

## **Services for the poor? Questioning the WDR 2004**

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Since the adoption of the Millennium Development Goals (MDGs) by the United Nations, the provision of basic social services is part of a global consensus. How to accomplish these MDGs is a matter of controversy. The World Development Report (WDR) 2004 is a contribution to this debate.

The provision of essential services is part of a social contract between the citizens of a country and their accountable government. The basic **message** of the WDR 2004 is that neither economic growth nor increases in public spending will enhance service provision sufficiently to reach the MDGs in time. A successful strategy requires therefore, following the WDR 2004, a shift from the present government-centred model to more flexible forms of service provision including different forms of privatisation. According to the WDR, services for poor people can work (1) by empowering poor people to monitor and discipline service providers and raise their voice in policymaking; (2) by strengthening incentives for service providers to serve the poor.

I have been asked to present a critical assessment of the WDR. For many years I have been a regular “consumer” of the annual WDRs, which present a stunning wealth of facts and figures on key issues in development policy. The WDR 2004 makes no exception. Whether the report presents new evidence is another question. It has to be mentioned, therefore, that this report has a multitude of **strengths**, such as:

- The emphasis on basic services being a public responsibility<sup>2</sup> because of the role of government to limit market failures and to promote social equity;
- The messages to donors to harmonize around recipient’s systems and integrate aid in recipient’s budget;
- The unique<sup>3</sup> participatory process used to draw up the WDR. The WDR team invited comments and suggestions from wide range of stakeholders about content and main ideas of the report and consultations were held in a two stage process gathering information first and then inviting comments on the draft report.

Turning to the **weaknesses** of the WDR 2004, in proposing alternatives, the WDR 2004 has a preference for market based reforms<sup>4</sup>, and a deficit of guidance for policy makers<sup>5</sup>. Instead of the usual critical assessment I would like to challenge the report by asking a number of questions that may stimulate the debate.

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<sup>2</sup> Chapters 2.1 – 2.9

<sup>3</sup> See <http://econ.worldbank.org/wdr/wdr2004/topic/consultations/>

<sup>4</sup> In particular in the infrastructure sectors of water, sanitation, transport and energy.

<sup>5</sup> Kessler 2003, p. 2

## **Context**

History matters in general and in the provision of essential services in particular. It is always helpful to think of our own experience. Let us take education. In Switzerland, we have 26 public elementary school systems, a different one in each canton and half-canton. Politically, it is not a realistic option to replace them by a unified federal system – there would be no majorities from the people’s side in referendums. Whether we share the view or not, Swiss citizens consider it important to have 26 different ways to pass the first nine years in school for a population of seven million people. Obviously, contextual relevance ranks high when solving our own problems. Decentralisation (top-down) or federalism (bottom-up) are often prioritised on the development agenda. No doubt that this is well justified though there is no automatism between decentralisation and poverty reduction. Moreover, we have to note that a well functioning decentralised or federalist system must be well anchored in history and needs decades to mature. A cautious and context-related reform approach is needed to make sure that the livelihoods of those living in poverty are not harmed by further failures.

In co-designing or supporting reforms of essential services in developing countries, are donors prepared to participate in a process which allows space to develop locally grown, context-related solutions?

## **Patience**

Time is an often a neglected key resource for successful reform. I quote the WDR 2004: “Many of the changes involve fundamental shifts in power – something that will not happen overnight. Making services work for poor people requires patience”<sup>6</sup>. I could not agree more. It is a long standing experience that usually donors are less patient than partners. However, many of the reforms envisaged to improve service delivery will usually be part of conditionality packages between the World Bank and the country governments, in particular the structural reforms, including privatisation. This link is a key barrier to genuine consultation and consensus building among all stakeholders. Consensus building requires a lot of time following locally determined schedules whereas there is political pressure and time constraints when finalising conditionality packages in order to secure funding.

How can the World Bank and other donors patiently move the implementation of the service reform agenda without being caught in the conditionality trap?

## **Clients**

Suppose I am dissatisfied with the quality of education in the public primary school in the village where I am living. I may talk to the teacher or think of placing a complaint

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<sup>6</sup> WDR 2004, overview (quoted according to draft [http://econ.worldbank.org/files/25210\\_Overview.pdf](http://econ.worldbank.org/files/25210_Overview.pdf))

with the local school authorities. It will be an extremely delicate affair because my child might face adverse reactions at school, and ultimately, there are hardly any alternatives if you cannot afford the privilege of a small minority to send your son or daughter to a private school. Switching to the situation in a remote African village, the WDR 2004 pleads for the empowerment of clients through the market, to improve delivery by the service provider. I cannot see where the power of poor parents should come from. Realistically, they are irregular payers of informal school fees. They have no options in terms of schooling whatsoever. As we are specifically focusing on the concerns of people living in poverty, we should not forget that they ultimately will lack sufficient resources to pay for the services. Looking at power relations in villages, there is no foundation for the assumption that poor individuals have real negotiating power. One option may be for people to organise themselves but then we are already close to political channels. Organising will have more value in an overall environment of good governance. Experience does not support the idea of economic shortcuts to political democracy and improved service provision.

