Common constraints and incentive problems in service delivery

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Acronyms

AGI   Africa Governance Initiative
IBP   International Budget Project
IIEP   Institute for International Economic Policy
SMC   School Management Committee
NGO   Non-governmental Organisation
ODI   Overseas Development Institute
OSSREA   Organisation for Social Science Research in Eastern and Southern Africa
PTA   Parent Teacher Association
UK   United Kingdom
UN   United Nations
UNDP UN Development Programme
UPE   Universal Primary Education

Executive Summary
There is growing recognition that, despite significant increases in resourcing, public service delivery is still failing in many developing countries. Political and governance factors may offer at least part of the explanation. A stronger evidence base is needed to address these factors, with greater cross country analysis that identifies some of the most common political economy constraints and incentive problems, and draws out lessons for how they can be overcome.

To contribute to this evidence base, ODI undertook a review of the existing evidence base in three sectors (education, health, water and sanitation) across multiple countries. The review points to a set of five common political economy constraints and incentive problems that seem to affect levels of performance. These are:

- **Political market imperfections**, in terms of disruptions in the relationships between politicians and citizens. These include a lack of credibility in the political promises politicians make to citizens, a lack of information among voters about politicians' performance, and forms of social fragmentation among voters (often manifested as identity politics).
- **Policy incoherence**, or contradictions (both within and across sectors) in policy design, structure and roles causing some part or the entirety of policy design to become un-implementable or unimplemented. This can be horizontal, with overlapping mandates and confused responsibilities among co-providers and other public bodies, or vertical, where policies do not have clear implementation plans or funding.
- **Lack of effective performance oversight**, where formal processes for monitoring and supervision are not followed or enforced and informal processes are insufficient. This includes cases where monitoring and supervision processes are not clearly defined or understood. Crucially, this includes both top-down monitoring and forms of bottom-up monitoring or supervision.
- **Collective action challenges,** which result in groups failing to act in their collective self-interest, even where individual members stand to benefit if the group achieves its objectives. This is particularly relevant for the effective delivery of public services, which often requires contributions from multiple actors, including frontline providers, service users, local and central government authorities, non-state actors and others.
- **Moral hazard**, in which actors are protected in some way from the risks associated with their actions or inaction. The study findings suggest it is necessary to pay particular attention to cases where the availability of aid or other resources (e.g. derived from natural resources) reduces incentives to develop service delivery systems over the long term.

Not all of these constraints are present in the cases reviewed, and each context has particular sets of historical legacies and institutional structures which shape whether and how these constraints manifest themselves. Nonetheless, our review suggests that these constraints, which reflect the wider nature of political systems and institutions, appear to arise time and again in different sectors and contexts, and are associated with detrimental impacts on service delivery outcomes. For example, they can contribute to poor access to services, poor quality of services, and inequity or marginalisation of some groups.

There has been limited analysis to date of exactly *how* these constraints lead to poor performance, in terms of the specific channels through which underlying constraints shape sector performance and outcomes. This requires further exploration, but for now, our review usefully points to some particular 'symptoms' that can signal where and how an underlying governance constraint may be present.

These symptoms relate to observable features and may include problems of staffing or common performance measures in sectors, for example, relating to the poor supervision of politically loyal staff and their poor behaviour. They often manifest themselves in terms of decisions regarding resource allocation and distribution, human resource allocations and management, as well as patterns of use and demand for services.

Recognising symptoms as separate to the underlying governance constraint may be helpful, as reform processes are unlikely to be effective where they address only the symptoms (e.g. staff shortages or training, poor financial management) without engaging with their underlying drivers (i.e. poor performance disciplines, policy incoherence and so on). This may require more effective diagnosis of the nature of the specific governance constraints and their potential symptoms early on and in more systematic ways.

Our review highlights some of the evidence, from particular countries and contexts, for how these political economy constraints can be overcome, drawing on a limited number of cases. Documenting the opportunities and potential benefits of addressing and mitigating these governance constraints should be a key focus of future work, to further demonstrate how political economy analysis can help contribute to more effective programming. Moreover, incorporating such a focus more explicitly into future work, and gaining greater insights into which policy options are most appropriate for which types of constraint, would help to inform the development of more appropriate theories of change to underpin programming.

From this initial review, a number of examples and lessons emerge, which offer some useful implications for future policy and programming choices. These include:

- The potential for strategies that promote the independent validation of the quality of services and the accomplishments (or failures) of individual politicians (i.e. through scorecards or other social accountability mechanisms). This can support developing more credible political commitments, helping address some forms of political market imperfections, for instance in Kerala, India or the Philippines.
- Addressing forms of policy incoherence, through initiatives that better define mandates horizontally and vertically for government and clarify respective roles and responsibilities. This may also involve strategies to support greater political leadership, building capacity and capability to drive delivery over time, including through tailored external support.
- Strengthening performance disciplines, through top-down performance monitoring in ways that build on traditional institutions or norms where possible (such as *Imihigo* in Rwanda) and ensure coherent sets of incentives for providers. At the same time, building forms of bottom-up monitoring can be key, to involve users in the setting of standards as well as providing feedback mechanisms for them.
- Various examples highlight where collective action failures can be overcome, for example through identifying local organisations that can effectively broker or facilitate forms of collective action, as in Malawi or Pakistan. Evidence also points to the need to ensure that unintended consequences of national policymaking do not in fact undermine local problem-solving initiatives already addressing chronic problems, as in Kenya or Uganda.

By bringing together available evidence and highlighting lessons in identifying and addressing the political economy dynamics associated with persistent under-performance, this study contributes to the development of a more structured foundation for on-going work on the politics of service delivery. It provides a useful resource for those with an interest in this field, and will be taken further under a new programme of policy research and advice by ODI.

1 Introduction

This study aims to identify common constraints and incentive problems that impair performance in social service delivery, so as to provide a more systemic review of the evidence available on these constraints and present some implications of this for choices about service delivery mechanisms, financing and aid modalities. It provides a more structured approach to the evidence by focusing on analysis from a political economy perspective to identify underlying institutional arrangements and incentives that contribute to service delivery processes and outcomes.

The study responds to a number of concerns. It starts from the recognition that, despite bold plans and massive injections of international and domestic resources, public service delivery is still failing in many areas in most poor developing countries. This suggests there is a need to revisit approaches to assisting service delivery sectors. We argue that a shift of emphasis is needed, towards a greater focus on understanding how a range of institutional and governance arrangements can shape service delivery processes and outcomes.

Second, while the number of political economy studies on different service delivery sectors and different countries is growing, these remain largely one-off or *ad hoc* studies. There have been few attempts to date to look across multiple studies, involving a range of sectors and countries, to identify any discernible trends. This study therefore seeks to provide a more structured analysis, to identify cross-lesson learning.

Third, many studies tend to talk in fairly generic terms about political and governance constraints. For example, concepts like 'political will' or the existence of 'weak incentives' are often referred to but rarely further developed in terms of the specific institutional and governance arrangements that contribute to these factors, and in terms of which of these may offer strategies for overcoming common bottlenecks or gaps (see also Mcloughlin and Batley, 2012).

We try to address this by identifying some specific types of governance constraints and some of the causal mechanisms through which these constraints shape processes and outcomes in service delivery. The effort to develop these causal relationships remains tentative and needs to be further developed through additional country analysis, but it is a useful step towards specifying more concretely some of the particular constraints and how they play out in relation to service delivery.

We reviewed existing evidence on governance and incentive problems for effective service delivery in a number of sectors (education, health and water/sanitation) and developed a preliminary analytical framework, which we subsequently refined, drawing on academic literature and country case examples. The study draws particularly on available political economy and governance analysis, to look at key institutional features that seem to shape service delivery processes and outcomes (including Batley, 2004; Batley and Mcloughlin, 2010; Booth, 2010; Gibson et al., 2005; Keefer and Khemani, 2005; Leonard, 2000). In total, over 50 sources were reviewed, covering more than 20 country case studies.

2 Identifying common governance constraints

Looking across the range of sectors and country studies reviewed, a number of common issues can be identified. These seem to arise time and again in different sectors and contexts, and are associated with detrimental impacts on service delivery outcomes. They include cases where politicians use services as patronage tools, where there are mismatches between national and local government strategies and policy frameworks and where users themselves opt out of formal provision and instead rely on unregulated, informal providers. Below, we set out a suggested typology of these common constraints, which we define as common governance constraints, in that they are inherent to the political system and appear to repeat themselves in similar ways across sectors and countries.

Taken together, this typology supports the rationale for a more systematic approach to reviewing and drawing together the available evidence base. Our desk-based review revealed the extent to which this is currently lacking. Instead, there is a wide-ranging and often inconsistent use of terminology (e.g. in terms of how concepts like incentives and institutions are themselves used and defined) as well as a wide range of theoretical and normative approaches in use.

