and old enough to have been able to settle on the standards it wishes to use. Machine Bureaucracies also tend to be identified with regulating technical systems, since these routinize work and so enable that work to be standardized. But it is not typically found with sophisticated or automated technical systems because, as noted earlier, one disperses power to the support staff and the other calls for organic structure in administration, thereby driving the organization to a different configuration. Finally, the Machine Bureaucracy is often associated with external control. As noted earlier, the greater the external control of an organization, the more its structure tends to be centralized and formalized, the two prime design parameters of the Machine Bureaucracy.

Typical examples of organizations drawn to the Machine Bureaucracy configuration are mass production firms, service firms with simple, repetitive work such as insurance and telephone companies, government agencies with similar work such as post offices and tax collection departments, and organizations that have special needs for safety, such as airlines and fire departments.

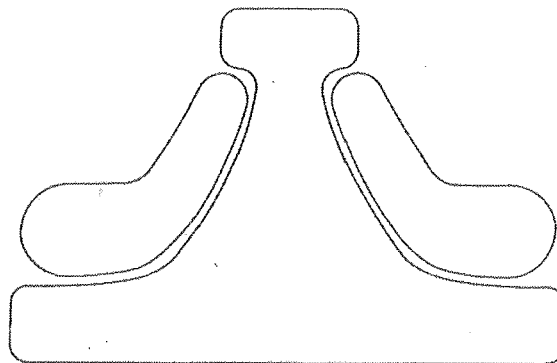


FIGURE 4. The Machine Bureaucracy.

### *The Professional Bureaucracy*

Organizations can be bureaucratic without being centralized, that is their behavior can be standardized by a coordinating mechanism that allows for decentralization. That coordinating mechanism is the standardization of skills, a reliance on which gives rise to the configuration called Professional Bureaucracy, found typically in school systems, social work agencies, accounting firms, and craft manufacturing firms. The organization hires highly trained specialists—called professionals—in its operating core, and then gives them considerable autonomy in their work. In other words, they

sional Bureaucracy no time is lost and no scale of operations is required to establish standards. Technical system is of importance in this configuration only for what it is not—neither regulating, or sophisticated, nor automated. Any one of these characteristics would destroy individual operator autonomy in favor of administrative or peer group influence, and so drive the organization to a different configuration. Finally, fashion is a factor, simply because it has proven to the advantage of all kinds of operator groups to have their work defined as professional; this enables them to demand influence and autonomy in the organization. For this reason, Professional Bureaucracy is a highly fashionable structure today.

#### *The Divisionalized Form*

The Divisionalized Form is not so much a complete structure as the superimposition of one structure on others. This structure can be described as a market-based one, with a central headquarters overseeing a set of divisions, each charged with serving its own markets. In this way there need be little interdependence between the divisions (beyond that Thompson [62] refers to as the "pooled" type), and little in the way of close coordination. Each division is thus given a good deal of autonomy. The result is the limited, parallel form of vertical decentralization,<sup>7</sup> with the middle line emerging as the key part of the organization. Moreover, without the need for close coordination, a large number of divisions can report up to the one central headquarters. The main concern of that headquarters then becomes to find a mechanism to coordinate the goals of the divisions with its own, without sacrificing divisional autonomy. And that it does by standardizing the outputs of the divisions—specifically, by relying on performance control systems to impose performance standards on the divisions and then monitor their results. Hence Figure 6 shows a small headquarters technostructure, which is charged with designing and operating the performance control system. Also shown is a small headquarters support staff. Included here are those units that serve all of the divisions (e.g., legal counsel), with other support units dispersed to the divisions serve their particular needs (e.g., industrial relations).

Finally there arises the question of what structure is found in the divisions themselves. Although in principle the Divisionalized Form is supposed to work with any kind of structure in the divisions, in fact there is reason to believe, as illustrated in Figure 7, that the divisions are driven to use the Machine Bureaucracy. The Divisionalized Form requires the establishment for each division of clearly defined perfor-

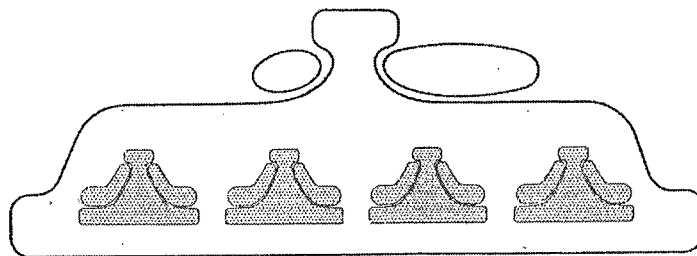


FIGURE 6. The Divisionalized Form.

<sup>7</sup>"Limited" means that the equating of divisionalization with "decentralization", as is done in so much of the literature, is simply not correct. In fact, as Perrow [45, p. 38] points out, the most famous example of divisionalization—that of General Motors in the 1920s—was clearly one of the relative *centralization* of the structure.

work relatively freely not only of the administrative hierarchy but also of their own colleagues. Much of the necessary coordination is achieved by design—by the standard skills that predetermine behavior. And this autonomy in the operating core means that the operating units are typically very large, as shown in Figure 5, and that the structure is decentralized in both the vertical and horizontal dimensions. In other words, much of the formal and informal power of the Professional Bureaucracy rests in its operating core, clearly its key part. Not only do the professionals control their own work, but they also tend to maintain collective control of the administrative apparatus of the organization. Managers of the middle line, in order to have power in the Professional Bureaucracy, must be professionals themselves, and must maintain the support of the professional operators. Moreover, they typically share the administrative tasks with the operating professionals. At the administrative level, however, in contrast with the operating level, tasks require a good deal of mutual adjustment, achieved in large part through standing committees, task forces, and other liaison devices.

The technostructure is minimal in this configuration, because the complex work of the operating professionals cannot easily be formalized, or its outputs standardized by action planning and performance control systems. The support staff is, however, highly elaborated, as shown in Figure 5, but largely to carry out the simpler, more routine work and to back-up the high-priced professionals in general. As a result, the support staff tend to work in a machine bureaucratic pocket off to one side of the Professional Bureaucracy. For the support staff of these organizations, there is no democracy, only the oligarchy of the professionals. Finally, a curious feature of this configuration is that it uses the functional and market bases for grouping concurrently in its operating core. That is, clients are categorized and served in terms of functional specialties—chemistry students by the chemistry department in the university, cardiac patients by the cardiac department in the hospital.<sup>6</sup>

The Professional Bureaucracy typically appears in conjunction with an environment that is both complex and stable. Complexity demands the use of skills and knowledge that can be learned only in extensive training programs, while stability ensures that these skills settle down to become the standard operating procedures of the organization. Age and size are not important factors in this configuration: the organization tends to use the same standard skills no matter how small or young it is because its professionals bring these skills with them when they first join the organization. So unlike the Machine Bureaucracy, which must design its own standards, in the Profes-

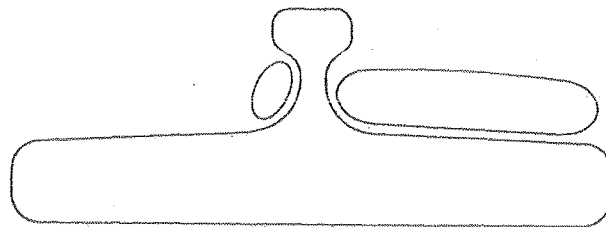


FIGURE 5. The Professional Bureaucracy.

<sup>6</sup>It is interesting to note that in Simon's [57, p. 30] criticism in *Administrative Behavior* of the ambiguities in the classical distinction between grouping by process and by purpose, all of his examples are drawn from professional work.

mance standards, the existence of which depend on two major assumptions. First, each division must be treated as a single integrated system with a single, consistent set of goals. In other words, while the divisions may be loosely coupled with each other, the assumption is that each is tightly coupled within. Second, those goals must be operational ones, in other words, lend themselves to quantitative measures of performance control. And these two assumptions hold only in one configuration, the one that is both bureaucratic (i.e., operates in a stable enough environment to be able to establish performance standards) and integrated, in other words, in Machine Bureaucracy. Moreover, as noted earlier, external control drives organizations toward Machine Bureaucracy; here the headquarters constitutes external control of the divisions.

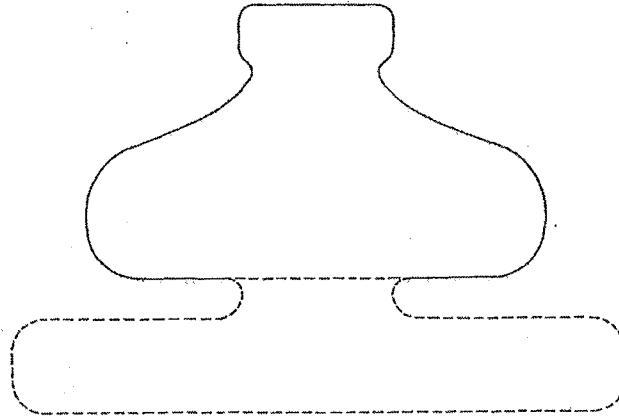


FIGURE 7. The Adhocracy.

One factor above all encourages the use of the Divisionalized Form—market diversity, specifically, that of products and services. (Diversity only in region or client leads, as Channon [9] has shown, to an incomplete form of divisionalization, with certain “critical” functions concentrated at headquarters, as in the case of purchasing in a regionally diversified retailing chain.) But by the same token, it has also been found that divisionalization encourages further diversification (Rumelt [53, pp. 76–77]; Fouraker and Stopford [21]), headquarters being encouraged to do so by the ease with which it can add divisions and by the pressures from the corps of aggressive general managers trained in the middle lines of such structures. Otherwise, as befits a structure that houses Machine Bureaucracies, the Divisionalized Form shares many of their conditions—an environment that is neither very complex nor very dynamic, and an organization that is typically large and mature. In effect, the Divisionalized Form is the common structural response to an integrated Machine Bureaucracy that has diversified its product or service lines horizontally (i.e., in conglomerate fashion).

The Divisionalized Form is very fashionable in industry, found in pure or partial form among the vast majority of America’s largest corporations, the notable exceptions being those with giant economies of scale in their traditional businesses (Wrigley [68]; Rumelt [53]). It is also found outside the sphere of business (in the form of multiverities, conglomerate unions, and government itself), but often in impure form due to the difficulty of developing relevant performance measures.

#### *The Adhocracy*

Sophisticated innovation requires a fifth and very different structural configuration, one that is able to fuse experts drawn from different specialties into smoothly

functioning project teams. Adhocracy is such a configuration, consisting of organic structure with little formalization of behavior; extensive horizontal job specialization based on formal training; a tendency to group the professional specialists in functional units for housekeeping purposes but to deploy them in small market-based teams to do their project work; a reliance on the liaison devices to encourage mutual adjustment—the key coordinating mechanism—within and between these teams; and selective decentralization to these teams, which are located at various places in the organization and involve various mixtures of line managers and staff and operating experts. Of all the configurations, Adhocracy shows the least reverence for the classical principles of management. It gives quasi-formal authority to staff personnel, thereby blurring the line-staff distinction, and it relies extensively on matrix structure, combining functional and market bases for grouping concurrently and thereby dispensing with the principle of unity of command.

Adhocracies may be divided into two main types. In the *Operating Adhocracy*, the innovation is carried out directly on behalf of the clients, as in the case of consulting firms, advertising agencies, and film companies. In effect, there corresponds to every Professional Bureaucracy an Operating Adhocracy that does similar work but with a broader orientation. For the consulting firm that seeks to pigeonhole each client problem into the most relevant standard skill within its given repertoire, there exists another that treats that problem as a unique challenge requiring a creative solution. The former, because of its standardization, can allow its professional operators to work on their own; the latter, in order to achieve innovation, must group its professionals in multidisciplinary teams so as to encourage mutual adjustment. In the Operating Adhocracy, the administrative and operating work tend to blend into a single effort. In other words, ad hoc project work does not allow a sharp differentiation of the planning and design of the work from its actual execution.

In the *Administrative Adhocracy*, the project work serves the organization itself, as in the case of chemical firms and space agencies. And here the administrative and operating components are sharply differentiated: in fact, the operating core is typically truncated from the rest of the organization—set up as a separate structure, contracted out, or automated—so that the administrative component is free to function as an Adhocracy.

Figure 7 shows both types of Adhocracies, with the blurring of the line-staff distinction in both cases and the truncation of the operating core (indicated by dotted lines), or else, in the case of the Operating Adhocracy, its inclusion in the mass of activities in the administrative center. The figure also shows a partial blurring of the strategic apex with the rest of the structure. This is because in project work, strategy is not imposed from above. Rather, it emerges from the stream of ad hoc decisions made for all the projects. Hence everyone who is involved in the project work—and in the Adhocracy that can mean everyone in the organization—is involved in strategy making. The key role of the support staff should be underlined here, especially in the Administrative Adhocracy which houses many of its experts in that staff.

Adhocracy is clearly positioned in environments that are both dynamic and complex. These are the ones that demand sophisticated innovation, the kind of innovation that calls for organic structure with a good deal of decentralization. Disparate forces in the environment, by encouraging selective decentralization to differentiated work constellations, as noted earlier, also encourage use of Adhocracy, notably the Administrative kind. Age—or at least youth—is another condition associated with Adhocracy; because time encourages an organization to bureaucratize, for example, by settling on



are designed to encourage agents to do what principals expect of them.<sup>25</sup> Several chapters in this volume identify phenomena—leadership, windows of opportunity, and the alignment of laws and policies with capacity—that in essence suggest the importance of incentive compatibility to reforms in governance.

### *Leadership*

Many case studies on successful or failed governance reforms cite leadership of the reform effort as a critical factor. Strong and highly motivated leadership was essential to the success of the institutional reform of Bolivia's National Tax Service, the reform of the state power company in Andhra Pradesh (India), and the public expenditure tracking survey-based reforms in the education sector in Uganda. This leadership came from the head of the agency in the case of the National Tax Service, the chief minister in the case of Andhra Pradesh, and senior officials in the Ministry of Finance in the case of Uganda. All three cases illustrate the importance of leaders having strong motivations to push reforms and the political savvy to structure and sequence reform components in ways that align the incentives of various stakeholders with successful implementation. If these leaders were lukewarm toward or opposed to the reforms, the reforms would have stalled or not been launched at all, no matter how well-conceived they may have been. By necessity, leadership must want the reforms—the reforms must be compatible with their preferences.

### *Windows of Opportunity*

Another phenomenon that often comes up in analyses of governance reforms is the so-called window of opportunity. Difficult reforms are often launched during times of crisis, as in the case of the reengineering of the public sector and the National Tax Service in Bolivia, the customs reform in the Russian Federation, and the power utility in Andhra Pradesh. A crisis is said to offer a window of opportunity that could close quickly and so must be exploited. In essence, this window reflects a realignment of incentives of different stakeholders that work in favor of envisioned reforms. It alters the balance between (individual) costs and benefits, making it possible for reformers to introduce institutional change that earlier would not have been feasible. In short, it reshapes individual incentives to make them more compatible with the reforms.

A major implication of this phenomenon is that reforms may need to be more pragmatic. So-called "first-best" reforms may be grossly misaligned with the incentives of stakeholders and therefore destined to fail. Second-, third-, even fourth-best solutions may yield better outcomes. In some cases, doing nothing may be the best option.

### *Capacity Matters*

Perhaps one of the least appreciated constraints to the sustainability of governance reforms is the problem of capacity. Capacity refers to the capability (in terms of human and financial resources) to deliver on an envisioned task, at the agency or governmentwide level. Historical experience with governance reforms is replete with stories of best practice from the developed world being parachuted into a poor

Transparency International developed the integrity pact as a credible commitment device. The organization defines an integrity pact as “a tool aimed at preventing corruption in public contracting. It consists of a process that includes an agreement between a government or a government department (at the federal, national or local level) and all bidders for a public contract. It contains rights and obligations to the effect that neither side will pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while carrying out the contract. The pact also introduces a monitoring system that provides for independent oversight and accountability” ([http://www.transparency.org/global\\_priorities/](http://www.transparency.org/global_priorities/)). Integrity pacts have been adopted successfully in large-scale government contracts in several Latin American countries, including Argentina, Colombia, Ecuador, and Mexico.

The proceeds from petty corruption can be laundered locally without attracting much attention. But the large sums of money involved in corruption in high-rent sectors typically need to be moved out of the country: a kickback of several million dollars is not easy to hide domestically. The money is thus likely to be laundered overseas. As chapter 12 argues, money laundering often depends on the financial systems and business practices of other countries. It is a sophisticated international mechanism designed to obfuscate and thus encourage grand corruption. The implication is that grand corruption cannot be effectively contained, let alone prevented, without the cooperation of various parties internationally on curbing money laundering.

#### ENDNOTES

1. For an extensive survey on research on corruption, see World Bank (2006) and Amundsen and Fjelstad (2000).
2. For a compilation of the earlier academic literature on political corruption, see Heidenheimer, Johnston, and Levine (1989).
3. Considerable theoretical and case study research on corruption has been done since the 1970s. Much of the work on rent seeking, for instance, though dealing squarely with state capture, essentially tackled conceptual issues. It was not until the mid-1990s that large cross-country econometric research began to emerge, mainly as a result of the emerging availability of usable data.
4. The International Country Risk Guide (ICRG), whose data have been used extensively in quantitative research, began its surveys in 1980. The Business Environmental Risk Intelligence (BERI) began to provide governance-related, survey-based indexes in the early 1980s. The Economist Intelligence Unit began providing related data around this time as well. For more recent additional sources, see Political Risk Consulting (<http://www.asiarisk.com>) and the World Economic Forum (<http://www.weforum.com>).
5. Through aggregation of the numerous individual variables, the six indicators tend to have significantly smaller margins of error than any individual measure.
6. A number of comparative country studies have also been conducted on combating corruption. While not statistically based, they nonetheless provide empirical analyses of reforms and strategies. See, for instance, Bhargava and Bolongaita (2004) and Quah (2003).
7. For a similar argument, see Woodruff (forthcoming).
8. For closely related articles, see Anderson, Reid, and Ryterman (2003) and Evans and Rauch (1999).
9. For an extensive discussion of rent seeking, its causes, and consequences, see Rowley, Tollison, and Tullock (1988).

10. See Hoffman (2002) for a discussion of corruption in the process of privatization in the former Soviet Union.
11. The concern with the lack of transparency and accountability arose from practitioners and academics interested in developing practical measures to reduce corruption. Theoretically, however, these concepts can be tied to basic problems of information asymmetry and imperfect information. Economists have been working on many variants and manifestations of these problems for more than two decades. But surprisingly few have taken the sophisticated analytical tools developed for such problems and applied them to problems in governance and in particular corruption (but see Tirole 1992). One exception is in the area of public procurement, where economists trained in the new industrial organization and specializing in auction theory have analyzed the inefficiencies and waste (and thus corruption) that plague government procurement from the lens of information asymmetry (bidders know more about the true cost and quality of their bids than do government procuring agents) or imperfect information (the necessity of having to write incomplete contracts when a complex product or service is being procured). See in particular Lafont and Tirole (1993) Porter and Zona (1993), Bushnell and Oren (1994), Crocker and Reynolds (1993), Bajari and Tadelis (2001), and Bajari, Houghton, and Tadelis (2006). See also Hyytinen, Lundberg, and Toivanen (2006) for an interesting empirical piece that links procurement, asymmetric information, and political structures.
12. These can be viewed as second-generation indicators, as defined by Johnston (2001)—measures that are correlated with corruption and can be quantified more objectively. The investment climate survey and the report card survey are experiential surveys—of firms or citizens having experienced corruption firsthand, for example—and thus provide richer information than perception-based surveys; the Public Expenditure Tracking Survey is based on expenditure data.
13. See the Survey Methodology section of the “Doing Business” Web site for a description of an investment climate survey and surveys (and their results) that have been completed to date: <http://www.doingbusiness.org/>
14. For more information, see <http://www.worldbank.org/eca/econ>.
15. This approach was introduced and developed in the mid-1990s by the Public Affairs Centre (PAC) in Bangalore, India, as an instrument to stimulate interagency competition among municipal public service agencies and improve performance (Paul 1995). The results of the latest survey, which are summarized in Anderson and Gray (2006), indicate that progress has been made in several areas, with corruption in general declining in a significant number of countries in the region.
16. Report card surveys have been carried out in other Indian cities, including Delhi, Kolkata, and Mumbai, as well as in 11 cities in the metropolitan Manila area. Three surveys have been conducted in Bangalore, the first in 1995, which established benchmarks; a second in 1999; and a third in 2002. The results show significant improvements over time in the quality of services, including a reduction in the incidence of bribery (see World Bank 2005 for a summary).
17. For the application of this instrument in Uganda, see Reinnika and Svensson (2004).
18. In Uganda, for instance, the first Public Expenditure Tracking Surveys, conducted in 1996, revealed that only 22 percent of non-wage-related funds allocated for primary schools in local districts actually reached the schools. The Public Expenditure Tracking Survey conducted in 2001 showed that leakage had dropped to less than 20 percent, suggesting that the remedial measures introduced in the interim had had a real and significant impact (Reinnika and Svensson 2006).
19. This report was prepared with the support of the United States Agency for International Development.

20. In the volume by Spector (2005), the chapter on the health sector comes closest to the approach proposed here.
21. Alternatively, this could be the perspective of public officials interested in or tasked with introducing anticorruption reforms in a specific context.
22. In some contexts, this might also include contract implementation, as in the case of variation orders.
23. Sometimes administrative corruption is referred to as bureaucratic corruption.
24. The total number of possible configurations (in this example, three) are  $\sum_{k=1}^n (n-k)!k!$ , where  $n$  = total number of links in the chain,  $k$  is the number of links in a specific configuration plagued by corruption, and  $n! = n * (n-1) * (n-2) * \dots * 2 * 1$ .
25. In many instances, the preferences of an agent differ from those of the principal. If the principal can watch the agent 100 percent of the time, this does not pose a problem, because the agent will do the principal's bidding. However, it is costly to monitor every action of the agent, and failure to do so creates possibilities for the agent to act in ways that are counter to the desires of the principal when the principal "is not looking." To address this problem, the principal needs to design an efficient, low-cost monitoring system that keeps the agent in line—that is, an incentive-compatible mechanism.
26. The authors are grateful to Junaid Ahmed, who made this important point at a training event on governance and anticorruption sponsored by the Asia Learning Department of the World Bank, June 26–27, 2006.
27. The Kecamatan Development Program is a community-driven development (CDD) project—villagers get to choose their preferred interventions—that is predominantly focused on rural roads and water.
28. On asset and income disclosure of public officials, see, for instance, the Assets Disclosure by Public Officials section of the World Bank's Law and Justice Web site: <http://siteresources.worldbank.org/INTLAWJUSTINST/Resources/IncomeAssetDisclosurein-WBclientsasofjune62006.pdf>.
29. Auty (2006) notes that the deterioration of institutions among resource-rich countries is more severe where rents are generated from "point-source" resources (capital-intensive and concentrated ownership) than from "diffuse-source" resources (such as land under peasant farms). Resources that require immediate processing (sugarcane, forestry, fisheries) share some point-source features. The rents from point-source resources are not widely shared throughout the population, and their presence often leads to institutional erosion.
30. The potential for using international arrangements to curb corruption is reflected in the experience of transition economies seeking admission to the European Union. The World Bank Institute Governance Indicators (2006) show that overall governance has improved in transition economies that have committed to joining the European Union (and thus have to meet the various governance-related standards set by it).
31. This is not to say that more established firms do not engage in such fraudulent activities. Some have been known to dump drugs rejected by health authorities in their home countries in the developing world.

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# *Disrupting Corruption*

OMAR AZFAR

During the 1990s, Vladimir Montesinos, the chief of Peru's secret police under Alberto Fujimori, bought off the media, the opposition, the judiciary, and the armed forces, extracting large rents for himself and possibly Fujimori.<sup>1</sup> Such systems of rent extraction are not rare. In fact, hybrid regimes that are democratic but lack genuine political competition represent a significant and rising proportion of the world's governments (Diamond 2002). While in some cases the goals of such regimes may simply be power itself, in most cases at least a secondary purpose is rent extraction.

This chapter examines how these systems can be disrupted. The first part of the chapter analyzes how an honest principal can deal with incidental corruption. It compares two strains of the literature on corruption—the economics of crime (prevention) and principal-agent theory—and proposes some concrete policies and reforms that could help alter incentives in incidentally corrupt systems. The second part addresses the problem—widespread in developing countries—of the sale of jobs and the effect the practice has on mechanisms of accountability. The third part analyzes corruption that involves the principal (systemic corruption). The fourth part draws on evidence from case studies of Belarus, Brazil, Kenya, and Turkey to show how systems of corruption can be exposed, disrupted, and eliminated. The chapter closes with recommendations about what various actors—citizens, the media, activists, nongovernmental organizations (NGOs), universities, foreign governments, aid agencies, the World Bank, and local governments—can do to prevent and expose systemic corruption.

### Dealing with Incidental Corruption: Principal-Agent Theory versus the Economics of Crime

Two strains of microeconomic theory relate to the control of incidental corruption: principal-agent theory and the economics of crime. (The term *incidental* is meant to convey that the various acts of corruption are not part of the same system. The term is not meant to denote rarity: incidental corruption can be rare or widespread.) Each suggests a different approach to fighting corruption (table 8.1).

The fundamental insight of principal-agent theory is that a principal can induce an agent to undertake actions optimal for the principal even if the principal can observe only outcomes and outcomes are affected by unobserved factors in addition to the agent's actions. The archetypical case is the owner of a firm who gives managers or workers incentives to exert effort by sharing some of the firm's profits with them, where profits depend on many variables other than effort.

The economics of crime focuses on how potential criminals can be dissuaded from committing crimes by punishments based on observable and verifiable behavior. The fundamental insight of the economic theory of crime is that as the verifiability of punishments decreases, the severity of the punishment should rise.

Application of the economic theory of crime to corruption may involve setting very high penalties, because the probability of detecting a corrupt transaction is low. For many acts of corruption that are tolerated in various societies, this may lead to reluctance to report the crime, even on the part of people who would like corruption to be eliminated. Consider the example of a schoolteacher who sells grades. Even upstanding, socially responsible people in many societies would not report the teacher to the police if the consequence involved sending the teacher to jail. They are more likely to report a teacher if the likely consequence is termination of employment. Proving that the schoolteacher actually took bribes is, however, very difficult. Hence the likely consequence is that reforms based solely on incontrovertible evidence of criminal wrongdoing are unlikely to be effective.

Principal-agent theory would advise that rather than look for evidence of actual bribery, exams should occasionally be rechecked. If a teacher is found to veer too far from reasonable grading, he or she should be gently punished—by having to take a salary cut, for example, or attend a summer course on grading. Such a reform would not eliminate corruption; a teacher who favored a few students by giving marginally better grades would be difficult to detect. The reform could, however, lead to improvements in grading even among honest teachers.

**TABLE 8.1** Examples of Anticorruption Efforts Suggested by the Economics of Crime and by Principal-Agent Theory

Form of corruption	Economics of crime solution		Principal-agent theory solution	
	Remedy	Evidence required	Remedy	Evidence required
Doctors dilute vaccines.	Try doctors for diluting vaccines.	Evidence of actual dilution	Provide doctors with kits to check if vaccines are at required strength, and punish doctors (with fines or suspensions) found giving substandard vaccines.	Substandard vaccines
Loans in microfinance programs meant for poor farmers are given to the nonpoor or to nonfarmers in exchange for bribes.	Try loan officers for taking bribes and misallocating funds.	Bribes	Punish loan officers (with fines, suspensions, or dismissals) found giving loans to nonpoor and nonfarmers.	Names of nonpoor, nonfarmer loan recipients
Regulatory officials create deliberate delays to extract ransoms.	Try officials caught taking bribes.	Bribes	Punish officials (with fines, suspensions, or dismissals) for not registering companies on time.	Delays in registration

Source: Author.

To take another example, consider two reforms for dealing with the problem of civil servants who systematically miss work. In the first reform, severe punishments are handed out for unjustified absences. This may lead to a more diligent pursuit of collecting the proper—if false—justifications for absences. It is easy to obtain fraudulent doctor's notes in many countries (it is also often difficult for a genuinely sick person to obtain one). A set of reforms in Venezuelan hospitals that punished nurses for unjustified absences did not reduce absences but did lead to a reduction in unjustified absences offset by an increase in justified absences (Jaen and Paravisini 2001).

The second reform, suggested by principal-agent theory, would set a limit on total absences. Some absences are caused by factors outside the

agent's control. But as long as punishments are not draconian and rewards significant but not extravagant, there is no great injustice in providing incentives for attendance. Deducting 2 percent of teachers' monthly salary for each day of absence, for example, regardless of the reason would motivate teachers to show up without creating an undue burden. (Exceptions could be made in the case of severe chronic illnesses, in which case the illness would have to be observed by a supervisor.)

In many cases, principal-agent theory, rather than the economics of crime, suggests a more realistic set of reforms for controlling corruption. It is important to keep in mind, however, that principal-agent theory is a poorly understood tool. Agents respond to the incentives they are given, not to the reason why the principal gives them the incentive. Give a teacher incentives for better student performance, for example, and grades will often improve. The result may reflect teaching for the test or even teacher-induced cheating, however (Jacob and Levitt [2003] find that this happens even in U.S. public schools). Incentives must be given in such a way that agents can reap higher payoffs only by actually improving performance on factors that the principal really cares about. Azfar and Zinnes (2005) find that giving trainers incentives based on students' performance on 80 questions improved performance (measured by satisfaction ratings; not test performance), but giving incentives based on 20 questions did not, perhaps because trainers were teaching for the test. Incentives should be given on the basis of broad measures of performance, and exams should be proctored and set by people other than those who teach the class.

In summary, by using a combination of incentives for good behavior, civil penalties for corruption-related instances where neglect and mismanagement can be proved, and criminal penalties when evidence of the most harmful kinds of corruption can be proved, a committed principal can significantly reduce corruption by agents (box 8.1). A more difficult problem is faced when the principals themselves are corrupt and complicit in the acts of incidental corruption that most people experience.

### **The Sale of Jobs and Its Effect on Mechanisms of Accountability**

In many corrupt systems, jobs are systematically sold by senior officials in exchange for both up-front payments to purchase the position and bribe-sharing arrangements. The practice has a long and distinguished history. The Catholic Church sold jobs in the late Middle Ages (Noonan 1984). The East India Company sold customs posts, and many European armies sold military

**BOX 3.1** Experimental Evidence on Controlling Corruption

Azfar and Nelson (2007) designed an experiment to examine the impact of three factors on corruption: the likelihood that effort by a prosecutor would succeed in exposing corruption of the executive, the wages of the potentially corrupt executive and the prosecutor, and the political independence of the prosecutor. They model the mechanism of exposing the executive in a way that is much simpler than obtaining a criminal conviction; the executive faces no punishment other than losing the stolen funds and (often) not being elected in the next round. This is closer to a highly publicized civil trial, except for the requirement that the investigation be carried out by a public prosecutor. The experiment involves eight players who play 12 rounds of a corruption game. In each round, three players are selected as candidates and can get elected as president and in some variations elected as attorney general (in other variations the president appoints the attorney general). The president can then steal public funds, and the attorney general can expose the wrongdoing to the voters. Then the next round is played with a new election—the previous round's president, attorney general, and a randomly selected third player are candidates. The experimental variations are wages, transparency, and whether the attorney general is elected or appointed. Their results indicate that both an increase in the ease of exposure and an increase in wages reduce corruption. Barr, Lindelow, and Serneels (2004) find similar effects in a sample of Ethiopian nurses.

Olken (2005) conducted a field experiment in which he randomly increased the probability of auditing the funds of Indonesian local governments in World Bank-financed projects. He found that credible threats to increase the probability of audits did reduce corruption. Criminal charges were seldom filed following the audits. Instead, corrupt local officials faced social and political costs.

positions. The exchange of prestigious ambassadorial positions for campaign contributions continues to the present day, even in developed countries.

In developing countries, low-level positions such as posts as customs officers and tax collectors are sold in exchange for explicit payments to senior officials. These sales are often packaged with job protections, so the officials who buy their jobs also buy some protection from being fired. Sometimes regular civil service protections suffice; at other times extra protection is offered. These arrangements also often include bribe-sharing agreements in which low-level officials share their bribe receipts with the senior officials who hired them. Not all sales of jobs are intended to result in bribe farming. The jobs of schoolteachers and “ghost workers” are sold not

primarily for the purpose of selling the right to demand bribes but simply in return for the right to collect a paycheck.

What happens if the microeconomic remedies suggested by principal-agent theory or the economics of crime in a system are applied where jobs are sold? An increase in wages would lead to a higher price for the jobs. Such an increase in the price of the job would either constrict employability in the public sector to the elite or lead to officials having to borrow money to buy their appointments. Those who go into debt may be compelled to take bribes, even if they would otherwise not have done so. The increase in wages would also increase the value of patronage networks and may increase the proportion of people who join them. Raising public sector wages is a good preventive measure for reducing the likelihood that corruption emerges and becomes entrenched, but once systemic corruption is in place, raising salaries itself is unlikely to be effective unless combined with various other accountability measures.

The use of microeconomic incentives by increasing the likelihood of being fined, suspended, fired, or imprisoned would not be enforced. Such laws would be stillborn, rarely used, and possibly used selectively to punish those who step out of line in the system of corruption. One of the reasons why Montesinos may have videotaped the bribe payments may have been that he wanted evidence with which to blackmail anyone who stepped out of line in his system of corruption.

### **Dealing with Systemic Corruption**

Many countries in the world suffer from systemic corruption. This type of corruption is analogous to organized crime: participants act not independently but in concert with one another, maintaining the system that allows them to extract rents and taking their own share of the rents. Systems of corruption can involve the sale of jobs, the sharing of rents from bribery or theft, and the compromising of systems of integrity that could control corruption.

Governments use several mechanisms to deal with corruption, including the judiciary, ombudsmen and inspectors general, anticorruption commissions, and legislative accountability committees. In many countries, however, these mechanisms of accountability do not work, because they are captured by a systemically corrupt government. Cases are assigned to complicit judges, or public prosecutors decline to charge officials with corruption. Ombudsmen, inspectors general, and anticorruption commissioners may target only members of the opposition or rival politicians in the ruling coalition. If they are given extraordinary powers, they might use them to punish those who deviate from

the system.<sup>2</sup> These mechanisms may therefore be ineffective or even counter-productive in reducing corruption.

Vladimir Montesinos and Alberto Fujimori compromised the systems of integrity in Peru by buying the judiciary, the legislature, the press, and the broadcast media, reducing Peruvian democracy to a set of electoral formalities. This section offers a set of rules that, if implemented in conjunction with a system of regular multiparty elections, might prevent the emergence of the kind of systemic corruption that existed in Peru (table 8.2).

### Elections and Recalls of Politicians

Elections offer a mechanism for the orderly removal of corrupt governments from power. They form the bedrock of accountability in the framework presented here. The basic presumption is that various mechanisms listed in this chapter will expose corruption, which will lead to the government being voted out of office.

Nondemocracies may remove corrupt governments from power by revolution, but the costs of revolution are much higher than the costs of elections and the likelihood of their occurring is much lower. Elections also offer a focal point for citizen protest if they are rigged or canceled. Ultimately, electoral systems rely on protest as a final sanction. To constrain the most corrupt regimes, there may have to be a reasonable chance of a revolution if an election is canceled or rigged. Rigged elections precipitated protests in Chile, Ecuador, Georgia, the Kyrgyz Republic, Nicaragua, the Philippines, and Ukraine; in many instances corruption was one of the major precipitating factors of the protests (Karatnycky and Ackerman 2005).

Several arguments have been made about the advantages of democracies. This chapter focuses on the notion that democracies are likely to have less corruption than other types of regimes (Treisman 2000). The literature shows a strong (negative) relationship between democracy and corruption. Persson and Tabellini (2005) examine the impact of various details of electoral systems on corruption. They find that presidential systems, more independent legislators, and larger electoral districts are associated with lower levels of corruption.

Both single-member districts and proportional representation have advantages in fighting systemic corruption. Single-member districts have the advantage that voters can vote against any person they consider corrupt. However, such districts encourage political monopolies and duopolies that can leave voters with a restricted set of choices—sometimes with no option other than voting for a corrupt party. Single-member districts also reduce

**TABLE B.2** Alternatives to Traditional Mechanisms of Accountability in Countries with Systemic Corruption

Traditional mechanism of accountability	Why mechanism does not work in systemically corrupt countries	Alternative mechanisms
Justice system in which public prosecutors bring cases and the government assigns judges to cases	Public prosecutors will not charge public officials; the government assigns corrupt judges to cases.	<ul style="list-style-type: none"> <li>☐ Allow private citizens to charge public officials with civil charges related to corruption, or criminal charges (<i>qui tam</i>).</li> <li>☐ Elect or have local governments appoint prosecutors.</li> <li>☐ Randomly assign judges to cases.</li> </ul>
Legislative accountability committees selected by a majority	Committee will be complicit with the executive.	<ul style="list-style-type: none"> <li>☐ Establish opposition-led accountability committees (although these too can be captured).</li> <li>☐ Allow parliamentary questions, where any member of the legislature can question members of the executive branch every week, and broadcast the question and answer session live.</li> </ul>
State-owned or -regulated media	Media are pressured to not expose corruption.	<ul style="list-style-type: none"> <li>☐ Allow privately owned and international media, including Web sites.</li> </ul>
Impeachment	Legislators who would conduct impeachment may be complicit.	<ul style="list-style-type: none"> <li>☐ Survey citizens at regular intervals or hold citizen councils to decide on recalls.</li> </ul>
Legislative committees or ombudsmen with the right to question public officials	Committees and ombudsmen can become complicit.	<ul style="list-style-type: none"> <li>☐ Pass freedom of information acts that allow any citizen to demand information.</li> </ul>

Source: Author.

the number of independent legislators. There are also significant advantages to incumbency. In the United States, many legislative seats are simply not contested, especially in state elections.

Proportional representation has a significant advantage in terms of allowing a greater number of parties into the legislature. This increases the likelihood that some vigorously anticorruption legislators are elected, who, if facilitated by institutions such as parliamentary question time, could



reduce systemic corruption. Proportional representation has a significant disadvantage, however, because it is difficult for the electorate to exclude corrupt politicians who buy themselves slots high on a party list.

Systems of indirect election are susceptible to corruption and capture.<sup>3</sup> In general, therefore, direct elections may be preferable for reducing corruption (this may explain the effect that Persson and Tabellini find for presidentialism, as presidents are typically elected in direct elections, unlike prime ministers who are generally indirectly elected via the legislature or sometimes appointed by the president). Systems of indirect elections of the upper houses of parliaments could be replaced with systems of direct elections. Accountability could also be increased by holding elections for upper and lower houses at different times. There is significant inertia in political systems, because those it selects typically have a comparative advantage in being selected by that system. External pressures can lead to reform, however. U.S. senators resisted changing the system of elections to direct elections until members of the House—who used to select them—vowed to follow popular referendums in their own voting for senators.

Electoral systems could also be designed that take advantage of both the benefits of proportional representation (that is, greater variety of parties in the legislature) and the ability to exclude corrupt politicians. For instance, there could be a requirement for primaries, which would allow citizens to exclude corrupt politicians at the primary stage. Alternatively, a two-stage election could be held for parliamentary seats, in which the top two vote-getters would compete in a run-off. Such a system would minimize strategic voting in the first stage and allow the entry of third parties. Citizens could also have the option of crossing out the names of candidates on a party list whom they do not want to be elected on the party slate (voters would be allowed to do so only if they voted for that party).

Citizens could also be given the right to remove corrupt elected officials through recalls. A system of recalls, whereby the electorate can call a new election by, say, collecting enough signatures, is one mechanism for getting rid of corrupt politicians. To prevent frivolous recalls, a large number of signatures could be required or a randomized survey of a representative sample of people could be conducted in which a high threshold (say, 60 percent or two standard deviations above 50 percent) would have to support the recall.

### Participation and Surveys

The primary purpose of participatory governance is improved preference matching; improved accountability is a by-product. A survey-based system

of governance, in which preferences are elicited by surveys and communicated to public officials, could have such an effect, albeit without the benefits of discussion. One example of participatory governance, Deliberative Democracy, designed by James Fishkin of Stanford University, involves collecting a set of randomly selected people and asking them to discuss issues and vote on them ([bostonreview.net/BR31.2/fishkin.html](http://bostonreview.net/BR31.2/fishkin.html)). The meetings are often televised. In some instances, they may change popular opinion about reforms.

How can participation be used to target corruption? Suppose a set of randomly selected people is asked to discuss campaign finance reforms. The result may be a franker discussion and stronger proposals for reform than in a legislature, where each member has some need for financing.

Another option would be to empower each member of the randomly selected group to identify a public official for investigation. The person could also identify who would investigate the official. This mechanism would have the benefit of having a selection system for investigation that cannot easily be completely captured and does not waste too many resources on investigating obviously honest officials (as random selection of officials for investigation would).

The World Bank could use such an institution to finesse the issue of compromising sovereignty in its efforts at increasing accountability. If a randomly selected set of citizens—rather than World Bank staff—is asked whom to audit and who should audit, no reasonable notion of sovereignty is compromised. Organizations such as the Open Society Institute could sponsor these accountability councils, which could be televised, generating considerable interest. If the country had a freedom of information act, citizens could watch a citizens' council decide which congressperson's finances to audit or investigate.

### Civil Charges

Changes in the law that allow private parties to bring civil charges in cases of neglect or mismanagement could be an effective remedy against forms of corruption in which the victims know they are being victimized. Another option is instituting a rule that allows private persons to file criminal charges on their own—a process known as *qui tam*. The adoption of *qui tam* could lead to a significant improvement in integrity in many systemically corrupt countries where the prosecutor's office has been compromised.

Allowing civil charges of neglect and mismanagement to be filed in corruption-related cases in which corruption itself is difficult to prove may reduce corruption (box 8.1). Corruption itself—and its most typical manifestation, bribery—is very easy to hide. However, the consequences of corruption

are not always so easy to hide, especially in the case of the more harmful forms of corruption. It is very difficult to expose the corrupt behavior of a judge who, after accepting the same bribe from both parties, then makes a fair decision; a judge who makes a large number of unfair decisions is more easily identifiable.

Direct evidence of corruption is not always necessary to fight corruption in the courts. Even though no direct evidence may exist of corrupt collusion, there may be clear evidence for neglect and mismanagement (box 8.2). It would be wrong to charge, convict, and jail an official for corruption on the basis of such evidence, but such evidence should be enough to suspend or even fire an official on charges of neglect or mismanagement. This in itself would provide some deterrence to official corruption, especially in the most visibly harmful cases.

### Random Assignment of Judges and Prosecutors

In many developed countries, judges are randomly assigned to cases. The process of assignment can be highly visible (a ball, a roulette wheel, or a pack of cards could be used in clear view of everyone). If there are even a few

#### **BOX 8.2** Fighting Corruption Indirectly in Indonesia

Indonesian law in 2001 made it difficult for officials to pursue corruption charges. Photocopies were inadmissible as evidence, the legal definition of *corruption* included only embezzlement, and a case became moot if the money was paid back.

Several cases in Indonesia suggest the usefulness of an indirect legal approach that relies on charges of official neglect rather than corruption. In Malang, East Java, corrupt businessmen who had purchased a stamp of approval from the relevant government officials were producing substandard motor oil. When Malang Corruption Watch investigated the motor oil factory, following complaints to a consumer rights association, they found that the oil was substandard. This constituted enough evidence to charge the manager of the company, who was indicted and had to shut down operations. It was not feasible to file charges of corruption against the government officials who approved the oil for sale, although charges of neglect could have been brought against them.

The Café Corporation in North Sulawesi was supposed to channel small loans to farmers. In fact, only half of all recipients were farmers—and only half of those farmers actually received their loans. When farmers who did not receive loans complained, a government agency investigated the case. Prosecutors were able to get a conviction on charges of mismanagement.

Source: Author.

honest and diligent judges, random assignment of cases will ensure that at least some cases will receive fair hearings in court.

Criminal law systems generally require that charges be brought by a public prosecutor. Public prosecutors are typically appointed by the executive branch of government and assigned to particular cases by some higher authority. Each of these steps is liable to be captured by those running a system of corruption.

A remedy for the second problem—assignment to cases—is the random assignment of prosecutors to corruption cases. Assuming that there are some honest judges and prosecutors, and that judges are assigned to cases randomly, this would at least occasionally lead to a situation in which both the judge and the prosecutor were honest. A conviction of a low-level official could be used to gather evidence that could lead to the conviction of senior officers and other members of the system. Even if the conviction of other people is outside the jurisdiction of the case, a judicial process in which facts are found and publicized can create legal and political momentum that becomes difficult to stop.

Dealing with systemic corruption is difficult in that many of those who are counted on to expose corruption cannot or will not do so. But one or two cases may be enough to expose a system; each case does not have to be tried independently. A single exposure can cause the entire system to unravel.

Random assignment of judges and prosecutors is probably not the most efficient way of dealing with incidental corruption. It is a good way of dealing with the far more pernicious practice of systemic corruption, however. Given the far greater costs of systemic corruption, and the likelihood that it will emerge if given the chance, all countries would be well advised to adopt rules on randomized assignment of judges, even if they think they do not have systemic corruption.

### Election of Prosecutors

One way of dealing with the risk that the executive branch may appoint lazy or complicit prosecutors to protect corrupt politicians is to involve citizens in their selection. One argument against electing rather than appointing too many officials is that elections tax the civic virtue of the citizenry, who may not really want to decide who should be elected to various unglamorous posts (Cooter 2003). The office of prosecutor, however, is one that does interest the citizenry, particularly in places where corruption is rife.

A possible objection to election of prosecutors is that it favors people who like—or at least can tolerate—running for office. This may be a virtue, however, because the love of attention and power that comes with an affinity

for politics may lead to a greater enthusiasm for the diligent prosecution of high-profile cases.

In some federal systems, prosecutors are appointed by the state or provincial governments. In Pakistan, for example, Nawaz Sharif, the chief minister of the Punjab, appointed the public prosecutor who indicted Asif Zardari, the husband of Prime Minister Benazir Bhutto, for corruption. The indictment would have been unlikely had the federal government appointed all prosecutors.

An alternative to election of prosecutors would be the appointment of some prosecutors by the legislature or even by opposition parties. While possibly an improvement on selection by the executive, the process may not always be as good as direct elections, as the opposition itself may be captured (as was the case in Peru under Fujimori).

### Randomized Audits and the Public Declaration of Assets

The public declaration of assets makes wrongdoing more difficult to hide. Ill-gotten gains can be hidden in the accounts of relatives, friends, and associates, but this makes them complicit and increases the likelihood of identification when systemic corruption unravels.

Requirements for public declarations of assets of public officials need to be matched with randomized audits of public officials. These audits should include the audits of relatives, friends, and associates. Audits that show how people game the system should be used to adapt the system.

Auditors should be randomly selected. Alternatively, a random selection of people could decide whom to audit and who should audit. Another option would be to allow private auditors to audit whomever they want and to offer rewards for the identification of corrupt officials.

### Public Expenditure Tracking Systems and Randomized Audits of Governmental Finances

Examination of the finances of public sector entities can reveal certain kinds of corruption. Public expenditure tracking systems (PETS) that require each level of government to state how much it receives from and sends to every other level can reveal corruption. Reinikka and Svensson (2002) introduced a PETS in Uganda and reduced reported leakages from about 80 percent to about 20 percent. Whether actual leakages fell by quite that much is unclear, as some leakages can be hidden from PETS by determined officials who collude. If, however, the PETS were followed by a deep audit of some randomly selected points, such collusive reporting could be spotted.

### Accountability Committees and Question Time

The legislature can play a significant role in exposing corruption in the executive branch if empowered to do so. Accountability committees should be headed by the party in opposition to the executive. These committees should be given significant powers to investigate members of the executive branch and to question them in the legislature. Such committees cannot prevent corruption (Montesinos had compromised the opposition), but they may reduce it.

Other reforms, such as question time, in which any legislator can ask questions of the executive in a widely broadcast regular proceeding, may be more effective at revealing corruption. The executive branch should be regularly questioned by the committee and other legislators, and the proceedings should be televised live and rebroadcast in the evening. In the British Parliament, the prime minister is questioned every week, and his senior ministers are questioned every day except Friday. Each legislator can pose up to two questions. Questions are shuffled, virtually guaranteeing that opposition members will get to ask several questions every day. Questions not answered in the oral period receive written answers, which are made public. This process ensures that any attempt to pack the proceedings with innocuous questions by the majority party is visible to the electorate. There tends to be significant interest in these proceedings, making it worthwhile for networks to carry them. The information revealed can have significant political consequences.

In Croatia parliamentarians can ask 30 questions of the executive branch every month. One such set of questions on a bribe allegedly accepted by Foreign Minister Miomir Zuzul led to his resignation. President Stjepan Mesic easily won reelection soon after, suggesting that political fallout from a corruption scandal can be limited (The Associated Press 2005).

Whether to allow the legislature itself to dismiss the government following the revelation of corruption in question time is not clear. On the one hand, it would make the legislature look like an impotent debating society if it could not dismiss the government following such a demonstration. On the other hand, allowing the legislature to dismiss the government runs counter to presidential systems, which appear to reduce corruption. One possibility is to authorize the legislature to call for a large nationwide survey about a recall, calling a new election only if a supermajority asks for a recall. The survey could explicitly ask whether people thought the government was corrupt, rather than whether voters wanted the government recalled. This

would not prevent citizens from opportunistically responding that the government was corrupt simply to get a chance to change it, but with a modicum of civic virtue among a proportion of the citizenry, asking specifically about corruption may reduce recalls for other reasons.

There should be a political mechanism to dismiss a government that appears to be corrupt even in the absence of incontrovertible evidence of corruption. Elections are supposed to dismiss governments that are incompetent or establish priorities that are not consistent with the people's will. In the case of corruption, however, the electorate should not be required to wait for a scheduled election to change government.

The political and judicial mechanisms for dismissal are not mutually exclusive. The system could allow for both; depending on the complexity of the case or the sophistication of the form of corruption, the judicial mechanism may be more effective. The two mechanisms may even be complementary. The facts found in a judicial investigation may help bolster a political ouster. The advantage of the political process is that it allows a corrupt government to be dismissed even in the absence of incontrovertible evidence, without compromising the rule of law—which for very good reasons is based on the need for incontrovertible evidence in criminal cases. It makes sense to have high standards of proof before subjecting people to severe criminal punishment; there is no need to have the same standards of proof to dismiss a government.

The question of parliamentary immunity is a difficult one. It is needed to prevent legislators from being intimidated by governments, but it offers refuge to criminals. The freedom of a few criminals is often a small price to pay for the benefits of an independent legislature. There does not need to be immunity from investigation, however. In fact, a few members of parliament should be randomly selected for investigation every year. Random selection will prevent the government from using the investigations for retaliation, and occasional selection for an investigation will create some incentives for legislators to be honest.

### The Media

The media play a crucial role in both investigating and publicizing systemic corruption. Two reporters, Carl Bernstein and Bob Woodward, exposed the Watergate scandal; Montesinos and Fujimori were eventually brought down by the airing of a video of Montesinos paying a bribe; and the media led the investigations that resulted in the resignations of senior politicians in Brazil in 2005.

Systemically corrupt governments spend a lot of money, effort, and political capital corrupting the media. Indeed, Montesinos spent most of his bribe money bribing the media. He used bribery, intimidation, defamation, and state ownership of media to control the content provided to the public. Many other electoral dictatorships use similar tactics. The Committee to Protect Journalists ([www.cpj.org](http://www.cpj.org)) and Reporters without Borders ([www.rsf.org](http://www.rsf.org)) both document the ways the press is intimidated and suppressed in many countries.

A variety of verifiable rules can be implemented that make it likely that there will be at least some inquisitive, independent, and diligent journalists who will expose corruption if systemic corruption exists. An advantage in fighting systemic corruption is that only some instances need to be exposed for the system to unravel. Another advantage is that a system of corruption creates a lot of evidence, even if it is all private knowledge. Montesinos bribed hundreds of people. Even small systems of systemic corruption generally involve dozens of people. A diligent investigator could uncover parts of such a system, leading to the unraveling of the system. But such investigators can be threatened or neutralized: Reporters without Borders reports that 63 journalists were killed, 800 arrested, and 1,300 physically attacked or threatened in 2005. In addition, 1,000 media outlets were censored in 2005.

To prevent such intimidation, policy makers can take several steps:

- Prohibit censorship. Prohibiting censorship will not prevent subtle forms of censorship, including inducements for self-censorship by, for example, withholding advertising revenue from newspapers, but it can prevent the most obvious forms of corruption.
- Commit to allowing an international investigation into the death of any journalist, and allow all imprisoned journalists to appeal in an international court.
- Allow private television channels and ban state-owned newspapers. State ownership of the media is correlated with worse governance across countries (Djankov and others 2001). While there are anomalies, such as National Public Radio in the United States and the British Broadcasting Company, which provide excellent coverage, in general allowing the government to own the media creates space for systemic corruption.<sup>4</sup>
- Allow foreign journalists to cover domestic stories. In many small developing countries, too few journalists have the training and independence to cover stories. Allowing foreign journalists to cover stories would increase the likelihood of exposing corruption. Foreign journalists also have the benefit of protection from their embassies.



- Allow foreign transmissions of radio and television broadcasts and Web sites of foreign newspapers. With increased access to the Internet and the improvement of computer translations, allowing foreign media into a country could significantly increase the ability of activists to obtain news.

### Freedom of Information Acts

A freedom of information act allows the general public to access information by filing requests. Supplementary legislation that requires local governments, political parties, and public officials to disclose their finances makes freedom of information acts a useful anticorruption tool.

Many freedom of information acts have been adopted in the past few years. In some developing countries and transition economies, these acts have actually leapfrogged over similar laws of developed countries. An example is India's recent law, under which all government documents not specifically classified as secret are accessible by the public (sadly, the act explicitly omits Kashmir from its purview) (Ministry of Personnel, Public Grievances and Pensions 2005).

The effectiveness of freedom of information acts can easily be verified. Civil society organizations and even private citizens can file requests for information and record how quickly and how well public servants respond to their request. Freedom of information acts can be used both for the initial exposure of corruption and in the process of unraveling systemic corruption, by starting independent investigations of officials who may be implicated in a scandal.

Freedom of information acts are typically limited by concerns about privacy and national security. The appeals process that decides whether some requests for information should be denied should include members of the opposition, and a unanimous vote should be required to classify a document as secret. Doing so would make it less likely that information that could expose corruption would opportunistically be labeled as a national security secret.

### The Role of Local Governments

The existence of multiple layers of government creates the opportunity for the separation of powers, in which different levels of government can discipline one another. Increasing the likelihood of audits by a central government agency reduced corruption in local governments in Indonesia (Olken 2005). If, however, the central government agency is itself corrupt, the system of audits can

end up being used to cement rather than disrupt a rent-extraction system. The logic of disruption dictates that a second round of audits, in which any private firm or NGO can reaudit the central government's audit, be instated to prevent systemic corruption involving the central government's auditing agency.

One problem with fighting systemic corruption is the limited contestability of political markets. In some democratic but highly corrupt countries, such as Bangladesh, all credible leaders are tainted by corruption. Local governments provide an excellent training ground for politicians to learn both the process of governing and the process of campaigning. They thus increase the contestability of political markets. The existence of local governments can increase the choices voters have, allowing them to throw the rascals out rather than just choose among rascals.

Local governments also allow ideas to be tested in some places and then tried elsewhere if they work. They can be used to conduct a scientific analysis based on the randomized assignment of localities to treatment and control groups.

Many of the reforms suggested here could be legislated by a majority in a local council in many countries. Where reforms succeed in reducing corruption, neighboring localities could come under pressure to implement similar reforms. A university or NGO could arrange for a high-publicity competition in which localities compete for the adoption of anticorruption legislation. A recent project in Romania created such a competition for the adoption of deregulatory reforms; eventually, the central government adopted some of the deregulation reforms as well (Timisoara City Hall 2007). If reforms are effective, the process may even create a dynamic that induces the central government to adopt some of these reforms—though resistance to adopting anticorruption reforms may be higher.

### **Case Study Evidence on Systemic Corruption**

Four case study examples yield lessons on dealing with systemic corruption. This section discusses Belarus, Brazil, Kenya, and Turkey and then briefly the role of revolution sparked by electoral (or other) fraud in disrupting systemic corruption.

#### **Belarus**

Between the mid-1990s and 2005, the government of Alyaksander Lukashenka subverted democracy while maintaining the facade of multiparty elections

(Silitski 2004). Lukashenka used physical intimidation and constitutional reform to ensure electoral victories and remain in power. Several lessons can be learned from his rule about how to prevent democracy from being preempted (table 8.3).

## Brazil

A recent set of corruption scandals in Brazil reveals how the interconnectedness of systemic corruption can be used to make the system unravel (Saibro 2006). Reporters from the weekly magazine *Veja* recorded the head of procurement at the post office taking a kickback. The opposition parties called for a parliamentary investigation, which the government first resisted but then agreed to. The resulting investigation implicated Roberto Jefferson of the PTB (Partido Trabalhista Brasileiro), a party allied with the government. Jefferson was also implicated in another scandal when Lidio Duarate, the head of the Brazilian Reinsurers Institute, reported to the media that Jefferson demanded kickbacks for giving Duarate his job and that Duarate hired Jefferson's associates.

Jefferson, in turn, accused the ruling party, which had only a minority in parliament, of bribing legislators to obtain a majority. Two leaders of opposition parties, Severino Cavalcanti of a conservative party and Waldemar Costa Neto of a liberal party, were implicated, and Costa Neto resigned; the president's chief of staff, José Dirceu, also resigned. The crisis led to pressures for reforms that would combat corruption. It has been politically costly for the ruling party.

What lessons can be learned from the experience? First, the media play a critical role in investigating and publicly exposing corruption. Second, parliamentary investigations are vital. Empowering the parliamentary opposition to launch an investigation without the assent of the majority increases accountability. Third, systems of corruption that are based on the sale of jobs, can unravel as soon as someone starts talking.

## Kenya

President Mwai Kibaki came to power in 2002, after winning an election against the corrupt Daniel Arap Moi. Moi had tried to rig the elections, but a combination of international observers and domestic activists foiled his attempt. The new government, beholden to the forces of integrity, appointed John Githongo as head of the Kenyan Anti-Corruption Commission.

**TABLE 8.3** Rules That Might Have Prevented Democracy from Being Subverted in Belarus

Action by Lukashenka	Rules to prevent subversion of democracy
Killed or imprisoned journalists	Government allows independent inquiry into the death of any journalist (with the family of the journalist choosing the investigator). Imprisoned journalists have the right to appeal to an international court. Broadcast the reports of the inquiries into deaths and the judgment from the appeals process.
Denied accreditation to election observers	Accreditation is given by a panel that includes an equal number of members of the opposition. There is a simple accreditation process that can be approved in the first instance by any member of the accreditation committee. A supermajority or even a unanimous vote is required to deny accreditation.
Stuffed election commission with cronies	An equal number of members of the election commission is nominated by any significant party in the legislature (say, with more than 10 percent of the members of parliament). Smaller parties also get to nominate members of the election commission. Each member of the commission writes an independent report on the election that is broadcast, published in newspapers, and circulated over the Internet. The broadcast of the reports of commission members is followed by a question-and-answer session with the press.
Disallowed exit polls	Multiple organizations are allowed to conduct exit polls, so that pollsters can flag statistically significant differences between their polls and other polls and between the polls and the election results as evidence of rigging. Such a system may not detect minor rigging, but it will detect major vote fraud.
Shut down universities	Either ban the closure of or require a majority of the opposition to shut down a university.
Used firearms against protesters	Ban the use of live ammunition against unarmed protesters.
Changed constitution to appoint heads of regional administrations	Require election—preferably direct election—of leaders of provinces and the capital city. These alternative power centers are important for a credible opposition.
Censored mass media	Disallow censorship in all circumstances. Allow opposition oversight of advertising budgets of state-owned companies so that critical newspapers cannot be punished by withholding advertising revenues.

Source: Author and Silitski 2004.

The primary case of grand corruption Githongo investigated involved the sale of "services" by Anglo Leasing, an apparently fictitious company, to the Kenyan government. The sale required the signatures of the secretary of interior and the secretary of the treasury. Githongo uncovered evidence that at least 10 senior officials or legislators were involved in the multimillion dollar scheme and that many other similar schemes existed (Githongo 2005).

Githongo's efforts to reverse the sale and remove the secretaries from office met with significant pressures from many senior officials. These included threats to kill him and to use the legal system against his family. His dogged pursuit of the issue did bear some fruit—some of the money was returned to the Kenyan government—but eventually he was forced to resign. After his resignation, the parliamentary public accounts committee, led by an opposition leader, interviewed Githongo in Great Britain, where he was living in exile. The interview led to the resignation of two ministers.

A number of aspects of this story are worth highlighting. First, there may have been a moment of extraordinary politics at the end of the Moi regime when reforms not normally politically feasible may have become possible. It led to the appointment of Githongo. Had the forces of integrity had a set of integrity-enhancing rules, such as those discussed in this chapter, some of them may have been adopted. Second, systemic corruption involves many people, and the system can unravel. Third, the system will fight back. The rules must therefore include protections for key players on the side of integrity. Fourth, details of constitutional form or political tradition, such as opposition leadership of the public accounts committee, matter.

## Turkey

On November 3, 1996, a car carrying a police chief, a prominent member of parliament, a criminal, and his mistress crashed into a truck in the roadside town of Susurluk in western Turkey, killing everyone but the member of parliament. The criminal, Mehmet Ozbay (also known as Abdullah Catl), a notorious smuggler and blackmailer wanted by Interpol, possessed an identification card personally signed by the interior minister, Mehmet Agar. The car contained a bag full of dollars and a trunk full of weapons; the passengers' pockets were full of cocaine. The incident led to a change of government in Turkey (Akay 2003).

Immediately after the crash, student protests broke out in response to this evidence of grand corruption; they were repressed. Then a group of activists

and NGOs began a nonviolent campaign by asking people to turn off their lights for one minute every evening at 9:00 p.m. The media, initially reluctant, joined the campaign, playing an important role in the dynamics of the protest. These protests became widespread: millions of Turks began turning off their lights in protest of the government's corruption. The government initially resisted the campaign and tried to discredit it, but eventually the momentum created by this campaign led the National Security Council to ask the government to resign.<sup>5</sup> An accident that revealed corruption and a sustained campaign brought down a government.<sup>6</sup>

Several lessons can be drawn from this experience. First, exposure of corruption needs to be followed by a sustained campaign to create genuine political costs. Governments will try to suppress these campaigns, but in a country like Turkey, which cares about its international image, the ability to suppress a nonviolent campaign is limited. Second, the role of the media is important. Even if initially reluctant, the media will often join a campaign once it gets going. Third, having an external source of accountability that can call a government to resign is critical. In Turkey this body is the National Security Council, which may have asked the government to resign only because its members did not like the government in the first place. In other countries, a supreme court or constitutional court may play such a role—it was such a court that eventually asked Slobodan Milosevic to hand over power to the elected government after several days of protest in Serbia. Another option would be an explicit constitutional provision under which a group of citizens can ask for a recall.

According to the Center for Global Integrity, integrity systems in Turkey are very weak ([www.globalintegrity.org](http://www.globalintegrity.org)). The Turkish government objected to the report, but the objectivity and specificity of the center's methodology allowed it to respond to the Turkish government's criticisms. The hope is that the Turkish government will reform its integrity system to improve its scores on the "Global integrity" matrix.

### **Elections and Revolutions**

Popular protests and new elections have occurred in Georgia, Indonesia, Lebanon, the Philippines, Serbia, and Ukraine. Some of these revolutions were inspired by corruption; all were driven at least in part by dissatisfaction with the constitutional mechanisms of changing a government, either because an election had been rigged or because the constitutional process of impeachment was compromised (Karatnycky and Ackerman 2005). In the Philippines after the Senate refused to impeach Joseph Estrada in 2000–01,

“people power” brought a change of government. In Ecuador, President Luizo Gutierrez’s attempt to pack the courts with his cronies led to protests that brought down the government in 2005.

One should not overestimate the power of parchment; the constitution of integrity is ultimately written on the hearts of men and women who must ultimately demand their rights when they are denied them. The role of parchment is to provide a set of clear rules, so that brave people can coordinate their demands and protests in a way that disrupts systems of corruption. Elections are one such set of rules. Holding elections regularly and often—and having a population that can be relied on to change a government by protest if an election is massively rigged or canceled—is an important mechanism for controlling grand corruption, especially if combined with other mechanisms.

### Recommendations

What can different members of society do to fight corruption? National governments in partially democratic, partially dysfunctional states cannot be expected to adopt reforms to combat systemic corruption. The recommendations provided below, therefore, focus on what steps other groups—ordinary citizens, the media, NGOs, international organizations, foreign governments, and local governments—can take to fight corruption.

#### The Role of Citizens

Citizens should pay attention to the information provided by the media and by activists on corruption and related matters. They should vote, and they should protest vociferously if elections are rigged or canceled or the government undertakes significant anti-integrity measures, such as replacing the entire judiciary with its cronies. Citizens should also pay attention to efforts by activists to mobilize them in mass anticorruption campaigns when systemically corruption is exposed, as they did in Turkey, even if no election is scheduled. Such mobilizations can lead to recalls even if there is no such provision in the constitution.

#### The Role of the Media

The media have a vital role to play in preventing systemic corruption by exposing corruption, causing it to unravel, and mobilizing the citizenry into action. If citizens are the jury in the court of public opinion, the media are the

prosecutors. Journalists and columnists should courageously investigate corruption cases; report threats and intimidation to the Committee to Protect Journalists, Reporters without Borders, or Transparency International; publicize cases of corruption; follow leads to other involved parties; and communicate to the public the efforts of activists to mobilize them into action.

Much of the media will be co-opted into the system of corruption, but it takes only a few independent journalists to expose systemic corruption. Once exposure starts, the rest of the media may defect into the integrity camp to demonstrate they were not complicit—or at least that they are no longer complicit. In Peru after the first video of corruption was aired, even the television stations in Montesinos' pocket felt compelled to air them. In Turkey, after initial reluctance, the media started publishing stories and even publicizing the protests.

The international media also have a role to play. International journalists should work to expose corruption and to train their local counterparts if they trust them not to be complicit in systemic corruption. Foreign journalists have much greater protection afforded to them by their governments than local journalists enjoy. Foreign media should also broadcast into systemically corrupt countries. Foreign media sources should maintain their independence from their own governments and not become or appear to become mouth-pieces for their governments.

In some cases the foreign media have not done enough to expose systemic corruption. In Peru, for example, it seems unlikely that a vigorous effort to expose Montesinos, who had bribed 1,600 people, would not have produced some evidence.

### The Role of Activists, NGOs, and Universities

The role of activists is to find evidence of pieces of the corrupt system and to use this to start protests, to urge the media to pursue these cases and to publicize them, to press for parliamentary inquiries, and to create greater domestic and international pressure for reform. Use of the Internet to spread information can be effective. Activists should also keep up pressure by exposing related cases all the way to the next election, so there is real political bite to exposure of corruption.

NGOs should keep their activism and service delivery wings separate; ideally, NGOs should do one or the other, not both. Activism requires a certain arm's length and adversarial relationship with the government; working on service delivery sometimes requires close coordination. Activist NGOs can



work with foreign donors, but they should be careful to resist pressures to become their mouthpieces and should not get involved with donors that intensify such pressures. Doing so would quickly rob them of their credibility. Local NGOs and universities can also organize competition among local governments on the adoption of the reforms described in this chapter. Universities could also study the impacts of reforms.

International NGOs and universities can help in two important ways. First, they can collect and publicize information on these bright line rules. Given the importance the European Union and the United States place on reform, publicizing these rules can create an important dynamic toward reform. Second, they can help NGOs learn from the experiences of other countries that have created a successful dynamic for reform.

### The Role of Foreign Governments, Aid Agencies, and the World Bank

Developed country governments can make an issue of corruption by asking on visa application forms whether the applicant has ever taken a bribe. Because lying on the visa application form is a crime in the country being visited, charges can be brought in the visa-issuing country if the applicant lies. Penalties may be light, but the production of evidence will have political costs.

The World Bank can add questions about bribes to its job application forms. Because lying on these forms can lead to termination of employment, adding such questions will increase the cost of being corrupt to the many civil servants who aspire to jobs in international organizations. Civil charges against human rights violators have created significant costs, even though the civil penalties—typically fines—are much milder than their crimes warrant (Coliver and Feeney 2005).

The World Bank and aid agencies can insist that accountability committees be formed and their audits attached to projects they fund, thus creating expertise and examples of how such a process should occur. The Kecamatan Development Program in Indonesia is one example of such an effort. By insisting on community oversight, the World Bank was able to sidestep a notoriously corrupt Indonesian government, without compromising sovereignty, because it was Indonesians themselves who were empowered (Guggenheim 2007).

Aid agencies and international financial institutions can establish clear conditionalities based on the measures proposed here. Loans and aid

could be granted only to countries that have parliamentary debate with significant public input—including televised town hall meetings—and adopt the following rules:

- The legislature should be allowed to question the executive branch every week and the chief executive at least once a month. These proceedings should be broadcast live on radio and television.
- Cases of corruption—at least cases involving public officials—should be randomly assigned to judges.
- The murder or imprisonment of a journalist should be investigated by an international panel. Unless the government is completely exonerated, aid will be withdrawn entirely.
- Foreign journalists and foreign broadcasts should be allowed. Foreign Web sites should be allowed, local organizations should be free to create their own Web sites, and access should not be tampered with.
- Public officials should be required to declare their assets and incomes.
- Private auditors should be allowed to audit public officials.
- In cases of neglect and mismanagement, even when corruption may be involved, private parties should be allowed to file civil lawsuits.
- Elections should be monitored by domestic and international observers.

These agencies can also set rules, such as that of the Millennium Challenge Account (MCA) allocating aid on the basis of performance on governance ratings. (The MCA allocates U.S. aid to developing countries on the basis of several indicators of governance, human development, and economic freedom. The countries themselves are supposed to have greater flexibility in the use of funds than they typically have over other development aid.) These ratings may have induced considerable reform in areas based on actionable indicators, such as the number of days to start a business, and the hope is that they would also lead to reforms on governance if actionable governance indicators were used for allocating MCA funds.

