

# **About Accountability in Public Services: From Making Cars to Making Services Work for the Poor**

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“Making services work for the poor requires comprehensive and consistent coordination and integration of service delivery of the various relevant government departments and local government structures.”

During the first ever lecture in Business Administration I attended in college in the Netherlands, the professor told us that if you wanted a quick evaluation of any report on business management, you just had to count the number of times the words “integration” and “coordination” appeared in the report. The quality of the analysis would be inversely related to the number of times these words appeared.

The reason is that in this class of so-called “policy recommendations”, the problem becomes the solution. If the problem is coordination, you simply call for more coordination. But you don’t explain “how”, and in particular “why” people or organizations would coordinate and integrate with each other.

So how *do* you achieve coordination and integration in government or the World Bank? In April of this year, I attended a week-long course at Harvard’s Kennedy School on “New Thinking in Growth and Development”. It was given by a group of top-notch academics, and organized by Ricardo Hausmann and Dani Rodrik. This was the same team that Trevor Manuel had called in to advise South Africa on ASGISA. It is an excellent group of researchers from all over the world. One of the presenters was Chuck Sabel, who talked to us about the way Toyota has become an important management model, and is now finding its way into the thinking about development and public services<sup>1</sup>.

As I listened to him, I was really struck by the Toyota model. In this lecture, I will try to share my enthusiasm for it, and how I think we could learn from it. Not by copying it, but by understanding it, and thinking about ways we could start similar change processes in our organizations. With “our” organizations, I mean the World Bank and the South African government.

I will first describe the Toyota way of making cars. Then I will contrast some of the key aspects of this model with the way we implement one example of a public service in South Africa: land reform. You will then allow me to insert an intermezzo after that, and say some things about land reform as I leave Southern Africa. I will then present you a simple framework we use in the World Bank to think about how to make public services work for the poor, I will apply it to one public service which is particularly important for South Africa: education, and see what it suggests could be done to improve education. Finally, I will say something about the language of

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<sup>1</sup> Sabel, 2005.

service delivery, and I will end by coming back to the Toyota model and how we could learn from it.

## The Toyota model

Toyota is one of the greatest private companies in the world today. Its success is widely attributed to its highly innovative production model. This model has quickly spread to other private companies, but also to other organizations, such as hospitals and postal services<sup>2</sup>.

What is the basic insight that startled me so much when I was listening to the Harvard lecture? The Toyota “lean production” model is one that maximizes learning by ... forcing errors. This is very counter-intuitive for our organizations. We put inordinate emphasis on *preventing* errors. We meticulously formulate policies and business plans in order to avoid errors. We’d like to see all the possible pitfalls addressed before we start, because there should be no errors. And once we’ve made them, we put a similar effort into trying to pretend they didn’t happen. Or that it is other people’s fault. In South Africa, we are fond of complaining that “there is a lack of capacity”.

Now Toyota applauds errors. Literally. And, on the topic of capacity-building, it says, “we build people and cars simultaneously”<sup>3</sup>. To understand Toyota’s counter-intuitive ideas, start out by thinking about the more familiar “Ford” model—the archetypical automated mass-production line. The “Ford” assembly line broke the entire production chain into a sequence of assembly activities. The car would be moving along the line and gradually be built. The overall goal was to keep the line going, as fast as possible, so as to maximize “delivery” of the output (a finished car).

Now at every assembly point on that line, there was of course a risk that things might go wrong and halt production. But halting production, stopping “delivery”, was the worst thing—to be avoided at all cost. The causes of these errors could be many, stretching from basic design errors, to problems with specific parts, or how they fitted with other parts, to the type of tools, or the way they were used, etc. Now Ford’s solution to minimizing the negative impact of such errors on the speed of delivery was to have, at every point, enough spare parts inventory to quickly replace failing parts. Keep the line going. To put it differently, the model purposefully created excess capacity to ensure delivery at scale, without interruptions.

At the time, this model was so successful that it became virtually synonymous with efficient production technology, characterized by economies of scale. The Ford model was a revolutionary model, and Henry Ford is still much admired, including by the Toyota managers.

But the Toyota managers, while greatly admiring Henry Ford, did think there were a couple of things wrong with the model. First, there was the cost of having to invest in inventory all along the production line. Toyota, based, until today, in a rural area in Japan well-known for its frugality, couldn’t stand so much waste. They also could not afford all the machinery and parts that Ford had amassed. Second, standing at the end of the production line, a manager could evaluate the quantity and speed of cars produced, but not much more. The way the system was organized almost *precluded* a lot of learning by design.

Why was learning almost excluded by design in the Ford model? Say there was a problem stemming from the way the car design interacted with the electrical power supply. All that was

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<sup>2</sup> Takeuchi et al., 2008.

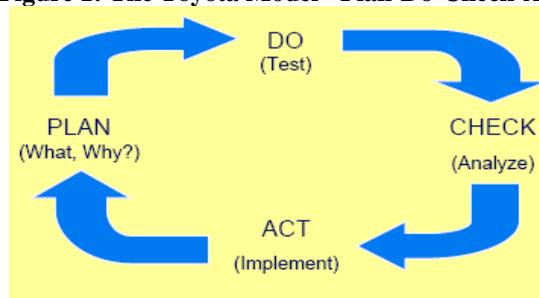
<sup>3</sup> Liker and Hoseus, 2008.

occurring was that ever so often the power supply would trip, but, to keep the line moving, the part would quickly be replaced. And since the line kept going, there was no immediate feedback to the manager. Hence, in the Ford model, errors occurred, but they were immediately “resolved” by simply replacing the faulty part, and the real cause would only become clear after special studies were conducted. In other words, the Ford model “delivered” at scale and at speed, but at the expense of a lot of waste, and it learned only slowly, if at all. Is this starting to sound familiar to you? Replace cars by “RDP houses”, or “land reform”, and you can start thinking along with me, as I was listening to the Harvard lecture.

