

**Client Power, Citizen Participation, Institutions and Services
Delivery: Theory and Evidence with Special Emphasis on Africa**

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1. Introduction

Throughout Africa, governments have been entrusted to finance and provide basic services such as health, education, Telecommunications, safe water and modern sanitation. Adequate access to these services enhances development as, for example, the labour force becomes more skilled through better education; infant mortality is reduced through better preventive care; and farmers, fishermen, and street vendors use (mobile) phones to find market prices, pay bills, and make payment orders. Yet, despite decades of foreign aid, services delivery by the State continues to fail those who need them the most, namely the poor (*World Development Report 2004*). What is more, African countries' poor performances in services delivery seem unresponsive to changes in institutional arrangements, as failure continues to thrive under both centralized and decentralized delivery mechanisms. For many, this picture invites pessimism; as such sustained deprivation has caused ill-health and illiteracy to persist throughout time in parts of Africa. For others, this calls for immediate action by African governments, implying that poor services delivery has special political salience in Africa. Indeed, there is consensus in the international community that Africa's shortcomings in service delivery must be treated as an emergency if the continent is to meet the Millennium development goals. Backed by the results of extensive empirical research, development experts now have identified poor people's inability to hold the State accountable for its policy making as the main source of this services failure in Africa. But there remains a substantial knowledge gap with regard to the solution to this problem: What action(s) can enhance clients' power in a way that improves pro-poor outcomes? What does theory reveal about the nature of such action(s)? Is there any evidence from the viewpoint of Africa supporting the picture derived from this theory? These are the main questions this paper attempts to address.

This paper discusses the impact of alternative institutional arrangements of service delivery on clients' power, with special emphasis on Africa. It reviews the existing economic literature with regard to the rationale for institutionalizing clients' power through direct accountability mechanisms, contrasting it with the rationale for adopting indirect accountability mechanisms. The common characteristic of these two institutional arrangements of services delivery is their

prescription of the need for the State to take responsibility in the delivery process of basic services such as education, health, safe water and modern sanitation.

When clients' power is institutionalized through direct accountability mechanisms (i.e., clients have direct power over service providers), State responsibility is necessary on equity grounds, and is limited to the transfer of public funds to citizen so as to raise their purchasing power. Drawing on the existing development literature, I argue that for some services, this direct route of accountability must be considered in Africa (for example for some aspects of health care, including external consultations).

In contrast, when clients' power is institutionalized through citizens' participation in the political process, State responsibility extends to the provision of services, and client-provider accountability relationships become indirect, through citizens' participation in the political process. In Africa, this accountability mechanism is ubiquitous. Again drawing from the existing development literature, I argue that for some services, there is a case for the adoption of this institutional arrangement of service delivery. Examples include education, as well as some aspects of health care such as preventive care for infectious diseases. However, unlike the institution of free choice of provider, the institutionalization of public provision raises the important issue of whether the responsibility, the resources, and/or the management of public services must be centralized or decentralized. The paper addresses this issue by contrasting the empowerment potential of two alternative political institutions designed to mitigate the negative effects of ethnic diversity. One is a legislation mandating proportional political representation of all ethnic groups (Pande 2003) under centralized responsibility, and the other is decentralization. When service provision is centralized, citizen-politician accountability relationships may be strengthened through legislation that ensures that preferences of all ethnic groups are reflected in policy making. When provision is decentralized, clients' power is potentially strengthened by greater accountability of local politicians to their electorate (Ahmad, Devarajan, Khemani, and Shah 2005). The evidence on the impact of decentralization on services delivery is generally negative in Africa, with a few exceptions including South Africa. In the light of that evidence,

the paper also offers suggestions for future research on client-empowering services delivery mechanisms in Africa.

The remainder of this paper is structured as follows. Section 2 offers an overview of the impact of service delivery on pro-poor outcomes in Africa, and glances at the state of client-provider relationship in the continent. Section 3 discusses the rationale for free choice of providers, contrasting it with the case for public provision. Finally section 4 concludes.

2. Services Delivery and Client Power in Africa

That poverty¹ thrives in Africa is no secret. In fact, freedom from illness and illiteracy—so essential for poor people to escape poverty—remains an elusive quest in most parts of Africa. To be free from ill-health and illiteracy, people in Africa need to have adequate access to quality healthcare, education, as well as safe water and modern sanitation. Evidence however reveals that not just does progress in human development in Africa lag far behind that of other developing countries, but also African countries in general look off track in achieving the Millennium development goals for education, and child mortality (The World Bank 2004). Indeed, not only will people who cannot access these services live in poverty, their children, in turn, may also miss out on these services as well, thus leading to an inter-generational transmission of poverty. While this is well understood, it is not clear however from the viewpoint of standard economic theory what the main ingredients of a successful action are in the context of Africa. Some experts in African development believe the remedies to Africa's poor services delivery performance are readily available from the experiences of developed countries with services provision. According to this view, establishing a direct accountability relationship between clients and providers while limiting State responsibility to the financing of these services is necessary to improve pro-poor outcomes, including maternal and child mortality rates, the rate of connectivity to safe water and modern sanitation, and illiteracy. Others, by contrast, are more pessimistic, pointing to Africa's unique demographics, with its backlog of ethno-linguistic and religious divisions (e.g., Bienen

¹ In this paper, poverty is about under-nourishment, ill-health, shortened life-expectancy, lack of education, and missed opportunities.

and Herbst 1996, Easterly and Levine 1997, Easterly 2001). According to this second group of authors, attention should be given to social factors unique to Africa that hinder the adequate institutionalization of clients' power over providers. Why may this basic function of modern society be so difficult to institutionalize in Africa? Answering this question is crucial to identifying remedies for poor people's inadequate access to basic services in Africa. In this section, I briefly review the various ways in which services delivery in Africa fail citizens—the customers of these services. This discussion helps document the importance of the issue of improving the distribution of clients' power in Africa.

Nothing clarifies better the outcomes of services delivery in Africa than this statement from Elma Kassa, a 13-year-old girl from Addis Ababa, Ethiopia:

*I go to collect water four times a day, in a 20-litre clay jar. It's hard work! . . . I've never been to school as I have to help my mother with her washing work so we can earn enough money. I also have to help with the cooking, go to the market to buy food, and collect twigs and rubbish for the cooking fire. Our house doesn't have a bathroom. I wash myself in the kitchen once a week, on Sunday. At the same time I change my clothes and wash the dirty ones. When I need the toilet I have to go down to the river in the gully behind my house. I usually go with my friends as we're only supposed to go after dark when people can't see us. In the daytime I use a tin inside the house and empty it out later. If I could alter my life, I would really like to go to school and have more clothes. (Source: **World Development Report 2004. The World Bank**)*

Inadequate access to safe water, education, and lack of modern sanitation sum up the acute material deprivation suffered by Elma Kassa, as well as that of millions other children and adults living in Africa. The outcome of this lasting and ever expanding deprivation is inevitably ill-health and illiteracy throughout Africa. Interestingly, in all African countries, governments have been entrusted (either as part of a colonial heritage, or because of market failures) with the responsibility of financing and providing basic services such as education, health, safe water, and modern sanitation. Yet, a critical look at the outcomes for richer and poorer customers in Africa reveals striking inequalities, which development experts interpret as clear indication of the uneven distribution of clients' power between rich and poor. Here are a few illustrations.

