

Making Politics Work for Development

**HARNESSING TRANSPARENCY
AND CITIZEN ENGAGEMENT**



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Policy Research Report

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Foreword

The challenge of economic development goes beyond economics. Social norms and customs matter, as do politics and political institutions. The transparency, efficiency, and inclusiveness of governments have a large impact on economic outcomes; and citizen participation is also an important determinant of the policies that are chosen and, as a result, the path that an economy takes. Further, in today's participative world, citizens exert influence not just by queuing at voting booths but by taking to the streets, using modern communication technology, and engaging the media.

This major report is part of the World Bank Group's effort at recognizing that to do good economics we need to go beyond economics. It draws on the best research on the interface between politics and economics, and focuses in particular on the role of transparency and citizen engagement.

The report is aimed at serving our clients and the development community with a technical knowledge product on politics, to learn from mounting research on the economic consequences of these forces of political engagement and transparency. Synthesizing available research, the report draws lessons about the political behavior of citizens, public officials, and leaders, and how they respond to transparency across a variety of institutional contexts. Policy makers can use this knowledge to shape public sector governance in ways that are suited to their institutional contexts. For example, national leaders are concerned about monitoring and managing local-level public officials, who are often on the front lines of service delivery, and about generating local revenues to support local government. National leaders across the political spectrum are considering how best to use citizen engagement and transparency to solve this "last-mile" problem, including through well-managed local elections.

The analysis in this report points to ideas for relaxing political constraints to pursuing technically sound policies, as opposed to choosing “second-best” solutions that are available when these constraints are taken as given. Rather than lowering expectations when politics is a problem, technical experts and policy makers can use a better understanding of political incentives and behavior to improve outcomes.

A lesson for us at the World Bank also comes out of this research. We can do more, through relatively small changes in what we are already doing, to leverage our technical strengths in generating credible data and evidence, and to work with our clients to diminish political constraints to achieving development goals. We can provide more targeted, specific, reliable, and impartial information that will help citizens to work with their leaders to build effective public sector institutions that are capable of tackling public good problems. To do this we have to overcome the fear of talking about politics, and confront it as part of the challenge of development. That is what we are doing through this report.

Kaushik Basu

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Abbreviations

ACAs	anticorruption agencies
CDD	community-driven development program
CSOs	civil society organizations
EITI	Extractive Industries Transparency Initiative
FOI	freedom of information
FOIA	Freedom of Information Act
GCB	Global Corruption Barometer
HUMC	Health Users Management Committee
ICTs	information and communications technologies
KPU	Indonesian Election Commission
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
NGOs	nongovernmental organizations
OBI	Open Budget Index
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
QOG	Quality of Government
RGI	Resource Governance Index
RTI	Right to Information Act
VECs	village education committees
WDR	<i>World Development Report</i>

Overview

Too often, government leaders fail to adopt and implement policies that they know are necessary for sustained economic development. They are encumbered by **adverse political incentives**, which prevent them from selecting good policies, and they run the risk of losing office should they try to do the right thing. Even when technically sound policies are selected by leaders, implementation can run into **perverse behavioral norms** among public officials and citizens, who seek to extract private benefits from the public sector. Such behavior might be supported by widespread beliefs that corruption is the norm.¹ Even countries with low corruption and strong institutions experience problems of political incentives and behavior that prevent the public sector from solving shared problems. Ideological polarization among citizens and capture by special interests can lead to policy gridlock and the failure of the state to provide public goods, even in advanced economies.² Even educated citizens can hold ideological beliefs about the role of public policy that lead them to deny technical evidence contrary to these beliefs.³

Harnessing citizen engagement and transparency to address government failures

This report is about addressing government failures, such as the ones described in box O.1, by making politics work for development rather than against it. It draws on research about how political markets function in determining which citizens become leaders and what

incentives they have for using their powers when in government. It distills lessons for how a variety of policy actors—from sovereign governments to international development partners and civil society organizations—can harness political markets to serve the goals of economic development.

Two forces—citizen engagement and transparency—are shaping how political markets function across and within countries. The report brings together dispersed strands of research and forges connections between them to gain an understanding of their implications. Research shows how citizen engagement and transparency in the political process shape incentives and behavioral norms in the public sector, with profound consequences for economic development. These lessons yield implications for policy actors who want to build effective public sector institutions that can deliver the public goods and services needed for development.