Where cross-country or cross-sector reviews do exist, they often conflate a wide number of constraints and initiatives, with little reflection on their specific characteristics or defining features. As other reviews note, there has been a high level of qualitative analysis, often involving one-off studies, with a lack of integration of quantitative data that assesses impacts, for instance in terms of sector performance (Mcloughlin and Batley, 2012; McGee and Gaventa, 2010). These factors have posed significant challenges for this study, and we have had to use our own judgement in some cases as to how to interpret and categorise the available analysis. Nonetheless, it is striking that, despite these limitations, there are some areas of convergence within the literature, which form the basis of our typology.

2.1 Typology of common governance constraints

This review identifies a number of common governance constraints that seem to manifest themselves across a range of sectors and countries. This is a working list – it is not exhaustive or definitive, but rather aims to bring together current evidence to suggest some of the main categories that appear frequently within the literature. Table 1 sets out these categories, with a definition and with examples from the literature and cases reviewed.

Table 1: Typology of common governance constraints

Governance constraint	Definition	Case study examples
Political market imperfections	Perverse political logics often based on patronage or clientelistic relationships, contributing to short-term, populist policies and biases to visible outputs	Education (India, Nepal, South Sudan) Water/sanitation (Malawi, Sierra Leone)
Policy incoherence	Contradictions within policy design, structure and roles, meaning some part or the entirety of policy design is unimplementable or unimplemented	Education (Afghanistan, Bangladesh, Malawi, Uganda) Health (Cameroon, Niger, Rwanda) Water/sanitation (Kenya, Tanzania)
Levels of performance oversight or monitoring	Insufficient performance regulation and weak accountability (either top down or bottom up) contributing to users exiting from provision	Health (Malawi, Uganda, Vietnam, Rwanda) Water/sanitation (Ghana, Sierra Leone, Vietnam)
Challenges for	Weak capacity of actors to	Education (Kenya, Liberia, Uganda)

collective action	coordinate their activities and work together productively	Health (Ethiopia, Niger) Water/sanitation (Bangladesh, Pakistan, Sierra Leone)
Moral hazard	Availability of aid or other resources that insulate the state (or others) from the consequences of their actions or inaction	Water/sanitation (Niger, Sierra Leone, South Sudan)

Table 1 provides an overview of common constraints; the following sections look at how they manifest in particular countries and sectors, allowing us to better understand the extent to which they help to explain areas of under-performance – or provide strategies to improve sector performance.

These constraints are rooted in a set of historical legacies and structural features. Although beyond the scope of this desk review, the case studies do highlight the extent to which constraints grow out of these underlying features, which reflect historical processes of contestation between groups and the nature of underlying state–society relationships or the 'rules of the game' that govern these. They can also be shaped by a wide range of structural features, reflecting historical legacies but also particular geographic, demographic, economic or socio-cultural characteristics. Any country-level analysis needs to situate examination of governance constraints within these broader features.

2.2 Political market imperfections

The term 'political market imperfections' was coined by Keefer and Khemani (2005) to refer to three types of imperfections in the relationships between politicians and citizens: a lack of credibility in the political promises politicians make to citizens; a lack of information among voters about politicians' performance; and forms of social fragmentation among voters that can manifest as identity politics.[1] While constrained to some degree by the nature of a secondary review of existing sources, we can identify a number of examples of these imperfections playing out. In a sense, this is unsurprising, as all political markets are imperfect to some degree; however, what is important to note is the level of these imperfections and the extent to which they become detrimental to effective service delivery.

A number of examples highlight the extent to which the existence – or not – of institutionalised, programmatic parties, leading to credible political commitments, seems to shape key aspects of service delivery and development outcomes. Programmatic political parties have well-established reputations for advocating particular positions on issues of broad public concern, and thus can make credible commitments to provide public goods, in contrast with clientelistic or patronage models, which appeal to personal benefits or use targeted resources to secure loyalty.[2] Several cases reviewed highlight instances where patronage logics are dominant and have undermined the credibility of more programmatic political commitments.

In Sierra Leone, for instance, post-conflict legacies, limited state capacity and high levels of need, as well as weakly institutionalised political parties, mean that politicians often secure support by delivering material resources to citizens. Voters, in turn, tend to vote on the basis not of programmatic party agendas but rather on what material resources they individually (or within their community) receive (Harris et al., 2012). This has contributed to the adoption of opportunistic and short-term approaches to policymaking. In the water sector in Freetown, for example, politicians have focused on highly visible infrastructure projects and promised to provide free access to services (including through the provision of free tap stands) (ibid.).

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[1] These are expanded in Keefer (2008) to include the effects of capacity constraints and endemic violence.
[2] It is important to note that the existence of programmatic political parties does not presuppose a particular regime type (e.g. multi-party democracy). Other work by Keefer highlights that where multiparty democracy has been introduced without the *pre-existence* of programmatic political parties, it has not contributed to improved outcomes (Keefer 2006). Moreover, in some countries (such as Rwanda), the ability to make credible political commitments may exist even within a de facto dominant one party system.

In Malawi, there is a legacy of state–party fusion and the use of state resources for party political ends. This is evident in the water sector, where sites of water provision have been dominated by party loyalists, who have used the distribution of services (and resources) to further short-term political gains rather than sustainable provision (Cammack and Kanyongolo, 2011). At local levels, party loyalists have been installed as chairs of water user committees, and have dominated water kiosks and the management committees elected to run them as well as the collection of payments from residents (ibid.).

In some immediate post-conflict environments, the presence of problematic political logics can be particularly strong, particularly where processes of institutionalisation (of political parties and institutions of government) are still underway. In South Sudan, the political focus on nation building reportedly led to a bias towards visible deliverables in the education sector, particularly in infrastructure, as well as to a need to create state employment for ex-combatants and other groups to provide 'peace dividends' (EuroTrends, 2009).

In the post-conflict context in Nepal, there have been strong incentives for competing parties to gain access to state resources and entrench their positions and influence. Education has been a source of political support, both during and after the conflict period, with damaging effects on service delivery. In some cases, where school management committees (SMCs) are locally elected, they have been subject to strong competition between parties, as they offer opportunities to capture resources and to provide jobs and contracts to affiliates (Vaux, 2011). Similar dynamics are seen in the health sector, where, despite decentralisation (and the introduction of health facility management committees), the control of staffing decisions (including recruitment, promotions, postings and transfers) and human resource management remains centralised and provides a source of patronage (Jones, 2010). This has been the focus of political competition and influences staff incentives and accountability relationships strongly, with senior posts, such as medical postings in favourable urban areas like Kathmandu, allocated on the basis of political patronage (ibid.).

This review suggests that the presence and severity of imperfect information can have important impacts on service delivery outcomes, and this will affect politicians' incentives to improve these services in different ways. This includes where service users have low levels of awareness of the performance of politicians in relation to services or of their entitlements. There are various examples of the low levels of information users have regarding key aspects of service provision; for example, in Uttar Pradesh, only 7% of those surveyed knew about their village education committee, and less than 15% of parents had complained about their school (Ringold et al., 2012). A number of studies have highlighted low levels of awareness of funds received for service provision at local levels, for example in Uganda and Tanzania, where tracking of school capitation grants revealed that significant levels of funds had not found their way to intended schools, something not previously known to local communities (Sundet, 2008).

Different sectors – and sub-sectors – may be affected by these dynamics to differing levels, depending in part on the level of political 'return' they offer. For example, water infrastructure provision offers a more easily 'targetable' good than general improvements in quality; some goods can also be more visible (equipment, construction) (see Mcloughlin and Batley, forthcoming). Education can be a means to promote certain beliefs or national values, and this may also be seen as a political return in some settings. Keefer and Khemani (2005) argue that political market imperfections may be strongest in the education and health sectors, where information asymmetry is chronic and citizens cannot easily evaluate the quality and efficiency of services, which undermines their ability to judge politicians' performance effectively.

There is also evidence that service delivery can be undermined where societies are divided as a result of social fragmentation and patterns of exclusion. In fragmented societies (socially, ethnically or otherwise), voters may support candidates they identify with closely, regardless of their performance records. Keefer and Khemani (2005) cite various examples from India where districts with high numbers of marginalised or excluded groups have lower levels of access to and quality of

public services, where other groups have come to dominate access to resources and decisions on allocation.

Other reviews also point to the extent to which marginalised groups can be particularly disadvantaged in relation to service delivery. People living in the slums of capital cities in Indonesia, the Philippines and Kenya may pay five to ten times more for water per unit than those in high-income areas of their own cities (and more than consumers pay in London or New York) (UNDP, 2006). Moreover, the poorest 20 per cent of households in El Salvador, Jamaica and Nicaragua can spend on average more than 10 per cent of their household income on water, whereas in the United Kingdom, a 3 per cent threshold is seen as an indicator of hardship (UNDP, 2006).

In some fragile settings, fragmentation can spill over into conflict between groups for access to services. In South Sudan, some water points became sites for localised conflict, being seized by warring parties or destroyed by retreating armies or militias (Welle et al., 2008). In Afghanistan, new school constructions (particularly girls' schools) with international assistance became sites for Taliban attacks (IIEP, 2011).

Across these three dimensions, therefore, we see a number of examples of particular political market imperfections serving to undermine how services are delivered and to whom. These forms of constraint remain common where there is a lack of institutionalised political parties and other political logics (such as patronage) dominate.

