

The effects of sector characteristics on accountability relationships in service delivery

Claire Mcloughlin with Richard Batley

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and critical comment

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Executive summary

Why do different services encounter particular constraints and opportunities in their delivery? This working paper identifies a set of characteristics that can be used to differentiate between services, and between functions within them, and asks how these defining or ‘fixed’ characteristics may influence key relationships of accountability and control. It outlines a number of ways in which the nature of the good being produced, the type of market failure encountered, the tasks involved in delivery, and how the service is demanded and consumed can influence the balance of power between politicians, users and provider organisations. Without diminishing the necessity of understanding context-specific political economy factors, the paper argues that sector characteristics offer an entry point for thinking about the opportunities for and constraints to improved service delivery. More than technical matters, sector characteristics influence the institutions, incentives and power structures that emerge around particular services.

Three broad findings about the effects of sector characteristics on accountability relationships emerge from this review. First, the characteristics of a particular service influence the incentives for politicians, providers and users to commit resources to producing it, and for politicians to be accountable to citizens for service performance. Second, sector characteristics may determine the balance of power between policymakers and other actors and the likely form and effectiveness of provider compacts. Third, sector characteristics set the broad parameters for whether and how citizens can collectively mobilise around services and make demands on delivery organisations.

Based on an indicative review of recent studies in the health, education, water and sanitation sectors, more specific propositions about the effects of sector characteristics can be made. In particular, the nature of a particular good has been shown to influence calculations of political returns and to shape opportunities for the distribution and management of rents. Likewise the visibility of different service outputs appears to be a key factor in the political dynamics that emerge around delivery. The measurability, transaction-intensity and level of discretion involved in performing different functions influences the degree to which policymakers and bureaucrats can control the behaviour and incentives of delivery organisations. Moreover, different services, and different functions within them, offer different scope for citizen’s interactions with the state. In particular, the territorial boundaries of a service, and its frequency and predictability of use, are factors that influence the scope for direct user accountability. These propositions could be tested through further research and analysis.

To the degree that sector characteristics enable or constrain relationships of accountability between local actors, they can also facilitate or complicate the delivery, measurement, and evaluation of aid. An approach to analysing the effects of sector characteristics is therefore proposed: one that can be combined with broader political economy analysis to develop a rounded account of how different services perform.

1 Introduction

Recent examinations of the performance of basic services in developing countries – whether they seek to identify common constraints (Wild et al., 2012) or trace the politics of ‘what works’ in relatively successful cases of delivery (Mcloughlin and Batley, 2012) – tend to converge on similar factors. Sustained commitment by political elites, enforceable systems for incentivising and controlling behaviour in delivery organisations, and genuinely locally-anchored forms of social accountability have all been shown to underlie some cases of good performance, and are often conspicuous by their absence in accounts of poor or failing provision (ibid.).

Whichever way we approach the underlying drivers of better service delivery, the central theme of the seminal *World Development Report 2004* (World Bank, 2003) is a recurring one: that is, accountability relationships are key. According to the well-known model, better services rely on different types of accountability operating on multiple levels; between citizens and politicians within the so-called ‘political marketplace’, between policymakers and service delivery organisations via ‘provider compacts’, and between delivery organisations and users via the ‘short route’ to better provision (ibid.).

These relationships are not narrow technical matters, but ways of allocating and using power (DFID, 2008). Though sometimes equated with ‘responsiveness’, accountability can more precisely be understood, conceptually, as a means of exercising control and coordination over discretion (Lindberg, 2009). In principle, systems of accountability supposedly work not only by citizens exercising control over politicians, but also by politicians and users controlling service providers. There is also a perverse side of the relationship: informally, politicians may seek to assert their control over citizens, and providers their control over politicians and users. Viewed in this way, accountability is a struggle over who wins.

There is now consensus that how accountability relationships operate in practice is mediated by political economy. Specifically, the recent revival of concern with the politics of development has reinforced the case for looking beyond technical factors to the role of actors, incentives and institutions in underlying such relationships (Batley et al., 2012). Understanding accountability in this more political sense means considering not only the influence of formal political systems and conjunctures, but also all the micro-level activities of conflict, cooperation and negotiation that determine the likely balance of power between actors at the point of implementation (Mcloughlin and Batley, 2012). In any given sector, politics may perform an enabling or constraining role depending on the degree of convergence between the interests and incentives of different actors operating at different levels, including the political, bureaucratic and sector levels (Booth and Therkildsen, 2012).

This working paper approaches the question of what drives accountability and control in service delivery from a *sector-specific* perspective. It asks why certain opportunities for or constraints on accountability tend to recur around the delivery of *particular* services. As a basis for comparing across services, the paper identifies a range of characteristics that can be used to differentiate between them, and between functions within them. These defining or ‘fixed’ characteristics are grouped into four categories, relating to (i) the nature of the good being produced, (ii) the type of market failure encountered, (iii) the tasks involved in delivery, and (iv) whether and how the service is demanded and used. The paper draws on available evidence to examine how these characteristics might condition – that is, enable or constrain – relationships of accountability and control between actors involved in provision.

The paper begins by outlining how sector characteristics have been defined in the public economics literature, summarising the general case for why they might affect whether particular services are likely to be provided in response to user need. Based on an indicative review of recent studies in the health, education, water and sanitation sectors, the paper then explores the potential and revealed effects of sector characteristics on the main relationships of accountability and control considered central to

inclusive services. We conclude by presenting some testable propositions about how sector characteristics influence the incentives for politicians to deliver them, the balance of power that emerges between actors at the point of delivery, and the ways that citizens are able to mobilise around them. An approach to analysing the effects of sector characteristics is therefore proposed: one that can be combined with broader political economy analysis to develop a rounded account of how different services perform.

2 Identifying sector characteristics

While development literature often refers to service delivery at the aggregate level as a single output, sector-level case studies reveal a much more disaggregated picture in which different services, and indeed different functions within them, vary considerably in the forms of politics and governance they tend to attract. Without diminishing the necessity of understanding the context-specific causes of this variation, what basic distinctions can we make between different services that may help us to understand whether and how effectively they are likely to be provided in response to user need?

This section looks mainly to the conceptual literature to outline the established technical case for why there are significant differences between and within sectors. It summarises the potential implications of sector characteristics for the forms of politics and governance likely to develop around particular services. The aim is to lay a theoretical foundation for the following section, which goes on to test whether and how these characteristics reveal themselves in relationships of accountability and control.

A number of characteristics of services are identified, related to the nature of the good being delivered, the type of market failure encountered, the nature of the task, and the nature of its consumption. These characteristics are shown in Table 1 and elaborated briefly in the following section.