### The Role of Local Governments

An honest local government can combat corruption by leading by example. It can pass local laws mandating that all public officials in the locality should declare their assets publicly; that the local executive will answer questions in the local council, which will be broadcast; that the council itself will be overseen by an accountability committee of randomly selected citizens, who will be provided with a lawyer and an accountant they can instruct to investigate financial and legal matters. Once some

local governments start doing this, NGOs and universities could organize a nationwide competition among local governments. The leaders of local governments that do well could be well placed to compete on the national political stage. The World Bank could reward these communities with more development projects.

Local governments can also use the mechanisms described above to discipline national governments by, say, questioning the relatives of national politicians who are in the local council (in systemically corrupt countries, several members of a family are often in politics; some may serve in local councils). Citizens could ask lawyers and accountants to investigate central government issues.

### Demonstrating That a Government Is Not Systemically Corrupt

To establish its innocence, a government that claims to have been falsely accused of being systemically corrupt and hence denied funding or a loan could hold a referendum on adopting some of the reform measures suggested in this chapter. If a government is on the margins of eligibility on other measures of performance and conducts parliamentary debate on adopting these rules, it should be given a chance to compete for the loan or aid; if it does not hold such a debate, then it should not be given the chance.

The rules in this chapter are also useful to have when a new government comes into power on an anticorruption platform after the dismissal of a corrupt regime. Efforts often dissolve into a mix of noble pronouncements and toothless or even counterproductive actions, such as the creation of ineffective or even politicized anticorruption commissions. The rules outlined here would give activists and honest politicians something to make the government focus on.

### Notes

The author is extremely grateful to Melissa Thomas and Anwar Shah for their inspiration and ideas and to Bilal Siddiqi and Ruth Coffman for their comments and advice. None of the aforementioned are responsible for any of the shortcomings of this chapter.

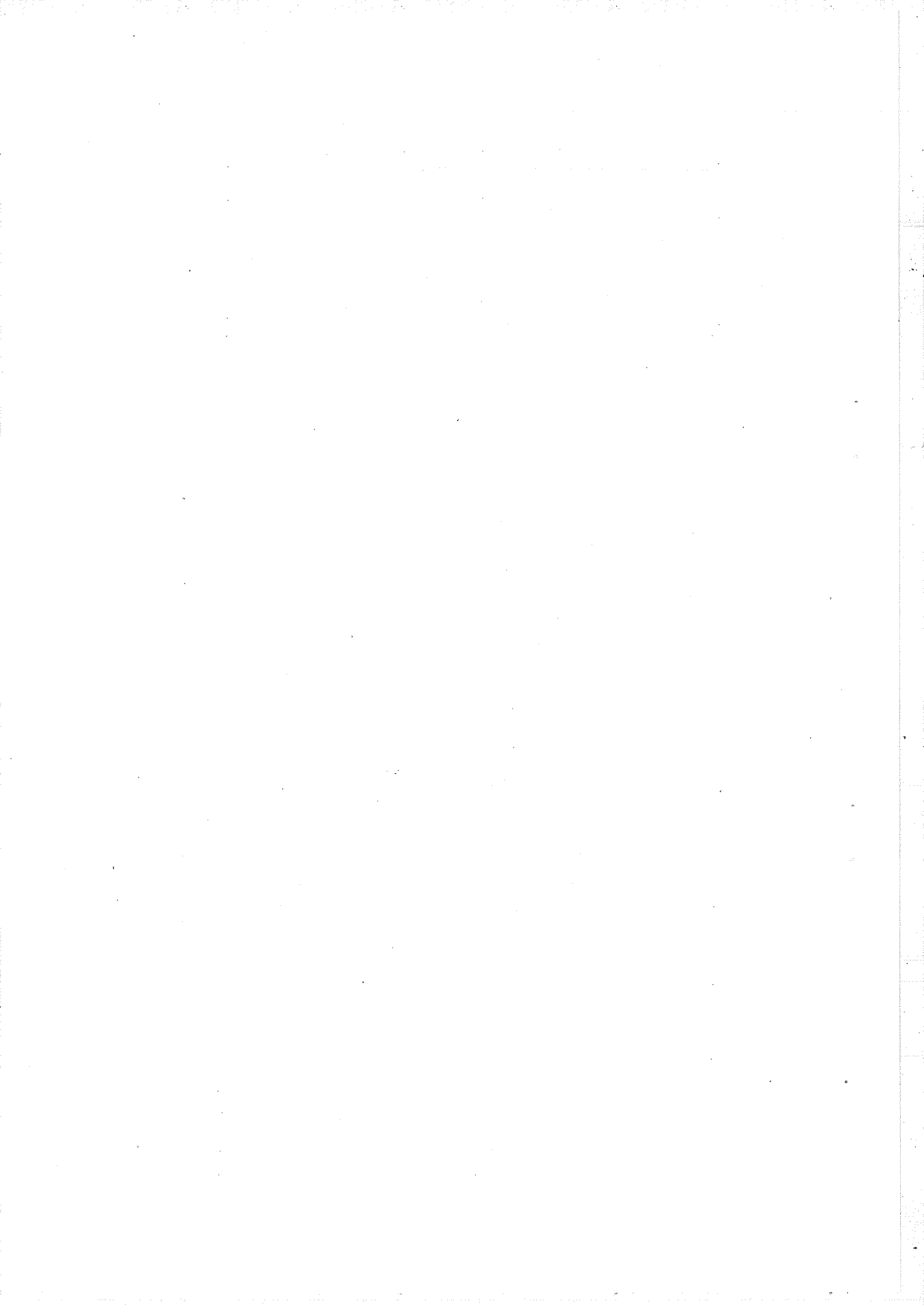
1. The system is vividly documented in a series of videos and described by McMillan and Zoido (2004).
2. One of the best-known systems of corruption was created in Peru, where the government of Fujimori had given extraordinary powers to law enforcement agencies because of the struggle with the Shining Path guerrillas.
3. In Indonesia, for example, corrupt politicians bought their places on party lists after the elections were held and then sold their votes for the indirect election of the mayor. Most citizens and journalists thought the system was corrupt (Azfar, 2002). The system was eventually replaced with direct election of mayors.

4. Private ownership of the media can also be problematic, especially if private owners achieve monopolies. There is no easy solution to this problem, as authorizing the government to tighten antitrust regulations against media monopolies could strengthen its hand against the media.
5. Per Article 118 of the Turkish Constitution, the National Security Council (the Milli Güvenlik Kurulu [MGK]) is set up as an advisory organ. The council, chaired by the president of Turkey, is made up of the chief of the General Staff, the four main commanders of the Turkish Armed Forces, and select members of the Council of Ministers. Like the national security councils of other countries, it develops the "national security policy of the state" of the Turkish republic.
6. Since the incident, Turkey has had two elections. The two parliamentarians implicated in the incident—Sedat Bucak, who was in the car, and Mehmet Agar, the interior minister who signed Ozbay's identification card—won their seats and remain in parliament.

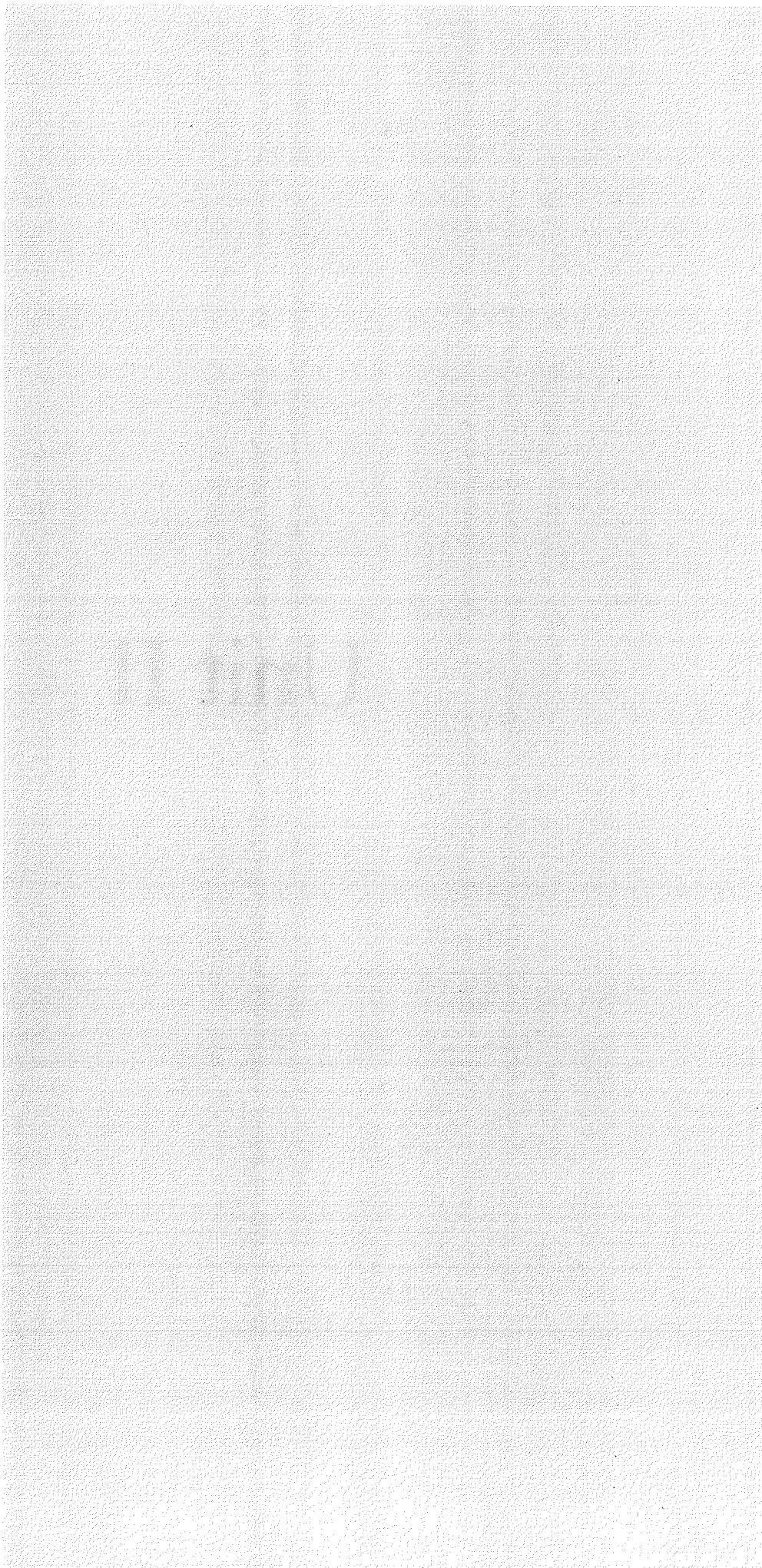
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# Unit II





## Knights, Knaves or Pawns? Human Behaviour and Social Policy

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### ABSTRACT

There are two fundamental changes currently under way in the welfare state. These are the development of quasi-markets in welfare provision, and the supplementation of 'fiscal' welfare by 'legal' welfare: policies that rely on redistributing income through regulation and other legal devices, instead of through the tax and social security system. This article argues that these changes are in part the result of a fundamental shift in policy-makers' beliefs concerning human motivation and behaviour. People who finance, operate and use the welfare state are no longer assumed to be either public spirited altruists (knights) or passive recipients of state largesse (pawns); instead they are all considered to be in one way or another self-interested (knaves). However, since neither the 'new' nor the 'old' set of assumptions are based on evidence, policies based on the new set are as likely to fail as those based on the old. What is needed are 'robust' policies that are not dependent on any simple view of human behaviour.

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'In contriving any system of government, and fixing the several checks and controls of the constitution, every man ought to be supposed a knave and to have no other end, in all his actions, than private interest. By this interest, we must govern him and, by means of it, notwithstanding his insatiable avarice and ambition, co-operate to the public good.' (*David Hume*, 1875, pp. 117-18)

'If it is accepted that man has a sociological and biological need to help, then to deny him opportunities to express this need is to deny him the freedom to enter into gift relationships.' (*Richard Titmuss*, 1971, p. 243)

There are two fundamental changes currently under way in the welfare states of Britain and other developed countries, each rather different from the other. One - the replacement of the state provision of

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services by 'quasi-market' provision – is by now well known. It involves the introduction of competition into the delivery of social services such as education, health care and social care, and, as its label suggests, is pro-market in nature. The second change has been less widely remarked. It concerns the other side of the welfare state – social security or, more generally, the redistribution of income – and may be described as the supplementation of 'fiscal' by 'legal' welfare. Legal welfare involves the use of regulation or legislation to intervene in market outcome, and could be interpreted, at least in part, as anti-market.

Both of these developments raise interesting questions for social policy analysts. Why have they come about? To what extent are they a response to the perceived failures in the old systems? If they are a response to these failures, are they a *good* response? More generally, do they represent a desirable set of developments accurately reflecting the changing context in which welfare states find themselves, or are the changes simply another symptom of the inexorable decline of state welfare?

Many of these issues have been discussed extensively elsewhere (especially with respect to quasi-markets) and I shall not repeat all the points made in those discussions here. Instead I want to use the fact of these changes to develop an argument that I do not think has been made before, at least not in this form; an argument that illuminates both the 'why' and the 'desirability' questions with respect to the changes, but one that also has broader implications for social policy in general. This concerns the assumptions that underlie welfare policy concerning the mainsprings of human behaviour.

More specifically, I argue that both the quasi-market and legal changes in welfare systems are based on a particular view of human motivation and behaviour, and that this view is rather different from the assumptions concerning motivation that underlay older models of welfare systems. However, neither this 'new' view nor the 'older' assumptions are likely to provide an adequate account of the way in which people actually behave in welfare-relevant situations; hence welfare systems based solely on one or the other are likely to fail. What is needed are 'robust' welfare policies: ones that allow for the possibility of different kinds of human motivation and hence have the potential for more successful outcomes.

This is a broad canvas. Inevitably in places the argument is speculative; equally inevitably it will involve both the caricaturing of distinguished thinkers' arguments and the over-simplification of a complex reality. However, it is hoped that the central ideas contain sufficient

insight to justify their preliminary exposition here, and perhaps to stimulate their subsequent development.

The article begins with a brief exposition of the two sets of changes that are our jumping-off point. The next section develops the main argument, while the following two sections examine some possible implications for policy. There is a brief conclusion.

#### QUASI-MARKETS

Throughout the development of British welfare policy, the state not only financed the supply of social services such as education, health care and social care, it provided them as well. That is, it owned and operated most of the institutions and agencies that provided these services, and employed the staff who worked in them. In many areas of welfare it was effectively a large, monopoly provider and, as such, inevitably attracted the kinds of criticisms that such organisations tend to attract: that they are wasteful, inefficient and unresponsive to the needs and wants of users. Partly in response to such criticisms, in the late 1980s and early 1990s, state provision was systematically replaced by a more market-oriented, competitive approach to service delivery: the quasi-market.

In a quasi-market, the state retains control of finance, either by giving individuals vouchers or, more commonly, by appointing informed agents to purchase services on behalf of final users. Examples include vouchers for nursery education, open enrolment and formula funding for primary and secondary education (effectively another form of voucher), health commissions and GP fund-holders in the National Health Service, and social service departments, and care managers in community care. Provision of the service, on the other hand, is not undertaken by the state, but is left to independent providers (profit and non-profit) who compete with one another for the custom of purchasers. Examples include hospital trusts, locally managed and opted out schools, and private and voluntary residential homes for those in need of social care. The intention behind the introduction of quasi-markets is that the process of competition in provision will promote efficiency and responsiveness, while the state can ensure equity through judicious use of the mechanisms for financing purchasers.

This process has been discussed in more detail elsewhere (Le Grand and Bartlett, 1993; Glennerster and Le Grand, 1995) and I will not dwell further on it at this point. In the meantime let me describe briefly another change that perhaps is only on the horizon at the moment, but could become as significant for the social security side of

the welfare state as the quasi-market developments have been for the social services side: the growth of 'legal' welfare.

#### 'LEGAL' WELFARE

As many writers have pointed out,<sup>2</sup> the postwar system of social security was built on a number of fundamental assumptions concerning the social and economic environment in which it would operate. First, Keynesian macro-economic policies would ensure that there would be full employment. Second, the family would continue to exist in broadly its pre-war form, with a male bread-winner and a female home-maker and child-carer (Glennerster, 1995, pp. 34–5; Lowe, 1993, pp. 33–55). Third – and the centrality of this assumption has been less widely remarked (but see Glennerster, 1995, p. 41) – there would be no fundamental shifts in 'market' inequality: the underlying differences in income and wealth generated in the market and that the social security system was in part designed to correct. In particular, earnings differentials would remain unchanged, or, more likely, narrow as widespread equality of educational opportunity ensured that job skills became more widely diffused.

Recent reports from the Commission on Social Justice (1994) and the Joseph Rowntree Foundation (1995) have brought to the attention of a wider public what economists and social policy analysts have known for some time: that these assumptions no longer hold. Full employment disappeared in the 1970s. There now appears to be a hard core of long-term unemployed and a larger group of temporarily unemployed, whose composition changes; although currently falling in size, both groups remain stubbornly large (Commission on Social Justice, 1994, pp. 33–5; Joseph Rowntree Foundation, 1995, II, ch. 5). Women have entered the labour force in large numbers; hence they are no longer as available to look after children (or other dependants, such as elderly relatives) (*ibid.*). Family break-up is widespread; and the number of single-parent headed households is increasing sharply. And, perhaps most profound of all, labour market inequality is widening dramatically. As the Commission on Social Justice has noted (1994, p. 28):

For nearly forty years after the Second World War, the income gap between the richest and the poorest in the UK gradually narrowed. That progress has now been reversed. Today, the gap between the earnings of the highest-paid and those of the lowest-paid workers is greater than at any time since records were first kept in 1886.

Awareness of the limitations of the social security system, and its consequent inability to deal properly with the dramatic increases in

inequality and poverty, has led to a growing interest in welfare interventions of a rather different kind. One, directed at wage inequality, is the minimum wage, long advocated on the left, but now gaining support from a much wider group of labour market analysts (see, for instance, Card and Krueger, 1995). Another, aimed at reducing unemployment, is a legal limit on the working week, an approach now attracting attention in the Netherlands and France. In Britain, Australia and elsewhere, the financial difficulties of single parents are being addressed by statutory bodies such as the Child Support Agency; and in Britain measures have been proposed to make divorce more difficult, especially for couples with children. There is also a developing interest in Anglo-Saxon countries in the *obligation alimentaire*: the principle, common in continental Europe, that adults have a financial obligation to support their elderly parents. Singapore is now considering introducing a similar scheme, but with the obligation being legally enforced.

What all these apparently rather disparate measures have in common is that they do not wait until income is 'delivered' by the market to families or households, and then, like the current welfare state, redistribute it through fiscal measures such as taxes and social security benefits. Instead they use legal measures to intervene directly in the process by which people get an income – directly in the primary income distribution. So minimum wages and limits on working hours affect the amounts that employees obtain from their work; the Child Support Agency, restrictions on divorce and the *obligation alimentaire* compel people to support their dependants directly. In other words, such measures deliver welfare through *legislation* or *regulation* and not through the fiscal system: hence their description as forms of 'legal' welfare.<sup>3</sup>

Again there is not the space here to discuss this phenomenon in detail; I hope to return to it in future work. Instead, let us turn to the main focus of this article: the difference between the assumptions concerning human motivation and behaviour that underlay these 'new' forms of welfare and those that informed the 'old' welfare state that they may be replacing.

#### KNIGHTS, KNAVES OR PAWNS?

Assumptions concerning human motivation and behaviour are the key to the design of social policy. Policy-makers fashion policies on the assumption that those affected by the policies will behave in certain ways and they will do so because they have certain motivations.

Sometimes the assumptions concerning motivation and behaviour are explicit; more often they are implicit, reflecting the unconscious values or beliefs of the policy-makers concerned. Conscious or not, the assumptions will determine the way that welfare institutions are constructed. So, for instance, a welfare state constructed on the assumption that people are motivated primarily by their own self-interest – that they are, in the words of David Hume quoted at the beginning of this paper, *knaves*<sup>4</sup> – would be quite different from one constructed on the assumption that people are predominantly public-spirited or altruistic – that they are what we might term *knights* in contrast to knaves. Similarly, if policy-makers work on the assumption that people are essentially passive or unresponsive – neither knights or knaves, but *pawns* – then again the policy concerned would be quite different from one designed on the assumption that human beings respond actively to the incentive structures with which they are faced.<sup>5</sup>

It might also be noted that these assumptions – or, more precisely, the relationships between the assumptions and the realities of human motivation – are crucial to the success or otherwise of the policies concerned. Hume was keen to point out that policies designed on the assumption that people are knights are likely to have disastrous consequences if in fact they are predominantly knaves. But, as Richard Titmuss was anxious to emphasise in *The Gift Relationship* (whence came the quotation at the beginning of the article), the same is true for policies fashioned on the basis of a belief that people are knaves if the consequence is to suppress their natural altruistic impulses.

We shall return to these points later. In the meantime, the importance of the beliefs about human behaviour involved in policy-making can be illustrated by comparing those implicit in the old-style welfare state that preceded the changes discussed above, and those implicit in the new, post-reform, welfare systems. Inevitably given their implicit nature, it is difficult fully to document any claims that one might wish to make about these beliefs by reference to explicit statements by policy-makers or others; hence such claims must at times remain more at the level of assertion than of scientifically established fact. However, it is hoped that the rather stylised set of pictures that are painted here have enough accuracy so as not seriously to distort the scenes that they are trying to represent.<sup>6</sup>

Lowe (1993) has argued that there were two approaches to welfare that characterised the pre-reform British welfare state: the reluctant collectivists, pre-eminent among whom were Beveridge and Keynes,

and the democratic socialists, who included Marshall, Titmuss and Crosland. Of these, he argued that:

despite the predominant influence of Beveridge and Keynes in the early postwar years, it was the democratic socialists which gave the British welfare state its unique international reputation. At home these ideals also infused the welfare legislation of the 1954–61 Labour governments and provided the logic for further advances which the Conservative ministers struggled to refute. (Lowe 1993, pp. 18–20)

In Lowe's view, it was the social democratic approach, albeit tempered by that of the reluctant collectivists, which determined the evolution of the postwar welfare state: 'social democracy had history on its side' (*ibid.*).

What then were the assumptions concerning human behaviour implicit in the 'democratic socialist' welfare state? In trying to answer this question, it is useful to distinguish three sets of actors. First, there were those who operated the welfare state: the politicians and civil servants who devised its policies, the managers who administered it, and the professionals and others who delivered its services. Second, there were those who paid for welfare: taxpayers under the fiscal welfare system. Third, there were those who received the benefits of the welfare state: social security recipients, doctors' patients, school pupils and their parents, council house tenants and so on.

Democratic socialists assumed that the state and its agents were both competent and benevolent (Lowe, 1993, p. 23). Hence it followed that the first group – those who operated the welfare state – could be trusted to work primarily in the public interest (Donnison, 1982, pp. 20–1). Professionals, such as doctors and teachers, were thought to be primarily motivated by their professional ethic and hence to be concerned only with the interests of the people they were serving.<sup>6</sup> Similarly, politicians, civil servants, and bureaucrats and managers were supposed accurately to define social and individual needs in the areas concerned, and to operate services that did the best possible job of meeting those needs from available resources.

The second group – the taxpayers – were also assumed to be part of the collective view that 'social justice would be guaranteed by a predominant altruism' (Lowe, 1993, p. 19) and hence to accept a growing burden of progressive taxes (Donnison, 1982, pp. 20–1).<sup>8</sup> More specifically, it was assumed that the better-off would not only co-operate in collectivist enterprises such as national insurance and social services but also acquiesce in paying redistributive taxation that helped the disadvantaged, either because they empathised with the latter's plight or because they saw it as part of their civic responsibility to do so.

The democratic socialists did not assume that the third group – individuals in receipt of the benefits of the welfare state – were active altruists. Rather, the latter were considered to be essentially passive: pawns, not knights. Those who used social services were supposed to be content with a universal, often fairly basic, standard of service. So Titmuss, for instance, spoke of the desirability of ‘one publicly approved standard of service’ (1968, p. 195). In practice, with respect to the National Health Service, for instance, this meant that patients were supposed to live up to their appellation and be patient. They were to wait patiently in queues at GPs’ surgeries or at outpatient clinics; if they needed further treatment, they had to wait for their turn on hospital waiting lists. When the time arrived for them actually to go to hospital, they were supposed cheerfully to accept being on a public ward, being served horrible food and, most significantly, being treated by doctors too busy, or too elevated, to have time to explain what was happening to them. As Klein has put it, in the early model of the NHS: ‘it would be the doctor’s judgement which would determine who should get what...It was the experts who determined the need for health care, frame the appropriate priorities and implement their policies universalistically throughout the NHS’ (Klein, 1995, p. 248).<sup>9</sup>

Similarly, the parents of children in state schools were expected to trust the professionals, and to accept that teachers knew what was best for their children. The period between 1944 and 1975 was identified as the ‘golden age of teacher control’.<sup>10</sup> Moreover, as with the NHS, especially following the comprehensive reforms of the mid-1960s, parents were supposed to concur that ‘the overriding objective in [education policy] was equality’ (Lowe, 1993, p. 203) and hence to accept whatever degree of uniformity of educational provision that attaining this objective required.

Council house tenants were expected to be grateful for the privilege they had been accorded in being granted a tenancy (Dunleavy, 1981, pp. 28–33). Their accommodation was standardised, with heavy restrictions as to their freedom of action over what could be done with it.<sup>11</sup> And again the experts were presumed to know best about the housing that people wanted.<sup>12</sup>

At least for some of the democratic socialists, similar views characterised their beliefs about social security recipients. As Deacon has recently argued, Titmuss, for instance, assumed that the beneficiaries of social security had very little choice at all; that the economic and social system was so all powerful that they were simply its victims; that they had no freedom of action and hence were simply passive recipi-



ents of state largesse (Deacon, 1993).<sup>13</sup> However, it has to be acknowledged that this view does not seem to characterise the actual delivery of social security policy. The postwar history of the latter (and indeed the entire history of social security) is peppered with the development of different forms of checks and balances to control the perceived problem of the people variously termed the workshy, loafers or scroungers (Deacon, 1976; Bryson and Jacobs, 1992; Jacobs, 1994). Here there seems to have been a constant tension between the assumption that welfare recipients were basically passive – pawns – and the assumption that they were active agents in pursuit of their own self-interest: knaves.

Social security, therefore, is perhaps a partial exception. But it is not implausible to describe the bundle of implicit assumptions concerning human behaviour that characterised the rest of the democratic socialist welfare state as one designed to be financed and operated by knights, for the benefit of pawns:

However, recent years have seen serious assaults on all of the assumptions that underlay the democratic socialist welfare state (Glennister, 1995, pp. 193–5; Lowe, 1993, pp. 23–7; Timmins, 1995, Part V). The notion that, for the sake of the collectivity, everyone would passively accept standardised, relatively low levels of services was challenged by studies showing that in key areas of welfare the middle classes extracted at least as much if not more than the poor in terms of both the quantity and quality of service (Le Grand, 1982). More generally, it became increasingly apparent that many people – particularly, but not exclusively, the middle classes – wanted different kinds and different levels of service. Richard Titmuss himself may have enjoyed being in a public ward (Titmuss, 1974, p. 151) but many people did not. The length of waiting lists for medical treatment became a perennial political issue. Many of the better off put their children in private schools and took out private health insurance; many more subscribed to occupational pensions (although often this was a condition of service). The consensus supporting comprehensive education began to break down, with influential voices encouraging an end to teacher control over the curriculum, a return to selection, traditional teaching methods and a focus on excellence (Timmins, 1995, pp. 318–29). As council estates declined and tenants felt increasingly powerless, owner-occupation became overwhelmingly the preferred form of housing tenure (Power, 1995, pp. 212–14).

The assumption that knightly behaviour characterised those who worked within the institutions of the welfare state proved even more

vulnerable. Fuelled in part by people's experience both of dealing with, and of working within, the welfare bureaucracies, scepticism grew concerning the belief that bureaucrats and civil servants necessarily operated in the public interest, and that professionals were only concerned with the welfare of their clients (Glennester, 1995, p. 193). Instead, there was an increasing acceptance of the argument of the public choice school of economists and political scientists that the behaviour of public officials and professionals could be better understood, if the assumption was made that they were largely self-interested (Lowe, 1993, pp. 22-3).<sup>14</sup>

The idea that knightly behaviour characterises those who pay for welfare was also challenged. Goodin and Dryzek (1987), and, more comprehensively, Baldwin (1990), argued that the postwar growth of tax and social insurance funded welfare states in a wide variety of developed countries was not the outcome of altruistic gestures by the better-off; rather it was directly related to the self-interest of the middle classes. Econometric studies by Peltzman (1980) and Pampel and Williamson (1989) came to similar conclusions. A more micro-level study undertaken by Winter and myself of changes in public expenditure and tax reliefs under the first Thatcher administration, based on the assumption that politicians were vote-maximising, found a pattern of change that unequivocally favoured the better-off (Le Grand and Winter, 1987).

Even more recently, tax-payer resistance to redistributive welfare has become an accepted political fact, on the left as well as the right. For instance, Piachaud argued in a recent Fabian pamphlet that 'there is now virtually no likelihood of further substantial redistribution of income through taxes and social security benefits' (1993, p. 3); a judgement he based not on technical impossibility or social undesirability, but simply on political feasibility. Field has gone further, claiming that politicians who argue that the middle class will support redistribution to the poor are a 'public menace, distracting from the real task' (1995, pp. 1-2).

Finally, the idea that people in receipt of social benefits are pawns, and that they do not respond to any incentives or disincentives built into the system has also been vigorously assaulted. Again, although the assault began on the Right, with Murray's book *Losing Ground* (1984) as a notable example, it has been taken up in other parts of the political spectrum; see, for instance, Etzioni's *The Spirit of Community* (1994) and the works of Deacon (1993) and Field (1995) already mentioned.

How does all this relate to the growth of quasi-markets and the growth of interest in legal welfare? Both these phenomena can be viewed in some sense as the replacement of what might be called knight-and-pawn strategies with knavish ones. Thus fiscal welfare – welfare based on taxation and social security – involves a system of redistribution whose long-term sustainability depended on people's sense of altruism, or at the least of collectivity. Legal welfare, on the other hand, is a redistributive mechanism where specific groups of individuals are identified as having responsibility for redistributing to another group and who are then, in case they knavishly duck out of those responsibilities, coerced by legal means to make the appropriate transfer. Thus poverty due to low pay is assumed to be the outcome of employers knavishly exploiting their employees; hence a minimum wage is introduced to transfer income from employers to employees (the fact that in practice minimum wages actually transfer incomes in more complicated ways than that is irrelevant since we are only concerned here with the perceptions of the relevant policy-makers and their supporters). Similarly, instead of viewing the children of single mothers as part of a collective responsibility and to be paid for accordingly, they are regarded as their father's responsibility; and, again to avoid fathers knavishly ducking their duties, their incomes are directly targeted as the source of maintenance by the Child Support Agency.

The knavish strategy implicit in the quasi-market agenda is rather different. This is not simply a coercive mechanism to repress knavery; rather it is an attempt to harness the knavery – or, to put it less pejoratively, the self-interest – of those working in the system to the public good. As with ordinary markets, quasi-markets are supposed to display the workings of Adam Smith's Invisible Hand, whereby, simply through pursuing their own advantage, suppliers are led to contribute to socially desirable ends. Thus managers and doctors working in trust hospitals that are losing money are assumed, in their own self-interest, to become more responsive to the wishes and wants of their purchasers and the people they represent. They will also strive to be more efficient and less wasteful in their use of resources so as to ensure they stay within budget (or make a surplus, if they are allowed to keep it). Schools will be more sensitive to parents, for fear that they will otherwise take their child away – or not apply in the first place – and the school budget will suffer. And they too will have an incentive to be more efficient.

So part of the why question – why these new forms of welfare developed when they did – can be explained as a reaction to what might be

termed a loss of faith in the benevolence of human nature. This switch in belief – that people are closer to being knaves than being either knights or pawns – led policy-makers to switch welfare strategies: a switch that it is probably only slightly caricaturing to describe as one from policies designed to be financed, and staffed by knights and used by pawns, to ones financed, staffed and used by knaves.

#### WELFARE STRATEGIES

So much for the why question. What of the desirability question: are these 'knaves' strategies', as Pettit (1996) has called these kinds of institutions, desirable? In his recent book *Making Welfare Work*, Field has argued that, for welfare reform,

the starting block is a willing acceptance of the fundamental role self-interest plays in human motivation. The job of a welfare reconstruction is to plan a series of benefit reforms which allow self-interest to operate in a way that simultaneously promotes the public good. (1995, p. 20)

A central question is therefore: are Field and the others who think like him and who, by implication, do not think like the democratic socialists, right, while Titmuss, Marshall and the other democratic socialists are wrong?

There have been enormous amounts written on the merits and demerits of some of the specific policy instruments we are talking about, such as purchaser/provider splits in the health service, minimum wages as a means for helping the poor, or the Child Support Agency. They cannot be all summarised here; nor would that be appropriate for this article. Rather my intention is to continue with the more general theme concerning the relative merits of strategies based on different assumptions about human behaviour.

Now one might at first think that the most obvious way of settling any debate about the merits of these two kinds of policies is to ascertain which of the assumptions on which it is based are correct. Are people in fact knaves, knights or pawns – or some combination of all three? We have seen that there has been a shift in belief among many decision-makers and opinion-formers towards the view that, in most situations of relevance to welfare, the individuals concerned are more likely to be self-interested than public-spirited; but is this change in belief well founded?

Even to ask these questions is to invite the charge of over-simplification. Perhaps in consequence, few of the protagonists in the debate refer to psychological evidence concerning what does actually motivate

people in different situations. It may be that such evidence does not exist; or, perhaps more likely, that such evidence that does exist is not amenable to simple interpretation. Nor, so far as I can ascertain, have there been many attempts to test the theories derived from the different assumptions by deriving predictions from the theories and testing them against the empirical record.

So for the moment I think we have to assume that we do not know whether, in welfare-relevant situations, people actually will behave as knights, knaves, pawns or indeed in some more complex fashion. What does that imply about the appropriate welfare strategy to adopt?

One possible implication is that, in a situation of ignorance concerning human motivation, it would be safest to adopt public policies based on the knaves strategy. For a knaves strategy will do little harm if people are actually knights; but a knights strategy could be disastrous if people are actually knaves.

That a knights strategy will fail if most people are in fact knaves is reasonably self-evident. That a knaves strategy could work even if most people are knights, is perhaps less obvious, and is perhaps best illustrated by an example. Take a particular group of people involved in some welfare institution, say doctors in a hospital. Now suppose that most of these doctors are in fact knights, doing the best they can for their patients, often at considerable personal sacrifice. Moreover, the reward structure of the hospital is actually based on that assumption, with automatic payment of salaries and with no monitoring of doctor behaviour or performance review. But suppose, too, that there are a few consultants who are knaves, spending their time on the golf course or managing their investment portfolio, to the obvious detriment of their patients; behaviour that, despite the fact that it is only characteristic of a small number of doctors, is damaging the performance and reputation of the hospital as a whole, and thereby threatening its survival.

Now suppose in this situation that a system is introduced of performance-related pay. Since they are not motivated by economic self-interest, this will leave the knights' motivational structure untouched: they will still derive the same reward as before from doing good to patients. They will therefore carry on undertaking to the best of their ability all the activities that are part of what they perceive as their duty to patients. The knaves, on the other hand, will see that it is now in their self-interest to perform their duties properly and will react accordingly. What the new structure will have done, therefore, is bring the knaves into line, ensuring that they perform as least as well as the knights.

Everybody, knights and knaves, are now performing to the best of their ability; and the hospital is saved.

However, in practice things may not always be that simple. The principal problem with the example is that it assumes there will be no impact of the introduction of the knave strategy on knightly behaviour. More specifically, the assumption is that, after the introduction of performance-related pay the knights will carry on as before; only knaves are affected. But this may not be the case: the introduction of a knave-directed strategy may make the knights behave more knavishly (Goodin, 1996, pp. 41–2; Pettit, 1996, pp. 72–5). A knightly doctor whose pay rises dramatically as a result of the introduction of performance-related pay might wonder whether she had not been selling herself short under the old regime or putting in an excessive effort. Further (again following Pettit, 1996), thinking about these questions may make her start paying attention to the promotion of her own self-advantage in the new situation.

Of course, this is similar to a central point in Titmuss' *The Gift Relationship*. It will be recalled that this was written partly in response to an Institute of Economic Affairs publication, by two health economists, Cooper and Culyer (1968). This advocated the supplementation of the British system of blood donation with a market system, involving, among other things, paying potential 'donors' for their blood. Titmuss argued, I think convincingly, that, in a system where people give blood and do so primarily for altruistic reasons, then the introduction of a system of payment for blood may make those voluntarily contributing their blood reconsider their position and perhaps reduce their contribution or even stop altogether.

Now it could be argued that, in one sense, even if something like this does occur in these situations, it does not matter. Even if the introduction of a knaves strategy does have the consequence of turning knights into knaves, then, so long as the incentives for knaves are the right ones, performance will continue to improve. For the newly created knaves will respond to the self-interested incentive structure in the same way as the old established knaves: hence the outcome will be the same as if they had remained knights.

But there are two objections to this kind of argument. First, even if the eventual outcome is the same, there is something distasteful about setting up a system that turns knights into knaves. Our society regards altruistic or public-spirited behaviour as morally superior to self-interested behaviour and deliberately to encourage the latter at the expense of the former seems perverse. Second, the argument assumes that the

knaves strategy is watertight; that there is no way of getting round the system in a way that furthers self-interest but on this occasion at the expense of the public good. So, for instance, a system of performance-related pay requires reliable and accurate procedures for measuring and monitoring performance; one that cannot be fiddled to indicate better performance than is actually happening. But – as is apparent from the example – watertight systems are not always easy to construct, or maintain. So I am not convinced that the answer to the problem of our ignorance about human motivation lies in the wholesale adoption of knaves strategies.

A second possibility is to adopt or to continue with knights strategies, and to try by other means to ensure that people actually behave more like knights. This is close to the views of another new entrant to the 'vision' industry: Amitai Etzioni and his communitarian movement (1994). Etzioni argues that, in our present society, individuals are much more concerned with their rights than with their responsibilities: with their own needs rather than the needs of others. In his view, people need to be re-educated in the civic virtues; in the language of this article, they need to be converted – or maybe re-converted – from knaves into knights.

Etzioni is vague as to precisely how this is to be done. But it seems that legal welfare could be viewed as a useful tool for this purpose. Of course in one sense it is a device for making knaves behave like knights through coercion. Through minimum wages and maximum working weeks, legal welfare forces employers to pay decent wages and not to over-work their employees; the Child Support Agency compels errant fathers to meet their child maintenance responsibilities. However, legal welfare could also have a more positive role as an expression of social leadership. By indicating through the legal system social disapproval of the practices concerned, it could help internalise that disapproval within individuals, thus helping convert the knave into the knight.

#### ROBUST WELFARE POLICIES

A third approach, and one that in some ways seems preferable to relying on strategies that appeal either only to knaves or only to knights, is to accept our ignorance about what actually motivates people and to try to design what might be termed *robust* strategies: strategies or institutions that are robust to whatever assumption is made about human motivation.<sup>15</sup> Now this, of course, is far from easy. But, to show that it is not impossible, let me give four illustrations, two of existing policies and two proposals for reform.

The first of the current policies concerns the schemes introduced in the NHS to improve the premises of General Practitioners (GPs). There are two schemes: cost rents and improvement grants. The rules of the cost rent scheme are complex, but the effect of them is that a GP purchasing new premises receives an annual payment approximately equal to the interest that they would have paid if they had taken out a 100 per cent mortgage to finance their purchase. This is payable regardless of how the scheme is actually financed. Improvement grants are one-off cash payments to GPs to pay for up to two-thirds of the capital costs of improving surgery premises. They are available only to GPs who own their own premises.

Now these schemes appeal to both the knight and the knave in the GP. In each case, participating in the scheme results in an improvement in the premises concerned and thereby in services available to patients. Hence the knight is satisfied. However, in each case the GP owns the premises; hence the value of the property is enhanced and self-interest furthered. Both motivations work in the same direction.

It is no coincidence that these schemes have been very successful. For instance, a survey by Hambros (1992) found that £620 per annum per GP was being spent on the maintenance and refurbishment of GP suites in health centres. Whereas the comparable figure for spending through the cost rent and improvement grant schemes was £6,500.

The second example of an existing policy again concerns GPs, but this time in the role that some of them play as GP fund-holders. Under the scheme, GPs are allowed to keep any surplus on their funds, so long as they use it for any purpose that is beneficial to patients. Again this is a scheme that could appeal to the knight and the knave. The surplus could be invested in improving premises, thus benefiting both patients and GPs. Or it could be used to purchase new staff, thus easing the work-load of GPs, and thereby both making them feel better off and enabling them to provide a better service, or perhaps a more relaxed one. Again both the knight and the knave are appeased.

A third illustration of a 'robust' policy concerns proposals for funding of long-term care. This I shall discuss in a little more detail. It is clear that, in order to provide an adequate level of finance for such care, it will have to rely in part on private resources, both in financial terms and in terms of time and effort provided by informal carers. The trick is in some way to mobilise those resources (or to continue to mobilise them) in a fashion that both generates enough combined resources (public and private) to provide an adequate level of care for those who need it, and does not seem punitive in implementation.



The problem with the current means-tested system in Britain is that it meets neither criteria. The level of provision of community care is universally regarded as inadequate. At the same time the means-test, which requires the running down of assets until their value falls below a certain level, seems to penalise those who have had the foresight to save for their old age, or for their children's inheritance, and is thus viewed as punitive and exploitative. Moreover, and of direct relevance to the theme of this article, it encourages people to behave knavishly: to engage in means-test avoidance, adjusting their means in such a way as to minimise the amount extracted by the state. What should be a noble act – the state helping those in need – becomes instead a sordid set of private activities of dubious morality and, often, even of doubtful legality.

One way of reforming the system is to introduce the version of legal welfare described earlier as the *obligation alimentaire*, under which those who can afford it are legally obliged to provide financial support to their relatives in need of care. But this would involve extending the means-test to relatives. Hence it would encourage people to behave knavishly, concealing their assets from 'the means-test man', as in the not dissimilar household means-test that disfigured the British welfare state of the 1930s.

A more attractive alternative is the introduction of what might be termed a 'partnership' or 'matching' scheme. This would involve a minimum level of public funding coupled with a system of matching grants for expenditure over that minimum. Under this system each person assessed as being in need of care would be entitled to a minimum level of care met from public funds. This minimum, although adequate, would be basic. For the payment of care above the minimum, the government would undertake to match £ for £ the resources that individuals or their relatives can mobilise for their own care. To keep spending under control, there would be an overall limit on the total amount of grant that could be received by any individual.

There are unattractive features of such a scheme. In particular, it gives more to those who contribute more, and hence it is likely to be less progressive than any means-tested scheme it might replace. However, it does have the merit of avoiding any form of compulsory means-tests, instead encouraging people voluntarily to contribute resources. More importantly from the point of view of this article, it could appeal to both the knight and the knave. It appeals to self-interest because it encourages people to provide for themselves. However, it also encourages relatives and friends to contribute resources to help

people in need; and it appeals to a more collectivist spirit of altruism through the use of public money to provide the matching funds.

A similar idea could be applied to pensions. The state could continue to provide a minimum pension, as now, but also agree to match £ for £ (or at some other rate) any extra provision that an individual made for him or herself. As in the community care case, there would be a limit on the total offered to any one person.

The idea as applied to pensions has similar general advantages as when applied to long-term care. Moreover, in the pensions context it does not seem to have some of the difficulties of the long-term care context, particularly that relating to progressivity. There is also already what could be viewed as a crude form of partnership scheme, in the form of the various tax reliefs for occupational and private pensions. But, as is well known, tax relief is both regressive and a blunt instrument: it favours higher rate taxpayers, it does not benefit those who do not pay tax, it encourages lots of tax-avoidance schemes that have little to do with the essential tasks of social security, and its cost is difficult to control.

The total cost of these tax reliefs to the Treasury is now running at about half the total cost of the state pension. If this money were used instead for a matching grant system, this would (a) be more progressive, in that it would not favour higher rate taxpayers and would go to everyone, not just those who pay tax; (b) create a much more sensitive policy instrument; (c) eliminate incentives for tax avoidance, and indeed more generally reduce the incentives for knavery of one kind or another. Finally, of course, it is not resource-consuming; it is simply a redirection of existing resources in a more progressive and more policy-sensitive fashion.

Obviously, partnership ideas such as these require further development. However, together with the other examples given, they suggest, at the least, that the search for policies that are robust to different assumptions concerning human behaviour is not an impossible one.

#### CONCLUSION

The old welfare state was largely based on the assumptions that, in welfare-related situations, people would behave either like knights or like pawns. This article has discussed 'new' forms of welfare, some based on the assumption that people are knaves, some on the assumption that we can convert knaves into knights, and some on the assumption that we are ignorant about the mainsprings of human motivation. The last of these may not have the clarity, or even the

moral appeal, of some of the others. But they are, I believe, more firmly grounded than the others and hence should offer a stronger foundation for a social and welfare policy aimed at what we all would like to achieve: the best possible health, education and welfare of all our citizens in the next century, be they knights, knaves or pawns.

NOTES

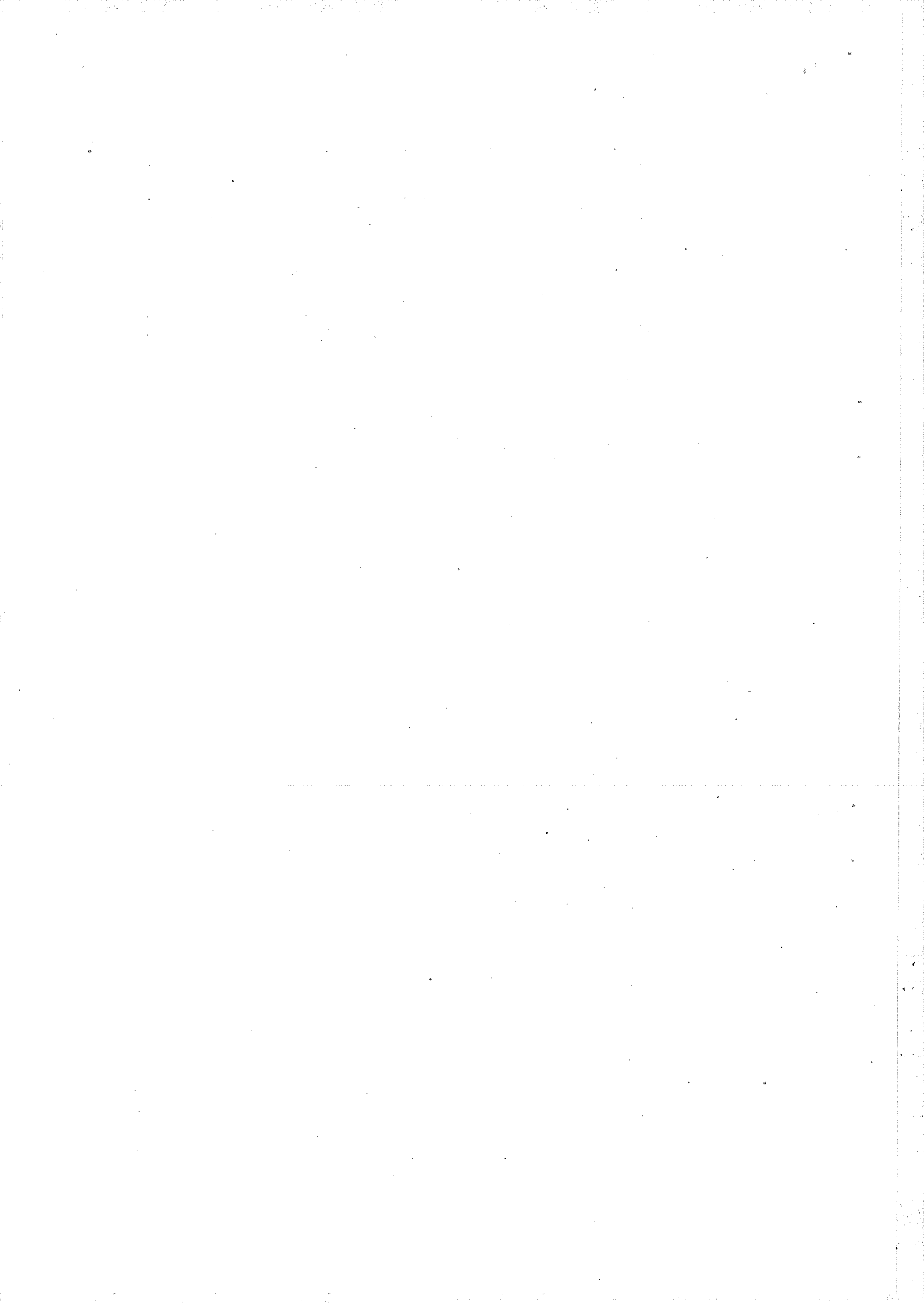
- 1 This is a revised version of an Inaugural Lecture given at the London School of Economics on 12 July, 1995, under the title 'New Visions of Welfare'. I am grateful to Alan Deacon, Ken Judge, Rodney Lowe, Peter Taylor-Gooby, Nicholas Timmins, to an anonymous referee, and to many colleagues in the LSE Department of Social Policy and Administration and the Kings Fund Policy Institute for helpful comments.
- 2 See, for instance, Glennerster (1995), especially chs. 1 and 2; Lowe (1993), especially chs. 5 and 6; Timmins (1995), especially Part I.
- 3 It should be noted that not all recent policy developments have taken this form; indeed, some have gone in the opposite direction, such as the abolition of wages councils in Britain. However these appear to be exceptions to the more general trends. The abolition of wages councils, in particular, reflected a political commitment by the government in power that significantly predated most of the reforms with which we are concerned.
- 4 Hume was not the first to use the term in this way. That honour is probably due to Bernard Mandeville, who described an ideal constitution as one 'which remains unshaken though most men should prove knaves' (1731, p. 332, quoted in Pettit, 1996, p. 72).
- 5 Although I have generally tried to make my language gender-neutral, it is possible that some of the terminology used in this article (especially that involving the terms knights and knaves) conjures up a world peopled entirely by men. This is unintended – and, if it distorts the argument, unfortunate. For it is not implausible that the balance of human motivation differs significantly between the genders. Hence it might be appropriate to design welfare policies quite differently depending on the gender balance of the groups involved. This is an issue that requires more exploration.
- 6 Amateur historians of British postwar social policy such as myself are fortunate that three excellent histories of the welfare state since 1945 have been published recently – one by Rodney Lowe (1993), one by Howard Glennerster (1995) and one by Nicholas Timmins (1995) – as has a third edition of Rudolf Klein's superb study of the development of the National Health Service (1995). What follows draws heavily on all four.
- 7 It is useful here to follow Klein (1995, p. 243) and distinguish between attitudes towards professionals as individuals and as a collectivity. For instance, few of the politicians who had dealings with the collective organs of the medical profession, such as the British Medical Association, would have regarded them as public spirited altruists: indeed, in all probability they would have agreed with Enoch Powell when he wrote 'the unnerving discovery every Minister of Health makes at or near the outset of his term of office is that the only subject he is ever destined to discuss with the medical profession is money' (Powell, 1976, p. 14). However, at the individual level the assumptions were different. For built in to the concordat that provided the foundations of the NHS was the assumption of clinical freedom or autonomy, whereby individual doctors could exercise their professional discretion in the way they use public resources (Klein, 1995, p. 243).
- 8 See also Reisman (1977), p. 91.
- 9 See also Glennerster (1995), p. 69.
- 10 Chitty (1988), quoted in Lowe (1993) p. 227. This was not just because it was assumed that teachers knew best: there was a fear of malign government influence. Timmins quotes the General Secretary of the National Union of Teachers arguing in 1954 that democracy is best safeguarded by 'the existence of a quarter of a million teachers who are free to decide what should be taught and how it should be taught' (1995, p. 323).

- 11 Cf. Anthony Crosland, writing in *The Guardian* in 1971 (and obviously forsaking his democratic socialist credentials), who said that the council 'decides what repairs are to be done, what pets may be kept, what colour the doors will be painted, what play areas there should be, where a fence should be put up. The tenant is not consulted. He has no right of appeal.' Quoted in Timmins (1995), p. 366.
- 12 Power (1995), especially ch. 19. Also, Timmins illustrates the point with the story of Nicholas Taylor, an assistant editor at the *Architectural Review*. He 'proposed that some evidence should be sought on what people actually wanted, to go with an issue "on the best of current housing". He was scornfully dismissed by the proprietor with the words: "But we know what should be done!"' (Timmins, 1995, p. 186).
- 13 For more on Titmuss's assumptions concerning motivation and behaviour, see Reisman (1977), including the preface by Robert Pinker.
- 14 For a useful review of public choice theory, see Mueller (1989).
- 15 To avoid possible confusion I should make it clear that this is a different terminology from that used by Robert Goodin when he deals with the broad issue of institutional design. For him a 'robust' strategy is one that is robust to change, involving policies that are 'capable of adapting to new situations' (Goodin, 1996, pp. 40-1). What I call a robust strategy is closer to what Goodin would term a strategy that shows 'sensitivity to motivational complexity' (*ibid.*).

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# I

## Context, Complexity, and Contingency

*Understanding the Process of Reforming  
Public Service Delivery in India*

VIKRAM K. CHAND

This book examines processes of change and reform in public service delivery in a range of states, sectors, and time periods. Understanding exactly how change takes place is a key objective of this work. What emerges from the seven studies of reform processes included in this volume is a picture of considerable complexity, the importance of context, the role of leadership in fashioning a strategy that seizes opportunities for change, and the presence of unpredictability, uncertainty, and contingency. Reformers often groped their way step by step towards reform, not knowing at the outset how the enterprise would turn out. Experimentation, trial-and-error, and learning from past experience played a crucial role in the process of effecting change. Reform in this sense was anything but the execution of a blue-print designed in advance and seamlessly implemented. Instead, the process of reform involved mastering 'the science of muddling through' or 'bricolage'—putting together different pieces of the puzzle in ways that advanced reform in a mostly incremental fashion.<sup>1</sup> Serendipity, including the presence of key civil servants at a particular juncture in key departments along with an authorizing environment at the top, also played a key role.

Tinkering or small changes on the margin emerged as the most powerful form of effecting reform; constant tinkering on the margin could eventually add up to major shifts over time, but in a way that did not

trigger counter-reform pressures that might derail the process entirely.<sup>2</sup> Couching reform strategies in the metaphors and language understood by elites and masses alike often helped push the process along in our studies.<sup>3</sup> The reforms studied here reveal an extraordinary creativity with which reformers juggled different factors often in an unstable environment, experimenting with different institutional forms as they searched for solutions that might work. What emerged was a quilt of changes uniquely stitched together rather than the mechanical application of 'best practices', a half-hearted attempt to straightjacket (or wish away) an inevitably unruly reform process.

Goals also shifted over time: as one challenge was overcome, the calculus of opportunities and constraints facing reformers changed, leading to a refashioning of goals. Successful reforms emerged primarily out of a dynamic home-grown process rather than a strategy designed *ex ante* revolving around international models of change.<sup>4</sup> Identifying the incentives reinforcing (or limiting) change was crucial for understanding reform processes as a whole.<sup>5</sup> Many solutions to problems (some even regarded as 'best practices') have failed for want of a proper understanding of the incentives facing local actors in particular settings.<sup>6</sup> Intentions could thus diverge from outcomes. Reform solutions displayed considerable variety, which is another way to say that functions did not map into particular forms clearly or consistently.<sup>7</sup> Although reform was mostly a messy process involving considerable uncertainty and luck, the results did approximate standard reform goals in terms of better public service delivery and faster growth. There was agreement on what the results of reform should be but no standard path to get there.<sup>8</sup> In the cases studied here, elements of complexity also included Centre-state dynamics, the nuances of particular states and sectors, and variations in state capacity.<sup>9</sup>

A key finding emerging from these case studies is the role of ideas in the reform process: ideas of change could bubble to the surface from below; they could find their way into reform strategies through engagements with external actors, such as the Central government; and international ideas could work their way into the fabric of domestic reform debates through a process of transmutation involving the interaction of local reform movements and global networks over time.<sup>10</sup>

#### EXPLAINING CASE SELECTION

This volume examines change in several states, sectors, and issue areas; the choice of case studies was eclectic but all were major cases sharing the fact of change. We chose three states for special study: Bihar, West



Bengal, and Gujarat. The three states varied significantly in their growth trajectories.<sup>11</sup> Gujarat was among the fastest growing states with a buoyant industrial sector: The state grew at an annual average of 8 per cent between 1994–5 and 1999–2000 and 8.8 per cent between 2000–1 and 2007–8. West Bengal, a state long in industrial decline, but with a growing agricultural economy, performed reasonably well in the 1990s growing at an annual average of approximately 7.1 per cent between 1994–5 and 1999–2000. A significant deceleration of growth, however, occurred between 2000–1 and 2003–4 when the average annual rate of growth slowed down to 5.3 per cent, thus heightening pressures to boost employment through greater private investment, for example. West Bengal did better in the latter half of the decade with the annual average growth rate picking up to 7.6 per cent between 2004–5 and 2007–8. Overall, the state grew at an annual average of 6.4 per cent between 2000–1 and 2007–8. On the other hand, a combination of poor governance and low public investment severely limited annual average gross state domestic product (GSDP) growth in Bihar to only 4.7 per cent between 1994–5 and 1999–2000. This pattern of low growth persisted in the early 2000s with Bihar growing at only 4.5 per cent between 2000–1 and 2003–4. However, a dramatic change occurred between 2004–5 and 2007–8 when the annual average growth of GSDP increased to 11.3 per cent compared to 11.1 per cent for Gujarat and far ahead of West Bengal's 7.6 per cent for the same period.

Bihar offers a model of a very poor state in eastern India that has successfully pursued a range of reforms that have considerably improved the prospects for economic growth and poverty alleviation. West Bengal is an example of the use of incremental strategies to improve the functioning of public sector enterprises and the power sector to promote economic growth in a state long dominated by the left.<sup>12</sup> Gujarat is an altogether different model relying on the efficient delivery of economic services to attract investment by a bureaucracy intent on pursuing consistently high growth in a state known historically for its industrial base and commercial acumen. The shift in Bihar towards a new emphasis on delivering public services and fostering growth; the incrementalism of West Bengal; and the long-term developmentalist focus of Gujarat are all examples from which one can absorb lessons about how change happens on the ground.

In terms of sectors, we focus on regulation in infrastructure as well as the delivery of urban services. Effective regulation is crucial to break investment barriers in sectors, such as telecommunications, ports, and

power, to ensure a level playing field between incumbents and private investors, set objective rules of the game, separate policymakers from providers, and protect consumers from predatory behaviour. Reforming regulation in infrastructure is thus likely to have a major effect on India's overall development prospects. The reason for focusing on the urban sector is that it represents a laboratory of change. Transforming India's cities will make a crucial difference to the quality of life of many Indians who are likely to migrate to urban centres in the future and foster an environment conducive to technological change, investment, and innovation in India's fast growing cities.

In terms of issue areas, this volume focuses first on the question of how to balance greater autonomy with accountability to improve the delivery of public services through the use of executive agencies on the lines of New Zealand, the UK, Australia, and Japan. Second, it focuses on how India might absorb lessons for the effective implementation of the Right to Information (RTI) Act, 2005, from countries such as Mexico, South Africa, and Canada. India has a long home-grown movement that succeeded in propelling the enactment of a pioneering right to information law that itself constitutes best practice; the chances, therefore, of adapting and extending from elsewhere successful practices relating to implementation are thus good. On the other hand, there are few local precedents of the executive agency model being successfully applied in India for a variety of reasons; attempts to restructure the delivery of public services along these lines are thus likely to be more difficult.

#### HOW DID CHANGE HAPPEN?

##### Understanding Processes of Changes at the State Level

###### *The Importance of Leadership*

*The emergence of a leadership oriented towards development in Bihar resulted in a multi-pronged approach to reforming public services and faster economic growth.*

A major shift took place in Bihar in 2005 with the rise of a reform coalition.<sup>13</sup> This shift was the product of long administrative neglect and social polarization that resulted in a virtual breakdown of the delivery of public services. Law and order collapsed while public spending ground to a halt. The breakdown of the state translated into almost non-existent public services, especially outside Patna, including non-functional schools and primary health clinics and dilapidated roads. In effect, reform ideas had become sufficiently popular with citizens that they chose to support

a new alternative to resolving the state's problems. Bihar is clearly a case of change driven by ideas from below and executed by a reform-oriented leadership.<sup>14</sup>

Public expectations drove the new focus on development as the main goal of state policy. In a sense, voters, and political actors, learnt from the past, resulting in a major reshaping of the policy framework. The key focus of the new government was to restore public confidence by reasserting the rule of law. This involved a series of changes ranging from reorienting the police from merely filing a charge-sheet to focusing more on successful prosecution to improved coordination between the judiciary, the state government, and local police to better investigative techniques. It also involved structural changes, such as the adoption of a Police Act designed to reduce interference in the working of the police force as well as the hiring of some 70,000 ex-servicemen on a contractual basis to enforce law and order in particularly difficult areas. These changes resulted in the virtual disappearance of the kidnapping-for-ransom industry in Bihar, along with a steep fall in road hold-ups and bank robberies, and murders more generally.

Meanwhile, public spending on social and economic services jumped dramatically, aided by a decision to activate spending by significantly decentralizing financial powers at all levels of the administrative hierarchy. In health, education, and roads, the government was woefully understaffed: staffing concerns were alleviated by hiring new doctors in the health department and engineers on contract for road construction, as well as some 170,000 teachers controlled directly by local Panchayati Raj Institutions (PRIs). For road construction, simple changes like hiring an outside company to assist the Rural Works Department with the preparation of detailed project reports allowed the government to access precious funds from the Central government's Pradhan Mantri Gram Sadak Yojna (PMGSY) to improve rural road connectivity across the state.

Some real innovations occurred as well. In order to improve the quality of health services, the government chose to outsource monitoring to a private company. This company was made responsible for collecting data on the performance of health facilities in the state's blocks and for uploading it onto the department's website, thus allowing the secretary (Health) to track performance on a daily basis. In order to make it easier for citizens to file requests under the RTI, the government set up a call centre to process such requests efficiently. This initiative, Jaankari, has been nationally hailed as a best practice, making access to information relatively easy in a context marked by high

illiteracy and disempowerment. Another significant achievement was the passage of the landmark Panchayati Raj Act in 2006 that earmarked 50 per cent of all elected positions in rural local government for women within the reserved and unreserved categories. It also granted village assemblies (Gram Sabhas) the power to select beneficiaries for government programmes and monitor implementation through social audits, for example. The Act also provided for the creation of a parallel structure of Gram Kutchcheris (village courts) designed to resolve minor disputes and help decongest the court system.

The government appointed experienced civil servants to key departments important for the reform process and gave them the necessary autonomy and stability of tenure to achieve results in the context of a favourable authorizing environment. The results have indeed been positive, although challenges remain, stemming from weak capacity (especially at the lower levels of the civil service), the need to beef up monitoring further, and the problem of case backlogs in the judicial system. In the roads sector, a big effort has been made to upgrade major district roads: some 3,432 km have been refurbished between 2006-7 and 2008-9. In health, the number of out-patients visiting a government hospital rose, on average, from 39 per month in January 2006 to 4,380 in October 2008.<sup>15</sup> In education, enrolment at the primary and upper primary levels rose by 8 per cent between 2006-7 and 2007-8, while the number of out-of-school children fell steeply by 77 per cent between 2006-7 and 2008-9 (World Bank 2010: 10). The pupil-teacher ratio improved from 63:1 to 53:1 as a result of hiring the first round of 100,000 teachers, and may fall further to the national norm of 40:1 when teachers hired in the second round are actually placed in schools.

The persistence of reform over a period of almost five years appears to have improved economic outcomes as well. Bihar thus presents a fascinating case study of how changes in institutions, including better law and order, roads, and administration, fuelled economic growth in an unprecedented manner.<sup>16</sup> The multi-pronged approach of the government towards reform revealed a certain agnosticism about what might constitute the 'binding constraint' to Bihar's economic growth. It simply used common sense to attack the most visible problems ranging from law and order to low public spending to focusing on roads, health, and education all at once.<sup>17</sup> The willingness of the government to engage with a variety of actors, including think-tanks, foreign and Indian universities, the Planning Commission, and other agencies indicated a new openness to ideas that flowed from the change in the policy framework

sparked by voter fatigue with the old way of doing business. Although several important reforms occurred in many areas, Bihar is still a case of incremental, albeit rapid, reform: most changes involved getting the existing machinery of administration to work better through changes in rules, better enforcement, and improved monitoring, along with efforts to address capacity problems by allowing much new recruitment, private contracting, and outsourcing. Partly because of the low base that Bihar started with on most parameters, these changes on the margin had a pronounced effect: in aggregate terms, GSDP grew significantly from an annual average of 4.5 per cent between 1999–2000 and 2003–4 (the pre-reform period) to 10.7 per cent between 2004–5 and 2008–9 (the reform period) (Central Statistical Organization various years).

### *Seizing Opportunities for Change*

*Changing incentives produced uneven reform in West Bengal; the reform process was aided by incremental tactics and strategies. Reformers seized the opportunities for change, especially in the area of the power sector. Effective communication was a critical part of the reform process, as was support furnished by external actors.*

If Bihar is a case of incremental reform telescoped into a compressed time frame, West Bengal represents an incremental approach to adjusting policy in response to altered incentives, but over a longer time period. Sumir Lal addresses the core question of what drives the reform of public services, in the context of a puzzle in the Indian state of West Bengal—its push to improve industrial investment services while focusing less on human development. Through comparative case studies of the state's public enterprise and power sectors on the one hand, and its elementary education sector on the other, he finds a successful reform programme with important theoretical lessons, in the first case, while in the second a host of perverse incentives and tangled accountability relationships continue to prevail.

A combination of fiscal distress combined with a change in the overall framework of economic policy at the Central government level after 1991, and the growing need to boost employment rates in the state led to a shift in West Bengal towards a renewed emphasis on industrialization fuelled by private capital. The government announced a new industrial policy to welcome foreign and domestic investors. It also began the process of reforming its public sector enterprises in the late 1990s. The strategy for reforming public enterprises involved building ownership by helping employees own the problem; including all those

who could influence the outcome of change in the discussions about restructuring; concentrating first on those directly affected by change, especially employees; and proceeding in small, realistic, and sequential steps. Ownership and inclusion complemented an incremental strategy towards reforming public sector enterprises (PSEs) beginning from the inside-out, that is with employees first.

Reform was couched in terms of improving the business performance of PSEs rather than privatization, reform, or restructuring. The emphasis was on communicating the dire financial position of PSEs in regular meetings between senior management, supervisors, and workers' unions: as a result, the unions themselves internalized the need for structural change. Only after three years of such mostly private discussions was the process of actual restructuring begun. At this stage, the government approached a bilateral agency for support to finance a voluntary restructuring programme; unions were involved in the selection of the consultants who would oversee the administration of the voluntary retirement scheme (VRS); comparisons with other similar schemes in other countries were deliberately downplayed; and the consulting team was composed entirely of Indians, mostly Bengalis, for cultural sensitivity. The government then engaged in another round of face-to-face meetings with employees and party forums to communicate the fact that PSEs were overstaffed and lacked capital; that change was inevitable because the government lacked the funds to keep these PSEs afloat and inaction would simply result in closure; and that inefficient PSEs absorbed funds badly needed to spur growth and reduce poverty. The first phase of the PSE restructuring programme was almost completed by 2006-7 with over 6,000 employees taking advantage of the VRS and 21 PSEs being closed down entirely.

A similarly measured strategy was put in place to rescue the power sector. The West Bengal State Electricity Board (WSEB) in the late 1990s was running up losses of around Rs 12 billion a year, which the financially strapped state government could simply not cover. Again the government did not rush headlong into restructuring, but preferred to focus first on financial improvements and better management. The reform process was carefully sequenced to ensure the cooperation of employees without alienating powerful middle class consumers with tariff hikes in the absence of improvements in service quality. The old Board of WSEB was asked to quit and reconstituted with a trusted Indian Administrative Service (IAS) officer at its helm to spearhead the reform process. A joint management council consisting of unions,

management, and associations was established to create and monitor new performance targets and develop accountability measures. Talk of restructuring was muted but the implication was that it would occur if the unions failed to take remedial actions immediately. The chairman also suspended several corrupt WSEB officials with the backing of political leadership; this was followed by the passage of anti-theft law in December 2001 and stringent actions against government departments that had not paid their dues to WSEB. As a result of these measures, employee productivity rose significantly between 2004-5 and 2007-8 and WSEB's commercial performance also improved considerably.

At this stage the government decided to proceed with the unbundling of WSEB into separate generation, transmission, and distribution companies. Clearly, enough preparatory reform had occurred to begin the process of unbundling. Also, the government wanted to take advantage of the Centre's Accelerated Power Development and Reforms Programme (APDRP) which involved the exchange of soft loans for the fulfilment of reform targets. The passage of the Central Electricity Act in 2003 provided an additional spur for unbundling. Initially, the unions objected to unbundling as a form of privatization, but the government was able to take them along during the three-year period set aside to achieve this goal.

What explains the relative success of the transformation of West Bengal's power sector? Taking the reform process forward incrementally gave employees time to adjust to its inevitability. Involving the unions up-front before any reforms were implemented greatly helped reassure employees. West Bengal was also fortunate that it did not have to contend with a powerful farmer lobby intent on obtaining free power for electric pumps sets (most agriculture in West Bengal is rain fed). On the other hand, the government had a major incentive to reform the power sector which was pivotal for its plan to industrialize the state, attract investment, and win over the growing urban middle class. Incentives furnished by the Central government also helped nudge the West Bengal government to cross the Rubicon of unbundling. The appointment of empowered technocrats with the full support of the state government in both the PSE and power sector cases was a key factor in the execution of reforms. The need for the Communist Party of India (Marxist), CPI(M), to take along unions and employees thus led to a series of tactical innovations based on consultation, careful sequencing, and incremental steps towards reform that ultimately worked. In short, the reform process was highly opportunistic depending on contextual factors specific to West Bengal

(for example, the strength of unions, the absence of a farmer lobby, and the fiscal crisis) to shape its course.

