



Global Development Network

Varieties of Governance:
Effective Public Service Delivery

Concept Note

Ninth Global Research Project

Introduction

The word governance comes from the Greek word 'kubernan' which means *to stir*. The modern definition includes state and political institutions, their checks and balances, the rule of law and the delivery systems for the provision of public services as a core activity of the state. The GDN Global Research Project titled *Varieties of Governance: Effective Public Service Delivery* explores the role of formal and informal institutions, at both country and sector level, in effective public service delivery in the areas of basic education, water supply and transportation infrastructure (roads)¹². The role of decentralization, functioning of specialized agencies, private sector participation, quasi-markets, and community participation, to name a few, will be examined across the three sectors in up to fifteen countries.

Project Objectives

Given its comparative advantages, GDN will explore the links between governance varieties and effective public service delivery - the availability, quality and distribution of services in education, water supply and transport infrastructure (roads) in particular. Such sector specific research initiatives, within a well-developed political economy framework are few in developing countries and the proposed project attempts to complement ongoing initiatives by:

- **Contribute to the understanding of:**
 - **The interplay of political and sectoral institutions and incentives, of formal and informal institutions, and of actors and information flows in determining the structure and operation of delivery systems**
 - **Which delivery systems work better under different governance contexts.**
- **Support the development of methodological approaches adequate to data availability and supplementing data collection where needed**

¹ The GDN Experts meeting at Washington DC on June 4-5, 2008 advised to focus on these institutional aspects in these three sectors

² The Project Development Workshop at Kuwait on February 1-2, 2009 discussed the drafts of the project proposal, conceptual framework and the four thematic papers commissioned on the three sectors and the political economy framework of the project

- Analyze the impact on service delivery outputs and outcomes of differences in delivery systems and forms of governance:
 - Within countries (example, different delivery systems and institutional setups across states or municipalities in a given country)
 - Across countries
 - Over time (major institutional changes)
- Promote much needed multidisciplinary research on this topic.
- Suggest first and second best feasible institutional and policy options for improving public service delivery, under different country institutional contexts.
- Contribute to building research excellence of country research teams through external advisors, workshops, training and peer reviews.
- Disseminate findings to a wide policy and research audience at regional and global levels.

Background, Rationale and Conceptual Framework

Roughly defined as the set of formal and informal institutions that explain decision-making processes in a country, governance includes a few broad areas: (i) state capacity related to a state's power and ability to enforce rules; (ii) rule of law, that establishes among other things property rights and limits the state's discretion; and (iii) democratic institutions that further limit state discretion by holding governments accountable to their public in various ways.³ Effective governance includes various elements such as accountability, transparency, an effective bureaucracy, regulatory quality, electoral competition, political checks and balances and rule of law. The mix of these elements and the mechanisms for achieving them vary across countries. As an example, the checks and balances embedded into the political system may come from the constitutional division of power among branches and levels of governments, from an active civil society (as in Bangladesh), an independent media or a strong party system (China).

³ Francis Fukuyama, GDN Experts meeting at Washington DC, June 2008

Both the role of structure and agents will be examined in this project. The problem of agency is particularly salient in public service delivery arising from the fact that clients, politicians and frontline providers have divergent interests compounded by the fact that multiple principal-agent problems arise on the delivery chain.⁴

According to the 2004 World Development Report, a key dimension for the effective delivery of public services appears to be the degree of accountability to consumers, which is the capacity of citizens to demand and obtain better service delivery, either directly from providers or through their elected representatives and civic organizations⁵. The GDN project will focus on the five basic components of accountability relations: delegation and financing (from principals to agents), delivery and reporting (from agents to principals) and enforcement (by principals)⁶. It will emphasize how these components of accountability relations work in practice between citizens and policy makers and between policy makers and service providers (the so called long route of accountability) as well as directly between citizens and service providers (the so called short route of accountability)⁷. In particular, it will focus on reforms and programs that were supposed to strengthen such accountability relations.

The project will explore interventions on either the demand or supply side to enhance accountability and, where possible, competition among providers. Apart from the division of power and responsibilities across branches and levels of the government, several contextual characteristics such as history and geography, the cultural, religious and ethnic diversity, indigenous values, networks and knowledge, the role of political parties, unions, women, the media and civil society including NGOs, and the structure and organization of the economy may have an impact on how accountability relations work, basic needs are communicated and public services are provided.

Most recent initiatives undertaken by developing countries in order to improve basic service delivery can be seen as attempts to strengthen some of the basic components of

⁴ Kimenyi, Mwangi S., Subhash Ray, Lie Chen (2006), *Tools and Techniques for Evaluating Service Delivery*, AERC Collaborative Research Paper

⁵ The World Bank (2004), *Making Services Work for Poor People*, www.worldbank.org

⁶ Ibid

⁷ The World Bank (2004), *Making Services Work for Poor People*, www.worldbank.org

accountability relations, as shown in Table 1. Thus, decentralization has been an attempt to strengthen accountability relations by bringing policy makers and providers closer to citizens. Private participation and competition attempted to strengthen the direct accountability of providers to consumers through the links of choice, pay and delivery. Other initiatives attempted to increase choice or voice of citizens through other means or to align incentives between policy makers and providers.