Table 1: Sector characteristics 1

Nature of good	Market failure characteristics	Task-related characteristics	Demand characteristics
<ul style="list-style-type: none"> •Rivalry •Excludability 	<ul style="list-style-type: none"> •Monopoly tendency •Positive or negative externalities •Information asymmetry •Merit 	<ul style="list-style-type: none"> •Measurability and visibility of outputs •Discretion of frontline staff •Transaction-intensity •Variability •Professionalisation 	<ul style="list-style-type: none"> •Frequency of use •Predictability of use •Territoriality •Political salience

2.1 The basis for differentiation between and within sectors

The case for classifying goods and services according to their technical characteristics has its origins in economics. Here a fundamental distinction is made between public and private goods, based on whether they are considered *rival* (meaning if a good is used by one person, it cannot then be used by another), and/or *excludable* (meaning whether or not it is possible to exclude any individual from its benefits) (Stiglitz, 2000). At a general level, ‘public goods’ are non-excludable and non-rival, whereas ‘private goods’ are rivalrous and excludable (ibid: 128). To illustrate, most public health functions are considered public goods – for example, in a public health information campaign, where the benefits are collective, it would be impossible to measure how much any individual has consumed, the service is not used up by its consumption and it is not possible to exclude (or make individuals pay for) its benefits (Batley and Larbi, 2004). Cancer treatment, on the other hand, is considered a private good because the benefits are largely consumed individually, rivalry is inherent between consumers competing for a limited pool of resources, and individuals can be excluded (Khaleghian and Das Gupta, 2005). Rivalry and excludability are fixed characteristics, inherent in the **nature of the good**, and they determine how particular goods can be financed and delivered. There is no market incentive to produce public goods, since users cannot be excluded, levels of consumption cannot be determined, and there is no way of charging for their use (Batley, 1996). Likewise, individuals are often reluctant to contribute

¹ Note that the ‘nature of the good’ and ‘market failure’ are widely used terms, whereas task and demand characteristics are categories used here by the authors to cluster other factors that recur in the literature.

to the support of public goods, creating the basis for what is known as the ‘free rider problem’ (Stiglitz, 2000).

All goods and services have **market failure characteristics**, which essentially means an unregulated market will either under-provide them, or fail to provide them at all (Besley and Ghatak, 2003). These characteristics therefore generate the rationale for, as well as the likely form of, state intervention (World Bank, 2003; Batley 1996). In any given sector, the state may intervene – either by taking over its delivery or by controlling it through indirect roles – to reduce information asymmetry, to ameliorate the negative effects of monopoly tendencies, or to produce positive *externalities* and prevent negative ones. Some goods, and functions within them, are particularly associated with some types of market failure more than others.

Information asymmetry, for example, is chronic in highly professionalised services, such as education and healthcare (compared with, say, waste collection), where citizens cannot easily make choices based on an evaluation of the quality and efficiency of the services offered (Batley and Larbi, 2004). Conversely, information asymmetry in *favour* of clients can also generate challenges to the effective functioning of health insurance markets. Urban piped water supply is a classic example of a natural *monopoly*, resulting from high investment costs and enormous economies of scale, making it very difficult for alternative suppliers to compete (Nickson and Franceys, 2003). Another type of market failure can occur where individuals do not necessarily understand or appreciate what is in their own, or in the wider, public interest. Where this failure is perceptible, governments may compel individuals to consume certain goods, often called ‘*merit goods*’, to generate what would otherwise be missed opportunities for positive externalities. Immunisation falls into this category, because it not only has private benefits for the vaccinated individual, but also contributes to the protection of the wider public (Khaleghian and Das Gupta, 2005).

The nature of the good and the rationale for state intervention might be regarded as higher-order characteristics but, within a service, there are also **task-related characteristics** that impinge on whether and how effectively a service might be produced. Services can be distinguished by the difficulty of monitoring their outputs, which depends not only on the capacity of government to do the monitoring, but also on the nature of the task being undertaken (World Bank, 2003: 13). Here a distinction is often made between types of output that are in principle easily observed, or *visible* and therefore easily *measured* (e.g. waste collection or road maintenance) and those that are more difficult to observe (e.g. sewerage disposal). Imprecise objectives such as ‘good education’ are much less easily measured than ‘good power supply’ (Besley and Ghatak, 2003).

Certain types of task are highly *discretionary* and *transaction-intensive* – such as curative care and classroom teaching – making them particularly difficult to standardise and control (Pritchett and Woolcock, 2004). As well as being discretionary and transaction-intensive, teaching is an example of a task that might be described as highly *variable*, in that it has to be customised to serve different user needs – in this case, the different aptitudes, motivations, and learning styles of pupils (Bruns et al., 2011). Variability is therefore naturally greater where there is a high level of heterogeneity of user need, the most illustrative example of which is individually oriented clinical services (World Bank, 2003). To add another layer of complexity, where employees perform multiple tasks with multiple measures of performance (e.g. test scores and creativity in education), incentives have to be carefully managed so that effort is not skewed towards producing more measurable outputs (Besley and Ghatak, 2003). Lastly, services that have a high technical content and where knowledge is scarce give greater influence to professional groups, organised labour and contractors, especially where the service is locally monopolistic – for example, urban water supply and hospital healthcare (Batley and Larbi, 2004).

Services also have **demand characteristics**, which are essentially to do with under what circumstances and how frequently people might want to use them, and the physical and material nature of the provider-user transaction. *Frequency* but also *predictability* of use, as well as level of choice, are key differentials in relations between producers and consumers. Individual needs for healthcare are generally episodic, unpredictable, and highly variable, so, while quality of care becomes urgent at times

of illness, it is otherwise, in the normal course of life, a less continual concern than education (Nelson, 2004: 40). Unpredictability of treatment means consumers may be unable to adequately plan and insure, and ultimately have less choice at the point of need. In some sectors, consumers naturally have less choice than in others, and therefore less influence over what and how services are provided. Piped water is the classic example of restricted choice, whereas health is an example of some choice but inadequate information about the quality of alternatives (Batley and Larbi, 2004).

Water consumers are defined *territorially* in that pipes or boreholes typically serve a geographically distinct area and people experience the same service regularly. This creates greater possibilities for people to collectively organise around them at local level, as well as to experience the same service regularly (Nickson and Franceys, 2003). Consumer choice and preference may also be a factor in determining the *political salience* of a particular service or output. To the degree that politicians can know and are willing to act on consumer preferences, then they may calculate the degree to which providing a particular service offers scope for winning electoral support, or for servicing clientelistic relationships. The level of political returns to provision may particularly depend on the targetability of the service, because targeted and individualised services offer scope for favouring supporters (Keefer and Khemani, 2003).

2.2 Broad implications of sector characteristics for politics and governance

While sector characteristics have been largely seen as a technical matter underlying the case for state intervention, some analysts have considered their broader implications for the types of institutions, incentives and power structures that emerge around particular services. The *World Development Report 2004* examined sector characteristics as one part of the broader puzzle of accountability failures, illustrating for example that the difficulty of monitoring discretionary and transaction-intensive services underlies the breakdown in long-route accountability by the provider to the policymaker (World Bank, 2003). Others have analysed sector characteristics from the perspective of the principal-agent problem (Batley, 2004). This line of enquiry has shown that, in some sectors, service users and their political representatives (the ‘principals’) have more control over providers (the ‘agents’), based on whether a service is oriented to producers or consumers, the degree to which users are defined territorially, and the level of information and choice citizens have in using the service (*ibid.*). Ostrom’s seminal work conceptualises the nature of a particular good as ‘the physical and material constraints on action situations’, and positions this as a starting point for analysing why different goods generate particular types of collective action problems. Hence, collective action problems are more likely to emerge around pure public goods and common pool resources due to the pervasive development problem of inadequate motivation to contribute to the production of joint benefits (Ostrom et al., 2004: 25).