First, like in many other developing countries, affordable access to basic services is a rarity for poor people in Africa. In rural Nigeria, children from the poorest fifth of the population must cover more than five times the distance travelled by children from the richest fifth in order to reach the nearest primary school. This comparative figure increases to seven times when it comes to reaching the nearest public health facility (*World Development Report 2004*). In the South African village of Lusikisiki, neighbours are often hired to carry a sick person for a long distance before reaching the nearest road, which is itself inaccessible during the rainy season.²

Second, even where access has improved, unequal distribution of client power is also reflected in the low quality of services poor people receive. In the Ghanaian village of Adaboya, poor people reported that their village school was in a state of disrepair, and could not be used in the rainy season; as a result, their children had to walk four kilometres to attend the nearest school (Kunfaa and Dogbe 2002). Leonard, Mliga, and Miriam (2002) reveal that in the Tanzanian poor rural district of Iringa, patients often bypassed low-quality public health facilities in favour of those offering high-quality services—including better health assessment and prescriptions. Lack of quality is also reflected in dysfunctional services. For example, in a case study of rural Côte d’Ivoire, Thomas, Lavy, and Strauss (1996) reveal that only 75 percent of doctors were in attendance on the day before a visit. Studies in Ghana and Nigeria in the 1990s also found that roughly 30 percent of rural public clinics lacked drugs (Alderman and Lavy 1996), while in Côte d’Ivoire again, 25 percent of the rural clinics lacked antibiotics (Thomas, Lavy, and Strauss 1996). For the same period in rural Madagascar, Schleicher, Siniscalco, and Postlewaite (1995) reveal that one textbook had to be shared by three to five pupils, while only half the classrooms had a usable chalk board.

Third, notwithstanding the above, corruption in services delivery also hurts poor customers in most African countries, by increasing the price poor people paid for services they receive, thus reducing their purchasing power relative to the rich. Informal payments for health or education services are one way in which poor people are hurt by corruption in services delivery in Africa.

² See the *International Forum for Rural Transport and Development*, 2002 input to *World Development Report* team.

The experiences of 1990s Guinea and Uganda are often cited as a case in point (McPake *et al.* 2000; and Levy-Bruhl *et al.* 1997).

Finally, uneven distribution of client power in Africa is also reflected through the lack of services' responsiveness to rural clients. In Sub-Saharan Africa school schedules tend to conflict with children's other important activities in rural areas, including water fetching. The inadequacy of school curricula is also blamed by rural customers for lack of demand. In a study of schooling in rural Nigeria, Daramola *et al.* (1998) found that villagers often stopped expecting anything from government schools, and opted to shoulder themselves all the burden of financing the education of their children themselves. Given poor people's low purchasing power, it is not therefore surprising that levels of educational attainment are lower for poor than rich family children. In rural Egypt, Ghana, or Niger, parents complained that the education children receive does not lead to employment, which is a waste of scarce resources for parents, at least in terms of forgone income from child labour (Jaffré and Prual 1994; World Health Organization and World Bank 2002; and Narayan *et al.* 2000).

While there have been some improvements in recent years throughout Africa, the above facts strongly suggest that making the interests of clients—particularly the poor—matter to providers must be treated as an emergency, given the deteriorating state of social outcomes in the continent. In theory, when it comes to making the interests of citizens matter to services providers, two different ways are usually considered in the literature: the direct way through clients' own choice of providers, and the indirect way through citizens holding policy makers accountable for the quality of services publicly provided. Which route is the best remains a highly debated question. In the context of Africa, the answer to this question may have special political salience.

3. The Empowerment Potential of Alternative Service Delivery Mechanisms

Which service delivery mechanism can best empower customers of these services? When a good or a service is vital for a customer, he or she must be able to hold its providers accountable for the

quality and quantity they provide, otherwise his/her wellbeing will be compromised. When the good or the service yields private benefits to its consumer, and he or she can exclude other customers from sharing in on these benefits, one may argue that markets, not government officials, are better at providing these services. Privatization of provision comes with the added benefit that those for which the consumption of the service is vital will be able to hold the providers directly accountable for their actions. But does the wellbeing of a customer of a vital service solely dependent upon his/her ability to hold providers accountable? What if a client, though having free choice of providers of a vital service, is unable to afford the minimum service package required for his or her wellbeing? What if the customer's valuation of the importance of the service is at add with society's valuation? In the latter case, even if the service were free, the customer may decide not to acquire the quantity deemed socially optimal. The above questions and their answers suggest that choice of a client-empowering delivery mechanism is far from trivial.

3.1. Free Choice of Providers as a Clients' Empowerment Mechanism

Institutionalizing clients' power through private provision of basic services is increasingly advocated as an effective means for improving services delivery in Africa (Kremer and Muralidharan 2006). This appears a compelling strategy, as these services are all private goods—yielding private returns to the customers who acquire them. For such goods, well-functioning free markets are better at ensuring that customers get the value for their money as market demand reflects their valuation of the goods sold, and private providers respond to profit incentives. Clearly therefore, if direct client-provider links were to be institutionalized through well-functioning markets in which customers have free choice of their service provider, competition among providers will ensure adequate access, as well as high quality services.

However, for vital services such as health, education, and safe water, one of the biggest problems of privatizing their provision is that, for a given level of market competition, there are always people who are too poor to afford the minimum combination of quantity and quality needed to protect them from ill-health and illiteracy. An important question therefore is: under what

conditions does the institutionalization of clients' power through private provision of basic services improve social outcomes?

To understand the importance of this question, consider individuals' demand for a vaccine against an infectious disease. Suppose vaccines like other health products are privately supplied by profit-seeking agents. If given the market price, the quantity that some individuals— say, the poor— can afford is lower than the quantity needed to obtain immunity from infection; or if the poor cannot borrow money to privately finance the acquisition of the needed quantity, infection will become a “public bad” due for example to the risk of contagion. This then can negatively affect social outcomes associated with private delivery of these services, as for example, infant mortality rises and/or life expectancy declines. Thus, high clients' power does not automatically translate into high-purchasing power, at least for poor customers.