Enter the Toyota model. It was deceptively simple, but as we now know, it took the car industry by storm. First, take away all inventories. Force the errors and *stop* the production line. Once halted, a team of specialists is sent in, drawn from the various technical departments, with a simple task: find and solve the root cause problem. Propose a solution. Test it. If successful, the production line would start up again, on to the next error...

These “multi-sectoral”, in our language, teams of specialists used a simple problem-solving process: Plan (what, why, analyze, agree on root cause and solution), Do (test out your solution), Check (monitor, go and see!), and finally Act (if it works, update the manual so that the solution is scaled-up).

**Figure 1: The Toyota Model - Plan-Do-Check-Act**



These multi-sectoral teams had full authority to fix the problem once they agreed on the analysis. No need to consult upper echelons of management if the team had reached consensus on the solution. Only if the team could not reach consensus—that’s when management would be consulted.

So what Ford had achieved with economies of scale, Toyota now achieved with economies of scope (working across technical boundaries to come up with root cause analyses and solutions), which would then be scaled-up.

So that was the first shock I got. Force errors. Make them an integral part of your system.

The second shock I got was when I started reading some more on Toyota. This was about measurable performance indicators. You know: “what gets measured, gets done.” The Toyota way again had a rather counter-intuitive approach to do this. It set impossible, hard to measure goals.

Take the Toyota goals: “We are always optimizing to enhance the happiness of every customer, as well as to build a better future for people, society, and the planet we share. This is our duty. This is Toyota.”

These goals are set so high, so ambitious and almost so vague, in order to keep everybody in the organization focused on outcomes, not outputs. In the process, the incentives are now set for staff to break out of their sector silos, collaborate across the silos, and think of new ways to do things and completely new products.

Toyota argues that setting goals which are too concrete, stifles innovation. You don't invent the light bulb by trying to minimize the costs of candle production. Example: when a design team came back with a more fuel efficient engine expecting to be heralded, because they had increased fuel efficiency by a whopping 50 percent, Toyota management sent them back to the drawing board with the instruction "make that 100 percent". The result: the hybrid engine. The impossible goal forced people to innovate.

So *that* is how Toyota achieved coordination and integration, while in the process maximizing learning by doing. Force errors, but resolve them immediately. Since you don't know what the exact cause could be, put the various specialists and operators together in teams. Empower them fully to jointly analyze and resolve the problem, don't waste time with seeking bureaucratic approval if the specialists agree on the solution, and institutionalize what you have learned immediately into an operational manual so that the solution can be scaled-up. Focus on the real objective (the outcome): make the customers happy. Sorry, make that "make *every* customer happy". Now that is a pretty solid set of recommendations. A lot better than simply calling for more coordination and integration.

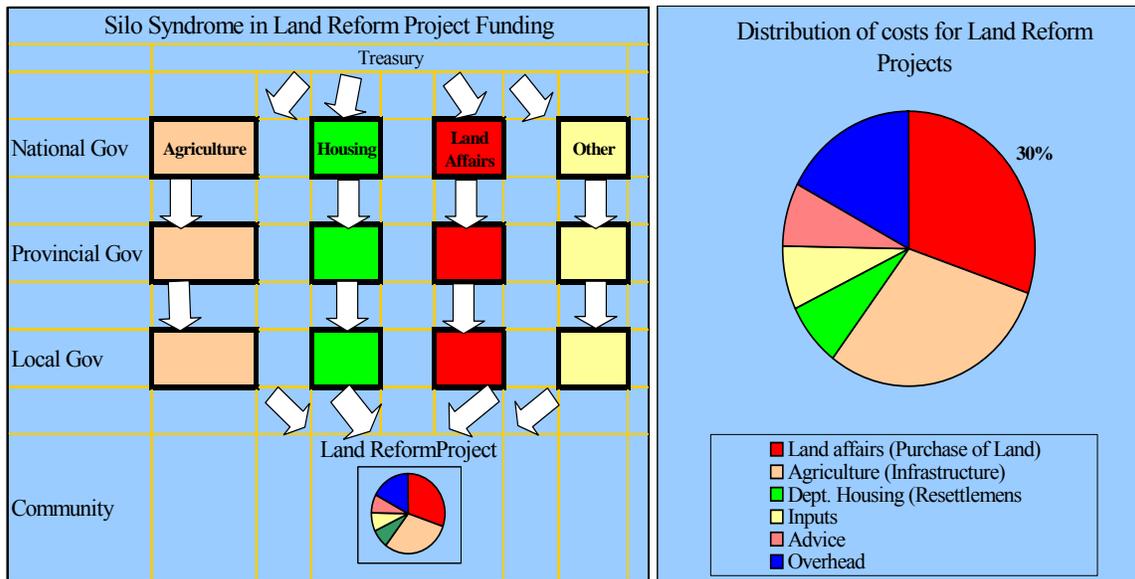
### **Comparing making cars and making land reform work**

So how does the Toyota model compare to, say, the land reform service delivery model that is in place in South Africa? Let me not keep you in suspense. Our land reform program looks a lot like the Ford model.

Imagine a land reform project. A simple one. You are a black farm worker who wants to establish a family farm, grow maize and raise some cattle. Now a few key things need to be in place from day one. First, you need a house, because farming is a 24-7 business with lots of strange and unexpected things happening all the time. So you need to live on your farm. Absentee landlords are the worst farmers all over the world—they always lose money (including your's if you don't watch out). Then, you will need some key inputs, like seed, fertilizer, etc., and you may need some advice, because every area and its soils has its particular characteristics. Now if water is a big problem, a pump would be great, etc. The point I am trying to make is that even if it is a simple project, it still needs a set of different inputs, other than land, to make the project a success. Land is a key input, but the other inputs are key complements, and their cost usually exceeds the land costs by about a factor of two.

How is land reform organized here? Take a look at Figure 2. The pie chart represents the budget for a land reform project, simple, but with a few key inputs. How is this project "delivered"? National Treasury has the money, but splits it up into the various inputs, because there are different departments responsible for them (Land Affairs, Agriculture, Housing, etc.). Then this money is to find its way through these departments (the silos) down to the ground, where our land reform beneficiary is ready to start his farm. What do you think the chances are that this money arrives at the right place, at the right time, and in the right amounts? These chances are zero.