Table 1
Frequent Reforms to Service Delivery Accountability Relations

	Citizen/ Policy maker	Policy maker/ Provider Org	Policy maker/ Frontline Provider	Citizen/ Providers (Short Route)
Delegation of decisions	Const R, Elect R	SA, PC, MC, CO C, PPP,, SF	AR	CP, PP Ch, DF, CDD, SF
Financing	Tax R	CR, D, DF, CT, SF, BFM	PI	PPP, D, CDD,
Delivery (performance)	Political R	PC, MC	PI, C, SR	CP, PP, Ch, DF,CDD
Monitoring and Information	Transparency R PDI	M&I	M&I	PDI
Enforcing	Justice R Account R Voting out	PC, SR	PI	CP, PP, Ch, DF, CDD

SA: Supplier Autonomy; PC: performance contracts; PI: Performance Incentives; C: competition among providers; MC: management contracts; CO: outsourcing and

contracting out, PPP: outright privatization or diverse forms of public private partnerships; SF: social funds; D: decentralization to states/provinces or to localities/municipalities; CT: Capitation (per capita) Transfers; CP: community participation; PP: parents participation; Ch: increasing “choice” of clients (e.g. in attendance of schools), DF: demand financing, including vouchers; CDD: community driven development; PDI public dissemination of information; AR: administrative reforms; BFM: Budgetary and financial management reforms; CSR: Civil Service Reform; M&I: reforms in monitoring and information systems; SR: Supervision Reform;

Why Focus on Governance in Service Delivery?

I Gaps in Knowledge

It is by now widely accepted that “governance matters” for growth, poverty reduction, equality, and political stability. Many studies have documented these relationships at the macro level. However, the complexity and heterogeneity of institutional setups across countries and sectors makes it difficult to study them in a comparative fashion. Moreover, the link between governance and public service delivery has not been explored to the same degree, although the 2004 *World Development Report* made important contributions in this regard.⁸ This report examined the considerable service delivery failures in developing countries and concluded that problems arise not just because of scarcity of resources, but more commonly because of inadequate incentives of policy makers and providers linked, in the last analysis, to weak accountability relations to citizens. The Conceptual Framework that will be used in the GDN study builds upon the framework developed by the 2004 WDR.

II Efficiency in Allocation of Public Resources

⁸ Ongoing initiatives in the area of governance such as the Freedom House Index and Harvard University’s Ibrahim Index of African Governance have tended to ‘quantify’ governance across selected indicators such as rule of law, political stability and absence of violence, government effectiveness, accountability, transparency, regulatory quality, corruption, human rights and social development. The recent AERC project on *Institutions and Service Delivery* comes closest to ours in substantive focus, although the regional coverage is constrained to the African continent.

A quick overview of the data from developing and transition countries around the world indicates that increases in spending on public services do not automatically result in improvements on the service delivery side or their outcomes. For example, the education budget can be weighted towards tertiary education: in Nepal, 46 per cent of the spending on education is biased towards the richest fifth; and in India, the richest fifth receive three times the healthcare spending compared to the poorest fifth (The World Bank 2004). There is also the problem of corruption: funds targeted for primary-level facilities never reach them. An audit of expenditures in Uganda found that only 13 per cent of the non-salary expenditure on primary education actually reached the schools.⁹ And, in addition, even when increased expenditures translate into increased coverage, achieving quality may remain elusive: thus, many developing countries have significantly augmented enrollments in primary education in recent decades but learning achievements of students remain disappointingly low¹⁰

III The Role of Governance

The institutional set-up and the policies implemented can have significant effects, in either direction, on the services delivered to citizens. Various governments have experimented with decentralization of public service delivery to local bodies, for instance. One such example, in water supply – one of our proposed areas of research, is that of Namibia's Decentralization Enabling Act 2000 according to which water supply services in rural Namibia were decentralized and expected to benefit the majority of the rural poor in terms of promoting democracy, enhancing management efficiency and the use of local resources¹¹. Though decentralization can, under some conditions, ensure local preferences in budgetary allocations and incentives to the local elected bodies to perform and improve service delivery (greater accountability), results from this transition have been mixed. In most countries decentralization has led to a wider variance of results across regions and localities: while there have been notable successes, mostly but not exclusively in larger and richer states and cities, there have also been major failures, mostly but not exclusively in

⁹ Joshi, A., 2006, 'Institutions and Service Delivery in Asia', Paper presented at Asia 2015, March 2006, Overseas Development Institute, London

¹⁰ Vegas, Emiliana, R. Balu and H. Patrinos (2009), *GDN Education Issues Paper*, GDN thematic paper, http://www.gdnet.org/cms.php?id=grp_studies_listing&grp_id=3

¹¹ <http://www.irc.nl/page/37615>

smaller and backward regions and municipalities. Limited success, failure or capture by particular interests at local levels may be associated with lack of local capabilities and political development and participation, preparatory ground work, misaligned responsibilities – local authority may not have the authority to dismiss or replace inefficient employees-, or lack of accountability among the various agents.¹²

Direct public supply of services (whether centralized or decentralized) work well in some contexts and very poorly in many others: success or failure depends on accountability systems (including the degree of community oversight and public disclosure), incentives (pay and promotion systems for managers, officials, and teachers), monitoring and evaluation systems, contracting, bidding and procurement systems, etc. Public service delivery through these systems is also often plagued by corruption. Thus, whether direct public provision in the areas of education, water supply and transport infrastructure (roads) is or not successful needs to be assessed from a comprehensive survey of available data, and on occasions collection of new data and surveys, and technical literature. The interplay of existing institutions, policies implemented and the implementation process itself is of utmost interest in this relation.

