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Panel One : Evolution of Thinking and Practice on Accountability Frameworks

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P R O C E E D I N G S

PROFESSOR BARKAN: Good morning, and welcome to the first of three panels of the daylong symposium on Civil Society and Improved Governance organized by the Transparency and Accountability Program at the Brookings Institution, the Johns Hopkins School of Advanced International Study, and the International Budget Project.

My name is Joel Barkan, and I am the moderator of this panel, which is intended to explore the evolution of thinking and practice with respect to how to improve and increase governmental accountability to citizens in developing countries.

For more than a decade, there has been a consensus among both students and policymakers of international development that institutional development is key -- perhaps the key -- to faster economic growth and the reduction of poverty. One result of this consensus has been an increased emphasis by donors and specialists on good governance, broadly defined, a rather broad label which encompasses a variety of interpretations, some of which we'll explore in the next couple of hours, and among those, and more specifically, an increased emphasis on democratic processes, on the transparency and accountability of public institutions on the reduction of corruption, etc. I'm sure you're familiar with many of these.

Notwithstanding the consensus on the need for good governance and that good governance requires the strengthening of key institutions, different donors and social scientists with different disciplinary perspectives take different approaches and base their approaches on different assumptions when it comes to which

institutions should be strengthened first to achieve good governance.

The World Bank, the IMF, economists, and specialists in public administration and financial management have tended to focus on the need to increase the supply of accountability mechanisms, especially those housed within the states, such as better budgetary processes; better monitoring of state expenditures; public service reform; better and more transparent procurement processes; better revenue generation; better and more responsive delivery of social services; more aggressive efforts to investigate and prosecute corrupt practices by independent investigatory bodies established to do that -- anticorruption commissions. Other donors, especially bilateral organizations such as USAID and DFID and also NGOs and, from a disciplinary perspective, I think political scientists such as myself have emphasized the need for improving demand-side mechanisms, especially those located outside the state that exert pressure for downward accountability to ordinary citizens or those state institutions, such as legislatures of the courts, that exert pressure for horizontal accountability on the executive branch.

It can be argued that proponents of improving these demand-side mechanisms are given greater credence and hearing today than they were ten years ago. But it can also be said that this is, in large part, because the emphasis on improving supply-side mechanisms have not yielded significant results with respect to economic development or property reduction. In other words, the expected payoffs from an emphasis on demand-side mechanisms are by no means certain but, rather, an approach to which donors now turn because nothing else has worked, and perhaps

nowhere is this more true than in sub-Saharan Africa.

Our panel this morning will debate these and other propositions regarding the desirability and efficacy of strengthening demand-side-mechanisms from five different institutional perspectives. They also come from different disciplines, and we have not only academics here but one straddler, Stephen Ndegwa, who's at the World Bank, formerly an academic, and Jeanne Bourgault from Internews Network.

I'm not going to go through the biographies of the participants. I want to move straight to the program. We're going to begin with Thomas Heller of the Stanford University School of Law and then move to Jeanne Bourgault who's going to discuss the role of the press; Stephen Ndegwa, who will take up civil society and also make some comments on the World Bank experience with respect to demand-side institutions and perhaps make some comparisons to the Bank's emphasis on supply-side institutions and debates within the Bank -- maybe that's more than he wants to say, but maybe I can push him in that regard because it's clearly contested terrain within the banks -- and then I'll say something about legislatures; and then we'll have Bob Greenstein, on the far right, about cleanup.

So, without further ado, welcome, Professor Heller.

PROFESSOR HELLER: Thank you very much. I'm going to sit down, if you don't mind, partially because I've just flown across the country at night and, secondly, because, as you can hear, I've been suffering with something that has limited my voice. Fortunately, we're advised to speak only for ten minutes, so I may

actually make it.

What I'm going to do is I'm going to start off -- since everyone wants to talk about good governance, the subject of our seminar today -- I'm going to talk about bad governance and the way in which bad governance is in many ways being transformed around the world. I do this as a matter of starting things off by talking about diagnosis. Unless we understand what the problems are that we are trying to address, I think it's very difficult to get any kind of strategic focus on how to break into the logic of poor governance and perhaps create incentives to reform.

But I don't want to talk in some sense about so-called failed states. My own work is largely in the energy sector, so these days if you're an energy-producing state you're not in the condition in which many failed states were in the past.

I want to talk about two other dimensions of current manifestations of what we might call bad governance. One I'll just call formal democracy, and those of you who are in the audience who have followed the debates -- for example, in the *Journal of Democracy* -- have seen this huge expansion of funny names: formal democracy, hybrid democracy, competitive authoritarianism. I mean, people have invented as many names as have written articles about these issues. But what they seem to be talking about is systems in which you have contested elections as a regular part of the political and economic life of countries and, secondly, in which countries in which the institutions with which we are familiar are in place. So, they have -- if you look at some sort of an organizational chart of how the government is constituted,

it wouldn't look any different than what we see here in Washington, and I'm not going to make any editorial comments on why at the present time. But the questions that I think we are facing more at the present time are not regimes that somehow are brutal or formally authoritarian in their structure but regimes where the quality of institutional behavior has somehow deviated in some systematic way from the expectations we would have had, that if you built up institutions of a particular design and of a particular constitution, you would be able to solve the problems that Professor Barkan has just indicated have become the subject of consensus over the last ten years.

We all need institutions. People have learned how to do institutions, and as a consequence of that it's much more challenging than I think it was even a fairly short time ago to be able to understand the logic of these systems and how they are actually functioning as opposed to the way that they appear to relatively less analytical depth.

So, the first point I want to focus on in my remarks is this notion of formal democracy, whatever we call it; and, secondly, I want to focus on the problem of high commodity prices, and I say that it's a "problem" in quotes in a sense. I mean, everybody -- since most of the developing world depends in an important way for their growth on commodity trade in one form or another, whether it's energy or various -- or soy or whatever, high commodity prices would seem to be a benefit, and indeed we see, when we look around much of the developing world, recorded growth is fairly substantial over recent years. Whether it's Africa or Latin America or the

Middle East, the problem seems to be much more in the quality of growth again and in the fact that the growth is largely driven by commodity prices whereas other indices don't show up -- investment indices don't show up the kinds of gains that one would hope.

So, focusing on those two things let me just make some sporadic remarks and we can certainly pick up in the panel discussion.

Let me describe, for just a second, a study that we've been engaged in where we take one of the mechanisms that have been proposed for government improvement. This is the extractive industry's transparency initiative that many of you will know about, which of course is focused on countries whose economies are driven by resources, and we have tried to over the past 18 months or so design an instrument that would allow us to, on an ongoing basis, evaluate the effectiveness of such a transnational initiative, and for a variety of reasons that are too long to go into we've started off looking at six countries -- Nigeria and Azerbaijan, which are, in a sense, the poster children of this international initiative, and at the same time we are looking at Kazakhstan, Angola, Algeria, and Venezuela.

Now, all of these are countries with substantial resource wealth. Their economies are largely driven, their exports are largely driven, their budgets are largely driven out of these resource skeins, and so what we have tried to do is to look at the entire process from the moment at which somebody suspects there are resources in the ground or under the sea until they are extracted by someone. Whether international companies or state companies, the monies there from are

collected, managed, perhaps saved, perhaps through special funds, and then eventually they enter the budget in some fashion and they are expended, and since in all of these countries they make up well over 50 percent of the budget, looking at resources and resource rents and how they're used has become critical, and we try and understand, at least in this design phase, whether countries along this whole value have followed what people seem to believe are best practices in the creation of value, that is, getting the resource out of the ground and marketizing it, investing or otherwise using the money that is collected, and finally the expenditure through budgetary or other processes. Have they made changes? Are these transparent and subject to various procedural mechanisms that allow them to be monitored by people in this society? And, finally, are there remedies if someone thinks there's something wrong? Is there any kind of an effective remedy that one can call upon? So, we try and understand these dimensions.

And the results are interesting in the sense that they produce some unexpected things. What we find in general is on the upstream side when people are getting the resources out of the ground, the organization of production, and on the collection and management of the revenues themselves before they are put into the budget, most of the -- there is substantial change and adherence to best practice. Where there is not change is downstream on the budgetary side where things get extremely murky. And the results of this are that we see this in all these countries. It's not a question of whether they are part of the ITI or not. Something else seems to be driving this behavior. Venezuela may be an outlier to some degree, but that's -- it's

a case that probably calls for special explanation in many dimensions.

And the second thing is what we certainly see as displacement of what we might loosely call bad governance -- corruption, waste -- go into what that is away from the places where the international efforts of the adherence to best practice is changing behavior, and we see the displacement of the misgovernance downstream into the budgetary side where there is a whole series of problems, where there is less transparency, but where there is also much less of a sense of what constitutes best practice, because none of us have a very good sense of what constitutes an appropriately designed budget. And we could go into that whether it is resource transfers as opposed to various forms of valicative(?) mechanisms, whether -- what is the distinction, the breakdown between investment and current consumption? There is a whole series. What is a productive investment? The IMF struggled with this in the '90s.

So, things move. They get displaced out of areas where we push transparency into areas that are less conceptually clear and which are institutionally much murkier.