Box 0.1 Examples of adverse political incentives and perverse behavioral norms in the public sector

- The Treasury Secretary of a country in Africa prepares a budget that allocates a substantial share of spending to increase the salaries of public school teachers. But these teachers are known to be absent frequently and exert little effort at teaching even when present.^a The secretary is well aware of the problem from his department's gathering of forensic evidence in the field, as well as from a body of international research (Chaudhury et al. 2006; World Bank 2004). Yet political forces in the country prevent the secretary from taking up technically sound policy recommendations to address absenteeism. These forces range from the power of organized teachers unions to popular demand from citizens at large for jobs in the public sector. The secretary poses the following questions: *Can research help reform leaders understand why politics yields such inefficient outcomes, not just in education but*

across the board? What can leaders do through the power of their office, even when encumbered by political constraints, to change things? Will budget transparency help, as is being advocated, especially for countries where the public coffers are swelling with natural resource wealth but where politics is an impediment to spending that money wisely?

- Bureaucrats leading India's National Rural Health Mission identified absenteeism by frontline public health workers as a significant problem.^b The bureaucrats responded with a technological innovation to enforce attendance: a biometric monitoring system to digitally capture the thumbprint of each staff member at the start and end of the working day. Researchers invited to evaluate the impact of this initiative found a significant increase in the attendance and improvements in health outcomes. However, the results suggested that

(continued)

Box 0.1 continued

other forms of malfeasance, such as the diversion of patients to private practice and reductions in benefits to which patients are entitled, may have been substituted for absenteeism. Furthermore, the researchers encountered low motivation for taking up the policy and implementing it effectively. The researchers noted that locally elected politicians, whom they thought would have better incentives than the bureaucrats to monitor the provision of health services (because the politicians could be voted out of office if services were not provided), did not think absenteeism or service delivery were problems. Similar questions arise from this example: *Why are there weak incentives and motivation in the public sector to take up and effectively implement sound technical solutions to delivery problems? How can information and mobilization campaigns to engage “ordinary” citizens, who hold no public office, help solve the delivery problem when powerful technocrats and political leaders are not solving it?*

- Establishing and building the capacity of anti-corruption agencies raises similarly difficult questions. Instituting anticorruption agencies and building their capacity often fail to make a dent in corruption in the absence of political incentives to reduce corruption (Maor 2004; Meagher 2005). These agencies can even be deliberately

designed to be ineffective or can face political resistance when trying to fulfill their mandate. *How can policy actors complement investments in building state capacity with investments in strengthening incentives and behavioral norms among public officials to use that capacity to deliver public goods?*

- Widespread corruption and poor quality of public services can diminish the legitimacy of the state in the eyes of citizens, who respond with disrespect for state institutions, with disregard for the law, and even with violent conflict (World Bank 2011). Citizens can take other actions that, although not as tragic as violent conflict, can nevertheless contribute to problems in the public sector, such as throwing garbage in the streets or stealing electricity from public utilities. Citizens can regard theft from the public sector as “legitimate” when they believe that others, including powerful leaders, are stealing from the state. *How do changes in citizens’ behavior come about? What role can transparency play?*

