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***Institutions, Incentives and Service Provision: Bringing
Politics Back In.***

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Abstract

This paper outlines a conceptual framework for analyzing the politics of service provisioning. The approach uses as its point of departure the 'accountability framework' of relations between citizens, clients and service providers, laid out in the World Bank's 2004 World Development Report. That framework highlights two distinctive ways of governing public service provision - a performance-oriented top-down hierarchy with goals shaped by the overall political process, and participatory approaches which link clients and providers. But a focus on these two polar approaches deflects attention from the vast spaces in the middle: the many countries where governance falls well short of 'good', but is better than disastrous; and the many layers within a specific sector in-between the top-levels of policymaking and the service provision front line. A central hypothesis of this paper is that these in-between spaces are major domains of political, stakeholder and organizational behaviour. These are sources both of within-country and across-country variation in the quality of public service provision and also provide the locus where many opportunities for achieving gains in performance are to be found.

Keywords

Service provision; methods; politics; governance

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1. Introduction and motivation

This note outlines a conceptual framework for analyzing the politics of service provisioning, as a contribution to the Effective States and Inclusive Development Research Centre (ESID). The aim is to bring interpretations of political functioning into diagnoses of behaviours shaping service delivery - both in terms of the overall political context (including the national or local 'political settlement') and the micro-politics and sociology of interactions between the various actors.

The approach uses as its point of departure the well-known 'accountability framework' of relations between citizens, clients and service providers, laid out in the World Bank's 2004 World Development Report. That framework usefully highlights two distinctive ways of governing public service provision – a performance-oriented top-down hierarchy with goals shaped by the overall political process, and participatory approaches which link clients and providers. But a focus on these two polar approaches deflects attention from the vast spaces in the middle: the many countries where top-down governance, though not disastrous, falls well short of 'good', but is unlikely to improve much for the foreseeable future; and the many layers within a specific sector in between the top-levels of policymaking and the service provision front line. The framework laid out in this paper explores these in-between spaces as the place where much of the politics of service provision plays out and thus where many opportunities for achieving gains in performance might be found.

The remainder of this section discusses the motivation for the focus on the governance of service provision. Section 2 lays out our conceptual framework in some detail, and includes a set of hypotheses to help guide case studies of service provisioning. Section 3 then discusses some of the issues in applying the framework. The final Section 4 discusses some methodological commonalities that derive from the framework, and could be incorporated across the full range of case studies - across a variety of sectors and countries. An annex contains some schematic illustrations from India and South Africa showing how the methodology could be applied to specific sectoral domains and associated organizations.

Context

Consider the following stylized facts:

For most rich and poor countries, there has been large, and fairly steady, progress on measures of human development, whether in terms of input measures (education enrollments, access to water and sanitation etc.) or outcomes (child mortality, literacy etc.). There has also been steady expansion in economic infrastructure - roads, power, ports etc. The outcomes have multiple causes, but service delivery is often an important influence. Services are also typically valued in societies independently of outcomes: for example, people place value on efficient, caring service from a health service provider even if it has little impact on their health status. Most countries have been capable of large expansions in many services. This has occurred under authoritarian and democratic auspices. The exceptions are countries in conflict, and some highly predatory states.

However, there continue to be widespread problems in the provision of services. Here are some:

- Pervasive issues of quality: in education; health services; pre-school; water, sanitation and garbage removal (e.g. in slums), power outages, badly maintained roads, high costs of ports etc.
- Often inequitable access to both social and economic services, both with respect to government and private provisioning (though inequities in private provisioning are often reflections of differences in ability to pay, with middle class exit from state provisioning a common pattern)
- Generally weak provisioning for risk management in relation to the weather, unemployment and other economic shocks, catastrophic health problems, and old age-related risks, all of which are pervasive in developing countries. A common specific pattern is of dualistic structures, with more extensive, if typically inefficient, provisioning for formal sector workers, often linked to the labour contract, and much worse provisioning for others.
- Infrastructure backlogs, and associated shortages, black outs, stoppages etc. (with exceptions, e.g. China, Chile)
- Corruption and regulatory capture, notably in Public-Private Partnerships

How these problems are understood by different stakeholders is shaped by deeper currents of ideas and ideologies, for example:

- The increasing use and salience of a variety of 'rights' to services in some countries, e.g. Brazil, India and South Africa.
- The transnational spread of ideas: whether in terms of general approaches, such as 'participation', marketization and privatization, or with respect to specific instruments and designs, such as bednets for malaria, and conditional cash transfers (CCTs) linked to school and/or clinic attendance.
- In many countries, a large and growing role for the private sector in many service areas, e.g. education, health, electric power, roads, ports, airports.
- A substantial role for donors in poor countries, who then become carriers of ever-changing views in donor countries as to how the challenges of development might best be addressed.
- Evolving ideas amongst the political elite around how service delivery can help drive processes of nation-building, securing legitimacy and regime stability.

The need for political and organizational analysis

A lot of developmental action and debate has been around specific approaches and 'solutions' to service delivery issues. These include both technical solutions, such as treatment protocols for drug-resistant tuberculosis and drought-resistant crops, and organizational designs, such as sector-specific regulation of privatized utilities (e.g. through contractual designs that use a tariff adjustment formula of 'RPI-X', or the rise in the retail price index less a productivity factor), and conditional cash transfers (CCTs), typically linked to child attendance in schools and health clinics. Such innovations can be important in pushing the technical and organizational frontier of possibilities. However, they can also miss the first order issues. For a large part of the problem is that countries - and agencies within countries - are operating well within the frontier. High levels of teacher and nurse absenteeism, major 'leakage' of public funds, large distribution 'losses' in electricity are all symptoms of this. Awareness of such deeper organizational

issues has led to increased interest in understanding how state and other actors actually behave, and to interpretations of the drivers of behaviour. The accountability framework, crystallized in World Bank (2004), an international organization that lies at the heart of mainstream development thinking and practice, is a seminal example of this shift.

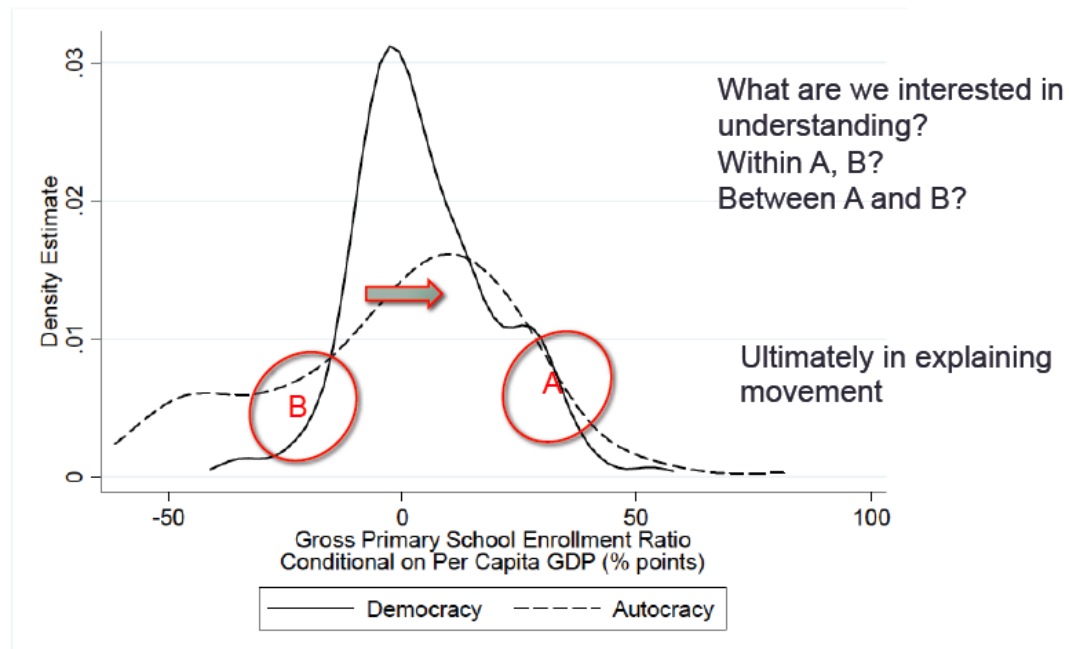
Within this approach, it is often recognized that politics matters, and influences the functioning of service delivery agencies. However, there is no obvious, simple relationship between political regimes and service delivery. Take the distinction between autocratic and democratic regimes. Figure 1, taken from Besley and Kudamatsu (2008), plots one measure of service delivery - primary school enrollments - against regime types. Enrollments are conditional on per capita GDP, so the variation shown is the part that remains after differences in national wealth are accounted for. Regime type comes from the Polity IV categorization (that is based on expert opinion of political scientists, and has a continuum from complete autocracy to fully democracy).