Now, I think the hard part -- and I'm going to wind up on this -- is to understand what this means, because in effect you are getting a larger set of revenues that are coming into the state, and they are not being diverted in most of these states to nearly the degree that they were. They're not leaking out. They are making it into the budget, and this transforms the incentives of those who run the state. Sometimes it can be good having more resources. It may mean that they can stay in power

longer. They have a longer time horizon, and people with a longer time horizon are more likely to get investments right than those who are going to be in power for a very short time and have a tendency to run -- to steal and run.

On the other hand, on the democratic side there's no question in my mind that the concentration of resources has made it much easier for leads to engage in effective patronage behavior, to control elections in a way that they are quite happy. And maybe Mr. Chavez is a good example of this. They are quite happy to go with normal elections, because they understand they can win them largely through the enhancement of the governance mechanisms upstream and on the effects of high commodity prices that give them larger revenues to use.

And so I think, in winding up, where my own work and our group's work is going in part is trying to understand an alternative theory of governance which is based not on the standard forms of income taxation that we think about as producing a relatively responsive government and limiting governments in a variety of ways but based on the collection of various forms of rents -- not just resource rents, although those are very important, but other means of creating protection and criminality that allow governments to control substantial resources which they then deploy in an extremely entrepreneurial and dynamic fashion to ensure their continuing reproduction through the distribution of private rather than public goods in patronage systems.

And one of the things that interests me the most about this whole process of what we might call improved bad governance in the sense that it's a

differently -- it's a more sophisticated mode of doing what we would, from a democratic or a market standpoint, continue to be misgovernance -- is that institutions become almost like Potemkin villages. They get emptied out. They exist. But the governance and the power that actually goes on, and particularly the distribution of the newly available resources, are through extra constitutional mechanisms.

So, the budgets stay where they are. The legislature doesn't go out of business. The judges don't go out of business. They are there. But they have less and less effective control within the society, and whether it's through national oil companies or religious foundations or missions as Mr. Chaves would have it, we see that the bulk of resources are being moved in politically astute fashions outside the process of constitutional governance, which in effect becomes emptied out of serious content.

And we can talk about exactly how this is done a bit later, and I'll stop at that point. But I think, in summary, that we have to be aware that the changing conditions in the world have allowed a kind of 21st century model of governance of a quality that we have never aspired to, which has all the formalities of allowing us to satisfy whatever conditionalities are being demanded by the bank or the millennium challenge account. But it's still empty, and in many ways in a world of high commodity prices it's stronger than it was before.

PROFESSOR BARKAN: Thank you for a marvelous opening overview. Elections do not a democracy make, and I guess macroeconomic reform does not either.

Let's turn to our second panelist, Jeanne Bourgault of Internews.

MS. BOURGAULT: Thank you. Actually, that -- your comments actually are a really good lead into my presentation, because when we look at the breakdown of the formalities of the institutions, we're looking for some of the informal sector to pick up the slack and push these issues. And particularly, I'm going to talk about the media in promoting the demand for good governance, for better governance, and one of the key tools that I'll be talking about is the role of investigative journalism, and the key rule of investigative journalism is to follow the money. And so when we're talking about these budget transfers, that's exactly what a robust independent press can do.

I'd like to start today by talking -- sort of ripping from the headlines a story and just having -- focusing your attention on the power and impact of media by looking at what's unraveling in Pakistan right now over the past couple of weeks.

Pakistan a couple of years ago liberalized its broadcast media. There are now independent radio stations and television stations, demonstrating a much more -- their investigative abilities. A very media-savvy Supreme Court justice has picked up from these newly independent broadcast media outlets some stories and started putting pressure on the government in Pakistan.

I think most of you are aware of the crackdown that -- President Musharraf on March 9th suspended the chief justice of the Supreme Court of Pakistan due to some of his activities, which resulted in a series of street demonstrations by the lawyers, by the black coats, that's been covered incessantly 24/7 by this newly

independent broadcast media.

Last Thursday the government banned a very popular news television program. On Friday, they ransacked the offices of GOTV. The pressure of the coverage of the independent media of these riots was putting a tremendous pressure on the government. They did -- after they ransacked the television station, they then had to apologize publicly about their actions against the media and about the lawyers.

Pakistan is mostly an illiterate country, but the broadcast media are showing what could have been merely an administrative battle between the judiciary and the executive branch, have brought it to the citizens of Pakistan, and that we are now facing something of a crisis in Pakistan as they face elections this year. This shows you sort of the good and the bad and chaotic of bring the independent media into the governance area, but every day reading about this reminds me of the power of the press in this sector.

Today I want to talk about two things. First is the dual role that media plays in promoting good governance. The first, just as we mentioned -- as I mentioned -- is their role as watchdogs, their investigatory role, that investigatory journalism role. The second is their role as informers and educators of the public, of government goods and services, of what their expectations should be from their governments.

Second I want to talk about what can be done to help promote this role, this incredible role of media in promoting good governance. I'll talk about three major efforts that donors can take when they're thinking about engaging with

independent media. One is the support of access for information legislation; the second is promoting media independence and diversity; and the third is to promote media accountability and responsible journalism.

I think we're all really familiar with investigative journalism in this country. It's certainly played a big role, but it also plays a huge role in much less developed countries where the media is much less developed than our media here.

We've been working for years in Cambodia on an investigative journalism training program where we're teaching journalists the skills, the basic skills, of investigative journalism, and this is -- Cambodian journalists are not a very developed -- it's not a very developed sector. They're relative novices to this world, but they've already made tremendous strides in one year of producing independent investigatory reporting -- that we've had reports on gross mismanagement and graft related to a national park preservation project; corruption involving Khmer labor -- labor traffic to South Korea; and flawed government policies on land taxes. The result of these stories, of these really courageous Cambodian journalists -- has been -- these people who have been abusing the system have been fired; policies have been changed where appropriate; and the victims have received retribution. So, even in a very underdeveloped country with a very underdeveloped media sector, basic principles of investigative journalism can have a dramatic effect on governance.

The media also serves as an educator and an informer of the public. I'd like to talk just on one example of the role that media played in post-Tsunami Aceh. We went into Aceh immediately following the Tsunami and went to rebuild a

number of the radio stations that had been in existence before the Tsunami. They were completely destroyed. Part of our assistance was to help them build a humanitarian reporting and information service that was broadcast both to the local communities and to the IDP camps.

The focus of this reporting was mostly on just the basic goods and services -- what's being provided, who's providing it, where you can access these resources. But over time, of course, as they were reporting on these basic goods and services provided by both the development community and the government, they started monitoring the expenditures -- what was working, what was working with the tenders and the procurement -- and they were able to follow the money in this and report on places where they were seeing abuse of the emergency response funds.

And those are just two sorts of examples of the role that the media should play in good governance. So, how do we as a development community help to strengthen the media so they can better play these roles in countries?

This is getting -- excuse me. There are three ways that you can do it, as I mentioned -- through access to information; strengthening the independent media, their diversity and plurality; and support for responsible journalism.

Access to information, or in this country we call it our Freedom of Information Act -- we celebrated our 40th anniversary of our own Freedom of Information Act last year, and this is a fundamental tool to both journalists and citizens and nonprofits and, you know, private citizens to get the critical information they need from their governments to make decisions.

Elements of the -- to -- and the support that we need to give is to help countries develop access to information and legislation and laws. These types of laws need to have different types of things. They need to establish clear procedural guidelines; time limits on the requests; categorizations of the information that is guaranteed; and who has access to these guarantees. This type of legislation is increasing around the world, and there are a number of organizations who are committed to helping countries develop clear, transparent access for information legislation.

And on the new media front, we also need to be looking at the internet as a really critically important source of information for citizens and really be promoting just the open, user-controlled internet access. It's another fundamental source of information for both journalists and citizens to help put pressure on their governments.

When it comes to strengthening the diversity of media and the plurality of media, there's a number of different tools that we can be looking at. On the legislative and regulatory side, what we're really trying to promote is independent media, a break from the stranglehold of the state, a breakdown of state ownership, if at all possible moving from state ownership to public ownership and, better yet, moving from public ownership to private ownership in commercial media.

We're looking at tax laws and laws that control the newsprint, the regional -- looking for regional definition and appropriate penalties for defamation; looking at training journalists in independent media outlets so that they can behave

appropriately. Licensing of airways is one critical stranglehold that governments often have over (off mike) independent media in the countries that work, so we're looking always to sort of liberalize licensing laws to allow for the really critically important broadcast media to be liberalized and open up in countries.

And, finally, what's -- a final really important element is responsible journalism and media accountability, and one of the big criticisms that you get of this work is the "oh my goodness, you can't let these people just say what they want." There has to be some level of responsibility or the media undermines its own role in society and in good governance, and there's a variety of different ways you can intervene in this area. Most important, I think, is just to develop that culture of good journalism, a peer-to-peer pressure, a pride in the profession itself. But there are other levels that you can go beyond, just that culture of good journalism. You can work with journalist associations to help them develop codes of conduct about what is appropriate or inappropriate for the journalism. Some countries also turn to press councils, which can be nongovernmental councils that overlook the work of journalists. But the main focus of these types of activities is to make sure that the journalism that is being practiced is responsible and credible.

We have a lot to do to push the case of the role of media in the demand for good governance. I'm happy to say that a lot of the supply-side people are starting to respond to this. We're seeing tremendous interest from the World Bank and in particular people like Danny Hoffman who have been speaking a lot about the role of media and the empirical evidence that he has seen that without independent media

you see increases in corruption; you see increases in poverty and the underdevelopment that -- the lack of development that is possible without that free flow of information.