Figure 2: the Silo-Syndrome in Land Reform Funding



Blame the officials? Until such time as this financing and implementation mechanism is reformed, coordination and integration will not happen, however frequent we call for “integration” and “coordination”. We need a version of the Toyota model here, with empowered multi-departmental teams which focus on making land reform beneficiaries happy. Excuse me, that would be to make *every* land reform beneficiary happy.

There is another reason why we cannot blame the officials within the individual departments. They are actually doing what they are supposed to do. It directly flows from the real incentives and accountability within the current “delivery” model in government: departments are only held accountable for what *they* can deliver measured by *their* inputs (budget) and *their* outputs (e.g. hectares of land). They are not funded and rewarded for joint activities and outcomes with other departments.

So even when staff *knows* that these other components are not in place and that hence the likelihood of an outcome failure is very high, staff will often still push ahead with the project to “deliver” on the land and budget targets. In their view, the provision of the complementary and crucially important other services is “another department’s problem”, for instance the Department of Agriculture. And unfortunately, the Department of Agriculture has its own silos and delivery targets.

This is a generalized problem across government. A senior manager in the City of Cape Town lamented: “Even when we had a comprehensive picture, we created silos<sup>4</sup>”

And when I speak of a sector silo, I don’t mean that one department has one silo. Most departments now have dozens of different silos within the department (there is one department which has over a hundred programs!), each addressing one particular aspect of a particular problem.

<sup>4</sup> Smith and Vawda, 2003, p.37.

Apart from the fact that no real life problem can be so dissected and resolved, the silos create huge problems for the local sphere of government and the local communities. First, the priorities of the sector silos are invariably different than those of the local sphere of government and the local communities. Second, the local officials and communities now find themselves confronted with different, sector-specific procedures and timetables for the preparation of projects, application and approval for funding, procurement of goods and services and disbursement of funds. This creates unnecessary complexity and undermines whatever local capacity there is, since much of it is now spent on trying to find out how to comply with the various procedures. It drives everybody crazy.

It nearly drove *us* crazy. We were called in once by a local municipality to resolve such a problem. Surely, the World Bank can dispense with some technical advice to help a group of farmworkers who had saved money themselves to buy a farm, build some houses on the farm? They had started to try and do this about ten years ago. So we said, yes, but four years later, we had almost given up trying to figure out how all the silos worked. Perplexed by the complexity of it all, we wrote a case study—the Ethembalethu story<sup>5</sup>. The latest: the “Development Tribunal” has decided that the community is now allowed to *plan* its development.

The Toyota model suggests the direction into which we should be looking to find the solution: decentralize as far as possible to the “shop floor”—there were the coordination and integration needs to take place, there were the incentives to do so successfully exist, and empower these teams to implement the solution. That empowerment will include there being a unified budget from which to fund the entire project, not just bits and pieces of it.

This is fortunately the direction that the government is moving in, albeit slowly.

Too slow, in my view, because the stakes are high in land reform. Here is why.

### **Intermezzo: land reform**

Western Europe completed its land reform a long time ago. Most of it was done by Napoleon’s armies—true land reform machines. Wherever they went, they confiscated the land from the large feudal landlords and gave it to the tillers. When you fly over Western Europe, you can still clearly see where his armies and their land reform stopped on their march eastward (and in Italy southward). To the east will be large, and empty, stretches of land and forests. To the west you will see the typical mosaic of small farms, woodlots, villages and towns. Research by Acemoglu, Cantoni, Johnson and Robinson (2008) shows that these areas and their cities in the west quickly became more prosperous than their counterparts in areas in the east, where Napoleon didn’t go.

There is now a large body of literature which traces how highly unequal land distributions, created by wealthy elites that confiscate land from the poor, can plunge regions and countries into literally centuries of backwardness and lackluster economic growth. Figure 3 below shows how countries with a more equal distribution of land grow faster, permanently. By tracing individual countries’ long-term development paths within sets of comparable countries<sup>6</sup>, it can be shown that initial inequality in landholdings leads to dramatically different development outcomes in the long run. Deininger (2003), and Acemoglu, Johnson, and Robinson (2001 and 2002) use cross-country time series to show these “path dependent” development patterns. The logic of these

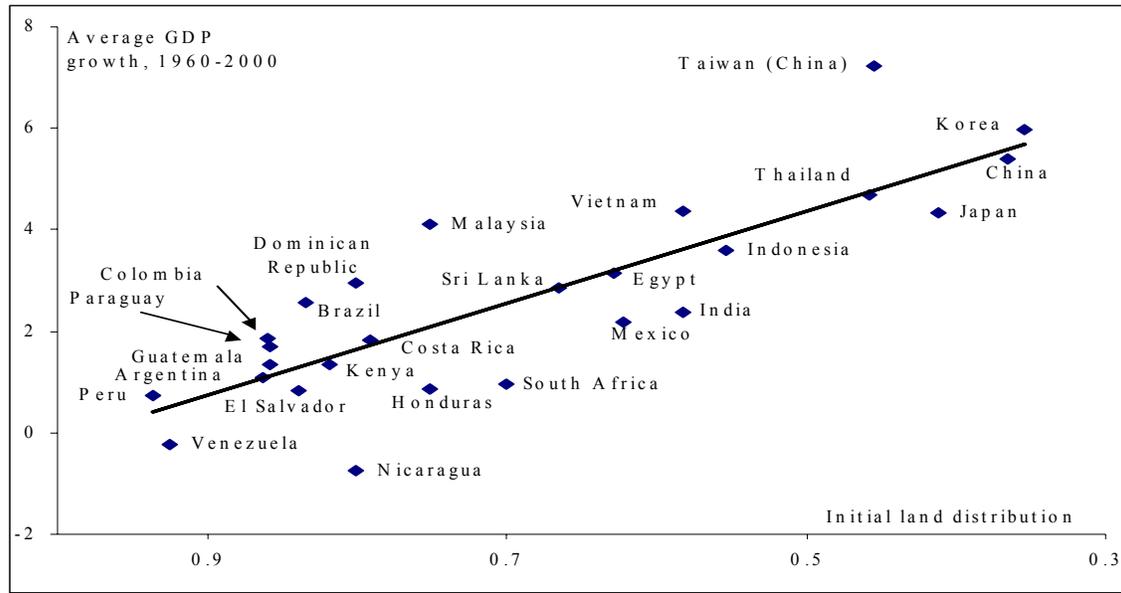
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<sup>5</sup> Berrisford et al., 2008.