On the other hand, the government was distinctly less successful in improving human development outcomes, especially in education. No political party in West Bengal has historically made education a priority with public spending on education remaining relatively low throughout. The CPI(M)'s striking achievements in redistributing land and reactivating PRIs in the state were not matched by a similar breakthrough in education. Indeed, the attention of the state (the policymaker) has clearly been focused on these other areas of reform. High rates of absenteeism and poor learning outcomes clearly indicate low levels of teacher commitment. The inspection system that must undergird an effective school system has also largely atrophied. Lal argues that this reflects the strength that teachers have acquired as an organized interest group within the system. Because teachers play a crucial role in garnering support for the existing order (not just in West Bengal but in several other states as well), they have had a critical advantage in dealing with the state. As a consequence, teachers in West Bengal have become relatively wealthy as a result of higher salaries (compared to market rates) and additional income in the form of fees received for private tutoring. At the same time, parents, especially from marginal communities, while wanting quality education, have been unable to press for it effectively.

Lal concludes his essay by comparing the incentives facing reformers in the power/PSE sector on the one hand, and education on the other. In the first case, incentives clearly favoured reform, but significantly less so in the second case. If the state's fiscal crisis compelled the government to restructure the power sector, the availability of large Central funds for education may have bailed out the state government, diluting the incentives for reforms. If the reform of the power sector was fuelled by the politically influential urban middle classes and industry, the 'clients' in the education sector were dispersed, marginal, and powerless. If the media in big cities was gripped by the story of PSE and power sector reforms, little attention was paid to the need to improve education in rural areas. Finally, the process of restructuring the PSE/power sectors was more manageable than in the education sector, which involved much larger numbers, dispersed over a large geographical area, and multiple institutional actors. In the end, Lal does not see a contradiction between a renewed focus on education and the state's industrialization policy, arguing that a well-educated labour force is a prerequisite for inclusive growth. In fact, he argues that the key to reforming the education sector



in West Bengal lies in applying the lessons learnt in reforming the PSE and power sectors, such as painstaking consultation with unions/employees, an incremental and well-sequenced approach to change, and creating institutional focal points to drive the reform process with full ownership by the leadership. At key points, external actors played a positive role with a bilateral donor agency stepping in to fund a VRS and the Central Electricity Act offering a new framework for thinking about how to reform the sector. Couching reform in terms most likely to appeal to employees and other groups initially set against change pointed to the importance of effective communication strategies.

### *Reform in a High Growth State*

*A high growth state reforms economic and other services to stay ahead of other states. The successful pursuit of reforms in Gujarat reflected several factors: a positive historical legacy; strong state capacity; support from the private sector; a willingness to allow reformers to experiment and develop new reform designs through a process of learning and trial and error; and a measure of luck. External actors reinforced an essentially home-grown reform process at critical junctures.*

Gujarat's gross domestic product (GDP) grew at 10.2 per cent per annum during 2002–7 (Government of Gujarat, 2008). Initial conditions favoured its development: the state has a strong industrial base, a large private sector, and a high degree of state capacity, that is, a system able to translate policy changes into concrete results on the ground. This historical legacy clearly made reforms easier to pursue and shaped the nature and course of the process.

It is also worth noting the close relationship between the private sector and the state in Gujarat, translating into a high degree of policy convergence. The Gujarati state is highly entrepreneurial, always looking for opportunities to foster economic growth. Even during the restrictive licence raj, Gujarat's government made strenuous efforts to divert licences to the state and then promptly involved the private sector in manufacturing through the concept of 'joint sector' companies.

Gujarat is also well known for its high level of state capacity. State capacity is a complex concept but in the end it implies the ability to implement policy decisions effectively. Because of this ability to translate policy into action, Gujarat does have a reputation of being able to extend credible commitments to investors interested in working in the state, explaining the state's popularity with large Indian business firms as a destination for investment in a range of activities. The state also

possesses strong mobilization abilities, as evidenced by the campaign to boost the enrolment of girls in schools in Gujarat. Effective top-down monitoring is also a feature of governance in the state through the use of overlapping committees, working groups, and institutions, as well as regular interaction between the political leadership and senior civil servants to resolve problems.<sup>18</sup> As Aseema Sinha notes, even in the early 1990s Gujarat benchmarked itself not with the rest of India but with the Asian tigers in South-East and East Asia.

The change in the national model after 1991 compelled Gujarat to alter its approach to economic growth in the state. Institutions were no longer needed to funnel Central production quotas to Gujarat, but to spur private investment by improving infrastructure. Fiscal constraints also played a role in pushing the state towards reform in the mid-1990s. While a large loan from a multilateral lending institution in 1996-7 helped catalyse some of these reform ideas and provided cover for civil servants who believed in them, the loan itself came because of Gujarat's prior commitment to core reform ideas expressed in the State Finance Commission of 1994. In this sense, reform was clearly home-grown and not the result of external involvement. The proceeds from this loan were used to finance the state government's privatization programme by offering a voluntary retirement scheme to some 14,000 employees, especially from the decaying Gujarat State Textile Corporation. High levels of political commitment, tight monitoring by senior civil servants, and the availability of funds for the VRS were all critical factors in the success of Gujarat's privatization programme from the mid- to late-1990s.

The government quickly realized that infrastructure development was the key to the state's prospects in the post-1991 liberalization era. In 1995, it adopted a new industrial policy, a new energy policy, and a new IT policy. It also created the Gujarat Infrastructure Development Board (GIDB) to act as a nodal agency for infrastructure development by catalysing private sector investment. The Gujarat Maritime Board Act was amended in 1995 to allow two IAS officers to head it instead of the engineers who ran it in the past. A new ports policy was announced in 1995, designed explicitly to develop Gujarat as a major source of cargo traffic as an alternative to Bombay (now Mumbai). The private sector was viewed a key factor in port development, albeit in collaboration with the government, an extension of the old joint stock concept. As ports developed, so did industry around ports and employment. Politicians quickly realized the potential of port development for Gujarat as a whole, including the power sector which relied heavily on imported coal for

the operation of thermal generating plants. New rules were adopted to explicitly promote public-private partnerships (PPPs) in ports based on competitive bidding and, in 2007, viability gap funding. Today, the state has India's only chemical-handling port, one of three liquefied natural gas (LNG) terminals, and India's largest private port. Gujarat currently handles approximately one-third of India's total cargo traffic and two-thirds of non-major port traffic, a stunning achievement.

Major changes occurred in the power sector in Gujarat between 2003 and 2009. The Gujarat Electricity Board (GEB) was divided into six corporate entities without privatization or removing any employees. From a utility that lost Rs 1,932 crore in the early 2000s, the GEB registered a modest profit of Rs 200 crore in 2006-7 along with a significant reduction of losses on account of transmission and distribution. Sinha argues that this process was one that took place in fits-and-starts during which decision makers learnt from the past. That the authorizing environment facilitated this transition is not in doubt but the process of reform itself involved a good deal of what Sinha calls 'non-linearity' and pure luck.

Gujarat had tried to reform its power sector in the mid-1990s but the sequencing was not quite right. The government negotiated power purchase agreements with private sector producers at adverse rates instead of tackling the issue of improving the working of GEB head-on. Adverse power purchase agreements worsened the financial straits of the GEB, which, in the absence of tariff hikes, had to bear the costs of this. As GEB approached financial bankruptcy in 2002, a series of reforms focusing on GEB itself followed. Procurement procedures were tightened to reduce costs; defaulters, especially industries, were compelled to pay their dues; and high-interest loans taken by GEB were refinanced. The political leadership took a strong stand on power theft, giving GEB the space to crack down on transmission and distribution losses. Finally, power purchase agreements were renegotiated over a period of one year, greatly improving the financial position of the GEB. That this was done voluntarily through negotiation minimized any damage to the credibility of the government in the eyes of investors. A key serendipitous factor in the success of the reforms in power lay in the fact that the chairperson of GEB (a highly regarded civil servant) was at the same time secretary of the state's energy department as well as the chairperson of its energy-related public sector enterprises. This was truly a fortuitous circumstance, a case of the right person in the right positions at the right time to push the reform process forward. Learning from the past; designing an incremental programme focusing first on the GEB itself, then the renegotiation of PPPs, and

later unbundling; and contingent factors thus all came together to create a successful reform experience.

Finally, Gujarat has in recent years done much to improve the enrolment of girls in primary schools around the state. The groundwork for boosting the enrolment of girls in primary schools was laid by District Primary Education Programme (DPEP), a Central government programme that focused on backward districts in states, such as Gujarat, in its second phase. As a result of the boost in enrolment, the demand for better infrastructure in schools (for example, functioning toilets, more classrooms, drinking water facilities) multiplied in the state.

The success of DPEP was quickly absorbed by the political leadership in Gujarat. The leadership launched a massive campaign across the state to promote the enrolment of children in school, involving senior civil servants, local district officials, and ministers. The campaign was also closely synchronized with aggressive monitoring of the targets and objectives set by the Central government programme of Sarva Shiksha Abhiyan (SSA), which also sought to boost enrolment, particularly of girls, and improve quality of education. In this sense, a Central government programme fully owned by the state government resulted in what Sinha calls a 'convergent framework' that helped raise school enrolments across the state, along with a highly visible campaign to achieve this objective.

Given Gujarat's special characteristics, one could ask whether other states could learn from its experience. Clearly, there is much to learn from Gujarat despite its somewhat unique experience. One common lesson emerging from the Gujarat experience is the importance of building state capacity to achieve development goals through better programme monitoring, closer coordination with the private sector to fashion a strategy for growth, and the use of the state apparatus to campaign for development objectives.

Putting in place competent civil servants to implement a politically supported reform programme (along with stability of tenure for them) is certainly another lesson that Gujarat offers to other states, but this is only part of the story. It is precisely the autonomy to experiment with the development of a reform strategy within a supportive authorizing environment that affords the civil servant the room to search for solutions to complicated problems, eliminating some possibilities and pursuing others. The search for a solution is inevitably laden with uncertainty, risks, and choices through which the reform process unfolds: it involves much more than simply asking a civil servant to carry out a pre-determined set of plans. Autonomy is thus a prerequisite for unleashing the creativity

and experimentation needed to find solutions to the pressing dilemmas faced by the state.

Again, as in West Bengal, external actors helped nudge the reform process further along. A loan from a multilateral development agency made it easier for reformers to argue the case for the reform ideas that they supported anyway with sceptics; the loan also helped finance a VRS programme that facilitated the process of privatization. These reform ideas were shaped primarily by Gujarat's internal deliberations primarily at the level of senior civil servants and politicians in response to locally perceived challenges with strong input from the private sector. Central programmes also helped shape the process of educational reforms: DPEP first focused the state government on the issue of the enrolment of girls, while SSA provided a further incentive to continue doing so.

Gujarat also offers a range of models through which public service delivery reform can occur, starting from concepts such as the joint sector company to a variety of PPPs to outright control by the private sector (in case of some ports in Gujarat) that could be emulated by other states, recognizing that these concepts were common in Gujarat long before they became popular in India as a whole. Gujarat also shows what can happen when the state government supports the effective implementation of a Centrally sponsored scheme, such as the SSA. Such schemes are far more likely to succeed when state governments own their objectives than when they do not. Gujarat illustrates the importance of credibility for development: the ability of the state to provide a credible framework of rules for infrastructure development and investment and also to revise those rules periodically to reflect changes on the ground points to the importance of getting rules right and taking feedback from key stakeholders seriously in formulating them.<sup>19</sup>

## Understanding Processes of Change in Sectors

### *The Challenge of Regulation in Infrastructure*

*Home-grown ideas helped the reform process in telecommunications and the power sector, particularly in Andhra Pradesh. On the other hand, weak incentives limited the development of ports. High-level support was necessary to overcome vested interests opposed to the reform process. Political economy factors played an important role in the differential levels of success of the reform process in all three sectors.*

Effective regulation in infrastructure is crucial to promote accountability by separating policymakers from providers; to foster private sector participation by ensuring a level playing field between incumbents

and new investors; and to protect consumers from predatory behaviour. The growth of effective regulation in the telecommunications sector has opened the door to a flood of private investment with growth exceeding all expectations. In January 2010, India crossed the 580 million telephone mark and its tele-density per hundred people was 49.5 (data available with Telecom Regulatory Authority of India [TRAI] on <http://www.trai.gov.in/Default.asp>).

What explains the remarkable growth of the telecommunications sector in India? Telecommunications reform has a long history in India, going back to the 1980s when the Department of Telecommunications (DoT) was separated from the Department of Posts in 1981, which helped the government to focus more closely on reforming the sector. The Prime Minister's Office (PMO) also took the lead throughout the process of reform, beginning with the decision to corporatize DoT by creating the Mahanagar Telephone Nigam Limited Company (MTNL) to serve Delhi and Mumbai. At the insistence of Prime Minister Rajiv Gandhi in the late 1980s, the Centre for the Development of Telematics (CDoT) was created to develop telecom switches, resulting in the creation and proliferation of the Rural Automatic Exchange (RAX) switch. Most rural networks in India today are served by RAX switches. Telecom reform—and the direct involvement of the PMO in promoting it—was thus already an established fact by the end of the 1980s.

The National Telecom Policy (NTP) of 1994 allowed private sector entry in basic fixed telephony but did not set up a regulatory mechanism to ensure fair treatment of new players. Complaints about the fairness of the bidding process that ensued led to the creation of a relatively weak regulator, the TRAI, in 1997. At the time, the incumbent—the DoT-supported MTNL—sought to obtain licence-free entry into the Global System for Mobile Communications (GSM) cellular telephony business, resulting in a crisis of private investment in the sector. The intervention of the PMO—driven by pressure from India's emerging software industry and the recognition that India's economic power globally depended on the success of its IT and telecom sectors—led to a decision to reinforce the regulator and thereby create a clear level playing field between state-owned incumbents and private players. In 2000, TRAI was given additional authority in the area of licensing and a Telecom Dispute Settlement Appellate Tribunal (TDSAT) was established. TDSAT had the sole authority to mediate disputes between the DoT and service providers, barring an appeal to the Supreme Court. As a result, private sector investment in the GSM cellular business boomed, aided by the fact

that the provision of mobile telephony services was intrinsically a less capital-intensive business than fixed line services. Meanwhile, the foreign equity limit in the sector was raised from 49 per cent to 74 per cent between 2004 and 2006, adding to the rate of fast growth in the sector.

The long history of home-grown reform efforts in the sector, the involvement of the PMO in pushing along the process of reform, and the resultant creation of an independent regulator were critical factors in the success of telecom reform in India. It is worth noting that telecom reform was a subject entirely in the hands of the Central government with consumers who were willing and able to pay higher tariffs early on, especially in urban areas. In the end, however, tariffs fell steadily as volumes expanded, while quality improved at the same time.

Reform has been slower in the ports sector for several reasons. Although India depends heavily on ports to fuel trade (Indian ports carry 70 per cent of all trade in terms of value and 95 per cent in terms of volume), unlike telecom, there has been less focus at the highest levels of government on this crucial issue. The PMO, for example, has not been directly engaged with the issue in the way it was in the case of telecom. The reasons for this are unclear, but one could surmise that vested interests opposed to reform were stronger in ports than in the telecom sector. The Department of Shipping (DoS) remains the most powerful decision-maker in the area of major ports; the Tariff Authority for Major Ports (TAMP) has no licensing authority, only tariff-setting authority. It depends heavily on the DoS for appointments and financial resources. The ports sector, in comparison to telecom, thus lacks a clear separation between the policymaker and the provider; in the absence of a powerful regulator, private investment in ports has been limited and modernization has not taken off in the way that one would hope given the centrality of the sector for India's overall growth prospects.

There is little history of home-grown efforts to reform the major ports sector, though, as we saw earlier, a handful of states have taken the lead in this area, particularly Gujarat, largely on their own initiative. The rules governing the functioning of major ports have also discouraged their competitiveness in relation to other ports, such as Dubai, Singapore, and Colombo. Port trusts responsible for governing landlord ports have been dominated by representatives of the government and trade unions. Port trusts have often had a vested interest in prolonging cargo storage to earn higher demurrage charges, as Rahul Mukherji points out. Rules governing bidding in ports favoured higher bids because they yielded higher royalties to the port trusts, thus discouraging participation by

the private sector. Nor does TAMP take royalty payments into account when determining costs as a basis for tariff setting. Treating royalty as an ingredient of cost would yield more realistic tariff rates for private operators. Also, while India has one of the lowest cargo charges in the world, vessel-related charges levied by port trusts are far above international benchmarks. This is not to say that there have been no successful examples of reforms in the major ports sector—the creation of a privately operated container terminal in the Jawaharlal Nehru Port Trust in Mumbai has certainly improved the quality of port services there. Yet, the absence of a strong regulator, along with rules that act as a disincentive for investment, has limited the growth of the sector to a level that is clearly far below its real potential.<sup>20</sup>

On the other hand, Andhra Pradesh has done well in the area of power sector reform, despite the fact that it has a large farmer community dependent on the use of electric pump-sets for irrigation. Mukherji attributes the relatively good performance of the power sector in Andhra Pradesh to the fact that the state had by the mid-1990s already developed a powerful home-grown set of ideas to grapple with the problem. A 1995 report by a committee constituted by the state government underscored the need to expand generation capacity by involving the private sector in light of the state's fiscal crunch, highlighted the problem of agricultural tariffs, supported the unbundling of the state electricity utility, pointed to the need to reduce power theft and adopt new technology, and endorsed the creation of an independent regulatory authority to rationalize the tariff-setting process (Bhaya 1995).

The political leadership strongly supported the reform of the state's power sector. The availability of a large pool of technocratic talent in the civil service helped steer the reform process in a skilful manner. Andhra Pradesh passed an Electricity Reform Act in 1998, unbundled the state electricity utility into two separate generating (APGENCO) and transmission companies (APTRANSCO). In 2000, APTRANSCO was further unbundled into four distribution companies. In a way, the state benefited from the fact that APGENCO was relatively efficient with a plant-load factor of 84 per cent (April 2007—January 2008); the rise of less efficient independent power producers with a guaranteed rate of return underlined the need to assure a level playing field, this time in favour of the state incumbent vis-à-vis private players. The Andhra Pradesh Electricity Regulatory Commission (APEREC) was established in 1999. APEREC's first tariff order was issued in 2000 after a series of public hearings, which increased the legitimacy of the new regulator. The political leadership



gave the regulator considerable space to perform autonomously in its early years, setting its course for the future. The government also got tough on power theft, as in West Bengal and Gujarat, but it was difficult to measure accurately the decline in the level of theft because it was easy to post losses due to theft to unmetered agricultural consumption.<sup>21</sup> Because of the relatively high quality of generation and a fall in industrial power tariffs, the number of industrial users grew, allowing the state to cross-subsidize agricultural consumption in the process and offset to some extent the losses entailed by the decision to provide free power to farmers.

Mukherji argues that the decision to provide such free power is a regressive one, more likely to favour large and middle-sized farmers over small and marginal ones who rely more on rain-fed agriculture and ponds for water. He also notes a significant decline in the quality of free power, resulting in frequent motor burn-outs and higher maintenance charges (more costly for small farmers than large ones), power wastage, and the risk of electrocution. The paradox is that the majority of farmers, especially poorer ones, would have preferred to pay for better quality power than get low quality, free power. In this area, however, the regulator was unable to intervene to check the influence of richer farmers in shaping agricultural power tariffs. This was in sharp contrast to West Bengal where all rural consumption was metered and farmers benefiting from rain-fed agriculture and abundant groundwater did not need to use electric pumps on the same scale as in Andhra Pradesh. The relative absence of a sizeable farmer lobby dependent on irrigation pump-sets made it easier to reform the power sector in West Bengal. In Andhra Pradesh, on the other hand, the presence of a strong farmer lobby heavily dependent on irrigation pump-sets made it more difficult to reform the sector in the absence of a countervailing movement against the costs of free power by marginal and small farmers who gained little from such subsidies compared to large farmers.

#### *Urban Reforms in Three Cities*

*The ability (and need) of cities to respond to Central incentives for urban reform furnished by the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) depended on contextual factors, such as the commitment of the state government to reform; the capacity of urban local bodies to absorb Central funds; and the prior trajectory and history of reforms. JNNURM provided a central reference point for establishing common standards and ideas of good governance in urban areas.*

The institution of a comprehensive Central programme—the JNNURM in 2005—has provided a vital impetus for urban reform. Darshini Mahadevia does not seek to assess the impact of JNNURM itself; rather, her main goal is to contextualize the intersection of this programme with the urban reform process in three cities/states: Ahmedabad in Gujarat, Bangalore in Karnataka, and Patna in Bihar.<sup>22</sup> These cities were chosen for three main reasons: they are all corporation cities; they have different institutional models for delivering services (for example, direct provision in the case of the Ahmedabad Municipal Corporation, provision mostly by parastatals in Bangalore, and provision mostly by government departments in Patna); and they vary in rank in terms of the release of Additional Central Assistance (ACA) funds from JNNURM and the enactment of reforms needed to access such funds. Ahmedabad ranks 12th out of 62 JNNURM cities based on a combination of these criteria; Bangalore 23rd, and Patna 44th. These rankings are clearly not objective: some cities with a strong resource base may have less need to access funds available under the programme; while others may have already enacted some of the reforms required under JNNURM.

JNNURM had a major effect on Bihar, where the urban policy framework has been significantly reformed. On the other hand, many of the reforms that now constitute part of JNNURM were already in place in Bangalore before the programme and many of the reforms that took place later might have happened anyway. The same could be said of Ahmedabad, though JNNURM clearly offered an incentive to raise participation in city governance. Both Bangalore and Ahmedabad had the necessary capacity to absorb JNNURM funds, which may explain their greater use of funds under the programme compared to Patna. Where state governments did not wish to cooperate (for example, by strengthening the local funding base of cities or decentralizing public service delivery to urban local bodies [ULBs]), these reforms were not carried out, at least not in the three cities under study.

The state government in Bihar has responded to the incentives offered by JNNURM for urban policy reform. It repealed the Urban Land Ceiling and Regulation Act (ULCRA) in August 2006; stamp duty has been cut steeply from 18 per cent to 5 per cent; bye-laws have been amended to improve the process of approvals for building construction, while provisions have been made for rainwater harvesting and structural safety; and the process of property registration has been simplified through computerization. The task of planning has been transferred

from the Patna Regional Development Authority to the Patna Municipal Corporation (PMC) and District Planning Committees (DPCs).

On the other hand, capacity remains low in the Patna Urban Agglomeration (PUA) area consisting of the PMC and adjoining municipalities. The shift to double-entry municipal accounting has been difficult given the lack of trained accountants. The frequent transfer of urban functionaries, especially chief executive officers, has disrupted the thread of continuity needed to implement reforms effectively. The lack of technical capacity to prepare detailed project reports (DPRs) necessary to access JNNURM funds under the programme has limited usage. Because PUA municipalities lack capacity to deliver services, the state government has been compelled to create an Urban Infrastructure Development Corporation to help implement projects supported by the Urban Infrastructure and Governance (UIG) component of JNNURM. Low capacity has limited the ability of PUA municipalities to absorb JNNURM funds and achieve some reform milestones, despite the positive changes in the urban policy framework in Bihar.

Neither Ahmedabad nor Bangalore face a lack of capacity to deliver municipal services. In fact, both cities have been leaders in urban reform. Ahmedabad distinguished itself by being the first city to raise funds by issuing municipal bonds worth Rs 100 crore in 1998 without any state guarantee. The repeal of ULCRA, a key JNNURM milestone, took place as early as 1999 in Karnataka. In 2000, the introduction of a more transparent self-assessment scheme for property taxes led to a large revenue increase for the Bangalore city corporation. Bangalore was the first municipal corporation to adopt the double-entry accounting system. In 2002, the city moved to a sophisticated fund-based accounting system that allowed for better tracking of funds. Both cities have done well on e-governance, including providing records (such as birth and death certificates) online, delivering several services electronically, including property tax payments, and e-procurement (in the case of Bangalore).

Given their prior trajectory of urban reforms (stemming in part from their larger resource base and capacity relative to many other cities), the impact of JNNURM in Bangalore and Ahmedabad has been less extensive. In both cases, JNNURM has solidified the development of new participatory structures. Bangalore now has 33 functioning ward committees. In Ahmedabad, the state government enacted a community participation law in 2007 and proceeded with the creation of ward committees. The 2007-8 Ahmedabad city budget was prepared on the basis of submissions by these ward committees. The construction of new

housing units for slum dwellers has been facilitated by JNNURM's Basic Services for the Urban Poor (BSUP) component in both cities, although Ahmedabad went further by allotting land to construct new dwelling units for the poor rather than only upgrading existing ones in situ. E-Governance continued to make rapid progress in the two cities, but this may well have happened without JNNURM.

On the other hand, where the respective state governments were reluctant, reforms were more difficult to accomplish in those areas, despite incentives offered by JNNURM. In Bangalore, for example, no serious attempt was made to move away from the parastatal route for delivering services to direct provision by ULBs, although parastatals were asked to enter into contractual agreements with city governments. These contracts were intended to give ULBs greater control, for example, by spelling out in legal terms what was expected from parastatals. Parastatals performed quite well in Bangalore, as evidenced by report cards of the Public Affairs Centre (PAC), which noted high levels of satisfaction with city services.<sup>23</sup> The public at large was thus not necessarily in favour of restructuring the parastatal model, underlining the larger point that the institutional form of delivering public services may not matter all that much as long as it works. In both city corporations, the state governments enlarged the boundaries of the two cities without adequate consultation, leading to a fall in property tax coverage and collection (new areas incorporated had not been adequately assessed beforehand). Neither state has shown much interest in financial devolution to city governments, with the Gujarat government abolishing octroi, a major source of ULB revenue and a 'bad' tax by any account, but without compensation for the loss of revenue.

Cities have responded in their own particular ways to this important initiative depending on their past experiences with urban reform, the priorities of state governments, and the capacity to carry out reforms on the ground. Clearly, these contextual factors had a significant effect on how JNNURM played out locally. It is also important to note that JNNURM has established for the first time a clear understanding of common ideas about what constitutes urban reform in the Indian city of today.

#### Understanding Processes of Change in Issue Areas

*International experience indicated that the use of executive agencies could improve the delivery of some public services, but these ideas did not find much resonance in India. On the other hand, global experience relating to the right to information was seamlessly adapted to the Indian setting. The presence of an organic movement for RTI shaped largely by home-grown*

*processes explains its superior ability to successfully integrate global practices. On the other hand, there was less receptivity to the executive agency model among policymakers and fewer precedents to support its application on the lines of the UK or New Zealand.<sup>24</sup> Autonomy in the Indian setting was more the result of serendipity than design on the whole.*

### *The Executive Agency Model and Civil Service Reform in India*

Several countries—particularly the UK, New Zealand, Sweden, Japan, and Australia—have adopted the executive agency model to deliver public services more effectively. Executive agencies have the following common characteristics across countries: they are concerned exclusively with service provision, not policymaking, which remains with the parent ministry. They are commonly headed by a chief executive officer (CEO) who is recruited from the open market or the regular civil service; CEOs are given autonomy over staffing and financial decisions, including the freedom to recruit staff from the private sector at market rates. In exchange for autonomy, CEOs enter into a performance agreement with the minister of the department, specifying clearly the outputs expected of the agency within a hard budget envelope set by the minister concerned. The agency delivers an annual performance report that is tabled in the legislature, thereby retaining the principle of legislative oversight. Several countries have created a Senior Executive Service (SES) to staff higher posts in the civil service and CEO positions in executive agencies. Typically, SES positions are filled on the basis of competitive recruitment from both the regular civil service and the private sector; appointees are given fixed-term assignments on a contractual basis with compensation packages that mirror market salaries so as to draw the best talent into government.

As S.K. Das notes, the executive agency model has proven to be successful in many countries. In the UK, for example, there are some 140 executive agencies in existence, covering a range of services such as the issuance of passports and drivers' licences; the collection of income taxes, customs duties, and excise levies; prison management; child support; and even weather forecasting. An independent review commissioned by the UK government in 2002 concluded that the executive agency model has brought about 'revolutionary changes' and created a more 'responsive and accountable framework' for delivering services. Similar reforms in New Zealand during the 1980s also helped improve the country's fiscal position by substantially cutting unit costs across agencies. Sweden has had a version of the executive agency model in place for a very long time.

Annual public surveys reveal high levels of satisfaction among Swedish users of such services. Japan has also recently begun a transition to the executive agency model, despite some opposition from the traditional civil service. By 2004, the country had 105 Independent Administrative Institutes and 224,000 civil servants attached to them.

One cost of the executive agency model noted in the literature (see Nunberg, 1994: 29) is the problem of 'enclaving'<sup>2</sup>—the risk that individuals recruited to a particular agency will suffer from tunnel vision and loyalty to that agency alone rather than the civil service as a whole. Others have pointed out that the executive agency model can upset the balance of pay and seniority grades in the civil service. In Sweden, for example, the CEOs of executive agencies are often paid more than high-level civil servants working in policymaking ministries. One way around the problem of 'enclaving' is to create an SES that would involve choosing senior policymakers and CEOs on a competitive basis, knitting them in a common institutional framework.

While Indian policymakers have recognized the importance of both autonomy and accountability as important factors in service provision and created a host of boards, companies, and societies to deliver services, these have not always performed in the way that they were intended. Das notes that for the most part half-hearted autonomy has been combined with weak accountability, resulting in a situation sometimes even worse than direct ministerial control. More often than not such bodies have worked in the Indian setting mainly for serendipitous factors. The example of the Delhi Metro Rail Corporation (DMRC) is a case in point. Because the DMRC is a joint venture between the Government of India and the Government of the National Capital Territory of Delhi (NCTD), it does not need to report to a particular Central or state ministry. Its chairman is so well regarded by virtue of his long-standing reputation as an outstanding innovator and administrator of complex projects that he has been given space to run DMRC in an autonomous fashion. The authorizing environment for the DMRC is also much stronger than in the case of other bodies; DMRC projects are approved by a Group of Ministers (GoM) committee specially created for this purpose. Generally though, most societies, boards, or companies created in India to deliver public services do not enjoy the same level of autonomy or the tight accountability arrangements that go along with the executive agency model in other countries. Boards are not always chaired by professionals, CEOs have limited scope for managing staff or varying salary scales, and CEOs themselves often enjoy only an uncertain tenure.

The Second Administrative Reforms Committee has openly endorsed the idea of adopting the executive agency model on a wide scale in India (Second Administrative Reforms Commission, 2008: 303). Yet, there appears to be little broader support for its adoption. The Draft Civil Services Reform Bill (2009) does not, for example, contain a provision for creating executive agencies on the lines of other countries or the establishment of an SES. In short, a good idea that has worked well globally lacks resonance within policymaking circles in India. Politicians may worry that creating an executive agency might undermine their control over the functioning of such an agency, while civil servants may be concerned about the erosion of the core values of a unified civil service. These are legitimate concerns and much more will need to happen before policy elites turn wholeheartedly to the executive agency model. The decision of the government to turn over the issuance of passports to a private company is a positive step in this direction.<sup>35</sup>

If politicians can see that they will be able to claim credit for the resulting improvements in public service delivery and if senior civil servants come to realize that they will be able to clinch most of the positions in a future SES, as in Australia, then opposition to the executive agency model may dissipate. Some conditions needed to implant the executive agency model already exist, such as the prior existence of a rules-based civil service from which it is possible to carve out executive agencies in the first place, and the large availability of talent from inside and outside government to manage and staff them effectively. But for this model to be widely implemented will require high-level ownership; a communication strategy that convinces those opposed to the model that they could gain from it in the end; and more public pressure to improve public service delivery systems generally.

### *Implementing the Right to Information in India*

Fostering greater access to information about government programmes and schemes is an important tool to empower citizens to access public services more effectively by making them more aware of their rights, allowing them to cross-check official claims with the actual state of affairs, and pushing officials to be more transparent in their dealings with the public. Ensuring access to information can also have significant multiplier effects by aiding the delivery of other public services as well.<sup>36</sup>

The adoption of a revised Indian RTI law in 2005 marked a watershed in the history of governance reform in India. The RTI Act (2005) applies to both Central and state governments. It provides for an independent

channel of appeals in the form of the Central and State Information Commissions, permits the imposition of penalties on public information officers (PIOs), places a host of implementation obligations on the executive, and has wide provisions for proactive or suo motu disclosure. These are all regarded as 'best practices' in freedom of information laws around the world over. In fact, the Indian Act contained a number of innovations that themselves could be considered valuable additions to the stock of 'best practices'. The Act, for example, defines 'information' in broad terms including any material recorded in any form, a standard global best practice, but adds a fascinating twist: it includes 'samples' as a form of recorded information. This mirrors the uniquely Indian experience of taking samples from construction projects, including roads or buildings, to verify if they meet the standards set out in written agreements with contractors in public hearings, for example. Another example is the provision that information be released within 48 hours when it concerns the life and liberty of a person rather than the standard period of 30 days. This provision, as Toby Mendel argues, reflects the Indian experience of linking the use of RTI to the supply of human entitlements necessary for the right to life, such as minimum wages, access to food, and shelter.

The Indian Act provides for unusually strong proactive disclosure requirements that surpass many other Acts around the world. It provides, for example, for the suo motu release of information relating to 'the manner of execution of subsidy programmes, including the amounts allocated as well as the details of beneficiaries of such programmes' (Section 4, 1b, XII) as well as the 'particulars of recipients granted concessions, permits, or authorizations' (Section 4, 1b, XIII). Government authorities are also asked to 'publish all relevant facts while formulating important policies' or announcing decisions that affect the public (Section 4, 1c). The proactive disclosure provisions also cover (as do several others Acts) budgetary transparency questions, including information on budget allocations, plans, expenditures, and disbursements (Section 4, 1b, XI).

The Indian RTI Act not only successfully integrate global best practices, but produced several innovations as well. This outcome reflects the development of a large home-grown movement around RTI in India that was able to employ what was useful in the global toolkit relating to RTI through its international networks, while at the same time developing new tools to address distinctly Indian challenges.

The history of the RTI movement in India is long and complex.<sup>27</sup> In 1975, for example, the Supreme Court in a landmark case ruled that the



public had a 'right to know'. In 1982, the Court again ruled that right to information was a fundamental right under the Indian Constitution. The Bhopal gas tragedy in 1984 also led to demands by civil society, particularly environmentalists, for greater transparency. The 1990s were marked by a new development: the proliferation of grassroots organizations seeking to use access to information to secure basic entitlements for the poor. In Rajasthan, for example, the Mazdoor Kisan Shakti Sangathan (MKSS) found that securing access to documents to prove that workers had worked at all was necessary to ensure the payment of minimum wages, including muster rolls as well as details of public works sanctioned by the government. In 1994, the MKSS held public hearings (*jansunwais*) to audit government works in front of the local community, a process that uncovered ghost works and ghost workers.<sup>28</sup> Under considerable pressure, the Government of Rajasthan proceeded to enact its own RTI law in 2000. Meanwhile, RTI was also used effectively to enforce entitlements for poorer urban residents in Delhi where a local non-governmental organization (NGO), Parivartan, successfully used the Delhi Right to Information Act to expose the diversion of subsidized food to the open market by fair price shop dealers in collusion with government food inspectors as well as ghost workers.

The widespread use of RTI as an instrument to reduce corruption in development programmes was thus the hallmark of the Indian RTI movement and its singular contribution as well. Finally, various states, such as Maharashtra, Karnataka, Tamil Nadu, Rajasthan, Madhya Pradesh, and Goa, had already adopted their own RTI Acts long before a national law was in place. These states' experiences provided an important laboratory for experimenting with RTI across the country and developing a broad consensus in favour of a national RTI law. The first national law was adopted in 2002 but it lacked an independent appeals process, failed to provide for the imposition of penalties, and applied only to the Central government. With the strong support of the National Advisory Council, a revised law was adopted in 2005 that remedied these weaknesses and set a new standard for RTI around the world. The concept of RTI thus resonated in India because of the RTI movement's ability to give it a thrust that was deeply relevant to ordinary citizens in both rural and urban areas.

The challenge is to effectively implement the law across a vast and complex country. Mendel examines some of these challenges ranging from overcoming an entrenched tradition of secrecy, making access to records easier, to engaging the public in support of RTI. Based on an

analysis of how other countries, such as Mexico, Canada, and South Africa, have approached such challenges, he suggests ways in which the Indian RTI movement and policymakers might address them as well. Given the ferment surrounding RTI in India, it is likely that many of these ideas ranging from the greater use of information technology to manage records to fostering incentives for PIOs to comply with the provisions of the Act to involving civil society actors and the media will find resonance and eventually be implemented in the Indian setting. In fact, three evaluations have already been conducted by Indian actors to benchmark the implementation of RTI in the country.<sup>29</sup>

Civil society, information commissions, and Central and state governments are thus clearly wrestling with how to take the process forward in a creative and organic fashion. Some best practices in implementation have already begun to emerge from this process, including Jaankari in Bihar; the development of comprehensive request tracking system in Orissa; the practice of sending an SMS to brief an appellant on the status of his/her appeal in the case of the Andhra Pradesh Information Commission, along with an electronic case-tracking system; the use of videoconferencing to facilitate hearings by the Central Information Commission; and a system to rank compliance with the RTI law by public authorities in Uttarakhand developed by the state Information Commission.<sup>30</sup> India may thus turn out to be as adept at integrating and innovating new best practices in RTI implementation as it was in designing the law itself, once again drawing on its home-grown RTI movement. Indeed, RTI has now emerged as a key part of India's democratic culture and folklore.<sup>31</sup>

#### IN CONCLUSION

This volume demonstrates the complexity of reform processes. It shows how reforms depend critically on contextual factors, such as the history of reform ideas, the capacity of the state to execute reform, and the nature of the state itself including its relationships with key actors, such as the private sector and unions. Context is important in a broader sense as well: It defines the issues that need to be addressed and offers a set of opportunities and constraints that policymakers cannot ignore in formulating policy options. A key part of the reform process involves shifting the context by rearranging relationships among key actors and adjusting mutual expectations and perceptions.

Two elements linked to the context of reform merit special mention here: the role of ideas and state capacity in the reform process. Ideas could take the form of a desire for change among the public at large (as in

Bihar); they could emerge from internal discussions among policy elites and related players, such as the private sector (as in Gujarat); they could be shaped by the policy framework provided by external actors, such as the Central government in the case of urban reforms; finally, ideas derived from global experience were more likely to be integrated and accepted when a home-grown movement already existed that could absorb (and modify) them, as was the case of India's RTI movement.

Capacity also played a key role in the process of implementing reform in the cases studied. Capacity involves several dimensions, such as the ability to monitor the progress of reform, coordinate the actions of different players, and mobilize administration for the achievement of goals. Gujarat clearly scored high on state capacity, unlike Bihar which continues to wrestle with the problem of weak capacity especially at lower levels of administration. Bihar, however, offers telling examples of how to overcome such constraints through large-scale hiring on contract, outsourcing, and the use of information technology to monitor important programmes.

Contingency is a critical factor in an unfolding reform process. While the authorizing environment may be positive and the capacity of the civil service high, individual reformers often have to deal with the unpredictable as they develop reform strategies. Their ability to seize opportunities when they arise, fend off threats when they appear, and take calculated risks to promote reform cannot be underestimated. Balancing several factors at once in a shifting and uncertain environment requires strategies to make sense of complexity. Reformers do this in a variety of ways: they choose a particular sequence or path of change which automatically rules out the pursuit of other possible paths, they listen to signals from some quarters, but not others, and they view context through the filters of their own worldviews. Complexity thus comes into focus, allowing for the emergence of a more concrete reform path. This reform path is mostly non-linear in character, marked by trial and error, experimentation, and gradual learning as some options are discarded in favour of others, some strategies pursued and others left by the wayside. A prerequisite for the creative learning necessary to produce genuine reform is a measure of autonomy that allows for the space needed to make mistakes, learn from them, and then go back to the drawing board to do better the next time around.

Tactics are a crucial part of the reformers' repertoire ranging from preparing the ground for change well beforehand through extensive consultation, sequencing reform in a way that minimizes disruption from

groups which could derail the process altogether, to even the framing of terms and symbols associated with the process of change. All of the reforms examined occurred more or less incrementally. Yet, incremental reforms can over time themselves generate a major change but without the pain associated with more abrupt shifts. Incremental reforms are reassuring in the sense that each step can be viewed as potentially reversible, thus defusing opposition and allowing government to move forward. Yet, as such incremental steps build rapidly on each other, the direction of change as a whole will become irreversible (or reversible at an ever increasing cost). Incremental reforms also allow reformers to assess how they are doing and adjust course if necessary. Shifting goalposts are thus an inevitable part of any reform process. Reformers must face the right incentives to implement change; otherwise even the most desirable of changes have no chance of succeeding. Understanding and correctly identifying those incentives in a particular historical, economic, and social setting over time is a critical part of the process of successful reform.

All this suggests that there is no single magic bullet to achieve reform, no blueprint that can simply be applied to a situation to 'fix' it, no best practice that is a best practice everywhere at any time. Reform is an art that cannot be reduced to a set of formulas learnt and applied like a diligent student. It has a life of its own involving a complex process of learning by doing, making decisions without complete information and with only a partial knowledge of consequences, and contending with pulls and counter-pulls. This is not to say that reformers cannot benefit (sometimes greatly) from experiences elsewhere but to make the point that learning is likely to occur best when integrated with an organically shaped strategy and movement for change.

#### NOTES

1. See the classic article by Lindblom (1959); see also Lindblom (1979). For a good discussion of the concept of 'bricolage' in development, see Scott (1998: 324); see also, Claude Levi-Strauss (1966), and Hirschman (1965b).
2. On the logic of incrementalism, see North (1990: Chapter 11, 92-104).
3. On the importance of 'framing' reform ideas, see Campbell (1998).
4. On the difficulties of applying international models in the field of legal reform, for example, see Pistor (2002). On the problem of 'dirigisme' in development thinking, see Sabel and Reddy (2007).
5. For an excellent discussion of incentives, perverse and positive, as they face particular decision-makers in particular contexts, see Easterly (2002: especially Part III).

6. This is pointed out in embarrassing detail (for the development community) by Easterly (2002: Part II).

7. On the heterogeneity of institutional forms for delivering public services, all of which could equally serve similar purposes, see Woolcock and Pritchett (2002).

8. On the many paths to change, see Rodrik (2007). This point is reiterated in *The World Bank* (2008).

9. For a discussion of the dimensions of state capacity, see Fukuyama (2004).

10. The literature on ideas and policymaking is voluminous. A few examples of this rich literature include Sikkink (1991); Pierson (1993); Campbell (1998); and Blyth (2002).

11. Central Statistical Organization, Ministry of Statistics and Programme Implementation, Government of India at [http://mospi.nic.in/rept%20\\_%20pubn/ftest.asp?rept\\_id=nad03\\_1993\\_1994&type=NSSO](http://mospi.nic.in/rept%20_%20pubn/ftest.asp?rept_id=nad03_1993_1994&type=NSSO), accessed on 10 May 2010 for 1993–94 to 1999–2000; See also, [http://mospi.nic.in/rept%20\\_%20pubn/ftest.asp?rept\\_id=nad03\\_1999\\_2000&type=NSSO](http://mospi.nic.in/rept%20_%20pubn/ftest.asp?rept_id=nad03_1999_2000&type=NSSO) for subsequent years (2001–2 to 2007–8) accessed on 10 May 2010.

12. The reformist orientation of the Communist Party of India (Marxist) in West Bengal provided an interesting example of change at the state level sometimes at variance with the positions of the national party politburo.

13. For an insightful analysis of shifts in policy, see Hall (1993).

14. When this threshold was crossed, as opposed to being manifested in an election, is difficult to say. The notion of 'thresholds' is inevitably subjective in nature. For a summary of the literature on 'thresholds' of change, see Collier and Norden (1992).

15. Government of Bihar, Finance Department (2009: 164).

16. Bihar thus vindicates the proposition of institutional economists that institutions (rules and norms) are crucial for economic growth. Clearly, improvements in law and order translated into a more favourable environment for economic activity, contract enforcement, and the security of property rights. More efficient administration and investments in key sectors, particularly roads, obviously played a part in this as well. For works in this tradition, see North (1990). See also North (1981); World Bank (1998); and Williamson (2005).

17. Rodrik (2007) urges readers to identify binding constraints to growth. While in principle identifying a binding constraint to growth might seem a sensible approach, in practice binding constraints are hard to identify. This does not mean that Bihar's reformers did not have some idea of prioritization—clearly, law and order, roads, and the social sectors were at the top of their initial agenda; power sector reform, on the other hand, was given less priority. The idea that one can identify a binding obstacle and then attack it to achieve change has been questioned by Albert O. Hirschman. See his brilliant article, 'Obstacles to Development: A Classification and Quasi-Vanishing Act' (Hirschman 1965a).

18. On the importance of top-down monitoring in another context, see Olken (2007).
19. On the importance of credible commitments for development, see the classic piece by North and Weingast (1989).
20. North notes that the wrong rules can foster a low productivity trap. If these rules persist over time, the costs of overturning them are inevitably high as actors benefiting from such rules become entrenched. See North (1990).
21. Power theft in Andhra Pradesh is believed to have fallen from 37.9 per cent in 2000/1 to 19.06 per cent in December 2007.
22. See the chapter by Mahadevia in this volume for an explanation of why these cities were chosen for examination.
23. For a detailed study of report cards, see Balakrishnan (2006).
24. On the role of resonance in translating policy ideas from one setting to another, and the factors that shape such resonance see, in the Latin American context, Sikkink (1991).
25. The appointment of a former CEO of Infosys to manage India's highly complex, unique ID number project appears to be another step in the direction of moving towards an 'executive agency' model.
26. On this issue see, in the Indian context, Pandey et al. (2008). Based on a cluster randomized control trial, the authors show how a systematic information campaign improved learning outcomes, teacher effort, as well as the delivery of benefits, such as stipends, uniforms, and the midday meal.
27. The story of India's RTI movement is eloquently told by Singh (2007).
28. Singh (2007: 6). See version provided to this author by Shekhar Singh; for published version of the same article see Singh (2007).
29. See Department of Personnel and Training (DoPT) (2009). The DoPT study was prepared by PricewaterhouseCoopers and converged with the findings of another major study by the RTI Assessment and Analysis Group (RaaG) and the National Campaign for the People's Right to Information (NCPRI) (2009). The DoPT/PWC study can be accessed at <http://rti.gov.in/rticorner/studybypwc/index-study.htm>, accessed on 15 January 2010. The RaaG/NCPRI executive summary is available at [http://rti-assessment.org/exe\\_summ\\_report.pdf](http://rti-assessment.org/exe_summ_report.pdf), accessed on 15 January 2010. The third study is that prepared by a sub-committee constituted by the Central Information Commission to explore ways of strengthening RTI. See Annual Convention of Information Commissioners (2009).
30. Centre for Good Governance (2009).
31. In the first 30 months of the operation of India's RTI Act, some 2 million requests for information were filed (1.6 million from urban areas and 400,000 from rural areas). Over 30 per cent of all rural applicants were drawn from people who were below the poverty line, compared to 15 per cent of all urban applicants. See RaaG/NCPRI (2009).

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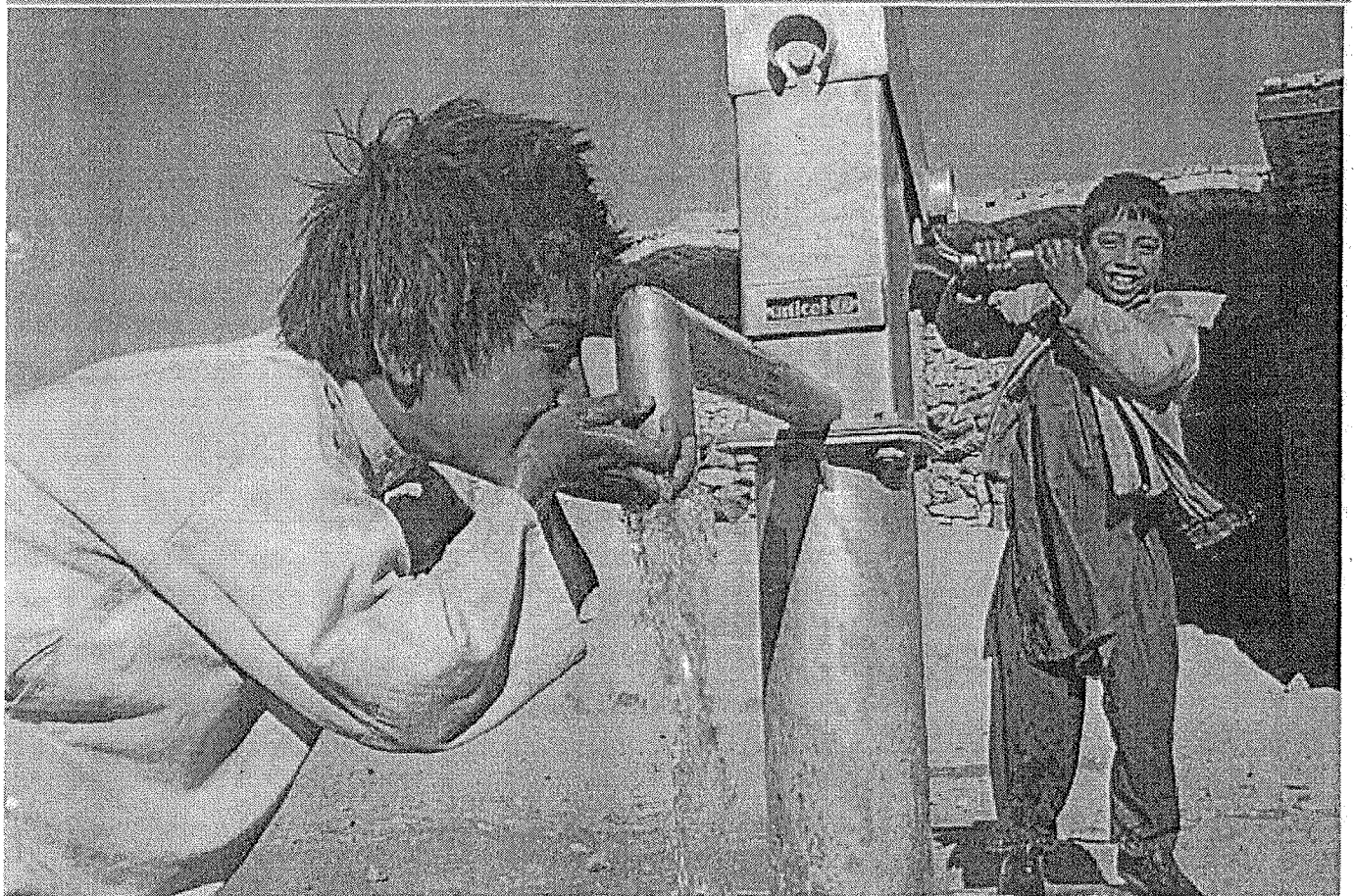
# Discussion Paper

## Public Service Reforms: Trends, Challenges and Opportunities

5 March 2013

United Nations Development Programme

KNOWLEDGE, INNOVATION AND CAPACITY



# THE DEVELOPMENT CONTEXT

## Introduction

### *Need for reforms*

Public service in both the developed and developing world plays a vital role in providing public goods, such as defence, public order, property rights, macro-economic management, basic education, public health, disaster relief, protection of environment, and coordinating private sector activity. A capable public service is essential for creating a favourable investment climate and facilitating people's participation in economic life. As countries get more globalized governments face increasingly complex and cross-cutting issues, such as economic volatility, climate change and migration. Wide use of the internet has made citizens more aware and impatient and that puts public servants under greater public scrutiny. Against this backdrop, public service delivery has acquired new

*Public service delivery has acquired new dimensions as governments need to respond not only to changes in the global environment but also to the demands of an active citizenry.*

dimensions as governments need to respond not only to changes in the global environment but also to the demands of an active citizenry. Formulating integrated policies and their effective implementation would require an adaptable and efficient public service that can anticipate emerging challenges and ensure that potential strategies are informed by better understanding of future contexts. It must also learn to empower people and be able to work with them, as traditional vertical accountability systems can act as a major impediment to working across boundaries<sup>1</sup>.

There is a widespread perception that public servants in many Governments have not delivered what was expected from them. On the other hand, returns from improving effectiveness of the government are immense. An efficient public service is necessary (though not sufficient) for benefits to reach the socially and economically weaker sections of the society who have fewer alternatives to services provided by government. Mere allocation of funds for programmes that do not work effectively would be a waste of public money unless extra efforts are spent on improving government efficiency, and also to ensure that the poor are able to participate and put pressure on public administration to deliver so that they receive the intended benefits.

The importance of good governance and having honest and competent public sector institutions for a country's economic and social development is now widely accepted. Daniel Kaufmann, who worked as the World Bank's Director for global governance, states that countries that improve their governance effectiveness raise their standard of living, as measured by per capita incomes, by about three times in the long run<sup>2</sup>. Poorly functioning public sector institutions and weak governance are major constraints to equitable development in many developing countries. In addition, governments must work with the people to 'build anticipative capacity, inventive government and foster an innovative society in order to create emergent solutions to the complex challenges<sup>3</sup> that the society may face in future. In other words, the Classical model that saw government as primarily a provider of professional services is no longer sufficient today. Public interest now is a collective enterprise that involves government, citizens and civil society as value creators and co-producers of public goods.

Governments and governance the world over are undergoing a 'paradigm shift' in their traditional roles and structures of inflexible control and procedure orientation, towards result orientation, flexibility, facilitation and a citizen-centric approach<sup>4</sup>. Success however would, to a large extent, depend upon a cultural change in the Civil Services. Excessive caution, reliance on precedents and following the beaten path have to give way to innovation and inventiveness and to trying out new methods. Merit, capability and quality should matter more than mere seniority.

1 O'Flynn, Janine L., Blackman, Deborah Ann and Halligan, John, Working Across Boundaries: Barriers, Enablers, Tensions and Puzzles (September 14, 2011). Available at SSRN: <http://ssrn.com/abstract=1927666> or <http://dx.doi.org/10.2139/ssrn.1927666>

2 World Bank 2000: Top of Form Reforming Public Institutions and Strengthening Governance: A World Bank Strategy. However growth may take place without following the route of traditional governance reforms, as in Central Asian Republics where the growth pattern is based on export of natural resources (oil, gas) and labour-intensive raw materials (cotton), commodities that allow high degrees of monopoly at the expense of broad-based pro-poor economic development. See Jörn Grävingholt, 2011: The Political Economy of Governance Reforms in Central Asia, German Development Institute

3 See module 5 of A New Synthesis of Public Administration: Serving In the 21st Century by Jocelyne Bourgon. Kingston: School of Policy Studies and McGill-Queen's University Press, 2011 at <http://www.nsworld.org/>

4 Anita Karwal, Effective Public Service Delivery and e-Governance: Who Drives Whom?, at <http://www.nsworld.org/>

## ISSUE ANALYSIS

Any external effort towards reforms should take account of the economic, social, cultural, constitutional and political context of the state in which they are implemented. Reforms that have evolved in some developed countries and have improved accountability of their civil service cannot be replicated elsewhere unless local social and political conditions are kept in mind.

Some of the common issues and challenges associated with public service reforms are discussed below.

<i>Merit-based recruitment</i>	For the transition from an oppressive to responsive bureaucracy, the public service needs to merit-based, politically neutral, well-structured, "right-sized", well-paid, accountable, professional, free of corruption, well-trained, performance-oriented, and relatively open. Attention to be made to the short term postings as many recruitment practices allow not fully transparent recruitment. Full enforcement of civil service laws and regulations on civil service recruitment is also a challenge.
<i>The new public management</i>	A public service concept introduced in the late 1970s and early 1980s which adopted market norms in public service delivery, applied business principles to their operations, and paying new attention to customer choice and satisfaction. While this option creates semi-autonomous organizations which could handle individual tasks easily within the organization, it led to proliferation and fragmentation of the government apparatus and reduced the capacity to handle multi-sectoral issues.
<i>Whole-of-government approach</i>	The new coordination practice introduced to address challenges identified in the new public management. It proposes a public service which works across organizational boundaries to enable more effective policy development, implementation and service delivery. In many cases cross-sectoral agencies were created for coordination. The approach can also bring about a stronger control of the central government agency, stronger audit systems and financial management and can re-establish a common ethics and cohesive culture which was lost by the new public management.
<i>Improving accountability</i>	Accountability helps indicate the results achieved by the government using public fund. Major options are through performance evaluation system (e.g., more transparent record management and data collection), results-based programme delivery, citizen charger, and through Right to Public Services laws.
<i>Public financial management</i>	Sound public financial management supports the efficient and accountable use of public resources, helps macroeconomic and fiscal stability, and guides allocation of resources to address national priorities. Countries like Ghana, Mali and Nigeria improved its financial management, which resulted in e.g., double tax revenue and more timely submission of financial reports.
<i>Stakeholder ownership and participation</i>	Participation of citizens in programme delivery brings in more accountability, awareness of the citizens, and reduces repression and exploitation. Citizens involved will increase the knowledge, and be empowered, and the participating organizations will become more vibrant. A work analyzed approx. 500 studies on participatory development programme shows that the citizen participation is sustainable beyond project lifetime only when the citizen organizations are linked with markets, or skills training is provided.
<i>Decentralization</i>	Decentralization of resources and authority to local governments is a formal way to induce participation. However, decentralization has to be inclusive (i.e., addressing issues of less-powerful, e.g., immigrants, minorities, ethnic groups) and to be accountable. For effective public service performance, a good balance of centralization and decentralization has to be sought and to be maintained, with an option to strengthen local governments so they can take on more responsibilities.
<i>Political economy of reforms</i>	Political context has to be taken into consideration when designing any strategy on civil service reform. The issues include power relations involving kinship, ethnicity and personal factions, as well as party politics and the quality of political leadership.

## Merit-based recruitment

The concept of public service in the industrialized countries developed in the late nineteenth century, often with the provision of municipal services of gas and water. Later, other services such as electricity and healthcare got added. However, up to the 19th century, there was extensive nepotism, favoritism, and political patronage attached with the staffing and recruitment of public servants, which was often referred to as a "spoils system". Though some of these characteristics are still prevalent in the first world countries, things started changing with passage of time in some countries. Transition from an oppressive to responsive bureaucracy even in these countries has not been smooth or quick, and has taken almost a century to mature. As state functions and the number of public servants started increasing rapidly in the post War scenario in Western Europe, the need to make them more efficient and outcome focused was felt leading to reforms in many developed countries, such as UK, New Zealand, and Australia. These countries, though not many others, have aimed to make their bureaucracy have the following characteristics:

- it is merit-based and politically neutral;
- it is well-structured, "right-sized", and well-paid;
- it is accountable, professional, and generally free of corruption;
- it is relatively autonomous, responsive, and representative; and
- it is well-trained, performance-oriented, and relatively open.

Although career civil servants in these developed countries are now generally recruited on merit, 'spoils' system continued for short term postings, such as appointments of chairmen of various public sector boards and advisory committees in UK. The non-transparent system was changed in UK only in 1994 to reduce perceived cronyism and to lessen public cynicism. A position of Commissioner for public appointments was created that follows a Code of Practice governing ministerial appointments to public boards based on merit and transparency<sup>5</sup>. For such hybrid appointments in Canada, the Cabinet Secretary's Office proposes a list of candidates to the Prime Minister, who selects a candidate from this list acting on behalf of Cabinet. These recommendations take into account the views (not necessarily his consent) of the relevant Minister<sup>6</sup>. This to a large extent reduces subjective political judgments.

However, not all countries do merit-based recruitment. Patronage—the discretionary allocation of public sector jobs to reward followers and to cement political and personal relationships—continues to be a dominant way government is staffed in most Latin American countries<sup>7</sup>. Its use in the governance of Latin America has a long tradition and is widely spread across authoritarian as well as democratic regimes. Although pressures are mounting to replace patronage-based public administrations with career civil service systems, the region's older systems are proving resistant to the reformers' criticism.

Civil service laws and regulations have not been regularly enforced in these countries. In Ecuador for example, 12,000 employees joined the government in 1983; only 300 of them had taken the required examination; only 10 percent of overall public sector workers had tenure. In Mexico, up to 30,000 positions change hands when new administrations are elected. In Panama, only 18 percent of public positions are not available for patronage and some 25,000 employees were dismissed after elections in 2004. In the Dominican Republic, some 3,000 employees incorporated into the career system lost their jobs in 2004 as a result of a change of government. In Colombia, a 2004 law sought to put an end to five years of legal ambiguity in which provisional appointments reached 38 percent of the career personnel. In Venezuela, some 7,600 people lost their public sector jobs as a result of signing a referendum to recall the president in 2004.

5 Meredith Edwards, John Halligan, Bryan Horrigan, Geoffrey Nicoll 2012: Public Sector Governance in Australia, ANU E Press Canberra; also Select Committee on Public Administration: Fourth Report at <http://www.publications.parliament.uk/pa/cm200203/cmselect/cmpubadm/165/16505.htm>

6 Shepherd Geoffrey 2003: Civil Service Reform in Developing Countries: Why Is It Going Badly? 11th International Anti-Corruption Conference, 25-28 May, Seoul

7 This section draws heavily from Grindle Merilee S., 2010 'Constructing, Deconstructing, and Reconstructing Career Civil Service Systems in Latin America', Harvard University, March

## The new public management

In the late 1970s and early 1980s, public sectors around the world began to undergo a significant transformation. Driven by trends towards market based efficiencies, new technologies and management models, as well as a public call for more responsive and accountable public services, governments began to move away from state-directed intervention, adopting market norms for public service delivery, applying business principles to their operations, and paying new attention to customer choice and satisfaction<sup>8</sup>. Many public sectors embarked on sweeping market-driven reforms: privatization, deregulation, liberalization, corporatization, outsourcing, subsidy withdrawal, and budget cuts were introduced in both developed and developing countries. In general, the movement saw the disaggregation of ministries, departments, and agencies into executive agencies that had to sign a performance contract with the Ministry but were given financial and managerial autonomy implementing programmes based on final results or outcomes, rather than inputs and processes<sup>9</sup>. Some countries, such as Singapore, where privatization has not been a priority as public sector was considered quite efficient opted for 'corporatization' of selected public utilities to introduce business management practices while still retaining public ownership.

### Reforms in Brazil<sup>10</sup>

As opposed to other Latin American countries, reforms in Brazil initiated in 1995 have been quite successful. These aimed at fiscal adjustment, making public administration more efficient and focused on citizens' needs and creating autonomous agencies controlled through management performance contracts. Reforms faced political obstacles, resistance from lower and middle civil servants, unions, leftist political and interest groups; a political elite in fear of losing privileges; and opposition from the judiciary.

Luiz Carlos Bresser-Pereira, Minister of State Reform, was the main intellectual and political architect of the reform. His intellectual leadership was crucial to push these reforms into the spotlight, convince the government, shape public opinion, influence the party members, and get the constitutional amendments approved. He was not only adept at the technical issues but possessed political skills to sell the reforms. His proximity to the President; and the fact that government had brought an end to a decade of unprecedented high inflation and per capita income stagnation helped in making him succeed.

Key elements of Bresser's reforms included<sup>11</sup>:

- gaining credibility by implementing reforms which did not depend on legislative approval but would show immediate improvement such as information technology to manage the payroll and tackling procurement;
- de-emphasizing procedure in favour of accountability for outcomes, and greater autonomy to managers for pursuing goals freely as opposed to close supervision and auditing at each step;
- reforming the entrance system for careers in public service by holding regular public examinations open to university graduates;
- breaking away from Brazil's previous centralization, and strengthening the core and simultaneous agencification; and
- entrusting the non-profit sector (social organizations) as primarily responsible for a significant portion of service provision under renewable government contracts, such as in healthcare and higher education.

These reforms led to a decline in the public sector wage bill (from 50% of federal expenditure in 1995 to 35% in 2001), the average wage increase of public officials (21% in 2001), and the rising percentage of federal officials with a university degree (from 39% in 1995

8 Haque, M. S. (2004): Governance and bureaucracy in Singapore: Contemporary reforms and Implications. *International Political Science Review*, 25(2), 227-240.

9 Haque, M. S. (2003): New public management in Malaysia and Singapore. *Journal of Comparative Asian Development*.

10 Simone Bunse and Verena Fritz 2012: Making Public Sector Reforms Work; Policy Research Working Paper 6174 The World Bank August

11 <http://www.princeton.edu/successfulsocieties/policynotes/view.xml?id=150>

to 63% in 2001). In addition, substantive policy change was achieved in organizational arrangements and personnel legislation. The bureaucratic merit index which evaluates the degree to which effective guarantees of professionalism in the civil service are in place and civil servants are effectively protected from arbitrariness, politicization, and rent-seeking, ranks Brazil amongst the region's top performers.

## Whole-of-government approach

The new public management (NPM) sought to create semi-autonomous organizations which could handle individual tasks easily within the organization. But it also led to proliferation and fragmentation of the government apparatus and reduced the capacity to handle multi-sectoral issues, such as unemployment, social unrest and climate change that transcend organizational boundaries and vertical chains of administration. This has led many countries to introduce new reforms as it has increasingly been recognized that the specialization of the public sector apparatus furthered by NPM was not fit to tackle the big issues in society that the government sector was expected to handle. The functional line ministries and autonomous agencies no longer corresponded with some of the more complex problems in society, as there was a mismatch between the problem and the organizational structure<sup>12</sup>.

The new coordination practices are known by various names, such as whole-of-government, integrated governance, outcome steering, joined-up governance, holistic governance, new public governance, networked government, partnerships, connected government, crosscutting policy, horizontal management or collaborative public management. A common feature is the notion that working across organizational boundaries will enable more effective policy development, implementation and service delivery. These new ideas in a way countered 'departmentalization' and a 'silo mentality'.

Since 2001 Norway has embarked on a major reform, inspired by post-NPM, of its central welfare administration. It merged the central pensions and employment agencies and created a local one-stop-shop welfare office in all municipalities. A reorganization in 2008 established regional pension units and administrative back offices in the counties that were allocated tasks and resources by local units. The reform was to improve service delivery of pensions through coordination of the three welfare sub-sectors – pensions, employment and social services so as to make the new welfare administration more user-friendly, to bring more people on welfare into the workforce and to become more efficient.

Much before the idea of NPM got popular the Swedish public administration always had a number of autonomous implementation government agencies operating at arm's length from their 'home' ministries. This separation of policy-making and administration has been practised in Sweden for centuries. However, in 2005 a new Agency was created to supersede the previous 21 geographically dispersed offices, which is responsible for much of the social security system. This amalgamation of regional agencies into a mono agency has helped to bring about a sharp reduction in the number of central government agencies. In 1990 there were 1,394 agencies; by 2007, the number had fallen to 478<sup>13</sup>.

Canada too launched horizontal management initiatives to tackle policy issues such as innovation, poverty, and climate change. Australia and New Zealand have improved performance on outcomes and service delivery by rebalancing centre and line ministries, and through rationalizing public bodies to achieve integration of the agendas of various agencies. In UK rather aggressive top-down style whole-of-government initiatives were implemented by the Blair government, which strengthened the role of central government and established structures such as strategic units, reviews, and public service agreements. Both UK and New Zealand have a clear hierarchical component in their style of 'joining-up'. Central control mechanisms have been enhanced while retaining autonomy for the officials charged with delivering services, which shows hybrid features. The hierarchical strengthening of the centre has also led to a stronger prime minister's office, in both a political and an administrative sense, as seen in the UK, Australia and New Zealand. It also implies stronger audit systems, tightening up financial management and strengthening governance and accountability regimes, as in

12 Tom Christensen 2012: Welfare reform and 'wicked issues' – from coupling to de-coupling?, University of Oslo, Rokkan Centre For Social Studies, Working paper, April

13 Johan Quist and Anna Pauloff 2009: Centralisation and specialisation in Swedish public administration; Paper presented at the EGPA Conference, Saint Julian's, Malta, 2-5 September 2009



Canada. Measures like this are primarily concerned with strengthening central political capacity, potentially making subordinate agencies and companies less autonomous<sup>14</sup>.

In Australia the Prime Minister's office has been strengthened and the specialized agencies have been brought under greater central control. The horizontal dimension, seen as even more important than the vertical, typically concerns policy areas that cut across traditional boundaries. In Australia and New Zealand<sup>15</sup>, for example, new organizational units, such as new cabinet committees, inter-ministerial or inter-agency collaborative units, inter-governmental councils, the lead agency approach, and task forces for cross-sectoral programmes have been established with the main purpose of getting government units to work better together<sup>16</sup>.

The post-NPM reforms focus also on values, such as teambuilding, trust, value-based management, and improving the training and self-development of public servants<sup>17</sup>. The argument is that there is a need to re-establish a 'common ethic' and a 'cohesive culture' in the public sector because of the reported corrosion of loyalty and increasing mistrust brought about by NPM, which was rooted in diverse economic theories. Services are now being provided via the internet or by telephone, with the latter entailing the establishment of large regional call centres.

## Improving accountability

Traditional governance structures in many ex-British colonies are characterized by rule-based approaches. The focus of the civil services in India, for instance, is on process regulation: compliance with centrally prescribed standards and rules; in other words, how things should be done and how inputs should be aligned<sup>18</sup>. With such focus on processes, systems in government are oriented towards input usage: how much resources, staff and facilities are deployed in a scheme, programme or project and whether such deployment is in accordance with rules and regulations. The main performance measure thus is the amount of money spent and the success of the schemes, programmes and projects is generally evaluated in terms of the inputs consumed. Once the allocated money is spent it is taken for granted that the intended outcomes have been achieved.

While such an approach satisfies the considerations of economy of inputs and compliance with process regulation, it fails to indicate the results achieved by the activities of government in general and deployment of public funds in particular. In fact, the focus on inputs for accountability and control has led to a situation in which civil servants are rarely held accountable for the outcomes.

Therefore compliance with rules is not sufficient for achieving outcomes. Obviously, the objective must be to shift the focus away from traditional concerns such as expenditure and activity levels towards a framework that would manage for results by developing robust indicators to assess performance in terms of results. This has been tried in many countries by developing performance evaluations systems, simplifying budgetary procedures, improving stakeholder participation, and through decentralization of authority. We discuss below these innovations.