I'd just like to end -- and I know I'm very fast as speaking, so I apologize for that. This is sort of to say that -- just to remind you that journalists have the two critical tools that I think make them just fundamental to the practice of good governance. They have the ability and the responsibility to investigate both the needs of the governed and the actions of the governing, and they also have access to the media that can reach them both, and I just think this is a critically powerful tool.

Thank you.

PROFESSOR BARKAN: Thank you very much, Jeanne, and now to Stephen Ndegwa, the World Bank.

DOCTOR NDEGWA: Thank you, Joel.

I should start by the standard disclaimer that I am speaking in my professional capacity, and in spite of what Joel might have tried to sneak in, I will not be speaking about the governance and then corruption strategy. In fact, I believe it's been discussed at the board this morning, so -- and since I'm not there I can't tell you much.

I want to talk about civil society and how the Bank has come to embrace civil society. It's still a bit of a tentative embrace. So, I want to talk about the reasoning behind this engagement, what we have actually done, and some of the challenges that remain, and these challenges -- one could actually think of them as my

morning lead to any complaint about civil society. Certainly not the Bank's perspective, but I do have a short article that highlights them if you'd like to look at that.

I will mention some country names in this as examples; all of these country names and the stories associated are in the public domain, so I feel that we can talk about them here.

So, why did the Bank come to embracing civil society? I think there are two things. One is actually a conscious decision within the Bank and among Bank (off mike), and the other one I think is just simply something they had to confront as a reality.

The first one is the fact that a lot of our supply-side work, which is essentially providing -- lending support and technical advice to governments, the executive arm of the government -- has limits, and those limits became fairly evident when you would have extensive support to rebuild institutions but not quite the kind of outcomes that you wanted. So, as Heller said, you have this Potemkin kind of institutions. They exist, they are functioning. You might even have good sort of indicators that they are doing what they're supposed to do, but in fact the results on the ground are simply not there.

And so the issue then becomes, you know, how do you actually get these institutions to live up to the kind of production of public goods that you expected of them or that you see in more developed economies, and I want to respond to this issue. It clarifies that you need to actually get society to engage these

institutions to exercise what they promise so they can actually produce the public goods that you expect of them.

There are two other movements that the Bank simply has to contend with, and one is the margins of civil society because of democratization. In a lot of countries, you simply could not ignore that the public space had been transformed by a whole host of independent society-based institutions that took it upon themselves to speak in the public domain in ways that they could not in pre-democratic times. And, again, this is something that the Bank has had to confront around PRSBs for example, around their own lending programs, so it's not -- you cannot have an unproblematic relationship with the executive. There are very loud commentators out there, and often times they're able to actually move public opinion and sometimes public policy.

The other part, again tied to democratization -- and I want -- I'll repeatedly come to this theme, because I think it's important even though the Bank does not explicitly talk about it because of its constraints -- the other part is the rise of local governments and decentralization, which has been a tremendous expansion in the last two decades, and if you look at Africa, in almost every new constitution that has been discussed or amended in the last 15 years, decentralization has explicitly been posited as a pursuit. Now, they might not always been very effective at getting to it, but it underlies the new institutional restructuring that's going on. And within decentralization, the real sort of natural allies of decentralization, sort of community groups and community action -- you cannot have success with decentralization without that. So, in effect, they're kind of locked into having to deal with civil

society, broadly defined, and we can't quite run away from it.

Now, there is within the bank, at least at the senior management and the board level, a discussion about to what extent we can actually deal with civil society. I mean, civil society is not unproblematic. It can sometimes be quite problematic to public goods; it can sometimes be quite antigovernment, and if we're established essentially to be a lender to governments, it's very difficult to then have a close dance with a group that is nearly entirely antigovernment.

Let me say something about democratization and the possibilities it offers, which I think would help us understand some of the progress we've made within the Bank in engaging civil society and some of the hesitations that naturally come to us because of this. And we can call this pre-peace.

Democratization has certain possibilities, certain problems, and certain peculiarities depending on the region. The possibilities -- and I think Joel will speak a lot about this -- is the opening up of the space, including within legislatures, and legislatures have a great connection to communities and to individuals and small groups that are not essentially connected to the executive. I mean, so, (off mike) for example, community development, funds, and so on. So, this is a possibility that never existed when you didn't have democratization. When you had truly authoritarian regimes, you couldn't have the space for civil society organizations to organize and actually make claims on government.

But there are problems. Problems include excessive demand on some of these legislatures, for example, demands that don't take into account the true nature

of producing public goods in a way that enhances credibility of the government, enhances everybody's rights to (off mike). You can get sort of runaway claims that exclude others, especially the less powerful -- women and other groups -- and so that still presents a problem. You see a lot of this in Africa. And then you've got, of course, peculiarities such as patronage networks that are sustained within democratization but don't necessarily promise the kind of panacea that one had hoped for in the early 1990s. So, some of the problems of authoritarianism remain even within civil society and even within media, which sometimes is captured.

So, in a sense, you know, we -- the Bank has come to embrace civil society from both a self-conscious perspective, which is fairly simple and straightforward, but also a reach and rather complex reality they have had to contend with, and this is not to say that they've contended with it cleanly or unproblematically. I mean, the Bank is a big institution and it continues to learn sometimes perhaps not as fast as we would want.

So, how has the Bank acted within this space?

Joel, how am I doing on time?

PROFESSOR BARKAN: About four minutes.

DOCTOR NDEGWA: I'll speak very fast.

Two ways. One is what we call CDD, or community-driven development, where some of the lending or some of the technical assistance we've done is channeled to communities directly, particularly in areas of creating infrastructure for (off mike) delivery, whether it's clinics, small, you know, feeder

roads, and so on. Oftentimes the money still comes through the central government, but the projects are denoted to have the money go directly to communities so the communities can decide what projects they want, and a lot of that decision making is made around community groups and civil society groups, and that has -- it's actually been one of the fastest growing programs in the Bank. Look at a study -- there are more recent numbers, but I couldn't get them last night when I was getting ready for this. A study done in 2005 looked at projects lending between 1989 and 2003, and there were almost 900 projects in CDD. About 31 percent of those were to Africa, and this number has continued to grow.

We've had a great deal of success in places like Indonesia where CDD was spared with decentralization, and so you had a lot of community engagement at the local level and a lot of production of infrastructure that has actually changed the face of (off mike) delivery in Indonesia.

You had somewhat less successful experimentation in Malawi in large part because the CDD funds essentially got captured in an I guess sort of unreformed executive where even though you had democratic governments, the funds were still controlled by the presidential office. So, they still were unable to patronage and to control from the center. So, not quite truly a fully progressive civil society engagement. But that has more to do with the nature of civil society in Malawi than in the actual product itself.

The other example of this where civil society has been engaged in voice and accountability issues -- a classic example is in the Philippines where all

work in supporting the government to restructure procurement, public procurement, extended to working with sudden bureaucrats and sudden politicians to create an NGO called procurement watch that would track government procurement throughout all the levels of government and throughout the different phases of procurement, and this has been quite successful and is not right now being discussed as a potential item to replicating in a couple of countries in Africa.

Let me in my remaining 90 seconds get to four complaints that I think -- you know, at least they get me exercised.

One -- I think the model of civil society, especially in Africa, still remains of an entity that's in confrontation to the state, okay? Now, this worked great in human rights. It worked great in trying to rattle the cage to open up democratization. But after democratization, it has very, very important limits. So, there's really a need to transform this confrontational culture to one where you can begin to increase the competence of civil society organizations in policy work that actually entails consensus building and compromises rather than maximalist positions. So, you know, in a sense you want to get civil society to be more smart and less loud.

The second is around issues of alliances. Civil society -- again, mostly in Africa but also in other areas -- is still made up of sort of these boutique entities -- you know, small NGOs, small community groups that have maybe one issue, and sometimes even one person who animates the work. And this, again, has limits and we've seen this in plenty of places where when new governments come in and they

take up new people from civil society because these are the progressives, you (off mike) civil society, and they don't have then the ability to transform themselves into focused sort of -- focused on policy areas that have less to do with the restructuring the state, and you really need for these entities to arise in economic sectors, in the farming groups, and so on. So, I think that's important to sort of move from boutique kinds of arrangements to more coalitions that combine different interests into arriving at more important public goods.

Thirty seconds on the last two complaints.

One is measurement. The (off mike) is a problem with government or with the Bank, because we have humongous debates about how we measure governance. But for civil society, I think, there's a need to develop more robust measurement tools to actually measure what they're trying to get at, and these have to be very simple, perhaps even simplistic issues of measurement -- for example, you know, whether it's the number of girls in school or the number of lords that are using GIS to figure out the (off mike) access points for communities, but it is to be something better than to run things, for example, which governments can do very little about. It's very difficult for Nigeria to move itself from number 143 on the TI index to 140. You need to tell them exactly what they need to do. And EITI and such other issues might be actually good processes.

Finally, the role of the donors, including the Bank. I think there are probably two things here. One, a lot of civil society organizations are still depending on donors for their existence. So, donors have an incredible ability to begin shifting

the kind of agendas that these CSOs engage in. Now, you know, I have no problems with that, speaking as a Kenyan, because that's just the reality. I mean, a lot of NGOs, including the very good ones that I know, are simply a hundred percent donor dependent, and if that relationship -- if it's going to exist, then we should at least try to make it work towards expanding the agendas of these organizations.