Private sector participation in basic services delivery gained popularity in the 1990s as the way to overcome the perceived deficiencies of the public sector and reap the benefits of efficiency commonly associated with the private sector. It also sought to strengthen direct accountability relations between providers and citizens. In general, private sector participation has tended to increased coverage, efficiency and quality, though the impact on the level of tariffs has been ambiguous, depending on initial conditions¹³. However, problems arise when policies stemming from the experience of one country are adapted unaltered in another country overlooking the social, economic and political conditions prevailing in the latter set-up. A case in point is the commercialization of water supply in Zambia¹⁴. The model of commercialization implemented in Zambia shares its origins with

¹² Burki, S.J., G. Perry and W.R. Dillinger (1999), *Beyond the Center: Decentralizing the State*, The World Bank, www.worldbank.org

¹³ Guasch, J.L., L.A. Andres, T. Haven and V. Foster (2008), *The Impact of Private Sector Participation in Infrastructure*, The World Bank

¹⁴ Dagdeviren, Hulya and Simon A. Robertson (2008), *Reforming Without Resourcing: The case of the Urban Water Supply in Zambia*, International Poverty Centre, Policy Research Brief no. 8.

privatization models adopted elsewhere, and thus suffers from similar problems arising from the use of inappropriate models of provision in developing-country contexts. In several cases private sector participation has led to over-pricing and/or low-quality service delivery due to absence or weaknesses of state regulation, thus causing a conflict between realization of social goals and commercial provision of, say, water supply. More generally, varying degrees of success or failure have depended on several factors as listed below:

- First, on technical characteristics of the services themselves: success has been more common in telecommunications, where new technologies have allowed for increased competition in provision or, in several countries, in power and gas generation, than in water supply
- Second, on the specifics of the institutional structure: the existence or absence of autonomous and competent regulatory agencies that can solve difficult regulatory issues and avoid capture either from private provider interests or from particular political groups
- Third, on the types of private participation, which may cover a wide range of options from outright privatization to management contracts, passing through very different forms of concessions and public/private partnerships
- Fourth, on the specifics of contracts, bidding and supervisory processes and, in particular, on the degree of transparency and information disclosure of such processes

A commonly used form of private sector (or NGO or communities) participation for effective service delivery is through contracting or outsourcing. Some governments contract services out—to the private sector, to NGOs, even to other public agencies. The contracting out of Performance-based Road Management and Maintenance Contracts (PBC) help cut costs and improves efficiency in the transport infrastructure (roads) sector¹⁵. These have been very effective in Latin American countries such as Argentina, Brazil, Chile,

¹⁵ Zietlow, Guntler (2004), “*Implementing Performance-based Road Management and Maintenance Contracts in Developing Countries - An Instrument of German Technical Cooperation*”, GTZ Report.

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Uruguay to name a few, where the concept of Road Funds has helped deliver quality services¹⁶.

Additionally, specific institutions and policies to guarantee access of the poor and disadvantaged have often played a key role. Quota systems are a popular mechanism in the education sector. The new Education Bill in India, for example, makes it mandatory for all schools to reserve 25 per cent seats for poor children in the neighborhood. Other countries have experimented with vouchers, conditional transfers and the provision of free transport and meal services in schools in poor areas. Focused and well-designed subsidies can be critical to guarantee affordability for the poor in water supply systems. Requirements of coverage of poor areas and households in concession contracts or privatized systems, using cross subsidization, can also enhance access of the poor. The GDN project will explore these aspects in detail across the selected sectors and countries.

Several other initiatives have been introduced to strengthen accountability to citizens, by introducing or reinforcing consumer choice and competition in service delivery, or citizens voice in policy making, in provider boards (school or utilities) boards and in oversight of service delivery. The GDN project will encourage analysis of such initiatives.

IV. The Role of Political Institutions and Political Culture

Several studies have noted that similar institutional solutions to service delivery seem to have widely different effects on service outcomes and outputs in different country contexts¹⁷. Such studies have suggested that such differences in performance are mostly due to differences in political institutions and political culture. Further, the specific country political context most often than not determine the types of delivery systems and institutions in place and the likelihood of particular reforms or initiatives being enacted. Actually, accountability relations between citizens and policy makers and providers are intermediated by a host of political and social actors (such as political parties, unions, business associations, advocacy or supervisory NGO's, the media) with complex accountability relations between them and citizens, on the one hand, and policy makers and providers, on the other.

¹⁶ *Ibid.*

¹⁷ Detailed in the Conceptual framework

Thus this research project aims at understanding the relationship between service delivery outputs and outcomes with both the **sector delivery systems and institutions** in place (e.g. the extent of public or private provision, competition and decentralization; contracting regimes; institutional structure of policy agencies and public providers; regulatory, supervisory and other autonomous specialized agencies; community participation and oversight; information and enforcement systems; etc.) and **the underlying factors that shape political incentives to provide quality services** to citizens. In other words, the objective is to unpack the “governance of service delivery” by identifying the effects of the formal **sector institutions** of service provision as well as the features of the **political systems** that affect service delivery, including the choice and performance of specific service delivery systems.

Why Focus on Service Delivery of Basic Education, Water Supply and Transport Infrastructure (Roads)?

Research has shown the impact in terms of accelerating growth, reducing poverty rates and inequality that improvements in education and in infrastructure can have over time. Quality of life is intrinsically dependent on the availability and quality of public services available to citizens.

Inadequate allocations of resources, poor incentives for staff, the absence of standards, politicized regulatory agencies, lack of integration or regulation of non-state providers and neglect of the potential of non-governmental organizations (NGOs) and the private sector, among other governance failures, have led to a state where policy makers and providers are not accountable to citizens and, as a consequence, the poor, especially, receive low-quality inadequate services in many parts of the world.

Education is a key social sector, important in and of itself as well as for its impacts on economic growth, equality of opportunities and human development, and for its relation to other important development factors, such as health, fertility rates, political development and so on¹⁸. Though many developing countries have been able to achieve important advances in coverage of basic education, many other countries still suffer from low

¹⁸ Vegas, Emiliana, R. Balu and H. Patrinos (2009), *GDN Education Issues Paper*, GDN thematic paper, http://www.gdnet.org/cms.php?id=grp_studies_listing&grp_id=3

enrollment rates, high desertion rates or both. Further, quality of education has been a more elusive goal: learning outcomes, as measured by standardized tests, appear to be dismal in many if not most middle income and low income countries. In addition, political parties and teacher unions, among other political and social actors, seem to have a major influence in many countries in determining educational policy and the incentives and performance of schools and teachers.