The figure shows that there is substantial heterogeneity in primary school enrollment *within* both regimes: compared with democracies, autocracies have a roughly similar proportion of relatively high performing countries, but more lower-performing ones. High levels of heterogeneity, with large overlaps, are also found in other areas of delivery and outcomes (e.g. life expectancy.) Clearly a more disaggregated and structured approach is needed for understanding why the quality of public service provision is so variable, and why we believe a political settlements approach is more useful than one based on a democratic versus authoritarian measure of regime type.

The figure also raises questions of what we are most interested in understanding from a diagnostic, and ultimately, policy perspective. We are seeking a framework that can help account for both differences in outcomes between countries with seemingly similar regime types - and for different outcomes across agencies in the same country, and even in the same sector. In the figure we can think in terms of different regimes producing either success (A) or failure (B). Then, from a policy perspective, we are particularly interested in dynamics of the conditions under which countries (and agencies within countries) move in the better, rightward direction, and how such change (or lack of change) interacts with political conditions, including in contrasting overall regimes (that is from B to A). The framework needs to handle this. The approach here is related to recent traditions of work on the centrality of political institutions, notably Acemoglu and Robinson (2012) and North *et al.* (2009), but focuses on how organizations function within alternative regimes.

Figure 1 Political regimes and service outcomes

Mixed experience across and within political regimes: primary enrollments



Source: Besley and Kudamatsu, 2008

2 The Politics of Service Provision: A Multi-Level Framework

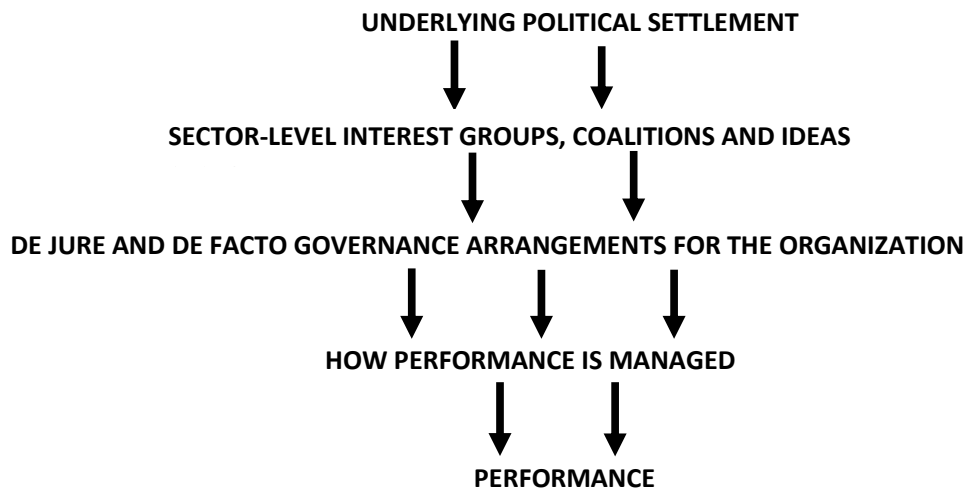
This section lays out a multi-level framework to guide the case studies of public service provision to be conducted by ESID. The case studies will be conducted across multiple sectors, and across multiple countries in a way that aims to leverage opportunities for comparative analysis. At the most general level, each case study will do the following:

- 1) It will take as its unit of analysis a specific service, delivered by a specific public organization (or set of organizations).
- 2) It will describe and measure the organization's performance over time, on the basis of intermediate and final outcomes.
- 3) It will explain the reasons for the observed patterns of performance, in relation to a diagnosis of the relationship between the service and the relevant contextual political settlement (national, local, sectoral), internal organizational functioning, and interactions between the organization, external stakeholders, front line workers and, where relevant, the market.
- 4) It will use the analysis of performance and its causes to suggest possible ways of improving performance of the relevant service/organization being studied.

Unbundling political influences on the performance of organizations

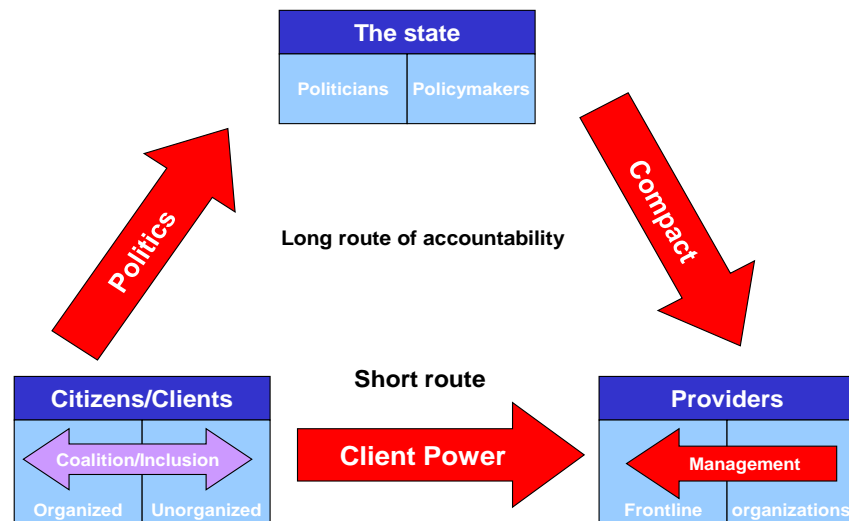
Figure 2, adapted from Williamson (2000), identifies four distinct levels of explanation for the observed patterns of performance. At the most superficial level, performance can be explained by the quality of performance management, but this begs the question of why performance management is the way it is. Going up a level takes us from management to governance: underlying the performance orientation of an organization and its controllers are the institutional arrangements through which the organization is governed. But this, of course, begs the question of why the governance arrangements are the way they are. This takes us up to the third and fourth levels, that of interest groups, coalitions and ideas at the sectoral level, that in turn will be shaped by the character of the country's political settlement, and its local and sectoral manifestation. An additional dimension, addressed later, concerns how performance may be influenced directly by external stakeholders, whether at the level of organizational management or at the front line of interaction with citizens at the point of provision.

Figure 2. The determinants of public organization performance



This general account can be mapped onto the 'accountability framework' for service delivery (World Bank, 2004), which explains performance as the outcome of a range of principal-agent relations. The central idea of the framework is that drivers of service delivery depend on a series of *relations*: politicians depend on citizens for support (whether in democratic or authoritarian settings); they interact with policymakers to effect designs, budgets or regulatory relations with organization heads, who then have internal organizational relations with local managers and front line workers (teachers, nurses, extension workers etc.). There is also a direct relation between service provider and citizens ('clients'). The framework is summarized in Figure 3.

Figure 3. The accountability framework for service delivery



Source: World Bank (2004)

As is well known, the classic principal-agent problem is one of agents not behaving in line with principals' interests, especially where there is inadequate information on the behaviour of agents, and misaligned incentives. This becomes vastly more complex when there are many layers and multiple principals. It is not surprising that service delivery is often far from what citizens would prefer: the accountability relations can become distorted in many points of the chain.