And, finally, Joel, before you kick me out of the podium, I think it's quite important for civil society to try to educate both governments but also donors. In this I also would include my current employer. There's an inherent connection between rights -- political rights -- and economic outcomes. I mean, oftentimes if you don't have the space to pursue, you know, legal ways of articulating your interest and positing your preferences, then it's going to be very difficult for the government to actually have the kind of range of preferences they can combine and balance to produce good policy and to produce the best benefit to the most in society, and I think this is something that, you know, we have to get our hands around.

And, Joel, actually you had a great story you told me two days ago about how in Kenya the tea and coffee farmers were able to use the political space that was opened up during the democratization period to demand and exploit policy changes that actually have enabled them to be more independent of the government, to make more money, and so on. So, there is a connection. You have to think about it creatively rather than sort of knee-jerk reactions. So, there's work to be done, you know, for both civil society as well as the Bank.

Thank you, Joel, for your patience, and thank you.

PROFESSOR BARKAN: Thank you, Stephen. Actually you set me up for a point I want to make towards the end of the -- a few remarks I want to make, and if I run out of time I won't have to make it, and that is really the evolution of civil society from simply groups that open up political space that demand for rights, too, economic interest groups as we understand them in this country that lobby and most fundamentally begin to make connections with multiple branches of government, and I'll pick that up in a minute or two in respect to legislatures.

Until 2000, the legislature was largely ignored by the donor community compared to other institutions discussed by this panel as a demand-side mechanism for greater transparency and accountability.

Legislatures were historically weak in most developing countries for a whole variety of reasons. The most obvious at the outset was the fact that they were rubber stamps or didn't exist at all in countries that were under authoritarian rule, as was the case of most of the developing world, and particularly sub-Saharan Africa, until the late 1980s and early 1990s before the third wave -- so-called third wave -- of democratization swept these areas.

These institutions are still weak in fledgling or nominal democracies, formal democracies as pointed out, after the advent and return to multi-party elections. And as we quickly learned -- I think Terry Carl articulated it way back in 1989 -- elections alone do not a democracy make. And they've also been relatively useless as institutions for transparency and accountability, that is to say for exercising oversight over the executive branch or for the other principal purpose of why

legislatures exist, that is, the deliberation of public policy and the translation of those deliberations into law, that is, the crafting of legislation over time.

Indeed, most of the legislatures that existed in these countries were very weak in respect to at least three of the six principal functions that we associate with modern, democratic legislatures that exist -- real demands on government. First of all, the deliberation of public policy and the crafting of legislation, which I just mentioned; secondly, a measure of control over the budgetary process; third, oversight over the executive branch, whether it's simply monitoring expenditures or ferreting out corrupt practices; fourth, passing of legislation -- rubber stamp legislatures pass laws, but, you know, everybody waves their hands like in the Politburo, not much of significance; political recruitment -- historically legislatures have been the mechanism by which people enter into public life, and a small number of those ultimately emerge as the future senior leaders of their country; and, sixth, and very significant, particularly for the poorest agrarian and plural societies, and this feeds into the point that Tom Heller made at the beginning in respect to patronage politics, constituency service. MPs in weak legislatures devote a lot of time to constituency service but not much else. And the main point here is that these legislatures were collective bodies in name only, because they were, at best, assemblies of individuals who did not perform the principal collective functions for which legislatures exist. They were legislators but they didn't constitute an institution in its own right.

Now, why this situation? Well, first of all the historical legacy of

authoritarian rule and also the type of legislative institution that was established in many of the former colonies at the time of independence, parliamentary systems, which in many of the countries of origin -- and I'm speaking here specifically in respect to Britain and France for largely executive-driven governments. Historically, even in Britain today, the legislature does not have a role in the budgetary process; it votes up or down the budget presented by the Ministry of Finance.

But perhaps, most important, little or no resources devoted to the legislature -- very low salaries for members of parliament to the point that they can barely make ends meet in the capital city in terms of simply paying the rent and getting back to their constituencies periodically, which they need to do in order to gain reelection.

Second, very limited staff, and therefore the legislature and legislators would literally starve to death often as a deliberate policy on the part of executives to both keep the institution weak on the one hand and to essentially buy off and secure support for individual legislatures to the provision of individual patronage and, in many cases, the trip by legislatures to the state house on Friday afternoon to get a cash handout so you could go back to your constituency and maintain a viable presence there but, of course, in that very act becoming ever more dependent on the executive branch and becoming part of a patron client system which had a stranglehold over this institution.

But, arguably, the most important reason is the very nature of these societies, which I already noted -- poor, agrarian, often plural societies where

clientless forms of political organization are supreme -- and these informal networks, which lie behind the formal structures of government, which Tom Heller mentioned at the outset of his talk. One must never lose sight of that. In these societies, electoral politics at the grassroots are mainly competitions between patron client organizations of rival politicians or coalitions of such organizations. Voter demands, on the other hand, are quite basic and straightforward -- schools, roads, water systems for the local community, electricity, etc. This is the currency of the realm in terms of local politics. There's not a focus on public policy, as we know it, and the debates over the content of public policy at the national level or, for that matter, the alternative perspectives that competing political parties might take on public policy. In fact, a hallmark of politics in these societies, and particularly Africa, is that political parties -- there is no substantive policy debate between parties; there is no right/left-type political debate among party organizations. In this context, the pressures of constituency service are intense, and successful legislatures, that is to say, those who manage to get reelected stay in office and work their way up the chain, that is to say, to become members of the government, cabinet ministers, and the like, and exert real power -- these are the people whose fundamental incentive is not to devote time to the defining functions of the legislature other than constituency service, which as I've suggested is the defining activity of the individual legislator rather than the institution itself.

So, the challenge there for these institutions -- I have only one minute, I'd better go quickly -- is how do you change the name of the game here, and the

answer is you have to change the incentive system for members of parliaments so that they're going to want to spend more time on these basic functions. They're going to want to create a viable committee system -- and what does that mean?

Three quick attributes and then countries in which these attributes do and do not emerge.

First of all, the formal delinking of the parliament from the executive branch, whether it is by constitutional amendment, as occurred in Kenya -- while formalism is not everything, formalism counts, and in a number of countries we see that in fact the legislature or coalitions of political reformers on the one hand and political opportunists on the other within the legislature begin to enact legislation or constitutional changes that formally delink the legislature from the executive branch that take budgetary control of the legislature into their own hands and also the staffing of the legislature. So, the creation, for example, of a parliamentary budget service as in Kenya, and then over time an improvement of the staffing system -- better salaries, more professionalization of staff -- so that a viable committee system begins to emerge and has the resources with which to function.

Thirdly, and perhaps first as a result of this, raising the salaries of MPs -- a very controversial topic in some African countries. In Kenya, for example, legislatures now earn \$65,000 a year, a stunning sum, which has not made them very popular in the public domain, but it's gone hand in hand with the fact that you now have an independent parliament in that country which the executive cannot control.

Where, finally, are these coalitions of reformists and opportunists

likely to come to the fore who will put these steps into place? Well, not all places, and I don't want to retreat into an economic deterministic argument here, but they tend to occur in countries where, first of all, there is already a large civil society where civil society has a rural reach, where civil society has begun to transform itself into economic interest groups, as I mentioned at the outside of my talk, and where civil society organizations begin to go to the legislature to seek redress when they cannot get it from the executive branch. So, there's a connection here, what this suggests, between different types of demand-side institutions -- and that's where I want to close my remarks -- not just to look at the legislature of a civil society in the press one by one but where you get linkages between these three to create a demand-side system, if you will, that begins to create a system of institutions of countervailing power vis-à-vis the executive branch.

Thank you.

Before we turn to the questions --

(Interruption)

PROFESSOR BARKAN: Thank you very much for the oversight.

Bob Greenstein is going to finish up for us -

(Interruption)

MR. GREENSTEIN: (off mike) From the outset the demand side prospective and nature of the Center was apparent when we started in late 1981. The three principal audiences, we thought we were trying to reach were the media, other nonprofits, other civil society organizations, and members and staff of the legislature,

the U.S. Congress. It may be worth, briefly, talking about what led to the Center's creation.

In the beginning of 1981, the new president Ronald Reagan took office, and within a matter of weeks proposed sweeping budgetary changes that included proposals for the deepest cuts in poverty programs in modern U.S. history. These proposals were accompanied by a series of developments we hadn't seen before. First, an extremely sophisticated effort aimed at both the media and the Congress of having a series of sort of factoid sound bites numerically driven, supposedly analytically driven, quite compelling if you didn't dig into the data, widely accepted and covered in the media. And you had a proposal for deep poverty cuts coupled with the slogan that we are protecting the safety net for the truly needy and going after the truly greedy, not the truly needy. It sounds trite. It worked.

The media challenged very little of this, not finding the capacity to immediately on a fast turnaround basis determine the misleading or problematic nature of the case that was made for the cuts. The same was largely true on Capitol Hill and other nonprofit organizations that tended to be balkanized or fragmented into small-issue areas, and did not have this kind of analytic capacity that would be needed also seemed relatively helpless.

