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Does Greater Accountability Improve the Quality of Public Service Delivery? Evidence from Uganda

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Summary. — It is now widely realized that in many developing countries, the low quality of public services and governance can limit the scope for poverty reduction and growth. Empirical micro-level evidence on the scope for improved accountability to help reduce corruption and improve the quality with which critical public services are provided is, however, limited. Using a large data set from Uganda to address this issue, we find that household knowledge on how to report inappropriate behavior by bureaucrats and unsatisfactory quality of services does help to not only reduce the incidence of corruption but is also associated with significant improvements in service quality.

Key words — governance, corruption, public service provision, poverty reduction, Uganda

1. INTRODUCTION

Higher levels of economic integration across countries and greater availability of information provide significant potential for efficiency gains. These trends have also helped to expose corruption, defined as the abuse of public power for private benefit, as a key constraint to efficient allocation of economically valuable resources, effective provision of public goods and services, and people's confidence in the state and the legal system. Greater accountability, defined as a system of controls that, in a climate where information is openly available and transparency high, can help to improve economic efficiency and reduce the scope for discretionary action by public officials and is likely to be critical for the development process in at least two ways.

First, it is widely held that for growth to reduce poverty in developing countries, it should be largely driven by private investment. Rent-seeking by partial and corrupt public officials, however, increases the costs associated with entrepreneurial investment and may lead foreign investors to take their businesses elsewhere while forcing domestic entrepreneurs to go underground, leading to high levels of informality and a very narrow tax base. Complaints about lack of transparency, high levels of regulatory intervention and corruption, and the cost which these impose on doing business are at the core of recent empirical evidence gathered from entrepreneurs in the Global Investment Climate Survey.

A second reason of equal importance is that developing countries require significant investment in public goods such as infrastructure, education, and health, as a basis for private investment, broad-based, and sustainable economic development, especially in a decentralized environment. But, high levels of corruption have been shown to bias public spending in undesirable directions and reduce the quality with which such services are

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provided. Unless transparent mechanisms to allocate public funds toward growth-enhancing investments are available, and officials are accountable for the use they make of them, their full economic potential may not be realized. The harmful and potentially far-reaching importance of corruption, as well as the fact that high levels of economic growth do not necessarily lead to a reduction of corrupt practices, is now widely recognized. As a consequence, the issue has moved up on the agenda of international institutions and institutional reforms to combat corruption, including anti-corruption commissions, have been established in many countries.

We use the case of Uganda to explore in more detail three issues. First, we demonstrate that corruption is indeed widespread and examine the prevalence and incidence of corruption across different government departments. In doing so, we are able to test for systematic differences in the assessment of this phenomenon by the private and the public sector. We also introduce a measure of knowledge on how to respond to corruption and hold officials accountable and lay out implications of better knowledge in this regard on corruption in the narrow sense as well as the overall quality of public service delivery. Second, we use data on individuals who reported to have been asked to pay a bribe to examine factors that encourage bribe-taking, and in particular, the hypothesis that knowledge of procedures for complaint is an effective means to deter officials from such illegal activity. Third, to complement this narrow definition of accountability with a broader one, we test the extent to which our measure of accountability leads to higher quality of public services as measured by either the satisfaction of users with the quality of service provision in a wide range of sectors or, more appropriately, changes in the quality with which services were provided in the recent past. The fact that we find strong evidence for accountability having a strong impact on both counts suggests that both governments and donors might be well advised to focus on ways by which ordinary citizens can hold (elected and appointed) bureaucrats to account as a means to improve outcomes in the public sector.

The paper is structured as follows: Section 2 links the topic to the broader literature and discusses the conceptual framework as well as the strategy to implement econometric tests on this topic with the data at hand. Section 3 describes the data from Uganda's second integrity survey and uses them to provide descriptive evidence on the incidence of corruption across different institutions, households' exposure to corrupt practices and their knowledge of procedures to report corruption, and the quality of public service delivery. Section 4 discusses the econometric evidence to identify the impact of greater accountability on the incidence of bribe taking and the quality of public service delivery. Section 5 concludes by summarizing the evidence and translating them into a number of recommendations for policy.

2. RELATION TO THE LITERATURE AND MODEL

Issues of governance have long been one of the neglected areas in development economics (Bardhan, 2000). Recently, however, there has been increasing interest in quantifying the levels of corruption, transparency, and accountability across countries, to improve understanding of their impact, and to identify measures that can help to reduce undesirable consequences. This helped bring to the fore the fact that corruption is widespread and constitutes an important obstacle to economic growth, in particular through its impact on the nature and quality of spending on public service provision and the investment decisions by foreign and domestic private entrepreneurs which, in return, will affect the size of a country's tax base. As developing countries share many characteristics that make them particularly prone to high levels of corruption, a consensus that actions to improve governance would be warranted and needed in addition to growth-enhancing policies, is now emerging among international financing institutions. While this has resulted in the establishment of institutions that can help combat corruption, less attention has been devoted to the need to enhance accountability in order to make these institutions work.

(a) *Insights from the literature*

Thanks partly to more widespread availability of information, higher levels of economic integration, and greater emphasis on competitiveness and efficiency, interest in corruption and governance, in line with greater awareness of the importance of institutions in the process of development, has markedly increased in recent years (Bardhan, 1997; Nugent & Robinson, 2002; Tanzi, 1998). As private investment