### Performance evaluation system

Accountability for results requires an effective performance evaluation system, because if one cannot measure results, then one should forget about achieving results in the government. In addition to setting goals and objectives, one should establish institutions to

14 Tom Christensen 2012: Welfare reform and 'wicked issues' – from coupling to de-coupling?, University of Oslo, Rokkan Centre For Social Studies, Working paper April; and Tom Christensen and Per Lægveid 2006: NPM and Beyond: The Second Generation of Reforms, Paper presented at the NASPAA (National Association of Schools of Public Affairs and Administration) annual conference October 19-21.

15 Tom Christensen and Per Lægveid 2006: NPM and Beyond: The Second Generation of Reforms, Paper presented at the NASPAA (National Association of Schools of Public Affairs and Administration) annual conference October 19-21

16 Halligan, J. and J. Adams (2004). "Security, capacity and post-market reforms: Public management change in 2003." *Australia Journal of Public Administration*, 63(1): 85-93

17 Ling, T. (2002). "Delivering joined up government in the UK: dimensions, issues and problems." *Public Administration*, 80 (4): 615-642

18 Administrative Reforms Commission, 2008: 'Performance Management System,' X Report of the Second Administrative Reforms Commission. New Delhi, Government of India.

determine whether one is achieving them or moving away from them. Not doing so is analogous to giving medicine to a diabetic patient without having the ability to monitor blood sugar levels.

At present, field officials in many countries spend a great deal of time in collecting and submitting information, but this is not used for taking corrective and remedial action or for analysis, but only for forwarding it to a higher level. As data is often not verified or collected through independent sources, field officials are prone to reporting inflated data, which renders monitoring ineffective. The field officials are thus able to escape from any sense of accountability. The situation can easily be corrected if governments show greater transparency in record management by putting all relevant information on a website, coupled with frequent field inspections by an independent team of experts, and beneficiary stakeholders.

Government of India by passing the Right to Information Act in 2005 has to a large extent improved transparency and accountability of public servants. In addition, free press, judicial activism and civil society action have also emerged in India as a big corrective factor on the arbitrary use of executive power. After witnessing the enormous impact that the Act made in India, Bangladesh too passed the Right to Information (RTI) Act on March 29, 2009<sup>19</sup>. Its success requires due publicity and creation of strong demand to achieve its potential. The strong network of Non-governmental organizations (NGOs) that already exists in Bangladesh has helped people to obtain their entitlements of health care, food, education, and other services.

### *Programme delivery through results based management*

Results based management is a programme/project life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance<sup>20</sup>.

Several governments around the world have recently established 'delivery units' at the centre of government to drive performance improvements. This development may be in addition to whole-of government reforms to improve performance, such as citizen charters, service agreements, or performance reporting. Examples of such units include the UK's Prime Minister's Delivery Unit, the Cabinet Secretariat for Performance Management in India, Indonesia's Presidential Unit, Malaysia's Performance Management Delivery Unit (PEMANDU), and South Africa's 'Delivery Unit,' which falls under the planning commission in the Premier's Office. Such delivery units have a distinctive role of chasing progress on behalf of the head of government, monitor the performance of key government policies, provide a forum for coordination, and give a clear signal that government is holding ministers and senior staff to account for delivering the government's key priorities<sup>21</sup>.

In Indonesia, the Delivery Unit is located in the Vice President's Office and focuses on delivery of the 11 major priorities of government. In Malaysia, the Delivery Unit is located in the Prime Minister's Office, reflecting the implementation and service delivery leadership role of the PM, focusing on the key results areas. The equivalent unit in Chile is being developed in the President's Office. It is important that the unit is given the full support of the highest level of the executive, with most located close to, and enjoying the direct patronage of, the President or Vice President.

### *Citizen Charters*

Citizen Charters (CCs) are public agreements between citizens and service delivery providers that clearly lay down expectations and standards in the realm of service delivery. Introduced by the United Kingdom in the early 1990s, CCs are now being tried in a number of countries—including the United States, Kenya, India, Jamaica, and Mexico—to improve the quality of service delivery and enhance

<sup>19</sup> The Power of Using the Right to Information Act in Bangladesh: Experiences from the Ground, World Bank, at <http://wbi.worldbank.org/wbi/Data/wbi/wbicms/files/drupal-acquia/wbi/Final%20version%20-%20The%20Benefits%20of%20Using%20the%20RTI%20Act%20in%20Bangladesh.pdf>

<sup>20</sup> <http://www.acdi-cida.gc.ca/rbm>

<sup>21</sup> GET Note: Center of Government Delivery Units, "Recently Asked Questions" Series November 2010 at <http://siteresources.worldbank.org/EXTGOVANTICORR/Resources/3035863-1285601351606/NovemberGetNote.pdf>

public sector management. At the outset, it is important to note that the success of CC interventions is contingent on promoting substantial process-oriented, organizational, and cultural changes within service delivery organizations. Accordingly, while drafting a CC is a step in the right direction, the effectiveness of CC interventions ultimately depends on engaging stakeholders and establishing a clear commitment to making the CC part of an organization's "DNA"<sup>22</sup>. The extent to which CCs are effective is based on a number of interrelated factors: they must reflect citizens' priorities, have the support of senior management and staff, and include a well-functioning grievance redress mechanism.

### ***Box 1: Mayor's declaration in Philippines\****

Since 2001, we have been issuing what we call a Citizens Charter. We passed a local law requiring City Hall to have the Citizens Charter updated every three years. That charter tells you exactly what the city government is going to do for residents of the city. For instance, issuance of business permits, issuance of building permits, who is responsible, what are the fees, and the like. All that information is published in a book. The book is distributed to residents of the city so they know exactly what they can expect of their City Hall. This minimizes corruption significantly. When you know the procedures, when you know who is responsible for the procedures, it makes the system transparent and accountable.

Jesse Robredo, Mayor of Naga, Philippines.

\* <http://bit.ly/YOZ11E>

### ***Right to Public Services Laws<sup>23</sup>***

One positive development in India has been the enactment of the Right-to-Public-Services Acts by several state governments with five declared intents: (a) assurance of the service, (b) service within a stipulated time frame, (c) holding designated officers accountable, (d) a system of grievance redressal by two stage appeal, and (e) a system of penalty and fine for delay/denial in service. The services may include documents (certificates, licences and permits), cash (pension, stipends) and kind (electricity, water connections). It is encouraging to note the enthusiasm of the State bureaucracy in pushing for its implementation, as they are taking proactive steps to digitize parts or the whole of the service delivery system connected with these services, with clear internal control and transparency built in it.

One good example is Bihar, the poorest state in north India, where the designated monitor can track each application by name on his/her computer screen. The enthusiasm of the State governments, at a time when the political class and bureaucracy are suffering from low public credibility, is probably an indicator of a conscious political attempt to regain the faith of the middle class in the political and bureaucratic system. These rights-based legislations are clearly an attempt to regenerate faith in public administration in the Hindi heartland well known for its fractured polity and unstable political allegiance.

One way to bring in accountability is to start the system of holding public hearings in matters pertaining to the works handled by each office. Prominent social workers and NGOs should be associated with this exercise for more productive results. The teams would undertake surveys of quality of service delivery in key areas; scrutinize policies programmes and delivery mechanisms. Civil servant's views on work constraints and reporting fraud and corruption should be elicited. The reviews conducted should also form the basis of time bound changes and improvements which should be monitored.

Needless to say that such comprehensive reforms need for their sustenance strong political and administrative will from the top. In its absence, reforms remain only on paper. Accountability has to be induced; it cannot be decreed by fiat. Accountability is a result of a complex set of incentives, transparency in processes and decision making, and checks and balances at various levels of government.

<sup>22</sup> World Bank, Citizen Charters: Enhancing Service Delivery through Accountability

<sup>23</sup> Based on Sircar, Ashok Kumar. 2012: 'The Right-to-Public-Services Laws,' Economic and Political Weekly, 47(18). 5 May

Thus, the seniors in the government departments have to put their weight behind new accountability systems and review it from time to time.

## Public financial management: Tracking resources for better results

Sound public financial management is an essential part of good governance. It supports the efficient and accountable use of public resources, helps foster macroeconomic and fiscal stability, and guides allocation of resources to address national priorities. Since resources can leak wherever systems are weak, public financial management covers all phases of the budget cycle including budget preparation, internal control and audit, procurement, monitoring and reporting arrangements, and external audits. While fiscal deficits are common, some countries have difficulty in spending the available resources effectively, and departments are obliged to return resources to the Finance Ministry at the end the fiscal year. Identifying the symptoms and their causes is thus an essential prerequisite to designing reforms<sup>24</sup>.

The World Bank has identified six objectives in public financial management: Policy-based budgeting; Predictability and control in budget execution, accounting, recording and reporting expenditure; External scrutiny and audit; Comprehensiveness and transparency; Budget credibility; and sound donor practices.

Often departments are not able to spend their budget allocations within time. This may be due to many reasons, such as inability to find contractors to build the planned facilities; shortage of trained staff (e.g. teachers, nurses) to deliver the services, or capacity constraints in the administration to design, manage and deliver the programmes<sup>25</sup>. Often the budget cycle is too short for full utilization of funds for capital works. Expenditure budget should be valid for two to five years, so that capital expenditure can be completed without surrender of funds. In Singapore, expenditure budget is valid for five years, and Departments are free to exceed or delay their annual allocation without any reference to Parliament (see Box below).

### *Box 2: Establishing accountability between budgets and performance in Singapore\**

Each Ministry in Singapore sets a spending ceiling for the next 5 years, which is derived through a zero-based approach, whereby the Ministry's line item expenditure patterns and needs are used to determine a baseline budget. Until the next 5-yearly review, the baseline budget will grow in proportion with the smoothed GDP growth rate, which means that each Ministry's annual spending ceiling is automatically adjusted to economic conditions. Within this ceiling, Ministry of Finance (MOF) empowers the line Ministries to make spending decisions based on their respective strategic outcomes and priorities. Ministries can borrow, with interest, in one year against allocations in subsequent years or to rollover funds from one year to subsequent years. They are also able to tap on budget savings they had set aside during the past three years. Hence, the 5-year spending ceiling provides certainty, predictability and fiscal discipline for funding in the medium term, while allowing for some degree of flexibility in adjusting annual nominal budgets through the allowance for carry forwards, advances and rollovers.

While block budgets provide Ministries with a great deal of autonomy, this decentralised approach to budget management is balanced by accountability measures such as budget feedback mechanisms to ensure that resources are allocated efficiently and used effectively. Key performance indicators are developed and monitored by Ministries to support whole-of-government outcomes developed jointly by MOF and line Ministries. Performance information is used mainly by the relevant Ministries in assessing strategy, though the MOF does use the information when evaluating each Ministry's block budget and medium term funding needs.

Block budgeting produces strong incentives for Ministries to reduce waste and improve their processes, and imbues public agencies with more confidence to make investments for the future. It transforms the nature of dialogue between the MOF and the ministries — from short-term oriented haggling over detailed budget allocations to longer-range discussions about medium-term strategic priorities and outcomes.

\* Saxena, N.C. 2011. Singapore Public Service and National Development, Ministry of Foreign Affairs, Singapore 2011

24 European Commission 2009: Public Sector Reform, An Introduction, January, at [http://www.uquebec.ca/observgo/fichiers/10454\\_GRA-1.pdf](http://www.uquebec.ca/observgo/fichiers/10454_GRA-1.pdf)

25 European Union 2009 Public Sector Reform, An Introduction, March

Ghana<sup>26</sup> improved its budget classification system and identification of pro-poor spending to enable the better management and tracking of spending. It brought in regular reconciliation of accounting and banking data to assure the integrity of budget expenditure reporting and reduced expenditure payment arrears. In budget reporting, it improved the classification of in-year expenditure reports to match the budget and enable closer management of spending to improve accounting accuracy. Progress was shown by the 2006 budget being the first to be enacted before the start of the financial year, an achievement repeated in subsequent years. The budgets also gave more information about internally-generated funds and donor grants. Key factors that helped produce progress include strong country commitment to improving public financial management performance, an external assessment that highlighted weaknesses, and a government-led reform strategy. International Development Association (IDA) helped by providing technical assistance, analysis, and donor co-ordination to support the government strategy and lending.

Mali has also made good progress in strengthening budget preparation and execution. A medium term expenditure framework has been introduced and extended to several ministries. Budget execution has been improved by decentralizing important functions from the Ministry of Finance to spending ministries, increasing their responsibility and management for a smooth budget process. Government leadership around public financial management reforms is well-supported by donors, including IDA.

In Nigeria, IDA has helped the federal government since 2003 to make progress on macroeconomic and governance reforms, including the introduction of an independent oil price fiscal rule. To promote governance reforms at the sub-national level, where about 50 percent of public expenditures take place, the World Bank has supported three states in improving their public financial management and public administration and law reforms. The project helped double tax revenues of two states, while at the same time cutting in half the time to submit relevant financial reports.

## Improving stakeholder ownership and participation

Participation of the local people in programme delivery not only improves the confidence of the women and other marginalised groups in themselves, but also

- makes bureaucracy more accountable and hence improves the efficiency and effectiveness of government programmes;
- improves their awareness and hence makes them better recipients of intended benefits of government programmes;
- ensures that multinational corporations and big business (often they also control media and are able to project their interests as national interests) do not dominate policy and implementation; and
- reduces repression and exploitation.

In the recent years, participation and empowerment has been one of the goals in many development programmes. However it has often remained more or less rhetoric, as an ideology without a methodology. Much of the development effort continues to be supply driven, top-down, does not involve people, non-transparent, and hence full of leakages and not sustainable<sup>27</sup>.

A limited view is that participation means getting people to agree to and go along with a project which has already been designed for them, or to get support of a few leaders. This has been the approach in many development schemes that did not work. People did not identify themselves with the assets created such as the hand pump or trees planted, nor did they undertake the responsibility of maintenance of assets. "I manage, you participate", was the dominant underlying principle behind such projects. These tended to try to make people aware of their responsibility without giving them any authority to spend funds or to manage assets. People's participation was then expressed not in a manner that would establish their rights over assets, land or its produce. The important question is, 'participation for whose benefit, and on what terms?'

<sup>26</sup> These examples have been taken from Public Financial Management: Tracking Resources for Better Results, at <http://siteresources.worldbank.org/IDA/Resources/IDA-PFM.pdf>

<sup>27</sup> Saxena N.C. 2012, Administrative Reforms for Better Governance, National Social Watch, New Delhi

Participation should include the notions of contributing, influencing, sharing, or redistributing power and of control, resources, benefits, knowledge, and skills to be gained through beneficiary involvement in decision making. Participation is a voluntary process by which people, including the disadvantaged (in income, gender, caste, or education), influence or control the decisions that affect them. The essence of participation is exercising voice and choice, and developing the human, organizational and management capacity to solve problems as they arise in order to sustain the improvements.

### ***Outcomes and indicators of participation***<sup>28</sup>

Participation in decision making is an important capacity building process. As people participate in making new decisions and solving problems, learning takes place. This learning is internalized, because it is accomplished experientially. It therefore leads to changes in attitude, behaviour, confidence, and leadership. Newly acquired knowledge is therefore the first outcome of participation.

Empowerment is a result of participation in decision making. An empowered person is one who can take initiative, exert leadership, display confidence, solve new problems, mobilise resources, and undertake new actions. Empowerment, it is hypothesized, is an important outcome of high levels of participation involving control over decision making for a range of activities. Hence empowerment is a leading outcome of successful capacity building at the individual and institutional levels.

The third outcome is organization building. Decentralized programmes require strong local organizations. When local organizations get the opportunity to manage resources and support development, they can become stronger. Participation in decision making is hypothesized to strengthen the capacity of local organization to carry out activities. Local organizations can be a few people working on joint management committees, or a village council, or organizations of several villages.

These three outcomes of participation – learning, empowerment, and a vibrant organization – need to be measured through observable indicators, which will vary from project to project. Each project must develop clearly observable indicators on people's participation, so as to judge whether they are on track or not. Such indicators should then be given to monitors and evaluators, who have to do mid-course evaluation and impact assessment.

A report<sup>29</sup> analyzing almost 500 studies on participatory development programmes shows that in the short run distributing cash or other material payoffs induce people to participate, but such benefits are not sustainable in the long term. After the source of funds from the project dries up, committees are disbanded or abandoned, and the livelihood base of the poor remains only marginally improved, if at all. 'Only when projects explicitly link community-based organizations with markets, or provide skills training, do they tend to improve group cohesiveness and collective action beyond the life of the project'. The report also suggests that outcomes are better when formal decentralized institutions are created with resource allocation in favour of the disadvantaged.

### **Decentralization**<sup>30</sup>

A more formal way for inducing local participation is decentralization of resources and authority to local governments. Since the early 1990s, many developing countries have taken bold policy decisions to promote decentralized governance. Some examples are: transferring decision making powers to province-level and district-level governments (regencies and municipalities) in Indonesia, creating elected councils at the sub-district and village level in India and entrusting them with implementation of development programmes, replacing the bureaucrat as district head by an elected nazim (administrator) in Pakistan, and allocating spending responsibilities in Vietnam to lower level governments at the province, district and the commune (a group of villages) level through their respective elected People's Councils.

<sup>28</sup> Saxena N.C., Nadine Speich, and Paul Steele (2005), Review of the Poverty - Environment Links Relevant to the IUCN programme, April, IUCN, Geneva

<sup>29</sup> Mansuri, Ghazala, and Vijayendra Rao. 2013. Localizing Development: Does Participation Work? Washington, DC: World Bank

<sup>30</sup> This section is based on author's paper for UNDP available at [http://www.thepowerofhow.org/uploads/resource/CD\\_Strategies\\_to\\_support\\_Decentralization\\_in\\_Asia\\_27.pdf](http://www.thepowerofhow.org/uploads/resource/CD_Strategies_to_support_Decentralization_in_Asia_27.pdf)

Major arguments put forward in favour of decentralization are: increased grass-root democracy, protection of freedom and human rights, increased efficiency through delegation of responsibility, higher quality of services, and enhancement of social and economic development aimed at overall poverty reduction.

However, local governments may lack the capacity to translate national visions and strategies into concrete measures. The legal and regulatory system may not provide for full and meaningful participation of citizens in resource allocation and expenditure decisions. In such a situation local service delivery may deteriorate where financial and administrative capacity is weak. Increased local authority without adequate capacity may allow the elite to dominate local politics. It may lead to increased corruption, especially when financial oversight of local officials is weak. Hence capacity development instruments must accompany along with decentralization, or follow soon after creation of local institutions.

Such policy instruments may be: clear assignment of decision making powers with appropriate administrative staff and functions, fiscal decentralization, promoting participation and decision making by the people through locally elected councils with special attention to the marginalized sections of society including women, and most importantly, building accountability relations.

In Cambodia decentralization reforms took place in January 2001 which provided citizens to elect commune councillors. However, there is a general lack of clarification and delineation of mandatory and optional tasks in service delivery. No significant public service has been delegated to commune (called sangkat) councils. De-concentration to these councils has been confined to relatively routine activities such as civil and voter registration and the collection of basic statistical information related to development planning. Despite the commune/sangkat's capacity to do much more, there is a hesitation or unwillingness of most national ministries to delegate substantial powers to any sub-national agency<sup>31</sup>.

On the other hand, transfer of power to provinces and district governments in Indonesia has been accompanied with transfer of about two million central civil servants to the regions and districts, which has built the capacity at the local level and improved service delivery, besides strengthening grassroots democracy.

One of the ways to assess the extent of financial decentralization is to study the ratio of sub-national share in total revenues and expenditure. China and Mongolia have a sub-national share of public expenditures over 30 percent, while Malaysia and Indonesia are under 20 percent, and Philippines and Thailand under 10 percent<sup>32</sup>. However, higher expenditure at the local level should be matched with higher tax collection at that level. For instance, the share of local bodies in total revenues is less than five per cent in India, rendering them totally dependent on central and state governments for devolution of funds.

It is tempting to argue that the more dependent local bodies are on their own citizens for financial resources, the more likely they are to use scarce material resources to promote their perceived development needs. They should therefore not only decide the rate of taxes (subject to a minimum prescribed from above) on land, irrigation, drinking water, power, new construction, and houses, but also be given the authority to levy taxes on politically unpopular subjects such as agricultural income on large holdings. However this view point has been contested in some empirical studies<sup>33</sup>.

31 CHHIV Yiseang and Philippe LAFOSSÉ 2007, Deconcentration, Decentralization and Poverty Alleviation: The Case of Cambodia, paper presented at the International Conference on "Public Administration and Governance at the Forefront of Change: Dimensions, Dynamics, Dysfunctions and Solutions" December 5-7, Manila, Philippines

32 Fiscal Decentralization and Citizen Participation in East Asia, at <http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan049833.pdf>

33 . There is an interesting IDS report, which asserts that "governments of countries that are administratively decentralized (deconcentration) tend to spend a higher proportion of their revenues on pro-poor social spending while politically decentralized states spend little on social sectors. The research concludes that "there is no consistent, significant statistical association between the degree of fiscal decentralization and pro-poor public spending. See Institute of Development Studies, University of Sussex: [www.id21.org/society/s8aas1g1.html](http://www.id21.org/society/s8aas1g1.html)

### **Box 3: Indirectly elected district nazims in Pakistan – accountable to whom\*?**

The indirect election of the district nazim (administrator) in Pakistan complicates the accountability linkage with voters because the re-election of an incumbent nazim is not decided directly by the voters, but rather by a few hundred union councillors who function at the sub-district level. Indirect elections like these raise the potential for abuse. Nazims are very conscious of the need to keep their "electoral college" (i.e., the union councillors) on board. Therefore, they often decide to use funds by parcelling out small sums to councils in order to try to secure support. As a result, union administrations may not be left with sums needed to carry out the schemes their constituents need, particularly water and sanitation for rural areas. Conversely, where nazims have used other criteria to allocate development funds between union councils, those who have received little funds have accused the nazim of partisan behaviour.

\* Manning N., Porter D., Charlton J., Cyan M. and Hasnain Z. (2003): Devolution in Pakistan – preparing for service delivery improvements, Working Paper prepared for the Forum on Intergovernmental Relations and Service Delivery in Pakistan, 27-29 June 2003.

### **Safeguards against elite capture**

The overall outcome of decentralization in developing countries is mixed: good and not so good cases of success. Despite an elaborate legal framework to ensure participation of weaker sections of citizens in resources, benefits and services, elite domination prevails. For instance, public goods provided by the local government are community and site specific and it is often possible to exclude immigrants, minorities, or some other ethnic groups. Specific safeguards are needed to protect their interests.

Accountability is a prerequisite for improving public sector performance, and information is the key to accountability. Unless the public knows what public goods and services are provided, how well they are provided, who the beneficiaries are, how much the goods and services cost, and who paid for them, local constituencies will not encourage effective government<sup>34</sup>.

Through a carefully designed methodology, it is possible to measure the performance of local institutions, and to what extent they are inclusive and participative. Their performance should be publicised so as to increase the sense of competition amongst them. Bangalore (a metropolitan city in South India) and several other Indian districts use report cards to evaluate service delivery, Uganda requires beneficiary feedback on some government services, and Nicaragua used a series of public opinion surveys to reform the bus system and adjust fares.

Decentralization may reduce the imbalance between the centre and the regions, but, in the absence of appropriate accountability norms, it may increase the disparity between the richer and the poorer regions. For instance, the concern of some Indonesian and foreign experts is that in the absence of transparency and accountability at the local level, decentralization could bring about corruption and the rise of "little kings" in the regions. In this regard, it is worth noting that the experience of the Philippines with decentralization was not entirely successful. According to former Philippine Presidential Adviser Jose Almonte, some of the unintended effects included corruption at the local level, emergence of fiefdoms, and degradation of services formerly delivered by the central government.

To sum up, effective public service performance requires both, centralization and decentralization, and a healthy balance between the two needs to be maintained for effective and efficient functioning of government. There are some functions that cannot or should not be financed and managed in a decentralized fashion. Even when national governments decentralize responsibilities, they should retain crucial policy and supervisory roles. At the same time they should create such enabling conditions that allow local units of administration to become effective. With passage of time the local governments could take on more responsibilities.

<sup>34</sup> <http://www1.worldbank.org/publicsector/decentralization/what.htm>



## Political economy of reforms

While designing any strategy for reforming the civil services of developing countries the political context has to be kept in view. Trying to promote a universal model of reforms along the lines of UK or New Zealand in which civil servants are chosen on merit, protected from arbitrary removal, and remain politically neutral is not likely to succeed unless there is political consensus amongst the national elite on such a model. Power in many countries is intrinsically linked with kinship, ethnicity or personal factions that shape the roles, behaviours and expectations of all stakeholders. Institutions and personal interests in such countries may thwart formal incentive and accountability systems and prevent mobilization on the basis of shared interests rather than narrow sectional loyalties, and thus influencing negatively on the outcomes of civil service reforms<sup>35</sup>.

Even in many democracies of the developing countries the quality of public management depends to a large extent on the nature of party politics and the quality of political leadership. There is a growing belief widely shared among the political and bureaucratic elite in many governments that state is an arena where public office is to be used for private ends. Immediate political pressures for distribution of patronage are so intense that there is no time or inclination for the ministers and bureaucrats to improve governance, do conceptual thinking to design good programmes, weed out those that are not functioning well, and monitor the programmes with a view to take remedial action to improve the effectiveness of delivery.

External donor pressure for reforms is thus often nullified due to resistance from those who stand to lose from the reforms. The losers may not only be the politicians, often civil servants too oppose reforms. Although many senior civil servants in India hold the view that it is the nature of politics that largely determines the nature of the civil service and the ends to which it would be put and, therefore, civil service reforms cannot succeed in isolation, causation is also in the other direction. Non-performing administration leaves little choice to the politicians but to resort to populist rhetoric and sectarian strategies<sup>36</sup>.

Harun<sup>37</sup> argues that civil servants in Indonesia opposed reforms as it meant downsizing or reduction in their wages or perks. More accurate monitoring and reporting of financial operations were also seen as a direct threat to their income levels in Indonesia where the dependence on non-salary, quasi-legal or illegal forms of remuneration of bureaucrats is significant. In such countries therefore a short term goal could be 'just enough governance'<sup>38</sup>, where the initial focus is only on economic growth, with the aim of addressing specific capacity and institutional constraints affecting growth, and not seeking to address in one go all possible institutional constraints affecting delivery of government programmes.

Conventional administrative reforms in the developing world have had a mixed record for several reasons. A major problem is in mobilizing the kind of political and administrative will necessary to implement them. Vested interests are able to block many reforms and make it difficult to monitor the few that tend to get adopted. It could also be that people are not certain about the final outcome of some of these reforms. As a result, many ambitious reforms are proposed in official reports that are seldom acted on. Much time and money are wasted on exercises that produce no impact on the ground.

However political pressures may also act in the positive direction if reforms result in better outcomes for the masses. In India, for instance, lately there has been a growing realization among some chief ministers (Bihar, Gujarat and Chhattisgarh are good examples) on the need to improve governance, and this has paid political dividends as they have been able to overcome anti-incumbency factors and have been able to get re-elected in the elections. Even in these states reforms have not been to the liking of many politicians as giving up patronage based administration in favour of building institutions has immediate costs and gains are delayed. The successful Chief Ministers have had to keep legislative assembly members and ministers under check, which is difficult when the state is under a coalition regime or the ruling party is constrained by a thin margin in the assembly, or is divided into factions. However the repeated

35 <http://www.ids.ac.uk/idsproject/the-political-economy-of-successful-governance-reforms>

36 Saxena N.C. 2010, The IAS Officer – predator or victim?, Commonwealth & Comparative Politics, Vol. 48, No. 4, November, 445–456

37 Harun 2007: Obstacles to Public Sector Accounting Reforms in Indonesia' Bulletin of Indonesian Economic Studies Vol. 43 No. 3, pp. 365-376

38 Brian Levy & Francis Fukuyama, 2010: Development Strategies: Integrating Governance and Growth; Policy Research Working Paper 5196, The World Bank January

electoral success of some chief ministers has certainly put pressure on others to professionalise administration and deliver on their promises.

## Conditions for success

The local context in both low-income and middle-income countries may favour as well as oppose public sector reforms. Incentives for initiating public sector reforms include globalization, regional integration, or aid dependency<sup>39</sup>. Intensive economic growth (and the shifts in interests and pressures accompanying it) appears to be a potentially powerful driver for public sector reforms. Brazil, China, and India have all been undertaking a range of public administration reforms in recent years – albeit often unfinished – that have feedback links with their economic development<sup>40</sup>. However, this may not be true for all countries.

Many central Asian countries, such as Uzbekistan have shown high rates of economic growth without following the route of traditional governance reforms, such as 'fundamental improvements in the security of property rights, transparency of state actions, checks and balances for state institutions, accountability of government officials and regular channels of participation in decision-making – all culminating in effective rule of law.' This is due to the growth pattern in such countries which is based on export of natural resources (oil, gas) or labour-intensive raw materials (cotton), commodities that allow high degrees of monopoly at the expense of broad-based pro-poor economic development. The manufacturing and service sectors, by contrast, remain underdeveloped, unable to compete in international markets<sup>41</sup>. Governance as well as human rights affairs in such countries continue to be run with medieval outlook.

Globalization, increased international competition and volatile capital flows enable capitalists to push for administrative reforms that reduce transaction costs (ports, customs, courts), level the competitive playing field (monopoly and trade regulations), and enhance transparency (budgets, international reserves, monetary policy)<sup>42</sup>. Globalization is associated with a speedy dissemination of ideas, and success in one country puts pressure on its neighbours to follow its example. In Sub-Saharan Africa, Ghana pioneered the introduction of autonomous agencies in an attempt to improve public service delivery. After transforming its Rural Water and Sanitation Department to an agency, other countries, including Uganda, Tanzania, Kenya, and Zambia, followed suit<sup>43</sup>.

Reforms designed to improve efficiency and reduce waste and corruption may have a better chance of success if there is a free media and electoral competition with open elections. Free media and elections transmit demands for change and can be useful in holding politicians and officials to account. On the other hand, it can also be argued that significant improvement in the functional capability of the state often takes 10 to 20 years, if not more, which is clearly beyond the life-cycle of a single government for most democratic countries. Therefore the argument that implementing reforms in autocratic regimes is easier than in democratic regimes (given the limited opposition forces, and less dependence on electoral cycles) is quite appealing keeping in view the success achieved in Vietnam, China, and Singapore. However these countries are also endowed



Police training in Western Bahr el Ghazal, South Sudan  
Photo: UNDP South Sudan/Brian Sokol

39 European Commission 2009: Public Sector Reform, An Introduction, January, at [http://www.uqubec.ca/observgo/fichiers/10454\\_GRA-1.pdf](http://www.uqubec.ca/observgo/fichiers/10454_GRA-1.pdf)

40 Gaetani, F. (2003): Public Management Policy Change in Brazil: 1995-1998' International Public Management Journal No 6, Vol. 3, pp. 327-41

41 Jörn Grävingholt, 2011: The Political Economy of Governance Reforms in Central Asia, German Development Institute

42 Blanca Heredia and Ben Ross Schneider 1998: The Political Economy of Administrative Reform: Building State Capacity in Developing Countries, March, at <http://lasa.international.pitt.edu/LASA98/Heredia-Schneider.pdf>

43 Mansuri, Ghazala, and Vijayendra Rao. 2013. Localizing Development: Does Participation Work? Washington, DC: World Bank

#### **Box 4: Factors behind Singapore's success**

How is it that Singapore has been so successful in building up an efficient civil service? This is because of the successful implementation of the following five policies: (1) the adoption of anti-corruption measures; (2) selective recruitment of the 'best and brightest'; (3) competitive pay; (4) massive computerization leading to transparency and greater consumer satisfaction; and (5) linking promotion and pay increments with both potential and actual output of the public servant.

While these policies promote individual excellence, attention has also been given to maximize institutional outcomes through (1) delegation of authority for operational decisions to autonomous agencies, while retaining the power of oversight with central agencies; (2) instilling in organizations a sense of pride and ownership of their outcomes through training and ethical movements; (3) linking performance measurement systems of institutions with incentives and awards for innovative practices; and (4) leading by example which transmits strong values and principles of good governance socially rather than formally throughout the organization.

It must be noted that the city-state's situation is evidently very different from many developing countries. In coordinating the supply of trained personnel to meet the needs of the expanding economy, Singapore has one distinct advantage when compared with other countries: Its small geographical size and compactness (supported by an excellent communication infrastructure), besides lowering transaction costs associated with monitoring bureaucratic behaviour, allow for efficient planning, cohesive decision making, channelling of information, and deployment of personnel within and between the government and private sectors. Another is the virtuous circle through which resources for bureaucratic reform (such as civil service pay increases) have both contributed to, and been generated by, Singapore's remarkable economic ascent.

In addition to rules and procedures, performance of an organization is also influenced by its culture, which is created by and springs from the beliefs, values and assumptions of the founders of the organization. The early generations of leaders in Singapore, such as Lee Kuan Yew, Goh Keng Swee, and Rajaratnam, strongly believed in building up an effective civil service based on integrity, meritocracy and result orientation that would facilitate economic growth and social development. Overtime, these values were internalized by the civil service, and since then have stood as guiding principles for its policies and programmes.

Culture has also influenced the relations between state and the people. The success of the paternal culture that has developed in Singapore as regards how people view government is to some extent aided by the ingrained Asian values of respect and trust towards authority. The fact that two generations back most Singaporeans were immigrants with no sense of identification with the state and its politics, but at the same time hard working, rugged, pragmatic and concerned with their own economic development, has also helped in the evolution of state-people relationships.

Finally, Singapore has emerged virtually as a one-party democracy. This permits the government to be more involved in administration than with politics. Its main concern was and continues to be the management of Singapore, rather than how to manipulate voter behaviour in its favour. No other democracy can afford to announce, as the ruling party in Singapore does, that it will 'do what is right, not what is popular'.

\* Saxena, N.C. 2011. Singapore Public Service and National Development, Ministry of Foreign Affairs, Singapore 2011

with a strong civil service, which is one of several reasons why in several East Asian economies, especially Japan, China, Singapore and South Korea, authoritarianism has coexisted with excellent economic performance. It can be argued that the link between authoritarianism and economic decline, so evident in Africa, has been inoperative in these Asian countries largely because of their strong civil service. Greater efficiency and effectiveness can legitimately be demanded of public administrations in many East Asian countries. Clearly, civil service systems in many East Asian countries cannot be considered a problem; they are, rather, an important part of the solution to these countries' other problems.

Though freedom of the media is limited in Malaysia, an alliance of business interests, politicians and civil servants supported the need for efficiency and flexibility in public services, in the interests of national development and economic growth. Mahatir, as Prime

Minister of Malaysia, explicitly rejected western style liberal democracy and yet pushed through reforms of the civil service from early in his incumbency. China, a one-party state, has implemented extensive public sector reforms, including reforms to recruitment, performance pay, avoiding over-reliance on deference and hierarchy, etc.<sup>44</sup> Sometimes an overarching goal such as membership of the European Union for the Central Eastern European countries may put pressure on governments to pursue reforms<sup>45</sup>.

In some cases, socio-economic and political dynamics often run counter to reform attempts, especially when these threaten the elites who enjoy privileges such as access to jobs, public sector contracts, and regulatory distortions. Therefore the operational design for reforms must explicitly build in the specific country context and should have the support from key political leaders.

## Summing up

A good civil service is necessary, but not sufficient for good governance; a bad civil service is sufficient, but not necessary for bad governance<sup>46</sup>. However, as argued earlier, efficiency cannot be defined narrowly only in terms of achieving the stated goals of the regime in a cost effective manner. This is because a competent civil service may serve interests of the elite only, and be sometimes indifferent to the interest of the poor, women, and minorities, even in democracies. Therefore public service reforms should not only aim at delivering public services to the people, especially the disadvantaged, but should also aim at making them equal partners in administration and policy-making. Rather than look upon people as mere users of government services, the new way of developing public institutions is to argue that 'people are the main value creators for a number of traditional public goods and an increasing number of public policy issues'<sup>47</sup>. This shifts the relationship between government and people from one of subordination and dependency to one of parity, mutuality and reciprocity.

Some of the constraints identified in this paper that impede fulfillment of the above mentioned objectives and programme delivery are patronage based personnel management, antiquated and dilatory budgetary procedures, lack of focus on performance evaluation, disempowered citizenry, and insufficient accountability systems that are merely internal and upwards. The civil service's accountability to the public may be limited. While internal administrative accountability should be strengthened, it is rarely sufficient, because internal controls are often ineffective—especially when the social ethos tolerates collusion between supervisors and subordinates. Outward accountability with greater responsiveness to the needs of the people would need new institutions of citizen's charter, social audit, and transparency laws. People should be able to contribute and share power and resources, and be involved in decision making through appropriate decentralization mechanisms. The paper has discussed an imaginative range of possible prescriptions for enhancing outward administrative accountability to society and citizens. For instance, Right to Information Act has been used in many countries to curb misuse of power and to promote transparency and fairness in decision making by the agents of the state. Regulators have been set up to control tariff where delivery of public service has been outsourced. Autonomous and powerful vigilance commissions have been set up to control corruption. The number of countries aiming at better governance is likely to increase in future because of internal pressure from their own citizens and civil society, as well as because of external pressure from globalization and international organizations. As discussed below, it would be useful if the new Global Centre at Singapore can disseminate knowledge about these best practices to all concerned.

44 European Union, Public Sector Reform An Introduction March 2009

45 Simone Bunse and Verena Fritz 2012 fn

46 Schiavo-Campo, S., de Tommaso, G., & Mukherjee, A. (1997). World Bank policy research working paper 1771: Government Employment and Pay in Global Perspective: a Selective Synthesis of International Facts, Policies and Experience.

47 <http://www.nsworld.org/findings/Why-is-a-New-Synthesis-of-Public-Administration-Needed%3F/Citizens-as-Value-Creators>

### ROLE FOR THE NEW CENTRE

A new Global Centre for Public Service Excellence has been set up at Singapore with the collaboration of UNDP and the Government of Singapore. The Centre will be dedicated to policy, learning, and knowledge sharing on cutting edge research and practice in public services management and reform. The Global Centre will draw on the respective strengths of the two partners and strive to create a Centre of excellence in research and a convening hub on the theme of public services. Its goal of galvanising public service capacities

*The Centre should aim to be a platform for public service practitioners from both the developing and developed world to be able to participate in generation, production and dissemination of knowledge based on experiences from the field.*

for excellence can at best be indirectly achieved through dissemination of relevant knowledge to stakeholders and networking with appropriate national advocacy institutions. Obviously the Centre has to take a lead role in research and generating knowledge so that it could act as a convening hub on the theme of public services, and as an advocacy platform towards influencing senior public servants in other countries responsible for policy formulation and its implementation.

As already discussed, in the area of civil service reform, Governments face many critical challenges. They must enhance the productivity of the civil service and make certain that each employee is performing socially relevant tasks. They must ensure the long-term affordability of the civil service, and must enforce procedures for rewarding and promoting merit, disciplining malfunction and misconduct, to strengthen accountability and performance quality. It has become necessary to

reshape the bureaucracy so that it performs its core public functions and develop new ways of ensuring that critical economic and social services are provided directly or indirectly. A new work culture will have to be evolved at all levels of the staff. Innovation and performance should be encouraged and rewarded and steps should be taken to ensure effective supervision and control over the functionaries. To deal with the newer challenges, civil servants also need to continuously update themselves. They have to continuously expand their horizons through learning and training. Only this would equip them to keep pace with the changing times.

The Centre should develop a virtual portal where experiences of public service practitioners can be shared with intellectuals and academics. It should provide space for public service practitioners to reflect on their practices, through discussion forums, and will make available to a wider audience the work being done by individual public servants to bring about change in their respective sectors. As they reflect upon their own and the experience of others, organizational learning would be facilitated.

#### **Partnerships and research agenda**

As a leading research hub, the Centre should draw upon the best quality material emanating from the various think tanks, universities, and from on-going policy practice in Singapore and other countries, so that it helps in enhancing UNDP's existing knowledge and research capability. The Centre should bring together diverse experiences of many countries for promoting South-South collaboration, by sharing, exchanging and co-creating such knowledge so as to catalyze policy thinking on public service capacity for sustainable development. Best practices tried in low and middle income countries may also be useful for the richer nations. For instance, PROGRESA, the system of cash transfers for poor households pioneered in Mexico, is now being given a trial run in New York<sup>48</sup>.

Such studies should be widely disseminated for advocacy. It will also build up public opinion in favour of reforms. Without adequate publicity acceptability of civil service reforms by the people cannot be assumed, even when intended reforms will benefit those who need them most.

The work plan for the new Centre needs to be drawn up keeping in view the requirement of the developing nations. While the detailed plan for achieving civil service reforms has to be prepared by each country, the new Centre could provide best practices by researching on themes that would necessarily be part of any national plan. In addition to subjects already discussed in the first part, the proposed

<sup>48</sup> [http://www.mckinsey.com/features/government\\_designed\\_for\\_new\\_times/leading\\_transformation\\_in\\_the\\_21st\\_century](http://www.mckinsey.com/features/government_designed_for_new_times/leading_transformation_in_the_21st_century)

research plan for the Centre may also include Public Private Partnerships, use of IT, and developing a good management information system (MIS), which are in the nature of low-hanging fruits, and are being adapted by many developing countries, with far reaching impact on public service delivery.

Some of the subjects on which the Centre should prepare policy and analytical papers so as to be useful to other countries are discussed below.

### ***Public-private partnerships and outsourcing***

Many countries are today setting up hybrid institutions<sup>49</sup> to undertake commercial activities that are somewhere in between totally state controlled (such as banks and industries in China) and fully privatized (such as in USA). In such parastatals ownership and management may be shared between the state and private sector. Such public-private partnership (PPP) takes different shapes, such as provision of land and concessional tax regime in SEZs (Special Economic Zones), total transfer of responsibility to private sector entities for providing essential services such as water and power in cities but setting up simultaneously a Regulator for deciding tariff, etc.

Some of the parastatals such as BBC in UK, Temasek Holdings Ltd in Singapore (a government-owned investment company), and Railways in India are wholly owned and controlled by government, but given considerable autonomy, and many are able to compete with the private sector. However lack of public scrutiny may sometimes impact on their accountability and may inhibit inclusive growth.

PPPs are quite popular in infrastructure projects where government commits to make in-kind or financial contributions to the project, whether through subsidies or guarantees, and the private partner builds, maintains, and operates the assets in exchange for some combination of user fees<sup>50</sup>.

Many interesting innovations in governance and partnerships between the public and private sectors are coming from the developing countries. Manila Water Reforms deserve special mention because the city was infamous for its outdated, inefficient water system. The privatization of Manila's Metropolitan Waterworks and Sewerage System, on which IFC (International Finance Corporation) was lead advisor, fundamentally changed the sector. The privatization required the transfer of full operational and investment responsibilities to the private operators, and an independent regulatory unit was established in 1997 to monitor and enforce the concession agreements<sup>51</sup>.

In the past three decades several states in Sub-Saharan Africa, in the Eastern Caribbean and in Europe (and other states as well) have used forms of outsourcing, usually to regional organizations, as a means to reduce the cost and increase the quality of some public services. In Sub-Saharan Africa: the Banque des Etats de l'Afrique Centrale,1 (BEAC) and the Banque Centrale des Etats de l'Afrique de l'Ouest,2 (BCEAO), established in the 1960s have been pioneer multi-country central banks worldwide. Multi-country security agreements, as in the African Union (AU) or the Economic Community of West African States (ECOWAS), have been increasingly used to prevent or quench local conflicts. These agreements allow the deployment of multinational troops to help stabilize a potentially volatile situation. The rationale underlying a government decision to subcontract provision of some public services to a regional organization is to access higher quality (and possibly lower cost) public services than could be produced domestically. In that respect, contracting out a public service is not radically different from importing private goods and services, when producing these goods domestically is more expensive than purchasing them in the rest of the world<sup>52</sup>.

49 Hybrid PPPs: Levering EU funds and private capital, January 2006, Report prepared by PricewaterhouseCoopers LLP ("PwC") for the World Bank

50 <http://bit.ly/YrJmvK>

51 [http://www1.ifc.org/wps/wcm/connect/3f64d180498391a5856cd7336b93d75f/SuccessStories\\_MWSSweb.pdf?MOD=AJPERES](http://www1.ifc.org/wps/wcm/connect/3f64d180498391a5856cd7336b93d75f/SuccessStories_MWSSweb.pdf?MOD=AJPERES)

52 Edgardo M. Favaro, 2010, USING REGIONAL INSTITUTIONS TO IMPROVE THE QUALITY OF PUBLIC SERVICES, World Bank, Economic Policy and Debt Department, October 15

The role of private sector in providing low cost sanitation and potable water can be quite significant and needs to be explored. Currently, in many cities, a water and sanitation unit is generally operated as a traditional public sector, line department. In this context, reform options may include converting the water and sanitation department into a corporate utility operated under an independent board with a legally binding performance management contract between the city and the utility. In this case, the city remains the owner and policy maker but service provision is now in the hands of a corporate provider at arm's length from the policy maker. Another option would be to bring in a private operator to manage the utility, further strengthening the arms length relationship between the policy maker and provider. In the solid waste sector, to take another example, cities may institutionally separate the operations of collection, transfer and landfill into different entities bringing private sector participation in where appropriate in the chain. If warranted by the economies of scale, a cluster of cities may jointly own and manage a common landfill operated by a corporate utility. Again, the regulatory function could be passed onto the State. These are examples of how the roles of policy making, provider and regulator can be separated.

One of the areas where public-private partnerships can be introduced is in the running of care homes. Asking government servants to run such homes is expensive (as salary and pension burden in government may be higher in many countries such as India than what the civil society pays to corresponding levels), and they lack the skills and motivation to provide care to the elderly or the disabled. Transferring such homes to the NGOs is cost-effective, as well as will ensure better services. Some other areas where Government organization-NGO partnership can be effective in making administration citizen friendly are

- Peoples' participation in natural resource management
- Community health and sanitation
- Monitoring primary education
- Village development schemes

Internationally, PPPs have demonstrated that sharing risks between private firms and the state can provide strong incentives for services to be delivered more effectively to users and, thereby, more efficiently for taxpayers. However, lessons learnt so far highlight the need for a robust governance framework, to ensure that PPPs provide value for money overall, are affordable in the long-term, and entail appropriate risk transfer. Otherwise, there is a risk that PPPs may be pursued because of short term fiscal constraints or ephemeral accounting reasons, with the consequent risk of exposing governments to unaffordable and perhaps unexpected long-term liabilities. This means that, on the one hand, PPPs are not seen as a mainstream route to infrastructure provision, and, on the other, PPPs are frequently applied inappropriately - early efforts to adopt PPPs for motorway projects in the Czech Republic, Hungary, and Poland have not been successful in delivering results, and consequently tarnished the public perception of PPPs<sup>53</sup>.

The Centre may study different models and write papers on the comparative advantage and disadvantage of such arrangements. What are the conditions under which hybrid PPP arrangements lead to better public satisfaction?

### **E-Governance**

As is well known, e-governance applications are now being widely used in the developing countries. This has made the citizen-state interface much easier, reducing transaction costs and public dissatisfaction. E-governance is less threatening to those in authority in contrast to some of the complex administrative reforms that have remained dormant in official reports. An e-governance application may look simple and limited in scope, yet it may have far reaching implications for the operating culture and performance of governments. E-governance is thus fast emerging as an important tool for achieving good governance especially with regard to improving efficiency, transparency and making interface with government user friendly.

Singapore is at the forefront in e-governance applications. It has used new technologies to streamline and speed up its interactions with, and services to, the public in almost all sectors of activity. It has also used IT in a big way in improving the internal management of

<sup>53</sup> <http://nsworld.org/findings/Building-New-Capacities-Resilience/Resilient-Public-Policies#!prettyPhoto#examples2/2/>

its systems with respect to funds, personnel and assets (internal housekeeping). Based on this experience, the benefits of e-governance can be summarized as follows:

- It improves government's overall productivity.
- It promotes greater transparency and public accountability.
- It simplifies and speeds up the delivery of a wide range of public services.
- It improves service quality and thus increases citizen satisfaction.
- It aids dissemination of information and thus empowers people.
- It can make government seamless, and integrate departmental activities.

However the full potential of e-governance can be realized only when several other reforms are undertaken. Governments must be willing to share information with the citizens. Access to government information may be a right in many countries, but, practically speaking, it is usually cumbersome and often not achievable. Most citizens have little knowledge about what information is held within government coffers; let alone how to find it. Finding information can be time-consuming, costly and frustrating. If more than one agency is involved, the citizen can become a pinball, bouncing from one source to another.

Application of ICT must be accompanied with elements of organizational transformation and change. It needs new mind-sets, culture and processes in government organizations. Therefore, of late, most e-governance efforts inherently include business process re-engineering, aimed at generating citizen-centric and citizen interactive systems<sup>54</sup>. In the absence of these reforms ICT can be quite frustrating for the citizens, as they lose face-to-face contact with public servants, and are bombarded with information that is of little use to them. There is a great deal of evidence to show that people are not happy with a faceless bureaucracy that is unable to meet accurately expectations of personalized services that recognize differences and uniqueness<sup>55</sup>.

Singapore's success as a leading purveyor of effective E-Government is more than just enabling government services with technology. It also involves a monumental effort to reform the public service, which entails significant structural and operational changes. Over the last twenty years, the government's progressive and meticulously crafted national ICT programmes have established a strong foundation to transform the public service, coupled with a holistic E-Government framework that addresses not only technology but also management, process, governance, and social and cultural issues to deliver accessible, integrated, and value adding e-services to its constituents. Other countries with poor governance will therefore not be able to take full advantage of technological possibilities that ICT offers. One can only hope that application of e-governance would slowly put pressure on governments to initiate other administrative reforms too that are necessary for efficient programme delivery.

### ***Management Information Systems***

The Centre should study the prevalent management information systems (MIS) for important national programmes of various countries, as it impacts on the quality of programme delivery. In most developing countries field staff reports only on activities, they are not involved in impact assessment, or in qualitative monitoring. The concept of stakeholder monitoring is unknown. No indicators exist for assessing public participation or their awareness. Emphasis is laid only on the initial or current expenses. After five years, little is done or monitored. Secondly, when money has been allocated for a particular activity in a particular area, it is assumed that the work in question has been done, and that it was sufficient. This ignores the fact that either of the above assumptions could be wrong. The primary monitoring activities have to do with fiscal accountability. While it is necessary, it should not be allowed to overshadow the need for technical and resource monitoring and planning work accordingly. At present, there is great pressure on the field staff as a whole to account for funds utilized, but not in terms of longer-term results, because those are not monitored. Thus financial planning is divorced from physical planning.

<sup>54</sup> Hannah Beardon ICT for development: empowerment or exploitation? A two-sided coin; at <http://www.actionaid.org.uk/content/documents/ICTpo.pdf>

<sup>55</sup> [http://wiki.dbast.com/images/4/4b/The\\_digital\\_media\\_and\\_the\\_reinvention\\_of\\_government.pdf](http://wiki.dbast.com/images/4/4b/The_digital_media_and_the_reinvention_of_government.pdf)



Performance budgeting on the lines of Singapore and other developed countries has either not been introduced or is only on paper in many developing countries. Generally there is ex-ante rather than ex-post control of expenditure by line agencies through the institution of Financial Advisors or the Ministry of Finance. Thus the performance budgeting system for reporting of outputs and outcomes is divorced from financial reporting and budget preparation. Given departmental allocations, operational efficiency and effectiveness crucially requires accountability. This encompasses

- fixing individual and collective responsibility for delivery of defined service outputs;
- personnel policies linked to performance, with performance being measured by actual outputs in relation to prescribed service delivery standards and preset targets;
- independent internal and external, financial and performance auditing with mechanisms for effective corrective or disciplinary action based on audit findings; and
- "customer" satisfaction surveys.

Further, transparency in financial management requires

- publication of programme performance reports, and
- feedback mechanisms to elicit client feedback on the quality of services provided. Aside from internal and external auditing, the institutional framework for service delivery in the developing countries hardly meets these standards and sanctions linked to poor performance, or programme modifications based on client feedback are sporadic, at best.

The new Centre should prepare policy and research papers covering the above issues with the ultimate objective of promoting south-south partnerships in collaborative learning.

### ***Structures of rewards and punishments***

The Centre may like to study the prevailing incentive structure that motivates public servants to excel. In many countries there are no well-enforced norms and rules of work discipline, very few punishments for ineptitude or malfeasance, and there are strong disincentives to take bold, risky decisions<sup>56</sup>. However we may criticize these constraints, but the hard reality is that little can be done to change them overnight. At the same time, it is possible to create some (perhaps symbolic to begin with) incentives for good performance within the system. Here, the magnitude of the reward or the severity of the penalty matters less than their certainty, swiftness and fair and uniform application. A rise in individual accountability must be accompanied by commensurate rewards and consequences for non-performance (on-the-job training, rather than penalties, may be the right response). The weight of evidence from all countries shows that the lack of credible consequences turns serious accountability reforms into bureaucratic formality.

Apart from the subjects discussed above, the Centre should develop expertise in issues relating to accountability, programme delivery and evaluations, human resource management, and corruption.

### ***Training***

Should the new Centre be involved in organising training programmes for senior civil servants engaged in policy making in the developing countries? This is one issue that needs to be seriously considered. The other UNDP Centres at Oslo and Rio do not hold training sessions. However, international training programmes help the policy makers of a country to understand how governance has improved in a neighbouring country which faces similar constraints of political economy. For the faculty of the Centre and senior government officials networking would be mutually beneficial.

In addition to running short-term training programmes (duration may vary from one to two weeks), the new Centre should also be able to offer long-term fellowships for middle-level policy makers from developing countries, for periods ranging from three months to one year, so that the fellowship holder may develop expertise in a variety of subjects relevant to his/her country and Ministry.

<sup>56</sup> [http://epress.anu.edu.au/narayanan/mobile\\_devices/ch07.html](http://epress.anu.edu.au/narayanan/mobile_devices/ch07.html)

In not too distant future it may also consider developing partnerships with national training institutions with a view to develop their capacity and hold joint training programmes.

However, training should be seen as an integral part of personnel management, and should be linked to recruitment, career and promotional avenues, human resource development, and general environment of governmental functioning. Without improvement in these related sectors, the efficacy of training would be limited.

### *Dissemination strategy*

The new Centre could also promote communication among local stakeholders, such as businessmen, bureaucrats, economists and donors, which will improve acceptability of technocratic solutions and ownership of reform programmes by them. These may be accompanied by strategies to understand and address obstacles to reform that will often rely on communication among networks within and outside of government, among civil society organizations, and between citizens in the public sphere<sup>57</sup>. This method of reaching out to political leaders, policy makers, and legislators may be effective in many democratic countries. Similarly such training programmes and networking may also help in gaining the support of public sector middle managers, who are often the strongest opponents of change, and then foster among them a stronger culture of public service.

Many studies<sup>58</sup> have shown that 'successful implementation of public sector governance reform depends on high-level political commitment, strong technical capacity, and incremental approaches with the potential for cumulative impact over an extended time frame'. One needs to take into account the domestic conditions and work with reform-oriented politicians and bureaucrats with modest aims and build on incremental progress.

Some other subjects, such as Accountability, promoting peoples' participation, and decentralization that should be essential part of the Centre's research agenda have already been discussed in the first part of the paper.

### *Dealing with increasingly uncertain, and complex policy issues*

Apart from long-term challenges such as national security, climate change and population that cut across traditional Ministry and agency boundaries, the Public Service will in future need to address more complex issues, such as the possibility of low-probability but high-impact events (known in the literature as "black swans"), like the 9/11 terrorist attacks and SARS epidemic. This suggests that it will not be possible for any government to correctly anticipate and prevent all major crises, all the time. Therefore, it is necessary for each country to go beyond its existing strengths in optimization and efficiency, to develop capabilities to manage and respond to shocks and unforeseen events, and to enhance institutional resilience within the Public Service itself.

Given the importance of risk management skills and the ability to deal with unexpected events, the focus of public service reform should – in addition to enhancing the performance and efficiency of the bureaucracy – also be to develop an entrepreneurial and risk tolerant role. This would aim to prepare the Public Service to meet 'the known and unknown challenges' in the present and the future.

Recognising the need for greater policy coordination on complex issues, the government of Singapore has established national agencies headed by Permanent Secretaries and situated within the Prime Minister's Office. Inter-Ministerial Committees have also been established to coordinate policies on cross-agency issues such as export controls, population ageing and sustainable development, drawing together representatives from a spectrum of relevant public sector agencies. However, there are still obstacles to be overcome as members of such committees continue to receive their mandates from their parent organizations, with their own traditional priorities.

The new Centre may like to study how different countries have faced such situations, and what lessons can be drawn for building administrative capacity for addressing such unforeseen crises.

<sup>57</sup> World Bank 2008 Governance Reform under Real-World Conditions

<sup>58</sup> <http://www.ids.ac.uk/idsproject/the-political-economy-of-successful-governance-reforms>

Nevertheless, coordinated and synergistic whole-of-government policies and implementation will become ever more crucial to achieving complex national outcomes. The success of countries will depend not on the strength of any one aspect of public policy, but on the synergistic whole in concerted action. The challenges facing whole-of-government initiatives are not to be under-estimated. It is not merely a question of wanting to work differently. The design and functions of complex organizations like federal governments cannot change overnight. Parliamentary mandates, accountability measures, financial legislation, organizational culture and the political undercurrents are just a few of the variables that will determine the success of such initiatives. Moreover a reverse trend to sectoral approach is being witnessed in some areas where it is seen as providing better results, e.g. the anti-corruption machinery that needs to be kept away from the influence of other Ministries.

### *Summing up*

To sum up, the Centre should aim to be a platform for public service practitioners from both the developing and developed world to be able to participate in generation, production and dissemination of knowledge based on experiences from the field, and where the practitioners and empirical researchers communicate their practical experiences and learnings. Envisioned to empower them for change through dissemination and by connecting civil servants working on similar themes from across the world, the Centre should act as an intermediary for knowledge on innovative practices.

The new Centre should therefore have a robust research agenda on themes that are not only being tried with success in some countries leading to excellence, but should also include new thoughts that are emerging in the literature. UNDP as well as many external donors are engaged in helping governments in improving public service performance. UNDP provides technical assistance on administrative reforms and governance to many countries. Its portfolio also includes decentralization and peoples' participation. Hence the Centre should conduct systematic review and analysis of work being done in these sectors so that the capacity of UNDP's front-line staff to address these new challenges facing administration improves and their advice carries greater credibility.

In brief, the Centre should position itself as a think tank for germinating ideas, develop analytical frameworks and bring together public sector reform champions (intellectual, policy makers, and practitioners) to share their experiences and foster knowledge transfer and dissemination. It would create a bank of best practices, methodologies and tools in public service excellence both from the developed and developing world.

**Cover Photo:** UNDP Afghanistan. As a result of local development projects planned and monitored by District Development Assemblies, 1.3 million Afghans now have access to clean drinking water.

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**Disclaimer:** The views expressed in this paper are those of the authors and do not necessarily represent those of UNDP, the United Nations or its Member States

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Bill No. 131 of 2011

THE RIGHT OF CITIZENS FOR TIME BOUND DELIVERY OF GOODS  
AND SERVICES AND REDRESSAL OF THEIR  
GRIEVANCES BILL, 2011

A

BILL

*to lay down an obligation upon every public authority to publish citizens charter stating therein the time within which specified goods shall be supplied and services be rendered and provide for a grievance redressal mechanism for non-compliance of citizens charter and for matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Sixty-second Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

5 1. (1) This Act may be called the Right of Citizens for Time Bound Delivery of Goods and Services and Redressal of their Grievances Act, 2011.

(2) It extends to the whole of India except the State of Jammu and Kashmir.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Short title,  
extent and  
commence-  
ment.

Provided that the Central Government shall appoint such date within six months from the date on which the Right of Citizens for Time Bound Delivery of Goods and Services and Redressal of their Grievances Bill, 2011 receives the assent of the President:

Provided further that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision. 5

Definitions.

2. In this Act, unless the context otherwise requires,—

(a) "action taken report" means a report furnished to the complainant by the Grievance Redress Officer or the designated authority or the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission in response to a complaint or appeal, as the case may be; 10

(b) "appropriate Government" means in relation to a public authority which is established, constituted, owned, controlled or substantially financed by funds provided directly or indirectly—

(i) by the Central Government or the Union territory administration, the Central Government; 15

(ii) by the States, the State Government;

(c) "Central Public Grievance Redressal Commission" means the Central Public Grievance Redressal Commission constituted under section 30;

(d) "Chief Commissioner" means the Chief Commissioner of State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission appointed under section 13 or section 32, as the case may be; 20

(e) "Citizens Charter" means a document declaring the functioning, obligations, duties, commitments of a public authority for providing goods and services effectively and efficiently with acceptable levels of standards, time limits and designation of public servants for delivery and grievance redress as defined in sub-section (1) of section 4; 25

(f) "complaint" means a complaint filed by a citizen regarding any grievance relating to, or arising out of, any failure in the delivery of goods or rendering of service pursuant to the Citizens Charter, or in the functioning of a public authority, or any violation of any law, policy, programme, order or scheme but does not include grievance relating to the service matters of a public servant whether serving or retired; 30

(g) "days" means the working days, referred to as the timeline;

(h) "Designated Authority" means such officer or authority outside the concerned public authority as may be prescribed by the appropriate Government; 35

Provided that in case an officer is designated as the Designated Authority, such officer shall be above the rank of the Grievance Redress Officer referred to in sub-section (1) of section 7;

(i) "Grievance Redress Officer" means a Grievance Redress Officer appointed under section 7; 40

(j) "Head of the Department" means an officer designated as such by the appropriate Government, as the head of a Government Department or public authority;

(k) "Information and Facilitation Centre" means an Information and Facilitation Centre, including customer care centre, call centre, help desk, people's support centre established under section 6; 45

(l) "notification" means a notification published in the Official Gazette;

(m) "prescribed" means prescribed by the rules made under this Act;

(n) "public authority" means any authority or body or institution of self-government established or constituted,—

(i) by or under the Constitution;

(ii) by any other law made by Parliament;

5 (iii) by any other law made by State Legislature;

(iv) by notification issued or order made by the appropriate Government, and includes any,—

(A) body owned, controlled or substantially financed;

10 (B) non-Government organisation substantially financed, directly or indirectly by funds provided by the appropriate Government;

(C) an organisation or body corporate in its capacity as an instrumentality of "State" as defined under article 12 of the Constitution and rendering services of public utility in India;

1 of 1956. 15 (D) a Government company as defined under section 617 of the Companies Act, 1956;

(E) any other company which supply goods or render services in pursuance of an obligation imposed under any Central or State Act or under any licence or authorisation under any law for the time being in force or by the Central or State Government;

20 (v) by an agreement or memorandum of understanding between the Government and any private entity as Public-Private Partnership or otherwise;

(o) "service" means all the goods and services, including functions, obligations, responsibility or duty, to be provided or rendered by a public authority;

25 (p) "State Public Grievance Redressal Commission" means the State Public Grievance Redressal Commission constituted under section 13.

## CHAPTER II

### RIGHT TO SERVICE

3. Subject to the provisions of this Act, every individual citizen shall have the right to time bound delivery of goods and provision for services and redressal of grievances.

Right to service.

## 30 CHAPTER III

### PUBLICATION OF CITIZENS CHARTER AND GRIEVANCE REDRESSAL OFFICER BY PUBLIC AUTHORITIES

4. (1) Every public authority shall publish, within six months of the commencement of this Act, a Citizens Charter specifying therein all the category of goods supplied and services rendered by it, the time within which such goods shall be supplied or services be rendered.

Obligation of public authority to publish Citizens Charter.

35 (2) Without prejudice to the generality of the provisions contained in sub-section (1), the Citizens Charter shall provide all or any of the following matters, namely:—

40 (a) the details of all the goods supplied and services rendered by the public authority and the name of person or agency through which such goods are supplied or services rendered and timings during which such services are supplied or services rendered;

(b) the conditions under which a person becomes entitled for goods or services, and the class of persons who are entitled to receive such goods and avail services;

(c) the quantitative and tangible parameters (including weight, size, frequency) of the goods and services available to the public;

(d) complaint redressal mechanism including the time within which the complaint be disposed of and the officer of the public authority to whom such complaint may be made;

(e) the name and addresses of individuals responsible for the delivery of goods or rendering of services mentioned in (a) above; 5

(f) any other functions, obligations, responsibility or duty of the public authority is required or reasonably expected to provide;

(g) any other information relevant to delivery of goods or provision of services or such other information as may be prescribed.

(3) The appropriate Government may, by notification, make rules in relation to citizens charter and grievance redressal. 10

Obligation of Head of the Department for updating and verifying the Citizens Charter.

5. (1) The Head of the Department in each public authority shall be responsible for updating and verifying the Citizens Charter every year and the accuracy of the contents thereof.

(2) It shall be the responsibility of the Head of the Department of every public authority to ensure that the Citizens Charter is widely disseminated to the public. 15

(3) It shall be the responsibility of the Head of the Department of every public authority to take steps in accordance with section 4 of the Right To Information Act, 2005 for providing relevant information to the public enabling them to exercise their rights mandated under this Act. 22 of 2005. 20

(4) Every Head of the Department shall ensure that all material be disseminated taking into consideration the local language and the most effective method of communication in that local area free of cost.

*Explanation.*—For the purposes of this section the expression "disseminated" means making known and communicating the information to the public through notice boards, newspapers, public announcements, media broadcasts, the internet or any other means, including inspection of offices of any public authority by any citizen. 25

(5) Every Head of the Department shall to the extent possible, ensure that the Citizens Charter is made available at the website of the public authority and in other electronic forms and shall be available free of cost. 30

(6) Every Head of the Department shall ensure that a copy of the Citizens Charter of the public authority duly certified by him is submitted to appropriate bodies, including appropriate Central and State Public Grievance Redress Commission, when it is published and subsequently, every time that it is modified, updated or amended.

#### CHAPTER IV 35

##### ESTABLISHMENT OF INFORMATION AND FACILITATION CENTRE

Establishment of Information and Facilitation Centre.

6. (1) Every public authority shall establish Information and Facilitation Centre for efficient and effective delivery of services and redressal of grievances, which may include establishment of customer care centre, call centre, help desk and people's support centre.

(2) Every Head of the Department of the public authority shall be responsible for the development, improvement, modernisation and reform in service delivery and redressal of grievance system. It shall also include adoption of electronic modes, internet, etc. 40

(3) The appropriate Government may, by notification, make rules in relation to Information and Facilitation Centre.



## CHAPTER V

## APPOINTMENT AND OBLIGATION OF GRIEVANCE REDRESS OFFICERS BY PUBLIC AUTHORITY

7. (1) Every public authority shall, within six months from the date of the coming into force of this Act, designate as many officers as may be necessary as Grievance Redress Officers in all administrative units or offices at the Central, State, district and sub-district levels, municipalities, Panchayats whereat supplies of goods or render services to receive, enquire into and redress any complaints from citizens in the manner as may be prescribed:

Appointment and obligations of Grievance Redress Officers, including for each municipalities and Panchayat.

Provided that the Grievance Redress Officer so appointed shall be at least one level above and be deemed to have administrative control on the individual designated to deliver goods or render services as per the Citizens Charter as defined in section 4.

(2) Every public authority shall, immediately on appointment or designation of a Grievance Redress Officer,—

(a) give, through a public notice in a newspaper published in Hindi or English language and in a newspaper published in an Indian language in circulation in the area in which such service provider is providing services, indicating therein the name of the Grievance Redress Officer, his address and telephone number, e-mail address, facsimile number and other means of contacting him in respect of each area for which the Grievance Redress Officer have been appointed or designated and thereafter give such public notice at least once in twelve months in the same manner:

Provided that in case of change of the name of the Grievance Redress Officer, his address and telephone number, e-mail address, facsimile number and other means of contacting him shall be intimated by public notice, in the same manner specified in this clause;

(b) display, at its each office, Information and Facilitation Centre, call centre, customer care centre, help desk, People's Support Centre and at the sales outlets, website and at the office of the Grievance Redress Officer and the appellate authority, the name of the Grievance Redress Officer, their addresses and telephone numbers, e-mail addresses, facsimile numbers and other means of contacting them, in respect of each area for which the Grievance Redress Officer have been appointed or designated.

(3) Every public authority shall appoint or designate such number of Grievance Redress Officer under sub-section (1) and for such areas, as may be considered by it necessary, for Grievance Redress Officer being easily accessible and available for redressal of grievance of the public.

(4) The Grievance Redress Officer shall provide all necessary assistance to citizens in filing complaints.

(5) Where a complainant is unable to make a complaint in writing, the Grievance Redress Officer shall render all reasonable assistance to the person making the request orally to reduce the same in writing.

8. All complaints shall, within two days of the making of the complaint, be acknowledged by a receipt, issued in writing or through electronic means or through text message or through telephone or through any other means as may be prescribed, specifying the date, time, place, unique complaint number and particulars of receiver of complaint along with the stipulated time frame in accordance with its Citizens Charter within which the complaint will be redressed.

Acknowledgement of complaint by receipt thereof.

9. (1) Upon receipt of a complaint as defined in clause (f) of section 2, it shall be the duty of the concerned Grievance Redress Officer to ensure that,—

Action to be taken by Grievance Redress Officer.

(a) the grievance is remedied in a time frame not exceeding thirty days from the date of receipt of the complaint;

(b) the reason for the occurrence of the grievance is identified and the responsibility of the defaulting office or individual is fixed and the grievance is redressed satisfactorily within thirty days from the date of receipt of the complaint by the Grievance Redress Officer;

(c) where the grievance has occurred as a result of a deficiency, negligence or malfeasance on the part of an office or individual then the action is taken in accordance with conduct rules and departmental procedures; 5

(d) where the Grievance Redress Officer is convinced that the individual responsible for the delivery of the goods and services has wilfully neglected to deliver the goods or services or there exist *prima facie* grounds for a case under the Prevention of Corruption Act, 1988, the Grievance Redress Officer can make an observation to that effect along with a recommendation for the penalty, including compensation to the complainant, to be imposed, to the designated authority. 10  
49 of 1988.