Figure 3 illustrates two distinct routes through which, according to the accountability framework, better service delivery might be achieved. The 'long route' in the figure is a nested set of principal-agent relationships, from citizens to politicians, from politicians to policymakers, from policymakers to organization managers, and from organization managers, via middle managers, to front line workers. The effectiveness of the long route depends both on the political settlement and on the transmission of politician preferences through the administrative and organization structure. The 'short route' comprises the interactions between providers and their clients—between teachers and students or parents, between municipal garbage workers and slum-dwellers and so on. The short route (which also is termed 'client power') potentially can have an impact on performance – *if* the actual recipients of services have leverage over front line behaviour, so it is sometimes associated with measures to increase community participation (Village Education Committees and so on).

The 2004 accountability framework achieved important diagnostic gains. It brought actors and their incentives to the forefront and linked principal-agent concepts to politics

and organizational functioning. It was, however, relatively weak on how politics actually works and associated issues of drivers of the behaviour of the state.¹

Specifically, and as noted in the introduction, by focusing primarily on two polar patterns – how to make the long-route work more like well-functioning governance arrangements; and the short-route of what happens at the service provision front line – the framework deflects attention from the vast spaces in the middle: the many countries where governance falls well short of ‘good’, but is better than disastrous; and the many layers within a specific sector in-between the top-levels of policymaking and the service provision front line. It has also been criticized for being too optimistic about the potential of the short route to be effective in the absence of supporting changes in organizational functioning, especially from the political context. A central hypothesis underlying the research approach laid out in this paper is that these in-between spaces are the sources of both much of within-country and across-country variation in the quality of public service provision – and also the locus where many opportunities for achieving gains in performance are to be found.

The proposed research approach thus uses the accountability framework as a point of departure but extends it by incorporating:

- An explicit and more structured treatment of the influence of the overall political settlement on how an organization functions.
- A structured diagnosis of the drivers of organization behaviour, that allows for heterogeneity within the overall system, across organizations, sectors and levels of government - with the possibility of domains of more effective service delivery co-existing alongside domains of ineffectiveness, and an associated need for organization-specific diagnosis of the nature of the principal-agent (and often multi stakeholder) relationships.
- Recognition of the porosity of the state-citizen division, and of that with private sector provision - with state actors being also typically embedded in societal political and market-based structures, and with overlapping roles - whether at the front line, at the point of provision or higher up the governance structure.

The extended framework can be thought of as comprising different levels of analysis. However, this is only useful as a heuristic device - the whole point is that these are interlinked: the political settlement influences the relations within the state, and also the nature of boundaries between politician/state, citizens and the private sector.

Consider, first, the top level – the varieties of political settlements. Levy (2010; 2012), building on North *et al.* (2009) and Khan (2010), suggests that, while some political settlements result in unambiguous, hierarchical patterns of control – and this could happen either in a top-down developmental authoritarian setting, or in a representative democracy – others are characterized by much more competition and ambiguity.

It is useful to compare real-world settings with a benchmark, ‘ideal’ perspective, say a combination of representative democracy and Weberian bureaucracy. In this case the political settlement is a product of a democratic process that aggregates the preferences of the population, with external stakeholders working through this. Then implementation

¹ In a recent review Devarajan *et al.* (2011) argue that this framework needs to be carefully embedded in a diagnosis of the domestic political economy.

is effected down the chain of principals and agents via rules-based processes, with organizations' boards of directors (if they exist), executives, managers and front line workers following the rules that are set to achieve the overall goals. Information flows allow effective monitoring, and enforcement is determined by the terms of work contracts. Managerial and worker discretion may be important, but in relation to the scope for judgments over the most effective ways of achieving the goals at their work level. Direct external stakeholder involvement would here be limited to any formal mechanisms of client/customer feedback, complaint or redress.

By contrast, real-world political settlements are characterized by much more competition and ambiguity. In this group - which comprises the large majority of developing country democracies and 'anocracies' (intermediate regimes) - there remains substantial scope for variation in performance within the same national-level political settlement. At each level, the process of rule-setting could be contested and/or ambiguous. There could be a lack of clarity as to who has the responsibility for setting the rules. Even if the rules governing participation in rule-setting are clear, there could be an unwillingness or inability among the participants to trade-off between objectives. Further, there could be weaknesses in the arrangements for monitoring, and for enforcing non-compliance at lower levels. These ambiguities and weaknesses in principal-agent governance create the scope both for engagement with external stakeholders and for managerial discretion. (Insofar as the tasks of aggregating across multiple objectives, and governing principal-agent relationships effectively are always difficult, there can also be scope for variation even within the seemingly most coherent political settlement).

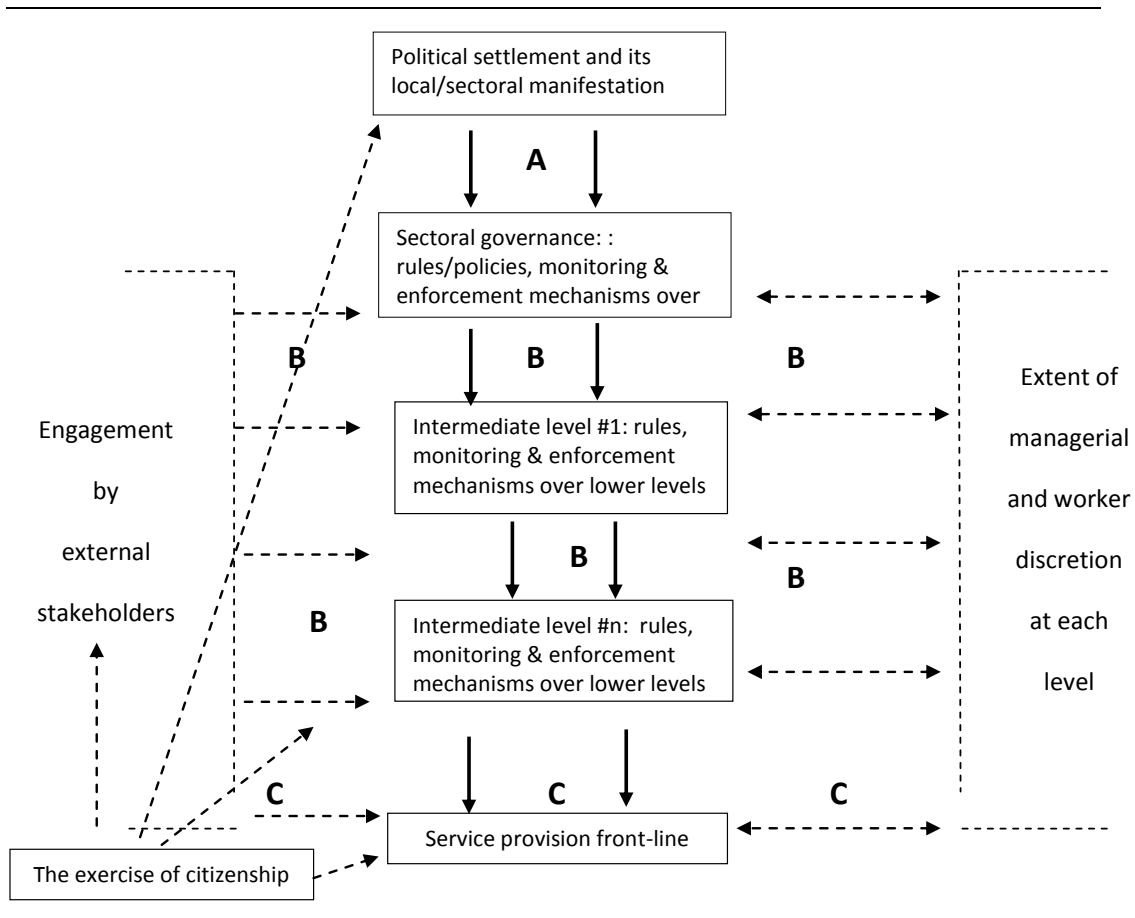
Now consider the drivers of organizational behaviour. Figure 4 distinguishes between the three 'vertical' levels that influence organization performance:

1. The top level, where the enabling policies for the sector and organization are set as a function of the substantive orientation and structural features of the political settlement, including the cognitive maps of political elites and sectoral leaders.
2. The intermediate governance and managerial levels in the sectoral chain of service provision, that constitute the core drivers of organizational behaviour; and
3. The service provision front line.