Are the shortcuts to better quality services proposed by the WDR 2004 more than a superficial transfer of an economic idea into the political arena?

## **Finance**

The dynamics of globalisation are neglected in the WDR 2004. The history of debt and structural adjustment shapes the context for today's services debate. The erosion of public resources in North and South endangers quantity and quality of social service provision. In such an environment deregulation of public service provision is motivated by the hope of tapping new sources of funding and efficiency. The WDR 2004 by-passes the question of additional resources in an elegant way by stating that efficiency gains matter more than an increase in spending. But the fact remains – as I see it – that volume matters as well, despite potential gains in effectiveness and efficiency. In the Canton of Zurich we face the option of deterioration of education because of a lack of funds. Why should that not be a threat in a developing country as well? The option of combining reforms of service provision with an increase of public funding and to plead for such an increase is largely neglected in the WDR 2004.

In what way did adjustment lending and related conditionalities influence government budgets for public services, and adversely affect the poor?

## **Poverty**

“Making services work for poor people” is a key concern in view of the design of poverty reduction strategies. It is astonishing to note that the instrument of Poverty Reduction Strategy Papers (PRSPs), which each poor country requiring multilateral development assistance has to develop, is hardly mentioned in the WDR 2004<sup>7</sup>. All PRSPs have attached a lot of importance to the provision of basic services such as

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<sup>7</sup> An exception is chapter 11.13

health and education but often less to production-related services such as agricultural extension. This neglect is repeated in the WDR 2004.

In what ways does the WDR 2004 make a difference for the upcoming new PRSPs and the updates of PRSPs already in place?

### **Privatisation**

I do not have a problem in including private avenues for service provision as long as services for poor people can be delivered more efficiently and more effectively. We should note, however, that it is nice but often misleading to talk of public-private partnerships since, to a considerable extent, the partners have adverse interests as well as common concerns. From that perspective, privatisation is not only an opportunity but also entails threats. It is questionable, therefore, to position private service provision as the most attractive option when public service provision fails. A mechanism of accountability is key to prevent the replacement of a social contract by private contracts<sup>8</sup>, or making citizens into consumers who have lost their human rights to ask for health and education. There will be broad agreement that a strong regulatory environment is needed so that government can ensure service delivery to poor people by private channels. But in practice, we are focusing here, in many cases, on countries with weak governance structures. If I were a policy maker in a developing country, or even in a donor agency, I would have expected the WDR 2004 to outline the institutional capacities required and the regulatory environment needed to make private service provision to poor people a success. However, an in-depth discussion of these requirements is neglected.

Can we expect the World Bank and other donors to insist on the establishment of an independent regulator and pro-poor policies before promoting any further privatisations?

### **Accountability**

In poor countries the share of Official Development Assistance (ODA) in government revenue is often considerable. It is also a widespread experience that developing country governments rather focus on donor wishes than the expressed needs of the population. Donors often by-pass official structures and channel their contributions into parallel structures, which again undermines the government's social service delivery. Under such circumstances, accountability has an outward-looking bias. The World Bank, authoring the WDR 2004, is not an independent observer but has already been an influential key player over decades. Years ago it was known that health and education services tended to favour the élite, and, in fact, this had been one of the reasons to justify the introduction of fees for basic services. For many observers, not so surprisingly, the fees themselves often became another access barrier for the poor. While governments certainly have to shoulder responsibility for failures in service provision for poor people, one would also expect reflections about

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<sup>8</sup> See social Watch 2003

the World Bank's own role, including its track record in monitoring and evaluation of co-funded programs.

How can the World Bank be held accountable for its co-responsibility for policy advice, in particular in relation to policy-based lending in the past and in future?

### **Implementation**

What is the relevance of the research we are discussing? Is it more than just another step on our way to academic enlightenment, the insights of today becoming the errors of tomorrow? The World Development Report is not a World Bank policy paper. The research results may influence policies but a formal revision of policies will be another step. And again, from policy to practice there may be a long way to go. The World Bank is strong on research, and in designing new policies but has a weak track record in implementation.

World Bank practice remains below the expectations raised by its own important contributions to the policy debate. E.g. the important OED-evaluation of "The Effectiveness of the World Bank's Poverty Reduction Strategy" (2000) noted, on policy-based lending of the 1990s, that "Targeting of vulnerable groups with improved public expenditure procedures is not always specified and the impact of reforms on the poorest is rarely considered"<sup>9</sup>. A more fundamental debate is needed not only on new options for pro-poor strategies including, services for poor people, but also on the gaps in implementation of the Bank's own policies, rules and procedures.

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<sup>9</sup> OED 2000, chapter 4.6

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