(2) The Grievance Redress Officer may seek the assistance of any other officer required for the proper discharge of his duties or may direct any other officer to take action to redress a complaint. 15

(3) Any officer, whose assistance has been sought under sub-section (2), shall render all assistance to the Grievance Redress Officer seeking his assistance and for the purposes of any contravention of the provisions of this Act, such other officer shall be deemed to be a Grievance Redress Officer for the purposes of this Act. 20

(4) The Grievance Redress Officer shall ensure that the complainant is informed in writing the manner in which the grievance is redressed and shall give him a report in the form of an action taken report.

Forwarding of details of non-redressal of complaints to the designated Authority

10. The Grievance Redress Officer shall, immediately after the expiry of the period of thirty days, report every complaint which has not been redressed along with the details of the complainant, nature of complaint, and reasons for non-redressal of complaints to the designated authority. 25

CHAPTER VI

APPEAL TO THE DESIGNATED AUTHORITY

Appeal.

11. (1) Every complaint forwarded along with the details under section 10 shall be deemed to have been filed by way of an appeal to the designated authority. 30

(2) Any individual aggrieved by a decision of the concerned Grievance Redress Officer or who has not received an action taken report in respect of a complaint filed by him, may, if he so desires, within thirty days from the expiry of such period or from the receipt of such decision, prefer an appeal to the designated authority: 35

Provided that the designated authority may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time.

(3) The receipt of the appeal under sub-section (2) shall be acknowledged by the office of the designated authority. 40

(4) The designated authority shall, for the purposes of its functions under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of the following matters, namely:— 5 of 1908.

(a) summoning and enforcing the attendance of any person and examining him on oath; 45

(b) discovery and production of any document or other material object producible as evidence;

(c) receiving evidence on affidavits;

(d) requisitioning of any public record;

5 (e) issuing commission for the examination of witnesses;

(f) reviewing its decisions, directions and orders;

(g) any other matter which may be prescribed.

(5) The designated authority shall have original jurisdiction to adjudicate upon every application made to it under this section 11.

10 (6) The designated authority shall not be bound by the procedure laid down in the  
5 of 1908. Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of this Act and of any rules made thereunder, the Authority shall have the power to regulate its own procedure.

(7) Every appeal filed under this section or complaint deemed to be by way of an appeal  
15 shall be disposed of by the designated authority within thirty days from the date of receipt of such appeal:

Provided that an appeal of an urgent or immediate nature shall be disposed of within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than thirty days from the date of receipt of the appeal.

20 (8) The designated authority shall arrange to deliver copies of the decisions to the parties concerned within a period of five working days from the date of such decisions.

(9) The designated authority may impose penalty, including compensation to the complainant, in deciding an appeal against concerned officer for acting in a *mala fide* manner or having failed to discharge their duties without any sufficient and reasonable cause:

25 Provided that the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them.

49 of 1988. (10) Where it appears to the designated authority that the grievance complained of is, *prima facie*, indicative or representative of a corrupt act or practice in terms of the Prevention of Corruption Act, 1988, on the part of the individual officer of the public  
30 authority complained against, then, it shall record in writing such evidence as may be found in support of such conclusion and shall initiate the proceedings or in writing refer the same to the appropriate authorities competent to take cognizance of such corrupt practice.

(11) The designated authority shall upon adjudication of a complaint have the powers to issue directions requiring the concerned officers of the public authority to take  
35 such steps as may be necessary to secure compliance with the provisions of Citizens Charter.

## CHAPTER VII

### ESTABLISHMENT OF STATE PUBLIC GRIEVANCE REDRESSAL COMMISSION

40 12. (1) Any person who, does not receive a decision within the time specified in Chapter V, or is aggrieved by a decision of the designated authority, falling within the jurisdiction of the State Government, may within thirty days from the expiry of such period or from the receipt of such a decision prefer an appeal to the State Public Grievance Redressal Commission:

Appeal to  
State  
Commission.

Provided that the Commission may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time.

(2) The decision of the State Public Grievance Redressal Commission under this section shall be binding. 5

Constitution  
of State  
Public  
Grievance  
Redressal  
Commission.  
Composition  
of State  
Commission.

13. The State Government shall constitute, by notification, a Commission to be known as "the State Public Grievance Redressal Commission" to exercise the jurisdiction, power and authority conferred under this Act.

14. The State Public Grievance Redressal Commission shall consist of,—

(a) a Chief Commissioner; and 10

(b) such number of Commissioners, not exceeding ten, as may be prescribed, out of which at least one each shall be from amongst Scheduled Castes, Scheduled Tribes and Women.

Selection  
Committee  
for  
appointment  
of State  
Commissioners.

15. (1) The Chief Commissioner and Commissioners shall be appointed by the Governor on the recommendation of a Selection Committee consisting of,— 15

(a) the Chief Minister, who shall be the Chairperson of the Committee;

(b) the Leader of Opposition in the Legislative Assembly; and

(c) a sitting judge of the High Court to be nominated by the Chief Justice of the State.

(2) The selection committee shall select out of a panel of five eligible candidates for each vacancy which shall be finalised by a search committee consisting of such members as may be prescribed. 20

(3) Subject to the provisions of sub-sections (1) and (2), the Selection Committee may regulate its own procedure.

Qualifications  
for  
appointment  
of State  
Commissioners.

16. A person shall not be qualified for appointment as a Chief Commissioner or a Commissioner of the State Public Grievance Redressal Commission unless,— 25

(a) he is, or has been an officer of the State Government and has held the post in the rank of Secretary or the Principal Secretary to that Government; or

(b) he is or has been a District Judge for at least ten years; or

(c) he is or has been a Judge of the High Court of the State; or 30

(d) he is an eminent person recognised for his work towards public service in the area and who has worked for at least fifteen years in the social sector with a post-graduate degree in a relevant subject:

Provided that the State Government may prescribe criteria in addition to the above for the appointment of the Chief Commissioner and Commissioners. 35

Terms of  
office of  
Chief  
Commissioner  
and other  
Commissioners.

17. (1) The Chief Commissioner and the Commissioners shall hold office for a term of five years from the date on which they enter upon office or until they attain the age of sixty-five years whichever is earlier.

(2) The Chief Commissioner and the Commissioners shall hold office for a term of five years from the date on which he enters upon his office and shall not be eligible for reappointment. 40

18. (1) The State Government shall provide the State Public Grievance Redressal Commission with such officers and employees as may be required for the discharge of its functions under this Act.

Staff, Salary and allowances of State Commission.

(2) The officers and employees so appointed under sub-section (1) shall discharge their functions under the general superintendence of the Chief Commissioner.

(3) The salary and allowances payable to, and the other terms and conditions of service of,—

(a) the Chief Commissioner shall be the same as that of an Election Commissioner; and

(b) the Commissioners shall be the same as that of the Chief Secretary of the State:

Provided that if the Chief Commissioner or Commissioner, at the time of his appointment is, in receipt of a pension, other than a disability or wound pension in respect of any previous service under the Government of India or the Government of State, his salary in respect of the service as Chief Commissioner or Commissioner shall be reduced by the amount of that pension, including any portion of pension, which was commuted and pension equivalent of other forms of retirement benefits, excluding pension equivalent or retirement gratuity:

Provided further that where the Chief Commissioner or Commissioner, if at the time of his appointment, is in receipt of retirement benefits in respect of any previous service rendered in a Corporation established by or under any Central Act or State Act or a Government company owned or controlled by the Central Government or the State Government, his salary in respect of the service as a Chief Commissioner or the Commissioner shall be reduced by the amount of pension equivalent to the retirement benefits:

Provided also that neither the salary and allowances nor the other terms and conditions of service of the Chief Commissioner or Commissioner shall be varied to their disadvantage after appointment.

19. If, for any reason other than temporary absence, any vacancy occurs in the office of the State Public Grievance Redressal Commission then the Chief Commissioner shall appoint another person in accordance with the provisions of this Act to fill the vacancy and the proceedings may be continued before the Commission from the stage at which the vacancy is filled.

Filling up of vacancies.

20. (1) Any member of the State Public Grievance Redressal Commission may, by notice in writing under his hand addressed to the Governor of the State with a copy to the Chief Commissioner, resign his office.

Resignation and removal.

(2) Notwithstanding anything contained in sub-section (1), the Governor may by order remove from office the Chief Commissioner or any Commissioner if the Chief Commissioner or a Commissioner, as the case may be,—

(a) is adjudged an insolvent; or

(b) has been convicted of an offence which, in the opinion of the Governor, involves moral turpitude; or

(c) engages during his term of office in any paid employment outside the duties of his office; or

(d) is, in the opinion of the Governor, unfit to continue in office by reason of infirmity of mind or body; or

(e) has acquired such financial or other interest as is likely to affect prejudicially his functions as the Chief Commissioner or as a Commissioner.

	(3) The State Government may, by rules, regulate the procedure for the investigation of misbehaviour or incapacity of the aforesaid Chief Commissioner or Commissioners.	
Power of Commission and procedure before it.	21. (1) The State Public Grievance Redressal Commission shall, for the purposes of its functions under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of the following matters, namely:—	5 5 of 1908.
	(a) summoning and enforcing the attendance of any person and examining him on oath;	
	(b) discovery and production of any document or other material object producible as evidence;	
	(c) receiving evidence on affidavits;	10
	(d) requisitioning of any public record;	
	(e) issuing commission for the examination of witnesses;	
	(f) reviewing its decisions, directions and orders;	
	(g) any other matter which may be prescribed.	
	(2) The State Public Grievance Redressal Commission shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of this Act and of any rules made thereunder, the Commission shall have the power to regulate its own procedure.	15 5 of 1908.
Procedure of adjudication by State Public Grievance Redressal Commission.	22. (1) The State Public Grievance Redressal Commission shall have original jurisdiction to decide every appeal made to it under section 12.	20
	(2) The State Public Grievance Redressal Commission shall arrange to deliver copies of the decision to the parties concerned within a period of fifteen days from the date of such decision.	
Proceedings before Commission to be judicial proceedings.	23. All proceedings before the State Public Grievance Redressal Commission shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code and the Commission shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973.	25 45 of 1861. 2 of 1974.
Staff and officers to be public servants.	24. The staff and officers of the State Public Grievance Redressal Commission shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.	45 of 1860.
Time frame for disposal of appeals.	25. (1) An appeal under section 12 shall be disposed of within sixty days from the date of filing of the appeal:	30
	Provided that an appeal of an urgent or immediate in nature shall be disposed of within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than fifteen days from the date of receipt of the appeal.	35
	(2) The State Public Grievance Redressal Commission may impose penalty, including compensation to the complainant, while deciding an appeal against designated officer and Grievance Redress Officers for acting in a <i>mala fide</i> manner or having failed to discharge his duties without any sufficient and reasonable cause:	
	Provided that the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them under this section.	40
Power to issue directions and exercise original jurisdiction.	26. (1) The State Public Grievance Redressal Commission shall, upon adjudication of a complaint, have the power to issue directions,—	
	(a) requiring the public authority to take such steps as may be necessary to secure compliance with the provisions of the Citizens Charter;	45

(b) requiring the timely creation, updation and wide dissemination of the Citizens Charter of the public authority.

(2) It shall be the duty of the State Public Grievance Redressal Commission to receive and inquire into a complaint from any person,—

- 5 (a) who has been unable to submit an appeal to the designated authority;
- (b) who has been refused redress of grievance under this Act;
- (c) whose complaint has not been disposed of within the time limit specified;
- (d) who has been denied access to the Citizens Charter of the public authority either because the Charter was not created by the public authority or is inadequate in  
10 any regard or it is not widely disseminated to make people aware of it;
- (e) in respect of any other matter relating to registering and redressing of a complaint or appeal under this Act.

(3) The State Public Grievance Redressal Commission may, *suo motu*, take notice of failure to deliver goods and services in accordance with the provisions of this Act and refer  
15 such cases for disposal to the Head of the Department of the Public Authority and in such cases, an action taken report shall be sent by the Head of the Department of the Public Authority to the State Commission within thirty days from the date of such reference.

(4) Where the State Public Grievance Redressal Commission, is satisfied that there are reasonable grounds to inquire into the matter, it may initiate an inquiry *suo motu* in respect  
20 thereof.

27. In any appeal proceedings, the burden of proof to establish that a non-redressal of complaint by the Grievance Redressal Officer shall be on the Grievance Redress Officer who denied the request.

Burden of proof to be on Grievance Redressal Officer.

25 28. Where it appears to the Commission that the grievance complained of is, *prima facie*, indicative of a corrupt act or practice in terms of the Prevention of Corruption Act, 1988, on the part of the responsible officer of the public authority complained against, then, it shall record such evidence as may be found in support of such conclusion and shall refer the same to the appropriate authorities.

49 of 1988.

Where Grievance complained of is a result of corrupt practices.

CHAPTER VIII

30 ESTABLISHMENT OF THE CENTRAL PUBLIC GRIEVANCE REDRESSAL COMMISSION

29. (1) Any person who, does not receive a decision within the time specified in Chapter V, or is aggrieved by a decision of the designated authority falling within the jurisdiction of the Central Government, may within thirty days from the expiry of such period or from the receipt of such a decision prefer an appeal to the Central Public Grievance  
35 Redressal Commission:

Appeal to Central Commission.

Provided that the Commission may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time.

(2) The decision of the Central Public Grievance Redressal Commission under this  
40 section shall be binding.

30. The Central Government shall constitute, by notification, a body to be known as "Central Public Grievance Redressal Commission" to exercise the jurisdiction, powers and authority conferred under this Act.

Constitution of Central Public Grievance Redressal Commission.

Composition of Central Commission.	31. The Central Public Grievance Redressal Commission shall consist of,—	
	(a) the Chief Public Grievance Redress Commissioner; and	
	(b) such number of Central Public Grievance Redress Commissioners, not exceeding ten, as may be prescribed out of which at least one each shall be from amongst Scheduled Castes, Scheduled Tribes and Women.	5
Selection committee for appointment of Central Public Grievance Redress Commissioners.	32. (1) The Chief Public Grievance Redress Commissioner and Central Public Grievance Redress Commissioners shall be appointed by the President on the recommendation of a Committee consisting of,—	
	(a) the Prime Minister, who shall be the Chairperson of the committee;	
	(b) the Leader of Opposition in the Lok Sabha; and	10
	(c) a sitting Judge of the Supreme Court to be nominated by the Chief Justice of India.	
	(2) The Selection Committee shall select out of a panel of five eligible candidates for each vacancy which shall be finalised by a search committee consisting of such members as may be prescribed.	15
	(3) Subject to the provisions of sub-sections (1) and (2), the Selection Committee may regulate its own procedure.	
Qualifications for appointment of Central Public Grievance Redress Commissioners.	33. (1) A person shall not be qualified for appointment as a Chief Commissioner or Commissioners of Central Public Grievance Redress Commissioner unless,—	
	(a) he is, or has been an officer of the Central Government and has held the post in the rank of Secretary to the Government of India; or	20
	(b) he is, or has been, in the rank a Chief Justice of a High Court or a Judge of the Supreme Court;	
	(c) he is, an eminent person recognised for his work towards public service in the area and who has worked for at least twenty years in the social sector with a post-graduate degree in a relevant subject:	25
	Provided that the Central Government may prescribe criteria in addition to the above for the appointment of the Chief Commissioner and Commissioners.	
Terms of office of Central Grievance Redress Commissioners.	34. (1) The Chief Public Grievance Redress Commissioner and the Central Public Grievance Redress Commissioners shall hold office for a term of five years from the date on which they enter upon the office.	30
	(2) The Chief Grievance Redress Commissioner shall hold office for a term of five years from the date on which he enters upon his office and shall not be eligible for reappointment.	
Staff, Salary and allowances of Central Commission.	35. (1) The Central Government shall provide the Central Public Grievance Redressal Commission with such officers and employees as may be required for the discharge of its functions under this Act.	35
	(2) The officers and employees so appointed under sub-section (1) shall discharge their functions under the general superintendence of the Chief Public Grievance Redress Commissioner.	40
	(3) The salary and allowances payable to and the other terms and conditions of service of,—	
	(a) the Chief Public Grievance Redress Commissioner shall be the same as that of the Chief Election Commissioner; and	
	(b) the Central Public Grievance Redress Commissioner shall be the same as that of an Election Commissioner:	45



Provided that if the Chief Public Grievance Redress Commissioner or Central Public Grievance Redress Commissioner, at the time of his appointment is, in receipt of a pension, other than a disability or wound pension in respect of any previous service under the Government of India or the Government of State, his salary in respect of the service as Chief Public Grievance Redress Commissioner or Central Public Grievance Redress Commissioner shall be reduced by the amount of that pension, including any portion of pension, which was commuted and pension equivalent of other forms of retirement benefits, excluding pension equivalent or retirement gratuity:

Provided further that where the Chief Public Grievance Redress Commissioner or Central Public Grievance Redress Commissioner, if at the time of his appointment, is in receipt of retirement benefits in respect of any previous service rendered in a Corporation established by or under any Central Act or State Act or a Government company owned or controlled by the Central Government or the State Government, his salary in respect of the service as a Chief Public Grievance Redress Commissioner or the Central Public Grievance Redress Commissioner shall be reduced by the amount of pension equivalent to the retirement benefits:

Provided also that neither the salary and allowances nor the other terms and conditions of service of the members of the Central Public Grievance Redressal Commission shall be varied to their disadvantage after appointment.

36. If, for any reason other than temporary absence, any vacancy occurs in the office of the Central Public Grievance Redressal Commission then the Chief Public Grievance Redress Commissioner shall appoint another person in accordance with the provisions of this Act to fill the vacancy and the proceedings may be continued before the Commission from the stage at which the vacancy is filled.

Filling up of vacancies.

37. (1) Any member of the Central Public Grievance Redressal Commission may, by notice in writing under his hand addressed to the President with a copy to the Chief Public Grievance Redress Commissioner, resign his office.

Resignation and removal.

(2) Notwithstanding anything contained in sub-section (1), the President may by order remove from office the Chief Public Grievance Redress Commissioner or any Central Public Grievance Redress Commissioner if the Chief Public Grievance Redress Commissioner or the Central Public Grievance Redress Commissioner, as the case may be,—

- (a) is adjudged an insolvent; or
- (b) has been convicted of an offence which, in the opinion of the President, involves moral turpitude; or
- (c) engages during his term of office in any paid employment outside the duties of his office; or
- (d) is, in the opinion of the President, unfit to continue in office by reason of infirmity of mind or body; or
- (e) has acquired such financial or other interest as is likely to affect prejudicially his functions as the Chief Public Grievance Redress Commissioner or a Central Public Grievance Redress Commissioner.

(3) The Central Government may, by rules, regulate the procedure for the investigation of misbehaviour or incapacity of the aforesaid Chief Public Grievance Redress Commissioner or Central Public Grievance Redress Commissioners.

38. (1) The Central Public Grievance Redressal Commission shall, for the purposes of its functions under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of the following matters, namely:—

Powers of Central Commission and procedure before it.

- (a) summoning and enforcing the attendance of any person and examining him on oath;

(b) discovery and production of any document or other material object producible as evidence;

(c) receiving evidence on affidavits;

(d) requisitioning of any public record;

(e) issuing commission for the examination of witnesses;

5

(f) reviewing its decisions, directions and orders;

(g) any other matter which may be prescribed.

(2) The Central Public Grievance Redressal Commission shall have original jurisdiction to adjudicate upon every application made to it under section 29.

(3) The Central Public Grievance Redressal Commission shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of this Act and of any rules made thereunder, the Commission shall have the power to regulate its own procedure.

10

5 of 1908.

(4) The Central Public Grievance Redressal Commission shall arrange to deliver copies of the decision to the parties concerned within a period of fifteen days from the date of such decision.

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Proceedings before Central Commission to be judicial proceedings.

39. All proceedings before the Central Public Grievance Redressal Commission shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code and the Commission shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973.

45 of 1960.

20 2 of 1974.

Burden of proof to be on Grievance Redressal Officer.

40. In any appeal proceedings, the burden of proof to establish that a non-redressal of complaint by the Grievance Redressal Officer shall be on the Grievance Redress Officer who denied the request.

Staff and officers to be public servants.

41. The staff and officers of the Central Public Grievance Redressal Commission shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

25

45 of 1960.

Time frame for disposal of appeals.

42. (1) An appeal under section 29 shall be disposed of within sixty days from the date of filing of the appeal:

Provided that an appeal of an urgent or immediate in nature shall be disposed of within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than fifteen days from the date of receipt of the appeal.

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(2) The Central Public Grievance Redressal Commission may impose penalty, including compensation to the complainant, in deciding an appeal against designated officers and Grievance Redress Officers for acting in a *mala fide* manner or having failed to discharge their duties without any sufficient and reasonable cause:

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Provided that the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them.

Power to issue directions and exercise original jurisdiction.

43. (1) The Central Public Grievance Redressal Commission shall, upon adjudication of a complaint, have the power to issue directions,—

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(a) requiring the public authority to take such steps as may be necessary to secure compliance with the provisions of the Citizens Charter;

(b) requiring the timely creation, updation and wide dissemination of the Citizens Charter of the public authority.

(2) It shall be the duty of the Central Public Grievance Redressal Commission to receive and inquire into a complaint from any person,—

(a) who has been unable to submit an appeal to the designated authority;

(b) who has been refused redress of grievance under this Act;

5 (c) whose complaint has not been disposed of within the time limit specified;

(d) who has been denied access to the Citizens Charter of the public authority either because the Charter was not created by the public authority or is inadequate in any regard or it is not widely disseminated to make people aware of it;

10 (e) in respect of any other matter relating to registering and redressing of a complaint or appeal under this Act.

(3) The Central Public Grievance Redressal Commission may, *suo motu*, take notice of failure to deliver goods and services in accordance with the provisions of this Act and refer such cases for disposal to the Head of the Department of the Public Authority and in such cases, an action taken report shall be sent by the Head of Department of the Public Authority  
15 to the Central Commission within thirty days from the date of such reference.

(4) Where the Central Public Grievance Redressal Commission, is satisfied that there are reasonable grounds to inquire into the matter, it may initiate an inquiry *suo motu* in respect thereof.

49 of 1988. 20 44. Where it appears to the Central Public Grievance Redressal Commission that the grievance complained of is *prima facie* indicative of a corrupt act or practice in terms of the Prevention of Corruption Act, 1988, on the part of the responsible officer of the public authority complained against then it shall record such evidence as may be found in support of such conclusion and shall refer the same to the appropriate authorities.

Where grievance complained of is a result of corrupt practices.

#### CHAPTER IX

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#### PENALTIES AND COMPENSATION

45. (1) The designated authority, the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, may impose a lump sum penalty against designated official responsible for delivery of goods and services or Grievance Redress Officer for their failure to deliver goods or render services to which the  
30 applicant is entitled, which may extend up to fifty thousand rupees which shall be recovered from the salary of the official against whom penalty has been imposed.

Penalty and compensation for *mala fide* action.

(2) On imposition of the penalty under sub-section (1), the appellate authority may, by order, direct that such portion of the penalty imposed under the said section shall be awarded to the appellent, as compensation, as it may deem fit:

35 Provided that the amount of such compensation awarded shall not exceed the amount of penalty imposed under the said section.

(3) If any public servant is found guilty under sub-section (1), the disciplinary authority shall initiate the disciplinary proceedings against such officer of the public authority, who if proved to be guilty of a *mala fide* action in respect of any provision of this Act, shall be  
40 liable to such punishment including a penalty as the disciplinary authority may decide.

#### CHAPTER X

#### REPORTING OF REDRESSAL OF GRIEVANCES BY PUBLIC AUTHORITY

46. (1) Every public authority shall ensure that every Grievance Redressal Officer keeps a record of complaints made to it or appeal therein and the decisions on such complaints  
45 and appeals.

Reporting requirements.

(2) Every public authority shall publish on its website, by the 15th day of every month or at such shorter intervals, as may be prescribed, a report mentioning therein—

(a) the number of complaints received;

(b) the number of complaints pending;

(c) the number of complaints disposed of; and

(d) such other particulars, as may be prescribed, for discharge of its functions under this Act.

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CHAPTER XI

MISCELLANEOUS

Appeal against decision of Central Commission or State Commission.

47. (1) Any person aggrieved by the decision of the Central Public Grievance Redressal Commission may prefer an appeal to the Lokpal constituted under the Lokpal and Lokayuktas Act, 2011.

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(2) Any person aggrieved by the decision of the State Public Grievance Redressal Commission may prefer an appeal to the Lokayukta constituted under the Lokpal and Lokayuktas Act, 2011.

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(3) The time within which and the manner in which the appeal may be filed under this section shall be such as may be prescribed by the appropriate Government.

Bar of jurisdiction of court.

48. No civil court shall have jurisdiction to settle, decide or deal with any question or to determine any matter which is by or under this Act required to be settled, decided or dealt with or to be determined by the Grievance Redressal Officer or the designated authority or the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission.

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Enforcement of orders by State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission.

49. Every order made by the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission may be enforced by the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, in the same manner as if it were a decree or order made by a court in a suit pending therein and it shall be lawful for the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, to send, in the event of its inability to execute it, such order to the court within the local limits of whose jurisdiction,—

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(a) in the case of a public authority not falling under clauses (b) and (c), the place at which the main office of such public authority is situated; or

(b) in the case of an order against a public authority being a company, the registered office of the company is situated; or

(c) in the case of an order against any other person, the place where the person concerned voluntarily resides or carries on business or personally works for gain is situated, and

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thereupon, the court to which the order is so sent, shall execute the orders as if it were a decree or order sent to it for execution.

Protection for act done in good faith.

50. No suit, prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or intended to be done under this Act or any rule made thereunder.

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Provisions to be in addition to existing laws.

51. The provisions of this Act shall be in addition to and not in derogation of, any other law for the time being in force.

Power to make rules.

52. (1) The appropriate Government may, by notification, make rules for carrying out the provisions of this Act.

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(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

- 5 (a) the officer or the authority to be designated as Designated Authority under clause (h) of section 2;
- (b) other information under clause (g) of sub-section (2) of section 4;
- (c) matters in relation to Citizens Charter under sub-section (3) of section 4;
- (d) matter in relation to the information and facilitation centre, under sub-section (3) of section 6;
- 10 (e) the manner of inquiry into and redressal of grievance of the complaints received from citizens under sub-section (1) of section 7;
- (f) the other means by which complaints may be made under section 8;
- (g) the other matters for which the designated authority shall have power under clause (g) of sub-section (4) of section 11;
- 15 (h) the number of Commissioners of the State Public Grievance Redressal Commission under clause (b) of section 14;
- (i) the members of the search committee under sub-section (2) of section 15;
- (j) additional criteria in relation to selection of Chief Commissioner and the Commissioners of the State Public Grievance Redressal Commission under proviso to section 16;
- 20 (k) the procedure of investigation of misbehaviour or incapacity for removal of the Chief Commissioners and other Commissioners of, the State Public Grievance Redressal Commission under sub-section (3) of section 20;
- (l) the other matters for which the State Public Grievance Redressal Commission shall have the powers under clause (g) of sub-section (1) of section 21;
- 25 (m) the number of Commissioners of the Central Public Grievance Redressal Commission under clause (b) of section 31;
- (n) the members of the search committee under sub-section (2) of section 32;
- (o) additional criteria in relation to selection of Chief Commissioner and the Commissioners of the Central Public Grievance Redressal Commission under proviso to section 33;
- 30 (p) the procedure of investigation of misbehaviour or incapacity for removal of the Chief Commissioner and other Commissioners of, the Central Public Grievance Redressal Commission under sub-section (3) of section 37;
- (q) the other matters for which the Central Public Grievance Redressal Commission shall have the powers under clause (g) of sub-section (1) of section 38;
- 35 (r) the time within which the record of complaints to the public authority and the decisions on the complaints and appeals shall be published on the website and other particulars under sub-section (2) of section 46;
- (s) the time within which and the manner in which appeal may be filed under sub-section (3) of section 47;
- 40 (t) any other matter which is required to be or may be prescribed under this Act.

53. (1) Every rule made by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses

Laying of rules.

agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

(2) Every rule made by the State Government shall be laid, as soon as may be after it is made, before the State Legislature. 5

Power to  
remove  
difficulties.

54. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty: 10

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

## STATEMENT OF OBJECTS AND REASONS

Citizen's Charters were introduced in India in 1997, which was voluntary in character. The main elements of the Citizens Charter were to be published containing the details of services and the time period for delivery of such services. These charters gradually spread from Central Ministries and Departments to States and their Organisations. However, a vast majority of them remained ineffective and dormant. In order to improve Public Service Delivery, a service excellence model called "Sevottam" was initiated in 2005 to give a new thrust to the implementation of Citizens Charter, which has been successfully piloted in a few chosen organisations of the Government of India and States and is being upscaled considerably. Centralised Public Grievance Redress and Monitoring System (CPGRAMS) was launched in 2007, which is a web based portal for lodging complaints by the public. It is now operational in all the Ministries and Departments of Government of India along with about 6000 of their subordinate organisations. Many States have also enacted Right to Public Service Delivery Legislation in which a few important Public Services have been selected for service delivery. It was felt that these efforts were noteworthy, but in the absence of an overarching structure, their impact was diffused and limited. In this context, it was felt that Rights based approach be followed in this respect by making the Citizens Charter statutory and endowing public with the right to get delivery of services within stipulated time lines.

2. In view of the aforesaid, it has been felt necessary to enact a comprehensive legislation, namely, the Right of Citizens for Time Bound Delivery of Goods and Services and Redressal of their Grievances Bill, 2011. The Bill, *inter alia*,—

(a) confers right on every individual citizen to time bound delivery of goods and provision for services and Redressal of grievances;

(b) require every public authority to publish, within six months of the commencement of the proposed legislation, a Citizens Charter specifying therein the category of goods supplied and services rendered by it, the time within which such goods shall be supplied or services be rendered the name and addresses of individuals responsible for the delivery of goods or rendering of services;

(c) provide for obligation of the Head of the Department for updating and verifying the Citizens Charter;

(d) require every Public Authority to establish information and facilitation centre for efficient and effective delivery of services and redressal of grievances, which may include establishment of customer care centre, call centre, help desk and people's support centre;

(e) require every public authority to, within six months from the date of the coming into force of the proposed legislation, designate as many officers as may be necessary as Grievance Redress Officers in all administrative units or offices at the Central, State, district and sub-district levels, municipalities, Panchayats whereat supplies of goods or render services to receive, enquire into and redress any complaints from citizens in the prescribed manner;

(f) require the concerned Grievance Redress Officer, upon receipt of a complaint, to ensure that the grievance is remedied in a timeframe not exceeding thirty days from the date of receipt of the complaint;

(g) provides that any individual aggrieved by a decision of the concerned Grievance Redress Officer or who has not received an action taken report in respect of a complaint filed by him, may, if he so desires, within thirty days from the expiry of such period or from the receipt of such decision, prefer an appeal to the Designated Authority who shall disposed of such appeal within thirty days from the date of receipt of such appeal;

(h) provide for constitution of the State Public Grievance Redressal Commission and the Central Public Grievance Redressal Commission consisting of Chief Commissioners and other Commissioners;

(i) any person aggrieved by the decision of the Designated Authority falling under the jurisdiction of the State Government may prefer an appeal to the State Public Grievance Redressal Commission and any person aggrieved by the decision of the Designated Authority falling under the jurisdiction of the Central Government may prefer an appeal to the Central Public Grievance Redressal Commission;

(j) confer power upon the Designated Authority, the State Public Grievance Redressal Commission and the Central Public Grievance Redressal Commission to impose a lump sum penalty, including compensation to the complainant, against designated official responsible for delivery of goods and services or Grievance Redress Officer for their failure to deliver goods or render services to which the applicant is entitled, which may extend up to fifty thousand rupees which shall be recovered from the salary of the official against whom penalty has been imposed;

(k) provides that on the imposition of the penalty, the appellate authority may, by order, direct that such portion of the penalty imposed under the proposed legislation shall be awarded to the appellant, as compensation, not exceeding the amount of penalty imposed, as it may deem fit;

(l) provides that if any public servant is found guilty of offence, the disciplinary authority shall initiate the disciplinary proceedings against such officer of the public authority, who if proved to be guilty of a *mala fide* action in respect of any provision of this Act, shall be liable to such punishment including a penalty as the disciplinary authority may decide;

(m) provides that in any appeal proceedings, the burden of proof to establish that a non-redressal of complaint by the Grievance Redressal Officer shall be on the Grievance Redress Officer who denied the request;

(n) provides that where it appears to the Designated Authority or the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission that the grievance complained of is *prima facie* indicative of a corrupt act or practice in terms of the Prevention of Corruption Act, 1988, on the part of the responsible officer of the public authority complained against then it shall record such evidence as may be found in support of such conclusion and shall refer the same to the appropriate authorities competent to take cognizance of such corrupt practice;

(o) provides that any person aggrieved by the decision of the Central Public Grievance Redressal Commission may prefer an appeal to the Lokpal, and any person aggrieved by the decision of the State Public Grievance Redressal Commission may prefer an appeal to the Lokayukta, constituted under the Lokpal and Lokayuktas Act, 2011.

3. The notes on clauses explain in detail the various provisions contained in the Bill.

4. The Bill seeks to achieve the above objects.



*Clause 1.*— This clause provides for the short title, extent and commencement of the proposed legislation.

*Clause 2.*— This clause provides for definitions of various expressions used in the proposed legislation, which, *inter alia*, include “action taken report”, “appropriate Government”, “Citizens Charter”, “days”, “Designated Authority”, “Grievance Redress Officer”, “Head of Department”, “Information and Facilitation Centre”, “public authority” and “service”, etc.

*Clause 3.*— This clause provides for right to service. It provides that every individual citizen shall have the right to time bound delivery of goods and provision for services and redressal of grievances.

*Clause 4.*— This clause provides for obligation of public authority to publish Citizens Charter. It provides that every public authority shall publish, within six months of the commencement of the proposed legislation, a Citizens Charter specifying therein all the category of goods supplied and services rendered by it, the time within which such goods shall be supplied or services be rendered.

It further provides that without prejudice to the generality of the provisions contained in sub-section (1), the Citizens Charter shall provide all or any of—(a) all the details of goods supplied and services rendered by the public authority and the name of person or agency through which such goods are supplied or services rendered and timings during which such services are supplied or services rendered; (b) the conditions under which a person becomes entitled for goods or services, and the class of persons who are entitled to receive such goods and avail services; (c) the quantitative and tangible parameters (including weight, size, frequency) of the goods, and services available to the public; (d) complaint redressal mechanism including the time within which the complaint be disposed of and the officer of the public authority to whom such complaint may be made; (e) the name and addresses of individuals responsible for the delivery of goods or rendering of services mentioned in (a) above; (f) any other functions, obligations, responsibility or duty of the public authority is required or reasonably expected to provide; (g) any other information relevant to delivery of goods or provision of services or such other information as may be prescribed.

It also provides that the appropriate Government may, by notification, make rules in relation to citizens charter and grievance redressal.

*Clause 5.*— This clause provides that obligation of Head of Department for updating and verifying the Citizens Charter. It provides that the Head of Department in each public authority shall be responsible for updating and verifying the Citizens Charter every year and the accuracy of the contents thereof and the responsibility of the Head of the Department of every public authority to ensure that the Citizens Charter is widely disseminated to the public.

It further provides that it shall be the responsibility of the Head of Department of every public authority to take steps in accordance with section 4 of the Right to Information Act, 2005 for providing relevant information to the public enabling them to exercise their rights under the proposed legislation.

It also provides that every Head of Department shall ensure that all material be disseminated taking into consideration the local language and the most effective method of communication in that local area free of cost and every Head of Department shall to the extent possible, ensure that the Citizens Charter is made available at the website of the public authority and in other electronic forms and shall be available free of cost.

It also provides that every Head of Department shall ensure that a copy of the Citizens Charter of the public authority duly certified by him is submitted to appropriate bodies, including appropriate Central and State Public Grievance Redress Commission, when it is published and subsequently, every time that it is modified, updated or amended.

*Clause 6.*— This clause provides for establishment of Information and Facilitation Centre. It provides that every Public Authority shall establish information and facilitation centre for efficient and effective delivery of services and redressal of grievances, which may include establishment of customer care centre, call centre, help desk and people's support centre.

It further provides that every Head of Department of the public authority shall be responsible for the development, improvement, modernisation and reform in service delivery and Redressal of grievance system. It shall also include adoption of electronic modes, internet, etc., and the appropriate Government may, by notification, make rules in relation to Information and Facilitation Centre.

*Clause 7.*— This clause provides for appointment and Obligations of Grievance Redress Officers, including for each municipalities and Panchayat. It provides that every public authority shall, within six months from the date of the coming into force of the proposed legislation, designate as many officers as may be necessary as Grievance Redress Officers in all administrative units or offices at the Central, State, district and sub-district levels, municipalities, Panchayats whereat supplies of goods or render services to receive, enquire into and redress any complaints from citizens in the prescribed manner.

It further provides that the Grievance Redress Officer so appointed shall be at least one level above and be deemed to have administrative control on the individual designated to deliver goods or render services as per the Citizens Charter and every public authority shall, immediately on appointment or designation of a Grievance Redress Officer, give a public notice in a newspaper published in Hindi or English language and in a newspaper published in an Indian language in circulation in the area in which such service provider is providing services, indicating therein the name of the Grievance Redress Officer, his address and telephone number, e-mail address, facsimile number and other means of contacting him in respect of each area for which the Grievance Redress Officer have been appointed or designated and thereafter give such public notice at least once in twelve months in the same manner and in case of change of the name of the Grievance Redress Officer, his address and telephone number, e-mail address, facsimile number and other means of contacting him shall be intimated by public notice, in the same manner specified in this clause and display it at its each office, Information and Facilitation Centre, Call Centre, customer care centre, help desk, People's Support Centre and at the sales outlets, website and at the office of the Grievance Redress Officer and the appellate authority, the name of the Grievance Redress Officer, their addresses and telephone numbers, e-mail addresses, facsimile numbers and other means of contacting them, in respect of each area for which the Grievance Redress Officer have been appointed or designated.

It also provides that every public authority shall appoint or designate such number of Grievance Redress Officer for such areas, as it may be considered by it necessary, for being easily accessible and available for redressal of grievance of the public and the Grievance Redress Officer shall provide all necessary assistance to citizens in filing complaints and where a complainant is unable to make a complaint in writing, the Grievance Redress Officer shall render all reasonable assistance to the person making the request orally to reduce the same in writing.

*Clause 8.*— This clause provides for acknowledgment of complaint by receipt thereof. It provides that all complaints shall, within two days of the making of the complaint, be acknowledged by a receipt, issued in writing or through electronic means or through text message or through telephone or through any other means as may be prescribed, specifying the date, time, place, unique complaint number and particulars of receiver of complaint along with the stipulated time-frame in accordance with its Citizens Charter within which the complaint will be redressed.

*Clause 9.*— This clause provides for action to be taken by Grievance Redress Officer. It provides that on receipt of a complaint, it shall be the duty of the concerned Grievance Redress Officer to ensure,— (a) the grievance is remedied in a time frame not exceeding thirty days from the date of receipt of the complaint; (b) the reason for the occurrence of the grievance is identified and the responsibility of the defaulting office or individual is fixed and the grievance is redressed satisfactorily within thirty days from the date of receipt of the complaint by the Grievance Redress Officer; (c) where the grievance has occurred as a result of a deficiency, negligence or malfeasance on the part of an office or individual that the action is taken in accordance with conduct rules and departmental procedures; (d) where the Grievance Redress Officer is convinced that the individual responsible for the delivery of the goods and services has wilfully neglected to deliver the good or service or there exist *prima facie* grounds for a case under the Prevention of Corruption Act 1988, the Grievance Redress Officer can make an observation to that effect along with a recommendation for the penalty including compensation to the complainant to be imposed, to the designated authority.

It further provides that the Grievance Redress Officer may seek the assistance of any other officer required for the proper discharge of his duties or may direct any other officer to take action to redress a complaint and any officer, whose assistance has been sought under sub-section (2), shall render all assistance to the Grievance Redress Officer seeking his assistance and for the purposes of any contravention of the provisions of the proposed legislation, such other officer shall be deemed to be a Grievance Redress Officer for the purposes of the proposed legislation and the Grievance Redress Officer shall ensure that the complainant is informed in writing the manner in which the grievance is redressed and shall give him a report in the form of an action taken report.

*Clause 10.*— This clause provides for forwarding of details of non redressal of complaints to the Head of Department of the Public Authority. It provides that the Grievance Redress Officer shall, immediately after the expiry of the period of thirty days, report every complaint which has not been redressed along with the details of the complainant, nature of complaint, and reasons for non redressal of complaints to the designated authority.

*Clause 11.*— This clause provides for appeal. It provides that every complaint forwarded along with the details shall be deemed to have been filed by way of an appeal to designated authority.

It further provides that any individual aggrieved by a decision of the concerned Grievance Redress Officer or who has not received an action taken report in respect of a complaint filed by him, may, if he so desires, within thirty days from the expiry of such period or from the receipt of such decision, prefer an appeal to the designated authority may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time and the receipt of the appeal shall be acknowledged by the office of the designated authority.

It also provides that the designated authority shall, for the purposes of its functions under the proposed legislation, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of—(a) summoning and enforcing the attendance of any person and examining him on oath; (b) discovery and production of any document or other material object producible as evidence; (c) receiving evidence on affidavits; (d) requisitioning of any public record; (e) issuing commission for the examination of witnesses; (f) reviewing its decisions, directions and orders; (g) any other matter which may be prescribed.

It also provides that the designated authority shall have original jurisdiction to adjudicate upon every application made to it and The Head of Department of the Public Authority shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of the proposed legislation and of any rules made thereunder, the Authority shall have the power to regulate its own procedure.

It also provides that every appeal filed or complaint deemed to be by way of an appeal shall be disposed of by the designated authority within thirty days from the date of receipt of such appeal and an appeal of an urgent or immediate nature shall be disposed of within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than thirty days from the date of receipt of the appeal and the Head of Department of the Public Authority shall arrange to deliver copies of the decisions to the parties concerned within a period of five working days from the date of such decisions.

It also provides that the designated authority may impose penalty including compensation to the complainant in deciding an appeal against concerned officer for acting in a *mala fide* manner or having failed to discharge their duties without any sufficient and reasonable cause and the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them.

*Clause 12.*— This clause provides for appeal to State Commission. It provides that any person who, does not receive a decision within the time specified in Chapter V, or is aggrieved by a decision of the designated authority, falling within the jurisdiction of the State Government, may within thirty days from the expiry of such period or from the receipt of such a decision prefer an appeal to the State Public Grievance Redressal Commission and the Commission may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time and the decision of the State Public Grievance Redressal Commission shall be binding.

*Clause 13.*— This clause provides for Constitution of State Public Grievance Redressal Commission. It provides that the State Government shall constitute, by notification, a Commission to be known as "the State Public Grievance Redressal Commission" to exercise the jurisdiction power, and authority conferred under the proposed legislation.

*Clause 14.*— This clause provides for Composition of State Commission. It provides that the State Public Grievance Redressal Commission shall consist of,—(a) a Chief Commissioner; and (b) such number of Commissioners, not exceeding ten, as may be prescribed, out of which at least one each shall be from amongst Scheduled Castes, Scheduled Tribes and Women.

*Clause 15.*— This clause provides for Selection Committee for appointment of State Commissioners. It provides that the Chief Commissioner and Commissioners shall be appointed by the Governor on the recommendation of a Selection Committee consisting of—(a) the Chief Minister, who shall be the Chairperson of the Committee; (b) the Leader of Opposition in the Legislative Assembly; and (c) a sitting judge of the High Court to be nominated by the Chief Justice of the State.

It further provides that the selection committee shall select out of a panel of five eligible candidates for each vacancy which shall be finalised by a search committee consisting of such prescribed members and the selection committee may regulate its own procedure.

*Clause 16.*— This clause provides qualifications for appointment of State Commissioners. It provides that a person shall not be qualified for appointment as a Chief Commissioner or a Commissioner of the State Public Grievance Redressal Commission unless— (a) he is, or has been an officer of the State Government and has held the post in the rank of Secretary or the Principal Secretary to that Government; or (b) he is or has been a District Judge for at least ten years; or (c) he is or has been a judge of the High Court of the State; or (d) he is an eminent person recognised for his work towards public service in the area and who has worked for at least fifteen years in the social sector with a post graduate degree in a relevant subject; and the State Government may prescribe criteria in addition to the above for the appointment of the Chief Commissioner and Commissioners.

*Clause 17.*— This clause provides terms of office of Chief Commissioner and other Commissioners. It provides that the Chief Commissioner and the Commissioners shall hold office for a term of five years from the date on which they enter upon office or until they attain the age of sixty-five years whichever is earlier and the Chief Commissioner and the Commissioners shall hold office for a term of five years from the date on which he enters upon his office and shall not be eligible for reappointment.

*Clause 18.*— This clause provides for staff, salary and allowances of State Commission. It provides that the State Government shall provide the State Public Grievance Redressal Commission with such officers and employees as may be required for the discharge of its functions under the proposed legislation.

It further provides that the officers and employees so appointed shall discharge their functions under the general superintendence of the Chief Commissioner and the salary and allowances payable to, and the other terms and conditions of service of, the Chief Commissioner shall be the same as that of an Election Commissioner; and the Commissioners shall be the same as that of Chief Secretary of the State and neither the salary and allowances nor the other terms and conditions of service of the Commissioners shall be varied to their disadvantage after appointment.

*Clause 19.*— This clause provides for filling up of vacancies. It provides that if, for any reason other than temporary absence, any vacancy occurs in the office of the State Public Grievance Redressal Commission then the Chief Commissioner shall appoint another person in accordance with the provisions of the proposed legislation to fill the vacancy and the proceedings may be continued before the Commission from the stage at which the vacancy is filled.

*Clause 20.*— This clause provides for resignation and removal. It provides that any member of the State Public Grievance Redressal Commission may, by notice in writing under his hand addressed to the Governor of the State with a copy to the Chief Commissioner, resign his office and the Governor may by order remove from office the Chief Commissioner or any Commissioner if the Chief Commissioner or a Commissioner, as the case may be—(a) is adjudged an insolvent; or (b) has been convicted of an offence which, in the opinion of the Governor, involves moral turpitude; or (c) engages during his term of office in any paid employment outside the duties of his office; or (d) is, in the opinion of the Governor, unfit to continue in office by reason of infirmity of mind or body; or (e) has acquired such financial or other interest as is likely to affect prejudicially his functions as the Chief Commissioner or as a Commissioner.

It further provides that the State Government may, by rules, regulate the procedure for the investigation of misbehaviour or incapacity of the aforesaid Chief Commissioner or Commissioners.

*Clause 21.*— This clause provides for Powers of Commission and procedure before it. It provides that the State Public Grievance Redressal Commission shall, for the purposes of its functions under the proposed legislation, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of— (a) summoning and enforcing the attendance of any person and examining him on oath; (b) discovery and production of any document or other material object producible as evidence; (c) receiving evidence on affidavits; (d) requisitioning of any public record; (e) issuing commission for the examination of witnesses; (f) reviewing its decisions, directions and orders; (g) any other matter which may be prescribed.

It further provides that the State Public Grievance Redressal Commission shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of the proposed legislation and of any rules made thereunder, the Commission shall have the power to regulate its own procedure.

*Clause 22.*— This clause provides for procedure of adjudication by State Public Grievance Redressal Commission. It provides that the State Public Grievance Redressal Commission shall have original jurisdiction to decide every appeal made to it and the State Public Grievance Redressal Commission shall arrange to deliver copies of the decision to the parties concerned within a period of fifteen days from the date of such decision.

*Clause 23.*— This clause provides that proceedings before Commission to be judicial proceedings. It provides that all proceedings before the State Public Grievance Redressal Commission shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code and the Commission shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973.

*Clause 24.*— This clause provides for Staff and officers to be public servants. It provides that the staff and officers of the State Public Grievance Redressal Commission shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

*Clause 25.*— This clause provides for time frame for disposal of appeals. It provides that an appeal shall be disposed off within sixty days from the date of filing of the appeal and an appeal of an urgent or immediate in nature shall be disposed off within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than fifteen days from the date of receipt of the appeal and the State Public Grievance Redressal Commission may impose penalty including compensation to the complainant while deciding an appeal against designated officer and Grievance Redress Officers for acting in a mala fide manner or having failed to discharge his duties without any sufficient and reasonable cause and the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them.

*Clause 26.*— This clause provides for power to issue directions and exercise original jurisdiction. It provides that the State Public Grievance Redressal Commission shall, upon adjudication of a complaint, have the power to issue directions—(a) requiring the public authority to take such steps as may be necessary to secure compliance with the provisions of the Citizens Charter; (b) requiring the timely creation, updation and wide dissemination of the Citizens Charter of the public authority.

It further provides that the State Public Grievance Redressal Commission to receive and inquire into a complaint from any person—(a) who has been unable to submit an appeal to the designated authority; (b) who has been refused redress of grievance under the proposed legislation; (c) whose complaint has not been disposed off within the time limit specified; (d) who has been denied access to the Citizens Charter of the public authority either because the Charter was not created by the Public Authority or is inadequate in any regard or it is not widely disseminated to make people aware of it; (e) in respect of any other matter relating to registering and redressing of a complaint or appeal under the proposed legislation.

It also provides that the State Public Grievance Redressal Commission may, *suo motu*, take notice of failure to deliver goods and services in accordance with the provisions of the proposed legislation and refer such cases for disposal to the Head of Department of the Public Authority and in such cases, an action taken report shall be sent by the Head of Department of the Public Authority to the State Commission within thirty days from the date of such reference and the State Public Grievance Redressal Commission, is satisfied that there are reasonable grounds to inquire into the matter, it may initiate an inquiry *suo motu* in respect thereof.

*Clause 27.*— This clause provides that burden of proof to be on Grievance Redressal Officer. It provides that in any appeal proceedings, the burden of proof to establish that a non redressal of complaint by the Grievance Redress Officer shall be on the Grievance Redress Officer who denied the request.

*Clause 28.*— This clause provides for where Grievance complained of is a result of Corrupt practices. It provides that if it appears to the Commission that the grievance complained of is, *prima facie*, indicative of a corrupt act or practice in terms of the Prevention of Corruption Act, 1988, on the part of the responsible officer of the public authority complained against, then, it shall record such evidence as may be found in support of such conclusion and shall refer the same to the appropriate authorities.

*Clause 29.*— This clause provides for appeal to the Central Commission. It provides that any person who, does not receive a decision within the time specified in Chapter V, or is aggrieved by a decision of the designated authority falling within the jurisdiction of Central Government, may within thirty days from the expiry of such period or from the receipt of such a decision prefer an appeal to the Central Public Grievance Redressal Commission: and the Commission may admit the appeal after the expiry of thirty days if it is satisfied that the complainant was prevented by sufficient cause from filing the appeal in time and the decision of the Central Public Grievance Redressal Commission shall be binding.

*Clause 30.*— This clause provides for constitution of Central Public Grievance Redressal Commission. It provides that the Central Government shall constitute, by notification, a body to be known as "Central Public Grievance Redressal Commission" to exercise the jurisdiction, powers and authority conferred under the proposed legislation.

*Clause 31.*— This clause provides for Composition of the Central Commission. It provides that the Central Public Grievance Redressal Commission shall consist of—(a) the Chief Public Grievance Redress Commissioner; and (b) such number of Central Public Grievance Redress Commissioners, not exceeding ten, as may be prescribed out of which at least one each shall be from amongst Scheduled Castes, Scheduled Tribes and Women.

*Clause 32.*— This clause provides for Selection Committee for appointment of the Central Public Grievance Redress Commissioners. It provides that the Chief Public Grievance Redress Commissioner and Central Public Grievance Redress Commissioners shall be appointed by the President on the recommendation of a committee consisting of—(a) the Prime Minister, who shall be the Chairperson of the committee; (b) the Leader of Opposition in the Lok Sabha; and (c) a sitting judge of the Supreme Court to be nominated by the Chief Justice of India. It also provides that the selection committee shall select out of a panel of five eligible candidates for each vacancy which shall be finalised by a search committee consisting of such prescribed member and the Selection Committee may regulate its own procedure.

*Clause 33.*— This clause provides for qualifications for appointment of Central Public Grievance Redress Commissioners. It provides that a person shall not be qualified for appointment as a Chief Commissioner or Commissioners of Central Public Grievance Redress Commissioner unless—(a) he is, or has been an officer of the Central Government and has held the post in the rank of Secretary to the Government of India; or (b) he is or has been a Chief Justice of a High Court or a Judge of the Supreme Court; (c) he is an eminent person recognised for his work towards public service in the area and who has worked for at least twenty years in the social sector with a post graduate degree in a relevant subject and the Central Government may prescribe criteria in addition to the above for the appointment of the Chief Commissioner and Commissioners.

*Clause 34.*— This clause provides for terms of office of Central Grievance Redress Commissioners. It provides that the Chief Public Grievance Redress Commissioner and the Central Public Grievance Redress Commissioners shall hold office for a term of five years from the date on which they enter upon the office and the Chief Grievance Redress Commissioner shall hold office for a term of five years from the date on which he enter upon his office and shall not be eligible for reappointment.

*Clause 35.*— This clause provides for staff, salary and allowances of Central Commission. It provides that the Central Government shall provide the Central Public Grievance Redressal Commission with such officers and employees as may be required for the discharge of its functions under the proposed legislation.

It further provides that the officers and employees so appointed shall discharge their functions under the general superintendence of the Chief Public Grievance Redress Commissioner and The salary and allowances payable to and the other terms and conditions of service of the the Chief Public Grievance Redress Commissioner shall be the same as that of the Chief Election Commissioner; and the Central Public Grievance Redress Commissioner shall be the same as that of an Election Commissioner and neither the salary and allowances nor the other terms and conditions of service of the members of the Central Public Grievance Redressal Commission shall be varied to their disadvantage after appointment.

*Clause 36.*— This clause provides for filling up of vacancies . It provides that If, for any reason other than temporary absence, any vacancy occurs in the office of the Central Public Grievance Redressal Commission then the Chief Public Grievance Redress Commissioner shall appoint another person in accordance with the provisions of the proposed legislation to fill the vacancy and the proceedings may be continued before the Commission from the stage at which the vacancy is filled.

*Clause 37.*— This clause provides for Resignation and removal. It provides that any member of the Central Public Grievance Redressal Commission may, by notice in writing under his hand addressed to the President with a copy to the Chief Public Grievance Redress Commissioner, resign his office.

It further provides that the President may by order remove from office the Chief Public Grievance Redress Commissioner or any Central Public Grievance Redress Commissioner if the Chief Public Grievance Redress Commissioner or the Central Public Grievance Redress Commissioner, as the case may be,—(a) is adjudged an insolvent; or (b) has been convicted of an offence which, in the opinion of the President, involves moral turpitude; or (c) engages during his term of office in any paid employment outside the duties of his office; or (d) is, in the opinion of the President, unfit to continue in office by reason of infirmity of mind or body; or (e) has acquired such financial or other interest as is likely to affect prejudicially his functions as the Chief Public Grievance Redress Commissioner or a Central Public Grievance Redress Commissioner.

It also provides that the Central Government may, by rules, regulate the procedure for the investigation of misbehaviour or incapacity of the aforesaid Chief Public Grievance Redress Commissioner or Central Public Grievance Redress Commissioners.

*Clause 38.*— This clause provides for powers of Central Commission and procedure before it. It provides that the Central Public Grievance Redressal Commission shall, for the purposes of its functions under the proposed legislation, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 in respect of—(a) summoning and enforcing the attendance of any person and examining him on oath; (b) discovery and production of any document or other material object producible as evidence; (c) receiving evidence on affidavits; (d) requisitioning of any public record; (e) issuing commission for the examination of witnesses; (f) reviewing its decisions, directions and orders; (g) any other matter which may be prescribed.

It further provides that the Central Public Grievance Redressal Commission shall have original jurisdiction to adjudicate upon every application made to it and the Central Public Grievance Redressal Commission shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice and subject to the other provisions of the proposed legislation and of any rules made thereunder, the Commission shall have the power to regulate its own procedure and the Central Public Grievance Redressal Commission shall arrange to deliver copies of the decision to the parties concerned within a period of fifteen days from the date of such decision.

*Clause 39.*— This clause provides for proceedings before Central Commission to be judicial proceedings. It provides that all proceedings before the Central Public Grievance Redressal Commission shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code and the Commission shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973.



*Clause 40.*— This clause provides that burden of proof to be on Grievance Redressal Officer. It provides that in any appeal, proceedings, the burden of proof to establish that a non redressal of complaint by the Grievance Redressal Officer shall be on the Grievance Redress Officer who denied the request.

*Clause 41.*— This clause provides that staff and officers to be public servants. It provides that the staff and officers of the Central Public Grievance Redressal Commission shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

*Clause 42.*— This clause provides for time frame for disposal of Appeals. It provides that an appeal shall be disposed of within sixty days from the date of filing of the appeal and an appeal of an urgent or immediate in nature shall be disposed of within the same day of the receipt of the appeal or before the date on which the cause of action may cease to exist, which shall not be later than fifteen days from the date of receipt of the appeal.

It further provides that the Central Public Grievance Redressal Commission may impose penalty including compensation to the complainant in deciding an appeal against designated officer and Grievance Redress Officers for acting in a *mala-fide* manner or having failed to discharge their duties without any sufficient and reasonable cause and the concerned officers of the public authority shall be given a reasonable opportunity of being heard before any penalty is imposed on them.

*Clause 43.*— This clause provides for power to issue directions and exercise original jurisdiction. It provides that the Central Public Grievance Redressal Commission shall, upon adjudication of a complaint, have the power to issue directions— (a) requiring the public authority to take such steps as may be necessary to secure compliance with the provisions of the Citizens Charter; (b) requiring the timely creation, updation and wide dissemination of the Citizens Charter of the public authority.

It further provides that it shall be the duty of the Central Public Grievance Redressal Commission to receive and inquire into a complaint from any person— (a) who has been unable to submit an appeal to the designated authority; (b) who has been refused redress of grievance under the proposed legislation (c) whose complaint has not been disposed of within the time limit specified; (d) who has been denied access to the Citizens Charter of the public authority either because the Charter was not created by the Public Authority or is inadequate in any regard or it is not widely disseminated to make people aware of it; (e) in respect of any other matter relating to registering and redressing of a complaint or appeal under the proposed legislation.

It also provides that the Central Public Grievance Redressal Commission may, *suo motu*, take notice of failure to deliver goods and services in accordance with the provisions of the proposed legislation and refer such cases for disposal to the Head of Department of the Public Authority and in such cases, an action taken report shall be sent by the Head of Department of the Public Authority to the Central Commission within thirty days from the date of such reference and if the Central Public Grievance Redressal Commission, is satisfied that there are reasonable grounds to inquire into the matter, it may initiate an inquiry *suo motu* in respect thereof.

*Clause 44.*— This clause provides for where Grievance complained of is a result of Corrupt practices. It provides that where it appears to the Central Public Grievance Redressal Commission that the grievance complained of is *prima facie* indicative of a corrupt act or practice in terms of the Prevention of Corruption Act 1988, on the part of the responsible officer of the public authority complained against then it shall record such evidence as may be found in support of such conclusion and shall refer the same to the appropriate authorities.

*Clause 45.*— This clause provides for penalty and compensation for *mala-fide* action. It provides that the designated authority, the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, may impose a lump-sum penalty against designated official responsible for delivery of goods and services

or Grievance Redress Officer for their failure to deliver goods or render services to which the applicant is entitled, which may extend up to fifty thousand rupees which shall be recovered from the salary of the official against whom penalty has been imposed.

It further provides that on imposition of the penalty, the appellate authority may, by order, direct that such portion of the penalty imposed under the said section shall be awarded to the appellant, as compensation, as it may deem fit.

It also provides that the amount of such compensation awarded shall not exceed the amount of penalty imposed under the said clause.

It also provides that If any public servant is found guilty under sub-section (1), the disciplinary authority shall initiate the disciplinary proceedings against such officer of the public authority, who if proved to be guilty of a *mala fide* action in respect of any provision of the proposed legislation, shall be liable to such punishment including a penalty as the disciplinary authority may decide.

*Clause 46.*— This clause provides for reporting requirements. It provides that every public authority shall ensure that every Grievance Redress Officer keeps a record of complaints made to it or appeal therein and the decisions on such complaints and appeals.

It further provides that every public authority shall publish on its website, by the 15<sup>th</sup> day of every month or at such shorter intervals, as may be prescribed, a report mentioning therein— (a) the number of complaints received; (b) number of complaints pending; (c) number of complaints disposed of; and (d) such other particulars, as may be prescribed, for discharge of its functions under the proposed legislation.

*Clause 47.*— The clause provides the appeal against decision of State Commission or Central Commission. It provides that any person aggrieved by the decision of Central Public Grievance Redressal Commission may file appeal to Lokpal and against the decision of State Public Grievance Redressal Commission may file appeal to Lokayukta within the prescribed time and manner.

*Clause 48.*— This clause provides for bar of jurisdiction of court. It provides that no civil court shall have jurisdiction to settle, decide or deal with any question or to determine any matter which is by or under the proposed legislation required to be settled, decided or dealt with or to be determined by the Grievance Redress Officer or the designated authority or the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission.

*Clause 49.*— This clause provides that enforcement of orders by the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission. It provides that every order made by the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission may be enforced by the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, in the same manner as if it were a decree or order made by a court in a suit pending therein and it shall be lawful for the State Public Grievance Redressal Commission or the Central Public Grievance Redressal Commission, as the case may be, to send, in the event of its inability to execute it, such order to the court within the local limits of whose jurisdiction—(a) in the case of a public authority not falling under clauses (b) and (c), the place at which the main office of such public authority is situated; or (b) in the case of an order against a public authority being a company, the registered office of the company is situated; or (c) in the case of an order against any other person, the place where the person concerned voluntarily resides or carries on business or personally works for gain is situated, and thereupon, the court to which the order is so sent, shall execute the orders as if it were a decree or order sent to it for execution.

*Clause 50.*— This clause provides for protection for act done in good faith. It provides that no suit, prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or intended to be done under the proposed legislation or any rule made thereunder.

*Clause 51.*— This clause provides that provisions to be in addition to existing laws. It provides that the provisions of the proposed legislation shall be in addition to and not in derogation of, any other law for the time being in force.

*Clause 52.*— This clause provides for power to make rules. It provides that the appropriate Government may, by notification, make rules for carrying out the provisions of the proposed legislation. It further specifies the matters in respect of which such rules may be made.

*Clause 53.*— This clause provides for laying of rules. It provides that every rule made by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament and every rule made by the State Government shall be laid, as soon as may be after it is made, before the State Legislature.

*Clause 54.*— This clause provides for power to remove difficulties. It provides that if any difficulty arises in giving effect to the provisions of the proposed legislation, the Central Government may, by order, published in the Official Gazette, make such provisions not inconsistent with the provisions of the proposed legislation as may appear to be necessary for removing the difficulty and no order shall be made under this section after the expiry of two years from the commencement of the proposed legislation and every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

## FINANCIAL MEMORANDUM

Sub-clause (1) of clause 6 of the Bill requires every Public Authority to establish an Information and Facilitation Centre and sub-clause (2), thereof requires every Head of Department of the Public Authority to develop, improve, modernize and reform the service delivery and grievance redress system, including adoption of electronic modes, internet, etc.

2. Clause 30 of the Bill provides for the establishment of an institution to be called the 'Central Public Grievance Redressal Commission' to exercise the jurisdiction, powers and authority as may be conferred by the Act.

3. Sub-clause (a) of clause 31 provide that the Central Public Grievance Redressal Commission shall consisting of the Chief Public Grievance Redressal Commissioner and such number of Central Public Grievance Redress Commissioners, not exceeding ten, as may be prescribed, Sub-clause (3) of clause 35 of the Bill providing that the salary and allowances payable to and other terms and conditions of service of the Chief Public Grievance Redress Commissioner shall be the same as that of the Chief Election Commissioner, and that of Central Public Grievance Redress Commissioners shall be the same as that of an Election Commissioner.

4. Sub-clause (1) of clause 35 of the said Bill provides for appointment of other officers and employees as required for the discharge of the functions of the Central Public Grievance Redress Commission.

5. At this stage, it is not possible to give precise details or estimates of the expenditure to be incurred either by the Central Public Grievance Redressal Commission. It is however, expected that the Bill, if enacted and brought into operation, would involve a Non-Plan and Plan expenditure of about eleven crore of rupees for 2012-13.

6. The expenses of the Central Public Grievance Redressal Commission including the salaries, allowances, and pensions payable to or in respect of the Chief Public Grievance Commissioner, other Commissioners and other officers or staff of the Central Public Grievance Redressal Commission, shall be borne from the Consolidated Fund of India, and any fees and other moneys taken by the Central Public Grievance Redressal Commission shall form part of the Fund.

THE RIGHT OF CITIZENS FOR TIME BOUND DELIVERY OF GOODS  
AND SERVICES AND REDRESSAL OF THEIR  
GRIEVANCES BILL, 2011

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## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 51 of the Bill empowers the appropriate Government to make rules for carrying out the provisions of the proposed legislation. Sub-clause (2) of the said clause specifies the matters in respect of which such rules may be made. These matters, *inter alia*, include— (a) other information under item (g) of sub-clause (2) of clause 4; (b) matters in relation to Citizens Charter under sub-clause (3) of clause 4; (c) matter in relation to the information and facilitation centre, under sub-clause (3) of clause 6; (d) the manner of inquiry into and redressal of grievance of the complaints received from citizens under sub-clause (1) of clause 7; (e) the other means by which complaints may be made under clause 8; (f) the other matters for which the Head of Department of public authority shall have power under item (g) of sub-clause (3) of clause 11; (g) the number of Commissioners of the State Public Grievance Redressal Commission under item (b) of clause 15; (h) the members of the search committee under sub-clause (2) of clause 15; (i) additional criteria in relation to selection of Chief Commissioner and the Commissioners of the State Public Grievance Redressal Commission under proviso to clause 16; (j) the salary and allowances payable to, and the terms and conditions of the services of the Chief Commissioners and other Commissioners of the State Public Grievance Redressal Commission under sub-clause (3) of clause 18; (k) the procedure of investigation of misbehaviour or incapacity for removal of the Chief Commissioners and other Commissioners of, the State Public Grievance Redressal Commission under sub-clause (3) of clause 20; (l) the other matters for which the State Public Grievance Redressal Commission shall have power under item (g) of sub-clause (1) of clause 21; (m) the number of Commissioners of the Central Public Grievance Redressal Commission under item (b) of clause 31; (n) the members of the search committee under sub-clause (2) of clause 32; (o) additional criteria in relation to selection of Chief Commissioner and the Commissioners of the the Central Public Grievance Redressal Commission under proviso to clause 33; (p) the salary and allowances payable to, and the terms and conditions of the services of the Chief Commissioners and other Commissioners of the Central Public Grievance Redressal Commission under sub-clause (3) of clause 35; (q) the procedure of investigation of misbehaviour or incapacity for removal of the Chief Commissioners and other Commissioners of, the State Public Grievance Redressal Commission under sub-clause (3) of clause 37; (r) the other matters for which the State Public Grievance Redressal Commission shall have power under item (g) of sub-clause (1) of clause 38; (s) the time with in which the record of complaints to the public authority and the decisions on the complaints and appeals shall be published on the website and other particulars under sub-clause (2) of clause 46; (t) any other matter which is required to be or may be prescribed under the proposed legislation.

2. Clause 52 of the Bill requires that every rule made by the Central Government shall be laid before each House of Parliament and every rule made by the State Government shall be laid before the State Legislature, as soon as may be after it is made.

3. The matters in respect of which rules may be made are matters of procedure and administrative details and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

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to lay down an obligation upon every public authority to publish citizens charter stating therein the time within which specified goods shall be supplied and services be rendered and provide for a grievance redressal mechanism for non-compliance of citizens charter and for matters connected therewith or incidental thereto.



## PUBLIC–PRIVATE PARTNERSHIPS: PERSPECTIVES ON PURPOSES, PUBLICNESS, AND GOOD GOVERNANCE

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### SUMMARY

Public–private partnerships (PPPs) have long been advocated and analyzed as organizational solutions to pressing societal problems that call for the comparative advantages of government, business, and civil society. However, ongoing questions remain about how to design, manage, and assess PPPs. The large literature on PPPs suffers from conceptual imprecision, and is weakly integrated. This article seeks to address these problems. It offers a discussion of partnership definitions and builds a framework that examines the features of PPPs as they relate to achieving particular purposes: policy, service delivery, infrastructure, capacity building, and economic development. The article summarizes the contributions to the symposium: social enterprise PPPs that target poverty reduction, health service delivery partnerships with faith-based organizations, diasporas as partners for international development, the Extractive Industries Transparency Initiative, and the Better Factories Cambodia partnership. In examining cross-cutting themes, the analysis focuses on publicness and potential to promote international norms associated with good governance. Conclusions address the role of new partners in PPPs, the difficulties in finding a balance of interests and incentives among partners, the implications of embodying and promoting international good governance norms and values, the different sources of authority that operate within PPPs, and the trade-offs among PPPs' advantages. Copyright © 2011 John Wiley & Sons, Ltd.

KEY WORDS — good governance; international norms; public–private partnerships; publicness

### INTRODUCTION

To observe today that solutions to societal problems require the combined efforts of the public, private, and voluntary sectors is a truism. While this observation may be axiomatic, how best to combine those efforts continues to be a topic of ongoing discussion and debate. The question is all the more pressing given the current global challenges facing individual societies; among the most often listed are: climate change, failed states, terrorism, economic downturns, poverty, citizen safety and security, affordable goods and services, and immigration. Addressing these challenges, taking advantage of the opportunities they provide, and mitigating threats calls for new organizational arrangements and commitments across sectors (government, business, and voluntary), with an expanded array of actors, and across borders.

Among the responses to the need for cross-sectoral engagement has been the development of public–private partnerships (PPPs). PPPs have traditionally been pursued for service delivery and infrastructure, achieving what Hodge and Greve (2008: p. 2) refer to as iconic status within public administrations around the world. An extensive literature has emerged on PPPs, much of it focused on these two traditional applications.