Taken together, the above approaches generate at least three tangible propositions about how sector characteristics might condition the politics and governance of particular services. The first proposition is that the characteristics of a service influence the incentives for politicians, providers and users to commit resources to producing them, and for politicians to be accountable to citizens for service performance. Put another way, different sectors or tasks may produce different types of collective action problems, and produce different opportunities for the distribution of benefits and rents. The second is that sector characteristics may determine the balance of power between policymakers and actors involved in service delivery, and the likely form and effectiveness of provider compacts. The third is that sector characteristics set the broad parameters for whether and how citizens can collectively mobilise around them and make demands on delivery organisations. In the following section, we elaborate on and examine these propositions with reference to empirical studies of service delivery.

3 Effects of sector characteristics on relationships of accountability and control

Although the core distinctions between different services and functions are well established in the economics and public administration literature, sector characteristics are not often analysed explicitly as variables in empirical studies of basic service delivery. Only a relatively small portion of studies have given prominence to sector characteristics, and even fewer have interpreted them as having political and not just managerial effects. Nevertheless, some recent studies from the health, education, water and sanitation sectors do indicate a number of ways in which sector characteristics are factors influencing the incentives of politicians, users, and providers, and the multiple relationships of accountability and control between them.

Below, we organise these effects around the three pivotal accountability relationships identified in the *World Development Report 2004*: *political accountability* between citizens and politicians; *organisational accountability* between delivery organisations and the state; and *direct user accountability* between users and delivery organisations. Accountability is interpreted broadly, and politically, as a means of organising power between actors involved in delivery (Lindberg, 2009).

3.1 Political accountability

The widespread under-provision of basic services in developing countries is seen as at least partly attributable to the failure of political systems to deliver accountability and of policymakers to control service provision in citizens' interests (World Bank, 2003; Joshi, 2008). The so-called 'long route of accountability', which depends on an effective state being responsive to citizen demand, is prone to severe breakdown particularly but not exclusively in states with limited capacity or legitimacy (OECD, 2008). How do sector characteristics condition political accountability? More precisely, how do they affect the incentives for politicians to provide services, and the capacity of citizens to hold politicians to account for their performance?

Empirical studies continue to show how elections generate incentives for politicians to allocate services in order to court a particular constituency of support in the service of their political careers. A small portion of such studies disaggregate their analysis by sector, allowing us to see how the nature of the good being traded, specifically its political salience, visibility and the extent to which it is targetable, may influence the degree to which politicians are incentivised to provide it. In sum, the characteristic differences between sectors are a possible entry point for understanding why, as Harding and Wantchekon (2010: 16) put it, 'not all public goods are improved by democracy' [emphasis added].

The extent to which a service output is visible has been shown to be a particularly important factor influencing political actors' incentives to provide it. Democracies are sometimes characterised as being better at intervening in the highly visible and 'spectacular suffering' of famine than they are at preventing the 'unspectacular suffering' of chronic malnutrition (Khaleghian and Das Gupta, 2005). Some empirical case studies support the supposed relationship between commitment to provision and the characteristic of sector visibility. Keefer and Khemani's (2003) comparative study of two states in India identified a category of goods that could be termed "'noisy signals" of politicians' effort and ability', including school construction and direct subsidies for materials. Similarly, Batley and Larbi's (2004) study of new public management reforms across several countries identified visibility as a variable in political incentives, noting that education and health can often suffer underinvestment because the bulk of the costs are for recurrent, human capital investment, which are not publicly visible. Other studies suggest a link between the visibility of a good being delivered and the scope for the distribution and management of rents. In their political economy analysis of urban water pricing in Sierra Leone, Harris et al. (2012a) observed that, in the prevailing political environment of strong patron-client norms, elections produced incentives for politicians to adopt short-term, populist strategies and focus on visible infrastructure projects that provided greater opportunities for political returns.

It is not only the visibility of a particular output but also the closely related issue of how easy it is for politicians to claim credit for it that may influence political incentives to provide it. As Mani and Mukand (2007) argue, the visibility of goods depends not only on the likelihood of an outcome being observable, but also, crucially, on citizens being able to clearly associate observed outcomes with government competence or performance (ibid.). Following this logic, some goods may receive ‘relatively scant attention’ precisely because they are more ‘complex’ and it is therefore harder for citizens to isolate the role of government in producing them. Where citizens cannot identify the degree of government effort or commitment, they cannot credit or blame politicians with what is delivered to them. This problem of attribution is further complicated where outcomes may be the product of multiple factors. Politicians may find it easier to *claim* success for building a hospital and providing employment to nurses and doctors than for reducing malnutrition partly because malnutrition is affected by a large number of factors, many of which are to do with individual choices (i.e. diet, lifestyle) that are beyond government control (World Bank, 2003: 148).

It is also difficult for citizens to credit or blame politicians with service outcomes where the direct clientele is less likely to be aware of the quality of the service as a result of high information asymmetry. This is essentially why information asymmetry has been considered a major barrier to political accountability in developing countries (World Bank, 2003). As Keefer and Khemani’s (2003) now widely cited study showed, establishing the long-route of accountability between service users and politicians has been acutely challenging in the health and education sectors partly because it is especially difficult for voters to assess the quality and efficiency of provision in these sectors. For the same reasons, politicians find it difficult to build credible, issue-based political platforms in these sectors, because citizens will not have confidence that they can deliver on these types of promises. Health and education therefore suffer from a particularly acute case of what are termed ‘political market imperfections’ (ibid.). Investments in these sectors, particularly investments to improve the quality of provision, also suffer from a time-related incentive problem – that is, politicians confront the dilemma that such improvements typically take a long time to reveal themselves but they cannot credibly promise to make improvements that extend beyond their term in office.

Some case studies have indicated that the targetability of a particular good can become important in highly clientelist environments where political elites may perceive greater benefit in providing individual transfers rather than pursuing the less certain and more long-term goal of wider population well being. Keefer and Khemani (2003) found evidence that politicians on the whole tended to prefer to invest in goods that are consumed individually, such as free food and temporary employment in public works, as opposed to investing in broad-based public goods. The targetability premium reveals itself not only in terms of what sectors may be favoured for investment overall, but also what types of outputs *within* sectors tend to be funded more sustainably over time. Where maintaining a clientelist network is the political imperative, highly targetable expenditure for the salaries of teachers and health workers may be politically appealing if it can cement clientelist relationships, even though these types of transfers are not widely visible (ibid.).

Some goods are referred to in the literature as being generically more politically salient than others, independent of the influence of contextual factors such as political conjuncture, ideology, consumer choice and preferences, or indeed politicians’ knowledge of those preferences. Education in particular is often characterised as highly salient because it is intimately bound to processes of nation-building, and has wide-ranging potential and revealed implications for social cohesion and political stability. The salience of education is partly a product of its demand characteristics – as Pritchett (2002) argues, both citizens and regimes care deeply and directly about the types of beliefs and values schools seek to promote. Particularly in divided societies, national education policy can become an arena where rival social groups compete over social norms. Language of instruction has important implications in the context of high ethnic factionalism. In post-conflict Ethiopia, for example, education policy has come wrapped in a discourse of national identity with the explicit aim of producing ‘good citizens who understand, respect and defend the constitution’ (Teshome, 2008: 58).