In the framework laid out in Figure 4, citizens can influence organizational behaviour in three ways: via the formal political process (e.g. by voting in a democracy); via direct interactions with front line workers; and through engaging with a variety of stakeholders that influence organizational behaviour at intermediate levels. The first two are incorporated into the 2004 accountability framework. The third - which is central to our approach - is not.

We can characterize each level in terms of actors and institutions. The relevant actors include politicians, public officials, and a variety of external stakeholders, organized and unorganized. Characterizing an institution as comprising a set of rules, monitoring and enforcement arrangements leads to exploration of what are the relevant formal or informal rules (including the specification of goals, resources and constraints, and work culture practices); what information flows underpin monitoring; and what formal and informal sanctions are available to support enforcement.

Figure 4. The inter-related domains of empirical analysis of a sectoral organization



The strategic interactions among the various actors, as shaped by the nature of the prevailing institutional arrangements, opens up the possibility for managerial and worker discretion at each level. Whether this scope for discretion is present in practice – and how it is used - is an empirical question for which the answers will vary across countries, sectors and agencies.

Also relevant here are the cognitive maps of the various actors involved. Political elites, sectoral leaders and influential stakeholders in policy formulation all come to the table with sets of ideas of what works, what is aligned with their political or ideological beliefs, and on the relationship between design choices and the legitimacy of the party, state or other development actor. This is vividly seen in the waves of development policy choice - trade liberalisation and privatization in Latin America in the 1990s (across divergent political regimes), the good or bad role for cost recovery or user fees, the role for community-driven development, and so on.

Ideas transplanted from elsewhere often play a role, commonly from the latest development discourse or from an interpretation of how things work in developed countries. This can be at the level of broad principles: for example that bureaucracies ‘should’ work like the Weberian ideal, or that neoliberal, market-oriented policies are bad for distribution (or indeed, that they are good for distribution!). Or they may apply to specific designs, as in the popularity of micro-credit, CCTs, or school-based management as *the* solution to development problems. As Pritchett *et al.* (2012) and Pritchett (2012) have argued, such transplanted ideas often fail. They argue for discovering what works from a starting point of an understanding of the existing functioning of local systems, and associated explicit or implicit narratives. The diagnostic issue we want to highlight is the need to document the nature of cognitive maps, and the work that they do in debates, policy designs and implementation in service delivery.

Exogenous and contingent variables

The sections below propose initial hypotheses for testing. The hypotheses aim to balance the need for a reasonably parsimonious structure with the high level of complexity and contingency in real world settings. The hypotheses are organized around two sets of ‘exogenous’ variables (‘exogenous’, that is, is with respect to the functioning of the sector organization) and three sets of ‘contingent’ variables. We use the term ‘contingent’ rather than ‘endogenous’ for the second category since these are areas that in part are shaped by the broader political and economic context, and in part can also be shaped pro-actively by participants (the latter making them of particular interest for public action).

The two exogenous sets of variables are:

1. The nature of the overall political settlement. Here we draw on the sources cited above to delineate five relevant types: dominant-developmental; dominant-predatory (or extractive); inclusive competitive clientelistic; elitist competitive clientelistic; and programmatic. The predicted effects of these are elaborated below.
2. The structural characteristics of the sector’s activities. This includes economic features (the importance of public good, externality and network aspects of the goods and services produced within the sector), technical requirements (such as required engineering skills) and organizational features, including the extent of discretion required, the monitorability of sectoral performance, the presence or absence of a direct interface with citizen users of the service, and the employment- and contract-intensity of production in the sector. Also relevant (although in part contingent on political decisions made elsewhere) is the extent to which a sectoral organization can self-finance, either via delegated taxing power, or via payments for the goods and services provided - as opposed to being dependent on budgetary subventions.²

² For a detailed characterization of the role of sectoral characteristics on political and organizational aspects of service delivery, see McLoughlin and Batley (2012)

The three contingent sets of variables are:

1. *The patterns of engagement of external and internal stakeholders.* This refers to external stakeholders with a direct or indirect interest in the intended service (a quality education, reliable electric power supply, etc.), external stakeholders who may have an interest in extracting rents, or preying on the service, and internal managers and workers, with an interest in some combination of service delivery, rent-extraction and their own effort. What matters here is both the degree to which they are organized - that will involve solving collective action problems - and are politically connected, and so can use their influence to affect the behaviour of the organization.
2. *The leadership of an organization.* Leadership plays an obvious role with respect to traditional internal management - that is important, but not the primary focus here - and also a central role in the coordination of external and internal stakeholders, again for good or ill, and shaping or mobilizing ideas around sector-specific service delivery.
3. *State accountability structures.* All states have formal accountability structures that can, in theory, be activated to assure improved service delivery. These include parliamentary committees and reviews, consumer complaint processes, government audit departments (e.g. the Comptroller and Auditor General, or CAG, that has played a significant role in India), or the judicial system. These may be ineffective, subservient to the executive, or quite influential - especially when aligned with political incentives and social action.

These variables are used below to develop hypotheses on both the expected outcomes of different exogenous and contingent configurations, and on the scope for and potential features of change. This takes us to measures of performance.

Performance measures

For every service, we need an independent measure of performance. Three aspects, or levels, of performance can be distinguished.

First, there are the immediate outputs of the organization's service (children in school, provision of potable water) and the associated experience of citizens who do (or do not), receive a service, that can range from convivial to humiliating to violent.

Second, these then need to be related to the actual 'outcomes' in conditions of living of different people in the population: their health status, skills, experiences and feelings of insecurity, dignity, incomes and opportunities.

Third, we also need measures of intermediate outputs within the system; these will almost always only be meaningful in a comparative context. These concern issues of administrative costs, leakages, and other system costs in delivering front line outputs. The need for comparison flows from the fact that there are no absolutes in this domain: distribution losses in electricity or network water provision may matter, but we need a standard of comparison; ditto for the administrative costs of an education or health system. At a minimum such comparisons are over time; and also preferably with appropriate benchmarks of comparable sectoral organizations in other regions or countries.

Of course, 'performance' may also relate to how effective an organization is in meeting the predatory purposes of elites. Predation is an explicit, and central, part of the framework here. However, to distinguish it clearly from development effectiveness we use different terms, generally external or internal extraction of rents (including low effort), capture, or opportunistic behaviour.

Hypotheses on good and bad performance

Our hypotheses are organized around the *interaction* between the nature of the political settlement, and the sectoral and organizational governance arrangements that link political elites, other external stakeholders, and an organization's managers and workers. We assume that different actors have multiple objectives (or arguments in their objective function, in a formal representation). Political elites are assumed to be concerned with three things, with varying weights: developmental outcomes, personal enrichment and political continuity (that could mean regime stability or reelection probability, depending on the political conditions). Internal stakeholders (managers and workers) also have goals of organization-level development outcomes and personal gains (monetary or effort-related). External stakeholders will be interested in development outcomes relevant to themselves or their group, and are also interested in personal gains.

In Table 1, we build on categories of political settlement in Levy (2012) that are also related to Acemoglu and Robinson's (2012) distinction between 'extractive' and 'inclusive' institutions. The table lays some general hypotheses on the relationship between different categories of political settlement and two categories of governance: hierarchical and multi-stakeholder.