Consider yet another example, this time in education. Suppose that given the level of market competition among private providers, a combination of uncertain returns to investment in education and imperfect credit markets leads to a shortage of nurses and doctors. Even though being a nurse or a doctor yields private returns to a member of this profession, if enough people cannot afford medical school, privatization of provision, though it raises clients' power over providers, can create a “public bad” in the sense that it can lead to the pervasiveness of ill-health. Once again having power over providers does not necessarily imply having adequate purchasing power. Therefore in order for the institutionalization of clients' power through free choice of provider to improve social outcomes associated with services delivery, some form of government intervention may be necessary to ensure that having power over providers does not trade off having adequate purchasing power. But what must an intervention that eliminates this trade-off be? Does it require that the government transfer public funds to poor clients? Under what conditions can such intervention enhance the purchasing power of the Poor? In what follows, I review theoretical answers to these questions, and discuss their implications in the context of Africa.

Based upon the above-mentioned examples, one may argue that low purchasing power need not lead to substitution of private financing by public financing of the demand for basic services such

as health, education, safe water and sanitation. Indeed, the government acting as collateral to poor loan applicants is an alternative corrective mechanism, as is a government regulation that increases the level of competition among providers. So why would direct transfer of public funds to the Poor, for example, in the form of voucher programs be a preferred strategy for increasing their purchasing power?

There is a large theoretical literature that establishes a case for direct public transfers to the Poor as a strategy for increasing their demand for social services. Examples include Saint-Paul and Verdier 1993, Glomm 1997, Fernandez and Rogerson 1997, 2003a, 2003b, Glomm and Ravikumar 2003, Doepke 2004, De la Croix and Doepke 2004, Boldrin 2005, and Kremer and Muralidharan 2006. This literature can be divided into two main categories. The first focuses on theory (e.g., Saint-Paul and Verdier 1993, De la Croix and Doepke 2004, Boldrin 2005), while the second relies on empirical methods of analysis (Doepke 2004, and Kremer and Muralidharan 2006). All these contributions focus on education, but the analysis could be easily extended to health and safe water.

3.1.1. The Importance of Democracy as an Empowerment Institution

While there seems to be consensus among scholars in the social sciences that State responsibility is needed in the financing of social services, such consensus, however, is not forthcoming when it comes to condition under which endorsing public financing of citizens' access to services can enhance pro-poor outcomes.

Take education, for example. Like health and safe water, education is inherently a private good—it is neither non-excludable nor non-rival. From the viewpoint of the recipient, it is basically an investment—which entails costs, but also yields a private return to its recipient. So, why should direct transfers to families be advocated as a mean to enhance the demand for education services? Of course one can always appeal to a human's right explanation of public investment in education (The World Bank 2004); and individuals' right to be free from illiteracy (respectively, ill-health) is unquestionable. But is there an explanation, close to standard economic theory, that

can support direct transfers of public funds to the poor as a means for improving pro-poor outcomes?

(a) Theoretical insights. Below, I review existing theories showing that, if parents are altruistic, then transferring public funds to them, so that they can by themselves purchase the needed education services in competitive markets, not only enhances clients' power over providers, but also improves the educational attainment of the poor. In each case, I emphasize the institutions underlying the elimination of the trade-off between increased clients' power and improved social outcomes, and discuss their implication for Africa.

Saint-Paul and Verdier (1993) are among the first economists to formalize the welfare effects of public financing of education. In their model, the government supplements parental investment in education, with public investment in an egalitarian basis. Institutionally, their model corresponds to an environment where public funds are collected by the State via an income tax. The funds thus collected are transferred to each family (rich or poor) in an egalitarian basis, which reduces, but does not systematically eliminate inequality in access on the basis of family income. The result is an increase in the demand for education compared to a purely private education regime, so that public investment acts as both a redistributive and a growth-enhancing mechanism in the context of an electoral democracy.

As an instrument of intra-generational redistribution, public investment in education is an issue of redistributive politics. Its onset therefore requires that a national consensus obtains, for example in terms of how much public funds should be collected to finance supplementary public investment in education. In Saint-Paul and Verdier (1993) public investment in education wins political support when the median voter is sufficiently poor. The poorer the median voter, the higher the level of public funds he wants, and thus the higher the level of redistribution of education services from rich to poor.

Saint-Paul and Verdier thus show that while the primary motive for redistributive public investment in education is equity, it also has efficiency-enhancing effects, in the sense that

compared to a regime of pure private investment; a public investment regime yields a higher average level of educational attainment. Indeed, when the median-voter is sufficiently poor, he proposes a relatively high income tax, which in turn raises the level of per capita expenditure on education. Economic growth is enhanced because public investment leads to a higher level of per capita human capital than would have otherwise been achieved. Saint-Paul and Verdier thus establish a link between democracy and a growth-enhancing reduction of the education gap between rich-family and poor-family children. Redistributive public investment in education provides that link. Their analysis has a number of important implications for Africa.

1. On a per capita basis, governments of African countries should spend more on education than those from richer countries, in which case they should also grow faster.
2. Redistributive public investment in education works well only in well-functioning electoral democracies. This is because there is conflict between rich and poor as how much public money should go to public investment in education.
3. This puts democratization at the center of the debate on how to improve poor people access to education and other services in Africa.
4. Yet, democracy, as a catalyst of efficient public investment services delivery, functions well only when class (as opposed to ethnicity or race) is the salient cleavage of political organization.
5. Direct transfers of public funds to the poor will work well in Africa not only when political institutions give an equal voice to all citizens, regardless of their class, ethnicity, race, or religion, but also when class is more important than ethnicity or race as a determinant of political opinions.

(b) Empirical Evidence. But what does evidence reveal about Africa? Is class a salient cleavage in political organizations in Africa? First, in Africa cases of direct transfer of public funds are

rather scares. An exception is South Africa. In an empirical study of pension reform in South Africa, Case (2001) finds that cash pension payments have beneficial effects not only on the health and well-being of the recipient, but also on all members of his/her family. Indeed, owing to political reforms that followed the elimination of apartheid in South Africa, elderly Black and Coloured men and women who did not anticipate receiving large pensions in their lifetimes, and who did not pay into a pension system, have been receiving more than twice median Black income per capita as a cash pension payment. These elderly men and women generally live in large households, with other adults (their children) as well as with children (their grand children). The study shows that, in households that pool income, the cash pension payment protects the health of all household members, in part by protecting the nutritional status of household members, and in part by improving living conditions within the household. This experience supports St-Paul and Verdier's hypothesis that political reforms that institutionalize democracy are necessary and sufficient for direct transfers of public funds to work in improving social outcomes, while preserving clients' power through privatization of services provision. That this institutional arrangement of service delivery worked well in South Africa also suggests, in light of Saint-Paul and Verdier's theory, that class cleavages are the salient feature of political organization. Can this South African experience be exported to other African countries? A study by Bienen and Herbst (1996) suggests a negative answer to this question. Here is why.