The GDN Education Issues Paper committed for this study showed that enrollments in basic education still vary widely by region (70% in SSA as compared to 84%-89% in the Arab States, South and Central Asia and more than 90% in other developing regions) and country, as well as between urban or rural spaces and by gender and income groups within many countries.¹⁹ However, low quality (low learning achievements) seem to be a more pervasive and complex problem for development. Indeed, except for a few middle income countries in Asia, most developing countries that have participated in internationally comparable student assessments (PISA) show average scores well below those of OECD countries. The available technical literature suggest that while skills are a key input for growth and development, increases in enrollments per se do not seem necessarily related to higher growth, probably, among other reasons, because of low quality: what matters for development is if children learn -and learn to learn- and not just if they attend school?²⁰²¹ This is especially true in today's globalized competitive world. Further, PISA assessments suggest that "countries with lowest mean scores tend to have the greatest between-school variance in scores, implying greater inequality across schools and neighborhoods such that students from the most poorly endowed schools consistently perform well below the country average".²² In other words, quality of education is not just low in most developing countries – thus leading to a weak relation between increase in enrollments and growth and development - but access to quality education is highly unequal in most developing

¹⁹ *Ibid*

²⁰ *Other possible explanations are poor policies and institutions that lead to low demand for skills or to misuse of skills)*

²¹ Pritchett, Lant (2001), *Where Has All the Education Gone?*, World Bank Economic Review

²² Vegas, Emiliana, R. Balu and H. Patrinos (2009), *GDN Education Issues Paper*, GDN thematic paper, http://www.gdnet.org/cms.php?id=grp_studies_listing&grp_id=3

countries, thus converting the educational system in a major contributor to the reproduction of inequality.²³

On the other hand, while several major international initiatives, such as the Millennium Development Goals and Education for All, are promoting and/ or funding increases in enrollments, there are no comparable international agreements or funding initiatives presently dedicated to improving actual learning outcomes. This is probably a reflection of the fact that a significant body of research has been dedicated to measure enrollments and study ways and means to increase them, while much less attention has been devoted to another important issue of quality. Finally, available research on the subject, while scarce, suggest that differences in quality are more related to differences in incentive structures and institutional setups (e.g, on governance issues) than on the amount of resources spent per student.

For all these reasons, the GDN Thematic Paper and the Kuwait Workshop suggested that the GDN project might yield a higher contribution to knowledge and policy if it focuses on the effects of Governance on two common policy failures in this sector - (i) low quality (as measured by student test scores in standardized assessments and other indicators of student learning outcomes) and (ii) large differences in equity of access, in terms of the quality differences among schools that serve students from different socio-economic backgrounds.

The **availability of clean, safe water and sanitation facilities** are also basic needs, with major effects on health. In Sub-Saharan Africa, for instance, drinking water coverage was still 58 per cent in 2006 according to the latest WHO-UNICEF figures, while sanitation is still an area where many low and middle income countries are not on track to meet the MDG of a 77 per cent rate of coverage. The nature of the sector also involves “the management of disjoint, yet overlapping geographical and institutional dimensions” and tremendous institutional heterogeneity in its management,²⁴ making water supply a particularly interesting subject for this project. Finally, given that safe water is essential for

²³ De Ferranti, David, G. Perry, F. Ferreiro, M. Walton (2004), *Inequality in Latin America: Breaking with History?*, The world Bank

²⁴ Straub, Stéphane (2009), *Governance in Water supply*, GDN thematic paper, http://www.gdnet.org/cms.php?id=grp_studies_listing&grp_id=3

life and health, politics (ideology and political practice) is a major determinant of service delivery choices and performance, to a larger extent than in other public services such as telecommunications, power or gas provision.

The GDN committed thematic paper - Governance in Water Supply showed that access to improved drinking water also varies substantially by region and country: only 58.4% in Sub-Saharan Africa while more than 80% in other developing regions and more than 90% in Latin America and Europe and Central Asia.²⁵ Further, access varies significantly between urban centers and rural dwellings within the same region or country: e.g., 81.3% vs 45.6% between urban and rural SSA.

The paper highlighted in particular a paradox, which is probably the most striking aspect of differences in access to safe drinking water. While all Governments recognize that water is vital for life and that all citizens should have access to affordable safe water supplies—and as a consequence of these convictions they heavily interfere in water supply systems to the point that in many countries private supplies through large networks is either not permitted or severely discouraged²⁶, at the same time the poor are commonly excluded from access to large regulated public (or private) network services and have to rely on lower quality and higher cost water delivered by small private suppliers. The extent of this problem and the governance and political economy reasons behind such a contradiction between stated objectives and actual practice has not been researched enough. In addition, quality is often poor in many regulated networks. The paper further concluded that these common problems are also often related to governance, institutional and political economy problems.

As a consequence, the thematic paper and the Kuwait workshop recommended that the GDN project focus on (i) governance aspects that determine the commonly observed low access of the poor to large regulated water network systems and their dependence on high cost and low quality small private service providers; (ii) on the observed low quality of water supplies even in many large regulated water network systems.

²⁵ *Ibid*

²⁶ *to a considerably larger extent than in other public services*

Lastly, **transport infrastructure (roads)** introduces other complex tensions between politicians' incentive to inaugurate new roads versus maintaining the existing network, for instance. Cost overruns and poor quality are highly common in most of the developing world. The importance of a well designed, built and maintained road network in both urban and rural areas cannot be underestimated in its role of facilitating a vibrant economy, reducing poverty and providing access to health and education facilities.