These are general hypotheses in the sense of suggested average tendencies. However, this will be influenced by a second factor that is noted in Table 1 - the interaction with structural characteristics of sectors as an influence on performance. As noted above, there can be structural variations (which are not context-specific) in the extent to which a sectoral activity or a task within a sector is typified by market failures, specific technical requirements, high levels of discretion, monitorability and employment- or contract-intensity. Also relevant are more contingent factors around the political salience of the service for citizens (that is voters in a democracy) and the influence of professional associations and unions in the sector. As McLoughlin and Batley (2012) detail, these structural characteristics can affect the management possibilities and performance via three channels:

- First, they affect the political incentives of political and bureaucratic leaders to devote effort to seeking effective service delivery outputs, for using the sector for pork or patronage and so on.
- Second, they shape the potential for putting in place monitoring and other effective mechanisms for aligning the incentives of agents with those of the principal; this is especially difficult when a sector has complex or multiple desired outputs, and when these only flow over time.
- Third, they determine the incentives of service users and other stakeholders to mobilize vis-à-vis sectoral operation – whether to improve performance, to resist public action, or to capture rents.

Table 1. Summary of hypotheses on good and bad performance of organizations in terms of political settlement and governance

	Hierarchical governance	Multi-stakeholder governance
Dominant-developmental	H1a: Good performance <u>if</u> principal- agent issues are solved; easier for some sectoral activities than others	H1b: Alongside hierarchical governance, could add value on the margin, if it helps solve principal-agent problems; or could threaten dominant political position.
Dominant-predatory	H2a: Capture by predatory principal	H2b: Unlikely to be effective as countervailing power to predator
Inclusive competitive clientelist	H3a: Poor performance – multiple principals with lack of clarity on goals, and no organization-level buttress against external predation; and/or: managerial or worker capture- insofar as managers can play principals off against one another, and both managers and workers can get away with rent extraction through low effort or corruption.	H3b: Good performance – <u>if</u> conditions of politically salient stakeholder mobilization and effective leadership hold; can be effective both for public activities serving elites and those serving non-elites Absent any of the conditions, likely poor performance
Elitist competitive clientelist	H4a: Poor performance – multiple principals with lack of clarity on goals, and no organization-level buttress against external predation and/or managerial or worker capture- as above.	H4b: Good performance for elites – if, as per H3b, conditions are met for elite groups; poor performance for broad-based delivery. Absent any of the conditions, likely poor performance
Competitive-Programmatic	H5a: Moderately good performance <u>if</u> sectorally-influenced principal-agent issues are solved	H5b: Potential for very good performance

Introducing these sectoral features adds complexity to the analytic framework, beyond what can be captured in Table 1. They imply that different sectoral activities and tasks will be more suited to alternative governance arrangements even within the same political settlement. Also, insofar as the political settlement variable can be conceptualized along a continuum, as one moves from the competitive clientelist to the dominant ends of the continuum, the proportion of sectors where hierarchical governance is observed will rise – although the underlying analytic relationships are surprisingly complex.³ While Table 1 abstracts from these complexities, we incorporate

³ One way to think about this is in terms of the incentives of political leaders to devote effort to making hierarchical governance work. Their decision as to how much effort to devote will be a

some of them in the discussion that follows.

Hypothesis 1a. Dominant settlements with a strong development orientation and hierarchical governance will deliver good outcomes, *provided* the following condition holds:

- *sectoral characteristics and country conditions allow principal-agent problems to be solved.*

We leave aside *why* the developmental goal is strong, to focus on the interaction with governance structure. The logic here is that dominant settlements intrinsically involve one principal (that could be a party, a coherent elite or an individual leader) and are thus aligned with hierarchical, top-down governance. As discussed above, this will depend on sectoral characteristics, with some sectoral activities offering more political benefits – and hence a greater incentive for making top-down governance work – than do others. Further, activities requiring extensive discretionary behaviour down the internal hierarchy of agencies can run into classic problems of low effort or other forms of rent-extraction. Implementation will thus be better for activities that can be implemented in a top-down fashion, especially when monitoring is easy, and even better when also aligned with the incentives of politicians, including local political pressures from users of services. Note that even within a dominant political settlement, there can be still be continuing contestation amongst factions at a local or micro level, offsetting the seeming clarity of goals.

Good examples would be the substantial success in expansion of broad-based access to basic services in Indonesia, e.g. for schools, clinics and roads, under the Suharto regime. Within-government formal accountability structures were weak, but top-down directions worked well. This was consistent with local corruption and patronage, that was rife in Suharto's Indonesia. By contrast, there was a signal failure to get high quality educational outcomes (as seen in Indonesia's dismal Program for International Student Assessment (PISA) scores by international standards), an activity which required resolution of the complex agency, monitoring and motivational issues that influence good teaching.

Ongoing examples that appear to fall into this category are of Rwanda under President Kagame, and Ethiopia under Prime Minister Meles Zenawi (with some uncertainty after his death).

Hypothesis 1b. Under dominant-developmental regimes, multi-stakeholder involvement, is typically second order, but may complement hierarchical governance where this helps solve internal organization problems or external information issues. The well-known case of the information campaign's impact on public expenditure leakage in education budgets in Uganda is an example (Reinikka and Svenson, 2005). This has been interpreted to have been effective because of alignment with a top-down political campaign by President Museveni. Similarly, the local participation initiative in Ethiopia,

function of the political efficacy of better performance, the impact of their efforts on performance, and the costliness of the effort itself. Each of these variables is affected both by the character of the political settlement, and the structural characteristics of the sector. The settlement and sectoral variables also interact with one another – sectors which offer high political returns for one type of political settlement might offer lower returns in another type.

designed under Prime Minister Meles Zenawi, sought to bring local social pressures on front line bureaucracies. Extensive, if somewhat authoritarian, participation in local public works in Suharto's Indonesia (under the ideological umbrella of self-help, or *gotong royong*) also led to more effective implementation (Rao, 2005).

Since dominant party regimes are typically unhappy with organized opposition, stakeholder mobilization that becomes politicized may well not be encouraged, or incorporated into the governance mechanisms of organizations.

Hypotheses 2a and b. Predatory developmental settlements will lead to bad performance with respect to development outcomes. This is to a significant extent intrinsic to a predatory settlement, based on rent-extraction and sharing amongst insiders amongst elites. Zaire under Mobutu, and the Philippines under Marcos are examples. However, this too is both a matter of degree and likely to depend on the characteristics of the sector. Suharto's regime again illustrates: it involved substantial rent-extraction from some sectors (most obviously oil and gas, but also a service-oriented sector such as toll roads), whilst shoring up political support through inclusive service delivery in other sectors. Marcos in the Philippines had some similarities but with a higher weight to the extractive objective. Note that multi-stakeholder governance is likely to be irrelevant to weak under predatory development regimes. Its (limited) role in dominant-developmental settings was hypothesized to follow from the incentive of political leaders to pressure front line bureaucracies to perform better; in predatory settings, this developmental incentive will be absent.

Hypothesis 3a. Under inclusive competitive clientelistic regimes, traditional hierarchical systems of service delivery will typically fail. This type of regime has genuine competition, but is still based to a substantial extent on clientelistic mechanisms. Middle and poorer groups are politically salient, via elections and other political processes, so there are genuine pressures to deliver broad-based services (whether in the form of public or club goods). However, the combination of multiple, competing interests, often spread across different ministries, and weak impersonal accountability mechanisms, make some combination of external and internal capture highly likely. This may be embedded in corruption, links between politicians, bureaucrats and politicians, patterns of political finance, and apparent low 'effort' of organization workers.

This is broadly typical of the workings of the Indian, Bangladeshi, Ghanaian or similar states, across multiple agencies and geographic states. Despite salient pressures to provide for middle and poorer groups, public services are typically of low quality and caught up in systemic petty and larger scale corruption. As an example of an associated mechanism, in India the 'market for jobs' has been documented for both irrigation workers and teachers (Wade, 1985, Beteille, 2009).