Most of these proposals -- I'd say 90 percent of the poverty-cut proposals -- in that first Reagan budget were enacted into law within six months. Another factor that led to that was the use of a new budgetary procedure on Capitol Hill -- I won't go into the details -- but suffice it to say that this new procedure meant

that instead of these cuts needing 60 of 100 senators to vote for them, what is normally needed for controversial legislation, they only needed 51 of 100 senators to vote for them, moving the U.S. system at least for those proposals a step in a parliamentary direction.

So the Center was really responded in a sense to response to the effectiveness of what you might call the poverty enhancement strategies that -- not the way they were advertised -- that went through in early '81. And the idea was to do, on a rapid turnaround basis as well as longer thought pieces, to do analysis that would be very credible, that would be accessible to nonacademics, nontechnicians, the media, other nonprofits, congressional staff, members of Congress.

From the outset we thought that it was acceptable, in fact desirable, part of the mission to be able to reach policy conclusions, make recommendations, and have a point of view but to have the analysis seen as being credible and not skewed to produce the point of view, and to have the point of view always seen as policy-driven, not partisan-driven, not to advance the interests of a particular party over another party.

Now, a few examples of where this led. The first example was within a few months after opening the doors the president unveiled a series of new deep cuts in poverty programs, deeper than those enacted in the previous year. As one example, one particular program -- the Food Stamp program, another proposal for deep cuts dressed as reducing fraud, waste, and abuse. We were able to go to a couple members of Congress of both parties to design, to write for them a specific set

of questions that they submitted to the Congressional Budget Office, their nonpartisan budget analysis institution that is part of Congress, not part of the executive branch. CBO produced a report within a few weeks finding that 80 percent of all elderly and disabled Americans living below the poverty line who received food stamps would have the benefits cut under this proposal, end of claim that it was fraud, waste, and abuse. The food stamp cuts were largely rejected.

This is the first example of several I'll have where you may note the use in a demand side way of a supply side institution. Had we not had the Congressional Budget Office to generate data that couldn't be questioned, this would have been harder to do.

Two years later, 1984, we're at a point where there have been very large tax cuts, and many on Capitol Hill not limited to the president's party talk about their role in cutting taxes. Through some very simple calculations, we were able to show that for people right at the poverty line their tax burden, the percentage of income paid in taxes had quadrupled over the last five years, largely due to high inflation and a failure to adjust certain tax parameters important to low-income people for inflation. In any event, this was the first foray into tax policy, and to my surprise we got 300 newspaper articles around the country reporting on this.

This seemed scandalous to people that there had been massive tax cuts at the top, and tax burdens had gone up several hundred percent at the bottom. Within about four months bipartisan legislation passed to index a certain key low-income feature at the bottom, and within two years this was completely reversed.

Another little example gives another feel for the approach. In 1992 Bill Clinton ran for president, and part of the platform was if you work you shouldn't be poor. He said he would expand a provision of the U.S. Tax Code called the Earned Income Tax Credit, sufficiently so that parents working full time at the minimum wage would not be below the poverty line and wouldn't have to raise their children in poverty.

The proposal he actually proposed upon becoming elected put a lot of new money into that part of the Tax Code, but it wasn't that well designed, and it fell significantly short of raising full-time workers to the poverty line. So we produced an analysis that started with the campaign sound bite he always used and followed it showing he had failed to meet his promise.

We did not issue the analysis immediately. I had a number of close friends who had gone into the White House, and I messengered them over a copy and said we're releasing this on Monday, wish you would withdraw your proposal and redesign it, knowing, of course, these things never happen. I got a call at 9 o'clock the next morning saying: "The president exploded at the morning of senior staff. Someone handed him your paper. Be in Bob Rubin's office at 1 o'clock. We will drop our proposal and redesign it to achieve the goal." They withdrew the proposal, they resubmitted it and got it enacted into law, and it had a major poverty reduction effect.

And no small part of the motivation here was concern of what the newspaper headlines would say had our paper come out when he had been in office

less than three weeks at this point.

We also increasingly are trying to use this network of state organizations in this work. Just two more quick examples of a very different nature: A tax cut that was going through in 2003 to cut the tax rate on dividends, we issued some critical analyses of it, got nowhere on that part except for an analysis that noted that because of the way the tax cut was designed it would cause state governments to lose state revenues and go deeper into deficit, and that a change in the design would result in precisely the same tax cut on dividends at the federal level but in a way that would not cause states to lose money.

This has to do with technical issues on the linkages of state and federal tax codes. No one in Congress had focused on this. This led pretty quickly to a bipartisan agreement that they would simply tweak a provision in the way we recommended. The same tax cut passed at the federal level. States avoided a loss of \$4 billion in tax revenue.

That work was made possible in part by the network of state organizations taking this work and publicizing it so it got media coverage in states, and taking it to state revenue commissioners and state budget directors who did not want to have to fill an additional budget hole with tax increases or budget cuts of their own, and things quickly moved forward there. And this is something we do on other issues as well.

A provision that was enacted into law about a year and a half ago, for example, under the theory of preventing illegal immigrants from getting health

insurance for the poor under our Medicaid program mainly has had the effect of causing some low-income U.S. citizens who don't have their birth certificates handy to lose coverage because they can't produce the birth certificates. We produced analyses as it was being considered stating various reasons why this was the likely outcome. Those were not successful. After it was enacted, we were able to get some money from some funders to fund civil society nonprofit groups in seven states to work with their state governments to collect actual data on the outcomes. You may have seen a front page *New York Times* articles about two weeks ago on this subject. There are now outraged editorials around the country appearing on the degree to which U.S. citizen children are being denied health care coverage because their parents can't readily find or produce their birth certificate. And there may well be a change in the legislation this year on Capitol Hill.

Now, I think the root of the successful stories -- and they're not all successful, I could tell you others where it didn't work -- but the root of the stories, I think the impact is first the credibility of the work. We have always tried not to go beyond our expertise. There often are other civil society groups wanting us to endorse what they want to do or attack some policy. They're not interested in if we do not have expertise in the area, we will not go there. The sense is that the minute the credibility is lost, the effectiveness rapidly dissipates.

Timeliness and accessibility are very important. We often work with people in academia or more academic think tanks, but often the work is using, or even requesting them to do certain work we then translate with their help and approval in

the forms that can be more readily used by people who aren't researchers or specialists.

Emerging in the sense in a validator role, particularly for the Clinton administration when they were in, but there's another element here as well, which is that so much of what we've done we have been able to do by using data from the federal budget itself, volumes of which come out each year, the Census Bureau, the Congressional Budget Office, state data and the like. In other words, were there not as transparent data and as vibrant -- for all the criticisms I can make of them from time to time -- as vibrant a media sector as we have, the whole strategy would be dramatically less effective.

This certainly shows the importance of the supply side aspect of things as well, but I would note that the supply side governmental institutions we rely on the most, such as Congressional Budget Office, were themselves the result of demand side creations. The Congressional Budget Office came into existence as the result of an enactment of a law in 1974 that followed the impoundment of funds by President Nixon leading to a combination of civil society action, lawsuits questioning the constitutionality of the impoundments, and congressional reaction that this, too, belittled the congressional role leading Congress to decide it needed its own independent budget office so it wasn't forced to rely solely on the president's budget office. And part of our role when there are threats to funding for things like, Census Bureau surveys or the like, is to work to maintain that funding.

In other words, at least in the U.S. context, the conclusion I think this

leads to is that there can be a virtuous cycle where demand side institutions work to strengthen supply side institutions, and then use what comes out of the supply side institutions to take the demand side work to the next level.

Thank you.

SPEAKER: Thank you very much, Bob, particularly because you drew us into the role of think tanks which have drawn some donor attention, particularly the operative and capacity building foundation of the World Bank in terms of supporting various analytic and independent groups, partly because universities are so weak in some developing countries. And also your last point about data which I thought was extremely important, particularly for the role of donors.

I'd like to -- who of the members of the panel would like to make some short comments on each other's presentations? Or just ideas that they may have triggered, and then we can turn to the audience.

MS. BOURGAULT: Actually, Bob, your presentation I think really brought together all the pieces of what we've been trying to talk about up here.

I think one thing, a mistake that donors often make or the international development community often makes is that the link in that virtuous cycle that you were talking about, but linking the demand side for governance together, and sort of saying, this is so great the way NGOs, nonprofit organizations, can work with the media. Let's spend a lot of time promoting that relationship and to asking them to work more closely together just because it's good. I think just remembering the dynamic tension between civil society groups and media, between the media and

government, is really important, and to respect differences in the way they operate, the fact that media will only pick up on the story if it's really newsworthy, and if you make it sexy and package it right and add significant value to them. And so you just need to remember when you're looking at full spectrum of demand side institutions --

SPEAKER: Turn to the audience.

MS. BOURGAULT: Yeah. Actually, Bob, I think your presentation really brought together all the pieces of what we've been trying to talk about up here. I think one thing, a mistake that donors often make or the international development community often makes is that the link in that virtuous cycle that you were talking about, that linking the demand side for governance together and sort of saying this is so great the way NGOs, nonprofit organizations can work with the media. Let's spend a lot of time promoting that relationship and sort of asking them to work more closely together just because it's good. I think just remembering the dynamic tension between civil society groups and the media, between the media and government, is really important, and to respect the differences in the way they operate. the fact that media will only pick up on the story if it's really newsworthy, and if you make it sexy and package it right and add significant value to them.