The Thematic Paper committed by GDN “On the Efficient Provision of Roads”²⁷ highlighted, first of all, a common problem found in public provision of roads in most developing countries: inadequate maintenance. The paper noticed the huge costs and waste of resources associated with such a standard malfunctioning of transportation infrastructure practices. It further noticed that, as in the case of quality of education and water supply, what is behind this pervasive problem is the lack of observability of adequate maintenance as compared to the easily observable construction of new roads. The consequences of inadequate maintenance only become observable when, after a time, roads collapse and major reconstruction is needed. Further, while there are strong private construction interests lobbying for road construction, interest groups in favor of maintenance are normally less powerful or nonexistent. The extent of the problem varies across countries and normally between primary, secondary and tertiary and urban roads within countries. Some countries (or provinces or cities within countries) have attempted to overcome such problems through the use of earmarked funds for road maintenance, independent agencies in charge of maintenance or outsourcing to local community organizations or private groups, hence strengthening interest groups in favor of maintenance budgets. Other countries have opted for concessions and other forms of public-private partnerships in which the same private firm is in charge of construction and maintenance and suffers the economic consequences of poor designs or maintenance – thus internalizing the effects of inadequate maintenance or of excessively low construction cost designs on higher required maintenance needs and costs. Finally, problems of construction and maintenance costs escalation are also frequent in many developing countries, as a consequence of inadequate selection of constructors and operators, bidding or overseeing practices, frequent

²⁷ Engel, Eduardo, R. Fischer and A. Galetovic (2009), *On the Efficient Provision of Roads*, GDN thematic paper, http://www.gdnet.org/cms.php?id=grp_studies_listing&grp_id=3

renegotiations or budgetary increases after initial bidding and design mistakes and outright fraud and corruption.

As a consequence, the thematic paper and the Kuwait workshop recommended that the GDN study focuses on the following two common policy failures in this sector: (i) under-maintenance and large differences in maintenance among main highways and other inter-city roads, and among urban and rural roads; and (ii) excessive costs and cost- and time-overruns in road construction and maintenance (as compared to benchmarks for similar roads).

Outreach and Dissemination

The research findings from this project will be presented as policy recommendations not only to governments and other stakeholders of countries under research, but will be summarized at a more general level in order to be useful to other country governments, stakeholders and development institutions. The project will be first of its kind as recommendations extracted from the thematic and country and multi-country case studies will benefit from discussions with a selected group of policymakers, academicians and other relevant stakeholders such as service delivery companies in the private sector from both developing and developed countries having vast experience in these issues, before being incorporated in the final report to be presented to a broader audience of stakeholders such as policymakers, academicians, NGOs and media at a large global scale through a series of workshops and meetings.

This project will provide an invaluable opportunity to translate research findings of the project into policies in these areas. Country study teams, Project Management Team (PMT) and the GDN Policy Director will:

- Map existing public service sector institutions, policies and policy frameworks in relation to governance arrangements and effective outcomes and outputs of public service delivery
- Conduct in-depth interviews with policymakers in developing and developed countries, as well as multilateral institutions, in order to explore what institutions and policies are in place at present and what impacts they are having

- Apply impact assessments to key institutional and policy interventions currently in place to ascertain their effectiveness
- Explore the parameters and possible impacts of proposed or nascent institutional and policy initiatives
- Explore the scope for new institutional and policy interventions at the international and national levels

Country level institutional and policy analysis will be incorporated into the country reports by the local analytical teams, but institutional and policy analysis spanning the countries covered by case studies, also incorporating lessons from developed countries and multilateral institutions and policies will also be undertaken in an overarching final project report using their results as well as the thematic papers.

While academics will be the key audience for the work, the aim is to provide a useful and usable tool to public service delivery specialists and policymakers for understanding the main links between governance and effective public service delivery. As such, a key part of our research and dissemination strategy will be to involve policymakers. This will include working with our country study teams to ensure that they build relationships with local policymakers, including through the holding of country study ‘launch’ and ‘dissemination’ workshops in each of the countries covered by case studies. These will involve the PMT, the country report team and key policy actors, amongst others, in order to build ownership for the research amongst the policy community, and ensure that the results produced reach a wide policy audience.

Policy impact will also be enhanced by the experience that the PMT have in interacting with policy actors, as well as the media, ensuring that the project has the sustainable impact that it deserves.

Monitoring and Evaluation

The project will include an integrated monitoring and evaluation system to measure project outcomes and success. The criteria to measure and monitor the project’s success will be developed corresponding to the project objectives stated above.