Hypothesis 3b. Under inclusive competitive clientelist regimes, multistakeholder governance arrangements are likely to result in good performance where the following three conditions hold:

1. There are external stakeholders with strong incentives to have the organization be effective in the delivery of its development mission, again with structural characteristics of individual sectors and tasks an important

influence on the pattern of stakeholders and their collective organization.⁴ (Note that these incentives could be interest-based, insofar as the external stakeholders are users of the service, or they could be a reflection of the self-defined mission of an active civil society organization); *and*

2. These external stakeholders are well-connected politically with influential ruling factions; and/or the external stakeholders are able to draw on widely-held social norms of justice and fairness; *and*
3. The leaders of the public organization are skillful in mobilizing and co-ordinating these stakeholders in support of the organization's mission; and/or the external stakeholders are skillful in mobilizing to bring pressure to bear on the organization's leadership to perform effectively.

Note that this is giving a specific meaning to multi-stakeholder governance - that is a situation in which there is a politically salient coalition of external stakeholders that is working in concert with an organization's management (whether through the proactivity of the organization's leaders or social pressures on the leadership) with a mutual interest in pursuing the organizations goals. This can work effectively to resist the countervailing pressures of capture by political elites or the organization's managers and workers. The approach is thus consistent with Elinor Ostrom's (1990; 2005; 2009) detailed analysis of collective action – but, as per Levy (2011) and Booth (2012) the formulation here frames it in a way that explicitly incorporates the broader political context. The hypothesis is that in competitive clientelist settings, in the absence of any of these three conditions, organization functioning will indeed be dominated by some form of capture and performance poor.

Iconic examples are in the emergence of particular US agencies - the forestry service in the US Department of Agriculture and the Post Office - in the late 19th and early 20th Century (though the broader environment was in transition from competitive clientelistic to programmatic). Carpenter's analysis of the development of 'bureaucratic autonomy' at the overall organization level in selected US agencies early in the 20th Century illustrates the dynamics and positive potential of discretion. Carpenter argues that such bureaucratic autonomy occurred when the organization managers became *politically differentiated* from the politicians who sought to oversee them, the organization developed *unique organizational* capacities, and also achieved independent *political legitimacy* grounded in varieties of professional and social networks (Carpenter, 2001 p. 14).

The relatively good performance of the state education system in the North Indian state of Himachal Pradesh, as analysed in the PROBE report, is a topical case. In South Africa, preliminary research explores how influence networks may be playing a role in successful schools in holding patronage pressures at bay.

⁴ James Q. Wilson (1989), pp. 75-83 distinguishes between four types of public organizations – client-facing; interest group; majoritarian; and entrepreneurial . As this distinction underscores, there are organization-by-organization structural variations in their relationship to external stakeholders, depending on the activity in which they are involved. While the first two categories are more likely to be associated with active external stakeholders, the presence of activist NGO's could alter this landscape for the other types as well. Activist organization managers can play a similar role, mobilizing external stakeholders in support, even in the absence of a natural coalition of interest.

Hypotheses 4a and b. Elitist competitive clientelistic settlements are likely to face similar issues as inclusive ones, with the additional issue of weak political pressures for broad-based services. Again multi-stakeholder governance can be an effective resolution, albeit within services oriented to elite groups. Examples might be the efficient public provision of port and freight infrastructure services, key parts of private sector global supply chains.

Hypotheses 5a and b. The final category of political settlement of interest we term 'competitive-programmatic'. This can be thought of as shifting political competition along the scale toward impersonality in relationships, with politics organized more on programmatic than personalized and clientelistic lines, and organizations of the state having greater independence from the influence of particular factions, political leaders or influential private sector actors. A specific, relevant aspect of this concerns the extent to which this is associated with stronger accountability structures within the state, which are capable of offsetting the pressures for capture and predation—one of the contingent factors listed above. As emphasized by O'Donnell (1998) such 'horizontal' accountability structures can complement 'vertical' societal pressures. These are clearly salient in India and South Africa, though less so in some of the poorer African countries, and typically less so in dominant political settlements. Whether a democracy is programmatic and 'impersonal', of course, is a matter of degree, as recent interpretations of the United States illustrate, but remains useful, especially as another ideal type.

Change – improving service provision

An important goal of the research lies in understanding how change occurs, both for interpretative reasons and as a potential input to the design of public action. The above framing suggests a complementary set of hypotheses on how change might be induced within each of the different types of political settlement:

- *Dominant developmental.* Because goals are aligned, greater effectiveness can come from technocratic initiatives -- experimentation with alternative techniques (new pedagogies, conditional cash transfers, etc) or possibly with complementary action to get more efficient management, including better information and stakeholder involvement to help solve internal agency problems. As noted above, the potential for mobilizing stakeholders can be constrained by political concerns over loss of social control.
- *Dominant predatory.* In general, little can be done; getting more information into public debate may contribute to political pressures on regimes. However, even with predatory regimes there may be specific domains or circumstances in which it is in the leadership's interest to get better development performance, leading to the potential for specific 'islands' of development action.
- *Inclusive competitive clientelistic.* Change may be resisted when there is external and internal capture, but the hypothesis around multi-stakeholder governance provides a structured way of thinking about how change can be effected - through external stakeholder mobilization, political connectivity and links to internal organizational stakeholders. Again information and mobilization to solve collective action problems can be relevant.

- *Elite competitive clientelistic.* Similar to inclusive competitive clientelistic in structure but likely to be more relevant to services for elite groups and more difficult to get broad-based quality services in the absence of larger political changes that make middle and poorer groups salient for elites.
- *Competitive programmatic.* In principle the potential for public action should be 'easiest' within programmatic regimes. However, as debates in industrialized countries vividly illustrate, the question of design, solving agency problems, and engaging with stakeholders remains of first order interest. What is (generally) different from the competitive clientelistic cases is that such challenges are not, in the first instance, seeking to go against the systems of rules which prevail in the countries.

3. Applying the framework

The above framework was set up in terms of specific hypotheses. We are wary that the effort to formulate hypotheses could be misconstrued, so feel it important to highlight some clarification and caveats up-front.

First, the empirical research to follow will take the form of case studies. Case studies can, of course, provide valuable insights into the hypotheses which we lay out – so we will need to design the case study research (including case selection) to leverage this dimension. But as elaborated further below, a case study approach to research has different strengths and weaknesses to formal hypothesis testing through large-scale statistical analysis. A case study can provide new insight into the specific problem and context being studied, and thereby support further refinement and development of the original hypotheses. It would be reductionist to view the purpose/value of the research solely through the lens of formal testing of the hypotheses laid out above.

Second, there are many more variables which determine performance than the ones highlighted here, and some of them (e.g. the technical competence of key individuals) may not be distributed randomly across the structural characteristics of interest; especially with a 'small-n' research methodology, the risks of misinterpreting causality are substantial.

Third, the hypotheses are written as if we know in advance the characteristics of the exogenous political settlement (and of lower-level political dynamics). On the contrary, we believe that one of the strengths of the proposed research approach is that it will provide a structured way to learn more about how these political dynamics play out in practice, and what they add up to in aggregate. While from a 'hypothesis-testing' perspective this could be viewed as too 'descriptive', as a weakness of the research, in our view this is potentially an important contribution of the research, an inductive platform for further hypothesis development.

In the following sections we first describe what we believe the research approach can do, and then expand on some of the issues in two areas: the sectoral manifestation of the political settlement; and drivers of organization behaviour in the context of stakeholder action and the exercise of citizenship.

What can the research do?

If the core research isn't designed to statistically test our hypotheses, using classical statistical inference, what can it do? We suggest four interrelated sets of issues.

(i) *Assessing the hypotheses.*

Though not through formal tests, we certainly expect to learn more about the consistency of the hypotheses with the facts on the ground. In particular, looking beyond the details of the specific hypotheses, there are two large, currently unanswered, questions as to the relation between political settlements and public performance upon which we expect to shed light. The first concerns the extent to which as per hypothesis 1a, even in a dominant-developmental setting, principals are able to set and monitor clear goals for agents – or, alternatively, whether the challenges of goal-setting and hierarchical governance often confound efforts to get results via top-down approaches, making multi-stakeholder governance an important aspect of success, even in these settings. The second concerns the extent to which – as per hypotheses 3b and 4b - it is possible to achieve, and sustain islands of effectiveness even in competitive clientelist settings. Neither question currently has an adequate empirical basis for a clear answer – yet the answer, one way or the other, has profound implications for action.