2.3 Levels of policy incoherence

Policy incoherence forms a second category of constraint to service delivery. We define this broadly as contradictions (both within and across sectors) in policy design, structure and roles that mean some part or the entirety of policy design becomes un-implementable or unimplemented This adopts a broad definition of policy to include not just strategy but organisational mandates, funding flows and implementation capacity (adapted from Booth, 2010). It may include aspects of poor coordination but also broader contradictions within the policy framework, which act as barriers to implementation. Policy incoherence can be manifested horizontally, with overlapping mandates and confused responsibilities among co-providers and other public bodies, or vertically, where policies do not have clear implementation plans or funding, or do not take account of existing informal practices. Where political market imperfections are present, they can often reinforce forms of policy incoherence.

There are several examples of how horizontal incoherence can result in confused responsibilities for service provision. This includes experiences of horizontal incoherence in Cameroon's health sector, where the process of decentralisation did not ensure the alignment of health district and territorial administrative boundaries (Gruénais et al., 2009). This meant that, in practice, a single health district served several administrative districts, resulting in unclear supervision lines. In other cases, 'health areas' were located in more than one health district and/or more than one administrative unit (ibid.).

In the Kenyan water sector, horizontal coordination was reportedly 'very weak', with 11 ministries sharing some responsibility for water (Rampa, 2011). An ambitious reform programme in 2002 established an additional 13 new parastatals, and decentralisation further increased the number of autonomous regional bodies. This resulted in a 'the more the merrier' situation, with a proliferation of actors and a large influx of funds opening up multiple opportunities for rent seeking and a 'scramble for resources' (ibid.). This is a useful example of the potential interaction between common constraints, with policy incoherence reinforcing existing political market imperfections.

In the Tanzanian water sector, there have been examples of fragmented planning and management, horizontally and vertically (Maganga, 2003), reinforced by Tanzania's pluralistic legal system, whereby land and water resources were regulated by a range of institutions, including statutory law, customary laws, Islamic law and so on. The introduction of various reforms (such as

water user associations) reportedly did little to address this fragmentation and incoherence, and ultimately the reforms were not implemented in full (Sokile and van Koppen, 2004). For example, formal water user associations were introduced, but in ways that did not build on local knowledge and customs (e.g. for water use) and worked outside of pre-existing informal structures (ibid.).

Vertical incoherence can signal weaknesses in capacity and capability to effectively implement policies. Breakdowns in vertical coherence are evident in the Ugandan education sector, where the presidential announcement of Universal Primary Education (UPE) in 1997 became seen as a populist, election-focused measure. It was an uncosted and unfunded policy, eventually implemented using parallel government systems under the presidency, rather than the education ministry (Creative Associates, 2006). While the measure led to increased enrolment, the quality of education declined and there was a subsequent reliance on donor funding (ibid.).

Policy incoherence may also be triggered by a confused overall policy framework, often linked to populist, clientelistic or donor-driven policy decisions made in inconsistent ways (the effects of which are discussed in Therkildsen, 2008). Malawi has several examples of this kind of policy incoherence. At local levels, it has been reinforced by the suspension of local elections, the disbanding of local councils and limited decentralisation, which has created a vacuum at local levels and uncoordinated sector boundaries for health, education and water/sanitation as well as weak monitoring and management processes (Wild and Harris, 2012).

Cammack argues that weak public goods and service delivery in Malawi therefore reflects, in part, the challenges of priority setting and poor decision making, rather than resource scarcity *per se*. This has meant that 'scarcity of funding, the slow uptake of good ideas, insufficient capacity and the rest are a function of poor planning and policy incoherence, the prioritization of alternative agendas – such as winning elections and appointing big cabinets – rent-seeking that diverts funds out of productive use, and waste' (Cammack, 2011: 28).

Similar dynamics have been identified in Niger's health sector. Frequent pressure from donors to implement current internationally recommended reforms, such as the removal of user fees, combined with the president and the centre of government acting independently of line ministries (through the Special Programme of the President) have led to uncoordinated action and conflicting health sector reforms (Diarra, 2009; Olivier de Sardan, 2010). The Special Programme of the President ended up building poorly constructed health outposts that did not conform to the Ministry of Health's sanitary criteria and furthermore contradicted the national health strategy to phase out health outposts in favour of health centres (Diarra, 2009; Olivier de Sardan, 2010; 2012).

Issues of lack of coordination and fragmentation can be particularly pronounced in fragile settings. As Batley and Mcloughlin (2010) highlight, in these contexts, comprehensive policies (e.g. in health) may not be possible until sufficient capacity and information are present, as in Kosovo, Liberia and Angola. Moreover, it can be particularly challenging to access information on, and ensure coordination with, the range of non-governmental organisations (NGOs) and private providers likely to be operating (ibid). Again, this reveals the interaction between difference governance constraints, with political market imperfections and resulting information imperfections interacting to further undermine policy coherence.

2.4 Levels of performance monitoring and oversight

A third governance constraint is a lack of performance monitoring and oversight. This emerges where formal processes for monitoring and supervision are not followed or enforced and informal processes are insufficient. It also reflects where monitoring and supervision processes are not clearly defined or understood. Crucially, this includes both top-down monitoring and forms of bottom-up monitoring or supervision. Moreover, lack of or poorly practised government regulation is often worse in relation to the public sector (Palmer, 2006).

This can manifest itself at different points of the chain of service provision (central to local government; utilities to technicians; district facilities to service provider staff). It can result in forms of exit, where users opt out to informal providers, as a result of dissatisfaction or a lack of choice in the formal system. Exit could be seen as a form of performance monitoring (via market mechanisms), but in many of the cases reviewed, it has served to further undermine formal provision rather than spur reform, and in some cases has exposed users to higher risks through the accessing of unregulated provision.

Case studies reveal a wide array of examples where there is little sense of performance being monitored in terms of inputs, outputs or outcomes. This can stem from structural and institutional legacies, linked to political market imperfections, and is often accompanied by high levels of policy incoherence – again revealing the extent to which the constraints discussed in this study can interlink.

This was the case in the sanitation sector in Ghana, for example. Here, processes of decentralisation, including the promotion of 'community management' of public toilets, have been captured by local politics. In practice, contracts for the running of public toilets by communities went to local assembly members associated with sub-metropolitan districts, and were used as political favours to reward or ensure support (Ayee and Crook, 2003). This, combined with a lack of bureaucratic performance disciplines, meant that, while there were policy commitments to household toilets, in practice this was not realised, as public toilets became significant revenue earners for sub-metropolitan districts and assembly members. This in turn undermined monitoring, as the Waste Management Department and environmental health officers were unable to sanction politically protected contractors (ibid.).

As Batley and Mcloughlin note, even in relatively effective or strong states, regulation (particularly in terms of enforcement and monitoring) is usually weak (2010). The authors point to the example of the Indian government, which has a comprehensive regulatory system in place but fails to adequately regulate the private health sector. In Liberia, they highlight the pharmaceutical sector as having confused and contradictory regulations and policies, with unclear responsibilities for implementation and enforcement, reflecting a combination of a lack of commitment and political will to enforce laws (ibid.).

In Uganda and Malawi, formal processes for monitoring and supervision are not followed across the chain of service delivery provision. This stems from a number of structural and institutional features. In Malawi, it has meant a growth in illegal and unregulated private sector health care, opening up greater health risks for patients (Cammack, 2011; Cammack and Kanyangolo, 2010). In Uganda, non-functioning supervisory and inspection mechanisms have meant health units and staff have not been subject to active oversight, with public facilities often closed and high levels of health centre staff absenteeism, alongside reports of shortages of public medical supplies and essential equipment (Booth, 2010; Golooba-Mutebi, 2011). For patients, this has meant either a lack of access to health facilities (where they are closed) or potentially greater health risks through unregulated and illegal private practice.

A lack of performance disciplines can occur at multiple levels of the service delivery chain. For example, in the water sector in Freetown, Sierra Leone, water technicians are poorly supervised by water utility managers (Harris et al., 2012). This stems from a combination of factors, including political influence, where government departments do not pay their bills to the utility, and resulting weakened incentives (and reduced resources) for utilities in turn to monitor and supervise their own employees (ibid.). It has meant a proliferation of illegal connections (which are not reported to or registered with the water utility, in return for a one-off payment to the technicians) contributing to poor cost recovery within the sector (ibid.).

In Vietnam, decentralisation of public expenditure to provincial health authorities was reportedly undertaken without putting the necessary monitoring and evaluation instruments in place to monitor the allocation and spending of provincial health budgets (Frosberg, 2011). Ensuring compliance with regulations, quality and social equity were therefore a major challenge. In practice,

decentralisation also meant increased investment in curative care (mainly in hospitals) at the expense of preventative care, as services were targeted at those who could pay fees; at the same time, prescriptions and diagnoses became quantitatively oriented – so that over-prescription of expensive drugs and duplication of doctor consultations was common (ibid.). The result was that (local) primary health care services suffered and the quality and equity of access to health care deteriorated.