So you just need to remember when you're looking at the full spectrum of demand side institutions --

SPEAKER: You tend -- not only are institutions somewhat exogenous but that they can be influenced by international activities. And I just want to caution: Institutions are very often endogenous to the governing structures within

states, to the incentive systems within states. And they have great expertise, specialized capacity to develop formalized structures that will take advantage of the incentives coming from the outside.

But the basic drivers are endogenous to the systems themselves, and I think that we often don't pay even enough attention to the driving factors of institutional and governance change. And in particular, just to be provocative and make the point, look back over the past 150 years of economic growth. We had a tremendous wave in Europe and in the United States largely concentrated between 1865 and 1920 in which, on the basis of manufacturing and particularly manufacturing rents, industrial rents which had the wonderful characteristic that they usually demanded a labor capital bargain to produce a stable distribution of those rents, we produced relatively democratic states with the institutions that we are now quite interested in exporting.

We had another large boom after the Second World War in which in East Asia -- and this continues today -- we had another tremendous concentration of growth that was based largely again on manufacturing rents. But when you go into Japan and certainly when you go into the current cases in China, it does not look, institutionally, like the European and America models that we had.

And now we have some new things. We have the commodity-base growth that we're seeing, where I don't see how the distributional mechanisms are going to play out in the same fashion, certainly, with respect to labor that we saw in manufacturing-base growth. And we have the remarkable growth that we're seeing in

a limited number of states, five to six states in India that are driven heavily by service-base growth. And again the distributional mechanisms in a service-base growth appear to be different than they are in manufacturing-base growth, and that gives rise to a different politic.

So I am not trying to say, look, let's not think about what we can do to influence good governance; but I am trying to say let's pay some attention to the underlying political economy that drives growth before we take too easy a view and then castigate ourselves too much for having failed to really have changed these endogenous factors.

SPEAKER: Stephen?

MR. NDEGWA: Just, maybe to be slightly disagreeable, although in a more positive way, because I think oftentimes we forget that, you know, much institutional changes is the result of a social process, in particular of struggle between competing visions of what the good society should be like.

I think in -- and so I have to say that I have some impatience with the expectation that we can allow these evolutions to take too long. And I think there are a couple of reasons for this. And if you look at -- if you look at, for example, African society now, the claimants of change are, you know, there are more of them than you would expect from looking at the parallel history of western development.

The claims they are making are much more robust than you would expect at the same historical point of development in western economies. The capacity they have to make those claims, either through technology or through the

networks they participate in are much more robust than one would expect even 10 years ago.

So, you know, I sense a certain impatience on the ground in a lot of these countries that they won't simply allow for the slow evolution of institutions to emerge. They are very impatient, they want these installed, they want them exercised, and they'll do everything they could in their power to actually make them produce what they want in the public arena.

The one particular area that I think a lot of the development community has neglected -- and I think this is where the energy of institutional change really resides -- is the middle class; because the middle class, whether it's through, for example, in the democratization experience, through the legal associations, the business community has really been the engine of producing change in terms of the elaborate nature of the claims they've made, vis-à-vis the authoritarian state.

So, you know, I have to profess that there's a bit -- and my impatience has to do with the, what Heller's comment might lead us to be, a bit more not pessimistic but reluctant, to demand more sooner, which I think on the ground people are demanding more sooner, and they are finding ways to get there. So there will be elapse in the kind of institutional change that you see in a lot of the developing countries in the next 10 years, and you can't quite compare with similar historical periods before.

SPEAKER: Let me supplement and perhaps split the difference here.

The plea to pay greater attention to the underlying political economy, I mean I must say one of the things that's mystified me in my brief forays in and out of the World Bank as a consultant is how what seemed to me as a total no-brainer from an institutional perspective is still contested to reign, although probably less so than five years ago. It's not the dominant vision yet, and I'm not sure it's much better in some of the other bilateral agencies, even those that are heavily engaged in democracy promotion.

The other comment, though, that I would make in respect to Tom's point is that notwithstanding the underlying political economy and the pervasiveness of patron/client politics in some of these countries, these are not homogeneous societies. There is contestation going on, and there are real reformers. And to get back to Stephen's point, they look to the donors to be their supporting partners. Where often I think the donors go wrong is we move in where those partners that don't exist, and we have to be much more sophisticated as to where we enter and where we just simply stand back until the time is right.

Anyone else? Bob?

MR. GREENSTEIN: Well, this is more or less a follow-up to Jeanne's comment. One thing I think to aspire for is for civil society groups to help strengthen the capacity of sectors like the media and the legislature. Now, if you, even in the U.S. with hundreds -- I'm probably understating the number -- of people in the Washington press corps and a very amply staffed Congress compared, I'm sure, to most developing nations, you constantly find the reporter, even from a major paper

who's covering budget issues, not knowing where to start when a blizzard of stuff is thrown at them and the numbers are spun a certain way by members of either party on the Hill, and particularly the executive branch.

One of the things we do, we probably, in our dealings with the media, the minority of it may well be promoting new findings we have. The majority of it may simply be helping them develop greater depth about issues that are either about to emerge or just have emerged, so in a colloquial sense they don't get spun so they can ask better questions. They know where to go to look for data, so they don't take at face value what is given to them.

And we have found that the more a civil society group is willing to respond to requests for basic research, not just even briefing, not just giving your point of view, basic research by congressional staff, reporters, editorial writers to help them do their jobs, you get a double benefit. A) They'll rely on you more; but B) they can then be stronger as institutions themselves. This is another element, I think, of a virtuous cycle. But I think it takes time, but that's something to aspire to in the civil society sector.

SPEAKER: You have been very patient, so to you the first question. I would ask you -- the microphone will be brought around. Would you please identify yourself and ask a pithy and to-the-point question with minimum --

MR. SMITH: I'll try, try to be pithy. My name is Bruce Smith. I'm now at George Mason University.

I missed something here, and I think it's a dimension you've touched

on a little bit, and that is a linkage to political development. When I look at these countries and maybe the commodity-rich nations are a little bit unique, but I see political weakness. I see failed states. I don't see states that need to be held accountable, that we have to hold them in check, we got to get the prince, we got to do this and that. We got to have states that are capable of governing. If we look back in history a little bit farther, to Tudor England, let's say, the pattern typically was a monarchy to break out of feudalism had to beat down the dukes. I don't know what the equivalent would be -- feudal, regional war chiefs, warlords or something or other.

And then he used patronage. He used corruption. Let's put a good word in for corruption here. Corruption helps you build political machines. I realize some of these guys, you know, have 15 palaces -- that's overdoing it a little bit. Our political bosses, you know, used to get by with one palace, you know, or a little modest lifestyle. But how do you link this thing to political development?

If Henry VIII had a reporter saying, "Hey, you're --"

SPEAKER: What's your question?

MR. SMITH: Yeah, you're mislead- -- you're misusing Thomas Moore. I don't think he'd been too impressed. I think he'd have lopped off your heads, too.

I mean how do you sort of develop political institutions? Anything that is run solely by international donors I think is delegitimized on its face because it doesn't organically grow out of the society. Give us a political dimension here.

SPEAKER: Thank you. Libby, let's take two or three, and then we'll have the response.

MR. DE FERRANTI: I'm David De Ferranti. I work with the Transparency Accountability Program. Thomas has laid out, and others including Joel have elaborated an interesting characterization of the 21st century model of bad governance that's more effective than earlier forms. The institutions exist, but they're empty, emptied out.

My question -- questions -- first for Tom and Joel what to do about that. What actions work against this new and more challenging animal? How are they different from what might have been done in the past? What old tools don't work? What new tools may have to be employed, how to wrestle with all that?

My question for Jeanne is, what challenges does this mean for the media? How can media help with this new environment?

My question for Stephen is, what does it mean for the Bank? Hugo Chavez was elected six times, completely legally and fairly by overwhelming margins. How does one wrestle with all that?

And my question for Bob is, you've seen over 25 years Congress and the Capitol, the whole town here, go through various changes. At times the notion that any new legislation should pay, in other words, if new spending is being proposed, there should be a reasonable explanation for where the money will come from. It should be paid for. You've seen later drifting away from that. You've seen different ways that things function. Is there a trend here? Is it a bad trend? What can

be done if there is to reverse it?

SPEAKER: Okay, David, that's a menu for another hour. I'm going to ask two more people who had their hands raised to ask questions. First of all, John Sewell, and then Tom Bridle of NBI. John?

MR. SEWELL: I'm John Sewell. I'm at the Woodrow Wilson Center. I had two comments, but David's going to fill your agenda for the next period of time.

The question I have is the seeming absence -- and I may be wrong -- and I'm seriously thinking about what's wrong with the PRSPs and how can they be made better in terms of participatory democracy. The record hasn't been very good. It's ranged from serious civil society participation to conversations between the Bank country representative and somebody in the government. And yet here is an existing vehicle which is being used by an institution with a considerable amount of power. Why aren't the people concerned about supporting democracy making more of it?

SPEAKER: Tom Bridle.

MR. BRIDLE: (Off mike)

SPEAKER: Yeah, there's an overlap in some of these questions, and then I think let's turn first to Tom Heller, since in a way they -- I'll tell you why I posed it to his --

SPEAKER: (off mike) -- you're coming up with a lecture -- (off mike) -- ten units, but anyways --

SPEAKER: No, I pose it to you specifically because you took the

contrarian view here, not that institutions don't matter but the context matters. And nonetheless the selection of questions we just had all focus back on institutions, and if not institutions then what in the context that you are describing?