(ii) *Characterising a country and sector.*

The categorization of regimes and management processes identifies 'ideal types'. In practice there will be many grey areas. For example Uganda looks like a dominant developmental case, with a characteristic mix of developmental action and extraction. But what is the nature of this mix, how far are competitive political pressures salient? We anticipate that individual country cases will often be better characterized as 'shades of grey' rather than one type versus the other.

We also anticipate that there will be variations across sectors within a country. What is the sector-specific political settlement? How might it vary across, say, education, electric power, roads? How do the structural characteristics of particular sectors - the political salience of the service, monitorability, the nature of the front line interface – interact with the political settlement to shape the incentives of politicians and citizens to engage? This is the exercise in characterizing, or placing, a country and a sector.

(iii) *Documenting mechanisms*

A variety of mechanisms may take place within the processes laid out here: clientelistic political relations, managers or workers responding to rewards and punishments, extraction of monetary rewards through corruption or legal influence, low effort by managers or workers, varieties of engagements of citizens and so on. 'Observational' analysis, from local surveys, interviews, and other qualitative techniques, can describe these processes, that then can be important inputs to a conceptual interpretation of the system's behaviour. Through such approaches, we hope to be able to assess the consistency of these hypotheses with the observed mechanisms, including updating the hypotheses in Table 1 as appropriate. The persuasiveness of this will depend on the quality of the empirical effort to characterize and document the mechanisms. As we note below, this is in the tradition of 'analytical narratives' and 'process tracing' in terms of methodology. (Bates *et al.*, 1998; George and Bennett, 2005)

(iv) *Exploring the potential for change*

Finally, as discussed above, what we learn from empirical work vis-à-vis the framework will translate directly into lessons as to the prospects for change, and the mechanisms through which it might be achieved. This can flow from analysis of actual changes in sectoral behaviour and performance over time, in comparative analysis, and from the conceptualization of the structure of incentives and the functioning of the system.

The 'sectoral manifestation' of the political settlement

Here we suggest an initial set of questions (corresponding to A in Figure 4) as to how the overall political settlement manifests itself in terms of both the *de facto* goals that the political (and economic) elite seek of an organization, and of overall bureaucratic functioning and state capacity. This could start with the following questions.

First, what is the substantive orientation of the political settlement itself? Is it driven by: essentially predatory, rent-extracting motives of elites; by deals between political and economic elites as to how rents will be accessed and distributed, and how the deal will be monitored and enforced, thereby supporting political stability; by essentially clientelistic relations between politicians and citizens; or by some degree of citizen pressure for delivery of public goods and services and so on. Is there centralized state control? Are there dominant party/leader or competitive (typically competitive clientelistic) political processes? What ideas (political aims, ideologies) are incorporated into the political settlement?

Preferably, we would be able to draw on analyses of the overall political settlement (that are not discussed in detail here); if not already done, these would have to be developed as part of the sectoral research.

Second, to complement research on the national-level political settlement, we also need to explore how it manifests at sector level and in the enabling environment, goals, internal management and worker incentives and culture of a specific organization. As noted earlier a national-level political settlement need not translate directly into corresponding patterns at the sectoral level; it may have different local manifestations. The focus needs to be on both the formulation of policy, and its implementation.

These sectoral manifestations of policymaking and implementation lie at the heart of the politics of service provision and are worth expanding:

- What are the relevant top-level policies that affect the specific organization for the domain under study? What balance do the policies strike between providing a broad enabling environment versus a more narrowly-focused set of policy interventions to facilitate very specific action at the front line? What was the political coalition which facilitated the promulgation of these policies? (and how does this coalition align with the country-level political settlement?)
- What are the *de jure* laws and rules and the *de facto* goals, or political functions, of the sector, and the public organizations which operate within it? For example, an employment-intensive sector, such as teaching, nursing or public utilities, could be particularly useful as a source of patronage, in classic clientelistic structures. A sector with extensive contracting could be a valued source of

- private rent extraction or political finance. Or provision of a public service or transfer - to middle or poorer groups - could be central to a political commitment and the legitimation of the state.
- How do the extent of centralized state control (whether at national or subnational levels) and public sector recruitment practices influence the behaviour of sectoral actors, including the relevant sector-specific public organizations? The possibility of domains of more effective service delivery co-existing alongside domains of ineffectiveness will vary with the extent of centralized control. Additionally, either weak state control or the primacy of patronage-based recruiting, can lead to weak extrinsic and intrinsic incentives for effort toward the formal goals of the sectoral organization (that will typically be around effective service delivery). Also relevant here is the generalized functioning of state accountability mechanisms at national or subnational levels: the independence of the audit department, the independence and effectiveness of the judiciary etc.

Insight into *de facto* goals would need to be based on analysis of politician-organization interactions—see below on case study methodology. System-wide influences on bureaucratic behaviour and horizontal accountability functioning would typically draw on existing analyses of the overall public management system, of the performance of checks and balances institutions, and of the relevant state organization.

As argued above, ideas also influence these considerations and an important input is the documentation of the prevailing narratives that shape the cognitive maps of elites and other actors. For example a political elite (and its associated economic elite supporters) may believe in state-directed development or privatization of services; these beliefs can be subject to domestic and international currents of thought, as well as domestic narratives of state legitimacy (see Mehta and Walton, 2012 on India).

Organization governance, drivers of behaviour and the exercise of citizenship

Let's now turn to the behaviour of the organization itself. Organizational competence is a complex product of the intrinsic technical competence of employees, organizational processes, and the vertical and horizontal relationships of accountability within which the organization is embedded. In Figure 4, the processes marked **B** represent these relationships - both the 'managerial' relations within an organization, as well as any informal internal power structures, and potential direct influences of external stakeholders. The figure suggests a distinction between organizations that can be primarily characterized as having hierarchical principal-agent relationships and those for which multiple stakeholders have significant influence. Insofar as the boundaries are porous between those formally responsible for setting rules and policies and external stakeholders, the latter have the potential to participate in rule-setting – at whatever level they are able to influence the process.

Figure 4 also highlights as a focus for research the extent of managerial and worker discretion over behaviour within the organization. This can, of course, occur within an essentially hierarchical principal-agent organization, given the classic issues around information/monitoring and enforcement in principal agent relations. Indeed, discretionary behaviour of managers and workers is often highly desirable, since in many domains of service delivery, all eventualities cannot be specified, and it is much more efficient to have agreement over goals and processes, and workers with aligned motivation on these. However, discretion can also lead to self-serving opportunistic

behaviour, for example through shirking, stealing resources, or taking bribes for services, with the propensity for this to happen influenced by the broader political settlement and its sectoral manifestation. Alternatively, scope for discretion can also provide an opportunity for public entrepreneurship by committed public officials, sometimes working in partnership with external stakeholders – even in otherwise non-supportive political environments.

How external stakeholders are brought into the picture varies from one sector to another. As noted earlier, incentives to engage – by politicians, service users, or provider interests – vary across sectors. Introducing external stakeholders makes the structure of the organizational and incentive problem even more complex, and even more likely to lead to ambiguous rules (as again, is well-known from principal-agent cases with multiple principals). Here it is important to document the range of external stakeholders. These can include:

- Politicians - who frequently will intervene in actual implementation - to get services to their constituency or to particular clients, extract cuts out of contracts, pressure an organization for better performance etc;
- private firms - including contractors who stand to win or lose contracts, and formal or informal intermediaries in service delivery;
- civil society groups - who may be special interest advocates for an area (better education, access to water), or for general accountability, though may also have self-serving interests in maintaining their support, getting donor money etc;
- community leaders - who may be local political or social leaders, and often engage as intermediaries to solve service delivery problems;
- citizens - who as individuals or in groups, may go either directly to state agencies or indirectly via politicians to solve service delivery problems (see further below).