Understanding when users opt out from, or exit, formal provision also entails analysis of underlying socio-cultural beliefs and other influences on user choices and preferences. One study explored patient behaviour in choosing between government health centres and hospitals, non-state run centres and hospitals and traditional healers in rural Cameroon (Leonard, 2000). It found that patients chose providers based on their evaluation of the motivation of different types of practitioner. For instance, patients of traditional healers were not necessarily less educated, poorer or older than patients using state-run or non-state provision (and treatment from traditional healers was not necessarily less expensive). Rather, choices were based on perceptions of motivation, with traditional healers receiving higher payment if patients were cured and thus seen as more motivated to ensure good health care. This seems to be a consideration in considering the reasons for users opting out, which will in part reflect these monitoring mechanisms and regulatory frameworks but also a range of other factors.

Performance monitoring and oversight can therefore come from both the top down (from monitoring authorities) and the bottom up (from users and communities), and may be most effective where they combine elements of both (see also Batley et al., 2012; Joshi and Houtzager, 2012). Where this breaks down, users can often move to opt out of formal provision, instead relying on unregulated and sometimes illicit providers.

2.5 Collective action challenges

A fourth constraint refers to the challenge of facilitating collective action for the purpose of improvements in service delivery.

Olson (1965) notes that groups will not always act in their collective self-interest, even where individual members stand to benefit if the group achieves its objectives. This is particularly relevant for the effective delivery of many public services, which often requires contributions from multiple actors, that is, they involve not just frontline service providers but also users, local and central government authorities, non-state actors and others. Collective action problems can thus arise at multiple levels, and reflect the multiplicity of actors, where the distribution of costs and benefits prevent individual actors from coordinating and working together productively to generate services (Gibson et al., 2005; Olivier de Sardan, 2012).

In some cases, institutional arrangements intended to solve some of the collective action challenges necessary to support service delivery have been present, but have failed to function as planned. In Freetown, cost recovery within the water sector and improvements in quality and coverage of services depend in part on collective adherence to payment of water tariffs, and payment for water by any single service user is insufficient without that of other users (Harris et al., 2012). However, features of the underlying political economy have meant no collective adherence to tariffs; instead, a significant number of service users remain immune from sanctions for non-payment in Freetown (ibid.).

In other cases, forums in which individuals and different types of actors might come together to identify collective goals and define responsibilities have been undermined. In Malawi, local councils have been suspended since 2004, as they have been seen as avenues for opposition parties to contest and gain power and thus as a threat to ruling parties. This means that makeshift or *ad hoc* decision-making forums exist at district levels which have not been able to make and enforce strategic decisions and collective rules for service provision (Wild and Harris, 2012).

Capacity constraints or political incentives may mean that national policies and strategies in fact undermine local problem solving and collective action. In Liberia, there are strong legacies of community involvement in education, stemming from Liberia's long period of instability (1989-2003), when community-driven initiatives were necessary to ensure some level of provision (IIEP, 2011). However, in the post-conflict period, with a highly centralised system, the role for communities has been weakened. As a result, there are limited discretionary funds to support collective action at local levels (e.g. for district education officers) (ibid.).

In health in Ethiopia, there is reportedly a lack of mechanisms at the national level to permit policymakers to build on effective local solutions. This also stems from its highly centralised system, in which power is concentrated around the president and supporters. This means that, while there are effective voluntary mutual aid associations (known as *eder* or *shengo*), which work to address common or collective action problems (such as burials or curative health care), they are not built on by national government, for example to assist in the provision of preventative health care (Mariam, 2000). This has resulted in a lack of effective cost recovery for health service providers, as family units do not contribute as much to costs as they could if they were insulated from the catastrophic impact of health expenditure, for example through the risk-sharing function of mutual aid associations (ibid.).

In some cases, the introduction of new policies and programmes appears to have directly undermined existing capacity for collective action and local problem solving. This has been the case in Niger, for instance, where top-down efforts stopped a local initiative even where it was successfully addressing a particular service provision gap (Olivier de Sardan, 2010; 2012). This involved a local, bottom-up initiative known as the Extra Pennies Scheme, which began in the Dosso region as a response to financial difficulties imposed on health facilities by the abolition of user fees. The scheme required each health centre user to pay an additional charge of CFA100 (equivalent to around €0.15) into a common fund, used to finance fuel and other costs associated with ambulance transfers (ibid.). The initiative spread to other parts of the region, and eventually to other regions. However, extracting contributions from officially exempt users (pregnant women and children under five) was deemed to be in contravention of official policy, and in 2009 the Ministry of Health banned the initiative (ibid.).

A number of cases highlight where efforts to promote UPE (often supported by the international donor community) have in fact also worked to undermine parental and community contributions to schooling. In both Uganda and Kenya, the introduction of UPE led to national rulings ending parental financial contributions to schools (Creative Associates, 2006; Duflo et al., 2012). This served to strengthen the role of the central ministries in teacher governance and reflected the commitment to free schooling. However, in practice it also undermined parental and community involvement in schools, including in-kind contributions and the roles of parent teacher associations (PTAs) (ibid.). It contributed to shortfalls in the funding for these associations, including for the hiring of local additional teachers (a previously established practice in both countries) as well as for the purchase of additional supplies (ibid.).

Particular 'modes of provision', that is, who delivers services and how, may also influence opportunities for collective action (Mcloughlin and Batley, 2012). There are a number of common classifications of modes of provision,[3] but Mcloughlin and Batley argue that in reality there are limitations to these classifications; rather, services and public goods are often generated through formal and informal collaborations across increasingly blurred public/private boundaries (2010). Regardless of the model, the effects on service delivery may therefore depend on the particular ways in which collaboration occurs, and the nature of coordination and relationships between actors (ibid). This warrants further exploration, and is a subject of a parallel study by Mcloughlin and Batley, which maps the key characteristics of sectors and the extent to which some political and governance dynamics are more likely around some sectors and services (Mcloughlin and Batley, forthcoming).

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[3] Mcloughlin and Batley (2012) list several, including direct delivery by government, contracting out, collaboration and co-production.

In analysing collective action, it is important to consider the potential number of veto holders or 'veto players', that is, those who need to agree to any reform or change process (Tsebelis, 2002). The relative power and configuration of veto players will be determined by the particular service and the nature of the political system. In general, the number of veto players is likely to be higher where there are multiple power centres vying for influence, where a given context has a higher number of institutional veto points (e.g. in terms of separation of powers) and/or where political actors who control those veto points have diverse interests (ibid.). Understanding how veto players operate can provide indications on how prominent collective action problems may be in a given context.

2.6 Moral hazard

A fifth constraint refers to instances of moral hazard. We use this term to refer to cases in which actors are protected in some way from the consequences of their actions or inaction. The review undertaken for this study suggests it is necessary to pay particular attention to cases where the availability of aid or other resources devoted to service provision reduces providers' incentives to develop service delivery systems over the long term. In relation to aid specifically, Bräutigam describes a dynamic in which 'the indiscriminate availability of aid creates a moral hazard, where aid availability, by "insuring" incompetent governments from the results of their actions, allows government to postpone reform efforts and weakens their incentive to find alternative revenue sources' (Bräutigam, 2000: 24).

This can result in a wide variety of dysfunctional behaviours on the part of those actors insulated from the risks associated with their decisions (whether they be a part of the state, service users or service providers), such as an unwillingness to put the sector on a sustainable financial footing (whether through user fees or, in the case of public providers, through raising sufficient own revenues) or to invest resources that are available. Where such dynamics are prevalent, service delivery is likely to continue to rely on alternative sources of revenue (or other forms of assistance), rather than transitioning away from dependence. Long-term planning is likely to suffer. As moral hazard indicates an incentive problem rather than a capacity problem, it is important to differentiate cases where providers choose not to adopt and enforce necessary measures for sustainable service delivery from cases in which they are actually unable to do so.

In Sierra Leone, research suggests that the presence of sufficient donor funding, and the knowledge that the government would not let the water utility in Freetown fail completely, reduced incentives for the collection of tariffs (Harris et al., 2012). This was despite the fact that the utility was at least partly corporatised so as to provide it with incentives to operate in a financially sustainable manner. While there were several constraints on the financial sustainability of water services, moral hazard provides a useful, albeit partial, explanation for the behaviour of utility employees and the government (ibid.).

The case studies reviewed also suggest that, while the availability of alternative revenue sources drives the moral hazard constraint, the effects on service delivery may be particularly problematic where external sources of funding are provided without consultation with state authorities, creating parallel systems and leading to provision with little oversight or regulation. This can further reduce the likelihood of transitioning to sustainable forms of provision over the medium to long term.

In Niger, for example, water boreholes have been provided almost exclusively by NGOs, with little consultation with local authorities. As a result, local authorities have been unable to map existing provision effectively, reducing their ability to plan for improved provision (Olivier de Sardan, 2010). Moreover, a study finds that NGOs have often unwittingly provided facilities to local leaders, leading to their appropriation by local elites. This has contributed to an inefficient allocation of resources and, over time, inequitable access to water facilities (ibid.).