<sup>6</sup> Columbia, Costa Rica, Guatemala, El Salvador; Indonesia, the Philippines, and Thailand; states within India; and North and South America

patterns is that countries with a more egalitarian distribution of land tend to have better, more inclusive institutions which in turn lead to higher levels of economic growth and earlier adoption of democracy. Sokoloff and Engermann (2000) demonstrate the same patterns comparing the evolution of North and South America, tracing initial political equality to land distribution, and subsequently to economic growth, democracy and education. I don't think I need to point out how much this applies to the history of South Africa.

**Figure 3: More equal land distribution is good for growth**



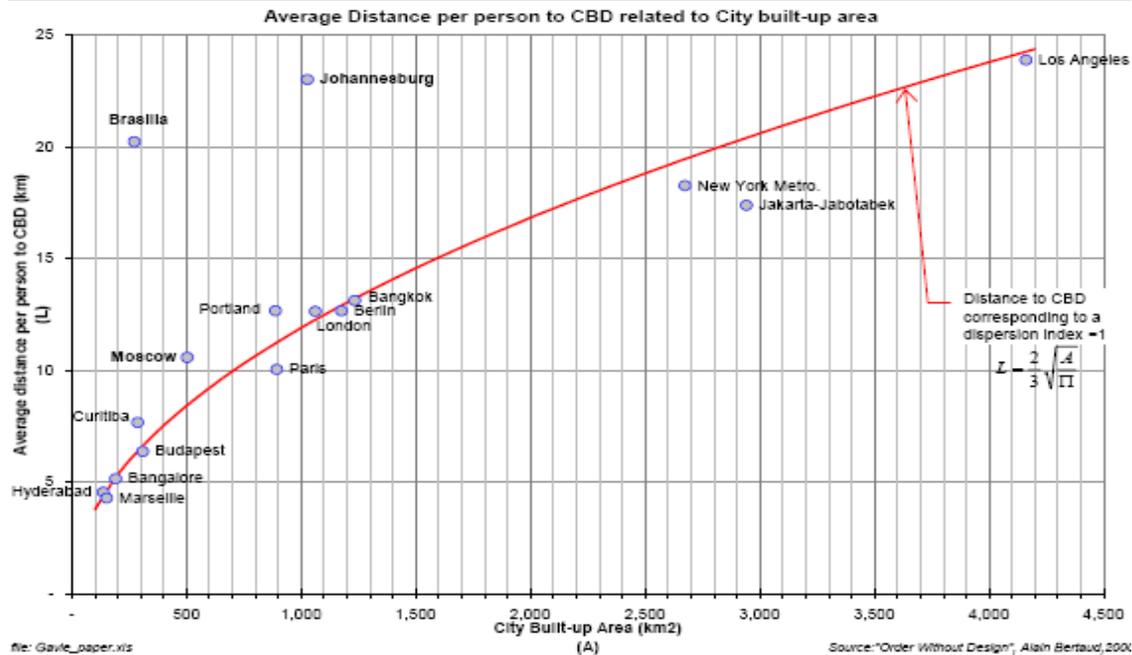
I have not spoken about farming. And I will not. Because that is not really the important point about land reform. The important point is that owning land makes citizens investors in their own country and its policies. If the country prospers, and for instance, the governor of the Reserve Bank and the Department of Education do a good job, the price of land goes up, and all the land owners get richer and more prosperous. And if the government officials do a poor job, the price goes down. That is a pretty good incentive to hold these government officials accountable for what they do. Land reform is about sharing the wealth of a nation, and what happens to its politics, social life, and economy, if the land is broadly shared and owned.

Since you are urban folks, you may think that this is a rural issue that doesn't concern you. Take a look at Figure 4. On the horizontal axis is the built-up area of the city, and on the vertical axis is the average distance of where people live to the city center. The log line is the distance if people were completely randomly scattered over the built-up area. So without any form of planning. Now look at what planners have achieved in Johannesburg: the distance is actually worse than random. (Brasilia is another planner's dream: the city was built to resemble an airplane with government in the cockpit...).

The Johannesburg plan was the apartheid plan. But does this still matter today? Yes, for instance, it raises the real wage of workers because they have to travel long distances to work. But more importantly, the engine of growth of a city is its labor market. Cities allow for extreme levels of specialization in the labor market and this is why they grow so fast. Now if you make it difficult for labor to come to that market and search for jobs, if you make it more difficult for that specialization to occur, you are undermining the growth of your city. But there is more. This pattern—the geography of apartheid—also broke up families. There is a causal link between

broken and dysfunctional families and children growing up without benefiting from whole communities and families, on the one hand, and crime and HIV/AIDS, on the other.

**Figure 4: Spatial Distribution in Selected Cities**



So land reform is one of the key structural issues that South Africa needs to resolve to get higher growth. It is a binding constraint to growth.

