

## *Speaking Notes*

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Panel on “Building Trust for Service Delivery and Access”

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### **Outline**

- Good intentions not enough for effective delivery of services
- Nor is it enough for good intentions to be accompanied by adequate funds and competent government – though this would go a long way indeed.
- The target population needs to trust the government and vice versa: reduces costs and improves quality of services provided by government
- But trust is hard to build, especially in the developing world
- Government-society partnership is one effective way of gradually building trust.

“Trust can be understood as an optimistic expectation or belief regarding other agents' behaviour.” (Fafchamps, 2002) Trust in government refers to the confidence people feel in their government. If they trust the government, then they willingly submit themselves to its authority on the expectation that their vulnerability will, at the minimum, not be abused and, ideally, will be rewarded.

The subject of trust gained prominence in the 1990s following publication of a spate of works highlighting the positive economic and political spin-offs of social trust. Much of the discussion on the subject appeared under the banner of “social capital” which was often equated with social trust (Fukuyama, 1999; Putnam, 1993, 1995).

What drew policymakers' attention was trust's supposed salutary effects on economic development by reducing transaction cost and promoting economic efficiency. It was also claimed to promote social solidarity and equitable distribution of income. Lower corruption (by reducing free rider problem) and crime levels (due to societal involvement in crime prevention) were said to be the other beneficial side effects of societies characterised by high level of social trust.

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In many ways, the discussion on trust harks back to the debate between Spencer and Durkheim. Speaking against individualism and rationalism of the English Utilitarians, Durkheim spoke of the “non-contractual elements of contract”. He argued that rational relationships of modern institutions were insufficient to hold societies together. Formal institutions such as contracts rely for their enforcement and viability on social relationships that are constituted in large part prior to and outside of a rational-legal order. He argued that for people to enter into contract, they must have a prior understanding of and commitment to the meaning of contract in its own right.

([http://www.bolender.com/Sociological%20Theory/Durkheim,%20Emile/durkheim,\\_emile.htm](http://www.bolender.com/Sociological%20Theory/Durkheim,%20Emile/durkheim,_emile.htm) ) Much of the public management and governance literature places far too much emphasis on legal-rational institutions and behaviour. The emergence of discussion on social trust provides a welcome corrective to this by extending the debate to include the normative elements necessary for sustaining good governance.

The social capital literature makes a useful distinction between personalized trust and generalized trust. The former exists between individual members of the same group and is a result of repeated personal interactions. Generalized trust, on the other hand, “exists between individuals of different social groups or kinship networks and results from the knowledge of the population characteristics, the underlying culture, and the incentives they face.” (Quibria, 2003) Personalized trust not only takes time to develop (due to the need for repeated interpersonal interaction), it may involve undesirable side-effects such as parochialism and nepotism among members and exclusion of the those outside the group.

Cross-cutting networks based on generalised trust foster promotion of collective interests of the society, whereas networks based on personalised trust lead to the betterment of only the groups’ members. The dysfunctional effects of networks based on primary loyalties is particularly acute when the distribution of power across groups is asymmetrical: here the networks become a barrier to economic opportunity and social cohesion (Narayanan, 1999).

Nevertheless, it is sometimes argued that societies low on generalised trust may in the interim work with closed groups formed on the basis of personalised trust to address pressing social needs. History is certainly full of examples of religious and other organisations providing public goods now provided by the state. However, this carries high risks of nepotism, cronyism and exclusion of others. In fact reliance on organisations based on personalised trust may strongly stymie the emergence of generalised trust. Yet societies may not have a choice but to rely on personalised trust if the state is weak and there is absence of generalised trust. The challenge would be to keep the club membership as non-exclusive as possible with system of accountability and transparency in place. Grameen Bank is often cited as a case in point.

How trust in government can improve service delivery:

- It is increasingly difficult for governments to know and appreciate their citizens’ diverse needs and expectations. It is similarly difficult for citizens to comprehend the limitations and conflicting pressures that their governments face. Governments’ job is easier and more effective if citizens trust the government: they are more likely to provide inputs while maintaining realistic expectations.

- People are willing to give benefit of doubt to the government they trust. This is especially vital when governments are engaged in major policy reforms and there is a time lag before benefits become apparent. Without trust, evidence that things are not getting better encourage people to oppose the reforms and seek reversal.
- In many service sectors (eg. electricity and water) improvement in service delivery often involves significant upfront costs which consumers are expected to bear in the form of high tariff for a long period of time before promised benefits materialize. In many developing countries, lack of trust becomes a major barrier to improving service delivery because people do not have the confidence that their contributions will indeed lead to improved service. They are thus left with sub-standard services despite willingness to pay for higher quality.
- Besides upfront costs, improvement in service delivery and access often involve significant risks. Government embarking on innovative initiatives in service delivery must work on the possibility that the initiative would fail, and they would be less inclined to launch such initiatives if the public is not willing to share the risk. And public willingness to share the risk will not be forthcoming unless the public trusts the government. Thus governments that enjoy public trust are more likely to risk innovation.
- Trust also has beneficial effects in policy sectors (eg health care) characterized by significant information asymmetries. The public is often apprehensive about the government' motives if they think they do not have all the information to them. But sometimes information on complex cannot be made available in a useable form. Trust compensates for the lack of information in such situation.