This can be particularly pronounced in fragile and conflict-affected settings. In South Sudan, for example, the main mode of delivery for water supply is through humanitarian assistance (largely provided by international NGOs). This reflects the consequences of the long-running conflict between North and South Sudan, and resulting high levels of humanitarian need. While there has been a *de facto* government since the signing of the Comprehensive Peace Agreement in 2005 (confirmed in a referendum on secession in 2011), emerging government structures have largely been bypassed and community involvement has been limited. There is some evidence that the provision of assistance in this way has reduced incentives of different levels of government to play more active roles in monitoring and the eventual running of provision in some sectors. This has resulted in a number of 'common pool' problems, whereby communities withdraw from the maintenance of provision, leading to its eventual disrepair and destruction. It has also led to the private appropriation by local elites, with examples including local church leaders or public officials, for instance dominating access to latrines in the water sector (Ali, 2012; Welle et al., 2008).

3 Common symptoms and effects for service delivery

In addition to identifying some of the common constraints across basic service sectors, this study seeks to explore some of the possible relationships between the constraints and their effects on service delivery outcomes. This is an important step in moving beyond the predominance of one-off, *ad hoc* studies to instead starting to identify possibilities for cross-location learning and devising more effective theories of change to address under-performance. In this section, we discuss some of the discernible trends in terms of effects on service delivery, before looking at some of the key 'symptoms' that may signal an underlying governance constraint.

3.1 General effects on service delivery

While a wide range of factors undoubtedly contribute to under-performance or to variations in performance for basic services, this review highlights the extent to which it is helpful to include political and governance variables as part of the explanation (and as part of identifying solutions). This has been under-explored to date in many of the predominant measures of sector performance.

Across the case studies reviewed, a general set of effects are discussed in relation to sector performance and outcomes, which can be clustered broadly into three main areas:

- **Poor access to services**: In Sierra Leone, the effects of collective action problems and political market imperfections included low levels of access and decreasing coverage as systems deteriorated in Freetown. Users opted for informal providers (who charged up to 200 times more per unit volume) or self-provision from contaminated shallow wells (which led to resulting health risks) (Harris et al., 2012). In Malawi, the effects of similar constraints on water provision were significant: they led to the poor running and eventual closure of many public taps (i.e. standposts). In the longer term, few kiosks remained operational and residents reverted to using unsafe water sources (Cammack, 2012; Cammack and Kanyongolo, 2011). Collective actions can also undermine cost recovery, as in Ethiopia, where family units did not contribute as much as they could to health care costs (Mariam, 2000).

- **Poor quality of services**: Constraints such as collective action problems can lead in particular to problems in the maintenance of provision, for example where community-level sanitation efforts are undermined or there is a lack of local maintenance of water points, often undermining water quality. In Ghana, reliance on publicly provided local area containers and dumps for sanitation, which were difficult to charge for or to make excludable, resulted in high levels of free riding and the dumping of waste in unsanitary ways (Ayee and Crook, 2003). Poor quality can also be present where there is poor responsiveness – in Cameroon, political market imperfections reportedly led to the building of a health centre where it was not needed, as 'consolation' for local elites who had lost the battle to have the administrative capital located in their area (Gruénais et al., 2009). Combined with forms of policy incoherence, in Niger this also meant that the Special Programme of the President resulted in poorly constructed health outposts that did not conform to the Ministry of Health's sanitary criteria (Olivier de Sardan, 2010; 2012). In Uganda, performance monitoring constraints allowed for unregulated private providers, contributing to high levels of health centre staff absenteeism (as they worked for private clinics instead) and reports of shortages in medical supplies and essential equipment (Golooba-Mutebi, 2011). This undermined service quality, with knock-on impacts on access.

- **Inequity or marginalisation of some groups**: In contexts like Zimbabwe and Niger, the presence of governance constraints has meant that chronic problems go unaddressed, resulting in severe shortages in access for some; in Zimbabwe, this was groups associated

with opposition parties; in Niger, it was those in neglected rural areas (Diarra, 2009; Gumbo and van der Zaag, 2002). In Kenya, forms of policy incoherence facilitated underlying political market imperfections and led to the persistent exclusion of some groups and regions from access to services (Rampa, 2011). In some fragile states, this can spill over into violence. In Nepal, for instance, there are reports of violent conflict breaking out between SMCs as issues of exclusion and marginalisation came to the fore (Vaux, 2011).

This is not an exhaustive list of effects, but rather reveals the extent to which there are some common impacts in terms of service delivery outcomes, such as lack of access and poorer quality or inequitable provision, which can be facilitated by the underlying governance constraints identified. However, there has been limited analysis to date of exactly how these underlying factors shape these outcomes and measures of poor performance. This matter requires further exploration, but for now it seems helpful to identify some particular 'symptoms' that can usefully signal where and how an underlying governance constraint may be present.

3.2 Recognising common symptoms

The review of case studies begins to suggest some associations of particular observable features of sub-optimal service delivery with the governance constraints identified in those countries and sectors. These observable features may include problems of staffing or common performance measures in sectors, for example, relating to the poor supervision of politically loyal staff and resulting poor behaviour. They often manifest themselves in terms of decisions regarding resource allocation and distribution, the nature of human resources (i.e. staffing allocations and performance), as well as patterns of use and demand for services.

Recognising symptoms as separate to the underlying governance constraint may be helpful, as reform processes are unlikely to be effective where they only address these symptoms (e.g. staff shortages or training, poor financial management) without engaging with some of their underlying drivers (i.e. poor performance disciplines, policy incoherence and so on). This suggests the need to more effectively diagnose the nature of the specific governance constraint(s) and their potential symptoms early on and in more systematic ways.

3.2.1   Political market imperfections

Common symptoms linked to forms of political market imperfections include the diversion or misuse of resources (e.g. where resources are redirected to the dominant political party or to dominant kin or ethnic groups) and the poor supervision of politically appointed staff, contributing to poor performance or behaviour and undermining organisational accountability relationships.

There are various examples of resources for service delivery being misused or diverted, contributing to their inequitable distribution. In Malawi, funds collected for water kiosks were instead kept by chairs of the committees and funnelled to the dominant party. The Water Board often felt unable to press for payment as committees were linked to the ruling party (Cammack, 2012; Cammack and Kanyongolo, 2011).

In Zimbabwe, the dominance of elite coalitions reportedly led to a focus on large infrastructure projects, such as the building of a new pipeline to access water from the Pungwe River, rather than addressing the real causes of significant water losses (Gumbo and van der Zaag, 2002). In South Sudan, it meant high salary expenditures and poorly qualified staff in ministries, contributing to shortfalls in other areas, such as capital and operational costs (EuroTrends 2006).

In other contexts, poor human resource management has contributed to poor performance and to understaffing. In Nepal, for instance, accountability and performance oversight were limited owing to the political connections of staff and influence of political parties (Jones, 2012). In Niger,

problems of political interference with human resources contributed to the frequent understaffing of rural health units (Diarra, 2009).

3.2.2   Policy incoherence

Symptoms commonly linked to forms of policy incoherence also seem to particularly affect forms of political and organisational accountability relationships. Where there are high levels of horizontal incoherence, this may particularly exacerbate forms of political market imperfections, by opening up increased opportunities for patronage or political capture of resources.

As discussed above, fragmentation and a lack of horizontal coherence in Kenya resulted in a proliferation of actors and a large influx of funds, opening up multiple opportunities for rent seeking and a 'scramble for resources' (Rampa, 2011). It also led to a bias of resource allocation, to urban over rural areas and to particular groups, as a consequence of the interests of government and business elites (ibid.). Similarly, in Malawi's health sector, repeated policy shifts created un-reconciled and contradictory policy reforms, including the banning of traditional birth attendants by the president, which was subsequently reversed, leading to confusion over their roles (Cammack and Kanyongolo 2010).

The symptoms of vertical incoherence – and gaps in implementation – include increased financial costs and increased opportunities for the diversion of funds. In the education sector in Malawi, poor planning and a lack of vertical coherence meant that available donor and government resources were not adequate, with parents required to meet remaining school costs (Rose and Kadzamira 2001). In Uganda, it led to a funding gap, prompting reliance on donor funding, as well as growing concerns about quality and a resulting large shift to the private sector (Creative Associates, 2006). All of these symptoms seem to particularly undermine organisational relationships between the state (or other monitoring authorities) and delivery organisations.

3.2.3   Performance monitoring and oversight

Examples of the weak monitoring and oversight of providers or delivery organisations can reveal itself in terms of the exit or opting out of users. This has implications for organisational accountability but also for forms of direct or user accountability.

In general, the symptoms of a lack of performance monitoring and oversight include poor regulation and a lack of authority over service provider staff and processes. In Niger, unclear monitoring and supervision procedures for health workers trained under the Special Programme of the President meant that district health authorities had little formal authority over them (Diarra, 2009). This led to poorly trained health workers who reportedly disregarded the authority of health centre staff and were not answerable for their performance (Olivier de Sardan, 2010; 2012). Challenges also arose where referral systems were not respected, so that transfers from health centres were commonly directed towards towns and cities rather than provincial hospitals, putting serious strain on health systems, as rural hospitals were underused and urban hospitals overused (ibid.).