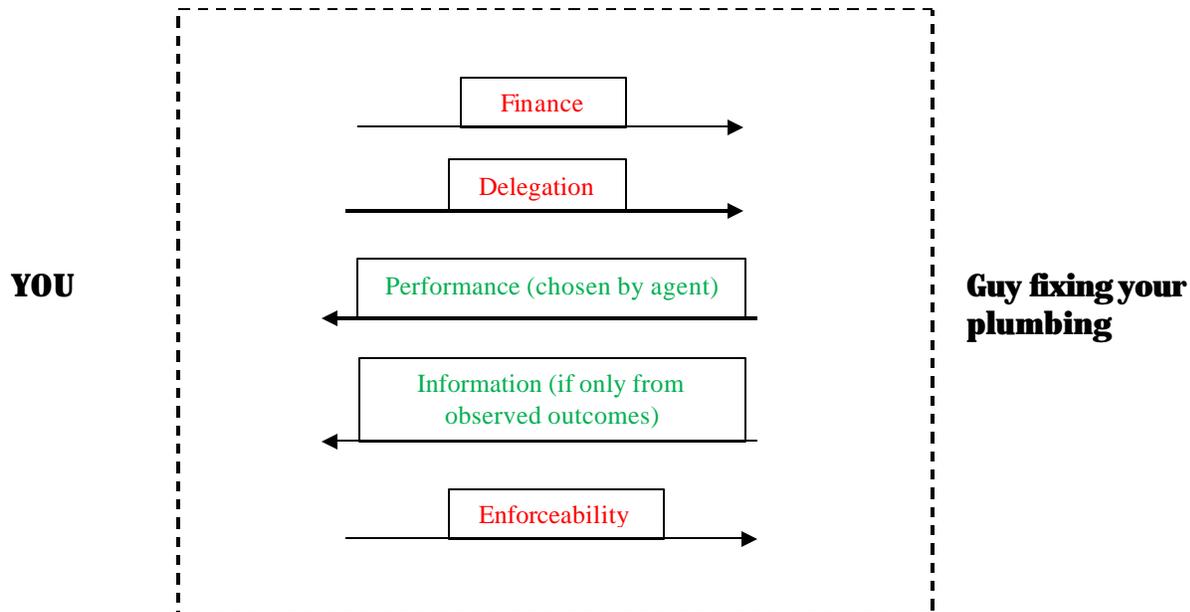
GDN will routinely monitor the work undertaken by participating country study teams against the annual plan and schedule. In addition to day-to-day project implementation monitoring, an evaluation will be conducted of the research done to develop best and second best feasible institutional and policy options for improving public service delivery, for different country institutional contexts. Qualitative reviews and discussions with the country study teams will complement the quantitative approach.

Monitoring and evaluation will be integral to the functioning of the program, not done as an ex post review. The goal is to review progress at least annually, to constantly improve the quantification of results and measurement of goal achievement, and to adjust the project work program in light of the findings. A final evaluation report will be published detailing the review.

ANNEX I
PROJECT CONCEPTUAL FRAMEWORK

Accountability relations are understood in a broad sense as composed of five main relations between principals and agents, following the conceptual framework established in the 2004 *World Development Report on Service Delivery*¹, as indicated in Figure 1:

**Figure 1
Accountability Relations**



- *delegating authority and decisions on service provision (principal);*
- *financing provision (principal);*
- *delivering services(agent);*
- *informing about delivery actions, outputs and outcomes (agent)*
- *enforcing demands and policies (principal);*

In any type of service delivery system, problems arise between principals and agents because the latter have objectives of their own and principals have difficulties in observing some aspects of their performance and in enforcing their demands. These principal/agent problems are especially complex in the delivery of basic public services (as opposed to, for example, the delivery of goods in private markets)² due to :

¹ Making Services Work for Poor People, WDR, The World Bank, 2004

² See, among others, Besley and Gathak (2003); Dixit (2002); Keefer and Khemani (2005); Gauthier and Reinikka(2007); Gauthier (2002); Holmstrom and Milgrom (1991), Homstrom (1979 and 1982), Laffont and Martimort (1998); Mookherje (2006), Mookherje and Tsumagari (2004); Radner and Marschak (1972); Reinikka and Svenson (2006); Tirole (1986), Wantchekon and Weltman (2007)

1. **First and foremost, difficulties in motivating politicians and policy makers to act as principals on behalf of the citizens in seeking to deliver high quality services, given frequent failures in political institutions and processes:**
 - **Difficulties in observing individual politicians and policy-makers' contributions to service delivery.**
 - **Voting behavior motivated by a host of factors, of which service delivery is only part.**
 - **Collective action problems of public service clients vis-a-vis politicians and policy makers.**
 - **Difficulties in aggregating and prioritizing the wide divergence of citizens demands and preferences in service delivery through the political process.**
2. **Second, the separation between payers and consumers (education and roads are usually financed primarily through public budgets and there are high subsidies in water supply) making it difficult for payers (policy makers) to assess actual demands by clients and for clients to enforce their demands;**
3. **Third, the wide heterogeneity of customer needs and demands (e.g., transport needs by location and activity, differences arising in learning abilities, differences in values and organization across ethnic groups, etc) and the multiplicity of tasks involved in basic public services (e.g. teachers perform a wide variety of tasks that compete in terms of allocation of time and resources), that makes it more difficult to establish and measure standards of performance and create tensions between the desired degree of autonomy of providers and their accountability to policy makers;**
4. **Fourth, special difficulties in observing and measuring performance (e.g. how teachers perform in classrooms and what do students learn; the extent to which roads are being properly maintained);**
5. **Fifth, the presence of multiple principals (e.g. teachers respond to school heads and boards, parents, teachers unions, officials of the education ministry and local politicians,; water supply providers respond to infrastructure, health and environment ministries or regulatory agencies), the multiplicity of layers and organizations and the interdependence of agents involved in joint production processes (e.g. shared responsibilities in education among different levels of Government and public schools) which makes accountability relations highly complex (and often contradictory) and require high coordination efforts.**
6. **Finally, different motivations of frontline service providers (whether driven mainly by economic, career advancing or altruistic motives) and the corresponding wider divergence of organizational cultures and quality, which complicates the design of regulation and performance incentives³**

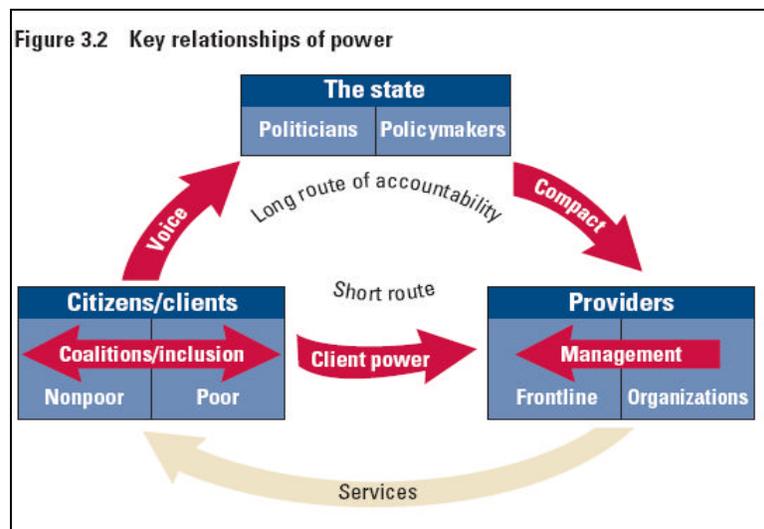
Thus, among other complications, two sets of new issues arise with special importance in the public service delivery context, in contrast with the case of private service delivery. First, though creating adequate “incentives” for agents through accountability relations is a