Now land reform used to be a hallmark of conservative political thinking. After the Second World War, General MacArthur insisted that Japan, South Korea and Taiwan undertake land reform. US foreign policy was convinced at the time that the feudal nature of these regimes had given rise to fascism and imperialism. Influential scholars argued that the best foundation for democracy was to have lots of small family farmers work the land. In the US, that was an old tradition, dating back to Thomas Jefferson, one of the founding fathers. So Dr. Lubin, the then U.S. Ambassador to the UN introduced a resolution in which would make land reform a global economic program of the UN with these words: "A nation of insecure tenants and rootless laborers, who see little hope to better their lot, is an unstable society, subject to sporadic violence and easily persuaded to follow false leaders."<sup>7</sup>

### The Accountability triangle

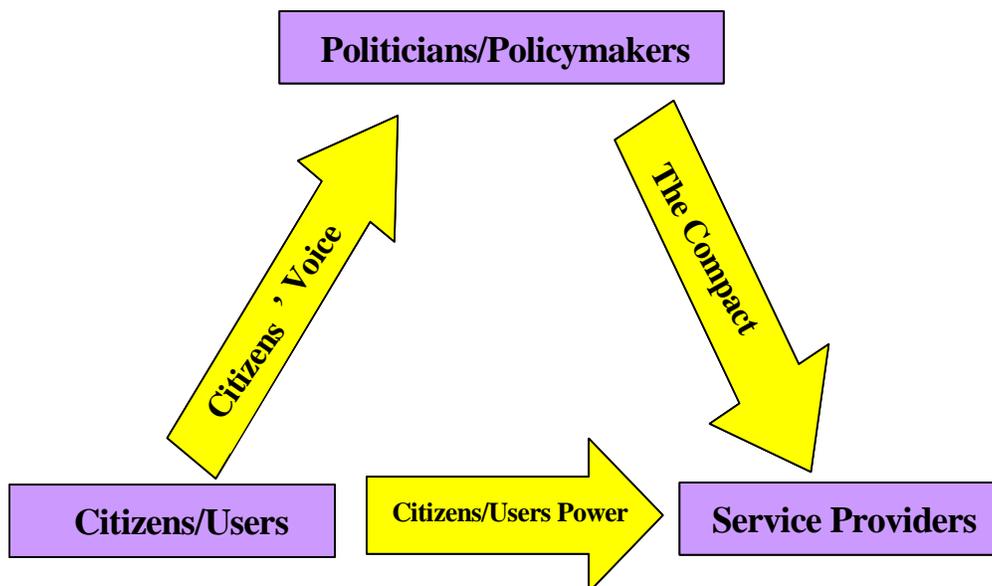
Let's get back to accountability in public services and Toyota. When you're selling cars, the accountability is pretty clear. If the customer is not happy, he does not buy the car, or shops somewhere else. So this type of accountability is pretty powerful.

But when it comes to public services, the problem gets more complicated. Public services are normally not delivered through the market. There are powerful economic arguments about market failure, and social justice arguments about equity, that explain why societies decide to not leave services such as health, education, roads, water, sanitation, etc. to the market.

<sup>7</sup> Lissner, W., 1951. For a general overview see Gittinger, 1961.

How can we visualize the more complicated process under which public services operate?

**Figure 5: Accountability mechanisms in public services**



Look at the triangle in Figure 5. The triangle shows the three relationships of accountability between citizens/users; politicians/policy makers; and service providers. They consist of two routes of accountability: a long one and a short one. When we talk about “accountability in public services”, we have these three relationships in mind.

The long route of accountability embodies the traditional view of how accountability for public services emerges in the modern state. In this view, citizens elect and influence their political representatives. These representatives in turn form and lead a government to deliver a variety of public services. There is a compact between politicians and service providers within the state to do so. If it does so poorly, the citizens will vote the politicians out of power, and hence, so the theory goes, the politicians have a strong incentive to hold public servants accountable for services.

We have rarely found that the long route, by itself, is enough to deliver service to the poor. You need a complementary mechanism: the short route, which focuses on the direct interaction between the citizens and the service providers. When services are delivered, the citizens should be able to exercise various degrees of influence over the service providers, which we call “client power” or “user power”. This is a bit like the market transaction, but of course fundamentally different in public services, because users may not have to pay for the services, or there is no choice of service provider.

In summary, these are the two routes:

- Long route of accountability:
  - Leg 1 is about citizens voice—political accountability
  - Leg 2 is about the compact—state capacity and accountability
- Short route of accountability, leg 3, is about citizen or client or user power.

What we in the World Bank have found most everywhere is that you need to get *all* these relationships “right” for services to reach the poor.

A few months ago, we finished a report on public services in South Africa<sup>8</sup>. The fundamental question we asked throughout is whether the organizations in charge of deciding *what* services to deliver and *how* those services should be delivered, are accountable to the citizens, whom they are meant to serve. We looked at several services, but I will just illustrate some of the findings with examples from education.

### **Citizens' voice**

So what about the first leg? South Africa is a great democracy with a great constitution, elections, parliamentary oversight, free press, etc. But what do we find on the ground? Regular, often violent, eruptions by poor people in the informal settlements, ostensibly about “service delivery”.

The fundamental issue, as one of the best local political analysts<sup>9</sup> argues in our report, is not about “service delivery”. Instead, there is a more general perception among the citizens that the formal democratic system is not at present serving them in the way in which they expect<sup>10</sup>. Their demands are more fundamental: about respect, trust, being really listened to, being part of the new South Africa, etc.

Now if people do not feel that government is accountable to them in this broader sense, this may be the cause of the spate of local protests. An as yet unpublished IDASA study suggests that participation in the recent wave of violence against African foreigners was related to real or perceived exclusion from democratic institutions. Where people felt themselves included, it found, they did not take part in the violence.

Now in education, we don't have riots, but we found a similar feeling that citizens/users were not part of the system, did not consider it their system, had little information as to how well it was doing, and hence did not seem to hold the school system as a whole accountable.

One way to start to engage citizens is to provide information so that progress can be tracked and that parents can know how schools are performing.