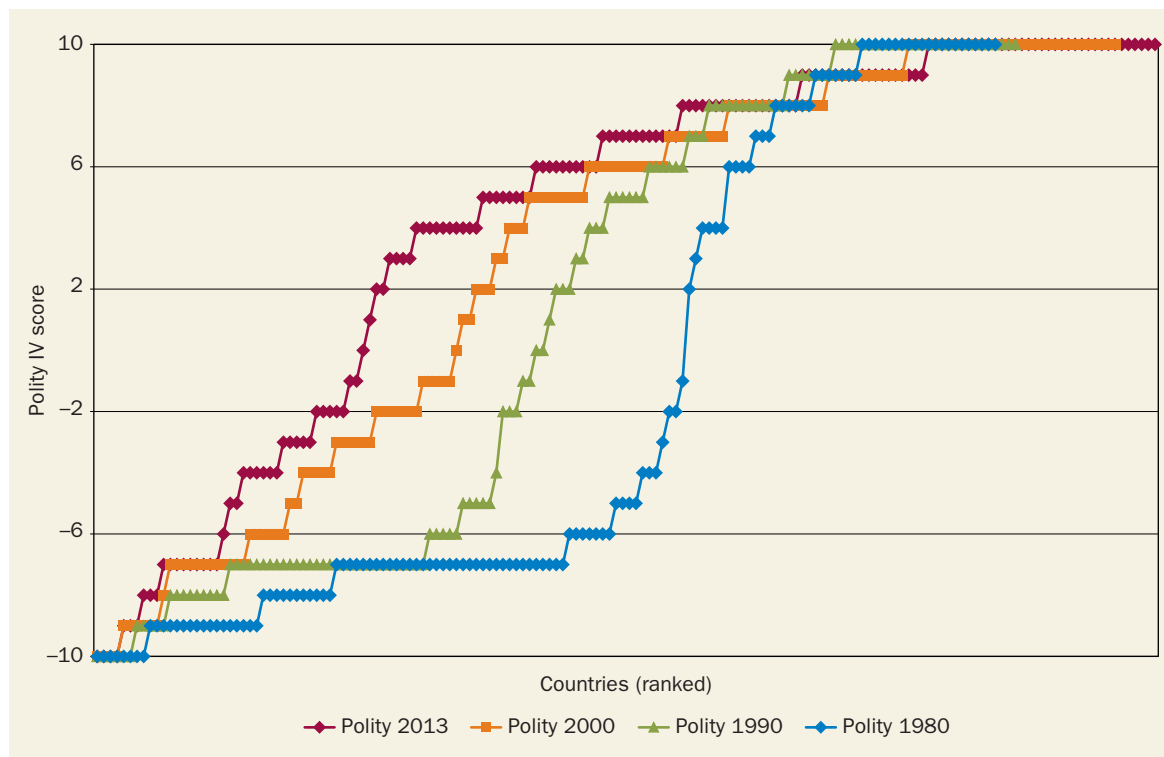
a. This example is drawn from an actual conversation between the Treasury Secretary and one of the authors of this report.

b. This example is drawn from Dhaliwal and Hanna (2014) and pertains to the state of Karnataka in India.

Growing space for political engagement

A global shift in political institutions is providing space for greater citizen engagement in the political process—or political engagement. **Political engagement is defined as the participation of citizens in selecting and sanctioning the leaders who wield power in government, including by entering themselves as contenders for leadership.** The dramatic spread of elections at national and at local levels, even within countries with authoritarian national political institutions, has created unprecedented opportunities for citizens to influence governance. Citizens are engaging in the political process as individual voters and as contenders for political office.⁴

Figure 0.1 Global shift toward democratic institutions for political engagement, 1980–2013



Source: Data from the Polity IV project.

Note: The Polity IV Score is a measure of state authority that is widely used in research, varying on a 21-point scale ranging from -10 (which corresponds to hereditary monarchy) to +10 (which corresponds to the Polity IV view of consolidated democracy). Higher values are associated with more democratic institutions.

Figure O.1 plots the distribution of countries ranked by the Polity IV measure of democracy, with higher values corresponding to greater space for political engagement by citizens.⁵ During the past three and a half decades, the overall distribution of political institutions across countries has steadily shifted toward those institutions that allow greater political engagement. Although some individual countries have experienced reversals to more autocratic institutions or seen little change, the trend overall has been toward greater opportunities for political engagement.

Distinguishing political from non-political citizen engagement

This report emphasizes the crucial role of citizens’ political engagement, distinguishing it from other non-political forms of citizen engagement.

Political engagement is a means for citizens to improve the quality of public goods they receive by selecting and sanctioning political leaders. These leaders in turn exert great influence—for good or for ill—through the many public service institutions that are responsible for providing public goods. Non-political forms of citizen engagement seek to bypass the political process. Some forms try to make public officials and frontline providers more accountable to citizens for the public goods and services they provide. Others try to increase direct citizen participation in managing public budgets and organizing service delivery. This report will argue that such forms of non-political citizen engagement can only have limited benefits when they do not address fundamental failures in the political process. Indeed, even when such forms of non-political citizen engagement improve service delivery outcomes, they may do so by letting political leaders, public officials, and frontline service providers “off the hook” and, in effect, require citizens to provide public goods for themselves.