Regardless of its importance, trust cannot be commanded by the government: it must rather be earned.

The key ingredients for building trust:

- Integrity: Ethical behaviour on the part of government officials builds trust among citizenry. Expectations of ethical behaviour include absence of corruption and devotion to addressing public problems.
- Transparency: Knowledge about the government breeds familiarity and eventually trust. By disclosing information on a problem, the government is able to direct attention away from itself and towards the problem and how the government is addressing it. This is specially true for complex problems, such as health care. Eg. Hospital care is expensive and poorly understand and is hard to get societal support for reforms. Reform efforts are therefore easier when reliable and useable information is made available to people so that they understand the problem.

Transparency also builds implicit trust because people assume that what is made transparent is less vulnerable to abuse. E.g. just knowing that local government budgets are publicly available may help reduce people's suspicions whether or not they personally go and inspect them.

- Accountability. Clear and predictable arrangement for holding offices and officials responsible for the tasks they are charged with strengthens trust in government.
- Consistency in performance promotes predictability which in turn promotes trust. The public relies on past performance as an indicator of future potential. If people feel that the government does not take its commitments seriously or, worse still, breaks its commitments, then they don't trust it which makes the task of governance difficult. Predictable laws and their consistent application by governments serves the same trust-building purpose.
- Engagement and Participation in the policy process also strengthens trust. Decentralisation of public functions and partnership with business and civil society groups are thus viable alternatives for promoting participation.

#### Difficulties governments face in promoting trust

- Since the public uses the past as an indicator of the future, governments not trusted by the public are locked in a vicious cycle which they need to somehow break. If the government is successful in holding on to some principled position despite strong pressures to the contrary, it builds an image of integrity and resoluteness which inspires trust.
- Pervasiveness of personalised rather than generalised trust. Senior government officials, both elected and appointed, often interact with economically and socially powerful individuals and groups. If the relationship is close and trusting, cronyism and nepotism is a distinct possibility – which gradually undermines trust among the masses.
- Time-inconsistency problem is another barrier to trust. The time-inconsistency problems arise where governments constantly optimize over the short term, and quickly abandon long term plan that was originally considered optimal. For example, government may find it optimal at the beginning to encourage personal savings because it gives the government easy access to financing in order to expand service delivery and access. However, once the expansion is in place, governments may attempt to truncate their commitment by either charging hefty fee for the use of these infrastructure or (and) pursue inflationary policies to dilute the real value of their financial commitment.
- The perceived unpredictability of governments' actions is also a barrier for building trust. Research shows that Asian firms generally have low expectations of predictability of laws and regulations from their govt. The public responds to the unpredictability of governments' actions by not revealing their true willingness to pay for the service in order to build a cushion against unpredictable behaviors on the part of the government.
- Privatization of public enterprises and contracting out of public services (eg., electricity, water supply, garbage collection, and health care, etc.) may also undermine trust. Governments pursuing privatization often portray public agencies and state owned enterprises as inefficient and corrupt which has the unintended consequence of undermining public trust in the public sector in general.

Moreover, privatization, contracting out and 'disaggregating / agentification' reforms may be leading to a fragmented environment for service delivery that undermines the public's confidence that anyone is ultimately publicly accountable for mistakes.,

The difficulties in building trust in government are multiplied further in developing countries:

- High level of corruption in many developing countries is a major barrier to building trust in service delivery and access. The infrastructure for service delivery and access is often inadequate and government officials often demand bribe payments for the use of infrastructure services. Data for Russia and Ukraine show large side-payments for routine services. Such payments weaken trust in government.
- It is hard for post-colonial governments to gain their people's trust. In many instance, the nations were cobbled together from amongst groups with only a short history of living together. The various communities within the newly formed nation-state are yet to go through sufficient common positive experience to trust each other.

Many new nation-states have experienced system-wide changes several times, undermining the sense that the 'rules of the game' are stable. Prolonged authoritarian rule in many developing countries further undermined the esprit de corps.

- Many nation-states have sharp disjunction between formal and informal institutions. Parliamentary institutions may not, for example, serve the purpose they are intended nor does the bureaucracy function as a servant of the people.,
- Economic development is a double edged sword when it comes to building trust. Where development has been disappointing (e.g. Africa, much of South Asia etc.) there is a 'legitimacy gap' that undermines trust; and where development has been rapid (e.g. East Asia) governments have to run just to keep pace with the 'expectations gap' generated in the wake of the success.