However, that performance is not very good. As shown in Figure 6 South Africa scores below its peers, defined here as countries with similar income levels<sup>11</sup>. South Africa stands out as having a low average score, even compared to other countries with similar income levels (results for 2003

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<sup>8</sup> This study was identified in the joint Country Partnership Strategy 2008-2011 between the Government of South Africa and the World Bank under the theme “capacity building for public services”. The work was undertaken in partnership with the National Treasury, Intergovernmental Relations, led by the Deputy-Director General, Lungisa Fuzile, who provided overall guidance. The report summarizes several studies undertaken in the past few years by teams consisting of World Bank staff and local researchers and formulating reasonable hypotheses which should be scrutinized by the stakeholders and tested in future research. It should be published shortly. Many people contributed: Doreen Atkinson, Stephen Berrisford, Hans Binswanger, Sam Chimbuya, Daniel Cotlear, Basab Dasgupta, Dave DeGroot, Kathy Eales, David Everatt, Deon Filmer, Steven Friedman, Ian Goldman, Lulu Gwagwa, Ronald Henderson, Vincent Hungwe, Michael Kihato, Lorette Kritzing- van Niekerk, Somik Lall, Kay Muir Leresche, Brian Levy, Ntombini Marrengane, Zweli Mbhele, Zani Naudé, Ritva Reinikka, Laïla Smith, Servaas van der Berg, Ahmedi Vawda, Carolyn Winter, and Michele Zini.

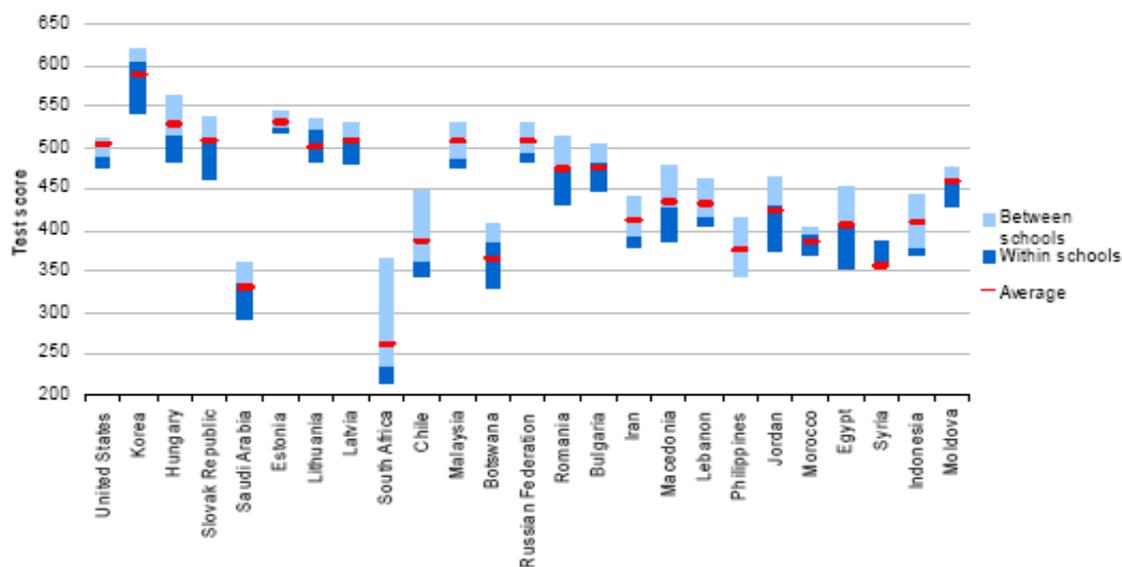
<sup>9</sup> Steven Friedman.

<sup>10</sup> This broader issue of citizens' concerns about government's accountability to them is documented in several surveys conducted by social research organizations such as Idasa, Afrobarometer, and HSRC. It is also the view of the Public Service Commission.

<sup>11</sup> Data are from the Trends in International Math and Science Study (TIMSS) which administered curriculum referenced maths and science learning assessment to 8th grade students, and the Progress in International Reading Literacy Study (PIRLS) which administered a learning assessment of reading ability to students in grade 5.

for TIMSS and for 2006 for PIRLS—the slide shows the latter)<sup>12</sup> and even for the highest income groups. In an older regional comparative learning assessment exercise, South Africa performs even worse than some its African neighbors, several of which have substantially lower national income<sup>13</sup>.

**Figure 6: Grade 8 TIMSS 2006 math test score, and difference between poorest and richest quintile**



When such information becomes available more widely, it may create more momentum for change and could propel parents into participating more in the school system. It could create some healthy competition between municipalities, districts and provinces.

We have a very good example of the impact of better information from Uganda. The simple dissemination of information on education budgets in the press and posted on school doors, resulted in a huge reduction in leakage of funds. A lot more now arrived at the schools, where it was supposed to have gone in the first place.

## The Compact

What about the 2<sup>nd</sup> leg—the compact? The internal capacity of the state to deliver. You may recall Max Weber's ideal bureaucracy with its strict adherence to rules, clear lines of authority, responsibility and supervision. The Ford model of the state, if you wish.