Growing space for transparency across different institutional contexts

At the same time, greater political engagement has been supported by **greater transparency, defined as citizen access to publicly available information about the actions of those in government and the consequences of these actions.** Public disclosure policies are bringing out greater information about the functioning of government and the actions of those in power. Greater information is available not only due to disclosure by governments, but also by non-government agents, such as investigative journalists and civil society groups. New media technologies broadcast information about government performance at all levels.⁶

Established democracies tend to have independent media, but nascent and emerging democracies, as well as autocracies, are also experiencing greater media freedom. Figure O.2 shows that countries that have more democratic institutions, as measured by Polity IV indicators, also tend to have more independent media, as measured by Freedom House.⁷ At the same time, even autocracies allow some degree of independence or perhaps are unable to fully control media. Indeed, new information and communications technologies (ICTs), such as high-speed Internet access, have been described as a “dictator’s dilemma” (World Bank 2016). On the one hand, ICTs are important to facilitating economic growth and attracting investments, but on the other hand, these technologies increase access

Figure 0.2 Media independence across countries with different measures of democracy

Sources: Polity IV Project for measures of democracy and Freedom House for measures of media freedom.

Note: The Polity IV measures of democracy and the Freedom House measures of media freedom are averaged over the period 2000-13.

to information and foster debate and discussion among citizens that can weaken the dictator's grip on power.

Applying research across institutional contexts

Cross-country research has examined whether national electoral institutions are correlated with better economic outcomes. While this correlation is much debated, recent research reports a robust positive association.⁸ On average, this evidence suggests that political engagement through electoral institutions leads to better development outcomes. Yet clear examples can be pointed to where autocracies outperform democracies.⁹ Research examining these differences in outcomes concludes that the key question that applies to both autocracies and democracies is whether leaders are selected and sanctioned on the basis of performance in delivering public goods (Besley and Kudamatsu 2008). This report is *not* about whether democratic institutions are better or worse than other institutions. It moves beyond cross-country evidence on the effects of national political systems to focus on within-country evidence on the nuances

of political engagement within the same formal context and how its specific characteristics matter for governance and for development outcomes.

Political engagement happens in every institutional context, from democracies to autocracies, albeit in different ways. The main contrast examined in the literature is when there is scope for greater political engagement by a larger number of individual citizens acting as voters, and as contenders for leadership, because of electoral institutions, versus when they do not; that is, when power over leaders is instead concentrated among elites or organized groups of citizens such as political parties. The report reviews the available research to draw lessons about citizens' and leaders' political behavior and how they respond to transparency across a variety of institutional contexts. Policy makers can use this knowledge to shape public sector governance in ways that are suited to their institutional contexts. For example, national leaders across the political spectrum are concerned about monitoring and managing public officials at the local level, who are often on the front lines of service delivery. National leaders even in authoritarian regimes are considering how best to use citizen engagement and transparency to solve this “last-mile” problem, including through local elections.

The analysis in this report points to the benefits of relaxing political constraints to the adoption of technically sound policies, as opposed to choosing “second-best” solutions that are available when these constraints are taken as given. This report recommends a shift in development policy advice from one in which technical experts seek to bypass politics or lower expectations when it is a problem, to one in which they confront politics and incorporate it into the search for technical solutions to development problems. This approach does not mean prioritizing attention to political incentives or waiting until problems of politics are solved. Instead, the suggested approach opens up avenues for development practitioners to harness the current forces of political engagement and transparency, which are emergent everywhere, for better development outcomes.

Main messages

Message 1: Government failures are a consequence of “unhealthy” political engagement

The examples of government failures in box O.1, above, can be understood in the context of research on **“unhealthy” political engagement: when leaders are selected and sanctioned on the basis of their provision of private benefits rather than public goods.**¹⁰ Unhealthy political

engagement can take many forms. For example, electoral competition can involve violence, fraud, vote buying, and patronage targeted to specific groups.¹¹ Vote buying and fielding of candidates against whom there are serious allegations of criminality undermine the ability of citizens to use elections to hold leaders accountable for public goods provision (Khemani 2015; Prakash, Rockmore, and Uppal 2014).