Studies from other sectors have illustrated the relationship between political salience and the demand characteristics of services. One recurring theme is that, where there is weak demand for a particular service from users, there may be less political incentive for provision. Sanitation is widely characterised as suffering from chronic political under-prioritisation, compared with water supply, precisely because it does not typically rank highly in citizens' priorities, and there are still few examples of citizens actively demanding sanitation provision (WSP, 2011). A recent study of the political economy of village sanitation across four South Indian states is indicative, noting that sanitation systems, and public health in general, were politically a 'hard-sell', partly because the positive externalities of improved sanitation – i.e. the spillover effects for individual health – were not internalised in the public mindset (Ban et al., 2010).

Cross-country studies of sanitation investment have found that prominence in local and national policy debates can be a variable influencing political incentives for sanitation delivery (WSP, 2011). Community-led Total Sanitation (CLTS) is an important approach that aims to address the demand characteristics of sanitation by altering its visibility and addressing the incentives of citizens to manage their own provision and of politicians and officials to provide support (Sansom, 2011: 284-285). However, Harris, Kooy and Nam's (2012b) study of Vietnam indicates that, conversely, the Community-led Total Sanitation approach may reduce the pressure on politicians to provide because citizens do not associate service provision with the state.

The nature of a particular good or output may influence whether or not it is likely to be provided effectively under decentralisation (Besley and Ghatak, 2007). The case is sometimes made that decentralisation is less amenable to the provision of broad-based goods for two reasons: first, because individuals tend to undervalue their private benefits and prefer tangible, individually oriented services (e.g. doctor visits) and, second, because local governments by virtue of being closer to voters have a stronger political incentive to respond to individual preferences. Accordingly, Akin et al.'s (2005) study of fiscal decentralisation of health in Uganda found evidence that declining proportions of budgets were being allocated to radio campaigns, community events, newspaper adverts and signboards, all of which could be termed 'public goods' (understood in the strict sense as being non-rival and non-excludable). Instead, local government health planners were increasingly allocating funds to a category which can be broadly termed 'non-public' including training, supplementary salaries, civil works, vehicles and equipment. An important distinguishing feature of this latter category, the authors argue, is that their benefits accrue directly to individual health workers, hence increasing the possibilities for political returns. There is some evidence to suggest this political logic is well founded. Based on a statistical model, Khemani (2010) reports that 'swing voters' in local jurisdictions are more likely to vote on the basis of private transfers such as jobs, cash, subsidies, and in-kind transfers, as opposed to the general condition of broad public goods such as quality health and education.

Some studies indicate that it may be the externalities inherent in public goods that inhibit the degree to which they are likely to be provided under decentralisation. Drawing on evidence from the health sector in six countries, Mitchell and Bossert (2010) highlight the disjuncture between public goods with broad, population-wide benefits and local-level political imperatives, where returns are conceived in a much narrower, geographically contained sense. The study observed that substantial positive inter-jurisdictional externalities may actually act as a disincentive to local spending. In this instance, district governments were found to deliberately 'free ride' on the public goods provided by their neighbours, reducing their own public goods expenditures when neighbouring districts increased theirs (ibid.).

Decentralisation may therefore present a particular challenge for delivering services that have extensive positive externalities but at the same time require adaptation to local needs and preferences. Khaleghian and Das Gupta (2005) argue the point in reference to the provision of 'essential public health functions' (e.g. disease surveillance or the promotion of public health messages). They argue that, on the one hand, how effectively these functions are implemented depends on adaptation to language, culture and epidemiological profiles but, on the other hand, formally transferring responsibility for them to local government tends not to increase their provision (ibid.: 7).

3.2 Organisational accountability

Research examining the under-provision of public goods in Africa has indicated that successful cases of delivery are associated with top-down discipline and motivation, a coherent vision and framework for provision, and corporate performance disciplines (Booth, 2010: 4-5). Notwithstanding the determining role of context and politics, the effectiveness of accountability relationships between the state and delivery organisations depends on the degree to which policymakers and politicians can enforce the so-called 'provider compact' (World Bank, 2003: 51). This means the state must be able to both specify outputs and generate information about how well providers have performed, as a basis for rewarding good or sanctioning poor performance (*ibid.*). Why in principle might establishing organisational accountability and control be more challenging for some services and functions than others? The public administration literature advances a number of ways in which accountability relationships can be complicated, or completely stifled, because of the task-related characteristics of the function being performed.

Policymakers' capacity to control and incentivise provider organisations is generally considered greater where information on the provider's performance is available, and where outputs can be measured directly (Batley, 2004: 45-46). Monitorability and measurability are widely acknowledged as key to any form of organisational accountability. The degree to which a service is monitorable may depend, among other factors, on the level of discretion, transaction-intensity, and attributability of a particular service or output (World Bank, 2003: 52-53). In general, the higher the level of discretion, the more difficult it is to monitor a service effectively (*ibid.*). This holds true even for highly transaction-intensive services, such as vaccination, that are relatively straightforward to monitor because they are not discretionary and can therefore be standardised. Curative care, in contrast, poses a challenging combination of being both discretionary and transaction-intensive.

Attributability is another complicating factor that can occur where it is difficult to verify that outcomes are the result of actions by service delivery organisations. Individual health, for example, is influenced not only by individual decisions (e.g. diet, exercise) but also community-level factors (e.g. exposure to pathogens) (*ibid.*). Monitorability is not only a managerial concern. More fundamentally, it may also influence whether the state chooses to engage in the delivery of a particular service directly (delivering itself) or indirectly (regulating, contracting, and overseeing). In a rigid conceptualisation, the World Bank (2003: 13) proposed that contracting is highly appropriate for an easy to monitor service like immunisation, whereas direct government delivery is a more attractive option where a service is difficult to monitor. Pritchett (2002) illustrates this point in reference to education, arguing that regimes have incentives to *directly produce* education because it is the only feasible way of monitoring something so intangible, and not least so discretionary, as the 'inculcation of beliefs'.

Other task-related characteristics may influence the feasibility of different organisational arrangements for delivery. In addition to monitorability, specifiability and measurability may for instance affect the likelihood that a service can be contracted out effectively. Specifiability – or the degree to which the service can be specified in advance – is thought to be more difficult where the objectives are multiple, long term, and quality-related. Where tasks are highly discretionary and transaction-intensive, as in the case of teaching where teachers must use their own judgment and engage in repeated and frequent interactions with pupils to produce the required results, it is difficult to specify completely, in detail that is sufficient to be monitored, the way in which teachers are expected to operate (Bruns et al., 2011). A quite separate factor is the degree to which contractors require specific assets in order fulfil the tasks involved in delivering a service. Large-scale projects such as urban water supply or technologically complex investments in hospital healthcare demand equipment and knowledge that will rule out most competitors, putting the contractor in a relatively powerful position over the government (Batley and Larbi, 2004: 137).