Where significant numbers of users opt out of formal provision, forms of user accountability have been disrupted. Users may end up in forms of unregulated or illicit provision, such as in Sierra Leone, where there were high levels of illicit privatised water supply, charging significantly higher costs; in Uganda and Malawi, regulated provision meant there were few feedback loops or mechanisms for redress. This strongly reflects Hirschman's work on exit, voice and loyalty, which argues that, when users are unhappy with a service, they either exit or voice their concerns. Performance monitoring constraints can result in unregulated services, so a key warning sign may be the level of users exiting from the system. This will undermine forms of user accountability, as a key principle is that the greater the availability of exit, the less likely voice will be used (Hirschman, 1970).

3.2.4   Collective action

Failures in collective action are most typically manifested in instances of free riding, whereby users enjoy the benefits of services without contributing to them. This can weaken the ability to raise local revenue, contributing to further shortfalls in provision. Where forms of direct or user accountability malfunction in this way, this again has knock-on impacts and can undermine forms of organisational accountability.

In Sierra Leone, collective action constraints contributed to the subversion of the water pricing regime, including pipe breaking; illegal household connections or reconnections installed without registration of customers with the relevant utility; and non-payment by politically powerful users. Although the precise ways in which service users avoid payment vary significantly across the socioeconomic spectrum, this effective immunity has created significant free rider problems, with enough individuals avoiding payment to undermine service delivery (Harris et al., 2012).

In Niger, the end of the Extra Pennies Scheme (a local 'collective action' scheme) resulted in increased health risks, as patients were henceforth required to finance the entire cost of an ambulance transfer from a local health centre to the hospital. This particularly affected pregnant women, who were the principal users of ambulance transfer services (Olivier de Sardan, 2010; 2012).

In Uganda and Kenya, where local collective action was also undermined by national policies, it contributed to shortfalls in the funding for PTAs, including for the hiring of local additional teachers, as well as for the purchase of additional supplies. In Uganda, central government grants did not include provisions for these types of costs, and PTAs were left unable to raise funds or in-kind contributions from communities. The effects of this were multiple, but included a decrease in community monitoring of education, previously been carried out by PTAs (Creative Associates, 2006). Moreover, resulting teacher shortages combined with reduced parental involvement in school communities, helped contribute to a gradual exiting from the public system (Duflo et al., 2012).

3.2.5   Moral hazard

Moral hazard constraints also seem to particularly shape forms of organisational accountability. In terms of resource allocation, they can allow the state or delivery organisations to underinvest in key areas (e.g. where aid resources are assumed to act as a substitute). This is identified as a key problem, for example in relation to investment in water and sanitation in Freetown, Sierra Leone. It also remains a chronic problem in some post-conflict contexts, such as South Sudan, where the availability of aid resources for basic services means that international NGOs have had much more visibility as service providers than the state, reducing incentives for state actors to play more prominent roles in either oversight or delivery (Ali, 2011).

The symptoms set out above highlight some of the more visible or observable ways in which governance constraints can manifest themselves; they may be useful signals or warning signs of potential constraints. A summary of the potential relationships between governance constraints and their symptoms is set out below; the Annex provides a fuller summary of these relationships through to their effects on service delivery.

Table 2: Governance constraints and common symptoms

Governance constraint	Explanatory variables	Symptoms for service delivery
Political market imperfections	- Credibility of political commitments - Imperfect voter	- Diversion of resources - Poor supervision or monitoring of human

	information - Social fragmentation or polarisation	resources
Policy incoherence	- Horizontal incoherence - Vertical incoherence	- Undefined roles and responsibilities for service delivery - Greater opportunities for patronage/resource diversion
Lack of performance monitoring	- Formal and informal monitoring insufficient - Exit of users	- Weak regulation of providers - Users exit rather than voicing complaints
Collective action challenges	- Form and extent of interest groups, including political parties, civil society, unions, communities	- Free riding for services - Poorly maintained provision, with reduced local revenue raising
Moral hazard	- Availability of aid resources - Revenue from natural resources	- Underinvestment in key areas and low visibility of local actors

4 Strategies to address common constraints

This study identifies some common governance constraints and their symptoms and effects for service delivery. In doing so, we also start to provide deeper analysis of the potential *opportunity structures* available to address recurrent bottlenecks or blockages that undermine sector performance or to explain why performance may be better in some areas than others. Thus, rather than discussing governance support in a generic sense, identifying some particular forms of governance constraints allows us to pinpoint more tailored strategies that may help to address or mitigate these. In addition, it potentially allows for greater insights into where reform is possible – where we are able to determine whether a particular constraint is likely to be binding or whether there are strategies that will help to address and overcome it. This provides the starting point in what might be more effective or feasible theories of change for supporting reform processes in different sectors going forwards.

We do not yet have a comprehensive list of effective strategies or a full library of examples where these constraints have been overcome; as a first step, we indicate below a number of areas where there is evidence of constraints being overcome that may provide valuable lessons for others. Moral hazard is not examined below, in part because it forms a different type of constraint, and was less well covered in the available literature.

4.1 Political market imperfections

Political market imperfections often stem from core historical processes, and reflect the underlying nature of the political settlement in a given context. While they cannot easily be disrupted, there are examples where, over time, particular types of imperfections have been addressed.

Keefer and Khemani contrast experience in Uttar Pradesh and Kerala, India, to show how political market imperfections have been overcome in some settings. In Kerala, communist parties invested significantly in mobilising and repeatedly interacting with voters, building up their ability to make credible commitments. Thus they find that competition in Kerala was 'between two credible political parties, the Congress and communist parties, both able to make promises to broad segments of

society. This diminished the importance of patron-client relationships, to an extent that was unparalleled in any other' (Keefer and Khemani, 2005: 34). In Uttar Pradesh, in contrast, high levels of voter illiteracy and social discrimination reportedly undermined the ability of any party to make credible promises to voters; this was reinforced by the electoral dominance of one party, namely the Congress Party (ibid.: 35). These is reflected in both patterns of public expenditure – in Kerala, almost 45% of total expenditures went to health and education; in Uttar Pradesh, 50% of total expenditures went on state administration – and better development outcomes in Kerala (ibid.).

Similarly, in Bangladesh, there have been significant improvements in women and children's health since the 1980s, driven by electoral competition and perceived political gains from service provision (Mcloughlin and Batley, 2012). Mcloughlin and Batley argue that a stable post-independence period combined with strong party competition which incentivised successive ruling parties to scale up their commitments to health, mirrored by growing party control over resources at local levels, was key to this success (ibid.).

There may be a number of implications for policy here, including the provision of independent validation of the quality of goods or services and the accomplishments (or failures) of individual politicians (i.e. through scorecards or other mechanisms), to trigger more credible commitments in the future (Keefer and Khemani, 2005). Other options include linking party reform programmes to public services (i.e. allowing credible politicians to take credit for service improvements, where possible) and sensitisation initiatives to address social polarisation or discrimination (ibid.). These strategies all warrant further testing and exploration in relation to specific cases.

In addition, there is growing interest in forms of social accountability initiatives, which also seek to address some of these political market imperfections, often with a focus on service delivery. In line with other reviews, evidence suggests that these need to be context specific and are likely to be effective only when underlying conditions and incentives align (McGee and Gaventa, 2010). The Philippines and India provide some useful illustrations.

In the Philippines, a network of housewives, students and out-of-school youth (with the support of professionals such as engineers and accountants) was supported by a local civil society organisation to monitor public works and to document sub-standard work or cases of fraud or misuse of funds (Sundet, 2008). The network highlighted numerous examples of poor use or misuse of funds, triggering official government audits and prosecution of some government officials (ibid.). In India, Banerji et al. (2008) looked at information gaps and asymmetries for parents and members of school communities (including village education committees). They found very low awareness of the presence of committees, even by those who were supposed to be members. There were also very low levels of awareness of levels of learning outcomes. The authors examined three interventions that sought to address these information gaps: providing information; training community members in a new testing tool; and training volunteers to run remedial camps for illiterate children. Interestingly, they found that the first two interventions had minimal effects, but the third had a significant effect on activity outside school, with children improving their reading skills. The authors argue that what was key was not just the provision of information but also the facilitation of community action (ibid.).

An analysis of specific political market imperfections also points to the need to reflect on some common assumptions, particularly in relation to decentralisation, commonly seen as a strategy to bring decision making closer to citizens. Keefer and Khemani (2005) highlight that processes of decentralisation are likely to address this type of constraint only where voters are more likely to use information about the quality of local public goods in their voting decisions for local elections, and where local governments or politicians make more credible commitments to voters. Similarly, Joshi (in a review of Asian countries) finds that the impact of decentralisation on service delivery depends on the priority given to the service at local levels by elected leaders; the interests of poor and non-poor groups; and the types of alternative providers available (Joshi, 2006).

Several of the studies reviewed contain examples of forms of decentralisation being introduced without addressing underlying political market imperfections, with a consequence that service delivery processes has not improved. In Cameroon, for example, the redrawing of administrative and health district areas during the decentralisation process further fuelled competition and conflict for resources at the local level (Gruénais et al 2009). In Uganda, similar dynamics have been identified following the constantly changing boundaries of administrative districts, used as patronage tools (Booth, 2010). This has reportedly led to confusing structures, where health and administrative districts do not coincide and which discourage coordination around public health issues, so that political competition works against the enforcement of rules in the health sector (ibid.).