³ Collier, 2007

key issue in any principal/agent relation, this is especially difficult in the case of public services with respect to “superior agents” (policy makers): political institutions and political culture become central in the case of public service delivery. Second, given the multiplicity of principals and agents, and agent interdependence, coordination issues among both principals and agents also become central.

According to the 2004 WDR conceptual framework, accountability relations between service providers and citizens can be direct (the so-called “short route of accountability”⁴) or indirect, through the so-called “long route of accountability”, including two main stages of accountability relations: those between policy makers and citizens, and those between service providers and policy makers (See Figure 2).

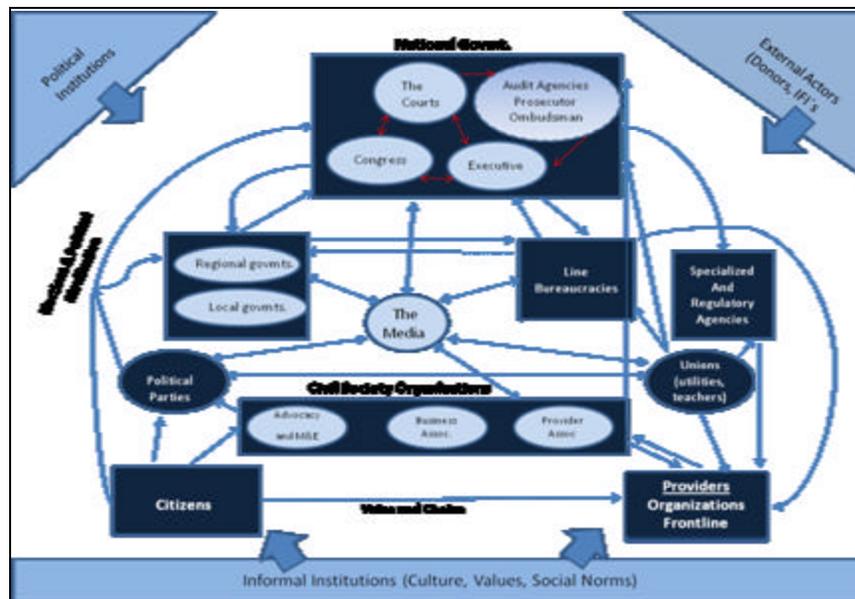
Figure 2
The 2004 WDR Long and Short Routes of Accountability



However, in practice, there are a host of actors that intermedate these basic accountability relations (creating further stages of accountability relations with citizens, policy makers and providers) such as political parties, unions, business associations (including those of providers) and a variety of other civil society organizations which inform citizens, perform advocacy of their rights and monitor policy makers and service providers. Also, there are many agents within the policy makers/providers link, such as regional and local governments, line bureaucracies and specialized agencies, rendering the accountability relations within the “compact” exceedingly complex. Finally, there are complex coordination issues among policy makers themselves: Congress, the Executive, the Courts, control and accountability agencies (e.g., auditor general, general prosecutor, general attorney, comptroller, ombudsmen), etc. See Figure 3.

⁴ 2004 WDR conceptual framework

Figure 3
An Expanded Framework of Actors and Accountability Relations



Hierarchical organizations, such as government agencies, are usually well adapted to deliver homogeneous and simple services in which detailed procedures can be easily established, monitored and enforced by a single principal.⁵ In the presence of multiple principals, heterogeneity, joint production by frontline deliverers, multitasking and the need for discretion that characterize public services, the “needs-supply” approach typical of hierarchical procedures frequently generate huge inefficiencies and poor quality.⁶ Among commonly observed problems in traditional public service provision in developing countries (“government failures”) we may quote resource leakages; demand of bribes to obtain services; rationing through patronage and clientelistic relations; “ghosts” workers and teacher absenteeism; capture by frontline providers unions, provider organizations or by construction interests; “one size fits all” solutions that are not appropriate for many cases; excessive though often ineffective regulations that limit required frontline discretion; obsolete solutions; low local “ownership” of facilities and services due to lack of information, consultation and participation; lack of mechanisms for processing consumer complaints and consumer interest protection; “free” provision that leads to little commitment from local citizens and to periodic or chronic input (O&M) starvation; inadequate maintenance that leads to rapid depreciation (especially in roads); lack of recurrent inputs and low quality services that lead to low capacity utilization and the continued reliance on costly and inefficient traditional community or small scale private sector alternatives (highly common in the case of water supply); water shortages and frequent service interruptions; etc

⁵ Pritchett and Woolcock, 2005; WDR 2004

⁶ Pritchett and Woolcock, 2005

Such stylized facts, and the difficulty in motivating policy makers to act on behalf of the citizens, has led several authors to recommend, and several Governments to experiment with a variety of governance reforms to the traditional mode of public service provision, and in particular “short route” and “quasi market” solutions as alternatives. Among these stand out supplier (e.g. school) autonomy; competition among providers and marketization of service delivery; cost recovery; outsourcing, contracting out, management contracts, outright privatization or diverse forms of public private partnerships; social funds; decentralization to states/provinces or to localities/municipalities; capitation transfers to sub national governments; community or parents participation in local decision making; increasing “choice” of clients (e.g. in attendance of schools, including through the use of vouchers and other forms of demand financing); community driven development; public dissemination of information. Many countries have also attempted reforms geared to improve traditional public provision: performance contracts and incentives, budgetary and financial management reforms, administrative reforms, civil service reforms, monitoring and internal information reforms, supervisory reforms etc.