Unhealthy political engagement can also result from distributive conflict among citizens. Special interest groups can mobilize to extract private benefits from public policies at the expense of the broader public interest (Grossman and Helpman 2001). Ideological beliefs among citizens about specific public policies, such as energy subsidies or immigration, can be difficult to shift with technical evidence on the costs and benefits of different policy options (Kahan et al. 2013). Distributive conflict and entrenched beliefs can lead to the selection of leaders who further polarize citizens and nurture ideological constituencies, rather than trying to find common ground to address shared problems. Polarizing leaders can prevent reformers from gaining power and pursuing appropriate public policies. Such unhealthy political engagement can occur in weak as well as strong institutional environments, and in poor as well as rich countries.

Unhealthy political engagement casts a long shadow. It not only shapes the incentives of elected leaders in adverse ways, but also the behavior of unelected public officials and of citizens. Leaders directly influence incentives and norms within public bureaucracies through the management policies they select. For example, when political leaders provide jobs in the government as political patronage, they prevent the professionalization of bureaucracies. A growing body of research provides evidence on the behavior of officials in the public sector that is consistent with the implications of such patronage politics. For example, doctors with connections to political leaders are more likely to be absent from public health clinics, and the public officials who manage these doctors are more likely to report political interference when trying to apply sanctions (Callen et al. 2014).

Unhealthy political engagement undermines the legitimacy of leaders, weakening their ability to manage complex organizations and effectively implement policies (Akerlof 2015). For example, leaders can use new technologies to monitor frontline providers, reducing opportunities for graft (Banerjee, Duflo, and Glennerster 2008; Muralidharan, Niehaus, and Sukhtankar 2014; World Bank 2016). But when leaders lack legitimacy, they may face resistance from frontline public providers to take up these technologies. For example, the time stamp machines that were installed to monitor staff attendance in public health clinics in India were sabotaged by the staff

(Banerjee, Duflo, and Glennerster 2008). Widespread electricity theft and non-payment of dues to public electric utilities in the developing world are further examples of the lack of legitimacy of the state in environments of unhealthy political engagement (Min 2015; Min and Golden 2014).

Message 2: Political engagement also functions in “healthy” ways that hold the key to addressing government failures

While unhealthy political engagement explains government failures, the solutions to these failures lie in fostering “healthy” political engagement and not in circumventing or suppressing political engagement. **Political engagement happens in “healthy” ways when leaders are selected and sanctioned on the basis of performance in providing public goods.** Healthy political engagement enables citizens to play a role in overcoming government failures by holding leaders accountable and by selecting better-quality leaders.¹² For example, corruption is lower when political leaders face reelection incentives (Ferraz and Finan 2011). Poverty is lower when political leaders come from social groups that have historically experienced greater poverty and economic discrimination (Chin and Prakash 2011). Greater political competition is associated with the selection of better-quality leaders who contribute to economic growth (Besley, Persson, and Sturm 2005).

The evidence on the adverse effects of unhealthy political engagement does *not* imply that authoritarian institutions that bypass or suppress political engagement would necessarily improve outcomes. For example, one study finds that ethnic favoritism led to distortions in public resource allocation even under authoritarian regimes in Kenya, and that periods of transition to multiparty electoral competition were in fact associated with *reductions* in these ethnicity-based policy distortions (Burgess et al. 2015). Other factors that explain unhealthy political engagement, such as the ability of political elites to punish voters through economic sanctions, violence, and coercion, can also prevent autocratic arrangements from being successful (Acemoglu and Robinson 2006; Besley and Kudamatsu 2008).

The diversity of successful institutions around the globe might tempt reform leaders to find ways of bypassing the messiness of electoral politics rather than improving it. It may even be interpreted as evidence in favor of restricting political engagement and establishing institutions run by benevolent dictators and organized elites. For example, some have attributed the East Asian growth “miracle” to institutions that restricted citizen engagement, allowing leaders to select and implement policies on technical merit.¹³ This view, however, begs the question of where benevolent dictators and elites come