Bienen and Herbst (1996) reveal that winning coalitions in Africa have often formed around traditional ethnic lines rather than genuine economic programs. They offer supporting evidence. First, in Benin, Nicéphore Soglo won by receiving more than 80 percent of the vote in his native south but only 10 percent in the north. Second, in Malawi, Bakili Muluzi and his United Democratic Front won overwhelmingly in the south but lost every seat in the north. Third, in Kenya, Daniel Arap Moi won re-election although he lost all seats in the Central province, dominated by the Kikuyu, and won only one seat in Nyanza province, home of the Luo. Fourth, in Cameroon, John Fru Ndi lost the presidential election to the incumbent Paul Biya, despite deliberately attempting (unlike his rival) to brake through the traditional Anglophone-francophone divide in Cameroon by speaking pidgin (which is spoken by both Anglophone and

Francophone). Finally, election results also followed ethnic divisions in countries such as Angola, Burundi, Congo, Ethiopia (1995), and Guinea.

The above facts support the received evidence that in most part of Africa, the poor do not form a political constituency, in the sense that any two individuals who are equally poor, but belong to rival ethno-linguistic group will have strikingly different political opinion, due to ethnic entrenchment of political organizations. In that context, effort to eliminate the uneven distribution of client power between rich and poor will have to be preceded by political reforms that institutionalize class conflict as the salient feature of political platforms.

On the basis of Saint-Paul and Verdier's analysis, African countries interested in adopting direct transfers to citizen as an institutional arrangement for the implementation of direct client-provider links in services delivery, most learn from the experience of South Africa with pension payments. These lessons must be drawn on the basis of sound empirical analysis of the determinants of success. Why did pension reform work so well in South Africa? Unfortunately Case (2001) is not very informative on this issue. Further empirical investigation is therefore needed to extract valuable lessons for other African countries.

3.1.2. Democracy as a Coordination Mechanism

The main caveats of Saint-Paul and Verdier's analysis is that democracy is only desirable as an institution of conflict resolution, implying that democracy is not useful in absence of conflict. The main reasons for this result are the following: (i) in Saint-Paul and Verdier (1993) child's time has no economic value for families, and (ii) fertility decisions are treated as exogenous to parental decision on child's education. Yet, in most parts of Africa, child labour and school attendance represent competing claims on a child's time. Likewise, decision on family size and child's time allocation are often jointly made by parents. Under these circumstances, the return to education becomes endogenous to parental fertility choices: High-fertility lowers the level of per capita public expenditures in child's education; this in turn lowers the return to educating children from the parental viewpoint, when child's time has an economic value, and parents are

liquidity-constrained. In a poor country therefore, high-fertility would trap the economy in a Malthusian-type vicious circle of poverty and low per capita levels of public investment in education, unless a coordination mechanism exists that prescribes low-fertility as a social norm supporting high levels of public investment. Even though all poor parents individually gain from having a large family size, each may benefit more from constraining other parents' fertility decisions, as a collective push towards a low-fertility regime will raise the per capita level of public investment in education, thus increasing the net return to child's education from the parental viewpoint. In an electoral democracy, political platforms can reflect altruistic parents' proposals for a collective push towards a low-fertility regime. This idea of democracy as a coordination mechanism is formalized in a theoretical study by De la Croix and Doepke (2004).

Like Saint-Paul and Verdier (1993), De la Croix and Doepke's model corresponds to an environment where State responsibility is limited to financing, while clients are given choice over providers of education services. The starting point of their analysis is that if fertility and education are joint decisions, then government policies regarding education will also have an effect on fertility behaviour. When education is privately financed, parents face a quantity-quality trade-off because the opportunity cost of quantity rises with the human capital level of the parent. This leads to an asymmetry in fertility levels between households where parents are highly endowed in human capital and those where they are poorly endowed. Poorly endowed families have more children and invest less in each of them while well-endowed families have fewer children and thus invest more in each of them. Under redistributive public financing of education, where education expenditures are equalized across all children regardless of their respective backgrounds, parents no longer face a quality-quantity trade-off. As a result, families with low endowment of human capital don't have to substitute quantity for quality anymore, and fertility differentials across heterogeneous families disappear.

In conclusion, theoretical models reviewed so far highlight democracy, clients' choice of providers, and direct transfers of public funds to poor people as the institutions needed to jointly enhance the power of clients and their purchasing power of basic services. In particular, without democracy, clients' power cannot be enhanced in a way that improves social outcomes associated

with services delivery. The theory reviewed above suggests that democracy is necessary to ensure that the government is held accountable for how much public funds it collects and directly transfers to poor people in order to raise their purchasing power. Democracy performs this role either as a conflict-resolution mechanism (Saint-Paul and Verdier 1993), or as a coordination mechanism (De la Croix and Doepke 2004).

3. 1.3. Foreign Aid as an Alternative Source for Public Financing of Services

The main caveat of the literature reviewed so far is the undocumented assumption that the government can always count on the availability of a large enough tax base in order to fund public financing of basic services. In environments where a large proportion of economic activities are carried out in the informal sector, the country's tax base can become very narrow, thus reducing the size of available public funds. This may create pressures to increase tax rates for formal sector agents, which in turn can encourage informality. Therefore, in a country with a narrow fiscal base, whether or not institutionalization of clients' power through free choice of providers and direct public transfers can improve pro-poor outcomes may depend on whether there are alternative sources of public financing. This idea is formalized in a theoretical paper by Glomm (1997).

(a) Theoretical insights. Glomm (1997) compares the growth performance of an economy under two alternative education financing regimes: a purely private-investment regime and a public-investment regime where parents receive tax-financed education vouchers to pay for their children's education. Unlike in Saint-Paul and Verdier (1993), public investment in education is not an issue of redistributive politics; instead, it is essentially a factor of economic growth. Glomm uses this model to show that economic growth is higher in the regime with public financing than in the regime with private financing, only if the initial endowment of human capital is sufficiently high. This condition guarantees that the country's fiscal base is large enough to generate a substantial amount of public resources. Glomm's model therefore has the following implications for Africa:

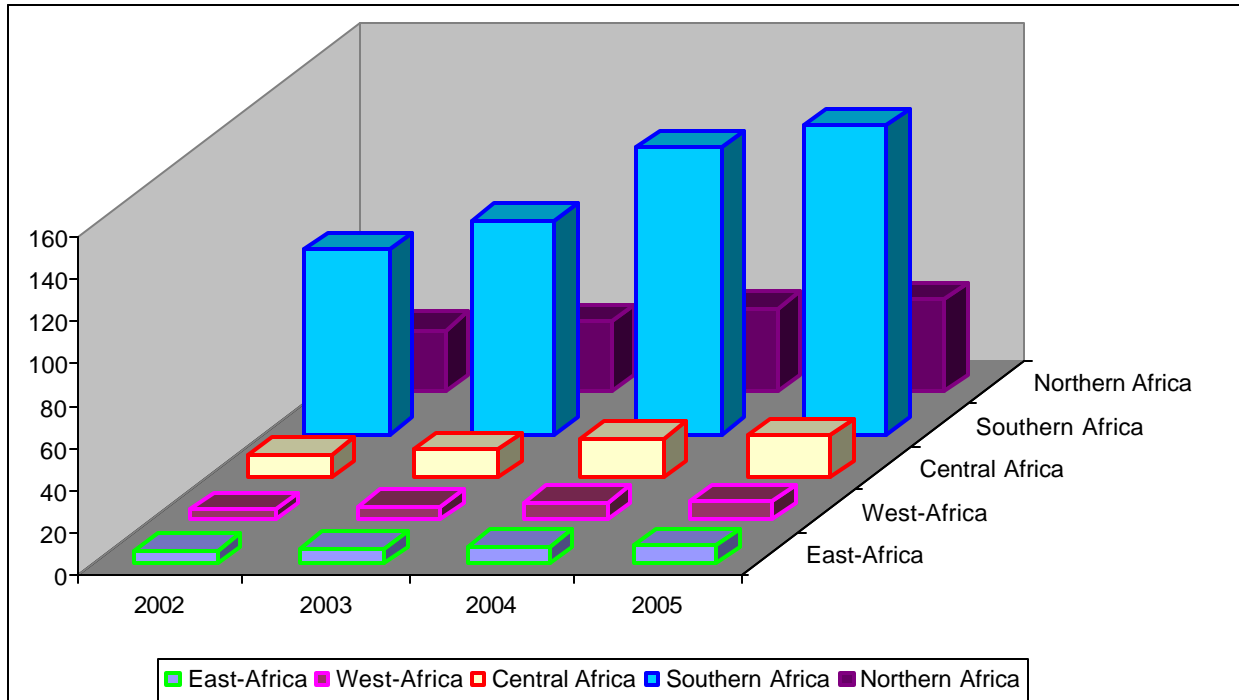
1. In countries where public investment of education is found to fail to enhance growth, it must be that it is too poor to raise sufficient public funds to enhance education outcome.
2. Thus for very poor African countries, foreign aid may need to substitute for fiscal revenue in the financing of public education.

(b) Empirical evidence. What does empirical evidence reveal about public financing of basic services in Africa? Take public financing of health for example. According to a special report published by the *African Union*³, with only 10 percent of the global population, Africa accounts for about 25 percent of the global disease burden. Yet Africa accounts for less than 1 percent of global health spending and contains only 2 percent of the global health workforce.

Indeed, an Analysis of World Health Organization (WHO) data on the evolution of spending per capita in US dollars in 52 African countries between 1998 and 2002 show that the majority of countries are spending less than the threshold \$34 per capita health spending recommended by the *Commission on Macroeconomics and Health* (CMH) for a country to be able to buy an essential package of health services.

³ See the Report from the *Special Summit of African Union on HIV/AIDS, Tuberculosis, and Malaria* held in Abuja, Nigeria (2-4 May, 2006).

Figure 1. Total Government spending per capita in US dollars, by Sub-region of Africa



Source: WHO.

In the 4 year-period considered, only the sub-regions of Northern and Southern Africa saw government spending in Health rise above the threshold \$34 US per capita. In contrast, public financing of health expenditures in the sub-regions of Central Africa, West-Africa, and East-Africa still lies well below this threshold. A projection of these expenditures by the Millennium Development Goals target date of 2015 shows that well above 80 percent of West and East African countries, and over 50 percent of Central African countries will still be spending less than \$34, the current MCH threshold. By that date, citizens of these countries will still be unable to afford the essential package of health services.

Reforms are therefore necessary to correct government’s under-spending in service delivery. But so is foreign aid, as some under-performing countries are very poor, and thus may have a very narrow fiscal base. But how well did foreign aid perform in African countries?

First, van de Walle (2001, 2005) provides evidence that African countries did little to reform services delivery in response to foreign aid. His evidence is based on case studies of African countries. Second, Knack (2001) and Djankov *et al.* (2006) find that foreign aid actually worsens democracy, bureaucratic quality, the rule of law, and corruption. In the light of this empirical evidence, lack of clients' power in Africa may actually be linked to dependence on foreign aid for the financing of basic services such as health and education. However, whether or not this link is valid depends upon whether dependence on foreign aid has an impact on a country's choice of services delivery mechanism. In other words, does dependence on aid affect the choice of the mechanism for delivering basic services? Addressing this question is beyond the scope of this paper, yet can help ascertain whether lack of clients' power in Africa is effectively link to dependence of foreign aid for the financing of basic services. Future research may need to address it in the context of Africa.

3.2. Taking the Long Route to Client Empowerment: Public Provision of Basic Services

The theories reviewed in sub-section 3.1 have a number of important similarities. First, consumption of a service always yield a deterministic outcome (i.e., there is no uncertainty). Second, financial constraints are the only barrier to the demand for education: how much the client wants of a given service is, if he or she can afford it, always socially optimal. Thus any deviation from the socially optimal level of consumption of a service is caused by low purchasing power. As a result, direct transfers of public funds to poor customers always preserve clients' power, in addition to improving pro-poor outcomes. Why then is government provision of basic services such as education ubiquitous in Africa? In this sub-section, I review a second strand of theories that provide a case for public provision of basic services, such as education.

3.2.1. Is there a Case for Public Provision of Services?

When services are provided by the State, client-provider accountability relationships now have two parts: (i) the relationship between citizens—the clients— and politicians—policymakers; and

(ii) the relationship between the politicians and the services providers—public administrators. Citizens' voice in society and participation in politics becomes an important source of connection to State representatives—policymakers. In other words, to hold services providers accountable for their actions, citizens' voices must be harnessed into a political movement that will put pressures on policymakers to act against any shortcoming by services providers. This accountability mechanism is known as the long route of accountability in the sense that Clients' power is exerted through participation in political organizations. Why would any country choose this long route? In what follows, I review a theoretical literature on education focusing on the case for expanding State responsibility beyond the simple financing of education. This literature includes Eckstein and Zilcha (1994), Dessy and Pallage (2001), and Dessy and Knowles (2006).

Eckstein and Zilcha (1994) appeal to externalities in education, and argue that this provides a case for making education compulsory. In their model, education is provided free of charge, yet the amount of schooling a parent wants for his child is lower than it socially optimal level. While restricting a parent's choice of child education may make a given family worse off, the parents gain from the restriction on other families. In particular if, as in Dessy and Pallage (2001), children's time has an opportunity cost for parents, say because children's labour has a market value, parents may elect to send their children to work rather than to school, absent a compulsory education mandate. Dessy and Pallage (2001) use a game-theoretic model to show that even when public education is free, parents may still elect not to enrol their offspring in school in absence of a coordination mechanism between parental decisions of sending their children to school and firms' decisions to invest in skill-biased technologies. Their arguments rely on the three following facts:

1. In societies where children's time has an economic value, enrolling children to school present altruistic parents with an opportunity cost.
2. On the one hand, the reward from children's education will arise in the long term only if firms have invested in technologies that require high-skill workers in the meantime.

3. On the other hand, investing in skill-biased technology in an economy with low human capital is a risky venture that cost-minimizing firms would not willingly undertake.