Task-related characteristics, along with the type of market failure and the political salience of a particular service, have also been analysed as factors influencing the likely form and intent of government regulation. These characteristics may explain why some sectors and functions have been

shown to particularly attract ‘command and control’ approaches, whereby government seeks to impose often highly cumbersome and minimum standards of entry so as to monitor inputs and restrict competition, as opposed to a softer form of ‘regulation by facilitation’ which uses incentives (e.g. subsidies for improved midwifery practice) to encourage compliance (Batley and McLoughlin, 2010: 139).

Command and control regulation may be practised over the non-state sector, for example, where there is a direct government service (particularly education and health care) to protect and competition for resources and customers (*ibid.*). Based on studies in sub-Saharan Africa and South Asia, Rose (2006) found that frameworks to regulate informal education providers paid much less attention to the quality and accessibility of non-government schools than to stipulations regarding inputs such as equipment, the dimensions of school buildings and the required distance from government schools. Regulatory frameworks in the urban piped water sector often derive from internationally accepted norms as opposed to local needs and preferences: the natural monopoly tendencies of this sector give engineers’ priorities pre-eminence over users’ preferences (Franceys and Gerlack, 2011). The result can be a missing ‘feedback link’ between service providers and consumers; the absence of choice means consumers cannot reveal or assert their preferences (*ibid.*).

Territoriality may be another factor influencing the likelihood that pro-poor regulatory frameworks can be put into place. A study of water governance in Jakarta observed that networked water was easier to regulate than the informal market of non-networked providers (on which the majority of the poor depend) due to its geographical ‘containment’ (Bakker and Kooy, 2008). From the opposite perspective, regulation is considered to be particularly challenging where there is a great diversity of providers, and a fragmented, informal marketplace for provision. A key finding from a recent multi-country study of regulation of the urban, non-networked water sector was that, with few exceptions, lack of comprehensive data on the scale and diversity of provision was among the central barriers to pro-poor regulatory outcomes (Gerlack and Franceys, 2010). This type of fragmentation is also a general characteristic of health provision in low capacity environments, where the diversity and geographically dispersed nature of small-scale, informal providers make monitoring through visits and inspections a formidable challenge (Palmer, 2006: 235).

Different sectors lend themselves to different forms of organisation, involving different processes that demand varying levels of complexity and inter-agency coordination. These organisational implications may in turn influence the relationship between providers and government. Some have argued, for example, that the market failure characteristics of sanitation – specifically, weak demand and partial cost-recovery alongside horrendous negative externalities – make it particularly difficult for governments to control and coordinate it in an organisational sense (Nickson and Franceys, 2003: 4). Studies in Asia illustrated that responsibility for sanitation is typically split across a number of ministries (e.g. water, health and urban development) and levels of government, leaving it generally adrift of an appropriate ‘institutional home’ (Sansom, 2011).

Poor coordination, confused or absent authority, and unclear organisational mandates of this type have been shown to complicate relationships of accountability (WSP, 2011) and can underlie the general constraint of policy incoherence (Wild et al., 2012). In the urban water sector in Sierra Leone, Harris et al. (2012a) frame the failure to provide equitable coverage or achieve sustainable cost-recovery as essentially a ‘common good’ problem resulting from the inability of providers to exclude or sanction non-paying service users (including large public sector organisations that had accrued major arrears). In this instance, the so-called ‘free-rider’ problem was less a problem of weak willingness to pay on the part of users, more one of lack of willingness or capacity to charge on the part of the provider organisation.

A closely related challenge for establishing the provider compact is, as Besley and Ghatak (2007: 30) put it, ‘how to incentivise and motivate individual bureaucrats to provide goods that produce collective benefits in an efficient manner’. It is now widely acknowledged that how policy is interpreted and implemented at the point of delivery depends largely on the structure of incentives facing delivery

organisations (Pritchett and Woolcock, 2004; Collier, 2007). Some research has indicated that incentives may be inherently more challenging to configure for complex services, where complexity means there are potentially numerous measures of performance. In such instances, according to Besley and Ghatak (2003), incentives have to be carefully designed so as not to direct effort only towards what is measurable. If teachers are mainly evaluated on the basis of students' grades, for example, they might be more motivated to redirect their effort towards exam technique at the expense of teaching other skills (Mookherjee, 2001). Another problem that may 'blunt the precision of incentives' is that agents (frontline workers) typically answer to 'multiple principals', who may have different requirements and may not agree on how to control the agent. In health, for example, doctors can face conflicting demands between day-to-day pressures from clients to respond to clinical needs, versus the need to engage in public health activities like disease prevention that are not demand-driven (World Bank, 2003: 53).

Task-related characteristics can also affect the feasibility and political viability of reform efforts. In general, service providers may have more power to assert their own interests where they can form professional groups or can unionise, and this is more likely for functions where there are few actors with the necessary capacities (e.g. doctors) (Batley and Larbi, 2004). Based on an examination of reform trajectories in the education sector in Latin America, Grindle (2005) observed that, while reforms to increase access were relatively easy because they increased the size and power of unions, quality reforms that emphasised performance evaluation and reorganisation upset the political equilibrium of actors, interests and agents and met with fierce opposition.

Some studies have shown that reforms in highly professionalised sectors can be undermined by an unwillingness of governments to challenge unions and professionals, particularly doctors in the case of health. Mills et al.'s (2001) study of the implementation of New Public Management reforms in the health sector in Ghana, India, Sri Lanka and Zimbabwe found that, in some cases, a high degree of professionalisation undermined the development of a strong management cadre that could have provided an important constituency for reform (ibid.: 219). The significance of provider interests (professions, unionised labour, managers, business interests) varies depending on whether these groups are powerful within government and parties. As a recent study of accountability in education in South Africa showed, there is unlikely to be much incentive for politicians to agitate for service improvements where front-line providers, in this case teachers, are also political organisers and where politicians rely on them to deliver votes (Devarajan et al., 2011: 5).

The political salience of a sector may make certain types of reform particularly challenging. Grindle and Thomas (1991) distinguish reforms that become matters of wide public mobilisation from those that generate responses largely within the bureaucratic arena. They argue that the stakes are higher in the first case; determined political support is needed to drive them through. In the second case, the political stakes are lower; the crucial issues are within the competence and compliance of the bureaucracy. The factors that Grindle and Thomas identify as determining whether reforms become openly political or are managed internally include the distribution of the concrete costs and benefits between government and the public, the visibility of reforms, their administrative complexity, whether public support is required for their implementation, and the duration of the process of implementation. Reforms such as the introduction of user fees are likely to become matters of open public debate – the benefits are most obviously to the public purse, the costs are to consumers, and their impact is immediate and visible. Decision-makers therefore confront high political stakes in pushing such reforms. Franceys and Nickson (2003: chapters 3 and 9) analyse these issues and how they affect the organisation and regulation of urban water supply.

3.3 Direct user accountability

Direct accountability between service delivery organisations and users implies citizens can both reveal their demand for services and monitor whether or not organisations respond accordingly (World Bank, 2003: 51). In summing up the findings of the 10-year research programme of the Centre for the Future State, Unsworth (2010: 38) observed that different models for designing and implementing public

services substantially influenced the opportunities for actors to collectively organise and hold service providers accountable. But in what ways, specifically, do different sector characteristics enable or constrain the possibilities for users to hold providers to account for their performance?