An enduring concern regarding PPPs in both traditional and emerging applications is the balance between the public and private benefits that such partnerships generate. This symposium issue examines this question of publicness, along with one other topic.<sup>1</sup> This latter is the role of PPPs, both actual and potential, in realizing the

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<sup>1</sup>We recognize that the concept of publicness involves a significant degree of complexity, where the relevant considerations are not either-or determinations (for example, public–private, individual–communal, state–market), but questions of relative degree (see Koppell, 2010; Pesch, 2005).

spread and implementation of global norms and liberal values, such as human rights, good governance, and the 'freedoms' associated with economic development (Sen, 1999). These are the dual focuses of this symposium issue and the individual articles that comprise it.

Pursuing this analytic agenda to reach a better understanding of the range and potential of PPPs in this context calls for clarifying the concept and developing an organizing framework that enables us to draw inferences and lessons across the increasing diversity of experiences. The literature on public-private partnerships (PPPs) is enormous, yet it remains confused and inconclusive. Among the reasons are conceptual vagueness, multiplicity of definitions, ideologically-based advocacy (both pro and con), and disparate research traditions (Wettenhall, 2003; Weihe, 2006; Hodge and Greve, 2008).

This article sorts through some of the confusion, and summarizes our current understanding of the rationales for, and contributions of, PPPs. We offer a framework based on partnership purposes, building on Bovaird (2004), that characterizes each purpose in terms of predominant organizational structures and process, major performance metrics, and normative dimensions. Next, we discuss the challenges to ensuring the 'public' in PPPs, that is, public benefits which, necessarily, must be balanced with the private interests that impel private sector actors to join PPPs. Our framing then turns to the potential for PPPs to promote international good governance norms. The next section summarizes the contributions to the special issue, flagging some key issues. We close with several observations and conclusions drawn from our examination of PPPs.

#### DEFINING PPPS

The literature has addressed the term, partnership, from a variety of perspectives, including references to partnerships as contracting-out (Johnston and Romzek, 2005), NGO-government alliances (Brinkerhoff and Brinkerhoff, 2002), and community-local government cooperation (Krishna, 2003; World Bank, 2005), just to name a few. Contributing to the analytic cacophony related to PPPs is the multiplicity of arguments, some based on empirical study and others promoting partnership based on normative agendas, making it difficult to sort the rhetoric from the reality (Brinkerhoff, 2002b; Wettenhall, 2003).

PPPs have a long history in municipal infrastructure and urban services, and are addressed by a substantial literature (see, for example, Ghobadian *et al.*, 2004; Grimsey and Lewis, 2007). A dominant thread in the definition of PPPs concerns infrastructure financing, construction, operation, and maintenance. For example, Koppenjan (2005: p. 137) defines a PPP as 'a form of structured cooperation between public and private partners in the planning/construction and/or exploitation of infrastructural facilities in which they share or reallocate risks, costs, benefits, resources and responsibilities.' This definition is echoed in that of Grimsey and Lewis (2007: p. 2): 'PPPs can be defined as arrangements whereby private parties participate in, or provide support for, the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure-based services.'

Such function-specific definitions are less than helpful in delineating the key features of PPPs. For the purposes of this analytic exercise, Bovaird's (2004: p. 200) definition is a step in the right direction: PPPs are 'working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any other organization outside the public sector.' This conceptualization highlights the importance not simply of cross-sectoral engagement, but of shared dedication to achieve some kind of joint outcome, and of going 'above and beyond' the principal-agent dynamic of a contractual relationship. Thus, partnership implies a cross-sectoral relationship where the actors involved bring both commitment and competence to the table, thereby creating the classic synergy (the whole being more than the sum of the parts).

The approach that Brinkerhoff (2002a) takes to analyzing partnership employs these two concepts to develop a nuanced definition that, rather than categorically determining what is or is not a partnership, recognizes partnership as a relative phenomenon in which a given PPP may exhibit more or less of partnership's defining elements. These elements are: mutuality and organization identity. Mutuality encompasses the commitment to a shared goal and the extent to which partners operate within the spirit of shared control and responsibility. Organization identity captures

the rationale for selecting particular partners according to their distinctive competences; capitalizing on and maintaining them constitute the basis of partnership's value-added.

More specifically, mutuality refers to mutual dependence, and entails the respective rights and responsibilities of each actor *vis-à-vis* the others. Embedded in mutuality is a joint commitment to the partnership's goals, and their alignment to be consistent with each partner organization's mission and objectives. Mutuality also means some degree of equality in decision-making, as opposed to domination of one or more partners. All partners have an opportunity to influence their shared goals, processes, outcomes, and evaluation.

Organization identity captures the distinctive competence and capabilities of the individual partner organizations. Organization identity can be examined at two levels. First, an individual organization has its own mission, values, and identified constituencies to which it is accountable and responsive. The maintenance of organization identity is the extent to which an organization remains consistent and committed to its mission, core values, and constituencies. Second, from a broader institutional view, organization identity also refers to the maintenance of characteristics—particularly comparative advantages—reflective of the sector or organizational type from which the partner organization originates. A primary driver for partnerships is accessing key resources needed to reach objectives, but lacking or insufficient within one actor's individual reserves. Such assets can entail the hard resources of money and materials, as well as important soft resources, such as managerial and technical skills, information, contacts, and credibility/legitimacy.

Based on these two dimensions, PPPs, in practical terms, can be defined as a matter of degree. The ideal type would maximize organization identity and mutuality, including equality of decision making. Since support and respect for the identity of partners inevitably require compromises, and as exact equality of power in decision making is unrealistic, partnership becomes a relative practice. Nevertheless, these dimensions can be used to contrast partnership (high organization identity, high mutuality) from other types of inter-organizational relationships, such as contracting (high organization identity, low mutuality), extension (low organization identity, low mutuality), and cooptation or gradual absorption (low organization identity, high mutuality) (Brinkerhoff, 2002a).

Thus, our definition recognizes a cross-sectoral collaboration with the following features as representing the fullest expression of partnership:

- Jointly determined goals.
- Collaborative and consensus-based decision making.
- Non-hierarchical and horizontal structures and processes.
- Trust-based and informal as well as formalized relationships.
- Synergistic interactions among partners.
- Shared accountability for outcomes and results.

#### PARTNERSHIP RATIONALES

Partnership has most commonly been promoted as a means to enhancing governance effectiveness; this is most evident, for example, in the New Public Management—NPM (see Osborne, 2000; Bovaird, 2004). Partnership is also a value-laden endeavor, and may be promoted for purposes of maximizing appeal to stakeholders and voters, representation, and conflict resolution. In general, individual actors choose to partner for one or more of the following four reasons:<sup>2</sup>

- (1) To enhance efficiency and effectiveness through a reliance on comparative advantages, a rational division of labor, and resource mobilization.<sup>3</sup> This combination can lead to incremental (though possibly dramatic) improvements in the purposes the partnership is designed to achieve.

<sup>2</sup>This list is adapted from Brinkerhoff (2002b).

<sup>3</sup>North (2004) stresses the potential of partnerships to reduce transaction costs.

- (2) To provide the multi-actor, integrated resources and solutions required by the scope and nature of the problems being addressed. In some cases, partnership is pursued for compliance reasons where legislation has determined that a cross-sectoral solution is necessary.
- (3) To move from a no-win situation among multiple actors to a compromise and potential win-win situation (i.e., in response to collective action problems or the need for conflict resolution). It may be possible to continue without partnership, but stakeholders would remain dissatisfied and continue to incur losses.
- (4) To open decision-making processes to promote a broader operationalization of the public good. The normative dimension seeks to maximize representation and democratic processes; the pragmatic perspective views this as a means to ensure sustainability.

In addition to these general rationales, governments may choose to partner with particular types of actors for more specific reasons related to the substantive purpose of the partnership. However, these reasons may reflect incorrect or non-representative stereotypes that contribute to naive expectations about whether and how partnership objectives can be achieved. For example, NGOs may provide comparative advantages in trust building and outreach (see, for example, Brinkerhoff and Brinkerhoff, 2002; Brinkerhoff *et al.*, 2007), but due to sector blurring, despite rhetoric to the contrary, many NGOs have lost these advantages through their participation in the 'alms bazaar' (Smillic, 1995).

The rationales for government partnerships with the for-profit private sector encompass both instrumental and normative aims.<sup>4</sup> From an instrumental perspective, partnering with the private sector can afford government access to technical expertise and established networks for complementary resource sharing. For infrastructure PPPs that access private financing, public-private risk sharing is one of the drivers, both as a means of leveraging investment in public goods and of providing performance incentives. As Hodge and Greve (2007) point out, however, the track record of PPPs as risk management vehicles is mixed; they cite a variety of assessments that raise questions about the value for money rationale, and document governance and regulatory failures.

On the incentives side, PPPs may have an explicit objective of importing 'businesslike' practice and thinking, including bottom-line enforcement mechanisms and competition. While presented as an effort to improve efficiency and effectiveness, such an objective is also based on a normative belief that the private sector is inherently 'better' at management than the public sector. Such normative orientations have led to a dramatic under-appreciation of the unique role governments must play in public service provision. Contracting out and purportedly more mutual arrangements under the rhetoric of PPPs have significantly reduced many governments' capacity to effectively participate in and oversee these arrangements and to ensure they are responsive to citizen demands and contribute to a broader, more strategic vision of the public good (see Rhodes, 1997). Put another way, we have yet to sufficiently respond to the question 'effectiveness for whom?' (Provan and Kenis, 2007: p. 229). For these reasons, we think it timely to more explicitly examine the publicness of PPPs and how various types of PPPs address the balance between private and public impacts and benefits (see below).

#### PARTNERSHIP FRAMEWORK

No single analytic framework can capture the diversity, relevant parameters, and qualities of PPPs. We propose a purpose-based framework here that examines the expression of the defining features of partnership identified above as they relate to achieving particular purposes. These include: policy, service delivery, infrastructure, capacity building, and economic development. These purposes to some extent reflect analytic streams and related bodies of literature, though not completely. We select these as our organizing principle because in many cases the decision to pursue a PPP derives from a desire to achieve a particular purpose. Thus this framework maps relatively closely to the applications of PPPs in the real world, and facilitates the pursuit of policy- and practice-relevant analysis.

<sup>4</sup>For a discussion of why businesses pursue partnerships, see Austin (2007).

*Policy PPPs* seek to design, advocate for, coordinate, or monitor public policies of various types: sectoral, national, and/or global. Partnership structures can vary from loose and informal issue-specific networks to more formal cross-sectoral committees, task forces, or special commissions. Such PPPs can focus on the technical aspects of policies, but they are often enmeshed in politics as well (see Rhodes, 1990).<sup>5</sup> These policy networks have emerged as important transnational structures for engaging governments on global policy issues (see Keck and Sikkink, 1998).

Performance metrics for policy PPPs blend technical issues, such as enhancing the quality of the solutions to the policy problem at hand through combining the expertise and experience of the partners, with political considerations, such as state-society interest intermediation and responsiveness of the policy to particular societal groups, the ability to build consensus among policy constituencies, and the legitimacy and 'standing' of the partners (for example, whom do they speak for and with what authority?). These latter considerations exemplify the normative principles frequently employed to assess policy PPPs. These include concerns about equity and pluralist representation; opportunities for, and commitment to, participation; and transparency (related to various operational aspects of the partnership as well as to the policy outcomes).

*Service delivery PPPs* engage non-state actors in delivering public services through separating the payment for public services from their provision. Governments (in the case of poor countries, assisted by donors) retain responsibility for financing and payment, and outsource service provision to the private and/or non-profit sectors. The true partnership component of PPPs for this purpose is frequently debated, since the most common mechanism connecting the partners is some form of contract, which reflects a low degree of mutuality. To the extent that the PPP operates with shared commitment and accountability, and joint planning and consultation on service mix, the relationship demonstrates more of the features (as opposed to simply the language) of partnership. Moving toward a long-term relationship based on trust and commitment shifts the contractual basis of the PPP from a traditional contract to a relational one (Bovaird, 2004). Both the performance metrics and the normative dimensions of service delivery PPPs reflect their origins in NPM and the drive for public sector downsizing, deregulation, and reliance on market mechanisms (see Rosenau, 2000). An additional metric driving government-NGO service delivery partnerships is reaching underserved populations with specialized services.

*Infrastructure PPPs*, as noted above, bring together governments and the private sector to finance, build, and operate infrastructure such as ports, highways, sewage and waste treatment facilities, telecommunications, electric power generation, and so on (Sansom, 2006; Grimsey and Lewis, 2007; Andres *et al.*, 2008). Infrastructure PPPs employ a range of structures and processes, such as joint ventures with both national and multinational firms to obtain technology and capital, build-operate-transfer agreements (BOTs) of various types, and loan or trust funds (for example, housing credit funds). As with service delivery, performance metrics and norms for infrastructure PPP derive from the privatization and deregulation principles underlying NPM: market mechanisms that promote efficiency and quality, emphasis on value for money, and creation of sustained capacity for public infrastructure operation and maintenance (see, for example, Koppenjan and Enserink, 2009).

Infrastructure PPPs are not without controversy: there are debates regarding whether indeed outsourcing to the private sector through joint ventures or BOTs yields the cost savings and efficiencies for taxpayers that governments advertise, and whether long-term PPPs lock in arrangements that limit government flexibility (Hodge and Greve, 2007). These debates concern the instrumental value of infrastructure PPPs; another controversy comes from the normative side. When the provision of public goods, such as water and power, is outsourced to private providers who seek to recover their costs through user fees, some critics consider that such PPPs deny those who cannot pay—the poor and marginalized—basic rights to public goods.

*Capacity building PPPs* may in some cases address service delivery needs, but they explicitly focus on helping to develop the skills, systems, and capabilities that allow those groups or organizations targeted for assistance to help themselves. International donors are a major source of support for such PPPs, and they can be found in a wide variety of sectors: health, education, environmental management, community development, and agriculture. For

<sup>5</sup>The policy network literature reflects some of the same debates as that on partnership related to defining concepts, analytic boundaries, and operational dynamics. See, for example, Börzel (2002).

example, Wescott (2002) offers global, regional, and national examples of partnerships for capacity building in integrated coastal management that combined governments, universities, and local communities. Several of these are knowledge and research partnerships, such as the Australian Marine and Coastal Community Network; others offer training courses and/or conduct pilot projects, such as the regional Partnerships in Environmental Management for the Seas of East Asia (PEMSEA). Capacity building PPPs can take the form of loose knowledge networks, organizational twinning, MOUs, or formal contracts. They often have a normative orientation that highlights the autonomy and agency of assisted groups to apply their new capacities as they wish. Ownership and empowerment are valued as enhancing independence and agency.

Capacity is a broad concept, and not easy to characterize in terms of performance metrics. Capacity building PPPs are assessed using several measures, including (perhaps the simplest) skills and knowledge transfer, creation of organizational systems posited as connected to the ability to perform (for example, planning, budgeting, human resources, monitoring and evaluation), intellectual capital (demonstrated use of skills and knowledge), and social capital (skills and knowledge plus networks of communication and trust).

*Economic development PPPs* are cross-sectoral collaborations that promote economic growth and poverty reduction. In the US, Europe, and the UK, such partnerships are common at municipal, county, and state levels, with a combination of local, state, and federal funding; for example, the Mainstreet USA program. Within this category fall many of the partnerships born on the private sector side from corporate social responsibility programs and commitment to the double or triple bottom line. Governments and international donor partners frequently play a broker role, both in terms of finance and matching up private firms with NGOs and/or local communities. USAID's Global Development Alliance (GDA) is one example.<sup>6</sup> Economic development PPPs can take the form of joint ventures, contracts, or MOUs. At the global level, PPPs aim at resource mobilization, often for sector-specific contributions to economic development in poor countries (see Bull and McNeill, 2007). Examples of these latter are the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Global Environment Facility (GEF), and the Financing Facility for Remittances.<sup>7</sup> Performance metrics focus on poverty reduction measures, profitability and sustainability of newly created entrepreneurs (for example, microfinance programs), the above-noted triple bottom line, and resource mobilization. Driving norms include empowerment and self-determination, equitable distribution of benefits, and attention to the inclusion of economically or socially marginalized groups (for example, women, indigenous peoples, and excluded castes).

Table 1 summarizes the framework. For each purpose, the table indicates the main organizational structures and processes, the performance metrics, and the associated normative dimensions. The table shows that partnerships can be operationalized through a variety of arrangements, ranging from informal to legally binding. Most often it is assumed that formal agreements will be codified in a contract. However, partners may consider that mutuality is more readily captured in the design process and outcome of these mechanisms through what may be called 'Partnership Agreements' (see Evans *et al.*, 2004).

#### BEYOND CASE- AND COUNTRY-SPECIFIC PPPS: GOVERNANCE ISSUES

Our table is a practical mapping of a PPP typology, associated metrics, and normative aims associated with individual partnerships in a particular sector or country. However, beyond this individual focus, PPPs are expressions of alternative governance modalities to hierarchies and markets. As such, they need to be analyzed and assessed from a perspective that accounts for them as instruments for achieving good governance (Bovaird, 2004; Brinkerhoff, 2007; Edgar *et al.*, 2006). That is, in addition to the specific benefits for which PPPs were designed, we need to evaluate the extent to which (a) PPPs yield public benefits, and (b) partner behaviors align with the principles and practices of good governance.

A focus on good governance leads to an examination of PPPs that moves beyond aims of incremental modifications in existing practice to introducing systems change (Mandell and Steelman, 2003). This perspective

<sup>6</sup>See [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/)

<sup>7</sup>For a discussion of additional examples see Waddell and Khagram (2007).

Table 1. Public-private partnerships: a purpose-based taxonomy

PPP purpose	Organizational structures and processes	Performance metrics	Normative dimensions
Policy	Network	Technical quality	Equity/representativeness
	Task force	Responsiveness	Citizen participation
	Joint committee	Consensus-building	Transparency
	Special commission	Legitimacy	
Service delivery	Co-production	Quality	Accountability
	Joint venture	Efficiency	Business values and incentives
	Contract	Effectiveness	Access
	Partnership agreement (MOU)	Reaching targeted beneficiaries	Responsiveness
Infrastructure	Joint venture	Quality	Accountability
	Build-operate-transfer	Efficiency	Business values and incentives
	Build-operate-own-transfer	Value for money	Access
	Design-build-operate	Maintenance and sustainability	Responsiveness
Capacity building	Knowledge network	Skills transfer	Ownership
	Twinning	Intellectual capital	Agency
	Contract	Social capital	Empowerment
	Partnership agreement (MOU)	Organizational systems and output	Autonomy/independence
Economic development	Joint venture	Poverty reduction	Equity
	Contract	Profitability	Social inclusion
	Partnership agreement (MOU)	Sustainability	Empowerment

Source: Authors.

can also extend the role of PPPs beyond national governance systems to the international realm (see Börzel and Risse, 2005; Bull and McNeill, 2007). Thus, internationally recognized good governance principles and norms may be incorporated not just in the operationalization of PPPs but in their designated objectives.

#### *PPPs and public benefits*

As the above review suggests, despite their originating rationale, in practice many PPPs may not achieve their intended public benefits, either due to poor implementation (including inadequate government regulation) or skewed incentives; and/or they may yield unintended consequences, such as the long term 'gutting' of government capacity (see Rhodes, 1997). Private sector benefits, such as reputation and profit, as well as shared partner benefits (for example, cost/risk sharing and innovation), are necessary to the incentives that motivate actors to form and participate in PPPs. However, these are not always consistent with the ultimate social goals for which PPPs are designed. For example, PPPs may restrict competition and choice, increase costs to consumers, and limit access to innovation. These risks are well known in the practice and literature on intellectual property rights, with well documented cases concerning pharmaceuticals, and in the computer industry, for example, Microsoft's philanthropic programming in Africa (Sell, 2009).

All PPPs, to justify public sector participation, seek to produce at least some public benefits and incorporate norms that in many cases are reflective of good governance principles, as the above typology summarized in Table 1 makes clear. However, empirical evidence suggests that their practice can fall short of the ideal. Figure 1 illustrates a benefits distribution matrix (intended and/or realized). From a good-governance perspective, an ideal PPP would yield significant public benefits, and would fall in either Quadrant 2 or 4. For private partners, Quadrant 2—both high public and high private benefits—would be desirable, but Quadrant 1 could hold some appeal as well. One aspect of the debate regarding infrastructure PPPs is whether or not they fall into Quadrant 1 or 2. A PPP in Quadrant 3 would not be likely to be initiated, or if launched would not be sustained for long, since it would be in neither the government's nor the private actors' interests.

		Public Benefits	
		Low	High
Private Benefits	High	1	2
	Low	3	4

Figure 1. Mapping PPP benefits.

Figure 1 suggests that PPPs can be mapped along these dimensions and their appropriateness and/or effectiveness assessed accordingly. This table moves beyond the identified performance metrics in Table 1 to highlight the extent to which those metrics ultimately contribute to public benefits. Of course, definitions of 'public benefit' are subjective and ideological, and PPPs are dynamic, so their precise location in Table 1's matrix may be subject to interpretation and may change over time.<sup>8</sup> That said, the graphic places public benefit squarely as a central evaluative criterion, given that PPPs blur the line between public and private roles and responsibilities. Further, it suggests that those PPPs that are higher in public than private benefits (perceived and/or actual) may be likely to enjoy greater public support, and be accorded more legitimacy by citizens.

#### *PPPs and international good governance norms*

Particularly for PPPs whose purposes address global policy issues or pursue economic development objectives, transnational actors figure often among the partners; for example, multinational corporations, global advocacy coalitions, and multilateral agencies (for example, Keck and Sikkink, 1998; Waddell and Khagram, 2007). The extent to which such PPPs may reinforce or advance international good governance norms varies widely. A contributing factor to that variation is the type of authority that members of the PPP have access to and can mobilize. Avant *et al.* (2010: p. 11) identify five bases of authority for what they call 'global governors': institutional, delegated, expert, principled, and capacity. PPPs most often function with delegated responsibilities, where authority is 'on loan' from other authoritative actors, in this case national governments and/or multilateral agencies (for example, European Union, United Nations, World Trade Organization). Such delegation can 'muddy the relationship between state preferences and outcomes' (Ibid.: p. 12). This obscured territory opens the door for promoting international norms that may not be the explicit intention of participating state actors, even when they may ostensibly ascribe to a particular PPP's rhetoric. Non-state PPP participants can augment their delegated power with expert- and capacity-based authority to achieve the intended goals of the PPP. At the same time, they may draw upon principle-based authority to enact, disseminate, and promote particular international governance norms. Such authority may resonate more for those actors who share these aims, than for governments who may have only nominal or limited commitments to these norms.

This authority framework suggests that PPP participants can leverage their delegated, expert, and capacity authority to promote international governance norms with resistant and/or low capacity governments, while using principle authority to garner further support from like-minded partners and stakeholders. These norms may include liberal democratic values such as basic freedoms (for example, speech, religion, and assembly), human rights, and associated good governance behaviors. Several of these norms, such as accountability, equity, social inclusion, and empowerment are part of the explicit rationales for many types of PPPs, as illustrated in Table 1.

<sup>8</sup>See the discussion in Pesch (2005) of the ideological aspects of defining publicness and public benefits.



## SYMPOSIUM CONTRIBUTIONS

This section overviews and comments on the contributions to this volume. The discussion considers the purposes of the PPP examples, and explores how those partnership cases illuminate the questions of provision of public benefits and promotion of/compliance with international good governance norms introduced above. While each of the articles holds implications for these two aims (publicness and international norms), their relative emphasis varies.

In terms of the PPP purposes enumerated in Table 1, the examples presented in the articles in the symposium cover all of the purposes except infrastructure. Arthur Goldsmith's article looks at social enterprise PPPs that target economic development and poverty reduction. Alyson Lipsky discusses service delivery partnerships that engage faith-based organizations as health service providers in Africa. Jennifer Brinkerhoff assesses the role of diasporas as partners in international development PPPs for purposes of economic development and capacity building. The articles by Susan Aaronson and Anna Wetterberg look at partnerships with both international policy and economic development objectives. Aaronson reviews and analyzes the case of the Extractive Industries Transparency Initiative (EITI), which establishes country-specific PPPs to combat corruption and ensure that the resources generated by natural resources exploitation contribute to national development. Wetterberg examines the experience of the Better Factories Cambodia (BFC) partnership, which sought simultaneously to protect workers' rights and ensure that Cambodian apparel manufacturers met the labor standards that would enable them to profit from multinational investments.

*Provision of public benefits*

In discussing particular PPP actors, three of the articles explicitly address publicness. Two of the contributions to this volume address the comparative advantages of new private actors as partners, and how the defining features of, and rationales for, partnership condition their engagement in PPPs. J. Brinkerhoff explores the prospects of diaspora organizations as partners for international development. Diasporas—migrants who maintain a connection, psychological or material, to their country of origin—represent enormous potential to contribute to the development of their countries of origin. They do so through informal associations, such as Internet-based communities, nonprofit philanthropic organizations, businesses, and advocacy associations (see, for example, Brinkerhoff, 2009). Her article offers a range of lessons from the experience of NGOs to inform diaspora organization partnership strategies.

She cautions the donor community regarding the unexamined assumption that the aims of diaspora contributions to their homelands can be neatly coopted in the service of national development, a public good. While the private interests of diaspora organizations must be carefully weighed against the joint public aims of such partnerships, the issue she highlights is less one of public versus private interests, and more one of diminished public benefits over time. The absorption of diaspora members into donor- or government-dominated partnerships may diminish the very advantages that countries of origin and donors seek to capitalize on. Over time, the capacity of such partnerships to produce a steady stream of public benefits risks deteriorating without careful attention.

Similarly, Lipsky explores the potential advantages of faith-based organizations (FBOs), specifically for partnerships targeting health service delivery in Africa. FBOs have delivered public services to those in need globally for some time, yet have often operated relatively independently. Their role in particular service arenas—such as health service delivery—is receiving renewed attention, for several reasons. First, because of their track record in serving hard-to-reach populations, they may be important partners in efforts to meet health-related MDGs. Second, current concerns with sustainable service delivery have led to interest in integrating FBOs more closely into national health systems. Lipsky compares and contrasts FBOs and secular NGOs as partners, and illuminates the advantages and weaknesses that characterize FBOs.

In terms of the public benefit criterion (Figure 1), the application of those advantages to partnerships for routine service delivery or provision of services in emergency situations (a longstanding role for FBOs) is on occasion controversial. For example, in the U. S., the Bush administration relaxed the rules that enjoin FBOs that accept government funds for providing emergency relief from proselytizing among recipient populations, provoking concern in some quarters for blurring the boundary between church and state. Some FBOs place limitations on the

provision of HIV/AIDS services based on religious beliefs and strictures that ignore medical best practice. In other words, FBOs have private faith-based objectives alongside service delivery aims. Thus, FBO-government partnerships face differing interpretations of their desirability and appropriateness, and will require careful negotiation of mutuality and organization identity issues in order to achieve intended public service delivery outcomes.

Goldsmith's article confronts head-on the public-private balance of interests and benefits in partnerships that enlist private firms in reducing poverty and promoting economic development. He reviews the experiences of a variety of social enterprises, looking at microfinance, pro-poor marketing to 'base of the pyramid' consumers, equitable supply chains for both agricultural and non-agricultural products, appropriate technologies (for example, cell phones), and social venture capital investments. These social enterprises typically create partnerships with multinational and/or national companies, governments, NGOs, and community associations. His analysis notes that while the theoretical rationale for social enterprises posits that reaching the poor (a public benefit for a developing country) can become sufficiently profitable that it will be sustained through private investment alone. In practice, PPPs that launch social enterprises depend heavily upon the contributions of the public sector and civil society partners. He concludes that for social enterprise PPPs to continue to produce public benefits in the form of poverty reduction, ongoing public resources are required.

Aaronson's and Wetterberg's cases enlarge publicness beyond national boundaries to reveal how those PPPs contribute not simply to public benefits in individual countries, but also to the production of global public goods, embodied in international norms (discussed more fully below). The EITI explicitly seeks to set limits on private gains—notably those derived from corruption—through promoting transparency in extractive industry agreements with governments, using national civil society and validators from the international community as watchdogs. The BFC partnership encompasses labor rights into the operationalization of publicness.

#### *International good governance norms*

The EITI and BFC are examples of partnerships that seek to increase adherence to a set of international norms linked to good governance: transparency, reduced corruption, and respect for human rights. Aaronson's discussion of the EITI notes the mixed record of progress in establishing the country PPPs despite the espoused commitment of the various partners. Her analysis reveals the diversity of motivations among the partners, which highlights the difficulties in achieving the mutuality that characterizes the fullest expression of partnership. A positive factor is the increased worldwide acceptance of international norms around transparency regarding resource exploitation, which has helped to push forward what is a voluntary compliance process. The PPP encompasses delegated authority from the World Bank and other supporting international actors, the expert authority of validators, and, at least in theory, the capacity authority of civil society as a watchdog. She observes that an important ancillary objective in EITI is building capacity for civil society engagement in governance of natural resources exploitation, which holds the promise for a fuller expression at a country level of the international norms to which EITI seeks to give effect. She cautions, however, that civil society remains the weak partner in the PPPs, where power imbalances favor governments and multinational corporations.

The BFC partnership illustrates how principle-based authority, combined with market incentives, can achieve behavior change in line with international norms, in this case labor standards to protect Cambodian workers' rights. This PPP case combines the enactment of international norms with production of public benefits; in Cambodia, factory working conditions were improved and abuses of organized labor curtailed. Wetterberg examines the BFC in terms of the interplay between the distinctive competencies, interest, and authorities of the three partners (government, the garment industry, and the International Labour Organization), which enabled the PPP to enforce internationally mandated labor standards that no member of the partnership could achieve individually. Thus, the BFC exemplifies how the twin characteristics of partnership—mutuality and organization identity—can combine to generate synergistic results. The analysis shows that the success the BFC achieved has been strongly influenced by global economic forces; reduced demand from advanced country consumers for fashion items revealed the vulnerability of the PPP's reliance on a single industry. Nevertheless, several other countries have indicated an interest in the BFC partnership model.

The actor-specific articles also address the potential for promoting international norms. Diasporas hold potential for promoting international norms and values experienced and acquired through the migration experience and in their newly adopted countries of residence. In their understandings of both the country of origin and the country of residence culture and norms, they may be particularly well situated to act as norm announcers (Brinkerhoff and Riddle, 2011). Faith-based organizations, by virtue of their comparative advantages in reaching the poor and their moral and ethical standing, contribute to enacting international normative service delivery and governance targets, such as the Millennium Development Goals. Finally, social enterprises, themselves, embody international norms related to corporate social responsibility; that is, the principle that private businesses have societal responsibilities beyond simply profit-making.

### CONCLUSIONS

PPPs continue to seize the attention of policymakers, public administrators, and academic researchers in search of organizational concepts and mechanisms that hold promise for (a) mobilizing resources beyond those available to public sector entities alone, and (b) offering solutions to complex problems. The partnership 'currency' has been devalued by overuse of the term, leading some to dismiss it as conceptually empty and merely politically expedient. However, the premise behind the research workshop that led to this special issue and to the contributions to this volume is that examination of PPPs remains both analytically valid and practically worthwhile.

Among the conclusions that can be drawn from the contributors' and our shared exploration are the following. First, public sector actors (national and transnational) are looking to new partners to contribute their unique resources and capacities to address global challenges.<sup>9</sup> The search has led to some uneasy 'bedfellows,' which highlights the importance of understanding the comparative advantages and the interests of the actors coming together in partnership. This places a heavy emphasis on the mutuality dimension of partnership if the anticipated synergies are to be gained from the distinctive competencies derived from organization identity. This conclusion is particularly salient for diaspora engagement in international development partnerships, as the J. Brinkerhoff article points out.

Second, while public sector dominance can undermine the anticipated benefits of partnerships, if the publicness inherent in PPPs is to be realized, neither should private interests dictate the terms of the joint relationship. Achieving the right balance of interests and incentives among heterogeneous partners is challenging. Goldsmith's analysis of social enterprise PPPs and poverty reduction raises this question, as have others looking at the private sector and international development partnerships (for example, Kolk *et al.*, 2008). The potential for divergent interests is also present in the use of FBOs for health service delivery, as discussed by Lipsky.

Third, the good governance aspects of partnership, as principles guiding the operation of the partnership and/or as its explicit objective, add a layer of complexity to partnership design and operation beyond the metrics of efficiency, effectiveness, and synergy. Acting on these principles means that inclusion, equity, transparency, accountability and ethical behaviors become integral to partnership functions (Bovaird, 2004; Brinkerhoff, 2007). These normative elements of PPPs—which can be argued are inherent to the PPP mechanism itself—have perhaps heretofore been under-recognized. The potential for PPPs to embody and promote particular norms and values has both instrumental and ethical implications in terms of beneficiary and/or partner self-determination and ownership of PPP outcomes. Moreover, since PPP functioning requires commitment and trust, where the operating environment discourages or undermines these core elements, such as in developing countries where good governance is limited or lacking, the ability of the partnership to produce desired outcomes (either public goods/benefits, good governance, or both) is put at risk. The high degree of variation in the progress that Aaronson documents with the EITI country-level PPPs is a clear demonstration of this threat.

Fourth, the use of partnerships for addressing transnational problems draws attention to the different sources of authority that operate in combination within such partnerships (Avant *et al.*, 2010). Because partnerships as

<sup>9</sup>Batley (2006), for example, notes that many important non-state service providers, such as local entrepreneurs, individual practitioners, and community-based organizations, are left out of PPPs, and may be unduly regulated without attention to shared objectives.

organizational constructs tend away from the hierarchical, the standing of participants becomes important to defining their power relationships among each other. The multiple sources of authority add nuance and complexity to the determination of power and its exercise within PPPs. Partners bring more than one type of authority to the PPP, and may be relatively weak in one, while relatively strong in another. Wetterberg's analysis of Cambodia's BFC demonstrates this factor.

A final conclusion that emerges from our examination of PPPs is perhaps a statement of the obvious, but which nonetheless bears repeating. The permutations of partnership purposes, structures, and processes are enormous. This fact limits the generalized applicability of any set of conclusions, and suggests caution in transferring specifics from one setting to another. It also opens the door to considering that, for some types of public goods and services, partnerships may not be the most appropriate vehicle. The complexities and difficulties in making PPPs work effectively suggest that they should be applied predominantly to those societal problems that call for partnership's particular advantages. Further, it suggests that there may be trade-offs among those advantages; for example, the inclusivity benefits may add costs and complicate accountability. Making such choices raises once again the power facet of partnerships embedded in Provan and Kenis' (2007) question of who gets to decide which PPP benefits are the most salient?

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## *GENDER AND GOVERNANCE: AN INTRODUCTION*

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Martha Nussbaum

The relationship between gender and governance has too often been neglected in both theoretical and empirical work. Until very recently, most influential political thought has been built around a conceptual distinction between the "public" realm of politics, military affairs, and administration, and the "private" realm of family and domestic life. Women's role, in a wide range of traditions and in theoretical work influenced by them, has typically been associated with the "private" realm, and men's role with the "public" realm. The public/private distinction has been thoroughly criticized as being in many ways misleading and untenable. Nonetheless, it continues to influence both theoretical and empirical work, with the result that women's efforts to gain a voice in governance have often been ignored.

These papers aim to set the record straight. They advance a theoretical structure, both positive and normative, within which the question of gendered governance may usefully be pursued. They also analyze some current developments that indicate many ways in which women are actively participating in governance, in both government and the institutions of civil society, and the obstacles that remain.

### **I. Core Terms and Concepts**

All the core terms used in these papers require comment, because each has been subject to multiple definitions. A focus on women's

lives has contributed to new, and in some cases broader, understandings of these central notions.

### Gender

The papers focus on the lives of women, but their topic is "gender and governance," not "women and governance." This usage reflects the recognition, by scholars and activists alike, that societies construct elaborate ideas, both descriptive and normative, of what women and men are and what their proper place and function in society is. There may or may not be significant innate differences between males and females (beyond the biological differences of chromosomal and genital sex that are used to define an individual as either male or female).

Most research on this topic has been marred by the failure to separate biology from cultural influences, which have been shown to begin very early in a child's life. Babies, for example, are held and played with differently according to the holders' beliefs about the sex of the child. It is very clear that there are dramatic cultural and societal differences, and that the life of a female individual is from birth shaped by social expectations and norms regarding femaleness. Expectations concerning what is right and proper for women to be, shape a system of constraints and prohibitions, often invisible on account of their habitual nature, but profoundly important in shaping women's own self-conception, aspirations, and functionings. This systematic shaping of women's lives cannot be well understood without understanding the corresponding shaping of male lives, the expectations about what men can do and be, the prerogatives and opportunities extended to males.

For this reason, the academic study of women, which used to take place in programs and departments of "Women's Studies," now increasingly takes place in programs and departments of "Gender Studies," dedicated to understanding the entire system through which societies construct gendered norms for their members. These papers reflect that development. As Basu says, a study of gendered governance is a study of men and masculinity as much as it is a study of women and femininity. Although the papers focus on women's lives, they do so with the understanding that these lives operate within a system of gendered understandings



and gendered power that must be understood as a whole if the lives of women, and their access to governance, are to be enhanced.

## Development

These papers look at gender and governance in the context of the efforts of UNDP to promote development, and women's role in it. The concept of development used to be understood very narrowly - a nation was taken to be "developing" when it showed evidence of economic growth. But it was soon recognized that "development" is also, and primarily, a general normative concept, meaning that things are getting better. It was also recognized that economic growth is only one aspect of the improvement of people's lives, and is not always well correlated with improvements in other areas, such as health care and education.<sup>2</sup>

International agencies have therefore increasingly adopted the human development perspective associated with the work of Mahbub-ul-Haq and Amartya Sen, now familiar across the world through the global Human Development Reports brought out by UNDP, and the many national and regional Human Development Reports modelled on these. This perspective and its history are discussed in Jayal's paper.

The human development perspective identifies a number of distinct areas as central to development, including life expectancy, maternal health and safety, health care in general, educational opportunities, access to sanitation and safe drinking water and access to the political process. From the beginning, the approach identified gender inequality as a major concern, producing a Gender Development Index that adjusted each nation's ranking upward or downward based on its record of gender equality in the core areas of life expectancy, educational attainment, and income. The Gender Empowerment Measure gives a different perspective on women's progress by focusing on women's access to economic, professional and political opportunities.<sup>3</sup>

<sup>2</sup>See Jean Drèze and Amartya Sen, *India: Economic Development and Social Opportunity* (Delhi: Oxford, 1995), and Drèze and Sen, eds., *Indian Development: Selected Regional Perspectives* (Delhi: Oxford, 1997).

<sup>3</sup>See the detailed technical discussion of these measures in *Human Development Report 1995* (New York: Oxford University Press, 1995), 125-33.

## Governance

The recognition that the lives of women are deeply and systematically conditioned by a host of social norms and expectations implies that a productive study of gender and governance must understand governance in a broader way than was customary in some earlier studies. As Jayal's paper documents, international agencies used to operate within a very narrow and economically focused definition of governance. Good governance was equated with "sound development management," and was defined as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, quoted in Jayal, p. 2). The key aspects of governance so understood were public sector management, accountability, a legal framework, and information. Politics as such made no appearance in the account. Thus the many ways in which democratic citizens determine the shape of their societies were not taken into account.

Newer accounts of governance have followed a broader understanding of the goals of development. Governance is now understood to include the wide range of ways in which the political, social, and administrative structure of a society affects the access of its members to basic opportunities and capabilities. For example, the UNDP account of governance adopted in 2000 defines governance as "the exercise of political, economic and administrative authority to manage a country's affairs. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences." This definition suggests that a study of governance must include not only economic management but also political participation very generally – and participation in both formal institutions of the state (including legislative, legal, and administrative institutions) and the informal groups, movements, and institutions of civil society.

A study of gender in governance must look at all these areas and their interactions. Thus, an account of women's governance in economic institutions that did not take account of their role in democratic politics at the national, regional, and local levels would be both incomplete and obtuse. To take another example, one that

is prominent in these papers, women's groups and social movements have been very important in gaining access for women to formal political institutions. A study of women's role in political life that omitted these groups and movements would be obtuse. These papers unequivocally adopt the new understanding of governance, as focused on issues of politics, accountability, the relationship between politics and civil society, and decentralization.

At the same time, Jayal's paper emphasizes that more is involved in gendering the definition of governance than simply broadening its focus. All three authors point out that the institutions of civil society are not necessarily woman-friendly. They include groups supporting women's empowerment, and reactionary groups of many kinds, both religious and secular. Nor is the state necessarily less woman-friendly than civil society: all the papers assign a crucial role to the state in empowering women. Finally, the new, broader understanding of governance does not yet recognize the need to scrutinize the ways in which traditional understandings of women's "private" role in the family hinders their activities and aspirations. Thus, engendering the understanding of governance requires scrutinizing all of these institutions, the family included, and their interactions with a wide range of concerns pertinent to women's lives in view.

### Public and Private

The participation of women in governance has long been hindered by the assumption that their proper sphere is the "private" sphere, and this same assumption has been an obstacle to good theoretical and practical work on the question of gender and governance. A critique of this distinction is a thread running through all of the papers, and Tambiah's paper addresses some aspects of this critique in detail. It will therefore be helpful to give here a brief overview of the reasons why scholars focusing on women's concerns have found the public/private distinction to be inadequate.

From the very origins of Western political theory, theorists have carved society into two domains: a "public" domain, the domain of political authority and contestation, and a "private" realm, associated with family and the home. These spheres are conceived as operating in very different ways. In the public sphere, each

person's actions must be constrained by the recognition that he is one among many citizens. Any attempt to gain unlimited or supreme power is typically taken to be both dangerous and inappropriate; political authority is commonly understood to rest on the accountability of officials to all citizens and on some type of division of power and authority. Thus, as Aristotle articulates the idea, in the realm of the polis, men are "free and equal, ruling and being ruled by turns."<sup>4</sup>

The "private" realm of the household is understood in a very different way. Here the traditional idea is that the male head of the household both may and should exercise a type of kingly authority. Because he is surrounded not by equals, but by inferiors, his job is to control them. Aristotle makes a subtle distinction between the rule of a man over a wife, and his rule over slaves: the kingly husband is supposed to take his wife's views into account in some way. And yet both forms of royal rule are even more strongly distinguished from the rule practiced among citizens, which is not kingly rule at all. Similarly, John Locke's "state of nature", yet another formative source of modern Western conceptions of the private realm, is a realm in which one is not bound and may do as one likes. It is "a state of perfect freedom to order their actions, and dispose of their possessions and persons as they see fit, within the bounds of the Law of Nature."<sup>5</sup> Of course this means that those with power get to exercise it unconstrained, nor are they accountable to anyone for their acts. The private domain is thus defined as a domain in which the powerful hold sway unlimited by considerations of equality and reciprocity.

Modern liberal theory has typically associated the public/private divide with a further distinction: the distinction between a sphere regulated by law and a sphere in which law should not interfere. The public realm is a realm in which law and coercion

<sup>4</sup>Aristotle, *Politics* I.1. See further discussion in Nussbaum, "Sex Equality, Liberty, and Privacy: A Comparative Approach to the Feminist Critique," in R. Sudarshan, E. Sridharan, and Z. Hasan, eds., *Promoting Equality through Law: Fifty Years of the Republic* (Delhi: Oxford, forthcoming).

<sup>5</sup>John Locke, *The Second Treatise on Government* (New York: Macmillan, Library of Liberal Arts, 1988), 4. See the good discussion in Judith DeCew, *In Pursuit of Privacy*, chapter 1. And also Carol Pateman, *The Disorder of Women: Democracy, Feminism, and Political Theory* (Stanford: Stanford University Press, 1989).

operate: if A violates the rights of B, the law will intervene to protect B from A. That is part of what it is to live in a realm characterized by accountability and a division of power. In the "private" realm, by contrast, the law may not intervene to constrain the activity of its monarchical head.

These ideas have deep roots in the Western tradition of political philosophy, but one may find them in other traditions as well. Traditional Hindu law gives the household considerable autonomy. At the same time, one of the central prerogatives, and indeed duties, of the householder is strict control over the women of the house. Chapter 9 of the Laws of Manu states that women are by nature untruthful, lustful, and in need of constant supervision, and so the husband must arrange that this be done. In this way, the idea of the household as a protected sphere of male authority is established.

Such ideas have frequently been invoked in order to resist women's demands for change in the age of marriage and the prerogatives of the husband within marriage. For instance, in India, an especially pernicious development of the idea of male rule over the household came into existence during the time of British domination, with British connivance, resulting in the justification even extremely cruel conduct as simply within the husband's prerogative. Historian Tanika Sarkar has investigated the rhetoric surrounding the tragic death of Phulmonee, a girl of 10 or 11 who was raped by her husband, Hari Mati, a man of 35, and died of the resulting injuries.<sup>6</sup> Sarkar convincingly shows that in reaction to British domination of external political life, nationalists turned inward, boosting the idea of male autonomy in the home as the one cherished zone of self-rule, "the last pure space left to a conquered people". This autonomy was understood as being built around the submission, and indeed the much-praised and allegedly voluntary suffering, of women. Nationalists of this stripe resisted internal demands for reform of child marriage, painting them as subversions of their cherished (but really constructed) traditions.<sup>7</sup>

<sup>6</sup>Tanika Sarkar, "Rhetoric Against Age of Consent: Resisting Colonial Reason and Death of a Child-Wife," *Economic and Political Weekly*, September 4, 1993, 1869-78.

<sup>7</sup>Sarkar shows in detail that consent-based alternatives, even in ancient India, were summarily dismissed as aberrations. She notes that authority for child marriage comes only from Raghunandan, a late and local authority; and yet it is converted into a *sine qua non* of the Hindu family and Hindu religion.

The British were complicit in this development: they understood that leaving the subject a sphere of self-rule was to their advantage, and thus they actively assisted in the codification of personal law and the privatization of marriage and family. Appeals to the privacy of the home were then invoked to resist efforts to raise the age of consent to marriage. The concept of the family as a private domain was also used to oppose any attempt to prosecute men like Hari Mati - who was not guilty of rape under law, given that his wife was above the statutory limit of ten.<sup>8</sup>

This story provides a good starting point for thinking about what is wrong with the public-private distinction, both descriptively and normatively. Descriptively, the distinction founders because the family is not in fact a sphere untouched by laws and policies. It is in many ways an artifact of such laws.<sup>9</sup> Laws defining what marriage is, what its prerequisites are (a certain age? consent?), what powers and immunities it confers, how it affects property and political rights, and how one may leave it, all enter into the construction of what a marriage is. Laws regulating legitimacy and illegitimacy, inheritance, and immigration also shape what families are: indeed, they usually employ a controversial and political definition of family, in order to mark certain groupings of people as privileged, others (same-sex couples, for example, or groups of unmarried relatives living together) as

<sup>8</sup>The British Judge who heard the case, when Mati was prosecuted for homicide, simply fell back on the law: "Neither judges nor Juries have any right to do for themselves what the law has not done." He then went on to say that probably the husband didn't realize that sleeping with a ten-year-old by force would cause damage. All the British authorities involved went out of their way to make no criticism of the allegedly traditional Hindu custom; indeed they opined that marital age was a question "with which no Government could meddle and no Government ought to meddle."

<sup>9</sup>This point was made already by John Stuart Mill in *The Subjection of Women* (1869). For contemporary discussion, see Martha Minow, "All in the Family and in All Families: Membership, Loving, and Owing," in D. Estlund and M. Nussbaum, eds., *Sex, Preference, and Family: Essays on Law and Nature* (New York: Oxford University Press, 1997), 249-76; M. Nussbaum, *Women and Human Development: The Capabilities Approach* (New York: Cambridge University Press and Delhi: Kali for Women, 2000), chapter 4; Nussbaum, "The Future of Feminist Liberalism," *Proceedings and Addresses of the American Philosophical Association* 74 (2000), 49-79; Frances Olsen, "The Family and the Market: A Study of Ideology and Legal Reform," *Harvard Law Review* 96 (1983), 1497-1577; Olsen, "The Myth of State Intervention in the Family," *University of Michigan Journal of Law Reform* 18 (1985), 835-64.

not privileged.<sup>10</sup> The state also performs the rites (marriage, divorce) that enable people to enter into and depart from that privileged sphere. Thus, it makes little sense to treat the family as a unit that exists by nature. In modern societies, it is an eminently political creation, and in that sense thoroughly a part of the public realm.

Moreover, the policies that the public realm adopts with regard to family, marriage, divorce, child custody and related matters, strongly influence many other aspects of life in society. Women who are victims of domestic violence or marital rape are less likely to contribute to the economy as workers (a claim established in the United States by the hearings supporting the Violence Against Women Act). They are also less likely to participate in politics or public administration. As Jürgen Habermas has argued, even if we consider only the needs of the public sphere, we have strong reason to protect the human rights of women and girls within the family, for bodily integrity and good physical and mental health are crucial prerequisites of women's political participation.<sup>11</sup> So too is education - and the nature of the family is a crucial determinant of whether girls get the type of education that will facilitate later participation in politics. Thus one cannot study governance as if it were a matter pertaining only to the realm of laws, institutions, or even the informal groups of civil society. Family policy and the nature of the family are an important part of what renders women able, or unable, to function productively in the public realm.

Normatively, the distinction between public and private should be questioned because, as this argument has illustrated, it has typically been used to insulate bad behavior from scrutiny.<sup>12</sup>

<sup>10</sup> Martha Minow, "All in the Family," shows that the U. S. used such definitions systematically to favor certain immigrant groups over others.

<sup>11</sup> Jürgen Habermas, "On the Internal Relation between the Rule of Law and Democracy," *European Journal of Philosophy* 3 (1995), 12-20.

<sup>12</sup> See also Catharine MacKinnon's classic critique in "Privacy v. Equality: Beyond *Roe v. Wade*," in MacKinnon, *Feminism Unmodified* (Cambridge, MA: Harvard University Press, 1997), 93-102; MacKinnon, *Toward a Feminist Theory of the State* (Cambridge, MA: Harvard University Press, 1999), 190-94; see also MacKinnon, "Reflections on Sex Equality Under Law," *Yale Law Journal* 100 (1991), 1281-1324. For a detailed study of the way the distinction worked in U. S. history to insulate domestic violence from scrutiny, see Reva B. Siegel, "'The Rule of Love': Wife Beating as Prerogative and Privacy," *The Yale Law Journal* 105 (1996), 2117-2207.

Indeed, given its conceptual poverty, one could well say that the only role the distinction has unequivocally served is to protect men's acts from scrutiny. Rape outside the home is a crime in every nation.<sup>13</sup> Rape within marriage, in many nations and states within nations, is either no crime at all or a much lesser crime. In marriage, consent to intercourse is presumed – even though marital consent itself may not have been adequately secured, even though a low marital age removes any meaningful consent and even though superior physical force frequently overrides refusal even among adults who have agreed to marry. Even when there is neither domestic violence nor child abuse, the treatment of girls within the family often hinders their development in life, both in basic matters of nutrition and health care and in more ineffable matters of self-respect and psychological flourishing.

A further normative difficulty inherent in the public-private distinction is that it reproduces female powerlessness in the realm of governance and political life. Men brought up on the idea that women belong in the home and are fitted to be homemakers and reproducers find it difficult to accept the presence of women in political life. They tend to look at them condescendingly, thinking of them as interlopers into a sphere for which their abilities and training do not fit them. Thus, they are likely to suggest that women lack the mental and educational qualifications for political participation, even when women's lacks in these areas are demonstrably no greater than those of men. Attached to the idea that the public sphere belongs to them, men also may react with jealous hostility to the presence of women, which seems as if it must reduce the number of jobs and opportunities available to men.

<sup>13</sup> Of course this is not to say that this crime is adequately prosecuted, that police exhibit sensitivity to the predicament of women who are raped, or that laws adequately reflect an understanding that a woman's provocative dress or behavior does not excuse rape. For some of the defects of current thinking about rape in a variety of countries, see Nussbaum, *Sex and Social Justice* (New York: Oxford University Press, 1999); S. Schulhofer, *Unwanted Sex: The Culture of Intimidation and the Failure of Law* (Cambridge, MA: Harvard University Press, 1998).



Sometimes this resistance can take the form of extremely unpleasant harassment and intimidation.<sup>14</sup>

These same habits of mind also affect women's sense of what they can accomplish. Women who believe that the domestic sphere is all that they are fit for may not seek the education that would assist their progress in the public realm, even when it is available to them. On entering the public realm they may lack self-confidence and assertiveness, believing that they are in fact interlopers without the proper capacities for a public role.<sup>15</sup> These aspects of women's self-perception have sometimes been ascribed to women's "nature".<sup>16</sup> But there is reason to see them as socially constructed, and reproduced through the reproduction of a gendered socialization,<sup>17</sup> a prominent part of which is the distinction between the public and the private realms.

Finally, the distinction between public and private has done intellectual damage, preventing the serious empirical study of women's participation in governance and the serious theoretical consideration of the roles they are playing and may yet come to play. This theoretical gap might seem trivial next to the practical damage of which we have spoken. But bad theory contributes to

<sup>14</sup> Some landmark cases of sexual harassment that have won redress in the U. S. Courts involve women who have entered previously all-male workplaces. Men express their resentment and their fear of diminished opportunity through, frequently, conduct that is both crude and intimidating. See, for example, *Carr v. General Motors*, 32 F. 3d 1007 (7th Cir. 1994): the first woman to work in the tinsmith division in a General Motors plant in Indiana was subjected to a five-year campaign of harassment and intimidation that included the defacement of her workman's toolbox and overalls, obscene and threatening messages, men urinating on her from a catwalk and exposing themselves to her, etc.

<sup>15</sup> On such "adaptive preferences," see Amartya Sen, "Gender Inequality and Theories of Justice," in *Women, Culture, and Development*, ed. M. Nussbaum and J. Glover (Oxford: Clarendon Press, 1995); "Rights and Capabilities" in Sen, *Resources, Values, and Development* (Oxford: Blackwell, 1984); "Gender and Comparative Conflicts," in *Persistent Inequalities*, ed. Irene Tinker (New York: Oxford University Press, 1991); and Nussbaum, *Women and Human Development*, chapter 2.

<sup>16</sup> Thus, for example, a landmark American case, in 1871, upheld the constitutionality of a law that made it illegal for a woman to practice law, by stating that the "natural and proper timidity and delicacy which belongs to the female sex evidently unfits it for many of the occupations of civil life." (*Bradwell v. Illinois*, 83 U. S. (16 Wall.) 130 (1873).

<sup>17</sup> Once again, this is a point already widely recognized by the time of J. S. Mill's *The Subjection of Women*, which was typical of progressive thinking of its period. "What is now called the nature of women," Mill writes, "is an eminently artificial thing – the result of forced repression in some directions, unnatural stimulation in others."

bad practice by shielding abuses from scrutiny and discouraging even the naming of obstacles and inequalities. Good theory, in turn, can illuminate the directions practice has been taking and thus reinforce the struggle of those who have been attempting to promote beneficial change, and can map out directions for policy that are productive and precisely targeted rather than obtuse and neglectful.

This analysis should not be taken to suggest that the traditional family is always bad for women. Obviously enough, women have often derived strength from their family role, and, as Basu points out, they frequently find their family a supportive bulwark against a hostile or repressive state. Nonetheless, recognition that the family has been a site of many injustices against women and that public policy is continually at work shaping both the family and other groupings (movements, collectives) through which women pursue their objectives, should prompt both more adequate theorizing and more appropriate forms of public action.

#### Levels and Modes of Gendered Governance

The core of the papers lies in their extensive analysis of different ways in which women have been transforming the process of governance through their participation in both government (legislative politics, courts, administrative agencies, the military) and in institutions of civil society (movements, groups, NGOs). A factor in all these papers is the increasing pressure of the global market, an institution that is not "private" in the traditional sense of the public/private distinction, but that also stands outside government while both shaping and being shaped by government.

All three authors emphasize that women continue to encounter tremendous resistance in their efforts to gain more influence within the state. At the local level, as Tambiah points out, things sometimes go better than at the national level. All three papers take a keen interest in the affirmative action strategy that has reserved one-third of the seats in *panchayats*, or local councils, in India for women. But at the national level there is still enormous resistance to the full inclusion of women. When they are included, they are frequently assigned "soft" portfolios that reflect traditional understandings of what is suitable for women: health, education,

and so on. Often these are also less prestigious and powerful appointments. Some nations have opened many important functions in the military to women, but the nations of South Asia still have not moved very far in that direction.

One possible response to this situation is to say that the women's movement properly ought to stand outside of the state, and its radical potential will be coopted if women try to take on establishment roles in government. The authors argue that while this is a genuine worry, the solution cannot be to decrease efforts to achieve more adequate representation of women in the state. Instead, as Jayal emphasizes, it is important to focus on engendering policy, not just the people who formulate policy. Woman-hostile policies should be criticized whether they are made by women or by men, and the presence of a number of women should not be accepted as a substitute for genuinely woman-friendly policies.

Finally, despite all the flaws, the authors agree that the state must continue to play a powerful role in providing equal opportunity for women, particularly at a time when the power of states appears to be weakening and the power of corporations and the global market to be increasing. The authors argue that it is important not to lose sight of the vital functions the state performs in protecting the fundamental rights of all its citizens.

All three authors consider the role of affirmative action in achieving a greater voice for women in government. They see numerous problems with both absolute quotas (reserved seats) and quotas in party lists. In particular, such reservations are often treated as upper limits, and become an excuse to stop efforts to achieve more complete integration of women as candidates into the electoral process. Candidates in reserved seats may also prove ineffective, as Basu documents - especially if they have had little prior political experience. But all the authors support with caution some use of quotas and reservations at the present time, when the representation of women is so woefully inadequate in the nations under discussion. The experiment of local *panchayat* reservations in India has had a number of good results, showing that women can learn political skills on the job and become effective supporters of women's interests.

All three authors also support the crucial importance of education for women in making political opportunities meaningful

for them, and in giving them a voice once they attain a political position. Education plays many valuable roles in women's lives, from opening up employment opportunities to giving women more control over their reproductive choices. In the context of gender and governance, however, the point most to be emphasized is that illiterate women are less likely to seek a role in government, and less likely to have influence if they do attain one. One of the most hopeful signs in the Indian *panchayat* experience is that there seems to be increased support for the education of girls, which is likely to improve their chances of getting an opportunity to represent family and village interests in the *panchayat*.

Women's interests have been advanced in many nations of the world through the legal system, through changes in laws relating to rape, sexual harassment, and domestic violence; through more effective enforcement of existing laws; and through new attention to questions of equality and non-discrimination. Tambiah draws attention to the fact that the South Asian experience has not always been positive in this regard. Women do not have confidence in legal systems that throw up obstacles to progressive reforms, that typically involve long delays between charge and trial, and that do not incorporate woman-friendly approaches in legal education or in the process of law-making. This is one major area in which further progress needs to be made. Women need to be much more fully incorporated into the legal system as lawyers, judges and scholars, and the substantive content of laws need to be rethought with concerns of sex equality in view.

But government is only one part of governance, and Basu's paper draws attention to the many ways in which the institutions of civil society are crucial for the future of women's interests. As Jayal and Tambiah point out, we should not assume that civil society is necessarily more woman-friendly than the state. Many of its institutions are conservative and even reactionary. Nonetheless, Basu argues convincingly that movements and women's organizations of many types play a valuable role both in teaching women political skills and in pressing their demands. She emphasizes that the relationship between movements and the state can often be complementary for women, in that women who have prior experience in movements are often more effective actors when they do get into an official state position.

### Towards a Normative Framework

These papers, like agencies and policy-makers all over the world, use normative concepts such as "development," "human development," "progress," and "improvement." The use of such normative notions is inevitable and deeply right in academic work aimed at pointing out productive directions for social intervention. But at this point a dilemma arises for theorists who wish to specify this normative dimension further in the context of our topic. On the one hand, to spell out a definite normative framework runs the risk of imposing something on the variety and multiplicity of women's striving. Women in the developing world lead enormously varied lives, and, more important, hold varied views about what progress is and what is worth striving for. Both feminist theory and feminist practice are highly plural, and it would be deeply mistaken, especially in a project committed to democracy and decentralization, to impose "from the top down" a normative understanding of development that rejects or marginalizes many of the understandings women actually hold.

On the other hand, to say nothing definite about the normative framework of this project is clearly inadequate. One cannot just use nice-sounding words like "development" without any precise understanding of how they are being understood, simply as placeholders for whatever ideas might come into the reader's mind. For these terms are controversial, and some understandings of them are, as already indicated, deeply subversive of women's equality. Thus the traditional understanding of development as economic growth obscured issues of sex equality, as well as issues of health and education. Again, any understanding of development and governance that takes the role of women to be that of reproducers, caregivers, and home-makers is, we have already said, inimical to women's well-being in a very general sense. An understanding of governance that is committed to values of democracy and accountability implies a definite stand on controversial normative matters. For instance, it reflects the view that all understandings of progress (for example, those that would equate progress with the placing of power in the hands of a single dominant group and the subordination of other groups) are not worthy of equal respect.

It should be noted that even the statement that we ought to respect a wide range of ways in which women strive to improve their living conditions, is itself a controversial normative idea. We know all too well that many nations and groups do not support such ideas of pluralism and equal respect. Nor would normative understandings of development based entirely on economic growth sufficiently protect these valuable norms. Thus, not to face the normative question at all means withdrawing allegiance to the very values that the imagined critic of a definite normative framework rightly views as central, and to which UNDP and many other international agencies are rightly committed. This alternative does not seem particularly attractive, especially when one is trying to provide a framework for thinking about women's progress.

When we consider the influence that forces of economic globalization are having on the course of development discourse and planning, we have all the more reason to conclude that the normative question must be faced, difficult though it is. Large multinational corporations operate, as corporations do, on the basis of the profit motive. If they are to be led even to consider seriously other values in the developing nations in which they operate, those values must be spelled out explicitly and hammered home again and again. As the human development perspective insists, it is most important that governments, non-governmental actors, and (where possible) corporations be encouraged to understand that promoting development means promoting not just growth, but also education, health care, democracy, and the other values recognized by that perspective. However, that simply does not go without saying in a world increasingly dominated by the profit motive. Therefore, even if there might be societies in which a broad commitment to human development could be taken for granted and a normative framework would not need to be explicitly spelled out, no modern society is really like that at the present time. All societies today are under pressure from globalization, which tends to bring with it a narrow understanding of the norms to be promoted.

The best solution to this difficulty seems to be a normative framework that is definite enough to express a commitment to some central values connected to sex equality, but flexible enough to admit multiple understandings that different groups of women

may have of the goals toward which they are striving. In fact, the human development perspective supplies us with such a normative framework. The very idea of the goal of development as the promotion of human capabilities carries with it an idea of human freedom and self-determination. To strive toward capabilities is precisely to strive toward empowering people to choose a variety of functionings that they consider valuable, not to coerce them into a desired total mode of functioning.<sup>18</sup> A person who has a capability to be well-nourished but who prefers to fast for religious or other reasons can always choose fasting. But there is a very great difference between fasting and starving, a difference connected with the idea of human freedom. Thus, in looking at how women's capabilities compare to those of men along a series of parameters, the Human Development Reports attempt to compare spheres of freedom and opportunity.<sup>19</sup>

The idea of a capability is a complex one. To say that a woman is capable of participating in political life, for example, suggests an internal preparedness: the woman is educated enough, confident enough and healthy enough to enter into the political sphere. This internal capability is fostered through education, health care and supportive social relationships. But the idea of capability requires, as well, material and institutional empowerment: the laws and customs of the nation or region are such that the woman really can go out and participate, her efforts to participate will not be thwarted by unequal legal, or financial, or physical obstacles. Thus ascertaining whether women are really capable of participation in governance requires looking at more than the qualities of the women themselves (already an exercise that directs us to the social and political conditions that influence education and development). It requires looking at how laws, movements, groups, and social institutions influence the opportunities of women to take part in a wide range of governance-related activities.

What areas of human capability should, then, be the focus of a project focused on gender and governance? As the Gender

<sup>18</sup> See Amartya Sen, *Development as Freedom* (New York: Knopf, 2000); Nussbaum, *Women and Human Development*, ch. 1.

<sup>19</sup> In practice, of course, it has been difficult to compare capabilities without looking to actual functioning, especially since the reports operate with data provided by governments; but the conceptual distinction remains important, and in some areas it is easy to see it.

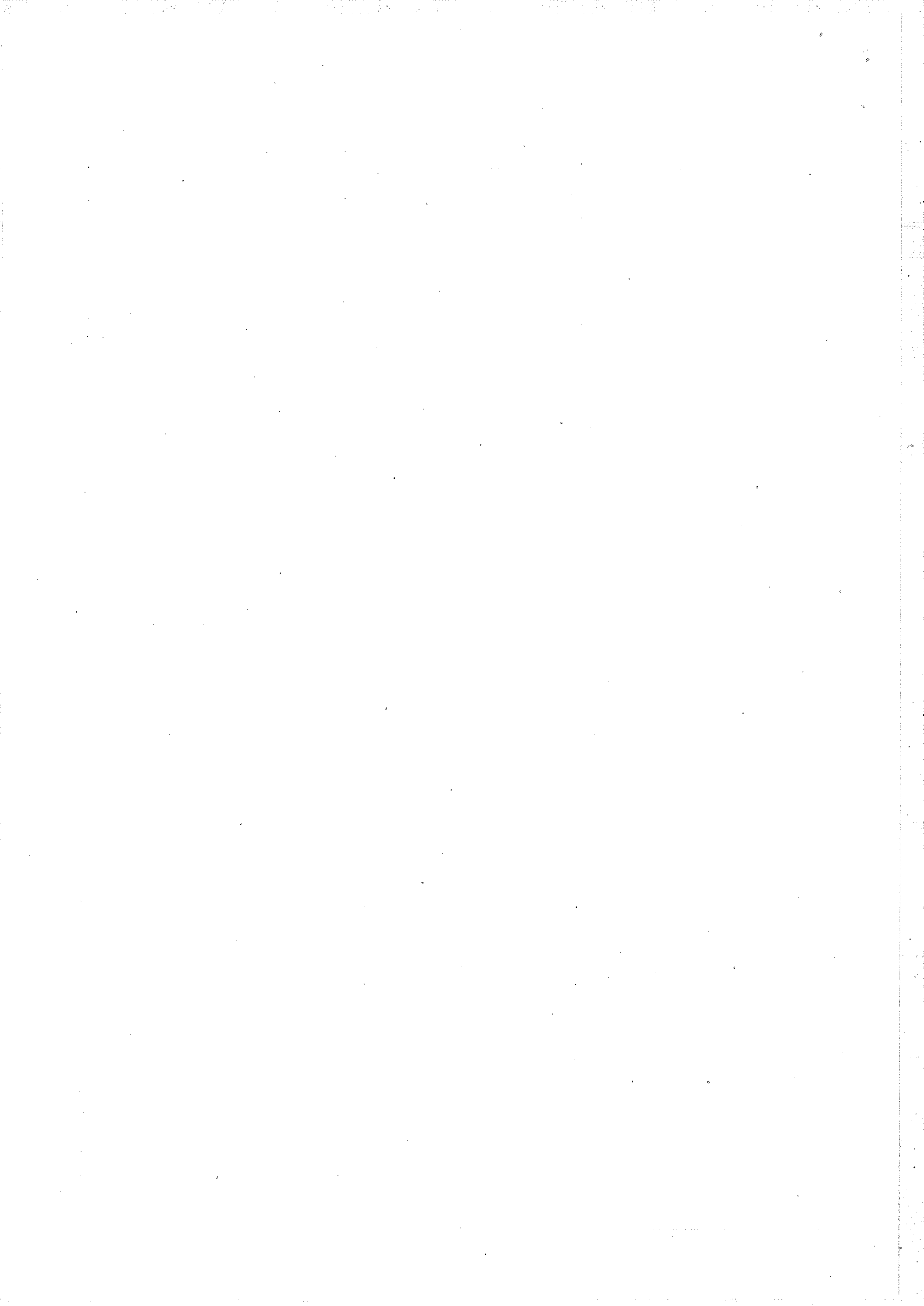
Empowerment Measure of the Human Development Reports suggests, importance should be attached to the holding of political office at the local and national levels, and to the holding of administrative, managerial, professional, and technical positions that are part of governance in a broader sense. But we have said that the capabilities perspective directs us to look at conditions that influence women's internal development and also at conditions of the material and social environment that influence their ability to turn their ideas into action. Thus, a number of other areas of human capability must be studied along with the focus on these central governance-related capabilities. Women's access to education, nutrition and health care (including maternal health and safety and including the elimination of sex bias in nutrition and health care) are central capabilities. Equally critical are their ability to seek employment outside the household; their ability to hold property in their own name and to secure credit and, finally, their freedom from violations of their bodily integrity by rape and assault, both inside and outside of the household. Of very great importance, as well, as the papers suggest, are women's opportunities to form affiliations with other women in groups and movements.

All these capabilities are, of course, important as ends in their own right. It is good for women to be healthy and free from violence even if these capabilities did not have any relation to their ability to participate in political life. Education is a good thing in itself and a source of many other human goods; its relationship to political action is only one aspect of its importance. These papers will consider such capabilities primarily in their relationship to governance and the capabilities centrally associated with governance. But the focus on their instrumental and supportive role should in no way be understood to deny their intrinsic human importance.

A capabilities approach is closely linked to a rights-based approach, and can be understood as one way of further specifying a rights-based approach. Thus Jayal's insistence that what we need is a rights-based framework is in no way in tension with the focus on capabilities in the Human Development Reports and this Introduction. Some rights-based approaches focus only on limiting state action, and not on providing affirmative support for a broad



range of human functionings. Jayal's is not limited in this way, and does insist on the need for affirmative support. She agrees that we need to talk about capabilities when we say more precisely what rights are rights to: not just to resources, but to opportunities for important types of functioning. She argues correctly that an emphasis on rights is an important addition to a focus on capabilities, where gender equality is concerned, because rights approaches insist that each person has an urgent claim based upon justice in the area under discussion. Women's claims are often ignored, and sometimes ignored even by those who seek to promote human capabilities. Thus it seems important to combine the general capabilities analysis with the idea of rights, in order to give sufficient normative urgency to the struggle to secure them to women.