Under these circumstances, even though it may be common knowledge that there is a Pareto superior outcome with parents investing in children's education and firms investing in skill-biased technologies, this superior outcome may not be reached for the following reasons. (1) Parents may still fail to enrol their children in school not for financial reasons, but because, at present, there are no employers that value the skills children will acquire; (2) Firms may not invest in acquiring skill-biased technologies because they do not expect enough skilled workers to be available in the future. Dessy and Pallage show that such coordination failure creates a role for compulsory education laws to coordinate parents' and firms decisions toward the Pareto superior outcome. Mandatory education laws can send a signal to firms that there will be enough skill workers in the future. In an electoral democracy, such compulsory education mandate will win political support of all parents, only if the economy is not too poor. The issue, however, is how to enforce this mandate.

Observe that since in absence of a compulsory schooling mandate parents may want a lower quantity of education services for their offspring, if education were privately provided, the law of supply and demand would ensure that there are fewer providers than socially optimal (i.e., the number school facilities will be sub-optimal). To ensure that both demand and supply are socially optimal, a compulsory schooling mandate may need to be enforced through direct public provision of education services, and there will be political support for public provision of education as a mechanism for enforcing compulsory education. This literature has implications that differ with those of the preceding literature:

1. Institutionalizing client-provider links by giving clients direct power over provider, though essential to eliminate accountability problems, may fail to raise the supply for services, because of coordination failures.

2. By making education mandatory, so as to raise the demand for education services to its socially desirable level, governments have the social obligation not just to finance education services, but also to provide it to their citizens in order to raise supply of the service at its socially optimal level.
3. There is therefore a case for expanding State responsibility to encompass both the financing and the provision of education services.
4. Public provision of education is desirable, not necessarily in the sense of Saint-Paul and Verdier (1993), and De la Croix and Doepke (2004), but instead in the sense that it is a political tool for implementing efficiency-enhancing compulsory schooling laws, as in Dessy and Knowles (2006).

3.2.2. Enhancing Client Power through the Indirect Route: A Call for Institutional Reforms in Africa

Having established a case for public provision of basic services, it is important to look at how clients' power over providers can be protected to ensure that public delivery of these services does indeed improve social outcomes. In Africa, public provision of basic services is ubiquitous. This implies that providers' accountability to citizens who receive these services is indirect, and depends on citizens' ability to influence policymakers. Recently this services delivery strategy has come under severe criticisms, owing to the persistence of poor social outcomes in Africa (The World Bank 2004). To change this situation, poor people's voices may need to be harnessed into becoming a social force, and this could be done through encouraging the emergence of civil societies' organizations capable of mobilizing the poor. For this mobilization to turn into a social force, however, poor people must be a homogenous, cohesive group—with material deprivation as a source of bonding social capital! In other words, they must form a constituency. But in Africa, evidence points instead to substantial heterogeneity among the poor, due to ethnic divisions (Easterly and Levine 1997).

When the poor themselves are polarized along ethnic, religious or racial lines, as is so often the case in Africa, harnessing their voices into a powerful social movement becomes a daunting task. It is therefore not surprising that public provision of social services have not yet been adequately institutionalized in most of Africa (The World Bank 2004). Who benefit from public financing and or provision of these services still has a heavy urban bias; despite the fact that the population of African countries is still predominantly rural. Pervasive ethnic violence and conflict throughout Africa (Bienen and Herbst 1996, Easterly and Levine 1997, Easterly 2001, and Mbaku 2003) is no less than an indication that poor social outcomes associated with services delivery in Africa have reached a crisis stage. As development experts along with the international community at large continue to ponder solutions to that crisis, attention may need to turn to the determinants of social cohesion in African countries if one is to successfully address the issue of how to enhance clients' power in the context of Africa.

a) On the Persistence of Weak Institutions of Accountability in Africa

In advanced democracies of developed countries, political platforms indicate that politicians are very much aware that poor people's perception of the State is shaped by the quality of services received. The same is true for some developing countries of Asia, such as Thailand (*The World Bank Development Report 2004*). However, such evidence is yet to be obtained in the case of Africa, where ethnic ties have an important political role. Instead, there is ample evidence that throughout Africa, poor people are not able to hold politicians accountable for the quality of these services provided by the State (The World Bank 2004). This implies that weak institutions of accountability⁴ persist, which in turn cause ill-health and illiteracy to persist in Africa. If the presence of demand-side non-financial constraints calls for African States to take responsibility in the financing and provision of some basic services, what political mechanism, in the context of Africa, can ensure that services work for poor people? Why can't African countries design institutions that improve citizens-State accountability relationships?

⁴Institutions are understood to be stable and recurrent patterns of activity that help define the choices that a society, and individuals within it make; and how those choices are executed.

There are a number of research works that can help address this question. They include Bienen and Herbst (1996), Easterly and Levine (1997), Chaudhury *et al.* (2005), Francois and Zabojnik (2005), Easterly, Ritsen, and Woolcock (2006). This literature explains that one of the primary reasons why even good politicians in countries all over the world, but especially in low-income countries often enact bad policies is that they experience significant social constraints on their efforts to bring about reform. For these authors, these constraints are shaped by the degree of “social cohesion” within a country, but also by the extent to which class-conflict has political salience. The analysis has a number of important implications for Africa:

1. Social cohesion determines the quality of institutions, which in turn has important impacts on whether and how pro-poor service delivery mechanisms are devised and implemented.
2. As a country’s social cohesion is essential for generating the confidence and patience needed to implement reforms, countries strongly divided along ethnic lines will place severe constraints on the attempts of even the most benevolent, civic-minded, and well-informed politician seeking to bring about policy reform.
3. Substituting class-conflict for ethnic cleavages as a salient feature of political organization in ethnically diverse countries can build social cohesion.
4. Since in Africa, ethnic and religious identities cannot just be wished away, as they are deeply rooted in the social fabrics, the challenge is to reform the political game in ways that institutionalize class-conflict as the salient feature of political organization.

b) On Substituting Ethnic Cleavages with Class-Conflict in Africa

How can social cohesion be constructed in the political arena? Recall that as argued above, class-conflict (as opposed to ethnic cleavage) is central for poor people’s perception of the State to be shaped by the quality of services received, and not by the ethnicity, religion or race of political