Some studies particularly illustrate how users' own preferences, or their inability to express their preferences due to lack of choice, constrain citizen's capacity to make demands on delivery organisations. O'Reilly and Dhanjub's (2012) case study of drinking water governance in Rajasthan provides an illustrative example. The study examined why participatory reforms that aimed to equalise – essentially 'reconfigure' – power relations between citizens, the state, and non-state actors ultimately failed. In this instance, neither market reforms to turn citizens into 'paying customers' nor participatory reforms to engage villagers in maintaining local supply infrastructure altered the power relationships between the provider and the users, partly because the monopoly provider retained the capacity to turn off supply to villages. The authors note that participatory reforms under these circumstances were not an appropriate solution to address the more fundamental structural power relations between the actors (ibid.).

How a service is demanded and consumed has been analysed as a factor affecting how effectively social accountability mechanisms operate. A defining feature of social accountability is that it can be catalysed on demand, in response to particular failures in provision, imposing immediate reputational costs on the agencies involved (Houtzager and Joshi, 2008). Low levels of awareness of entitlements, roles and responsibilities, and disconnects or social distance between users and service providers, are known common constraints to social accountability for service delivery (Wild et al., 2012). In general, the capacity of citizens and clients to exercise control over delivery organisations may generally be greater where they can organise themselves, and this may depend on whether a service is used regularly and predictably, not only in crisis (Batley and Larbi, 2004: 63). It may also depend on whether the service is area-based: service users who share day to day experience of water supply or sanitation problems in one locality are more likely to be able to organise to express demands than patients attending hospitals, for example (ibid.). Khaleghian and Das Gupta (2005) argue social accountability works more effectively where public demand and interest is high, but less well for 'invisible' services, such as essential public health functions, that tend to be neglected, including by the media, during the normal course of life.

Citizens' capacity to demand service improvements is also affected by information asymmetry problems (Booth, 2012). A study of the implementation of community scorecards in Malawi observed different dynamics in health, where users did not feel well informed to judge the quality of delivery, compared with the highly politically charged process of producing scorecards around the Farm Input Subsidy Programme (Wild and Harris, 2011). A notable difference, the authors suggest, was that this latter programme impinges on major portions of the population, creates multiple opportunities for clientelism and hence was more readily captured by vested interests, and more politically charged.

Similarly, otherwise nascent social accountability mechanisms can suddenly gain momentum when services gain visibility and begin to take on public meaning and generate demand, often as the result of sudden crisis or severe breakdown. In the Rajasthan case referred to above (O'Reilly and Dhanjub, 2012), village water committee meetings were typically not well attended, either by the community or government, until a dead dog was discovered in the water supply. As Golooba-Mutebi (2005) found in his widely cited study of decentred health provision in Uganda, the extent to which people seek to pressure service providers rather than choose to exit from public provision depends, amongst other factors, on whether or not alternative, accessible options are actually available. User dependence on public provision is therefore a factor in encouraging people to mobilise to collectively demand improvements (ibid.). Conversely, the availability of choices to some over other users may lead to few and fragmented users demanding improved services by public providers.

Recent research has specifically sought to shed light on the intimate link between the nature of a particular good being provided, and the possibilities for collective action. The emerging message from this research is that the territoriality of a service and the extent to which it provides a focal point for mobilisation are important variables. Kacker and Joshi (2012) report on a case in the urban water sector

in New Delhi in which ‘captive consumers’ with limited ability to influence service quality or price were still able to alter power relations and escape a ‘low level service trap’ through collective action. Their study describes how residents of informal settlements mobilised collectively to plan and implement their own distribution system to allow individual households to connect to the piped water supply. This mobilisation, they argue, was partly enabled by the nature of the service. Specifically, piped water is more conducive to triggering collective action because unlike public standpipes or water vendors, there is a natural ‘boundary of consumption’. Moreover, because households made up-front investments in their connection, they subsequently had a greater stake in the system and were more incentivised to make demands on providers. This is contrasted with ‘erratic or poor services’, for example water obtained from vendors, which may not generate the same ‘motivational force for mobilisation and claim making’ (ibid: 33). Common-pool resources bring their own set of collective action dilemmas. Community-led Total Sanitation has been successful in mobilising communities to address the collective action problem of open defecation, principally by changing their perception of the collective benefits (or positive externalities), thereby triggering genuine demand for toilets, without the need for an up-front subsidy (Kar, 2012).

Similarly, other studies have pointed to the importance of physical ‘points of contact’ between users and providers as a factor influencing the degree to which collective action is possible. Houtzager and Joshi (2008) illustrate this by contrasting the design of health reforms and social assistance programmes in Brazil and Mexico. They observed that whereas in health services there are typically many physical ‘points of contact’ between citizens and agents of the state, in contrast, cash transfer programmes provided fewer points around which people could mobilise; direct transfers to families were able to completely bypass civil society intermediaries (ibid.). Though physical points of contact may be an enabling factor in some cases, on the other hand a high degree of fragmentation of providers may inhibit the scope for collective action. Research in Delhi, for instance, found that actors could more easily mobilise around the Public Distribution System (PDS), which provided a ‘single point of contact’ and a focal point for users to target and solicit support from local bureaucrats, compared with the health sector, which was characterised by a high degree of fragmentation between services that were often provided by individual providers (Unsworth, 2010: 39).

Some research has more directly considered how users and delivery organisations interact through the frontline individuals who carry out a particular task or function (e.g. doctors, teachers) (World Bank, 2003). Some studies have linked the incentives of ‘street-level’ bureaucrats to the nature of their everyday encounters with the public, for example. In their study of urban sanitation in two cities in Ghana, Crook and Ayee (2006) examined the extent to which Environmental Health Officers’ relationships with the public created both demands and incentives for them to perform well. The study describes how these officers deal with members of the public – including householders, food sellers and processors, and contractors dealing with sanitation, cleansing and waste collection – on a daily basis in their ‘patch’ of the city. In spite of the fact that their position as enforcers of regulations provided obvious opportunities for ‘rent-seeking’ behaviour, the Environmental Health Officers were not notorious for using their powers to extract pay-offs, which the authors partly attribute to the ‘transparency’ of their situation and the closeness of their relationships with the public, hence members of the public were not slow to complain or bring accusations against them (ibid: 18).

Certain task-related characteristics may mean services naturally lend themselves to ‘co-production’, because delivering them effectively would not be possible without some form of active collaboration between organisations and communities. Joshi and Moore (2004: 41) present a number of what they term ‘logistical’ drivers of co-production, or conditions inherent within services that mean they cannot be provided effectively via another mode of provision. These drivers include an environment that is complex and variable, and high costs associated with interacting with large numbers of households, particularly in rural areas. In our terms, these characteristics might be referred to as discretion and transaction-intensity. Irrigation, for example, is generally difficult to deliver to small farmers without co-production because of the large numbers of farmers as clients, and the likely high level of diversity in their needs for water (e.g. different planting schedules). Such conditions, the authors argue, mean that

the state is unlikely to have the necessary resources, in the form of information on needs and personnel, or indeed the authority, to deliver the service effectively single-handedly (ibid.).