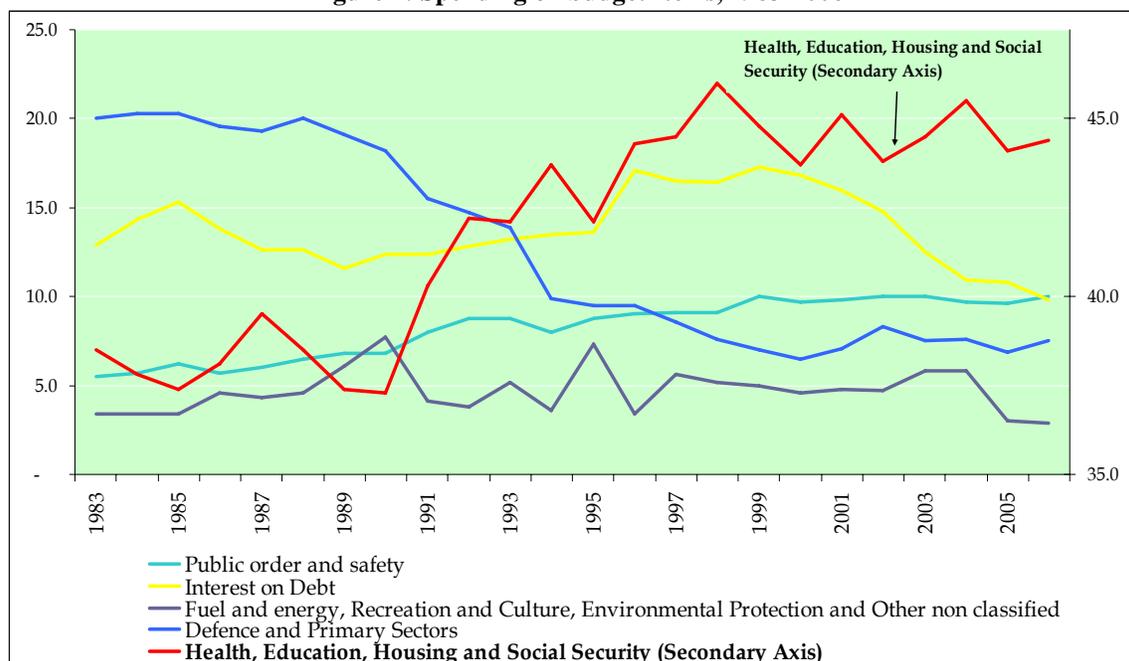
<sup>12</sup> For example, in 2003 national income in Chile was USD9,851 per capita (in purchasing price parity dollars) and that in Malaysia was USD9,000, compared to USD10,364 in South Africa. Average test scores were 387, 508, and 263 in the three countries respectively—so South Africa performs more than one standard deviation below both of those countries. Likewise, while national per capita income in Morocco was about half that in South Africa in 2006 (again, in purchasing parity terms), its average performance on the PIRLS test was slightly higher, and the distribution of scores substantially more equal across test-takers.

<sup>13</sup> In 2000, the Southern African Consortium for Monitoring Educational Quality (SACMEQ) tested samples of students in Grade 6 in 13 Southern African countries. Only Seychelles and Mauritius had higher national per capita income than South Africa. Similar to the TIMSS and PIRLS results, students in South Africa performed poorly (Figure 19). For example, maths scores averaged 486 and reading scores 492 compared to 563 and 546 in Kenya whose purchasing power adjusted national per capita income is about one-tenth of South Africa's.

The first question to ask of course is whether South Africa’s government structure is in good shape. Post 1994, the government has completed a gargantuan merger of previously “white” and “black” administrative systems. A highly fragmented and unrepresentative system has now been consolidated into a single and representative state. This was also done in education. These are great achievements.

The second obvious question to ask is whether the state—the compact—is adequately funded. That too looks good (Figure 7).

**Figure 7: Spending on budget Items, 1983-2006**



Look at how the share devoted to health, education, housing and social security has grown, and the share devoted to defense (and primary sectors) and servicing public debt has gone down. This is the South African “peace dividend” from putting an end to apartheid, and excellent public expenditure management.

But within education? Wasn’t there a huge disparity between spending on white and black students? Yes, but is gone. An expenditure incidence analysis shows that there is now hardly any difference between public spending per learner between white and black (Figure 8).

**Figure 8: Spending differential per child between the richest school quintiles and the poorest quintile**

School quintile	Spending per Student, 2005
1	4757
2	4800
3	4817
4	4904
5	5284

And how about the policies? Also in good shape. So something goes wrong when organogrammes and budgets and policies have to be translated into outcomes<sup>14</sup>.

The first issue is that “results” focus too much on inputs and outputs, instead of outcomes.<sup>15</sup> One of the reasons why performance management in many public services is so difficult, is that public service providers (say teachers and nurses) need to make many context-specific decisions, which are difficult to monitor and control centrally. What happens in the classroom, for instance, is very transaction-intensive, discretionary and difficult to monitor. The process of teaching and learning requires lots of decisions, all the time—with teachers constantly seeking out how to adapt content, structure, pace, etc. so that it is absorbed by a variety of learners. These decisions take place numerous times at numerous locations—meaning that they are impossible to monitor by a central agency or supervisor.

And when the center tries to tighten its supervision by attempting to specify the actions of, say, the teacher in great detail, the results are often less than optimal because of inflexible response to local variation. Recall that Toyota managers had come to the same conclusion when it came to making cars. Hence, the challenge for public sector reform is to find ways in which front line providers face the right incentives to do their jobs well, without being intensively centrally monitored by the center.

How can this be done? Schools are best managed by those who have the best incentives and information to do a good job: teachers and parents. Now in South Africa, we find a mixed picture. First, many schools actually do not manage their budgets, but receive a “paper budget”. The real budget is managed at the provincial level. This leads to big delays between the announcement of allocations, requests, and actual receipt of those goods and services, and a lack of reporting and monitoring of the extent to which procured items actually reach schools. These delays and uncertainties lead to a lack of materials in classrooms. Ironically, many schools report that large “virtual” sums are unspent by the end of the financial year, which cannot be rolled over to the next year.

The richer schools—the so-called Article 21 schools—are allowed to manage their own budget. Our analysis shows that *per rand*, outcomes are better in these schools, suggesting that indeed schools are best managed locally, not provincially. So carefully crafted school-level decentralization—providing increased autonomy in decision making related to financial operations—could work.

Strengthening leg two, the compact, could also require taking another look at teachers’ pay. We found that teachers were not on average worse paid than private sector employees with similar characteristics. However, digging deeper, we did find that better educated and more experienced teachers were relatively underpaid compared to other sectors. That is not a good incentive for attracting and keeping high performing teachers in the profession. Linking teacher pay to performance could also work, but one would need to figure out how to put this into practice in South Africa. Plan-Do-Check-Act.

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<sup>14</sup> See for instance the quite critical assessment made in The Presidency’s “Towards a Ten Year Review”.

<sup>15</sup> See various reports by the Public Service Commission. The Government’s Programme of Action should be leading the way in this, but it very much reflects “work in progress”. It can be found on the web and is updated every two months. According to it, the social cluster carried out some 80 to 90 actions in 2007. Out of all actions listed, those that resulted in measurable positive outcomes represented less than 10 percent. The focus of all actions was heavily biased towards inputs (that accounted for more than 50 percent of the total) and outputs (more than 30 percent of actions).