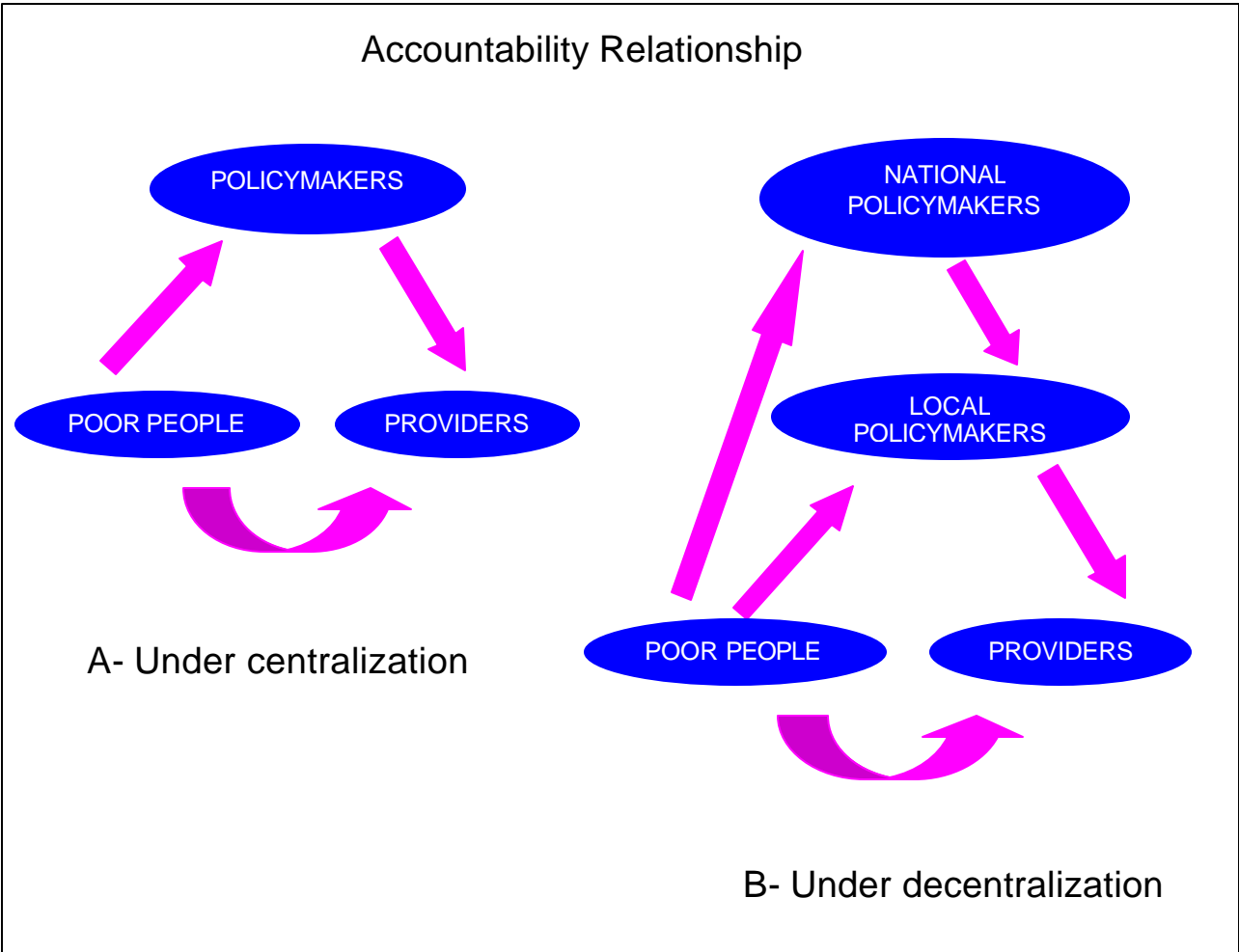
leaders. In what follows, I will review two alternative mechanisms for substituting ethnic cleavage with class-conflict as a salient feature of political organization.

b.1. Mandating Proportional Political Representation of all Ethnic Groups. How does it accomplish this task? Consider a multiethnic country. Suppose first that such mandate does not exist, and that the social climate is characterized by strong ethnic affinities. What incentive does an African political candidate have to genuinely include the economic interests of different ethnic groups in his electoral platform? According to empirical evidence, the answer in Africa is: none (Bienen and Herbst 1996).

Now suppose instead that all political parties are mandated by law to adopt a proportional representation of all ethnic groups in their list of candidates. For example, in a country composed of two ethnic groups, each party registering to participate in the election will have to recruit half of its candidates from one ethnic group and the remaining half from the other ethnic group, to ensure proportional representation of all ethnic groups in policy making. Examples of developing countries with mandated proportional representation of social groups include India (Pande 2003). Proportional representation of ethnic groups in policy-making allows for class conflicts to substitute for ethnic conflicts, which is a necessary condition for strong institutions of accountability to emerge. Once this substitution is completed, the poor in any ethnically diverse African country would become a true political constituency, thus ensuring their political participation, and hence their ability to exert their influence over politicians---the policy makers. Whether this political institution holds a true promise for Africa remains to be seen. This question is an important area of inquiry, particularly since in Africa decentralization of political institutions as a strategy for enhancing clients' power through the long route of accountability is yet to bear fruits.

b.2. Decentralization and pro-poor outcomes in Africa: Why doesn't it work? Decentralization is a transfer of authority, resources, and/or bureaucratic processes and jurisdictions from a high tier government (e.g., the federal government) to lower tiers of government (e.g., regional, or district level governments). Theoretically, decentralization can be used as an effective instrument

of accountability, as has been the case in many developed countries such as Canada, Germany, and the United States. Under pressure from international donors, many African countries have attempted to transfer State responsibilities in services delivery to lower tiers governments. Examples include, but are not restricted to Ghana, Burkina Faso, Uganda, Côte d’Ivoire, Nigeria, and South Africa. The common denominator of many decentralizing countries is the presence of high ethnic diversity, which hampered the effective delivery of basic services under centralization (Ahmad, Devarajean, Khemani, and Shah 2005). In decentralizing the State functions in services delivery therefore, the hope is to improve the delivery of basic services. To do so, decentralization must first improve accountability relationships so as to institutionalized best practice.



Technically, decentralization adds another dimension of accountability compared to centralization, as illustrated in the above figure. Indeed, it defines a new relationship of accountability between central and local governments. In theory, however, it is supposed to strengthen clients' power along the long route of accountability. Fiscal decentralization, for example, by transferring spending power to local politicians makes them more accountable to the citizens, as they can monitor local politicians more closely and more easily attribute to them changes in services quality (Ahmad, Devarajean, Khemani, and Shah 2005). In other words, decentralization strengthens the citizen-local politician accountability relationship due to closer monitoring. But, how did decentralization affect services delivery in Africa? Below I review the literature with respect to the answer to that question.

In a case study of Nigeria, Oriakhi (2006) reveal that decentralization of services delivery so far has been a failure, as huge funds allocated by the Federal, State, and local governments remain unmatched by improvement in services delivery. Indeed, Oriakhi finds that education outcomes such as primary enrolment ratio, pupil-teacher ratio, and secondary and tertiary enrolment ratios are not improving. What is more, health outcomes including life expectancy, infant and maternal mortality rates, and the ratio of population per physician are all worsening. This implies that conditions requires for decentralization to work are not present in Nigeria.