4 Conclusions and next steps

This paper has identified a set of characteristics that can be used to distinguish between different services and functions. These characteristics relate to the nature of the good being delivered, the type of market failure, the nature of the task, and the nature of how it is demanded and consumed. It would be wrong to imply that these characteristics produce uniform effects in any given context, and the paper is not advocating a de-contextualised, least not de-politicised, approach to understanding how effectively services can be provided in response to user need. Nevertheless, sector characteristics are more than technical considerations: they are variables that can influence the forms of politics and governance likely to emerge around particular services. Specifically, this paper has identified evidence of how sector characteristics may influence the behaviour of actors involved in delivery, and the opportunities and constraints for establishing relationships of accountability and control. The broad implication is that sector characteristics, though typically confined to the economics and public management literature, might therefore be incorporated as one layer of a holistic (including political) analysis of why certain services encounter particular constraints or opportunities in their delivery.

Three broad findings emerge from this review about the effects of sector characteristics on accountability in service delivery. The first is that sector characteristics influence the incentives for politicians, providers and users to commit resources to producing them, and for politicians and providers to be accountable to citizens for service performance. The second is that sector characteristics may condition the balance of power between policymakers and actors involved in service delivery, and the likely form and effectiveness of provider compacts. The third is that sector characteristics set some broad parameters for whether and how citizens can mobilise collectively around them and make demands on delivery organisations.

Within the above broad findings, a number of propositions about the effects of sector characteristics emerge and could be tested more systematically through further inquiry. Specifically, as outlined in Table 2, sector characteristics affect relationships of accountability and control in the following ways:

- The **nature of the good** and **market failure characteristics** are key variables affecting relationships of political accountability, with potential to influence calculations of political returns and the distribution and management of rents. The links between the visibility, measurability, and attributability of different services and functions and the political dynamics that emerge around them could be explored through future research. Likewise, thinking about how positive and negative externalities are conceived by actors may help understanding of their incentives to mobilise for and use services.
- **Task-related characteristics** are key variables influencing relationships of control between policymakers and providers. In particular, the measurability, transaction-intensity and level of discretion involved in performing different functions influences the degree to which policymakers and bureaucrats can control the behaviour and incentives of delivery organisations. The implications of task-related characteristics for political control and bureaucratic policy coherence could be examined through further research.
- The **demand characteristics** of territoriality and frequency and predictability of use are key variables influencing the scope for direct user accountability. Different services, and different functions within them, offer different scope for citizens to interact with the state. Different models for designing public services, including physical points of contact, affect the possibilities for citizens to mobilise collectively around them. The relationship between visibility, information asymmetry and political salience as factors influencing the prospects for effective social accountability across different services could be further examined.

Table 2: Findings about the effects of sector characteristics on accountability

Accountability relationship(s)	Effects of sector characteristics
Political accountability	<ul style="list-style-type: none"> The nature of the particular good being traded, specifically its political salience, visibility and the extent to which it is targetable, are variables in calculations of political returns and affect the degree to which politicians are incentivised to deliver particular services or particular types of reform (e.g. quantity versus quality). Whether or not citizens can attribute (credit or blame) politicians with what is delivered to them may depend on the degree of information asymmetry, visibility, and service complexity.
Organisational accountability	<ul style="list-style-type: none"> Measurability and visibility affect the capacity of the state to incentivise and control provider performance. The geographical distribution of positive and negative externalities may influence political incentives for delivery under decentralisation. Service providers may have more power to assert their own interests where they can form professional groups or can unionise, and this is more likely for functions where there are few actors with the necessary capacities. Territoriality and political salience may explain why some sectors and functions particularly attract 'command and control' approaches to regulation.
Direct user accountability	<ul style="list-style-type: none"> Heterogeneity of need and transaction intensity can act as logistical drivers of co-production. Political salience and information asymmetry affect how social accountability mechanisms operate. Control by citizens and clients over provider organisations is generally greater where they can organise themselves, and this may depend on frequency and predictability of use, as well as territoriality (or whether a service is area-based).

Beyond the above general propositions, this review has highlighted links between sector characteristics and the types of opportunities and constraints that tend to emerge around particular services. Briefly:

- In *education*, the primary market failure is the delivery of quality public provision given the difficulty of regulating dispersed schools not subject to strong user demand. Visibility and targetability incentivise school construction over service quality. Political and organisational accountability are difficult to exercise in part because of information asymmetry, but can be complemented by direct user accountability.
- In *piped water*, high externalities may fail to be met because public monopolies are under-resourced due to political control of tariffs. Here again, visibility and targetability of water supply incentivises provision of systems over quality. Where there is monopoly, lack of choice undermines the capacity of users to hold providers to account directly.
- In *sanitation*, visibility and incentives to provision are reduced by the organisational complexity of the sanitation sector, weak professionalism and low public awareness. High externalities and merit goods may fail to be met due to lack of consumer awareness and lack of government coordination, but can also be the basis for stimulating collective action.
- Preventative and curative health face distinct challenges and opportunities partly because of their intrinsic, characteristic differences. In *preventative health*, national programmes are visible but not targetable, so incentives to provision depend on (low) public awareness. Visibility and targetability incentivise clinic construction over service quality. Direct user accountability is difficult because of high information asymmetry. High externalities and merit goods may fail to be met due to monopoly provision and lack of citizen awareness. Organisational accountability may be colonised by providers because of high professionalisation.

Sector characteristics may have implications not only for relationships of accountability between users, politicians and providers, but also for the role of external agencies working to support enabling environments for better service provision. Characteristics that obscure or complicate relationships of accountability between local actors – for instance, the task-related characteristics of measurability, visibility, discretion, variability and transaction-intensity – may also complicate the delivery, measurement, and evaluation of aid. For donors, sector characteristics may therefore affect the possibilities for attribution of outcomes, the complexity of results chains, and the feasibility of measuring and demonstrating value for money. Likewise, understanding how sector characteristics condition relationships of power and control between actors involved in delivery may indicate where there are opportunities and constraints for effective development interventions. Further analysis might usefully examine what types of interventions (e.g. exit, voice, choice, compliance) can successfully address sector characteristics.

This paper does not claim that, by themselves, sector characteristics offer a rounded or holistic account of all the factors influencing why certain services perform more or less effectively. Sector characteristics are clearly only part of the picture. Information asymmetry does not produce but may nevertheless reinforce political market imperfections. Low measurability and high levels of discretion and transaction-intensity certainly add a layer of complexity to performance measurement and regulation, but do not make the challenge insurmountable. Nevertheless, sector characteristics may help to explain variation in performance between services and within different functions where political economy conditions are seemingly comparable. A fully rounded diagnosis of service delivery might therefore usefully incorporate sector characteristics as one layer of analysis, alongside political economy factors. In so doing, it might elucidate the relationship between these sets of variables. To this end, a framework for identifying sector characteristics is included in Annex 2.