## LOCATING GENDER IN THE GOVERNANCE DISCOURSE

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Niraja Gopal Jayal

In the recent history of the idea of governance, there has occurred an observable shift from a state-centric notion of governance to a more catholic one that encompasses the three major domains of social action: the state, the market and the civil society. The emphasis on governance in recent development discourse attempts to redress the excesses of the swing away from the state to the market as the premier agency for achieving the goals of development and poverty reduction. The market - which was till recently offered as the definitive panacea - is no longer seen as unambiguously good, and the state is no longer viewed as unequivocally bad. Current notions of governance thus seek to embrace both state and market simultaneously. It is also not altogether accidental that the new emphasis on governance coincides with a renewed appreciation of the virtues of civil society and, in some accounts, of social capital as a factor enabling development.<sup>1</sup>

The recognition of this plurality of domains - state, market and civil society - is arguably the most distinctive feature of the new definitions of governance that have emerged in recent years. But it is worth noting that they also recognise a multiplicity of levels. As such, they include, in addition to the institutions of national government, a focus on institutions of local and global governance, and indeed frequently suggest an emphasis on these two levels at the expense of the national. This displacement of the national is an unsurprising corollary of the interrogation of the centrality of the

<sup>1</sup>Ben Fine has argued that the promotion of the concept of social capital is of a piece with the economics of the post-Washington consensus, in its search for the role of non-economic factors in economic performance. (Fine, 1999:13)

state in the new governance discourse.

Altogether, therefore, governance is now viewed as a more broad-based process which encompasses state-society interactions and partnerships. The empirical referents of this process-based, rather than structure-based, definition of governance include a range of organizations, as well as the complex relationships between them. Institutions of local government (such as *panchayats*); civil society organizations (ranging from social movements to non-governmental organizations, and from co-operatives to civic associations); and private corporations as well as other market institutions, are all relevant actors in the new lexicon of governance.

It is, however, worth noting the fact that the shift from government-speak to governance-speak has had quite distinct imperatives in the North and the South. In the North, the policies of deregulation and cutbacks in social spending were substantially the result of a fiscal crisis in the advanced capitalist democracies, leading them to search for new strategies of public management to replace the inefficient and gargantuan welfare-state bureaucracies, even if these meant reorganizing the state itself along the lines of private industry. Privatization and liberalization have not meant a reduction in the role of the state, but rather a process of 'reinventing government' in a way that entails "the replacement of bureaucracies which directly produce public services by ones which closely monitor and supervise contracted-out and privatized services, according to complex financial criteria and performance indicators." (Cerny, 2000:129). Simultaneously, the wave of new social movements—including the women's peace and environmental movements – signalled new assertions, independent of party politics, in civil society. The resurgence of civil society was particularly marked in the erstwhile socialist states of eastern Europe. The retreat of the state effected by the new emphasis on the market and civil society was arguably accentuated, in the 1990s, by the processes of globalization, expressed in diverse institutional forms, from the spatially limited economic and political federation i.e. the European Union, to institutions like the WTO and others, seeking to inaugurate global régimes in trade and environmental regulation. Together, these tendencies have effected a truncation of the state's role as the regulator of economic activity, as also its role as a provider of social services, but not arguably its role as the

"orchestrator of social consensus" (Hirst, 2000:26).

In the South, by contrast, governance discourse did not merely recognise and justify an existential reality. It landed on Southern shores as medicine prescribed by the good doctors of the Bretton Woods institutions, to remedy the laggard and inefficient development performance of these states. It is well known that governance was first problematised in a World Bank document of 1989 on sub-Saharan Africa, which suggested that the Bank's programmes of adjustment and investment in that region were being rendered ineffective by a 'crisis of governance'. Good governance soon came to be equated with "sound development management", and was defined as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, 1992:3). Its four key dimensions were specified as public sector management (capacity and efficiency); accountability; the legal framework for development; and information and transparency. The OECD drew upon this definition, and proceeded to link it with participatory development, human rights and democracy. The convergence between these definitions of governance and neo-liberal economic policies was unmistakable, as both made a case for democratic capitalist societies, governed by a minimal state. Notably missing from this definition of governance was the idea of politics. It made no allowance for citizens of democratic societies to determine their particular concepts of governance through the political process. In this way, it ruled out the generation of a governance agenda that is a product of democratic politics, rather than a condition of it (Jayal, 1997).

Happily, this definition of governance has, in subsequent years, been transcended and alternative conceptualizations have emerged which are not driven by donor interests or tied to aid conditionalities. Not merely do the newer definitions recognize the *plurality of actors* involved in the process of governance, they address themselves also to the *substance* of governance. This means that governance is no longer simply equated with civil service reform, or with the application to public organizations of management strategies devised in the private sector. Instead, there is now a greater emphasis on participation, decentralisation, accountability, governmental responsiveness and even broader concerns such as

those of social equality and justice. This new emphasis has been facilitated by a parallel process: the discrediting of the conventional definition of development as economic growth, and the adoption by international agencies, of the human development perspective associated with the writings of Amartya Sen and Mahbub-ul-Haq, most recently linked also with the agenda of human rights (UNDP, 2000). Of course, it must not be forgotten that the redefinition of development has been at least partly a consequence of social and political struggles the world over, but especially in the countries of the South, against unsustainable and inequitable forms of development.

An understanding of governance thus requires that we study domains other than that of exclusively formal institutionalized political and administrative structures, and recognise that governance concerns encompass a variety of spheres. These include the political (e.g., equal application of the rule of law, accountability and transparency, the right to information, corruption in public life); the economic (e.g., corporate governance, the regulation of the private sector and financial markets); and civil society (in its various manifestations, not excluding uncivil associations). However, the degree to which the activities in these varied domains reflect the substance of the concern for governance varies. For instance, initiatives in some of these areas - e.g., social movements are participatory, but in many others they are manifestly not. Similarly, while some non-governmental organizations potentially offer more effective delivery even of public goods or services, they are not necessarily accountable or transparent, and several even begin to resemble the state and replicate statist models.

A gendered perspective on governance must encompass all the realms that the new discourse of governance recognises, and more. Indeed, the three domains of governance should not be seen as unproblematically hospitable to gender issues. In fact, there is nothing inherently gender-friendly in this widening of the ambit of governance beyond the state. Even if the need to go beyond the state is indisputable, the importance of state intervention for disadvantaged social groups can not be underestimated. Ultimately, it is unlikely that social provisioning can or will be done by any agency other than the state. Even in advanced capitalist societies, the role of the state as the 'orchestrator of social consensus' remains

relevant. Markets are notoriously hostile to the poor, and given the gendered nature of poverty, to women belonging to these sections. Civil society is not definitionally gender-neutral, either. Even as women's movements are located on this site, we cannot ignore the fact that many civil society organisations - such as religious fundamentalist groups - are neither civil nor democratic nor empowering, and frequently conservative in the way they define women's roles.

What then does the project of 'engendering' governance entail? In 1995, the UNDP committed itself to the view that improvements in "the public sector management aspects of governance...might promote the realization of objectives of sustainable human development" (UNDP, 1997:1). Here, sustainable human development was posited as the objective, and governance (as public sector management) as the appropriate instrument for its achievement. The normative weight of the definition was unmistakably on sustainable development. Two years later - recognizing that this definition (a) was not adequately critical of the idea of economic growth as a panacea for development; (b) presented an incomplete picture of the major realms of governance; and (c) did not sufficiently account for future challenges to governance, arising out of globalisation processes and environmental degradation - the UNDP redefined governance as follows :

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 (UNDP, 1997:9).

This definition retains vestiges of the instrumentalist view, for though the larger document explicitly recognises that governance encompasses every institution and organisation in society, from the family to the state, the definition pointedly isolates only the three important domains of governance which, it claims, directly contribute to sustainable human development: the state (political and governmental institutions), civil society organisations and the private sector (ibid). This *focus on essentially public institutions carries an implicit endorsement of the public-private divide.*

Two cautionary arguments may therefore be ventured. First,

the very definition of governance needs to be engendered before we can embark upon the project of engendering governance itself. This implies a recognition of the fact that, through their emphasis upon public institutions of authority, current definitions reinforce the public-private divide, and make little or no attempt to recognize the private sphere as an arena of governance – e.g., the family – or as an arena influencing the exercise of social power and modes of governance. The interaction of public and private arenas of governance is important because the ways in which these spheres are distinguished and constructed affects women profoundly. Is it then unreasonable to expect the idea of governance to explain or interrogate the mutually reinforcing relationship between what Sylvia Walby has called public and private patriarchies?<sup>2</sup> Standard conceptions of governance are arguably also less than attentive to arenas of resistance, traditional methods of self-governance, or even alternative models, such as informal institutions for the collective management of natural resources.

Secondly, the project of engendering governance should be viewed in terms more exacting than simply placing women at the higher echelons of governance – of the state, the private sector and NGOs. This may be an important objective, but it is no guarantee of genuine participation or equal voice in decision-making. Historically, early feminists like Mary Wollstonecraft had invoked essentially liberal notions of equality and universal individual rights to buttress the claim of women to equal rights of citizenship. Today, almost a century after female suffrage was first granted, it is clear that franchise alone had a limited potential to transform women's lives, leading 'second-wave' feminists to question the apparent gender-neutrality of the liberal conception of the individual citizen (Voet, 1998). This concept has been found wanting precisely on account of its universalism, which precludes it from recognising the importance of difference, one response to which deficiency has been Iris Marion Young's argument for group-differentiated citizenship (Young, 1990).

In the same way, while engendering the uppermost echelons

<sup>2</sup>"Private patriarchy is based upon household production as the main site of women's oppression. Public patriarchy is based principally in public sites such as employment and the state." (Walby, 1990:24)



of governing institutions may be regarded as an important task, it should be seen as no more than one of the multiple strategies required to achieve substantive gender equality. This is so because the engendering of the higher levels of governing institutions frequently achieves little more than the engendering of elites. Any top-down conception of governance has only a limited potential for empowering women, for even as it recognises the plurality of areas of governance (outside and beyond the state), it remains preoccupied by the uppermost layers of structures in these. The important task is surely to address the many different ways in which women are unequal, disadvantaged, oppressed and exploited : within the household, in the labour market, and as members of particular classes, castes, races, and religious communities. Women need to be empowered to interrogate their oppression in all these spheres, from the family to the state. A wider definition of governance alone can enable us to do this, though the question of how limited or how wide that definition can legitimately and usefully be is not easily resolved.

Such an interrogation suggests the possible efficacy of expressing governance concerns, and especially those of gendered governance, in the vocabulary of rights. What sort of rights theory is most hospitable to such claims? Clearly, a negative conception of rights (in terms of liberty or 'freedom from') alone is an inadequate instrument, because the principle of freedom from the state has often (from the liberal political philosopher John Locke to the contemporary libertarian philosopher Robert Nozick) been invoked to assert the indefensibility of state interference in the private sphere. From a feminist point of view, negative rights are suspect because social practices are often oppressive and patriarchal, and the absence of state interference may give license to such forces. A positive conception of rights, on the other hand, has the merit of providing not just a formal structure of rights, but also enabling conditions that make their fulfilment possible. A gendered view of governance must be a rights-based view in this latter sense, because it has to engage with and address long histories of exclusion, marginalisation and invisibility. Women's claims to voice, and to a recognition of their contribution to the productive life of society, have therefore to be couched in the language of rights for at least the following reasons :

1. Despite ostensibly universal and gender-neutral categories of citizenship, women have continued to suffer subordination and exclusion, both within and outside the family.
2. The availability of rights is severely compromised for those belonging to subordinate social groups (e.g., racial or religious or linguistic minorities or lower castes in India), and especially so for women belonging to these groups.
3. Even in their most minimal and negative conception, rights are frequently not available to large numbers of women. Let alone the right to make meaningful choices about one's life in accordance with one's conception of self-realization, basic civil and political liberties are routinely denied or severely curtailed. These include, variously, the free exercise of the right to franchise, freedom of association and movement, the right to be elected, reproductive rights, etc.<sup>3</sup>

Let us examine more closely some dimensions of these three issues. First, the question of the universal rights of equal citizenship. Since 1895, when New Zealand became the first country to give the vote to women, most countries<sup>4</sup> in the world (which have elected assemblies) recognise the right to universal adult franchise. Most states have also ratified the major international instruments relating to gender equality, such as the Convention on the Elimination of All Forms of Discrimination against Women. Fewer have ratified the Convention on the Political Rights of Women. Some countries have also formally referred the Beijing Platform for Action (1995) - which interprets women's rights as human rights - to parliament. Most democracies, and even some non-democracies, extend the same constitutional rights to men and women, and few legally discriminate between the sexes. Nevertheless, the formal existence

<sup>3</sup>In Zaire, a woman cannot open a bank account without her husband's permission. In France, women obtained this freedom only in 1965. It was as recently as 2000 that Egypt made it possible for a woman to get a passport without her husband's written consent.

<sup>4</sup>Kuwait, the only country in the Gulf to have an elected assembly, has not yet given women the right to vote or to stand for election. The Amiri decree of May 1999, which proposed to give this right to women for the 2003 election, was rejected by a close vote in the new parliament in November 1999. (Telreault and al-Mughni, 2000)

of equal rights of citizenship is no guarantee of their equal availability in practice, or of their being realisable to anything like the same degree by different sections of society. In real terms, for instance, they may be available to those who are well-off but denied to the poor. Likewise, even as they are constitutionally available to both the sexes, men may enjoy the meaningful exercise of these rights while women may not. The fact that rights may be legally provided, but effectively unavailable or denied, has led some feminists to argue that the real problem lies not with rights but with participation. In modern western liberal democracies, for instance, it is argued that women have enough equal rights and the possibilities for their realisation; what they need is to use them. However, participation surely is premised on the prior existence of rights, whose foundational importance is therefore irrefutable.

Secondly, the meaningful exercise of rights is particularly difficult – for men and women alike – in contexts of extreme social and economic inequality. Cultural minorities – whether racial, religious or linguistic – or numerous but historically oppressed groups, like the *dalit* castes, are examples of subordinate social groups whose rights are honoured more often in the breach than in the observance. The situation of women belonging to these groups is decidedly worse. To be black, working-class and female, as Sheila Rowbotham once wrote, is to be at the lower-most rung of the social ladder whose top is occupied by the white, upper-class male. In India, the extreme burden of the exploitation and poverty that characterise the situation of landless agricultural labour fall on women. Thus, *adivasi* and *dalit* women account for the highest female work participation rates of 45 per cent and 38 per cent respectively, in comparison with only 30 per cent for the rural population as a whole. They are routinely subjected to violence and sexual abuse by upper castes, receive less than the officially prescribed minimum wage, and are, in economic terms, the mainstay of the household, within which disparities in the nutritional intake and educational opportunities of boy and girl children are marked. Likewise, women belonging to religious minorities are, in matters such as divorce, maintenance and inheritance, governed by religious (rather than civil) codes of law, which are frequently discriminatory in their social practices, and often even contravene the minimal standards of gender justice.

Likewise, basic civil and political liberties, such as the free exercise of the franchise or freedom of expression, might obtain in law, but be elusive in practical terms. Illiteracy, inadequate information, and a lack of awareness about rights, are common deterrents to women exercising their franchise, freely or at all. In Pakistan, women in some rural areas are reportedly prevented from casting their vote, on account of 'cultural' sanctions (Human Development in South Asia, 2000:149). More generally, the recent pre-eminence of the issue of reproductive rights correctly indicates the lack of control of women over their own bodies and reproductive decisions. This is clearly violative even of the classical liberal (natural rights) view of the individual as the owner of her/his person.

All the rights mentioned above could arguably be considered as a part of the so-called first generation of rights - civil and political - that were achieved in the course of the bourgeois revolution in the 18<sup>th</sup> century. In the latter part of the 19<sup>th</sup> century, working-class struggles in industrial societies saw the beginnings of demands for social and economic rights, in the form of minimum wages, decent conditions of work, and so forth. Many of these rights were, at least in the western world, secured by the welfare states of the mid-twentieth century. The assertions of cultural identity - by ethnic minorities, indigenous peoples and others - have, most recently, given rise to the demand for the third-generation of cultural rights.<sup>5</sup>

In many parts of the world today, the task of accomplishing all three generations of rights is necessarily telescoped into one single and simultaneous project. It is ironical that while the language of first-generation rights is today being extended even to species in nature, there are categories of human beings to whom these are formally available but substantially denied. The recognition that even the achievement of first-generation rights is an incomplete project for many women, suggests that an enabling vocabulary of

<sup>5</sup>It has been suggested that the classification of rights in three generations - civil and political rights in the first, social and economic rights in the second, and cultural rights in the third - is a Cold War legacy, and as such flawed (UNRISD, 2000: 4). Apart from the fact that the ancestry of this conception can actually be traced back to T.H. Marshall's theory of citizenship, it is an analytically useful classification of the important phases in the evolution of rights practice. It has the additional merit of reminding us that every successive generation of rights was achieved through social struggle.

rights is required, which covers the entire gamut of rights, from negative to positive and from freedom to entitlements.<sup>6</sup>

Human development too has increasingly, in recent years, come to be conceptualized in terms of human rights. A human rights approach to development is seen to possess greater moral force, than a needs-based one, because needs-based arguments project the poor as objects of charity and benevolence, or at best welfare, rather than as citizens with equal claims upon society. But rights can also be seen as a 'codification of needs' (UNRISD, 2000:5), such that from the recognition of basic needs as requiring redressal by public authority, it is but a short step to the articulation of these needs in the form of rights. However, the assertion of a moral or natural right is not as practically efficacious as the assertion of a legally enforceable right, and the superiority of rights lies in the fact that they carry with them the mandate of enforceability.

The advantages of a rights-based conception include the following:

- A rights- or entitlements-based approach places *obligations* upon government and society to protect and promote the realization of rights. The legal and constitutional availability of rights, along with provisions guaranteeing the rule of law and equality before the law, are principles which can be invoked in a court of law when a right is violated. Commissions on human rights, and offices such as those of the ombudsman, have been proliferating in recent years, as part of the effort to make the realisation of rights for the average citizen more effective.
- A rights-based approach mandates governments to provide *enabling conditions* within which existing rights may be

<sup>6</sup>Martha Nussbaum argues that rights language obscures many important questions relating to the basis of rights claims, the sources of rights, the pre-eminence of certain rights over others, the relationships of rights and duties and, above all, the question of what these are rights to. It is in clarifying this last question that Nussbaum's capabilities approach has greatest merit, because it specifies the capabilities which are sought to be enhanced. In the end, however, there appears to be some convergence between the capabilities approach and the idea of positive rights, and indeed Nussbaum identifies the particular features of rights language which have an important role to play in public discourse, a role which is complementary to the language of capabilities (Nussbaum, 2000: 96-100).

claimed, and potential rights-claims may be articulated and advanced. Thus, literacy and access to information may be viewed as enabling conditions for the meaningful exercise of political rights. Similarly, economic security may be seen as an enabling condition for the meaningful enjoyment of the right to choose one's conception of the good life.

- A rights-based view of governance encourages us to identify the *obstacles* which prevent the realization of rights, as a prelude to addressing and redressing these. The mere stipulation and codification of rights is manifestly insufficient, and any government which is cognisant of its responsibilities to protect and promote the rights of its citizens, can only do so by first identifying the social, economic and cultural factors that prevent the realization of rights for the disadvantaged.
  
- A rights-based approach engages with *both processes and outcomes* such that it is not enough simply for outcome to be equitable, but decision-making should be participatory as well. For instance, the policies formulated by a benevolent patriarch may be unexceptionably gender-equitable, but it would surely be appropriate to object to these on the grounds that the processes by which they were arrived at were undemocratic and excluded participation by women.<sup>7</sup> A purely needs-based approach, likewise, would be concerned only with the fulfilment of needs, regardless of the processes by which this is achieved, but only a rights-based approach to governance can insist on the importance of treating voice as a significant criterion of legitimacy in processes of policy-formulation.

<sup>7</sup>As mentioned in footnote 4, the issuance of an amiri decree conferring full political rights on Kuwaiti women was subsequently voted out by Parliament. Indeed, in Kuwait, secularists have opposed political rights for women on the grounds that Islamists have several wives and therefore enfranchising them would tilt the political balance in favour of the Islamists! In Iran, the post-revolutionary regime has introduced a law decree by which divorced women are entitled to not only alimony, but also a compensation for their housewifely functions. In India, feminists and Hindu fundamentalists found themselves taking uncomfortably similar positions on the Muslim Women (Protection of Rights in Divorce) Act in 1986, though from very different premises. There is reason, therefore, to be cautious about the varied political appropriations of issues of women's rights.

The next section surveys the extent to which the higher echelons of the major institutions in two domains of governance, viz. the state and market, have been engendered in a variety of country-contexts across the world. There are few surprises here, but it is surely instructive for intuition to be backed by statistics. It is, however, useful to bear in mind two caveats. The first of these is that the appointment, election or recruitment of women does not necessarily imply that an institution is engendered in any significant sense of the term. Institutional norms, practices, styles of functioning, systems of rewards and incentives, etc. may continue to be androcentric even where there is a reasonable presence of women. Engendering institutions in this sense is generally also inadequate because women's voices need to be heard not merely at elite levels of governance, but at every level and in all their diversity. Nevertheless, the extent to which women are at all present in leadership positions in politics and the state, in corporations and in civil society organizations are indicative of the progress made by a society in the direction of greater gender equality, and comparisons with the situation that obtained five or ten years earlier are also good measures of the usefulness of international instruments, and the effectiveness of the feminist movements, both within countries and across them.

The second caveat - in consonance with the newer definitions of governance - reminds us of the importance of addressing the *substance* of governance, as opposed to merely its *structures*. It cautions us, therefore, against training our eyes exclusively on the upper echelons of state, market and civil society, because while doing so has the undeniable merit of covering more spheres of governance than was traditionally done, it still says nothing about the substance of governance. To disengage the top from the bottom, and focus only on the first, can be misleading in situations where women are preponderant at the base of the pyramid, providing its backbone, but are alarmingly invisible in decision-making situations. The illustrative survey of state and market institutions that follows shows just such a numerical preponderance of women at lower levels of these structures, a preponderance that is not reflected either in the processes of decision-making, or in the policy outcomes in these spheres.

*Engendering State Institutions :*

Given the traditional equation between government and governance, the project of engendering governance has, more often than not, been interpreted in terms of the presence of women in positions of decision-making in political institutions. This has customarily included the representation of women in national legislatures, in the executive bodies of political parties and, above all, the number of women ministers and heads of government. An important corollary is the issue of women's representation in administrative positions in the structures of the state. While it is surely important to record the under-representation of women in decision-making positions in politics and government (and to grasp the obstacles that explain this), it is also worthwhile to remember that *such engendering of state institutions frequently represents no more than the gendering of state elites*. It is, therefore, no surprise that the presence of women among state elites does not invariably translate into gender-equitable policy initiatives.<sup>8</sup>

The under-representation of women in high offices in politics and government is well documented. While there have been some women heads of state or government (24 Presidents and 30 Prime Ministers from 1954 to 1999), and the number of women ministers across the world doubled between 1987 and 1996, this represented an increase from 3.4% to 6.8%, on no account an impressive figure. Moreover, 48 (out of 187) countries had no women in ministerial positions at all. In fact, in the Asia-Pacific region, and Eastern Europe, the proportion of women ministers has been under 5%. There is also an unmistakable pattern in the nature of portfolios held by women: in 1999, the most substantial concentration of women ministers worldwide was in ministries of social affairs, health, women's affairs, family/children/youth, culture and

<sup>8</sup>In Kuwait, for instance, though women are denied political rights, elite women are visible in many public arenas, such as universities, corporations and even government agencies (Tetrauli and al-Mughni, 2000: 157-58). However, these elite women have tended to use their status to maintain their own class privileges, and such benefits have not trickled down to other Kuwaiti women.



heritage, education, environment and labour. Very few ministers held portfolios related to defence, finance and trade, and only one country had a woman minister of home affairs (IPU, 1999:50-52).

This bias is reinforced by a recent study of women in several levels of decision-making positions in politics in 27 industrialised societies, which found inequalities in the distribution of "political areas of responsibility: women are more prevalent in 'social' or 'female' issues" (Carrilho, 2000:75). If men were involved in policy areas such as internal affairs, economic affairs, fiscal policy, defence and international affairs, industrial policy and agriculture, women were involved in labour, health, education, welfare and family (Drew, 2000:56). Sometimes, when issues such as the "advancement" of women are mandated by the United Nations, and have to be accommodated in administrative arrangements, these are suitably structured to avoid politicising the question of women's status. In Morocco, this has taken the form of allocating these agendas among one division, one service and two bureaux within four of the least prestigious, least politically influential and least funded ministries, viz. Agriculture, Labour and Social Affairs, Health and Youth and Sports (Naciri, 1998).

So far as the representation of women in national legislatures is concerned, only 8 countries have achieved the so-called 'critical mass' of 30%.<sup>9</sup> An assessment of "the Beijing Effect" on women's representation in parliament suggests that the percentage of women parliamentarians worldwide increased from 11.3% in 1995 to 12.9% in 1999, a rather meagre increase of +1.6%. In the same period, the percentage of female presiding officers of a house of parliament registered a marginal decline (IPU, 1999:27). In the countries of Eastern Europe, the percentage of women in national parliaments has actually declined in the last decade<sup>10</sup>, partly as a backlash to the perception that participation under Communist regimes was forced. In terms of region, however, it is notable that female representation is lowest in the Arab countries, followed by the countries of South Asia (with the notable exception of Bangladesh) where such representation is even lower than in East Asia and sub-Saharan Africa (Human Development in South Asia, 2000:137).

<sup>9</sup>These are Sweden, Denmark, Finland, Norway, Iceland, Netherlands, Germany and South Africa. (UNIFEM, 2000)

<sup>10</sup>figures from Wolchik, pp.7-8.

It is in these regions also that women comprise only a small percentage of the membership of political parties. From Austria and Canada to Japan and Korea, between 30 and 50 per cent of members of political parties are reported to be women. In Pakistan, by contrast, women account for less than 5 per cent of the membership of any political party. Party leaderships reflect the same pattern. The Nordic countries, Australia, and Green Parties in Europe, have 40 to 50 per cent women in their governing bodies. Even Zimbabwe and Nicaragua report 20 to 30 per cent women party leaders. In India, women constitute only 9.1 per cent of the membership of executive bodies in the main political parties. It is hardly surprising then that the proportion of women candidates sponsored by political parties should be low. Only 6.5 per cent of the 4000 candidates who contested the 1999 parliamentary election in India were women. Of the 78 women who stood as independent candidates, only one was successful. This clearly suggests not only that party support is critical, but also that political parties have on the whole treated the issue of women's representation in a cavalier manner.

The main policy response to the under-representation of women in the formal structures of politics has been the attempt to enhance representation through quotas, whether in political parties or in legislatures. The case for quotas is often justified by an appeal to Anne Phillips' well-known argument that a politics of ideas (political choice between the policies and programmes of political parties, rather than on the basis of group concerns and interests) does not ensure adequate policy concern for groups which are marginalised or excluded. This suggests the importance of a politics of presence, in which women, ethnic minorities and other similarly excluded groups are guaranteed fair representation (Phillips, 1995).

The issue of quotas is contentious for at least two sets of reasons: the first relates to the lack of genuine commitment in the political parties to increasing women's representation. There are ways in which political parties may effectively circumvent the quota by, for instance, putting up candidates in constituencies where the party is weak and unlikely to win anyway; or treating the quota as a ceiling rather than a minimum to be improved upon; or nominating women candidates who would be pliable because dependent on the male party leadership. Of course there are

exceptions like the ANC in South Africa which adopted a self-administered quota of 30%, even if many of the women candidates were clustered at the bottom 15% of the list. Other parties in that country followed the ANC's example, with the result that women comprise 27% of the national legislature.

The second argument draws our attention to the fact that policy outcomes are not necessarily superior (in feminist terms) in countries where quotas have been implemented. The symbolic representation of women, it is argued, is no guarantee of a qualitatively better representation of women's interests. The evidence is clearly mixed, both across countries, as well as across levels of government (local or national). Thus, for instance, a Nordic woman politician laments that even where women account for 43% of parliamentary representation, politics is still led and shaped by men (IPU, 1999:71). The historical origins of the quota system also seem to matter. Where quotas have been successful, as in Scandinavia, two conditions have obtained. Quotas have been the result of pressure from strong women's sections within social-democratic political parties, and social democracy itself has attempted to change the public-private relationship through the institution of the welfare state, justifying intervention in the market on behalf of women (Razavi, 2000:42). On the other hand, the emphasis on formal equality in the erstwhile socialist states of Eastern Europe ensured greater representation for women, but did not succeed in policy terms, because it was largely symbolic. This is not dissimilar from the experience of Uganda, where affirmative action was imposed from above, rather than struggled for and wrested from the state, making women MPs reluctant to voice criticism or dissent of the government, to which they feel they owe their loyalty (ibid:20).

With or without quotas, then, the role of political parties appears to be critical to the issue of women's representation. Political parties (like the ANC or the social-democratic parties in Scandinavia) may proactively seek to ensure higher representation for women. Conversely, political parties may provide for symbolic representation without substance. In Czechoslovakia (before the split), the reasonable representation of women in the symbolic structures of power – such as governmental elites – was actually misleading, because they were seldom found in positions of real

power in the Communist Party hierarchy (Wolchik, 1994:4). Because they were less represented in the party hierarchy, they enjoyed little access to the policy-making process. In post-Communist societies, quotas are regarded with suspicion, as they are reminiscent of the politics of the communist past. Sometimes, political parties are also criticised for fragmenting the putative unity of women *qua* women, by their prior claims on the loyalty of their women candidates (as in Morocco).

On the whole, quotas appear to be more efficacious at the local level than the national. The Indian experience of 33% reservation for women in the new panchayati raj institutions is not unambiguously positive, but there are undoubtedly signs of a slow, but on the whole cheering, process of empowerment taking place. A cynical caveat is inserted by those who argue that men do not oppose women's representation in local-level institutions so long as women are kept out of national level institutions where real power is concentrated (Rai, 1999:96). However, the greater success that attends women's involvement in local politics may, in some social contexts, be unrelated to quotas. Thus, till 1980, the municipal councils in Turkey showed an increasing percentage of women because the routines of municipal politics fitted in better with their domestic duties, and because the women's sections of political parties (especially the ruling RPP) started becoming influential in election primaries. In 1980, when the activities of the women's sections of the political parties were closed down, the participation of women in even this limited sphere of institutional politics diminished, as women could henceforth participate only by directly competing with men (Gunes-Ayata, 1995:243). However, though fewer in number, those who entered politics by competing with men rather than as symbols, have tended to behave more independently and are often more sympathetic to women's issues (*ibid.*:248). In Israel, without quotas, the number of women participating in local politics has been steadily rising, even as the number of those taking part in national politics has remained stable. This is apparently because the parties believe that the inclusion of at least one woman on every local council is a political necessity (Chazan, 1997).

The phenomenon of under-representation in legislative bodies tends to be replicated in international and national bureaucracies.

A look at the gendered pattern of employment in international agencies (the United Nations, the World Bank and USAID also suggests the virtual invisibility of women from the top management of these organisations, and a preponderance - even over-representation - of women at the secretarial and clerical levels. Thus, women constitute 3.6 per cent of decision-making elites in the United Nations, but 85 per cent of the workers at the clerical and support staff levels (Peterson and Runyan, 1993:55-56).

National bureaucracies reproduce many of the biases of political institutions, especially the concentration of women employees at the bottom of the pyramid, and the confinement of even senior women officials to the 'softer' portfolios. It has been suggested that this is at least partly because salaries being lower in the public sector than the private, do not attract men. In Denmark, Finland, Sweden and the Philippines, women account for about 50 per cent of public sector employees, and for a sizeable proportion in many more countries. In Israel, for instance, almost 60 per cent of employees in the civil service and the public sector are women. But, while 92 per cent of the positions at the lower levels of the civil service are occupied by women, some of the top positions include no women at all. An Affirmative Action legislation, followed by a petition to the judiciary, succeeded in redressing this imbalance, resulting in the number of women departmental heads (in government ministries) increasing from 14% in 1984 to 30 per cent in 1995, and women directors of government corporations from 1.5 per cent to 19 per cent.

Some countries have experimented with quotas in the civil service, though with ambivalent results. In 1976, Bangladesh introduced a 10 per cent quota for women in government, but it took two decades for female participation to rise to this level, so that women are still concentrated at relatively lower-level positions. Sri Lanka institutionalised quotas which, over time, varied from 10 to 25 per cent, but were eventually abolished when the country became a signatory to CEDAW. The fact that women are making greater headway worldwide in the matter of parliamentary representation than in civil service recruitment may also be viewed as a matter of concern, as parliamentary power declines and that of technocrats increases.

It has further been observed that women in higher level administrative positions tend to be less receptive to the voice of women's movements. In the industrialised societies, this is partly so on account of the social (class) backgrounds of such women, and partly because they tend to adopt masculine characteristics and styles of behaviour.<sup>11</sup> In other contexts, notably where democratic transitions are underway, the state may co-opt women and their struggle. Women bureaucrats however are liable to either find themselves in a 'disabling' policy environment, or else are unable to formulate policies in the absence of effective pressure from the women's movement. The institutionalisation of women's issues in state institutions can adversely impact the feminist cause in at least two ways, both of which are illustrated by the example of Brazil: firstly, because the creation of separate spaces for women within the state apparatus tends to make autonomous feminist groups less energetic, and sometimes even complacent as they begin to see the state as collaborator rather than adversary; and, secondly, because the more ambitious project of feminism loses its radical edge as it is translated into official categories and policy prescriptions (Razavi, 2000:31).

A notable exception to the trend of women bureaucrats being coopted by state institutions may be the phenomenon of the 'femocrats', the Australian term invented to describe feminists recruited to fill women's policy positions in government. The femocratic model was self-consciously non-hierarchical. It was centered in the department of the Prime Minister and the Cabinet, with departmental units monitoring all policy initiatives for their gender equity implications. It claims to facilitate the necessary links between feminist bureaucrats and the wider feminist movement outside the government (Sawer, 1999:82-83), even though the feminist movement continues to attack femocrats for being corrupted by power and prestige. Nevertheless, the efforts of the femocrats have, over the last decade, borne fruit in the form of policy reforms, legislative changes, market policies, policies on childcare and the introduction of legislation for Equal Employment Opportunity (Watson, 1992:196). It has, above all, encouraged the

<sup>11</sup>*This argument is encountered in every arena of governance, from NGOs to markets and the state, and in many country-contexts.*

work of scrutinising budgets from the standpoint of women, and thereby provided an exemplar for other countries, such as South Africa.

Two significant areas which remain substantially male preserves are the judiciary and the military. The importance of these spheres is self-evident: the first is concerned with upholding and interpreting the law, while the second is an area traditionally closed to women on account of the gendered division of violence, stereotyping men as aggressive life-takers and women as peace-loving life-givers. In South Asia, women do not account for more than between 5 and 10 per cent of the judiciary, combining positions at the higher and subordinate levels. Though both Bangladesh and Pakistan have established quotas for women in the subordinate judiciary, neither has ever had a woman judge at the Supreme Court. Significantly, no woman has been appointed to the Federal Shariat Court in Pakistan. India has had precisely 3 women on the bench of the Supreme Court, and presently has about 15 women High Court judges. In Sri Lanka, the women judges are mainly concentrated at the lower levels, where almost 25 per cent of the judges are female. In Israel, where women's participation in politics has remained static (at about 7-9% of the 120-member Knesset), 3 women sit on the Supreme Court bench, one serves as State Comptroller and one as State Attorney. Half of the country's judges in the magistrate courts and district courts are also women.

Participation of women in national military forces has been increasing. In 1973, women accounted for only 2 per cent of the military in the United States, but by 1991, this had gone up to 11 per cent, with 35,000 women serving in the Gulf War. Now, 80 per cent of job categories in the military are open to women. In some countries today, women are actively deployed in battle, i.e. in roles other than the traditional ones of nursing and housekeeping. As women's enrolment in the armed forces has increased, so have incidents of sexual harassment and assault. It has been argued that this is partly because of the gendered nature of citizenship in the US, where first-class citizenship is equated with self-sacrifice, and the willingness to engage in violence and risk one's life as a duty to the state. Because women are seen as having been historically 'exempted' from this 'obligation' of citizenship, they are perceived as second-class citizens, with fewer rights (Sparks, 2000). Canada

and Israel also have comparatively high rates of female participation in the armed forces. By and large, as in state bureaucracies, the concentration of women is in the lower echelons of the armed forces (with sexual harassment of female soldiers being fairly common); or in defense contracting firms. The incorporation of women in the military is thus done in typically gendered ways, which reinforce instead of interrogating dichotomous gender stereotypes.

This section began with the claim that the engendering of state institutions of governance mostly represents little more than the gendering of state elites. This claim has been justified with reference to the legislature, executive, judiciary, bureaucracy, and military. In all these spheres, further, we observed a concentration of women at the lower levels of structures of governance, with however little impact on decision-making processes and outcomes.

It is, further, arguable that the engendering of state *personnel*, and the engendering of *policy*, should be, but rarely are, parallel processes. It is evident that even where the first (engendering of personnel) has been promoted by states - as, for instance, through quotas and reservations - it has resulted in personal empowerment, rather than in more generalised emancipatory outcomes. State responses to the second, viz. the engendering of policy, have been positive insofar as the gender dimensions of development have been emphasised, but far from adequate in areas which call for structural change. Thus, states and international agencies have willingly invested in micro-credit schemes, poverty alleviation programmes, income- and employment-generating projects, though - some would argue - on grounds that these have demonstrable economic returns or are linked to other developmental objectives (Jahan, 1995:125). However, where the redistribution of resources and power is at issue, as in giving women a voice in decision-making or bringing about gender equality in rights to land and property, institutional responses are much less forthcoming. Some engendering of *policy* - through, for example, institutionalizing gender concerns in policy-making departments or integrating gender into mainstream development planning (WID/GAD) - has, in this limited sense, taken place, and has generally been prioritised over the engendering of the personnel of the *institutions* themselves.



It is in situations where women themselves have wrested the initiative with regard to engendering policy, that more dramatic results are visible. Possibly the most effective of such attempts have been those in Australia and South Africa, showing that budgets are not the gender-neutral instruments they purport to be. The South African Women's Budget Initiative, which was inaugurated in 1995, drew upon the 15-year Australian experience of gender budget analyses. Gender budget analyses typically focus on gender-specific expenditures (e.g., economic empowerment for unemployed mothers); expenditures that promote gender equity within public services (e.g., affirmative action policies); and, above all, on mainstream expenditures from education to defence (Budlender, 2000:50). In India, the Economic Survey for 2001 has, for the first time (as a result of intense lobbying by women's groups) recognised that the impact of budgets is gender-differentiated.

### *Engendering the Private Sector*

In business organizations, women tend to be even more marginalized than they are in representative political bodies. The 2000 census of the 500 largest corporations in the United States (Fortune 500 companies) showed that women held just 12.5% of all corporate officer position, and 6.2 per cent of the most senior positions ('clout titles'), such as chairman, vice-chairman, presidents and chief executive officers. Women comprised 46.5% of the US labour force, but there were only two women CEOs in these companies. Nevertheless, these figures represent an advance over the situation in previous years. Thus, if women represented 3.3% of top earners in 1999, they were 4.1% of top earners in 2000. The number of board seats held by women was up from 23% in 1994, but while women were found to hold 11.1% of board seats, they represented only 1.1% of inside directors. Conversely, 90 of the Fortune 500 companies (18%) counted not a single woman among the ranks of their corporate officers. Women of colour were appreciably more disadvantaged. Of the 400 companies for which data is available, coloured women accounted for 1.3% of corporate officers, and only six corporate officers of this category were top earners.

A similar census of the 560 largest corporations in Canada found that women held 12 per cent of all corporate officer positions, and only 3 per cent of the highest positions, which included 12 presidents and CEOs. An ILO survey in Brazil presents a comparison between the 300 largest private corporations, in which 4% of top executives were women, and state-owned and foreign-owned companies where only 1% of top executive were women. In 1995, only 3% of members of the boards of directors of 300 companies in Britain were women. In the 70,000 largest companies in Germany, likewise, between 1 and 3% of top executive positions and board directorships were held by women. Even in Scandinavian societies, where women's representation in national legislatures reaches or crosses the so-called critical mass, women holders of elite positions are few.

These data indicate that women are largely excluded from positions of decision-making in business. Given that this is a domain in which immense power is concentrated, and given the considerable traffic between this and the domain of the state, such marginalisation is surely significant. In the media, likewise, women's share of media jobs nowhere exceeds 50%, and outside Europe is well below 30%. A study of 200 media organizations in 30 countries found that only 7 were headed by women, and another 7 had female deputy directors (Gallagher, 1995:4-5).

The phenomenon of women in positions of political and administrative leadership being given 'soft' portfolios, has historically had parallels in the private sector. Thus, a study of Swiss women in management in the 1980s found that the highest proportion of women managers were to be found in sectors like health and health care, social services, hotels and restaurants, and education, all considered female domains (Blochet-Bardet et al, 1988:159-61). Recent evidence from the US and the European Union, however, suggests that women's share of financial management has gone up slightly, though decision-making still remains male-dominated.

Can legislation and policy innovations change this? A study of the impact of the Japanese Equal Employment Opportunity (EEO) Law compared the position of women in the Seibu Department Stores in 1984 and 1988 (i.e., before and after the company policy changed in accordance with the new law). Though Seibu has a pro-

woman corporate image, and has actively initiated policies to promote women to senior positions, the study indicates that the career system remains 'male-oriented' and that management-initiated change programmes have limits. A small number of elite women have benefited from the changes, but the great expansion of women's employment has been in low paid, non-regular jobs (Lam, 1997:228-29).

This predisposition - seen even in reformed institutions, whether public or private, and extending to NGOs as well - has been called the deep structure of organizations. Case-studies of local government organisations in Britain have pointed to the gendered structures and cultures of these, reinforcing the argument that gender relations - like those of class and race - are embedded in state institutions, and do not only exist somewhere else in society, i.e., outside the state (Halford, 1992:160). Many organisational practices which appear to be gender-neutral in fact have different impacts on men and women. These include: formal procedures of job evaluation, work and family benefits, system of rewards and incentives, norms about when meetings are to be held, time spent at work (persons who have responsibilities outside work being systematically disadvantaged), etc. (Kolb and Meyerson, 1999:140-41).

Women generally occupy lower positions in the occupational hierarchy, and also tend to be concentrated in occupations which are typically low paid, have little security of employment, and fewer authority or career opportunities. Apart from the agricultural occupations, where the concentration of women is notoriously high, gender-based segregation is found even in non-agricultural occupations. Thus, there may be a preponderance of women among primary school teachers, but this is unlikely to be reflected in a corresponding preponderance among university teachers in the same country e.g., Finland. In factories, too, the change in the pattern of manufacturing - from heavy to light/assembly-type manufacture, and the growth in the information technology industry - has generated a great demand for women in jobs which are low paid, non-unionized and typically not adequately covered by safety and health regulations. Women workers in the export-processing zones, for instance, are overwhelmingly female, earn 20 to 50 per cent less than men who do comparable work, and are

subject to health hazards as a result of toxic chemicals and long hours of work e.g., Mexico (cited in Peterson and Runyan, 1993:100-01). It is hardly surprising, then, that women are the first victims of job loss when enterprises are forced to shut down.

In trade unions, women typically constitute a large percentage of the membership, but are largely excluded from decision-making roles. Thus, women account for less than 10% of trade union officials worldwide. It is notable that, even in countries where women have achieved the 'critical mass' in parliamentary representation, their participation in the leadership of trade unions lags. In Denmark and Sweden, for example, women held 30 per cent of parliamentary seats in 1990, but only 17 and 20 per cent respectively of leadership positions in trade unions. Though the first trade union in India was founded in 1917 by a woman, Anasuyaben Sarabhai, the number of women in the national offices of the major trade unions in the 1990s, ranged from 0 to 3. In Sri Lanka, women comprise less than 20 per cent of trade union members, but less than 1 per cent hold leadership positions in the unions. An important exception has been the Histadrut, the federation of labour unions in Israel, which has adopted a resolution stating that 30 per cent of its leadership must be women. Women already account for 19 per cent of the membership of its Executive Committee, and 25 per cent of its Deputy Chairpersons.

Men dominate leadership even in those unions – such as those of the tea plantation workers or secretaries, nurses and clerks – where the majority of workers are women. This domination is reflected in the reluctance of unions to highlight women's issues. Sometimes, this may lead women to organize independently. As the early experience of SEWA (vis-à-vis the Textile Labour Association from which it was expelled in 1981) in India testifies, women workers face strong opposition from men when they attempt to do so. In South Korea, similarly, the failure of trade unions to take up women's issues led to the establishment of the Korean Women Workers Association in 1987.

As in other spheres, cultural differences are relevant. Thus, a study of the banking sector in India shows that multinational banks, in contrast to nationalized banks, are eager to hire more women. Women comprise 35 per cent of the workforce in Grindlays Bank, but this, according to a union official, is because they are "more

submissive, overworked, and have less time for union work." (Gothoskar, 1995:165). Women's disinclination for union activities and the reluctance of unions to take up gender issues may frequently reinforce each other.

Even where women are employed in jobs at the same level as men, and despite the principle of equal pay for equal work being embodied in labour legislation in many countries, the earnings gap between men and women remains significant. In the United States, for every \$1.00 earned by white male managers, the earnings of various subgroups of managers was found to be as follows:

- White women : 59 cents
- Asian/Other women : 67 cents
- Asian/Other men : 91 cents
- African-American women : 58 cents
- African-American men : 65 cents
- Hispanic women : 48 cents
- Hispanic men : 65 cents.

*(catalystwomen.org : Factsheet : Women of Color in Corporate Management)*

This pattern is echoed in manufacturing and management alike, from Uruguay (where women managers in the banking and manufacturing sectors in 1995 earned 47% of what men did) to the United Kingdom (where women managers earned 27 per cent less than men).

As in state employment, the corporate sector also reflects the pyramidal structure of a small percentage of women in the higher echelons, and a preponderance of women at the base. Women are generally employed in lower-status jobs, if not gender-stereotyped ones. They are, almost regardless of the level of employment, paid less than men doing comparable work. Race and other cultural differentials also appear to be more marked in relation to women workers. It is therefore no surprise that women's presence should

be overwhelming in the unorganised sector. The last two decades have seen an increase in the proportion of women in part-time employment, who sometimes account for as much as 80 per cent of all part-time workers. As is well-known, part-time work generally implies lower levels of pay, low professional status, and next to no career opportunities.

### *Engendering Governance Through Rights*

The first section of this paper argued that the recognition, in recent conceptualizations, of a plurality of domains of governance, constitutes an improvement upon earlier state-centric notions. However, it argued also that there is nothing inherently gender-friendly in this widening of the ambit of governance, because the focus, in these new definitions, on the essentially *public* institutions of state, market and civil society, implicitly endorses the divide between public and private institutions, keeping the latter firmly outside the realm of governance concerns. The second section of this paper focused attention on the two domains of state and market, and the extent to which higher levels of institutions in these arenas have been engendered. There is little that is surprising or unexpected in the conclusion that the proportion of women in the top echelons of state or business is small. However, the contrast between this small proportion at the top of the pyramid and the overwhelming preponderance of women employees at the lower levels in both state structures and corporations, is notable. It compels us to recognize that the engendering of institutions of governance is, more often than not, just the engendering of state elites, and that it tends to reproduce other social biases of class, race, etc. If, further, this preponderance of women at the lower levels of state and corporate institutions does not translate either into greater voice for women in decision-making processes, or into gender-equitable policy outcomes, this is surely a strong enough argument for interrogating the narrowness of this view of governance, and its emancipatory possibilities from the point of view of gender.

While it is difficult to posit a definitive criterion for judging the extent to which governance is gendered, it is arguable that the

engendering of institutions (especially state institutions) should be tested against the twin criteria of processes (participatory) and outcomes (gender-equitable). Molyneux's (1985) distinction between strategic and practical gender interests<sup>12</sup> may also be usefully employed here. The Indian experience of quotas for women in panchayats, for instance, would suggest that these provisions enable a larger number of women to participate in the deliberations and decision-making processes of the institutions of local self-government. The policy outcomes could be assessed in terms of the extent to which their practical gender interests are often advanced, even if their strategic gender interests are usually not.

A regime of positive rights has been suggested as a possible instrument of achieving these objectives. The challenge, before a rights-based view of governance, is that of ensuring all three generations of rights simultaneously : seeing them as interdependent and equally important to effectively accomplish. This would encompass not merely the formal structures of power in the three realms of governance, but the informal structures of power, and the family and household as well. A rights-based view of governance also implies, most crucially, that we forsake the top-down approach to governance which predisposes us to emphasise the greater representation of women in the hierarchical structures of the top institutions of governance. Contrary to this, we should treat as instructive the presence - and indeed the preponderance - of women at lower levels, in every arena of governance, to suggest forms of governance that are more participatory. A rights-based view of governance encourages this, as it endorses the making of claims, rather than the passive receiving of quotas/welfare.

<sup>12</sup>A useful discussion of such a differentiated view of women's interests may be found in Caroline O.N. Moser (1993).

## *Paradoxes and Challenges*

### I. Democracy and Representation :

Though state institutions have been sought to be engendered through enhanced representation for women in representative as well as executive bodies, several apparently intractable questions remain.

1. *Does better representation, with or without quotas, necessarily translate into gender equality? How may we balance the legitimate claim to higher representation with the recognition that representation frequently accomplishes only the engendering of state elites which cannot adequately impact the profoundly gendered structures of power? What are the conditions under which women's representation - as process - and gender equality - as outcome - can be most optimally linked?*
2. *Does engendering the state lead to the weakening of the women's movement? The danger of the co-option by the state of the participants and the slogans of the women's movement. In the medium to long run, this could result in severing the link between women in the state and the grassroots movements which alone can supply the criticism and fresh ideas, and prevent the ossification of token feminist goals in the state apparatus. Do the models of the 'femocrats' in Australia and the 'state feminists' in Norway provide good and replicable exemplars?*
3. *Is the feminist cause best advanced by non-party, non-institutional politics? The evidence relating to political parties is fairly mixed, as parties are known to keep women out of internal decision-making mechanisms, put up women candidates in ways suggestive of tokenism, and even effect the fragmentation of a putatively united feminist movement. Thus, because the*



Moroccan electoral system discourages independent candidates, women have to run for election under a party banner. This has resulted in the fragmentation of the women's movement which, instead of closing ranks for better female participation, tends to simply carry forward the quarrels of various political cliques. Also, as in Uganda, where the representation of women is perceived as a gift from the ruling party, there is reluctance to express dissent.

4. *Does democratization contribute to the advancement of gender equality?* Here again, the evidence is mixed, especially if only formal institutions of democracy are considered. Democratic transitions may provide a good opportunity because of the fluidity of state structures and the availability of spaces, but the links with democratic movements remain crucial. How do we reduce the contingency in the relationship between feminism and democratic governance? Can the empowerment of women be incorporated as a criterion/test of democratic governance? What kind of democratic politics are best suited for women's rights and gender equality/justice?
  
5. *What accounts for the decline in the political participation of women?* In Turkey, institutional change in the form of the banning of women's sections in political parties caused a decline in political participation by women. In Chile, right-wing women candidates who did not raise women's issues received greater support from women voters, while left-wing women candidates who did raise women's issues got more support from male than from female voters. The decline in the political participation of women in Eastern Europe is seen as a backlash to the communist past. In post-Communist Hungary, for instance, apart from the hardships caused by economic crisis, this is seen as part of the new questioning of the traditional equation between private=oppressive, and public=liberating/emancipatory. On the other hand, it has been argued that the social policies of the Communist period – such as free day care and long maternity leave with no loss of job prospects – actually enabled greater participation by women, while the labour market and political institutions in post-Soviet Russia,

for example, have been discriminatory against them. The fact that the benefits available to women under communist regimes could be so easily withdrawn leads to the inescapable conclusion that what is won through struggle is likely to be more enduring than state handouts.

## II. The Public and the Private : Historical and Social Contingency

A survey of country experiences from across the world suggests that the boundaries between the public and private spheres - as also the extent of their permeability - are historically and socially constructed and contingent. Advances in women's status at some historical moments are frequently reversed at other times. Similarly, cultural forces can be sources of oppression at one time, and resources of resistance at another.

1. *From Private to Public and Back Again*: Though women enter the public sphere (through nationalist struggles or revolutionary movements, for instance) and actively participate in it, there is nothing immutable about this. They frequently retreat back into the more cloistered private sphere - either because the state and the law force them to do so, or because patriarchal ideology in society reasserts itself. Three very different experiences validate this point. (1) In East Europe, as already mentioned, the communist project of gender equality was perceived as forced emancipation, while the democratic transition was perceived as providing freedom for women to retreat into the private sphere. Further, even where women want more time for child-rearing and family than a career permits, this is because the rules by which the public sphere is constituted are male-oriented : concepts of work, time and the usual indicators of these, e.g., late night meetings, long hours, etc. (2) In Iran, the modern secular - albeit elite - woman of the mid-20<sup>th</sup> century was transformed by the Islamic revolution into the modern militant Muslim woman. Women's employment came to be confined to those professions which were seen to be 'feminine' in

nature (such as teaching or nursing) or compatible with family responsibilities. A survey of government recruitment agencies in 1985 showed that only 6% of public sector jobs were open to women, and the remaining 94% were open exclusively to men (Paidar, 1995:331). (3) A study of women's politics in North Bihar, India, contrasts the role of women in politics in the 1930s with that in 1989. The participation of women in the freedom movement in the 1930s was critical (albeit in clandestine activities, because they were less likely to be searched by the police), but in 1989, a kind of 'political purdah' had come into being, so that women experienced and participated in local politics through a system outside the electoral arena (Singer, 1993). Hence, whether women move from active participation in an anti-colonial nationalist movement, or in an Islamic revolutionary movement, or indeed a post-Communist transition to democracy, the results appear not to be markedly different.

2. *Universalism or Historical and Cultural Specificity?* The variability of women's lives and experiences, depending upon history, cultural and social practices, and political trajectories, is well-known, as is the fact that patriarchy is experienced differently - depending upon and filtered through, caste, class, race and ethnicity. Is it, therefore, possible to have a conception of women's interests and strategies to advance these, which can be couched in universalistic terms? There are certain undeniable similarities in terms of both private and public patriarchies. (a) The sexual division of labour within the household suggests that private patriarchies are not irreducibly specific to cultural contexts. (b) There are broad similarities of public patriarchies, too, in terms of gender stereotypes of female politicians (either the ultra-feminine mother model or the masculine/androgynous model of leadership). Indeed, across all the three major domains of governance, we observe a concentration of women at the middle or bottom rungs, rather than at or near the top. (c) Even among the matrilineal tribes of Manipur in north-east India, for

instance, while women dominate in the sphere of material production and the economic life of the community, political decision-making is inevitably 'delegated' to men (Mahanta, 1999). (d) Across North and South, class, ethnicity, social, educational, economic and cultural background play a crucial role in determining women's representation (Vianello and Moore). How then do we balance our universalist goals with cultural particularity in the way in which we design and advance feminist agendas?

3. *Culture : Source of Oppression or Resource of Resistance ?* Culture, and especially religion, has been seen both as "a strategy of exclusion" and as "a strategy of resistance". In Morocco, women have used the Islamist movement in the latter sense, arguing that obedience to God frees them from the ascendancy of men, including husbands and fathers. Even the veil has been interpreted as a feminist gesture, because it conceals women's bodies from men, so that they are no longer perceived as objects, and gender loses its decisive role in negotiating the relations between men and women (Naciri, 1998).
4. *The impact of globalization and structural adjustment :* The implicit universalism of the project of globalization provokes the question of how relevant cultural specificity will be in the decades to come. Already, studies have shown that working-class women in the Third World bear a disproportionate share of the burden of structural adjustment policies, especially as these typically lead to cutbacks in welfare and social sector expenditure. In Eastern Europe, too, unemployment and price rises in the period of economic crisis have increased the burdens of family responsibility. However, it has been argued - in the context of Uganda, Mali, Chile, Morocco, Jamaica and Bangladesh - that rising male unemployment in urban areas following structural adjustment or the shocks in trade in the export of primary commodities, have undermined the model of the male bread-winner, and led to greater

visibility for women (Goetz, 1995). The community kitchens of Lima, Peru, which grew in the economic crisis of the 1980s' actually facilitated and encouraged the participation of women, as they were linked in a loose federation, with elected representatives who could negotiate the provision of cheap food with government and NGOs. Many of the local leaders thrown up at this time came to stand for assembly and municipal elections.

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## The Nature of the Firm (1937)

R. H. COASE

Economic theory has suffered in the past from a failure to state clearly its assumption. Economists in building up a theory have often omitted to examine the foundations on which it was erected. This examination is, however, essential not only to prevent the misunderstanding and needless controversy which arise from a lack of knowledge of the assumptions on which a theory is based, but also because of the extreme importance for economics of good judgment in choosing between rival sets of assumptions. For instance, it is suggested that the use of the word "firm" in economics may be different from the use of the term by the "plain man." Since there is apparently a trend in economic theory towards starting analysis with the individual firm and not with the industry,<sup>2</sup> it is all the more necessary not only that a clear definition of the word "*firm*" should be given but that its difference from a firm in the "real world," if it exists, should be made clear. Mrs. Robinson has said that "the two questions to be asked of a set of assumptions in economics are: Are they tractable? and: Do they correspond with the real world?"<sup>3</sup> Though, as Mrs. Robinson points out, "More often one set will be manageable and the other realistic," yet there may well be branches of theory where assumptions may be both manageable and realistic. It is hoped to show in the following paper that a definition of a firm may be obtained which is not only realistic in that it corresponds to what is meant by a firm in the real world, but is tractable by two of the most powerful instruments of economic analysis developed by Marshall, the idea of the margin and that of substitution, together giving the idea of substitution at the margin.<sup>4</sup> Our definition must, of course, "relate to formal relations which are capable of being *conceived* exactly."<sup>5</sup>

### I

It is convenient if, in searching for a definition of a firm, we first consider the economic system as it is normally treated by the economist. Let us consider the description of the economic system given by Sir Arthur Salter<sup>6</sup>. "The normal economic system works itself. For its current operation it is under no central control, it needs no central survey. Over the whole range of human activity and human need, supply is adjusted to demand, and production to consumption, by a process that is automatic, elastic and responsive." An economist thinks of the economic system as being co-ordinated by the price mechanism and society becomes not an organization but an organism.<sup>7</sup> The economic system "works itself. This does not mean that there is no planning by individuals. These exercise foresight and choose between alternatives. This is necessarily so if there is to be order in the system. But this theory assumes that the direction of resources is dependent directly on the price

mechanism. Indeed, it is often considered to be an objection to economic planning that it merely tries to do what is already done by the price mechanism.<sup>8</sup> Sir Arthur Salter's description, however, gives a very incomplete picture of our economic system. Within a firm, the description does not fit at all. For instance, in economic theory we find that the allocation of factors of production between different uses is determined by the price mechanism. The price of factor *A* becomes higher in *X* than in *Y*. As a result, *A* moves from *Y* to *X* until the difference between the prices in *X* and *Y*, except in so far as it compensates for other differential advantages, disappears. Yet in the real world, we find that there are many areas where this does not apply. If a workman moves from department *Y* to department *X*, he does not go because of a change in relative prices, but because he is ordered to do so. Those who object to economic planning on the grounds that the problem is solved by price movements can be answered by pointing out that there is planning within our economic system which is quite different from the individual planning mentioned above and which is akin to what is normally called economic planning. The example given above is typical of a large sphere in our modern economic system. Of course, this fact has not been ignored by economists. Marshall introduces organization as a fourth factor of production; J.B. Clark gives the co-ordinating function to the entrepreneur; Professor Knight introduces managers who co-ordinate. As D. H. Robertson points out, we find "islands of conscious power in this ocean of unconscious co-operation like lumps of butter coagulating in a pail of buttermilk."<sup>9</sup> But in view of the fact that it is usually argued that co-ordination will be done by the price mechanism, why is such organization necessary? Why are there these "islands of conscious power"? Outside the firm, price movements direct production, which is co-ordinated through a series of exchange transactions on the market. Within a firm, these market transactions are eliminated and in place of the complicated market structure with exchange transactions is substituted the entrepreneur-co-ordinator, who directs production.<sup>10</sup> It is clear that these are alternative methods of co-ordinating production. Yet, having regard to the fact that if production is regulated by price movements, production could be carried on without any organization at all, well might we ask, why is there any organization?

Of course, the degree to which the price mechanism is superseded varies greatly. In a department store, the allocation of the different sections to the various locations in the building may be done by the controlling authority or it may be the result of competitive price bidding for space. In the Lancashire cotton industry, a weaver can rent power and shop-room and can obtain looms and yarn on credit.<sup>11</sup>

This co-ordination of the various factors of production is, however, normally carried out without the intervention of the price mechanism. As is evident, the amount of "vertical" integration, involving as it does the supersession of the price mechanism, varies greatly

from industry to industry and from firm to firm.

It can, I think, be assumed that the distinguishing mark of the firm is the supersession of the price mechanism. It is, of course, as Professor Robbins points out, "related to an outside network of relative prices and costs,"<sup>12</sup> but it is important to discover the exact nature of this relationship. This distinction between the allocation of resources in a firm and the allocation in the economic system has been very vividly described by Mr. Maurice Dobb when discussing Adam Smith's conception of the capitalist: "It began to be seen that there was something more important than the relations inside each factory or unit captained by an undertaker; there were the relations of the undertaker with the rest of the economic world outside his immediate sphere... the undertaker busies himself with the division of labour inside each firm and he plans and organises consciously," but "he is related to the much larger economic specialisation, of which he himself is merely one specialised unit. Here, he plays his part as a single cell in a larger organism, mainly unconscious of the wider rôle he fills."<sup>13</sup>

In view of the fact that while economists treat the price mechanism as a coordinating instrument, they also admit the co-ordinating function of the "entrepreneur," it is surely important to enquire why co-ordination is the work of the price mechanism in one case and of the entrepreneur in another. The purpose of this paper is to bridge what appears to be a gap in economic theory between the assumption (made for some purposes) that resources are allocated by means of the price mechanism and the assumption (made for other purposes) that this allocation is dependent on the entrepreneur-co-ordinator. We have to explain the basis on which, in practice, this choice between alternatives is effected.<sup>14</sup>

## II

Our task is to attempt to discover why a firm emerges at all in a specialized exchange economy. The price mechanism (considered purely from the side of the direction of resources) might be superseded if the relationship which replaced it was desired for its own sake. This would be the case, for example, if some people preferred to work under the direction of some other person. Such individuals would accept less in order to work under someone, and firms would arise naturally from this. But it would appear that this cannot be a very important reason, for it would rather seem that the opposite tendency is operating if one judges from the stress normally laid on the advantage of "being one's own master,"<sup>15</sup> Of course, if the desire was not to be controlled but to control, to exercise power over others, then people might be willing to give up something in order to direct others; that is, they would be willing to pay others more than they could get under the price mechanism in order

to be able to direct them. But this implies that those who direct pay in order to be able to do this and are not paid to direct, which is clearly not true in the majority of cases.<sup>16</sup> Firms might also exist if purchasers preferred commodities which are produced by firms to those not so produced; but even in spheres where one would expect such preferences (if they exist) to be of negligible importance, firms are to be found in the real world.<sup>17</sup> Therefore there must be other elements involved.

The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism. The most obvious cost of "organizing" production through the price mechanism is that of discovering what the relevant prices are.<sup>18</sup> This cost may be reduced but it will not be eliminated by the emergence of specialists who will sell this information. The costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market must also be taken into account.<sup>19</sup> Again, in certain markets, e.g., produce exchanges, a technique is devised for minimizing these contract costs; but they are not eliminated. It is true that contracts are not eliminated when there is a firm but they are greatly reduced. A factor of production (or the owner thereof) does not have to make a series of contracts with the factors with whom he is co-operating within the firm, as would be necessary, of course, if this co-operation were as a direct result of the working of the price mechanism. For this series of contracts is substituted one. At this stage, it is important to note the character of the contract into which a factor enters that is employed within a firm. The contract is one whereby the factor, for a certain remuneration (which may be fixed or fluctuating), agrees to obey the directions of an entrepreneur *within certain limits*.<sup>20</sup> The essence of the contract is that it should only state the limits to the powers of the entrepreneur; Within these limits, he can therefore direct the other factors of production.

There are, however, other disadvantages - or costs - of using the price mechanism. It may be desired to make a long-term contract for the supply of some article or service. This may be due to the fact that if one contract is made for a longer period, instead of several shorter ones, then certain costs of making each contract will be avoided. Or, owing to the risk attitude of the people concerned, they may prefer to make a long rather than a short-term contract. Now, owing to the difficulty of forecasting, the longer the period of the contract is for the supply of the commodity or service, the less possible, and indeed, the less desirable it is for the person purchasing to specify what the other contracting party is expected to do. It may well be a matter of indifference to the person supplying the service or commodity which of several courses of action is taken, but not to the purchaser of that service or commodity. But the purchaser will not know which of these several courses he will want the supplier to take. Therefore, the service which is being provided is expressed in general terms, the exact details being left until a later date. All that is stated in the contract is the

limits to what the persons supplying the commodity or service is expected to do. The details of what the supplier is expected to do is not stated in the contract but is decided later by the purchaser. When the direction of resources (within the limits of the contract) becomes dependent on the buyer in this way, that relationship which I term a "firm" may be obtained.<sup>21</sup> A firm is likely therefore to emerge in those cases where a very short-term contract would be unsatisfactory. It is obviously of more importance in the case of services -labor-than it is in the case of the buying of commodities. In the case of commodities, the main items can be stated in advance and the details which will be decided later will be of minor significance.

We may sum Up this section of the argument by saying that the operation of a market costs something and by forming an organization and allowing some authority (an "entrepreneur") to direct the resources, certain marketing costs are saved. The entrepreneur has to carry out his function at less cost, taking into account the fact that he may get factors of production at a lower price than the market transactions which he supersedes, because it is always possible to revert to the open market if he fails to do this.

The question of uncertainty is one which is often considered to be very relevant to the study of the equilibrium of the firm. It seems improbable that a firm would emerge without the existence of uncertainty. But those, for instance, Professor Knight, who make the *mode of payment* the distinguishing mark of the firm - fixed incomes being guaranteed to some of those engaged in production by a person who takes the residual, and fluctuating, income-would appear to be introducing a point which is irrelevant to the problem we are considering. One entrepreneur may sell his services to another for a certain sum of money, while the payment to his employees may be mainly or wholly a share in profits.<sup>22</sup> The significant question would appear to be why the allocation of resources is not done directly by the price mechanism.

Another factor that should be noted is that exchange transactions on a market and the same transactions organized within a firm are often treated differently by Governments or other bodies with regulatory powers. If we consider the operation of a sales tax, it is clear that it is a tax on market transactions and not on the same transactions organized within the firm. Now since these are alternative methods of organization"-by the price mechanism or by the entrepreneur-such a regulation would bring into existence firms which otherwise would have no *raison d'être*. It would furnish a reason for the emergence of a firm in a specialized exchange economy. Of course, to the extent that firms already exist, such a measure as a sales tax would merely tend to make them larger than they would otherwise be. Similarly, quota schemes, and methods of price control which imply that there is rationing, and which do not apply to firms producing such products for themselves, by allowing advantages to those who organize within the firm and flout through the market, necessarily encourage the

growth of firms. But it is difficult to believe that it is measures such as have been mentioned in this paragraph which have brought firms into existence. Such measures would, however, tend to have this result if they did not exist for other reasons.

These, then, are the reasons why organizations such as firms exist in a specialized exchange economy in which it is generally assumed that the distribution of resources is "organized" by the price mechanism. A firm, therefore, consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur;

The approach which has just been sketched would appear to offer an advantage in that it is possible to give a scientific meaning to what is meant by saying that a firm gets larger or smaller. A firm becomes larger as additional transactions (which could be exchange transactions co-ordinated through the price mechanism) are organized by the entrepreneur and becomes smaller as he abandons the organization of such transactions. The question which arises is whether it is possible to study the forces which determine the size of the firm. Why does the entrepreneur not organize one less transaction or one more? It is interesting to note that Professor Knight considers that:

the relation between efficiency and size is one of the most serious problems of theory, being, in contrast with the relation for a plant, largely a matter of personality and historical accident rather than of intelligible general principles.

But the question is peculiarly vital because the possibility of monopoly gain offers a powerful incentive to *continuous and unlimited* expansion of the firm, which force must be offset by some decreased efficiency (in the production of money income) with growth in size, if even boundary competition is to exist.<sup>23</sup> equally powerful one making for

Professor Knight would appear to consider that it is impossible to treat scientifically the determinants of the size of the firm. On the basis of the concept of the firm developed above, this task will now be attempted.

It was suggested that the introduction of the firm was due primarily to the existence of marketing costs. A pertinent question to ask would appear to be (quite apart from the monopoly considerations raised by Professor Knight), why, if by organizing one can eliminate certain costs and in fact reduce the cost of production, are there any market transactions at all?<sup>24</sup> Why is not a production carried on by one big firm? There would appear to be certain possible explanations.

First, as a firm gets larger, there may be decreasing returns to the entrepreneur function, that is, the costs of organizing additional transactions within the firm may rise.<sup>25</sup> Naturally, a point must be reached where the costs of organizing an extra transaction within the firm are equal to the costs involved in carrying out the transaction in the open market,

or; to the costs of organizing by another entrepreneur. Secondly, it may be that as the transactions which are organized increase, the entrepreneur fails to place the factors of production in the uses where their value is greatest, that is, fails to make the best use of the factors of production. Again, a point must be reached where the loss through the waste of resources is equal to the marketing costs of the exchange transaction in the open market or to the loss if the transaction was organized by another entrepreneur. Finally, the supply price of one or more of the factors of production may rise, because the "other advantages" of a small firm are greater than those of a large firm.<sup>26</sup> Of course, the actual point where the expansion of the firm ceases might be determined by a combination of the factors mentioned above. The first two reasons given most probably correspond to the economists' phrase of "diminishing returns to management."<sup>27</sup>

The point has been made in the previous paragraph that a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of an exchange on the open market or the costs of organizing in another firm. But if the firm stops its expansion at a point below the costs of marketing in the open market and at a point equal to the costs of organizing in another firm, in most cases (excluding the case of "combination"<sup>28</sup>), this will imply that there is a market transaction between these two procedures, each of whom could organize it at less than the actual marketing costs. How is the paradox to be resolved? If we consider an example the reason for this will become clear. Suppose *A* is buying a product from *B* and that both *A* and *B* could organize this marketing transaction at less than its present cost. *B*, we can assume, is not organizing one process or stage of production, but several. If *A* therefore wishes to avoid a market transaction, he will have to take over all the processes of production controlled by *B*. Unless *A* takes over all the processes of production, a market transaction will still remain, although it is a different product that is bought. But we have previously assumed that as each producer expands he becomes less efficient; the additional costs of organizing extra transactions increase. It is probable that *A*'s cost of organizing the transactions previously organized by *B* will be greater than *B*'s costs of doing the same thing. *A* therefore will take over the whole of *B*'s organization only if his cost of organizing *B*'s work is not greater than *B*'s cost by an amount equal to the costs of carrying out an exchange transaction on the open market. But once it becomes economical to have a market transaction, it also pays to divide production in such a way that the cost of organizing an extra transaction in each firm is the same.