Jutting *et al.* (2004) present a cross-country study that attempt to distinguish the determinants of success and failure in decentralization. Most of the decentralizing African countries in the study were classified as poor performers in terms of pro-poor outcomes. They include Egypt, Ethiopia, Burkina Faso and Uganda. The common characteristics of these countries are that they are generally unstable, emerging from civil wars or ethnic conflicts or, in some cases, are still affected by political instability. The overriding objective of decentralisation in these countries is thus political stability and the maintenance of central control through deconcentration rather than effective devolution of power and responsibilities. In other words, decentralization in these countries is being implemented by default, rather than for its benefits in terms of democratisation,

greater responsiveness to local needs and community participation, the three dimensions of poverty reduction. Guinea, Mozambique, and Malawi were among the worst performers in the study. However, despite decentralization in South Africa also being a response to ethnic conflict, Jutting and *et al.* (2004) list its experience as a success in terms of pro-poor outcomes, as is that of Ghana. Together, they were the only African success stories.

Ahmad, Devarajan, Khemani, and Shah (2005) also study the impact of decentralization on service delivery. They argue that despite decentralization, public spending on health has no significant association with reduction in child or infant mortality, while public spending on education has an extremely weak association with primary school completion rates. For example, they report that spending on health care in Uganda fell from 33 percent to 16 percent following decentralization. They also find that in Ethiopia, Tanzania, Côte d'Ivoire, and Uganda, most lower-tiers public managers lack the ability to manage public funds. The above facts suggest that decentralization of service delivery in Africa is itself in need of urgent reforms. An important empirical exercise for economists focusing on Africa therefore would be to attempt a comprehensive benchmarking of the decentralization performance of other African countries against the successful performance of South Africa, in order to identify the determinants of best practice, set targets, and measure progress with reforms of the process of decentralization.

Notwithstanding the above, Fernandez and Rogerson (1995) argue that in terms of fighting unequal access to services such as education, centralization of financing Pareto-dominates decentralization, particularly when communities are segregated on the basis of class, religion, ethnicity, or race. Fernandez and Rogerson revisit this issue in their 1997 paper, this time giving due consideration to dynamic effects. They show that when dynamic effects are considered, this further magnifies the benefits of centralizing public financing of services such as education. Therefore, in the context of Africa, decentralization of public financing of services delivery, though it may be necessary in terms of increasing client power, is likely to be inefficient in the sense that it may lead to regional or ethnic asymmetries in the access to quality services. This is one case in which increasing client power does not necessarily improve pro-poor outcomes.

III. Concluding Remarks

This paper discusses the impact of alternative institutional arrangements of service delivery on clients' power, with special emphasis on Africa. It reviews the existing theory with regard to the rationale for institutionalizing clients' power through direct accountability mechanisms, contrasting it with the rationale for adopting indirect accountability mechanisms. The common point between these two institutional arrangements for service delivery is their prescription of the need for the State to take responsibility in the delivery process of basic services such as education, health, safe water and modern sanitation.

When clients' power is institutionalized through direct accountability mechanisms (i.e., clients have direct power over service providers), State responsibility is necessary on equity grounds, and is limited to the transfer of public funds to citizen so as to raise their purchasing power. Drawing on the existing development literature, I argue that for some services, this direct route of accountability must be considered in Africa (for example for some aspects of health care, including external consultations). I also argued on the basis of a Saint-Paul and Verdier (1993) that institutionalizing client power through the direct route of accountability can only work in a well-functioning electoral democracy, particularly when public funds must be raised through taxes levied on citizens. Moreover, in order for democracy to function well in that context, it must turn class conflict into a salient feature of political platforms. Given that this is not yet the case in most part of Africa, I argued that efforts to eliminate the uneven distribution of client power between rich and poor through institutionalization of direct client-provider links will have to be preceded by political reforms that first institutionalize class conflict as the salient feature of political organization in Africa.

In contrast, when client power is institutionalized through citizens' participation in the political process, State responsibility extends to the provision of services, and client-provider accountability relationships become indirect, through clients' participation in the political process. In Africa, this accountability mechanism is ubiquitous. Again drawing from the existing development literature, I argued that for some services, there is a case for the adoption of this

institutional arrangement of service delivery. Examples include education, as well as some aspects of health care such as preventive care for infectious diseases. However, unlike the institution of free choice of provider, the institutionalization of public provision raises the important issue of whether the responsibility, the resources, and/or the management of public services must be centralized or decentralized. The paper addresses this issue by contrasting the empowerment potential of two alternative political institutions designed to mitigate the negative effects of ethnic diversity. One is a legislation mandating proportional political representation of all ethnic groups, and the other is decentralization.

When service provision is centralized, citizen-politician accountability relationships may be strengthened through legislation that ensures that preferences of all ethnic groups are reflected in policy making. When provision is decentralized, client power may be strengthened by greater accountability of local politicians to their electorate. But in an ethnically diverse society, this latter approach can further heightens ethnic cleavages. The evidence on the impact of decentralization on service delivery is generally negative in Africa, with a few exceptions including South Africa.

Other findings of this paper are summarized below:

1. To improve clients' power, careful evaluation is needed to determine what source is best suited for building public funds necessary to finance access to basic services. This source must encourage citizens' participation in the political process, so as to hold politicians accountable either for the level of public investment in basic services or for the management of public services. Taxes, because they represent citizens' forgone income are more likely to galvanize political participation than say, foreign aid, particularly if the latter takes the form of grants.
2. In Africa, where the predominance of informal activities deprives the government with an important source of fiscal revenue, the tendency is to rely on foreign aid. Yet, evidence is at best inconclusive about the effect of foreign aid on pro-poor outcomes. Reforms are therefore necessary to correct government's under-spending in service delivery. To

identify the main ingredients of a successful reform, it may be necessary to benchmark the performance of public financing of basic services in the under-investing countries of Africa against the success story of say, Southern Africa. Benchmarking, in this context, will be a comparison of public expenditures levels across countries in order to identify the determinants of efficient spending, set improvement targets, and measure progress. Data for this exercise may include, the frequency of leadership turnover (an indicator of the extent of democratization), the flow of foreign aid received, as well as the percent of this aid that represents pure loans (as apposed to pure grants), in addition to indicators of public expenditures in services.

3. Since State provision of certain services is necessary, and in Africa the use of this delivery mechanism is pervasive, reforming citizen-State accountability relationships maybe crucial for this strategy to succeed in enhancing clients' power. Since decentralization is being put forward as a desirable political institution of accountability, reforms aiming at decentralizing service delivery must be carefully planned. To improve planning, benchmarking of decentralizing practices of African countries may be ultimately necessary for identifying the determinants of best practice. Once the determinants of performances are established through this empirical process, each reforming country may then be able to set improvement targets, and measure progress.

Points 2 and 3 represent this paper's suggestions for future empirical research. For this type of empirical research, a relevant cross section of African countries may therefore provide a better framework for gathering evidence on why spending and/or decentralization does not translate into better pro-poor outcomes.

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