The measures governments can take to build trust:

- Setting up mechanisms for the government to share with the public not only the risks and costs, but also future benefits from improvement in service delivery and access. Independent regulatory agencies can be an effective way to institutionalize the participation of the public in the decision making process in service delivery and access.
- Improving transparency and predictability, and sharing with the public not only the good news, but also bad news so the public are aware of risks and potential costs of innovations in service delivery. The public is less willing to share the risks in an opaque environment.
- Improving governance in public agencies and state-owned enterprises responsible for service delivery and access. These include measures to

detect and penalize corrupt exchanges and to improve corporate governance.

- But building trust is a long and arduous process. Government can speed up the process by building sectoral partnerships with societal groups. Successful partnerships and increased opportunity for interaction and understanding they afford would not only achieve the immediate purpose of the partnership but also gradually strengthen trust.
- Partnership help build trust in two ways. (ADB, 2000)
  - First, it can strengthen the organization and skills of individual stakeholders, their capacity to work together, and the confidence that the relationship will endure, based on the recognition of successful outcomes.
  - Secondly, the learning process for the partners helps to break down barriers and creates mutual trust. A good partnership must first deliver the services for which it was set up, and to do so with a modicum of efficiency.

State, business, and civil society have different resources which complement each other. Partnership is a vehicle for promoting complementarity and its use.

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### Difficulty in Obtaining the Law and Regulation Affecting Firms

	Very difficult	Difficult in most cases	Somewhat difficult	Somewhat easy	Easy in most cases	Very easy
Azerbaijan	6%	5%	13%	20%	42%	15%
Bangladesh	0%	12%	36%	6%	34%	12%
Cambodia	4%	5%	21%	49%	9%	13%
China	3%	10%	14%	22%	37%	14%
India	4%	4%	18%	32%	31%	10%
Indonesia	11%	12%	26%	40%	8%	3%
Kazakhstan	6%	13%	11%	14%	27%	29%
Malaysia	0%	1%	8%	39%	42%	10%
Pakistan	12%	9%	16%	41%	16%	6%
Philippines	1%	6%	16%	32%	29%	15%
Singapore	0%	0%	2%	11%	49%	38%
Thailand	3%	12%	34%	34%	16%	1%
Subtotal	4%	8%	21%	32%	24%	12%

### Changes in Laws and Regulations

	Completely unpredictable	Highly unpredictable	Fairly unpredictable	Fairly predictable	Highly predictable	Completely predictable
Azerbaijan	5%	9%	12%	46%	6%	23%
Bangladesh	2%	20%	39%	33%	4%	2%
Cambodia	14%	17%	28%	35%	4%	2%
China	5%	12%	19%	36%	24%	3%
India	4%	9%	40%	44%	1%	1%
Indonesia	10%	35%	21%	22%	11%	0%
Kazakhstan	41%	12%	34%	8%	2%	2%
Malaysia	13%	8%	16%	46%	13%	3%
Pakistan	9%	5%	19%	55%	12%	0%
Philippines	6%	13%	28%	35%	12%	6%
Singapore	2%	2%	9%	55%	27%	5%
Thailand	8%	12%	40%	30%	9%	1%
Subtotal	10%	13%	29%	36%	9%	3%

## Interpretations of Laws and Regulations

	Completely unpredictable	Highly unpredictable	Fairly unpredictable	Fairly predictable	Highly predictable	Completely predictable
Azerbaijan	4%	6%	12%	22%	48%	9%
Bangladesh	0%	10%	27%	29%	23%	10%
Cambodia	5%	4%	25%	49%	9%	7%
China	1%	8%	21%	33%	28%	9%
India	4%	12%	29%	46%	7%	1%
Indonesia	13%	10%	35%	35%	5%	2%
Kazakhstan	9%	20%	19%	16%	23%	13%
Malaysia	2%	0%	8%	38%	41%	11%
Pakistan	5%	12%	21%	37%	23%	2%
Philippines	3%	11%	20%	21%	35%	9%
Singapore	1%	0%	3%	14%	48%	34%
Thailand	1%	8%	32%	35%	21%	3%
Subtotal	4%	8%	24%	35%	22%	8%

**Figure 1: Average unofficial fee required for “favour”**

	Russia	Ukraine
Enterprise Registration	\$288	\$176
Each Phone Line Installation	\$1,071	\$894
Lease of state space (sqm / month)	\$26	\$7
Each export registration/consignment	\$643	\$123
Each import registration/consignment	\$133	\$278
Hard currency loans (preferential terms)	23%	4%