Table 1 provides a summary of the ways in which these innovations affect some of the accountability relations discussed above. For the sake of completeness, the left column includes a variety of political, institutional and tax reforms that attempt to change accountability relations among citizens and politicians/policy makers, but that will not be a focus of the GDN study

Table 1
Frequent Reforms to Service Delivery Accountability Relations

	Citizen/ Policy maker	Policy maker/ Provider Org	Policy maker/ Frontline Provider	Citizen/ Providers (Short Route)
Delegation of decisions	Const R, Elect R	SA, PC, MC, CO C, PPP,, SF	AR	CP, PP Ch, DF, CDD, SF
Financing	Tax R	CR, D, DF, CT, SF, BFM	PI	PPP, D, CDD,
Delivery (performance)	Political R	PC, MC	PI, C, SR	CP, PP, Ch, DF,CDD
Monitoring and Information	Transparency R PDI	M&I	M&I	PDI
Enforcing	Justice R Account R Voting out	PC, SR	PI	CP, PP, Ch, DF, CDD

SA: Supplier Autonomy; PC: performance contracts; PI: Performance Incentives; C: competition among providers; MC: management contracts; CO: outsourcing and

contracting out, PPP: outright privatization or diverse forms of public private partnerships; SF: social funds; D: decentralization to states/provinces or to localities/municipalities; CT: Capitation (per capita) Transfers; CP: community participation; PP: parents participation; Ch: increasing “choice” of clients (e.g. in attendance of schools), DF: demand financing, including vouchers; CDD: community driven development; PDI public dissemination of information; AR: administrative reforms; BFM: Budgetary and financial management reforms; CSR: Civil Service Reform; M&I: reforms in monitoring and information systems; SR: Supervision Reform.

The viability and characteristics of potential “short route” solutions depend on certain technical characteristics of the services: in particular, whether there are economies of scale and network arrangements that lead to “natural monopolies” and that may require centralized supply. Their desirability further depends on the degree of technological change, which favours decentralized and competitive provision, and the extent of externalities, which favours more centralized or coordinated solutions.

Most research has shown that innovations that reinforce the “short route” of accountability (decentralization, competition among providers, PPP’s, outsourcing and contracting out, community and parental participation, increasing choice and demand financing) and that introduce performance incentives for provider organizations and frontline providers, have in general lead to higher accountability and improved efficiency and coverage⁷. Impact on quality and affordability has been more ambiguous. Recent research has shown indeed that these solutions also have quite complex governance and principal/agent problems of their own (which were frequently overlooked by initial reforms), that on occasions lead to inefficient outcomes (e.g., through frequent contract renegotiations, corruption; etc); segregation, affordability and other equity problems; and low quality⁸. Further, their long term sustainability and effectiveness depend on developing strong accountability relations between policy makers and citizens and between policy makers (and, specially, regulatory agencies) and providers. On the other hand, successful “short-route” experiments frequently lead to higher demands for increased accountability of policy makers to citizens. Thus, often short and long route solutions are complementary options, rather than alternatives, as the WDR 2004 appears to have assumed.⁹

In addition, research and casual observation indicate that almost identical service delivery systems and solutions often have highly different outcomes in diverse country contexts. Although many factors can contribute to explain this stylized fact, researchers have highlighted the special roles of political institutions and political culture. Indeed political institutions, actors and practices affect not only the link between citizens and policy makers: they frequently determine the choice and performance of alternative service delivery systems (e.g. the accountability relations between policy makers and providers and the way they work). Thus, in countries where the political landscape is dominated by

⁷ See, for example, A. Fiszbein et al (2005) and various IADB studies for Latin America; Kimenyi and Shughart (2006) for OECD and Africa; Dessy, Nannyonjo and vencatachellum (2007) for Africa

⁸ See Schneider (2009)

⁹ See Fiszbein et al (2005); Fiszbein and Matsuda (2006)

clientelistic parties and practices, policy makers usually respond to narrow interest groups, and frontline providers see parties as their main principals, given their direct influence in their recruitment and promotions as well as in day-to-day provider organization decisions (e.g., awarding of contracts, resolution of disputes, etc). Also, in polities with few checks and balances, policy discretion and lack of transparency may lead to generalized corruption and limit the possibilities of credible commitments by policy makers, which are essential for efficient private participation in service provision. Generalized corruption, either due to political culture or the lack of checks and balances, can affect every accountability relation in public service delivery systems. Further, political institutions and political culture may lead to the adoption of specific delivery systems and block or promote particular reform initiatives.

After examining the Latin American experience with diverse types of service delivery reform, Fiszbein and Matsuda suggest that, in particular, the presence or lack of a rule-bounds bureaucracy, the strength or weaknesses of checks and balances and the nature of political parties and practice (whether predominantly patronage-driven or increasingly programmatic) determine the likelihood of success of specific reforms in accountability relations between providers and policy makers: e.g. Weberian reforms –civil service, management information and financial control system reforms-, performance management contracts or opportunistic enclaves. These same political factors plus the nature of local politics determine the likelihood of success of alternative decentralization reforms. Again, these same political factors plus the tradition of strong state presence or diversified delivery modes and the strength or weakness of rule of law and property rights protection, determine the likelihood of success of alternative forms of private sector and NGO's participation in service delivery¹⁰.

¹⁰ See Fiszbein and Matsuda (2006), in particular Figures 2, 3 and 4