In summary, possible strategies for addressing political market imperfections include:

- Strategies that link the accomplishments (or failures) of individual politicians with (independently validated) information about the quality of goods or services;
- Social accountability initiatives, particularly where they can bring together coalitions for change; and
- Decentralisation strategies, which may be effective, but only where voters are more likely to use information about the quality of public goods in local elections and where local governments or politicians make more credible commitments to voters than national ones.

4.2 Policy incoherence

Several case studies point to examples of policy incoherence being overcome, highlighting some possible lessons for other contexts too.

There have been positive experiences in Afghanistan's education sector, where home-based schools were reportedly successfully integrated into government education structures (Rose and Greeley, 2006). Home-based schools complied with Ministry of Education policies and curricula, and this helped ensure a smooth transition between such schools and the formal government system, for example by changing the status of schools, merging them to create new schools or transferring students to government schools.

In the Bangladeshi health sector, the government played a strong role in the coordination, regulation and alignment of NGO activity with government policies (Rodriguez Pose and Samuels, 2011). As a result, the government was reportedly well informed about which services NGOs provided and where, and synchronised services provided by NGOs and those of the public health services activities. In this way, resources were reportedly allocated where they were most needed, notably in remote areas (ibid.).

Similarly, in the Rwandan health system, the institutional framework is recognised as coherent. This reflects certain historical legacies and the particular nature of the current presidency. Territorial administrative and health administrative boundaries were aligned during the decentralisation process, and the strategies and incentives to all actors across the delivery chain of health services are seen as coherent and consistent (Chambers and Golooba-Mutebi, 2012). The government has played a key role in coordinating, regulating and aligning donor activity with national goals and ensuring that this is vertically coherent right down to local levels.

Underlying these dynamics appears to be a common thread of political leadership. Recent work by Booth suggests that common donor approaches tend towards a focus on more technical definitions of ownership, but have so far neglected to look at how to support more effective forms of political leadership (Booth, 2011). There are some initiatives that are explicitly trying to address this. The Africa Governance Initiative (AGI), set up by former UK Prime Minister Tony Blair, for example, has worked in Sierra Leone, Rwanda and Liberia to help strengthen centres of government and support political leadership. AGI's own report suggests that even simple improvements to the systems around a leader (such as reforms to presidential diaries, standardised reporting on government

performance across ministries or more effective Cabinet processes) can have significant impacts on a leader's capacity to drive delivery, also reinforcing the need to start slowly and incrementally (Blair, 2010).

Strategies for addressing policy incoherence may therefore include:

- Initiatives that better define mandates horizontally and vertically for government and clarify respective roles and responsibilities; and
- Strategies to support greater political leadership, building capacity to drive delivery over time.

4.3 Performance monitoring and oversight

Forms of performance monitoring and oversight can be strengthened too. While the case studies suggest there are no fixed models here, combinations of both top-down performance regulation (including sanctions) and forms of bottom-up accountability seem to be most effective.

Conventional approaches to strengthening regulation can focus more on inputs than on issues of quality and accessibility of services. Reviews on regulation for non-governmental schools, for example, point to a focus on requirements for equipment, dimensions of school buildings or distance from other schools rather than on outcomes (see Batley and Mcloughlin, 2010; Palmer, 2006). Findings suggest that much more attention needs to be paid to the realities of performance monitoring and oversight instead.

In a country like Rwanda, for instance, top-down monitoring processes are in place and function for health service providers and local authorities. There are also sites for local engagement and feedback. This reflects certain underlying institutional features in Rwanda, not least the legacy of recent conflict and the resulting political system, which is generally recognised to contain a mixture of controlled political inclusion and relatively authoritarian democracy – with a range of views as to the balance between the two (see discussion in Booth, 2011).

Nonetheless, there are effective forms of monitoring, including the *Imihigo* system, an unusual form of multi-level performance contract that utilises both rewards and sanctions and draws on concepts of honour and shame, with historical roots in the former kingdom of Rwanda. This uses both strong top-down pressures, ultimately from President Kagame, but also engagement by local populations (Chambers and Golooba-Mutebi, 2012). This means incentive structures exist for service providers, with sanctions including the possibility of being fired and rewards existing through performance-based financing. Moreover, enforcement of regulations on private sector provision has reduced exit options for providers, unlike in Malawi and Uganda. Concretely, this seems to explain at least partly why health indicators have improved steadily in recent years (ibid.).

Applying performance regulations to sectors dominated by informal and non-state provision may be more challenging. Batley and Mcloughlin (2010) argue that appropriate approaches are likely to be incremental, indirect and more informal – such as starting with building up information on the scale and nature of non-state provision and then shifting towards rewards for non-state providers that achieve certain performance standards. Examples of more 'incentive-based' regulation might include government provision of training and equipment for immunisation to traditional birth attendants who register with the government in Enugu state, Nigeria; and a programme in Bangladesh in which poor pregnant women are issued with vouchers that can be used only to pay accredited providers of antenatal care (ibid.). However, at present, governments usually apply much stronger and more punitive regulations for non-state provision than for their own providers (ibid.).

At more local levels, other studies also point to attempts to improve both top-down and bottom-up monitoring and supervision. In India, there were reported chronic instances of poor teacher performance, with teachers rarely disciplined or fired for poor performance and high levels of

teacher absenteeism. In a controlled experiment, teachers were given financial incentives to address absenteeism (in terms of payment for number of days in school) and pupils were encouraged to supervise attendance, as they were provided with cameras (Duflo et al., 2010). The study found that teacher absence decreased as a result, and quality of teaching improved, compared with in areas where financial incentives were not provided (ibid.). This study is not conclusive, and the provision of incentives may not be a sustainable strategy in the longer term, but it offers an interesting insight into how changed incentives might be 'kick started'.

Interestingly, studies suggest that bottom-up monitoring requires more than just the provision of information. In other words, it is not enough only to inform communities of what to expect from service provision. A study in Uganda examined instances of weak bottom-up monitoring by parents through SMCs, comparing two groups (Barr et al., 2012). In one, parents were given better information on generic school monitoring measures; in the other, discussions were brokered between parents and SMCs to develop school-specific monitoring. The latter was reported to lead to significant improvements in quality, as the process itself of choosing monitoring variables reportedly readjusted community and parental expectations and helped to galvanise collection action solutions (ibid.).

In the Ethiopian education sector, there was greater recognition than in the health sector that children's absenteeism and lack of parental involvement could pose challenges to achieving UPE. As a result, *woreda* (district) education offices, SMCs and PTAs frequently worked with teachers to monitor children's attendance and to follow up on out-of-school children (Anis, 2007). In other instances, budget shortfalls following fee abolition were compensated for in part by promoting parental contributions to the school, for example through providing labour for the construction of new school buildings. This mechanism was driven and supported from the top down by government authorities. It reportedly led to increased parental involvement; however, this does not seem to be the case universally, and contributions were frequently considered mandatory, constituting a *de facto* school fee (Engel, 2011; additional information from the author).

Strengthening the democratic elements in decentralisation to address bureaucratic underperformance has been widely promoted, through improving the supply of relevant information to empower local voters and elected officials (Booth, 2011). However, available case study evidence suggests that, without accompanying top-down pressures, bottom-up accountabilities can have limited traction in the face of entrenched political capture.

Strategies to address poor performance monitoring might include:

- Strengthening top-down performance monitoring in ways that build on traditional institutions or norms where possible (such as *Imihigo* in Rwanda) and ensure coherent sets of incentives for providers; and
- At the same time, building forms of bottom-up monitoring, which involve users in the setting of standards as well as providing feedback mechanisms for them.

4.4 Collective action

A number of cases highlight the extent to which gaps in service provision can in fact stem from a lack of capacity for collective action, at multiple levels. In some cases, incoherent or poor policies can actually undermine the capacity for collective action at local levels, such as with user fees and UPE. This is not insurmountable, however, as a number of examples reveal how both government- and NGO-led action can help bring actors together in collaborative spaces and kick-start local problem solving to address chronic problems.

In Pakistan, a local NGO has helped to facilitate collective action within informal settlements and slums to address chronic sanitation problems. These informal settlements have historically been outside formal provision, resulting in open defecation and waste disposal, health and environmental risks. A long-standing initiative by a local NGO, known as the Orangi Pilot Project

Research and Training Institute, has focused on dialogue with the Karachi city authorities, together with social facilitation and technical support to local residents. Local groups construct sewer channels to collect waste from their own homes connecting with the city's trunk sewers (Bano, 2011; Sansom, 2011).

Similarly, in Malawi, a scorecard programme has sought to build capacity for collective action at local levels, working in the education, health and agriculture sectors. While it was designed as a tool to empower citizens, in practice the programme, run by Plan Malawi (with other local partners), has been used to facilitate greater coordination and local problem solving by actors across the supply and demand side (Wild and Harris, 2012). The provision of information has reportedly been one part of this, but more important has been the process for identifying key stakeholders and bringing them together to devise joint action plans to tackle service delivery problems (and to follow up on these). This has also reignited some communities' capacity for 'self help' – for example, where communities have become involved in the production of bricks for school construction (ibid.).