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Annex 1: Effects of sector characteristics by sector and sub-sector

Characteristic	Effects at sector level				
	Curative/clinical health	Preventative/public health	Community sanitation ²	Piped water	Primary education
Nature of good	Rivalry	<i>High:</i> Market will substitute for deficient services.	<i>Low:</i> Market will not provide.	<i>Low:</i> (Common pool good) Facilities will be over-used and neglected.	<i>Medium:</i> Market will substitute for deficient public services.
	Excludability	<i>Medium:</i> Market will exclude non-payers.	<i>Low:</i> (Merit good) Collective action problems where private benefits are not clear.	<i>Low:</i> Collective action problems where private benefits are not clear.	<i>High:</i> Market will exclude non-payers.
Type of market failure	Monopoly tendency	<i>Low:</i> Multiple direct deliverers with dominant ministry, and large-scale market provision. Non-state provision is abundant but not regulated for quality.	<i>High:</i> Usually state monopoly.	<i>Low:</i> Large-scale under-provision and ministerial coordination is weak.	<i>High:</i> State monopolies are dominant, but market offers alternatives outside core of cities; monopolies are under-resourced due to political control of tariffs.
	Positive and negative externalities	<i>Medium</i>	<i>High:</i> Externalities of environmental health, infectious and parasitic diseases; may be under-allocated under decentralisation due	<i>High:</i> Externalities of environmental health, infectious and parasitic diseases. May fail to be met due to lack of consumer awareness and	<i>High:</i> Public health and sanitation-related externalities.

² Highly variable sector, treated here as if Community-led Total Sanitation

			to inter-district spillovers.	lack of government coordination.		
	Information asymmetry	<i>High:</i> Citizens lack information to choose and assess health providers. Political market imperfections are acute. Direct user accountability is difficult to exercise.	<i>High:</i> Lack of citizen awareness; providers determine supply in absence of citizen information.	<i>Medium</i>	<i>Medium</i>	<i>High:</i> Parents are likely to recognise case for education but not have information to demand quality.
	Merit goods	<i>High:</i> For infant and maternal health.	<i>High:</i> In all respects.	<i>High:</i> But rarely recognised in practice.	<i>High:</i> For minimum drinking needs.	<i>High:</i> For provision of basic education.
Nature of task	Measurability and visibility of outputs	<i>Low</i>	<i>High</i>		<i>High</i>	<i>Low</i>
	Discretion of frontline staff	<i>High</i>	<i>Low</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>
	Transaction-intensity	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
	Variability	<i>High</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	
	Professionalisation	<i>High</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>High</i>
Demand Characteristics	Frequency of use	<i>Low</i>	<i>Low</i>	<i>High</i>	<i>High</i>	<i>High</i>
	Predictability of use	<i>Low</i>	<i>Low</i>	<i>High</i>	<i>High</i>	<i>High</i>
	Territoriality	<i>Low</i>	<i>Low</i>	<i>High</i>	<i>High</i>	<i>Medium</i>
	Political salience			<i>Low</i>		<i>High</i>
Summative effect of Task and Demand Characteristics		Political and direct user accountability are difficult to exercise. Organizational accountability easily colonized by providers	Political and organizational accountability may be effective: direct user accountability is unlikely	Political, organizational and direct user accountability may be effective	Political and direct user accountability may be effective. Organizational accountability may be colonized by providers	Political and organizational accountability are difficult to exercise, but may be complemented by direct user accountability

Annex 2: Framework for identifying sector characteristics

Category	Characteristic	Explanation
Nature of good	Rivalry <i>Is the service 'extractive', or used up by its consumption?</i>	Costs increase with each additional consumer, making the good unavailable to those who do not pay. Public goods are not rivalrous, e.g. street lighting or police services.
	Excludability <i>How easily can non-payers be excluded from benefiting?</i>	Non-payers can be excluded from benefiting. Public goods are not excludable, e.g. street lighting or vector control of mosquitoes.
Type of market failure	Monopoly tendency <i>Do investment costs and economies of scale make it difficult for alternative suppliers to compete?</i>	High initial investment costs and economies of scale make it difficult for alternative suppliers to compete, e.g. urban water supply.
	Positive and negative externalities <i>What are the external (public) costs and benefits of individual use or non-use of the service?</i>	Positive: When one individual's actions confer a benefit on others, e.g. individual immunisation has preventative effects for entire population Negative: When one individual's actions impose a cost on others, e.g. poor sanitation in one locality leads to health problems elsewhere.
	Information asymmetry <i>In what ways are consumers less informed than producers (or vice versa) about the quality or risks of the service?</i>	Consumers may be less informed than producers (or vice versa) about the quality or risks of a service, e.g. health care (see also measurability of outputs below).
	Merit goods <i>To what degree are the individual and collective benefits of consumption understood by users and by government?</i>	Individuals may not act in their own best interests, leading governments to make choices for them, e.g. requiring immunisation and basic education.
Nature of task	Visibility and measurability of outputs <i>How visible, in a physical sense, are the service outputs to citizens (users) and to government?</i> <i>Can the outputs be quantified, or measured precisely?</i> <i>How much time do improvements in outputs take to reveal themselves?</i>	Service outputs that are quantitative and visible with precise objectives are relatively easily measured and evaluated, e.g. waste collection versus sewerage disposal.
	Discretion of frontline staff <i>Do frontline staff have autonomy to determine how they perform certain tasks? Which tasks?</i>	Where objectives are qualitative and difficult to specify, managers and professionals may be given greater discretion to determine procedures and outputs, e.g. classroom teaching.

	Transaction-intensity <i>Does implementing the service require frequent, iterative contact between individual consumers and providers?</i>	Tasks that involve iterative and individual contact between providers and consumers are transaction-intensive, e.g. community-led basic sanitation.
	Variability <i>What factors are likely to cause variability in user need? In what ways, therefore, is the service difficult to standardise?</i>	Tasks that are transaction intensive and discretionary require a variable response to clients and cannot be standardised.
	Professionalisation <i>To what extent does delivering the service require professional judgment and autonomy?</i>	Used here in two senses: (i) tasks that are discretionary, transaction intensive and variable are ones that require professional judgement and autonomy, (ii) professionals may thereby exercise control over principals.
Demand characteristics	Level of demand <i>What is the level of known demand for the service?</i>	The incentive to provide services is greater where demand is higher.
	Frequency of use <i>Is the service used regularly or episodically?</i>	Services may be used regularly (water supply) or episodically (health care) affecting the level of interaction between users and between users and providers.
	Predictability of use <i>Is the service used routinely or unexpectedly as a result of a crisis or unforeseen event?</i>	Regularly used services with fixed costs are possible to plan and insure for. Unpredictability occurs particularly in healthcare but also, to a limited extent, in the demand for water.
	Territoriality <i>Does the service have a natural boundary of consumption? Is it consumed in common by all residents of a local area? What are the physical points of contact between users and government?</i>	Certain services (water supply, refuse collection) are consumed in common by all residents of a local area. Others depend on individual needs served beyond local areas (hospital healthcare).
	Political salience <i>What are the likely political returns to provision? What are the broader social implications of service use?</i>	The political salience of a service depends on politicians' calculation of political returns from its provision and on citizens' response.

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