### Short route of accountability

Let's go to the last leg. This is about user power and citizen participation. This is what a World Bank report says: "When governments do not feel the pressure to respond to citizen demands, when they are incapable of enforcing basic performance rules on those directly responsible for services delivery, and when citizens have no control or choice over service providers, typically service will fail." (Fiszbein, 2005, p.4).

And this is what was said in 1994 in South Africa:

"Development is not about the delivery of goods to a passive citizenry. It is about active involvement and growing empowerment. In taking this approach (i.e. 'A People-Driven Process') we are building on the many forums, peace structures and negotiations that our people are involved in throughout the land". (ANC, 1994, p. 4-5)

This quote captures a powerful vision about participatory development in the ANC's Reconstruction and Development Program. But wherever we looked, we found that today, participation has gone missing in action. Typically, we see government officials ticking "participation" off on the checklist of "their" project, not as an essential building block.

How did this happen? It was central in the Constitution and the RDP. And then you have the famous Batho Pele—"people first"—principles, which define precisely what "client power" should be about.

Our report suggests an explanation for this disconnect between policy and implementation. The sharp focus on ambitious delivery targets, defined as outputs, not outcomes, and the ample financial resources available to meet them, collided with weak institutions for the implementation of the services in all spheres of government. And whereas many sectors started with approaches which stressed community and user participation, they were, or appeared to be, too time-consuming, hard to scale-up and therefore deemed to slow down the pace of implementation. Consequently, the sectors ended up relying more and more on centralized mechanisms focused on the delivery of very specific outputs, rather than on more participatory approaches focused on outcomes. In the process, citizen and user participation atrophied. In other words, intense "delivery" pressures and a focus on quantitative output and input targets are partly responsible, but unintentionally so, for undermining the intentions of the Constitution, the Batho Pele principles, and the original sector strategies and policies.

In education, several things can be done to strengthen citizen/user power. In South Africa, schools could potentially benefit from an important community oversight institution—School Governing Bodies (proven successful almost everywhere in the world). Unfortunately, in South Africa, these are generally well functioning in formerly "white" areas, but often dormant in the formerly "black" areas. So in the majority of schools, these bodies are not functioning. They also have little decision-making authority. Parents have little information on, and minimal control over, budgets and teacher performance, resulting in a lack of school-level accountability.

But parents *are* in a strong position to hold schools accountable, particularly for things that they can readily observe. Are educators absent or tardy? Are textbooks arriving too late to be used effectively? The scope for involvement—and impact—increases with the amount of information

available. This information can take many forms, starting with the most obvious. In the field interviews done as background to our report, parents said that teachers should “mark the tests of the learners and inform both the children and parents on the outcomes thereof”. Suggesting that this was normally not taking place... So ensuring parents are aware of their rights, have adequate information, and are empowered to hold schools to account would be a first step in empowering clients. That includes being involved in decisions about hiring and firing educators.

Summarizing what we learned from applying the triangle to education, we suggest (to be tested, of course, as part of the Plan-Do-Check-Act Toyota way) is that South Africa’s education systems would benefit from establishing more effective channels of accountability. For leg one, ensuring adequate flows of information about the country’s schools’ performance and budgets (citizen voice), for leg two, allowing schools to manage their own budgets and testing out ways to link pay and performance, and for leg 3, making sure the school-governing bodies work in all schools, and have real power.

## Conclusion

Let me conclude by saying something about “service delivery”. One of the first things that struck me when I started working here, was that there was a very particular language used to talk about development. I had worked in other countries where development would be phrased as “power to the people”, or “jobs for all”, or “self-sufficiency”. But here, the language was “delivery”, as if development was something you received in the mail. Isn’t this a very disempowering way to talk about development?

Another unintended consequence of the language of service delivery and the supply-driven approaches is that citizens now expect the government to assume full responsibility for services, including regular maintenance of all investment, even private ones such as the VIP toilets.

So I think the language of delivery it also partly to blame for what we found. This excessive focus on “targets” and “delivery” has come at a cost. Departments chase sectoral inputs and outputs through “silo-ized” and centralized delivery systems, often full well knowing that the other critical inputs and outputs from other departments are not in place to ensure good outcomes. And in their quest to deliver at scale, they often stifle and by-pass citizen and user participation. Contrast this with the Toyota model of focusing on outcomes, team work, and putting a huge emphasis on trust and respect, and *how* things are done (respectful, eliciting trust, consultative, harmonious, etc.) both within the organization, and vis-à-vis the customer.

So what can we learn from Toyota? First, we need to look at front line staff in departments and municipalities not as “service deliverers who lack capacity”, but as knowledge workers, uniquely positioned to accumulate crucial knowledge for the organization. We do not need devote a lot of attention to the “organogramme” and the funding, those are in place. *We do* need to worry about coordination and integration, but it needs to take place “on the ground and on the job” in the form of multi-disciplinary teams, who face the right incentives to work together and make teamwork a success. With success defined as “making every citizen happy.”

My own organization is struggling with the same issues that confront the government here. In particular, if we look at the World Bank of the 1970s and 1980s. We focused excessively on inputs—getting loans to the Board. The emphasis in the project cycle was almost completely in the project design phase, i.e. at a moment in the cycle when we actually knew the least about what would work and what would not. Staff was organized in technical silos who were rewarded for taking untested project designs to the Board. Independent evaluation of projects was typically

done only three years after the completion of the project, and hence the lessons learned would only become available when it was already too late, and the system had moved on. Starting in the 1990s under Jim Wolfensohn, we have introduced more flexible approaches and have put more emphasis on monitoring and evaluation as part of project design, but it would be fair to say that next to progress, challenges remain, and parts of the “old” Ford model persist.

Let me conclude by saying that we—the South African government and the World Bank—are already half-way there: we have a lot of errors. We just need to learn from them. Plan-Do-Check-Act—the Toyota way.

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