SPEAKER: Well, I mean I have made a contrarian plea in some sense so that we have to understand the evolution of institutions as a product principally of internal politics, what I called endogeneity, and particularly internal political economy. I think it's extremely important to understand I think we often simplify and mischaracterize the nature of nondemocratic institutions.

We talk about democratic institutions, and they're incredibly complex and dynamic, and we heard that -- and we assume that the other side is somehow static. It's not. These people are fantastically good entrepreneurs at rebuilding coalitions, at moving things forward. They have responded to the diversity, to the changing internal structures of their own society.

Senegal is a great example in watching how, you know, you have shifted. And I think they are also responding, to be brutal about it and provocative, to the fact that a huge part of the emerging societies -- and I'll use Africa as an example over my own history of much more in Latin America -- are simply running outside of the tracks on which we focus our institutional theories. That is to say they are running through informal economies; they are running in various types of massive urban agglomerations where the aggregation of political interests is quite different than we tend to think of in parties, even in spirituality.

I mean Stephen Ellis and other have described the different nature of

charismatic spirituality that exists. And my only plea is to understand, not through our eyes, but through the eyes of -- not the eyes but the guts, what's -- what in Frank Capone Africa is often called "levank" (?) or the belly of the way these societies are moving.

Now, what can be done within that, and I kind of stick with some of the people I'm sure have read the N.U. Audrick's (?) recent piece on, you know, on Bank's Lessons, School and Forum, and where the Bank is going. I think we have to do better diagnosis. That's where I started, and I think we have to do -- we have to engage ourselves in ways that take seriously the incentives that are endogenous.

I'll make one more point in order not to lecture. I do think that we are incredibly weak in having any kind of theory of political transition. The only one that has been seriously offered, which is a bit different than what's being described, is financier, all sins we've talked about, yes, the Tudors and the Stuarts consolidated their power. They then turned it into a mercantile structure, and it was 100 years of civil war that ended in 1688 in England in stalemate. And Alton's whole theory is that you get democratic constitutionalism out of stalemate of power rather than the consolidation of power.

Well, that's a good theory. It worked in certain places. I don't think it corresponds to the types of transitions and the transition conditions we're seeing right now. And I think on the whole we are pretty weak. I have tried to write about this a little bit and don't have that much interesting to say yet about, do we really have a theory of what moves from one equilibrium to another?

But I suspect, and I think I agree with what you said earlier: There is a great deal of fragmentation in transition going on in societies. The only place I would differ from you is not focusing on those who are making demands that are demands that we recognize, you know, our own political history, and understand that the demands are much more fragmented in Lagos, or Bechar, or in Caracas, for that matter.

SPEAKER: Stephen, do you want to say something about PRSPs?

MR. NDEGWA: I should repeat my caveat.

SPEAKER: Yes.

MR. NDEGWA: PRSPs are the poverty reduction strategy papers.

Let me try to combine some of these comments, some of these questions and on this question of whether -- in what the Bank and other donors can do when you confront a situation of, you know, I guess you might call it sort of bad/good -- good/bad governing. So you've got a bad situation, but it's as good as you're going to get at the moment.

You know, to me it seems that you have to come to terms with the fact that you're not going to get the trajectories of reform that we used to, you know, in the history of the West. You know, as Tom says, it's going to be very complicated, it's going to be very fragmented. But I think what you want to do in situations like that is to recognize that the policy arena, the space for policy discussion, has changed fundamentally, in particular through democratization because people are able to articulate their claims better.

People -- organizations in civil society are able to bring to bear on the executive and other parts of the state accountability mechanisms that one could not imagine before. And I think the role of donors in that context, then, is to facilitate cities and the ability to demand more from government and to facilitate the government's ability to provide what the citizens demand. So it's a bit of a balancing act.

You know, I don't think, for example, that we've actually caught up on this, both as a Bank but also the other donors. For example, there's a question about that legislatures are not consulted on PRSP. Well, in some places they are but not in all. And I think we simply need to realize that the policy space in which the Bank engages the country, not simply the government, has changed, fundamentally.

Fifteen years ago you could go to Ghana and talk to Rawlings and his minister and get away with that. Now, you can't, and it's, at the moment in most countries, it will create a lot of noise. It's not a situation where the PRSP would actually get rejected, but it sets a very different policy dialogue arena than before.

So I think we, you know, as a Bank and also other donors, we have to recognize that we have to get -- we have to begin engaging other sectors involved in the public domain.

You know, I want to get back to this business about the democracy project. I mean, personally, I'm in favor of that. How can you not be in favor of democracy, in strengthening democracy? But I think we have to recognize different institutions in the international realm have different mandates, and the Bank certainly

cannot explicitly say that they're supportive of -- they're intending to support democracy.

Now, there are various ways you can do things not to subvert democracy, which I think is an important principle. But I think if we unpack what democracy is, really sort of a settled rights instead of processes, one could work to support programs that strengthen those processes and that strengthen the rights that people can use to actually get public goods out of government.

And I give the example, are they wrong about, you know, the farmers in Kenya? But you also have situations elsewhere where the expansion of democratic rights, whether they be, you know, speech rights, organizational rights and so on, organizing rights, has provided ample space for people to make claims with the governments, whether their claims are on the budget or they're claims on the nature of administrative functions of the government and so on.

And I think you can exploit what democracy provides to expand the services and the legitimacy of government action. And I think again you can contribute to a voucher cycle of again enhancing democratic practices.

The work on legislatures, for example, which is a new area for the Bank, is potentially important in this because it allows us to engage in strengthening other components of the state that lead to good governments overall; because you cannot simply have good governance running out of the executive. You need to exercise all the agencies of the state to produce, you know, a good effect in the public domain.

So -- and I hope, you know, you don't feel like I'm scouting the issue here, but I do think those are some of the issues that one has to unpack to address. Thanks.

SPEAKER: Let me make a couple of quick questions here and actually try to answer the question I posed to Tom: If not institutions or at least not the formal ones that we have focused on, what should we, as analysts and the donors, do?

To pick up on Stephen's remarks, the fact of the matter is in a significant number of countries the developing world is not all failed states. I mean that's just a fallacy. A very small number of them are, are failed states and, if anything, that number is actually declining. So I don't buy into that at all.

But there's quite an array, and certainly at the top or next to the top, 15 countries in sub-Saharan Africa -- it's about 25 percent of them or a third, and probably a similar percentage elsewhere -- you have had significant development in formal institutions, notwithstanding the informal context against which those institutions are juxtaposed. So there's some -- as I suggested in my comments, there are some opportunities here that if the donors more finely calibrate their response and also choose not to go everywhere in one-size-fits-all, I would agree with Stephen there are opportunities that should be pursued.

The question is, what do you do elsewhere? Do you devise new approaches? And here you get into a possibility of mission creep (?). These organizations cannot do everything. It's simply beyond their capacity. USAID's

efforts at democracy, promotion -- I don't want to get off on that. Let's just say that capacity is very limited and seems to have plateaued, and that you have a series of equilibriums in each of these different strata of countries.

If you look at the Freedom House scores and how they've changed, you'll see that, in fact, since 2000 very little has changed no matter how you look at these countries. If you look at the group countries whether it's Larry Diamond's six-fold scheme, or some other lumping of countries on freedom held scores, there's not a lot of movement up or down. And those different categories of states demand different responses.

In the back and on the left?

MR. SUZI: Thank you. My name is Francis Souissi. I'm from the Embassy of Tunisia. I wanted to ask the other members to inform us about one important deadline in the developing countries since this topic is dealing most with the developing countries. We are faced with an important deadline on which the citizens in my country –

(Interruption)

MR. SUZI: -- and that part of the world are pinning great hopes: the 2015, the MDGs and the achievement of these goals. We listen to a lot of mitigated and controversial points of view from panel members. To what extent, if I may ask, are we entitled to remain optimistic as to the achievement of some or all these goals, please?

SPEAKER: Thank you. Others?

MR. VYASULU: Professor Heller spoke of bad governance, bad government. Since I don't think that --

SPEAKER: Would you identify yourself, please?

MR. VYASULU: Vinod Vyasulu for Budget and Policy Studies, Bangalore. Since I don't think that governments get elected and come to office with the intention of providing bad governance, bad governance happens because they don't get their act together. There are many reasons for this. It could be that they decide to rob the treasury; it could be that institution's failure; it could be that they just give in to government pressure. It could be anything.

Would it help us if we characterized bad governance into different categories or boxes and then talk of the kind of appropriate civil society's response to each kind of bad governance?

SPEAKER: In the front here.

MR. ERIC: My name is Eric. I'm a Nigerian lawyer. I am also the CEO and president of Kingdom Group which is a Nigerian think tank. So we are a civil society organization. We are interested in what we are talking about here.

Now I'd like to add comments and then maybe ask a question, indirectly. Would it help -- since we know, for instance, Nigeria's one of the countries that is developing unto democracy, and we have lots of issues, this year being an election year, would it help to involve the large number of diaspora Nigerians, diaspora Africans that are in the U.S., why the institutional buildups, for instance in Africa, may not work the same way? The Africans that are here that are

used to seeing things work and also concerned that shown by Nigeria, for instance, the highest remittances of Western Union is the diaspora Nigerians sending money back home. So they are already interested in building their country, building the capacity and building businesses even while they live here.