Up to now it has been assumed that the exchange transactions which take place through the price mechanism are homogeneous. In fact, nothing could be more diverse than the actual transactions which take place in our modern world. This would seem to imply that the costs of carrying out exchange transactions through the price mechanism will vary considerably



as will also the costs of organizing these transactions within the firm. It seems therefore possible that quite apart from the question of diminishing returns the costs of organizing certain transactions within the firm may be greater than the costs of carrying out the exchange transactions in the open market. This would necessarily imply that there were exchange transactions carried out through the price mechanism, but would it mean that there would have to be more than one firm? Clearly not, for all those areas in the economic system where the direction of resources was not dependent directly on the price mechanism could be organized within one firm. The factors which were discussed earlier would seem to be the important ones, though it is difficult to say whether "diminishing returns to management" or the rising supply price of factors is likely to be the more important.

Other things being equal, therefore, a firm will tend to be larger:

- a. the less the costs of organizing and the slower these costs rise with an increase in the transactions organized.
- b. the less likely the entrepreneur is to make mistakes and the smaller the increase in mistakes with an increase in the transactions organized.
- c. the greater the lowering (or the less the rise) in the supply price of factors of production to firms of larger size.

Apart from variations in the supply price of factors of production to firms of different sizes, it would appear that the costs of organizing and the losses through mistakes will increase with an increase in the spatial distribution of the transactions organized, in the dissimilarity of the transactions, and in the probability of changes in the relevant prices.<sup>29</sup> As more transactions are organized by an entrepreneur, it would appear that the transactions would tend to be either different in kind or in different places. This furnishes an additional reason why efficiency will tend to decrease as the firm gets larger. Inventions which tend to bring factors of production nearer together, by lessening spatial distribution, tend to increase the size of the firm.<sup>30</sup> Changes like the telephone and the telegraph which tend to reduce the cost of organizing spatially will tend to increase the size of the firm. All changes which improve managerial technique will tend to increase the size of the firm.<sup>31/32</sup> It should be noted that the definition of a firm which was given above can be used to give more precise meanings to the terms "combination" and "integration."<sup>33</sup> There is a combination when transactions which were previously organized by two or more entrepreneurs become organized by one. This becomes integration when it involves the organization of transactions which were previously carried out between the entrepreneurs on a market. A firm can expand in either or both of these two ways. The whole of the "structure of competitive industry" becomes tractable by the ordinary technique of economic analysis.

## III

The problem which has been investigated in the previous section has not been entirely neglected by economists and it is now necessary to consider why the reasons given above for the emergence of a firm in a specialized exchange economy are to be preferred to the other explanations which have been offered.

It is sometimes said that the reason for the existence of a firm is to be found in the division of labor. This is the view of Professor Usher, a view which has been adopted and expanded by Mr. Maurice Dobb. The firm becomes "the result of an increasing complexity of the division of labour... The growth of this economic differentiation creates the need for some integrating force without which differentiation would collapse into chaos; and it is as the integrating force in a differentiated economy that industrial forms are chiefly significant."<sup>34</sup> The answer to this argument is an obvious one. The "integrating force in a differentiated economy" already exists in the form of the price mechanism. It is perhaps the main achievement of economic science that it has shown that there is no reason to suppose that specialization must lead to chaos.<sup>35</sup> The reason given by Mr. Maurice Dobb is therefore inadmissible. What has to be explained is why one integrating force (the entrepreneur) should be substituted for another integrating force (the price mechanism).

The most interesting reasons (and probably the most widely accepted) which have been given to explain this fact are those to be found in Professor Knight's *Risk, Uncertainty and Profit*. His views will be examined in some detail.

Professor Knight starts with a system in which there is no uncertainty:

acting as individuals under absolute freedom but without collusion men are supposed to have organised economic life with the primary and secondary division of labour, the use of capital, etc., developed to the point familiar in present-day America. The principal fact which calls for the exercise of the imagination is the internal organisation of the productive groups or establishments. With uncertainty entirely absent, every individual being in possession of perfect knowledge of the situation, there would be no occasion for anything of the nature of responsible management or control of productive activity. Even marketing transactions in any realistic sense would not be found. The flow of raw materials and productive services to the consumer would be entirely automatic.<sup>36</sup>

Professor Knight says that we can imagine this adjustment as being "the result of a long process of experimentation worked out by trial-and-error methods alone," while it is not necessary "to imagine every worker doing exactly the right thing at the right time in a sort of 'pre-established harmony' with the work of others. There might be managers, superintendents, etc., for the purpose of co-ordinating the activities of individuals," though these managers would be performing a purely routine function, "without responsibility of any sort."<sup>37</sup>

Professor Knight then continues:

With the introduction of uncertainty—the fact of ignorance and the necessity of acting upon opinion rather than knowledge—into this Eden-like situation, its character is entirely changed. . . . With uncertainty present doing things, the actual execution of activity, becomes in a real sense a secondary part of life; the primary problem or function is deciding what to do and how to do

This fact of uncertainty brings about the two most important characteristics of social organization.

In the first place, goods are produced for a market, on the basis of entirely impersonal prediction of wants, not for the satisfaction of the wants of the producers themselves. The producer takes the responsibility of forecasting the consumers' wants. In the second place, the work of forecasting and at the same time a large part of the technological direction and control of production are still further concentrated upon a very narrow class of the producers, and we meet with a new economic functionary, the entrepreneur. . . . When uncertainty is present and the task of deciding what to do and

how to do it takes the ascendancy over that of execution the internal organisation of the productive groups is no longer a matter of indifference or a mechanical detail. Centralisation of this deciding and controlling function is imperative, a process of "cephalisation" is inevitable.<sup>39</sup>

The most fundamental change is:

the system under which the confident and venturesome assume the risk or insure the doubtful and timid by guaranteeing to the latter a specified income in return for an assignment of the actual results... With human nature as we know it it would be impracticable or very unusual for one man to guarantee to another a definite result of the latter's actions without being given power to direct his work. And on the other hand the second party would not place himself under the direction of the first without such a guarantee... The result of this manifold specialisation of function is the enterprise and wage system of industry. Its existence in the world is the direct result of the fact of uncertainty.<sup>40</sup>

These quotations give the essence of Professor Knight's theory. The fact of uncertainty means that people have to forecast future wants. Therefore, you get a special class springing up who direct the activities of others to whom they give guaranteed wages. It acts because good judgment is generally associated with confidence in one's judgment.<sup>41</sup>

Professor Knight would appear to leave himself open to criticism on several grounds. First of all, as he himself points out, the fact that certain people have better judgment or better knowledge does not mean that they can only get an income from it by themselves actively taking part in production. They can sell advice or knowledge. Every business buys the services of a host of advisers. We can imagine a system where an advice or knowledge was bought as required. Again, it is possible to get a reward from better knowledge or judgment not by actively taking part in production but by making contracts with people who are producing. A merchant buying for future delivery represents an example of this. But this merely illustrates the point that it is quite possible to give a guaranteed reward providing that certain acts are performed without directing the performance of those acts. Professor Knight says that "with human nature as we know it, it would be impracticable or very unusual for one man to guarantee to another a definite result of the latter's actions without being given power to direct his work." This is surely incorrect. A large proportion of jobs are done to contract, that is, the contractor is guaranteed a certain sum providing he performs certain acts. But this does not involve any direction. It does mean, however, that the system of relative prices has been changed and that there will be a new arrangement of the factors of production.<sup>42</sup> The fact that Professor Knight mentions that the "second

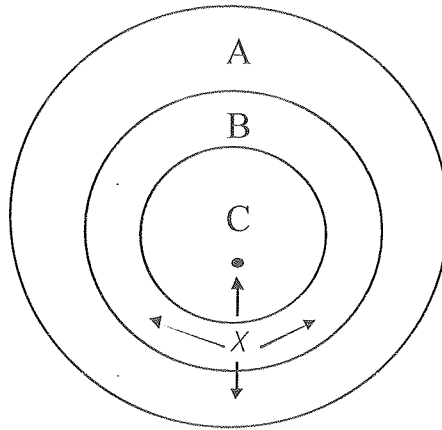
party would not place himself under the direction of the first without such a guarantee" is irrelevant to the problem we are considering. Finally, it seems important to notice that even in the case of an economic system where there is no uncertainty Professor Knight considers that there would be co-ordinators, though they would perform only a routine function. He immediately adds that they would be "without responsibility of any sort," which raises the question by whom are they paid and why? It seems that nowhere does Professor Knight give a reason why the price mechanism should be superseded.

#### IV

It would seem important to examine one further point and that is to consider the relevance of this discussion to the general question of the "cost-curve of the firm."

It has sometimes been assumed that a firm is limited in size under perfect competition if its cost curve slopes upward,<sup>43</sup> while under imperfect competition, it is limited in size because it will not pay to produce more than the output at which marginal cost is equal to marginal revenue. But it is clear that a firm may produce more than one product and, therefore, there appears to be no prima facie reason why this upward slope of the cost curve in the case of perfect competition or the fact that marginal cost will not always be below marginal revenue in the case of imperfect competition should limit the size of the firm.<sup>45</sup> Mrs. Robinson<sup>46</sup> makes the simplifying assumption that only one product is being produced. But it is clearly important to investigate how the number of products produced by a firm is determined, while no theory which assumes that only one product is in fact produced can have very great practical significance.

It might be replied that under perfect competition, since everything that is produced can be sold at the prevailing price, then there is no need for any other product to be produced. But this argument ignores the fact that there may be a point where it is less costly to organize the exchange transactions of a new product than to organize further exchange transactions of the old product. This point can be illustrated in the following way. Imagine, following von Thunen, that there is a town, the consuming center, and that industries are located around this central point in rings. These conditions are illustrated in the following diagram in which *A*, *B*, and *C* represent different industries.



Imagine an entrepreneur who starts controlling exchange transactions from  $x$ . Now as he extends his activities in the same product ( $B$ ), the cost of organizing increases until at some point it becomes equal to that of a dissimilar product which is nearer. As the firm expands, it will therefore from this point include more than one product ( $A$  and  $C$ ). This treatment of the problem is obviously incomplete,<sup>47</sup> but it is necessary to show that merely proving that the cost curve turns upwards does not give a limitation to the size of the firm. So far we have only considered the case of perfect competition; the case of imperfect competition would appear to be obvious.

To determine the size of the firm, we have to consider the marketing costs (that is, the costs of using the price mechanism), and the costs of organizing the different entrepreneurs and then we can determine how many products will be produced by each firm and how much of each it will produce. It would, therefore, appear that Mr. Shove<sup>48</sup> in his article on "Imperfect Competition" was asking questions which Mrs. Robinson's cost curve apparatus cannot answer; The factors mentioned above would seem to be the relevant ones.

## V

Only one task now remains; and that is, to see whether the concept of a firm which has been developed fits in with that existing in the real world. We can best approach the question of what constitutes a firm in practice by considering the legal relationship normally called that of "master and servant" or "employer and employee."<sup>49</sup> The essentials of this relationship have been given as follows:

- (1) the servant must be under the duty of rendering personal services to the master or to others on behalf of the master, otherwise the contract is a contract for sale of

goods or the like.

(2) The master must have the right to control the servant's work, either personally or by another servant or agent. It is this right of control or interference, of being entitled to tell the servant when to work (within the hours of service) and when not to work, and what work to do and how to do it (within the terms of such service) which is the dominant characteristic in this relation and marks off the servant from an independent contractor, or from one employed merely to give to his employer the fruits of his labour. In the latter case, the contractor or performer is not under the employer's control in doing the work or effecting the service; he has to shape and manage his work so as to give the result he has contracted to effect.<sup>50</sup>

We thus see that it is the fact of direction which is the essence of the legal concept of "employer and employee," just as it was in the economic concept which was developed above. It is interesting to note that Professor Batt says further:

That which distinguishes an agent from a servant is not the absence or presence of a fixed wage or the payment only of commission on business done, but rather the freedom with which an agent may carry out his employment.<sup>51</sup>

We can therefore conclude that the definition we have given is one which approximates closely to the firm as it is considered in the real world.

Our definition is, therefore, realistic. Is it manageable? This ought to be clear; When we are considering how large a firm will be the principle of marginalism works smoothly. The question always is, will it pay to bring an extra exchange transaction under the organizing authority? At the margin, the costs of organizing within the firm will be equal either to the costs of organizing in another firm or to the costs involved in leaving the transaction to be "organized" by the price mechanism. Business men will be constantly experimenting, controlling more or less, and in this way, equilibrium will be maintained. This gives the position of equilibrium for static analysis. But it is clear that the dynamic factors are also of considerable importance, and an investigation of the effect changes have on the cost of organizing within the firm and on marketing costs generally will enable one to explain why firms get larger and smaller; We thus have a theory of moving equilibrium. The above analysis would also appear to have clarified the relationship between initiative or enterprise and management. Initiative means forecasting and operates through the price mechanism by the making of new contracts. Management proper merely reacts to price changes, rearranging the factors of production under its control. That the business man normally combines both functions is an obvious result of the marketing costs which were discussed

above. Finally, this analysis enables us to state more exactly what is meant by the "marginal product" of the entrepreneur. But an elaboration of this point would take us far from our comparatively simple task of definition and clarification.

## NOTES

1. Joan Robinson, *Economics Is a Serious Subject* (1932), 12.
2. See N. Kaldor, "The Equilibrium of the Firm," 44 *The Economic Journal* (1934), 60-76.
3. *Op. cit.*, 6.
4. J.M. Keynes, *Essays in Biography* (1933), 223-24.
5. L. Robbins, *Nature and Significance of Economic Science* (1935), 63.
6. This description is quoted with approval by D. H. Robenson, *Control Of Industry* (1923), 85, and by Professor Arnold Plant, "Trends in Business Administration," 12 *Economica* (1932) 45-62. It appears in *Allied Shipping Control*, pp. 16-17.
7. See F. A. Hayek, "The Trend of Economic Thinking," 13 *Economica* (1933) 121-37.
8. See R. A. Hayek, *op. cit.*
9. *Op. cit.*, 85.
10. In the rest of this paper I shall use the term entrepreneur to refer to the person or persons who, in a competitive system, take the place of the price mechanism in the direction of resources.
11. *Survey of Textile Industries*, 26.
12. *Op. cit.*, 71.
13. *Capitalist Enterprise and Social Progress* (1925), 20. *Cf.*, also, Henderson, *Supply and Demand* (1932), 3-5.
14. It is easy to see when the State takes over the direction of an industry that, in planning it, it is doing something which was previously done by the price mechanism. What is usually not realized is that any business man in organizing the relations between his departments is also doing something which could be organized through the price mechanism. There is therefore point in Mr. Durbin's answer to those who emphasize the problems involved in economic planning that the same problems have to be solved by business men in the competitive system. (See "Economic Calculus in a Planned Economy," 46 *The Economic Journal* [1936] 676-90.) The important difference between these two cases is that economic planning is imposed on industry while firms arise voluntarily because they represent a more efficient method of organizing production. In a competitive system, there is an "optimum" amount of planning!
15. *Cf.* Harry Dawes, "Labour Mobility in the Steel Industry," 44 *The Economic Journal* (1934) 84-94, who instances "the trek to retail shopkeeping and insurance work by the better paid of skilled men due to the desire (often the main aim in life of a worker) to be independent" (86).
16. None the less, this is not altogether fanciful. Some small shopkeepers are said to earn less than their assistants.
17. G. F. Shove,, "The Imperfection of the Market: a Further Note," 44 *The Economic Journal* (1933) 113-24, n. 1, points out that such preferences may exist, although the example he gives is almost the reverse of the instance given in the text.
18. According to N. Kaldor, "A Classificatory Note of the Determinateness of Equilibrium," 1 *The Review Of Economic Studies* (1934) 122-36, it is one of the assumptions of static theory that "All the relevant prices are known to all individuals." But this is clearly not true of the real world.
19. This influence was noted by Professor Usher when discussing the development of capitalism. He says: "The successive buying and selling of partly finished products were sheer waste of energy." (*Introduction to the Industrial History Of England* (1920), 13.) But he does not develop the idea nor consider why it is that buying and selling operations still exist.
20. It would be possible for no limits to the powers of the entrepreneur to be fixed. This



would be voluntary slavery. According to Professor Batt, *The Law of Master and Servant* (1933), 18, such a contract would be void and unenforceable.

21. Of course, it is not possible to draw a hard and fast line which determines whether there is a firm or not. There may be more or less direction. It is similar to the legal question of whether there is the relationship of master and servant or principal and agent. See the discussion of this problem below.

22. The views of Professor Knight are examined below in more detail.

23. *Risk, Uncertainty and Profit*, Preface to the Re-issue, London School of Economics Series of Reprints, No. 16 (1933).

24. There are certain marketing costs which could only be eliminated by the abolition of "consumers' choice" and these are the costs of retailing. It is conceivable that these costs might be so high that people would be willing to accept rations because the extra product obtained was worth the loss of their choice.

25. This argument assumes that exchange transactions on a market can be considered as homogeneous; which is clearly untrue in fact. This complication is taken into account below.

26. For a discussion of the variation of the supply price of factors and production to firms of varying size, see E. A. G. Robinson, *The Structure of Competitive Industry* (1932). It is sometimes said that the supply price of organizing ability increases as the size of the firm increases because men prefer to be the heads of small independent businesses rather than the heads of departments in a large business. See Jones, *The Trust Problem* (1921), 531, and Macgregor, *Industrial Combination* (1935), 63. This is a common argument of those who advocate Rationalization. It is said that larger units would be more efficient, but owing to the individualistic spirit of the smaller entrepreneurs, they prefer to remain independent, apparently in spite of the higher income which their increased efficiency under Rationalization makes possible.

27. This discussion is, of course, brief and incomplete. For a more thorough discussion of this particular problem, see N. Kaldor, "The Equilibrium of the Firm," 44 *The Economic Journal* (1934) 60-76, and E. A. G. Robinson, "The Problem of Management and the Size of the Firm," 44 *The Economic Journal* (1934) 242-57.

28. A definition of this term is given below.

29. This aspect of the problem is emphasized by N. Kaldor, op. cit. Its importance in this connection had been previously noted by E. A. G. Robinson, *The Structure Of Competitive Industry* (1932), 83-106. This assumes that an increase in the probability of price movements increases the costs of organizing within a firm more than it increases the cost of carrying out an exchange transaction on the market - which is probable.

30. This would appear to be the importance of the treatment of the technical unit by E. A. G. Robinson, op. cit., 27-33. The larger the technical unit, the greater the concentration of factors and therefore the firm is likely to be larger.

31. It should be noted that most inventions will change both the costs of organizing and the costs of using the price mechanism. In such cases, whether the invention tends to make firms larger or smaller will depend on the relative effect on these two sets of costs. For instance, if the telephone reduces the costs of using the price mechanism more than it reduces the costs of organizing, then it will have the effect of reducing the size of the firm.

32. An illustration of these dynamic forces is furnished by Maurice Dobb, *Russian Economic Development* (1928), 68. "With the passing of bonded labour the factory, as an establishment where work was organised under the whip of the overseer, lost its raison d'être until this was restored to it with the introduction of power machinery after 1846." It seems important to realize that the passage from the domestic system to the factory system is not a mere historical accident, but is conditioned by economic forces. This is shown by the fact that it is possible to move from the factory system to the domestic system, as in the Russian example, as well as vice versa. It is the essence of serfdom that the price mechanism is not allowed to operate. Therefore, there has to be direction from some organizer. When, however, serfdom passed, the price mechanism was allowed to operate. It was not until machinery drew workers into one locality that it paid to supersede the price mechanism and the firm again emerged.

33. This is often called "vertical integration," combination being termed "lateral integration."
34. Op. cit., 10. Professor Usher's views are to be found in his *Introduction to the Industrial History of England* (1920), 1-18.
35. Cf. J.B. Clark, *Distribution of Wealth* (1899), 19, who speaks of the theory of exchange as being the "theory of the organisation of industrial society."
36. *Risk, Uncertainty and Profit*, 267.
37. Op. cit., 267-68.
38. Op. cit., 268.
39. Op. cit., 268-95.
40. Op. cit., 269-70.
41. Op. cit., 270.
42. This shows that it is possible to have a private enterprise system without the existence of firms. Though, in practice, the two functions of enterprise, which actually influences the system of relative prices by forecasting wants and acting in accordance with such forecasts, and management, which accepts the system of relative prices as being given, are normally carried out by the same persons, yet it seems important to keep them separate in theory. This point is further discussed below.
43. See Kaidor, op. cit., and Robinson, *The Problem of Management and the Size of the Firm*.
44. Mr. Robinson calls this the Imperfect Competition solution for the survival of the small firm.
45. Mr. Robinson's conclusion, op. cit., 249, n. 1, would appear to be definitely wrong. He is followed by Horace J. White, Jr, "Monopolistic and Perfect Competition," 26 *The American Economic Review* (1936) 645, n. 27. Mr. White states "It is obvious that the size of the firm is limited in conditions of monopolistic competition."
46. *Economics Imperfect Competition* (1934).
47. As has been shown above, location is only one of the factors influencing the cost of organizing.
48. G. F. Shove, "The Imperfection of the Market," 43 *The Economic Journal* (1933). 115. In connection with an increase in demand in the suburbs and the effect on the price charged by suppliers, Mr. Shove asks "...why do not the old firms open branches in the suburbs?" If the argument in the text is correct, this is a question which Mrs. Robinson's apparatus cannot answer.
49. The legal concept of "employer and employee" and the economic concept of a firm are not identical, in that the firm may imply control over another person's property as well as over their labor. But the identity of these two concepts is sufficiently close for an examination of the legal concept to be of value in appraising the worth of the economic concept.
50. Batt, *The Law of Master and Servant*, 6.
51. Op. cit., 7.

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# Paradigms of Public Administration

Nicholas Henry, *University of Georgia*

Public administration again is examining itself.<sup>1</sup> Given the history of the field, this exercise probably is a sign of health. While self-scrutiny can be overdone—the late mathematician, John von Neumann, once described the state of a discipline that had become far too involved with self-study by coining the term “baroquism”—a reexamination by public administrationists of where the field has been and where it is going appears worthwhile. As an intellectual enterprise, public administration has reached a point of radical departure from its own past.

It is my purpose in this article to: (1) sketch the development of the field by describing four broad paradigms of American public administration, (2) speculate on what the emerging paradigm of public administration may turn out to be, and (3) attempt to justify why it is mandatory that public administration “come into its own” as an identifiable, unique, and institutionally independent field of instruction, research, and practice.

“Paradigm” no doubt is an overworked word.<sup>2</sup> Nevertheless, it is a useful one because there is no other term that conveys the concept of a field’s self-identity and the changing dynamics of that identity. Paradigmatic questions are of especial significance in public administration. With approximately 90 per cent of all advanced degree graduates in public administration going into government employment,<sup>3</sup> with roughly one-in-six members of the American labor force working for one government or another, and with administrative-profession-technical personnel the major growth factor in public service hiring practices, it follows that the way in which public administration defines itself will determine to a profound degree the manner in which government works. It

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Five paradigms of public administration are sketched in an effort to indicate that the notion of public administration as a unique, synthesizing field is relatively new. The discipline is conceived as an amalgam of organization theory, management science, and the concept of the public interest. It is suggested that it is time for public administration to establish itself as an institutionally autonomous enterprise in colleges and universities in order to retain its social relevance and worth.

is with these reasons in mind that we should turn to a reconsideration of the trite yet worthy question of “What is public administration?”

## Public Administration’s Eighty Years in a Quandary

Public administration’s development as an academic field may be conceived as a succession of four overlapping paradigms. As Robert T. Golembiewski has noted in a perceptive essay on the evolution of the field,<sup>4</sup> each phase may be characterized according to whether it has “locus” or “focus.” *Locus* is the institutional “where” of the field. A recurring locus of public administration is the government bureaucracy, but this has not always been the case and often this traditional locus has been blurred. *Focus* is the specialized “what” of the field. One focus of public administration has been the study of certain “principles of administration,” but, again, the foci of the discipline have altered with the changing paradigms of public administration. As Golembiewski observes, the paradigms of public administration may be understood in terms of locus or focus; when one has been relatively sharply defined, the other has been relatively ignored in academic circles and vice-versa. We shall use the notion of loci and foci in reviewing the intellectual development of public administration.

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### Paradigm 1: The Politics/Administration Dichotomy, 1900-1926

Our benchmark dates for the Paradigm 1 period correspond to the publication of books written by Frank J. Goodnow and Leonard D. White; they are, as are the years chosen as marking the later periods of the field, only rough indicators. In *Politics and Administration* (1900), Goodnow contended that there were "two distinct functions of government," which he identified with the title of his book. Politics, said Goodnow, "has to do with policies or expressions of the state will," while administration "has to do with the execution of these policies."<sup>5</sup> Separation of powers provided the basis of the distinction; the legislative branch, aided by the interpretive abilities of the judicial branch, expressed the will of the state and formed policy, while the executive branch administered those policies impartially and apolitically.

The emphasis of Paradigm 1 was on locus—where public administration should be. Clearly, in the view of Goodnow and his fellow public administrationists, public administration should center in the government's bureaucracy. The initial conceptual legitimation of this locus-centered definition of the field, and one that would wax increasingly problematic for academics and practitioners alike, became known as the politics/administration dichotomy.

Public administration received its first serious attention from scholars during this period largely as a result of the "public service movement" that was taking place in American universities in the early part of this century. Political science, as a report issued in 1914 by the Committee on Instruction in Government of the American Political Science Association stated, was concerned with training for citizenship, professional preparations such as law, and training "experts and to prepare specialists for governmental positions."<sup>6</sup> Public administration, therefore, was a clear and significant subfield of political science, and political science departments in universities were perceived as the logical place in which to train public administrators.

Public administration began picking up academic legitimacy in the 1920s; notable in this regard was the publication of Leonard D. White's *Introduction to the Study of Public Administration* in 1926, the first textbook devoted *in toto* to the field. As Dwight Waldo has pointed out,<sup>7</sup>

White's text was quintessentially American Progressive in character and, in its quintessence, reflected the general thrust of the field: Politics should not intrude on administration; management lends itself to scientific study; public administration is capable of becoming a "value-free" science in its own right; the mission of administration is economy and efficiency, period.

The net result of Paradigm 1 was to strengthen the notion of a distinct politics/administration dichotomy by relating it to a corresponding value/fact dichotomy. Thus, everything that public administrationists scrutinized in the executive branch was imbued with the colorings and legitimacy of being somehow "factual" and "scientific," while the study of public policy making and related matters was left to the political scientists. The carving up of analytical territory between public administrationists and political scientists during this locus-oriented stage can be seen today in political science departments: it is the public administrationists who teach organization theory, budgeting, and personnel, while political scientists teach virtually everything else.

### Paradigm 2: The Principles of Administration, 1927-1937

In 1927 F. W. Willoughby's book, *Principles of Public Administration*, was published as the second fully fledged text in the field. While Willoughby's *Principles* was as fully American Progressive in tone as White's *Introduction*, its title alone indicated the new thrust of public administration: that certain scientific principles of administration were "there," that they could be discovered, and that administrators would be expert in their work if they learned how to apply these principles.

Public administrationists were in high demand during the 1930s and early 1940s for their managerial knowledge, courted by industry and government alike. Thus the focus of the field—its essential expertise in the form of administrative principles—waxed, while no one thought too seriously about its locus. Indeed, the locus of public administration was everywhere, since principles were principles, and administration was administration, at least according to the perceptions of Paradigm 2. Furthermore, because public administrationists had contributed as much if not more to the formulation of "administrative principles" as had researchers in any other field in inquiry, it also

followed that public administrationists should lead the academic pack in applying them to "real-world" organizations, public or otherwise.<sup>8</sup>

The "high noon of orthodoxy," as it often has been called, of public administration was marked by the publication in 1937 of Luther H. Gulick and Lyndall Urwick's *Papers on the Science of Administration*. Principles were important to Gulick and Urwick, but where those principles were applied was not; focus was favored over locus, and no bones were made about it. As Urwick said in the *Papers*,

It is the general thesis of this paper that there are principles which can be arrived at inductively from the study of human organization which should govern arrangements for human association of any kind. These principles can be studied as a technical question, irrespective of the purpose of the enterprise, the personnel comprising it, or any constitutional, political or social theory underlying its creation.<sup>9</sup>

That was public administration in 1937.

#### The Challenge, 1938-1950

In the following year, mainstream, top-of-the-heap public administration received its first real hint of conceptual challenge. In 1938, Chester I. Barnard's *The Functions of the Executive* appeared. Its impact on public administration was not overwhelming at the time, but it later had considerable influence on Herbert A. Simon when he was writing his devastating critique of the field, *Administrative Behavior*.

Dissent from mainstream public administration accelerated in the 1940s and took two mutually reinforcing directions. One was the objection that politics and administration could never be separated in any remotely sensible fashion. The other was that the principles of administration were logically inconsistent.

Although inklings of dissent began in the 1930s, a book of readings in the field, *Elements of Public Administration*, edited in 1946 by Fritz Morstein Marx, was one of the first major volumes which questioned the assumption that politics and administration could be dichotomized. Perhaps the most succinct statement articulating this new awareness was expressed by John Merriman Gaus in 1950: "A theory of public administration means in our time a theory of politics also."<sup>10</sup>

Arising simultaneously with the challenge to the traditional politics/administration dichotomy of the field was an even more basic contention:

that there could be no such thing as a "principle" of administration. In 1946 and 1947, a spate of articles and books by Robert A. Dahl, Simon, Waldo, and others appeared that addressed the validity of the principles concept from a variety of perspectives.<sup>11</sup> The most formidable dissection of the principles notion appeared in 1947: Simon's *Administrative Behavior*. Simon effectively demonstrated that for every "principle" of administration advocated in the literature there was a counter-principle, thus rendering the very idea of principles moot.

By mid-century, the two defining pillars of public administration—the politics/administration dichotomy and the principles of administration—had been toppled and abandoned by creative intellects in the field. This abandonment left public administration bereft of a distinct epistemological identity. Some would argue that an identity has yet to be found.

#### The Reaction to the Challenge, 1947-1950

In the same year that Simon razed the traditional foundations of public administration in *Administrative Behavior*, he offered an alternative to the old paradigms in a little-noted essay entitled "A Comment on 'The Science of Public Administration,'" published in the *Public Administration Review*. For Simon, a new paradigm for public administration meant that there ought to be two kinds of public administrationists working in harmony and reciprocal intellectual stimulation: those scholars concerned with developing "a pure science of administration" based on "a thorough grounding in social psychology," and a larger group concerned with "prescribing for public policy," and which would resurrect the then-unstylish field of political economy. Both a "pure science of administration" and "prescribing for public policy" would be mutually reinforcing components: "there does not appear to be any reason why these two developments in the field of public administration should not go on side by side, for they in no way conflict or contradict."<sup>12</sup>

Despite a proposal that was both rigorous and normative in its emphasis, Simon's call for a "pure science" put off many scholars in public administration and political science alike. First, Simon's urging that social psychology provided the basis for understanding administrative behavior struck many public administrationists as foreign and discomfiting; most of them had no training in

social psychology. Second, since science was perceived as being "value-free," it followed that a "science of administration" logically would ban public administrationists from what many of them perceived as their richest sources of inquiry: normative political theory, the concept of the public interest, and the entire spectrum of human values. In sum, then, public administrationists faced the worrisome prospect of retooling only to become a technically oriented "pure science" that might lose touch with political and social realities in an effort to cultivate an engineering mentality for public administration.

There was also a more positive rationale for scholars in public administration to retain their linkages with political science; *i.e.*, the logical conceptual connection between public administration and political science: that is, the public policy-making process. Public administration considered the "black box" of that process: the formulation of public policies within public bureaucracies and their delivery to the polity. Political science was perceived as considering the "inputs and outputs" of the process: the pressures in the polity generating political and social change. Hence, there was a carrot as well as a stick inducing public administrationists to stay within the homey confines of the mother discipline.

Political scientists, for their part, had begun to resist the growing independence of public administrationists and to question the field's action orientation as early as the mid-1930s. Political scientists, rather than advocating a public service and executive preparatory program as they had in 1914, began calling for, in the words of Lynton K. Caldwell, "intellectualized understanding" of the executive branch, rather than "knowledgeable action" on the part of public administrators.<sup>13</sup> In 1952 an article appeared in the *American Political Science Review* advocating the "continuing domination of political science over public administration."<sup>14</sup>

By the post-World War II era, political scientists could ill afford the breakaway of the subfield which still provided their greatest drawing card for student enrollments and government grants. The discipline was in the throes of being shaken conceptually by the "behavioral revolution" that had occurred in other social sciences. Political scientists were aware that not only public administrationists had threatened secession in the past, but now other subfields, such as international relations, were restive. And, in terms of science

and social science both, it was increasingly evident that political science was held in low esteem by scholars in other fields. The formation of the National Science Foundation in 1950 brought the message to all who cared to listen that the chief federal science agency considered political science to be the distinctly junior member of the social sciences, and in 1953 David Easton confronted this lack of status directly in his influential book, *The Political System*.<sup>15</sup>

### Paradigm 3: Public Administration as Political Science, 1950-1970

In any event, as a result of these concerns public administrationists remained in political science departments. The result was a renewed definition of locus—the governmental bureaucracy—but a corresponding loss of focus. Should the mechanics of budgets and personnel procedures be studied exclusively? Or should public administrationists consider the grand philosophic schemata of the "administrative Platonists," as one political scientist called them, such as Paul Appleby?<sup>16</sup> Or should they explore quite new fields of inquiry, as urged by Simon, as they related to the analysis of organizations and decision making? In brief, this third phase of definition was largely an exercise in reestablishing the linkages between public administration and political science. But the consequences of this exercise was to "define away" the field, at least in terms of its analytical focus, its essential "expertise." Thus, writings on public administration in the 1950s spoke of the field as an "emphasis," an "area of interest," or even as a "synonym" of political science.<sup>17</sup> Public administration, as an identifiable field of study, began a long, downhill spiral.

Things got relatively nasty by the end of the decade and, for that matter, well into the 1960s. In 1962, public administration was not included as a subfield of political science in the report of the Committee on Political Science as a Discipline of the American Political Science Association. In 1964 a major survey of political scientists indicated that the *Public Administration Review* was slipping in prestige among political scientists relative to other journals, and signalled a decline of faculty interest in public administration generally.<sup>18</sup> In 1967, public administration disappeared as an organizing category in the program of the annual meeting of the American Political Science Association. Waldo wrote in 1968 that, "The truth

is that the attitude of political scientists . . . is at best one of indifference and is often one of undisguised contempt or hostility. We are now hardly welcome in the house of our youth."<sup>19</sup> A survey conducted in 1972 of the five major political science journals of a non-specialized nature indicated that only four per cent of all the articles published between 1960 and 1970 could be included in the category of "bureaucratic politics," which was the only category of the 15 possible that related directly to public administration.<sup>20</sup>

#### Paradigm 4: Public Administration as Administrative Science, 1956-1970

Partly because of the "undisguised contempt" being displayed in a number of political science departments, some public administrationists began searching for an alternative. Although Paradigm 4 occurred roughly concurrently with Paradigm 3 in time and never has received the broadly based favor that political science has garnered from public administrationists as a paradigm (although its appeal is growing), the administrative science option (a phrase inclusive of organization theory and management science) nonetheless is a viable alternative for a significant number of scholars in public administration. But in both the political science and administrative science paradigms, the essential thrust was one of public administration losing its identity and its uniqueness within the confines of some "larger" concept. As a paradigm, administrative science provides a focus but not a locus. It offers techniques that require expertise and specialization, but in what institutional setting that expertise should be applied is undefined. As in Paradigm 2, administration is administration wherever it is found; focus is favored over locus.

A number of developments, often stemming from the country's business schools, fostered the alternative paradigm of administrative science. In 1956, the important journal, *Administrative Science Quarterly*, was founded by a public administrationist on the premise that public, business, and institutional administration were false distinctions, that administration was administration. Public Administrationist Keith M. Henderson, among others, argued in the mid-1960s that organization theory was, or should be, the overarching focus of public administration.<sup>21</sup> Also in the 1960s, "organization development" began its rapid rise as a specialty of administrative science. Because of its

involvement in social psychology, its concern with the "opening up" of organizations, and the "self-actualization" of their members, organization development was seen by many younger public administrationists as offering a very tempting alternative for conducting research on public bureaucracies but within the framework of administrative science: democratic values could be considered, normative concerns could be broached, and intellectual rigor and scientific methodologies could be employed.<sup>22</sup>

But there was a problem in the administrative science route, and a real one. If it were selected as the sole focus of public administration, could one continue to speak of *public* administration? After all, administrative science, while not advocating universal principles, nevertheless did and does contend that all organizations and managerial methodologies have certain characteristics, patterns, and pathologies in common. If only administrative science defined the field's paradigm, then public administration would exchange, at best, being an "emphasis" in political science departments for being, at best, a subfield in schools of administrative science. This often would mean in practice that schools of business administration would absorb the field of public administration; whether profit-conscious "B-school types" could adequately appreciate the vital value of the public interest as an aspect of administrative science was a question of genuine importance to public administrationists, and one for which the probable answers were less than comforting.

Part of this conceptual dilemma, but only part, lay in the traditional distinction between the "public" and "private" spheres of American society. What is *public* administration, what is everything else (i.e., "private" administration), and what is the dividing line between the two types has been a painful dilemma for a number of years.

As most of us know, "real world" phenomena are making the public/private distinction an increasingly difficult one to define empirically, irrespective of academic disputations. The research and development contract, the "military-industrial complex," the roles of the regulatory agencies and their relations with industry, and the growing expertise of government agencies in originating and developing advanced managerial techniques that were and are influencing the "private sector" in every aspect of American society, all have conspired to make *public* administration an elusive entity in terms of determining its proper paradigm.

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This dilemma is not yet fully resolved, and confusion about the *public* variety of the field of administration seems at least understandable; one scholar, in fact, has argued that we should begin talking about "public administration," since all kinds of managerial organizations increasingly find themselves relating to public, governmental, and political concerns due to the growing interrelatedness of technological societies.<sup>23</sup>

The principal dilemma in defining the "public" in public administration appears to have been one of dimension.<sup>24</sup> Traditionally, the basis of definition for the term has been an institutional dimension. For example, the Department of Defense has been perceived by scholars as the legitimate locus of study for public administration, while the Lockheed Corporation was seen as beyond the field's proper locus of concern. These were institutional distinctions. Recently, however, this institutional dimension seems to be waning among scholars as a definitional base, while a growing philosophic and ethical dimension appears to be waxing. Hence, we are witnessing the rise of such concerns for the field as "the public interest" and "public affairs." As concepts, these terms tend implicitly to ignore institutional arrangements and concentrate instead on highly normative issues as they relate to the polity. Thus, rather than analyzing the Department of Defense as its legitimate locus of study, public administration finds itself scrutinizing the Department's relationships with Lockheed and other private contractors as these relationships affect the interests and affairs of the public. The normative dimension supplants the institutional dimension as a defining base for the locus of public administration.

As a paradigm, administrative science cannot comprehend the supravalue of the public interest. Without a sense of the public interest, administrative science can be used for *any* purpose, no matter how antithetical to democratic values that purpose may be. The concept of determining and implementing the public interest constitutes a defining pillar of public administration and a locus of the field that receives little if any attention within the context of administrative science, just as the focus of organization theory/management science garners scant support in political science. It would seem, therefore, that public administration should, and perhaps must, find a new paradigm that encourages both a focus and a locus for the field.

### The Emerging Paradigm 5: Public Administration As Public Administration, 1970?

Despite continuing intellectual turmoil, Simon's 1947 proposal for a duality of scholarship in public administration has been gaining a renewed validity. There is not yet a focus for the field in the form of a "pure science of administration," but at least organization theory primarily has concerned itself in the last two and a half decades with how and why organizations work, how and why people in them behave, and how and why decisions are made. Additionally, considerable progress has been made in refining the applied techniques of management science, as well as developing new techniques, that often reflect what has been learned in the more theoretical realms of organizational analysis.

There has been less progress in delineating a locus for the field, or what public affairs and "prescribing for public policy" should encompass in terms relevant to public administrationists. Nevertheless, the field does appear to be zeroing in on certain fundamental social factors unique to fully developed countries as its proper locus. The choice of these phenomena may be somewhat arbitrary on the part of public administrationists, but they do share commonalities in that they have engendered cross-disciplinary interest in universities, require synthesizing intellectual capacities, and lean toward themes that reflect urban life, administrative relations among organizations, and the interface between technology and human values—in short, public affairs. The traditional and rigid distinction of the field between the "public sphere" and the "private sphere" appears to be waning as public administration's new and flexibly defined locus waxes. Furthermore, public administrationists have been increasingly concerned with the inextricably related areas of policy science, political economy, the public policy-making process and its analysis, and the measurement of policy outputs. These latter aspects can be viewed, in some ways, as a linkage between public administration's evolving focus and locus.

### Institutionalizing Paradigm 5: Toward Curricular Autonomy

With a paradigmatic focus of organization theory and management science, and a paradigmatic locus of the public interest as it relates to

public affairs, public administration at last is intellectually prepared for the building of an institutionally autonomous educational curriculum that can develop the epistemological uniqueness of the field. What that curriculum will be is open to speculation, but some trends seem to be emerging. One is that the field is burgeoning. Between 1970 and 1971 alone, undergraduate enrollments in public administration increased 36 per cent, and between 1971 and 1972 graduate enrollments went up 50 per cent.<sup>25</sup>

A second trend is institutional. Public administration programs normally still are lodged in political science departments, although this arrangement clearly is declining. In a period of one academic year (1971-72 to 1972-73), graduate public administration programs that were a part of political science departments sank precipitously from 48 to 36 per cent, and those programs connected with business schools (only 13 per cent in 1971) appeared to be declining as well. On the clear upswing were those programs that functioned as autonomous units within the university. During the same period, the percentage of separate schools of public administration or public affairs more than doubled, from 12 per cent in 1971 to 25 per cent in 1972; separate departments of public administration (as opposed to separate schools) accounted for 23 per cent of the 101 graduate programs surveyed in 1972-73.<sup>26</sup>

How public administration is situated in universities determines to a significant extent what public administration is. With a plurality of public administration programs still being conducted in political science departments, we can infer that political science currently dominates the field intellectually as well as institutionally; in brief, the arrangement represents the fulfillment of Gaus' statement on a theory of public administration being simply a theory of politics. Unfortunately, locating public administration programs in political science departments has its costs. As Eugene P. Dvorin and Robert H. Simmons observe, "any desire for extensive experimentation" by public administrationists "may depend upon the assent of departmental colleagues" in political science

who are unreceptive and insensitive to the administrative phenomenon in the emerging bureaucratic order. Under such conditions their power of decision making exceeds their responsibility for the program. . . . Under such conditions, the problems of public administration are compounded by the traditional disposition of political science to itself assume an orthodox stance of value-free scholarship. It would be difficult, therefore, to expect one

branch of political science to radically depart in its central assumptions from those comprising the body of its host discipline.<sup>27</sup>

Similarly, those public administration programs that are a part of business schools—the administrative science approach—are limited in their potentiality for development. Administrative science is reflective of the earlier paradigm of public administration which was founded upon the notion of certain immutable administrative principles, in that both paradigms represent essentially technical definitions of the field. Politics, values, normative theory, and the role of the public interest are not salient concerns in the administrative science paradigm, yet it is precisely these concerns that must be critical in any intelligent definition of public administration.

Hence, public administration must borrow and redefine in its own terms the concept of the public interest from political science, and synthesize this concept with the methodologies and bureaucratic focus extant in administrative science. For all practical purposes, this unique, synthesizing combination can be accomplished only in institutionally autonomous academic units, free of the intellectual baggage that burdens the field in political science departments and administrative science schools alike.

Fortunately, the institutional trend in public administration appears to be heading in the direction of establishing separate schools of public affairs and separate departments of public administration. The MPA and DPA degrees are gaining in student popularity, and those academic journals concerned with public policy, public affairs, and the public bureaucracy are flourishing and proliferating. A major sign of public administration's growing independence is the dramatic growth of institutes of government, public administration, and urban affairs, and various kinds of public policy centers in universities. In an 18-month period between 1970 and 1972, the number of such units more than doubled to approximately 300.<sup>28</sup>

It is time for public administration to come into its own. Substantial progress has been in this direction intellectually. For perhaps the first time in public administration's 80 years in a quandary, a tentative paradigm has been formulated for the field that defines the discipline's "specialized what" and its "institutional where." This intellectual ripening must not be allowed to wither in institutional settings that are unsympathetic—

perhaps antithetical—to public administration's new and vital paradigm. The use of the field to society seems obvious, and, in an age in which higher education generally is suffering from declining enrollments, public administration programs are turning away highly qualified applicants. In short, the social, economic, intellectual, and political reasons for public administration to assert its identity and autonomy are there. It remains to be done.

### Notes

1. There are a number of recent writings addressing the old question of "What is public administration?" from a new perspective. Representative published works of quality include: James C. Charlesworth (ed.), *Theory and Practice of Public Administration: Scope, Objectives, and Methods* (Philadelphia: American Academy of Political and Social Science, October 1968); Frank Marini (ed.), *Toward a New Public Administration: The Minnowbrook Perspective* (Scranton: Chandler, 1971); Richard J. Stillman, II, "Woodrow Wilson and the Study of Administration: A New Look at an Old Essay," *American Political Science Review*, Vol. 67 (June 1973), pp. 582-588; Vincent Ostrom, *The Intellectual Crisis in American Public Administration* (University, Ala.: University of Alabama Press, 1973); Dwight Waldo, "Developments in Public Administration," in *The Annals of the American Academy of Political and Social Science*, Vol. 404 (November 1972), pp. 217-245; and Howard E. McCurdy, "The Development of Public Administration: A Map," *Public Administration: A Bibliography*, Howard E. McCurdy (ed.) (Washington, D.C.: College of Public Affairs, American University, 1972), pp. 9-28. I should state here that I am not considering the sub-field of comparative public administration in this article on the grounds that it has developed somewhat independently of its parent field.
2. And I likely am using it inappropriately in this article. Nevertheless, "paradigm" conveys to most people what I want it to convey; to wit: How mainstream public administrationists have perceived their enterprise during the last 80 or so years.
3. National Association of Schools of Public Affairs and Administration (NASPAA), *Public Affairs and Administration Programs: 1971-72 Survey Report* (Washington, D.C.: NASPAA, 1972), p. 1.
4. Robert T. Golembiewski, "Public Administration As A Field: Four Developmental Phases," *Georgia Political Science Association Journal*, Vol. 2 (Spring 1974), pp. 24-25.
5. Frank Goodnow, *Politics and Administration* (New York: Macmillan, 1900), pp. 10-11.
6. "Report of the Committee on Instruction in Government," *Proceedings of the American Political Science Association, 1913-14* (Washington, D.C.: APSA, 1914), p. 264.
7. Dwight Waldo, "Public Administration," *Political Science: Advance of the Discipline*, Marian D. Irish (ed.) (Englewood Cliffs, N.J.: Prentice-Hall, 1968), pp. 153-189.
8. The high status of public administration relative to other kinds of studies in the administrative sciences during this period is reflected in Robert Aaron Gordon and James E. Howell, *Higher Education for Business* (New York: Columbia University Press, 1959), notably pp. 379-393.
9. Lyndall Urwick, "Organization as a Technical Problem," *Papers on the Science of Administration*, Luther Gulick and L. Urwick (eds.) (New York: Institute of Public Administration, 1937), p. 49.
10. John Merriman Gaus, "Trends in the Theory of Public Administration," *Public Administration Review*, Vol. 10 (Summer 1950), p. 168.
11. For example: Robert A. Dahl, "The Science of Public Administration: Three Problems," *Public Administration Review*, Vol. 7 (Winter 1947), pp. 1-11; Herbert A. Simon, "The Proverbs of Administration," *Public Administration Review*, Vol. 6 (Winter 1946), pp. 53-67, and *Administrative Behavior* (New York: Free Press, 1947); and Dwight Waldo, *The Administrative State* (New York: Ronald, 1948).
12. Herbert A. Simon, "A Comment on 'The Science of Public Administration,'" *Public Administration Review*, Vol. 7 (Summer 1947), p. 202.
13. Lynton K. Caldwell, "Public Administration and the Universities: A Half-Century of Development," *Public Administration Review*, Vol. 25 (March 1965), p. 57.
14. Roscoe Martin, "Political Science and Public Administration—A Note on the State of the Union," *American Political Science Review*, Vol. 46 (September 1952), p. 665.
15. David Easton, *The Political System* (New York: Knopf, 1953). Easton pulled no punches in his appraisal of the status of political science. As he noted (pp. 38-40), "with the exception of public administration, formal education in political science has not achieved the recognition in government circles accorded, say, economics or psychology." Or, "However much students of political life may seek to escape the taint, if they were to eavesdrop on the whisperings of their fellow social scientists, they would find that they are almost generally stigmatized as the least advanced."
16. Glendon A. Schubert, Jr., "'The Public Interest' in Administrative Decision-Making," *American Political Science Review*, Vol. 51 (June 1957), pp. 346-368.
17. Martin Landau reviews this aspect of the field's development cogently in his "The Concept of Decision-Making in the 'Field' of Public Administration," *Concepts and Issues in Administrative Behavior*, Sidney Mailick and Edward H. Van Ness (eds.) (Englewood Cliffs, N.J.: Prentice-Hall, 1962), pp. 1-29. Landau writes (p. 9), "public administration is neither a subfield of political science, nor does it comprehend it; it simply becomes a synonym."
18. Albert Somit and Joseph Tanenhaus, *American Political Science: A Profile of a Discipline* (New York: Atherton, 1964), especially pp. 49-62 and

- 86-98.
19. Dwight Waldo, "Scope of the Theory of Public Administration," in Charlesworth, *op. cit.*, p. 8.
  20. Contrast this figure with the percentage of articles in other categories published during the 1960-1970 period: "political parties," 13 per cent; "public opinion," 12 per cent; "legislatures," 12 per cent; and "elections/voting," 11 per cent. Even those categories dealing peripherally with "bureaucratic politics" and public administration evidently received short shrift among the editors of the major political science journals. "Region/federal government" received four per cent, "chief executives" won three per cent, and "urban/metropolitan government" comprised two per cent. As the author of the study notes, "The conclusion is inescapable that political scientists in recent years have not paid much attention to the vast new public bureaucracies emerging at all levels of the American and other Western political systems. . . in practice, if not in theory, our discipline still seems to operate as if the bureaucracies . . . were someone else's business." The quotations and percentages are in Jack L. Walker, "Brother, Can You Paradigm?" *PS*, Vol. 5 (Fall 1972), pp. 419-422. The journals surveyed were *American Political Science Review*, *Journal of Politics*, *Western Political Quarterly*, *Midwest Political Science Journal*, and *Polity*.
  21. Keith M. Henderson, *Emerging Synthesis in American Public Administration* (New York: Asia Publishing House, 1966).
  22. The growing impact of organization development (and the entire administrative science paradigm) on public administration is aptly indicated by the recent symposium on the topic conducted by the *Public Administration Review*. Of the six contributors to the symposium, only two were associated with political science departments, and only one with a public administration unit. The remaining contributors were in administrative science, education, and psychology. See: Larry Kirkhart and Neely Gardner (co-eds.), "Symposium on Organization Development," *Public Administration Review*, Vol. 34 (March/April 1974), pp. 97-140.
  23. Lynton K. Caldwell, "Methodology in the Theory of Public Administration," in Charlesworth, *op. cit.*, pp. 211-212.
  24. Public administrationists, in an effort to distinguish their field from "private administration," have taken a number of differing directions. Marshall Edward Dimmock and Gladys Ogden Dimmock's *Public Administration* (New York: Holt, Rinehart and Winston, 4th edition, 1969) perhaps come closest to a philosophic dimension in defining the "public" in public administration by their discussion of an "appreciation of the public" and the concept of "the common man" (pp. 585-591). Most textbooks in the field, however, either rely on an institutionally formulated distinction between "public" and "private," or avoid the issue by relating public administration to political science and the public policy-making process. An example of the former is Felix A. Nigro and Lloyd G. Nigro's *Modern Public Administration* (New York: Harper and Row, 3rd edition, 1973). The authors define "public" in terms of their "goldfish bowl" thesis. As they state (p. 15): ". . . no public organization can ever be exactly the same as a private one. . . . As has often been said, the public official operates in a goldfish bowl. . . . Although the officials of a private company also have important public contacts, they are not operating in a goldfish bowl." John M. Pfiffner and Robert Presthus, in their *Public Administration* (New York: Ronald, 5th edition, 1960), also rely on institutionally based thinking when they distinguish "public" from "private" administration on the grounds that public administration "is mainly concerned with the means for implementing political values," its unique "highly legal framework," its "susceptibility to public criticism," and its inability to "evaluate its activities in terms of profits." Both texts are operating on variants of Paradigm 1 in that there is a clear locus (or "public") for the field which is perceived in institutional terms. By contrast, John Rehfuss's *Public Administration as Political Process* (New York: Charles Scribner's Sons, 1973); James W. Davis, Jr.'s, *An Introduction to Public Administration: Politics, Policy, and Bureaucracy* (New York: Free Press, 1974); and Ira Sharkansky's *Public Administration: Policy-Making in Government Agencies* (Chicago: Markham, 2nd edition, 1972) all reflect a Paradigm 3 perception in that public administration is seen as political science. Hence, "public" in contrast to "private" is either ignored as a distinction or its legitimacy as a distinction is denied. Davis at least confronts this stance directly (p. 4) by stating that, while the field is broadly interdisciplinary, it nonetheless is "patent that this book represents only the political-science part of public administration, not the part that would be written by the economist or someone from a business school." Similarly, Sharkansky observes (p. 3) that his book "concentrates on those components that appear to be the most relevant to the political process and that have received the most attention from political scientists." Rehfuss tends to toss in the towel by noting (pp. 220-221) that, "Until the relationship between public and private administration is clarified (if, indeed, it ever can be), there is unlikely to be agreement on the type of graduate training."
  25. As calculated from figures in NASPAA, *op. cit.* (1971-72), pp. 1-2, and NASPAA, *Graduate School Programs in Public Affairs and Public Administration, 1974* (Washington, D.C.: NASPAA 1974), p. 2.
  26. NASPAA, *op. cit.* (1971-72), Table 1, p. 105, and NASPAA, *op. cit.* (1974), p. 2.
  27. Eugene P. Dvorin and Robert H. Simmons, *From Amoral to Humane Bureaucracy* (San Francisco: Canfield, 1972), pp. 52-53.
  28. Grace M. Taher (ed.), *University Urban Research Centers, 1971-1972* (Washington, D.C.: The Urban Institute, 2nd edition, 1971), p. i.

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The New Public Management: Challenging the Boundaries of the Management vs.  
Administration Debate

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*This symposium is intended to promote a constructive and meaningful dialogue between scholars in the public policy and so-called "traditional public administration" communities. Scholars representing both academic provinces were asked to contribute articles that address the broad topic of "leadership, democracy and the new Public Management." While the authors approached their tasks in a variety of different ways, PAR readers will find the essays engaging and thought provoking. Articles included in the symposium were reviewed by a distinguished panel of scholars including Herbert Kaufman, 1996 Waldo Award winner, David H. Rosenbloom, former PAR editor-in-chief, and Gary L. Wamsley, editor-in-chief, Administration & Society. We welcome your comments on the symposium.*

*Larry D. Terry, symposium editor*

## The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate

Linda Kaboolian, Harvard University

Reform movements in the public sector, codified as the "New Public Management" by scholars, provide an opportunity for the adherents of public administration and of public management to engage each other. This symposium presents the reactions of well-known scholars with different perspectives on the theoretical and empirical opportunities and challenges presented by the New Public Management. All of the authors have published important and lengthy works elsewhere that more fully elucidate their positions on issues that divide the school of public management from that of public administration. The unique quality of the symposium is that these scholars address one another in a conversation disciplined by focus on a specific topic.

### The "New Public Management": New Wine in Old Bottles

The "New Public Management" labels a series of innovations occurring domestically and abroad (Organization for Economic Cooperation and Development, 1995a, 1995b). The contemporaneous appearance of similar public sector reforms in countries as varied in their economic and political systems as the United States, Korea, the United Kingdom, Portugal, France, Brazil, Australia, Sweden, New Zealand, and Canada is a natural topic for scholarly investigation and discussion. Whether the innovations represent a "paradigm shift" in Thomas Kuhn's (1962) sense is an empirical question largely unanswered.<sup>2</sup> That the characteristic elements of the innovations seem founded on a set of shared principles appears more evident (Nagel, 1997).

Common to reform movements in all these countries is the use of the economic market as a model for political and administrative relationships (Nagel, 1997, 349). The institutional reforms of the New Public Management are heavily influenced by the assumptions of the public choice approach, principal-agent theory, and transaction cost economics. Political roles such as voter, bureaucrat, elected representative, and interest groups, as well as the relationships among them, are modeled using market analogies (Self, 1993, 3).

Similarly, policy-making, implementation, and service-delivery systems can be analyzed as a series of transactions with the characteristics of negotiated contracts, complete with concerns about information asymmetries, capture, rent-seeking, moral hazards, and the attendant problems of monitoring to ensure compliance (Lane, 1993, 33).

While the reform movements vary in depth, scope, and success by country, they are remarkably similar in the goals they pursue and the technologies they utilize. Each movement is driven to maximize productive and allocative efficiencies that are hampered by "bureau-pathology" that is, public agencies unresponsive to the demands of citizens, led by bureaucrats with the power and incentives to expand their administrative empires and "policy spaces" (Nagel, 1997, 350).<sup>3</sup> While control of administrative bureaucracies by political leadership is a traditional concern in representative governments and the target of many waves of innovations, the institutional reforms associated with the New Public Management are unprecedented in the formal separation between policy making and service delivery (Light, 1997). These arrangements take different forms, for example, in the United Kingdom and New Zealand; however, their purposes are the same (Thompson, 1997, 10).

Similarly, across the reform movements it is possible to observe the use of administrative technologies such as customer service, performance-based contracting, competition, market incentives, and deregulation. Knit together into a coherent whole, these technologies reinforce each other. An orientation to customer service focuses managers and agencies on what users of the services define as important (Barzelay and Kaboolian, 1990; Osborne and Gaebler, 1992). Well-designed measures for the performance of agencies and managers provide direction on a daily basis and increase accountability to political overseers for performance (Eggers, 1997). Market-like arrangements such as competition within units of government and across government boundaries to the non-profit and for-profit sectors, performance bonuses, and penalties loosen the inefficient monopoly franchise of public agencies and public employees (Jensen, 1995; Donlevy, 1994).

The implementation of the New Public Management comes at the same time that the role of managers in the private sector is changing. In order to achieve the performance measures for which they are accountable, it is argued, managers need to be liberated from routines and regulation by the various administrative systems, e.g., procurement and personnel (Peters, 1987; Thompson, 1997). This advice has been embraced by the public sector. The Gore report on reinventing government describes the U.S. federal government as "filled with good people trapped in bad systems: budget systems, personnel systems, procurement systems, financial management systems, information systems" (National Performance Review, 1993, 2). "Deregulation" that is, relaxing the rules, decen-

*In order to achieve the performance measures for which they are accountable, it is argued, managers need to be liberated from routines and regulation by the various administrative systems.*

tralizing authority, and increasing the discretion of managers, is the recommended course of action. In the public sector, both domestic and abroad, deregulation has taken the form of civil service reforms, notably in New Zealand, and delegation of authority to agency-based managers (Horner, 1994; Kettl, 1997).

## Politics or Administration?

The authors of the papers presented in this symposium consider the consequences of the New Public Management for public managers. This is by no means a parochial interest but an opportunity to revisit long-standing issues about the relationship of public managers to the public interest, political processes, and mechanisms of accountability.

All five authors ask if the market orientation of the New Public Management reforms will limit public managers to an instrumental role in the delivery of politically defined policies or will allow public managers to engage in or design the political processes that shape policies. This question remains relevant despite the fact that the New Public Management has an explicitly normative model of public managers. While the New Public Management encourages public managers to be entrepreneurial and to use incentives to guide and to enhance the performance of people and systems, public managers have been excluded from the political arena (Peters, 1996). Under the assumption that preferences are fixed and best expressed through market mechanisms, public managers are given more discretion in deciding "how" public agencies will achieve their performance goals than in defining "what" the public prefers.<sup>4</sup>

However instrumental this approach may appear, the model of the market-oriented public manager is problematic for democratic governance, Larry Terry argues in this symposium, because it implies that public managers are motivated by self-interest and act opportunistically, a stark contrast to the ideal of the "ethical agents who administer the public's business with the common good in mind." The image of the entrepreneurial public manager will affect managers' legitimacy, which, Terry argues, rests on the public's confidence that they will be faithful to the public interest and can be held accountable for their actions. More importantly, this image may further undermine trust in government, already at an all-time low in the United States (Nye, Zelikow, and King, 1997). Until we know more about how to ensure accountability, Terry rejects the model of public managers presented by the New Public Management.

Cook and Kelly join Terry in centering their concerns about the New Public Management on its consequences for democratic states. Public administration by its nature, Cook argues, is a political institution, formed by the character of the polity, in service to

# Public managers under the New Public Management reforms can provide a range of choices from which customers can choose (e.g., vouchers in addition to public schools) or the right to opt out of the service delivery system.

the health and improvement of the regime. Normative models of public management notwithstanding, institutions designed to solve problems and provide goods and services have formative effects on society and are thereby constitutive. The job of public managers is to be vigilant about the effects of various institutional arrangements on the relationships and processes that are necessary for the health of the democracy and to accept that political engagement is inevitable. But this engagement should be circumscribed by the constitutional requirements of the polity.

Kelly agrees that the origins of institutional forms are the political, social, and economic systems of the regime. Moreover, she defines the goal of these forms as the development and sustenance of an "inclusive democratic polity" that provides all its adult...citizens with full rights, duties and responsibilities and a sense of belonging as an equal partner entitled to the benefits and burdens society offers.

Kelly argues that the rational-choice underpinnings of the New Public Management are problematic to the continued legitimacy of democratic institutions in heterogeneous societies attempting to maintain an inclusive polity. In the light of evidence that minority groups may not have assimilated or may have rejected seemingly universal norms about individualism and profit maximization, public agencies may be evaluated as unresponsive, unjust, and illegitimate. Kelly's proposed remedy is any set of institutional arrangements that provide descriptive, symbolic, and therefore substantive representation. She is agnostic on the value of service provision by public rather than private entities, valuing instead the extent to which the decision makers and service providers mirror the composition of the citizenry.

"Customer service" reforms implemented by the New Public Management provide a case in point for the concerns about the constitutive nature of public management. Cook, referencing the formative effects of the New Deal programs, questions the unintended consequences of treating citizens as customers. "Customer," a commercial role, assumes an individualist orientation and fixed preferences in contrast with the "public" assumptions of political life. Politics, Cook argues, is as much about changing people's preferences and developing collective purposes as it is about getting preferences satisfied. Reinforcement of the "customer" role may affect the way citizens see themselves and their obligations, rights in the political regime, and relationships to others.

Kelly admits the value to public managers of the "customer service" strategy in addressing the heterogeneous tastes of diverse citizenry. But, Kelly notes, it is one thing to satisfy individual customers, another to be accountable for broader goals. If political processes do not provide full satisfaction to citizens, public managers under the New Public Management reforms can provide a range of choices from which customers can choose (e.g., vouchers

in addition to public schools) or the right to opt out of the service delivery system. Dissatisfied customers can "exit" (e.g., live in gated communities), but the extent to which citizens accept choices made by agents, such as elected officials and public managers, when these choices do not represent their preferences, and remain engaged in civic life is key to the maintenance of a democratic state.

Not all visions of the constitutive public manager in the New Public Management reforms are dire. Behn supports public managers playing a constitutive role but is less concerned about the outcomes of these activities, arguing that public managers not only can improve the performance of public institutions, but also make government more democratic. Behn presents an activist image in stark contrast to Terry's call for the "conservator" public manager. In Behn's view, public managers have an obligation to remediate the "failures of governance" that stem from the structure of decision-making processes, human frailties of leaders, politics, ill-informed citizens, and inattentive elected officials. Behn sees no reason to predict fewer failures under the New Public Management; therefore, governance will require public managers to engage in constitutive activities.

Finally, Lynn too agrees that public managers will be constitutive. Despite attempts of the New Public Management reforms to keep them apart from politics, the nature of performance contracting requires negotiation of outcome goals, output measures, and resources. These are ultimately allocative decisions that will be politically determined. To the extent that the contracts are used, public managers will be engaged in politics and will shape the character of the state.

Uniting these authors is their concern that public managers be accountable. Discussions of accountability too often focus on the characteristics of mechanisms and processes rather than on substance. In contrast, the authors revisit the issues of for what public managers are accountable and to whom. The New Public Management reforms use market forces to hold the public sector accountable and the satisfaction of preferences as the measures of accountability. In order for this system to proceed, certain conditions, such as the existence of competition, must exist and information about choices must be available. Kelly worries about the robustness of both of these conditions in the public sector. Behn joins Kelly in viewing the citizenry as bounded in their rationality, lacking the information, skill, or attention necessary to understand the full range of choices and technologies to solve social problems. Behn calls this "civic failure" and argues that public managers need to help "educate" the citizenry about their options. If public managers do this well, by which Behn means they are explicit about their goals and strategies, their leadership will increase political accountability.

## Questions, Not Answers

The value of this symposium is that the discussion among various schools of thought within the fields of public administration and management about the New Public Management will result in a comprehensive research agenda. Lynn is enthusiastic about the possibilities presented by the New Public Management for empirical research and theory building, though he warns us that this set



of administrative reforms will fade from the scene, as many others before it have. Nevertheless, insofar as the New Public Management represents the infusion of market principles into the political world, much work is needed that moves the body of empirical knowledge from descriptive case studies to more comparative and systematic analysis.

The authors in this symposium bring their own disciplinary perspectives to the task of analyzing the New Public Management. Lynn argues that to understand operations and effects of new institutional arrangements, empirical work should be guided by both the "logic of markets and the logic of governance." He presents a useful summary of the economic theories of organizations and behavior to apply to this endeavor. Cook and Kelly make contributions from the "logic of governance."

In the call to use the "logic of governance," Lynn, Cook, Kelly, and Terry are challenging researchers to link the political context with institutional arrangements. These authors agree that the role of public managers and systems of public administration are endogenous to specific political systems. Cook asks that we "bring the regime back in" and understand how management reforms reflect or contrast with the image of the state and public administration represented in the foundational documents of nations. These documents define important aspects of the polity but clearly leave latitude for a variety of institutional arrangements. Lynn reminds us that the motivations for the market-oriented reforms of the New Public Management are political as well as economic. It is important for us to understand why particular reforms such as those represented in the New Public Management arise at particular points in the economic and political life of the state.

Bridging economic and political theory, Terry suggests that we add the logic of productive arrangements. Managerial techniques, Terry reminds us, are influenced by prevailing ideologies about productive arrangements. The "neo-managerialist" ideology of the New Public Management reforms exists in the private sector as well as the public. These techniques reflect important interests and values, for example, the rise of information processing. However, techniques are social constructs, and it is important to inquire as to whose interests are best served by the adoption of one set over others. When applied to public administration, the logic of production makes the link to questions of governance by highlighting the privileging of market mechanisms and efficiency over competing values.

Implicit in the attempt to link politics and administration is the need to expand work beyond longitudinal studies of the United States to more comparative work. Lynn's ambitious agenda can

only be conducted in this way. The New Zealand case is perhaps the best documented non-U.S. example; however, comparative work demands the development and evaluation of multiple cases (Evans, Grimes, Wilkinson, and Teece, 1996).

Finally, the discussion in this symposium raises the important question of the appropriate unit of analysis. This is an enduring problem in public management research (Kaboolian, 1996). Not surprisingly, the traditional divisions, described as the "figure" of the public manager or the "ground" of politics and institutional arrangements, are represented here (Lynn, 1996). Behn would have us focus on the public manager as a leader. Within this framework, strategy would be important insofar as it was an exercise of leadership. Cook, on the other hand, would focus on the regime and political context primarily, but would join Kelly in examining organizational arrangements in some circumstances. Lynn joins Behn in considering the role of public managers but begins with a set of more critical questions about the centrality of the public manager to the performance of public organizations in the New Public Management reforms. Lynn then moves on to economic, institutional, and organizational arrangements such as rules, incentives, and hierarchies.

## Conclusion: Something For and From Everyone

The New Public Management provides scholars of public administration and public management two extraordinary opportunities. The first is to see the unfolding of an international reform movement defined by clearly enunciated principles. A phenomenon of this magnitude is a natural object of empirical inquiry to scholars. The second opportunity is to engage in theoretically grounded empirical work and theory building that crosses the boundaries of the disciplines that have studied the public sector. To the extent that the debates between public administration and public management are constructs of the reform movements of the Progressive Era and the rise of policy analysis in the 1960s, and are framed narrowly by disciplinary considerations, comprehensive understanding of the New Public Management as well as of future and past reform movements and theory building will be limited. The promise of New Public Management and the discussion begun in this symposium is to move beyond these limitations.



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### Notes

1. Behn (1991), Cook (1996), Kelly and Duerst-Lahti (1995), Lynn (1996), and Terry (1995).
2. Nevertheless, see Mathiasen (1996) for a vigorous argument that the New Public Management does represent a paradigm shift.
3. For a discussion of these concerns, see Downs (1967), Niskanen (1971), Peters (1987), and Tullock (1965).
4. Compare this view with Reich (1990).

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