While the examples from Uganda and Niger discussed in Section 2 illustrate where national-level policymaking (often supported by donors) has undermined the capacity for collective action at local levels, there are examples where local level action has been facilitated at national levels too.

In Bangladesh, government authorities were reportedly active in creating the space for local-level initiatives and problem solving, particularly in areas where it recognised its own limitations, allowing it to scale up successful innovations. This includes innovations in oral rehydration therapy, piloted by BRAC, a local NGO, which have been scaled up with government support, through education campaigns, provision of supplies in rural areas and so on (Rodriguez Pose and Samuels, 2011). This has provided a cost-effective solution to cholera and diarrhoeal diseases, contributing to improvements in child health (ibid.).

Rwanda also offers examples of top-down approaches encouraging local initiatives, for example through the use of neo-traditional institutions to encourage local mutual self-help. *Ubudehe mu kurwanga ubukene* – collective action against poverty – facilitates the creation and implementation of initiatives for income generation and targeted poverty reduction strategies at the village level. There are also feedback mechanisms within the *ubudehe* process that provide a space for community participation and feedback into local and national policy processes (Booth, 2011; Chambers and Golooba-Mutebi, 2012).

Strategies to address this form of constraint might include:

- Identifying local organisations that can effectively broker or facilitate forms of collective action at local levels; and
- Ensuring that unintended consequences of national policymaking do not in fact undermine local problem-solving initiatives already addressing chronic problems.

5   Conclusions and next steps

This study has sought to provide a structured overview of available evidence, so as to map what seem to be the common governance constraints across sectors and countries. This is not to suggest that all constraints are present in all countries; far from it, each context has a particular set of historical legacies and structures that will shape whether and how these constraints manifest themselves.

Developing a typology of common constraints, with a deeper look at how each plays out in terms of the constraint itself and the symptoms and effects, is nevertheless useful. First, it enables us to attempt to improve consistency and secure common agreement in terms of the key concepts and categories for governance constraints, something that is currently lacking. Second, it potentially allows for improved diagnosis of the types of constraints that might affect under-performance and for an understanding of how particular symptoms may signal some underlying constraints. This is summarised in the Annex.

However, there were a number of challenges in conducting this review. The study relied on secondary literature as evidence, with most of the case studies identified taking the form of stand-alone studies or cases, based largely on qualitative analysis. Others used more experimental methods, such as randomised control trials, also at the level of individual projects or cases. Many did not have explicit theoretical frameworks and there were common inconsistencies in terms of how different terms were applied. For example, concepts like 'political will' and 'weak incentives' were often referred to but rarely further developed in terms of the specific institutional and governance arrangements that contribute to them. This made it challenging to draw on these case studies from a more theoretical perspective. It also suggests that a more structured and conceptually grounded approach could be important going forward, particularly to allow for greater cross-country or cross-sector lesson learning.

As a step towards this, we have identified five main categories of governance constraint: political market imperfections; policy incoherence; lack of performance monitoring; collective action challenges; and issues of moral hazard. Across the three sector areas reviewed (education, health, water and sanitation), and across multiple countries, these categories describe general characteristics within the wider political system that can act as constraints to service delivery and which shape actors' decision logics and incentive structures.

These constraints seem to have some general effects on service provision and outcomes, in that they can undermine access to services and service quality or exacerbate patterns of inequality or the marginalisation of particular groups. Across the case studies, multiple examples are identified where these constraints have contributed to deteriorating systems, unmaintained provision, weaknesses in human resources (where service provider staff are absent, untrained or perceived as rude or unresponsive) and the withdrawal of users, who opt out of formal provision and instead rely on unregulated and often informal services. In some countries, these constraints have resulted in the neglect of particular groups (ethnic, religious or regional), often increasing their marginalisation and in some cases spilling over into more violent conflict.

While causal relationships are challenging to identify – and multiple factors in practice can contribute to under-performance – this review finds that it is helpful to distinguish between underlying constraints and their symptoms. This provides some insights into how governance constraints can contribute to some of the effects identified.

Symptoms of governance constraints can be particular observable features of sub-optimal service delivery. These may include problems of staffing or common performance measures in sectors, for example relating to the poor supervision of politically loyal staff and resulting poor behaviour. They often manifest themselves in terms of decisions regarding resource allocation and distribution, the nature of human resources (i.e. staffing allocations and performance) and patterns of use and demand for services.

Symptoms can be useful signals of a possible underlying governance constraint, but reform processes are unlikely to be effective where they only address these symptoms (e.g. staff shortages or training, poor financial management) without engaging with some of their underlying drivers (poor performance disciplines, policy incoherence and so on). This suggests a need to more effectively diagnose the nature of the specific governance constraint(s) and their potential symptoms early on and in more systematic ways.

Where possible, we have tried to collate evidence on 'what has worked' in overcoming or addressing constraints, to start to better match policy options to the different types. In the cases reviewed, it was not always the case that addressing underlying governance constraints was an explicit part of programme design, but there are examples where these have been overcome and these can offer useful lessons and insights. Incorporating this focus more explicitly into future design, and gaining greater insights into which policy options are most appropriate for which types of governance constraint, may be useful and would help to inform the development of more appropriate theories of change to underpin programming.

A number of common themes emerge from the strategies discussed in Section 4, which have implications for the range of actors involved in sector reform strategies. These include:

- Questioning common assumptions, for example in relation to decentralisation, where certain governance constraints may undermine its implementation unless addressed;
- Strengthening functions, not forms – particularly for constraints that may be most relevant to public sector reforms (such as policy incoherence or lack of performance monitoring). This may involve recognising where informal rules diverge from formal ones and identifying incremental strategies to align the two more closely, such as building on aspects of traditional institutions where possible;
- Investing more in process-driven approaches – several of the strategies discussed here suggest investing more in staff resourcing and time to help facilitate or broker reform strategies;
- Making careful choices on intermediaries or implementers of programmes – this is particularly important for more process-driven approaches, for example in relation to overcoming forms of collective action problems; and
- Facilitating leadership, where appropriate or possible, so that the capacity to deliver is strengthened, over and above the formal policy frameworks.

This study is targeted at actors involved in service delivery. For some donor agencies, the issues raised may have particular relevance to forms of technical assistance or particular projects designed to build capacity in service delivery. They may also be relevant in determining whether and how to provide budget support, prompting reflections as to whether some of these constraints (i.e. policy incoherence) are in place and the implications for effectiveness; they may also be relevant in considering options for aid instruments, for example allowing for reflection on whether particular modes of support might exacerbate issues of moral hazard.

This is not comprehensive; rather, we provide an initial attempt to map out these common constraints and their implications, as part of a broader programme of work to be conducted at the Overseas Development Institute (ODI) over the next three years. This seeks to bring together available evidence and develop guidance in identifying and addressing the political and governance dynamics associated with persistent under-performance in service delivery. This study, alongside additional research mapping the characteristics of individual sectors, contributes to some of the theoretical underpinning of this work programme. We hope it also provides a useful resource for those with a more general interest in understanding the politics of service delivery.

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Annex 1: Summary table of common governance constraints and opportunities

Type of governance constraint	Explanatory factors	Symptoms	Common effects	Potential policy options
Political market imperfections	- Credibility of political commitments - Imperfect voter information - Social fragmentation/ polarisation	- Diversion of resources - Poor supervision/monitoring of human resources	- Reduced access - Poor quality services - Users revert to unsafe or unregulated provision	- Link accomplishments (or failures) of individual politicians to information on services - Support social accountability initiatives, if conditions are conducive - Test whether local conditions mean decentralisation will improve or further weaken these factors
Policy incoherence	- Horizontal incoherence - Vertical incoherence	- Undefined roles and responsibilities - Increased opportunities for patronage/resource diversion	- Reduced access - Poor quality services - Users revert to unsafe or unregulated provision	- Support definition of mandates, roles and responsibilities - Invest in building greater capacity for delivery
Lack of performance regulation and	- Formal and informal monitoring and	- Weak regulation of providers - Users exit rather than	- Reduced access - Inequitable distribution of	- Combine top-down performance with bottom-up

accountabil ity	- supervisio n are insufficien t - Exit of users	voice their complaints	provision (e.g. urban/rural , particular groups)	monitorin g - Build on local institution s and customs where appropriat e
Collective action challenges	- Form and extent of interest groups (veto players and reformers) including political parties, civil society, unions, communiti es	- Free riding for services - Poorly maintained provision and reduced revenue-raising abilities	- Poor quality services - Inequitable distribution of provision (e.g. urban/rural , particular groups)	- Support intermedi aries that can broker collective action response s - Ensure national policies do not undermin e scope for local problem solving
Moral hazard	- Aid resources (budget support or projects) - Natural resources	- Under-investment and low visibility	- Reduced access - Inequitable distribution of provision (e.g. urban/rural , particular groups)	- Examine choices on funding modalities