So would it not help, for instance, that you involve civil societies that have ties to the U.S., of the indigenous members of those societies who understand the nuances and the politics of the area, and knowing fully well that money talks and that part of the reason dictators and tyrants are able to talk so loudly is because a small man has no means to challenge them, would it help -- and anyone of the panelists can speak to this -- would it help to partner with maybe Nigerians that are resident here to set up those institutions in a five-year program, or ten-year program that can come up to be as strong as, perhaps, the Brookings Institute, or this institution? Thank you.

SPEAKER: Interesting and provocative question, and in the back.

MS. MOUDAM: Hi, my name is Hadah Moudam (?) with RGI International, and I have really several questions.

The No. 1 question regarding the extractive industries. As we all know, the countries that are suppliers of raw materials and we also need a bunch of countries that are going to be the consumer markets, and there are going to be countries that are developing the technologies and the uses of, and gaining the effects of all of this, how do we exactly create the balance between that when we are dealing with as very global economy?

If we look at even countries like Saudi Arabia where the wealth is concentrated among certain groups, the ruling family, they were able to a little bit give some of the wealth to the society, who are able to sort of keep things down a little bit, and I'm not sure that the issue of globalization and how that affected the corruption in these countries. Of course, this only was going to be concentration of wealth, concentration of power.

These countries are not going to give up that wealth very easily. We're dealing with societies that are originally with a collective mentality, of more of a communal living, and now they are being faced with living in a very individualistic basis. There is a lot of creation of needs there among poor people or among rich people, so they really want now what they don't have. And then the role of the media, of course, plays a big role of that.

Then there was one comment about the role of the media, and how can we really have free media when we also need someone to pay for it? So if we're having corporations paying for media, that's a big issue because again we're dealing with interests and different interest groups, so the role of free media is going to always be questionable.

And then the other thing, with the blogging that's now becoming an issue lately --

SPEAKER: Can you talk about your question about blogs, and then -

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MS. MOUDAM: Yes, and then after that, yes. Well, it's actually

they're all related because the role of globalization, a lot of the developing countries are not doing well. There is a lot of pressure in these countries. There's also, you know, they're suffering from the effect of the divide and rule type thing, so we have institutions that are really falling apart even though they pretend not to fall apart.

And then the blogging with the free media that has just started recently, and we have -- the last case was the Egyptian blogger who was expressing his opinion and got arrested. So how can we even have free internet access or free expression of opinion when we have that limitation in developing countries.

And then the third point we're talking about dealing with NGOs.

SPEAKER: I think we've got the general thrust. Can we turn to the panelists to --

MS. MOUDAM: Sure, except for just this: I really like --

SPEAKER: Fifteen seconds.

MS. MOUDAM: Yes. I really like what was said about the effect of NGOs in the United States, however NGOs in developing countries, they are basically tolerated, and they're giving very limited -- they can only give you certain opinions and certain ideas. They can only do certain things. They're royal NGOs in most countries. They are supported by the government, and that's the only way they can function. So how, exactly, can we really effectively work with the people when, again, we're dealing with the same system? It's a vicious cycle.

SPEAKER: Okay, thank you. The overarching question is, how do you deal with vested interests that don't want to change? Jeanne, could you

pick it up in respect to the media first, particularly maybe develop some of the points you made in your own presentation on access to the internet and touch for those?

MS. BOURGAULT: Yeah, I think I would go back exactly to that, and I actually then will go a little bit more broad sort of based on previous experience as a practitioner in this field.

The blogging, in particular, and sort of the multiple sources of information, one of the things that we often say about this is that it's clearly an opportunity, many, many more voices out there, many, many more sources of information from cell phones to computers to, you know, that take information way beyond the traditional print, radio and television. That's clearly an opportunity for countries around the world, and many countries are taking full advantage of the opportunities, particularly the mobile technology.

From our perspective the critical things to look at in that, in these developments, are ownership issues, absolutely, over broadcast, over the broadcast media in particular. When you're looking at these many, many new opportunities, just keep the focus on quality and sort of responsibility in general, and then to recognize there's a huge difference between a blog and on-line media. And so that you just -- you need to educate people and recognize those differences.

The way you handle it, I mean there are legal and regulatory requirements for an open and independent media, legal and regulatory requirements for an open and independent broadcast sector. And so, as I said, that's really where we need to focus our attention to make sure this remains vibrant and the quality is

there.

I'd like to step back a little bit from the media and sort of speak -- I'm not an analyst or -- from the donor perspective, but I have been a practitioner for a number of years, and I'm really struck by what Thomas Heller was saying about the bad actors. And in one of my experiences around the world in the media and worked broadly in civil society and democracy is that the dawn democratic actors, they're really early adopters of the tactics of democracy assistance.

And so my area of expertise is the former Soviet Union and Eastern Europe. Well, the Russian nondemocratic political parties were the best political party activists in Russia. In Kazakhstan every year there's a huge conference on independent media. Kazakhstan is one of the most controlled media environments in which we worked.

And so we are facing a challenge that is really interesting and different, I think, as we move forward. And we do need to recognize that the tactics are one thing, but underlying roots are what we need to be looking at. I am not a contrarian, normally, but I completely agree with that need to look at that and analyze that way.

SPEAKER: Identifying the pretenders. Well, Stephen Ndegwa has come back, and could you respond to the question posed about the role of ex-patriots?

MR. NDEGWA: That's great. You know, I think it's a great -- it's a great idea, but it's not always unproblematic, and it's not always that ex-patriot Africans or any other ex-patriot group positively affect policy. You look, for

example, at, you know, the Philippines, for example, where it has the largest sort of ex-patriot population, working population. They haven't really affected policy on the ground or even the accountability of the government.

In the African cases, you will find some very progressive examples, which is in Ghana where they were able to actually influence tax laws and their meetings law. But you also have situations where the ex-patriot community is, replicates this, the (off mike) divisions and the other division that you find within the country. You, for example, the Ethiopian ex-patriot community has really been in time a little bit part of that.

But I think what you have a problem with is the ability to jump from very narrow interest, including investments that are very narrowly focused. For instance, in India home villages, which is important, but it's not really going to change the nature of governance in that country.

You are getting now the more well of components investing in stock markets, for example. Actually, in the last three years the Nairobi stock market has taken off mostly because of ex-patriot Kenyans sending money back home. So it's a bit -- it's dicey and you can't quite -- you can't characterize it as sort of overwhelming, positively, without thinking about the peculiar dynamics of a particular ex-patriot community and the regime that it's in place, because oftentimes ex-patriot communities is a product of various political upheavals.

But I, you know, I support -- I support that. I support the idea that they can become an important interest group, and sometimes even more progressive

than internally, but also they have limits. And so I wouldn't have simply an open-ended support for that idea, but I do think it's an important starting point.

SPEAKER: What about as investors in specific industries with specific needs that require changes in regulatory environment? I'm thinking of establishment of call centers, for example.

MR. NDEGWA: Well, I mean --

SPEAKER: Some -- (off mike)

MR. NDEGWA: -- yeah, the classic -- the classic sort of African reinvestment that's really taken off is African On Line, which just got bought out by South Africans, and so on. It's, you know, they -- ex-patriot Africans operate very much like other foreign investors. You know, if it's too hot to handle, they leave it, so they're not -- they don't engage government in changing policies, they look for opportunities and enter the field. They're quite disconnected from the policy discussions.

Now, once they enter the field then they become local participants in that sense. But even their capital tends to be fickle. So I wouldn't, you know, I don't see them as essentially, you know, that they'll have these governments break out of whatever binds they're in, but they're not to be neglected. But they're not a panacea either.

SPEAKER: I'm not going to -- I think these questions of expatriates are interesting. There's been a whole theory that goes back to the postwar, post-2nd World War, that these would be the drivers of change. And the anecdote that I

always loved is when people did come back from Germany to their villages in Italy after 25 or 30 years with all the knowledge that they brought with them of German efficiency, how to run the economy and better governance, basically what happens, the people in the village would have to dress the place up the way it looked when they left, because what they had was a frozen image of where the society was.

And it doesn't have to be that way because the experience of ex-patriots from Vietnam to I daresay rout (off mike) not a clue, as (off mike) suggested. I do want to say one point. The gentleman from the Tunisian embassy who spoke earlier and asked the question about the MDGs, I do think that Tunisia is a country which deserves a lot more focus and study than we've given it because it has changed in really interesting ways, and gets (off mike). And I'm trying to understand how that process took place (off mike).

But with regard to the MDGs I wouldn't even dare hazard a guess on that. I do most of my work on (off mike) change, and so I'll simply use the analogy we're not coming close to the enforcement of the goals that we're facing on 13 out of 15 European countries that are way off track.

So international agreements tend to fall short, but there is always a very creative period of readjusting, and in the last couple of years there were --

SPEAKER: Is that an illusion that elections count, too? Is there one last final question? We are really out of time.

(No response)

Seeing none, I want to thank the panelists for their contributions, and I

want to thank you all for coming. And remember, this is only the first of three panels, and a presentation by Frank Fukuyama coming up in about a half an hour. So let's take a break -- 1:30? Let's take a break and come back for more. Thank you.

(Applause)

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