As the examples in the annex illustrate, external embeddedness may either subvert or support an organization's goals. It can also create scope for variation in organizational performance that could range from the development of substantial overall organization autonomy, to islands of effectiveness or islands of corruption and ineffectiveness.⁵ Anyone who has lived in or studied a developing country (or a developed country for that matter) has seen the variation of performance across sectoral agencies within a country, or across different parts of the same organization.

The final domain highlighted in Figure 4 - category C in the figure - starts from the front line of service delivery. At one level front line workers do not raise qualitatively different diagnostic issues from those discussed above. There will again be the structural question of whether they are essentially working within a hierarchical principal-agent relation to their immediate managers, or whether they operate in a world of multiple stakeholders. The latter can again include politicians, bureaucrats from other agencies (Indian government teachers often have other activities, such as working on the census), contractors, local civil society groups, community leaders, and citizens themselves. It will again be important to assess both formal rules and actual influences, extrinsic and intrinsic motivation, and the scope for discretionary behaviour, whether this is used for public ends, private gain or reduced effort. Take the example of Indian teachers: there is widespread evidence of low effort (not turning up, not teaching if they are in the

⁵ For a conceptual framework for analyzing this range of possible outcomes, see Levy (2011)

classroom), of diversion to other activities, but also of some exemplary, hardworking teachers (see PROBE, 1999 for example.)

What is more distinctive of the work of front line workers is that they are actually charged with delivering a service to, and engaging directly with, citizens – and so will often be more embedded in the local social context. This may involve nebulous boundaries between ‘state-like’ and other behaviours, with front line workers either themselves operating in a local market (selling access to services), or working with informal intermediaries who do so, as well as often being part of local social or political hierarchies.

The other side of the front line (that, by the way, is an interesting, and revealing, piece of terminology!) is the behaviour of citizens, as individuals or in collectives. One way of conceptualizing this is on the analogy of a market transaction - with a client supposed to be receiving a service that they can accept, reject, complain about, pay extra for, or (increasingly), leave for private transactions (in education, health, sometimes water, electricity and so on). However, more interesting is the development of *citizenship* through the resolution of daily problems of living and associated interactions with service providers. This gets into fundamental issues of meaning of political engagement of citizens, and a conception of politics that goes beyond voting in elections or appealing to patrons. The potential for citizen engagement varies, of course, across sectors and organizations. Where such exercise of citizenship emerges, it will typically not be confined to engaging with front line workers, but also to appeals to organization managers, politicians or other intermediaries. Thus in Figure 4, we diagrammatically suggest several ways in which citizenship can be developed and exercised - directly with front line service provisions, directly to organization managers, indirectly via intermediaries, as well as via the ‘long route’ of democratic or other influences on the overall political settlement.

This leads to two interrelated sets of research questions. First, there is the exploration of the meaning and practices of citizenship from the perspective of individuals and households: this may include their views of the political process, practices of engagement with front line agencies and politicians to solve daily problems, and the implicit or explicit narratives of their relationship with state actors. Second, there is the extent and pattern of collective action, that may range from mobilization of kinship or neighbourhood networks to make claims on the state or solve problems, to organized civil society associations, with various degrees of autonomy vis-à-vis state process (see Baiocchi *et al.*, 2011 on the case of participatory budgeting in various Brazilian municipalities.)

This last issue is further linked to the broader question of the role of civil society in influencing the behaviour of citizens and state actors. This can range from grassroots movements to civil society organizations created with specific purposes, around sectoral domains or cross-cutting questions of accountability and information. This leads to research questions on presence, membership, affiliations and behaviour of civil society organizations (CSOs). A recent survey found surprisingly little direct evidence of the role and impact of CSOs on service delivery, given the attention to this approach in the development community (Devarajan *et al.*, 2011)

Let's now suggest a set of questions to be assessed in the diagnosis of a particular sectoral organization:

- i. What are the formal rules and objectives set by each level in the managerial chain for the levels below – and what resources are made available for lower levels to achieve these objectives?
- ii. How clearly specified are the objectives? Insofar as there are multiple objectives (*de facto* as well as *de jure*), do these objectives reflect differential interests among multiple principals? Are the trade-offs between the objectives made explicit? Based on observed behaviour at the lower levels what, *de facto*, was the relative weight of each objective?
- iii. What are the performance management arrangements? – i.e. how (if at all) is performance of the lower levels monitored by the level(s) above? What (if any) are the *de facto* as well as *de jure* sanctions, and other enforcement mechanisms, for enforcing compliance?
- iv. What role do external stakeholders, outside the formal hierarchy - politicians, civil society, clients, contractors - play in rule-setting, monitoring and enforcement? At what level(s) in the vertical chain do external stakeholders engage? Why those levels?
- v. How much scope do the rules, monitoring, and enforcement arrangements - and participation of external stakeholders - create for managerial discretion? And how do managers use this discretion?

The details, and implications, of these questions vary at different levels in the vertical chain. Depending on the specific sector and front line organization whose performance is to be explained, the chain could incorporate: national-level policymakers; subnational policymakers; boards of directors appointed to govern line agencies; senior management of the relevant organization; mid-level organization management; and front line providers. A key early step in the empirical work will be to unbundle, and detail, the relevant number of levels; this number will vary by sector and by country, with some levels analytically more relevant than others.

4. Common cross-country elements of case study and comparative research

The framework outlined has challenging methodological implications, precisely because it seeks to take an integrative view which recognizes that the functioning of an organization occurs within a broader system of political and business influences, household behaviour, societal context and (often) a functioning market, both within and outside state agencies. It involves an extensive and mixed set of methodologies, and an associated mix of disciplines - including from political science, economics, organizational analysis and anthropology. And it also seeks to link a diagnosis to actual performance in terms of outcomes in the quality of service delivery and final outcomes.

Given this complexity, we do not believe that the effort to construct a detailed research template is the appropriate next step. The resources needed to systematically follow through on all aspects of such a template would be very large. Perhaps more fundamentally, if the research is to be of genuine interest, any effort to impose uniformity

up front could be stymied by the large number of variables to be considered, and the particularity of specific situations. Rather a balance needs to be struck between a common general approach and specific techniques.

The overall principles would be based on the structure and hypotheses laid out in Figure 4 and Table 1. Techniques would then fall within the spirit of 'analytical narratives': that is undertaking careful descriptive analysis in relation to the conceptualization of political, organizational, stakeholder and citizen behaviour within specific country and sectoral settings.

Within this, in our view, the way forward lies in proceeding more inductively by piloting, in a comparative context, a small number of what might be termed 'embedded case studies'. The case studies would undertake in-depth exploration of the drivers of performance of specific public organizations, and would draw on secondary or parallel analyses of key contextual domains. While the details of the in-depth exploration would be guided by the specific problem being considered, we lay out below six key elements which we have distilled from the multi-level framework, and believe could usefully be addressed across all case studies.

Following the completion of an initial round of case studies, we propose that the extended research team takes stock and assesses whether these key elements were indeed the right ones, and whether further detail might be specified for some or all of them prior to a follow-on round of further case studies. An annex to this paper presents some illustrative examples of how the common approach might be applied.

The first common methodological element comprises the '**unit of analysis**'. Each case study should focus on a very specific public service provision organization, or group of organizations. Cases should be selected in a way that facilitates comparative analysis (e.g. to account for variations in performance - over time within the organization, across units in the organization, across subnational areas, across countries), by having enough variation across the cases in performance and/or the explanatory variables of interest, even as other contextual variables are similar. The categories for comparative analysis might include:

- Variation across units within an organization, e.g. through local spatial variation;
- Variations in performance over time within an organization (especially where there has been some organizational or external transition);
- The same service across different subnational areas (with different sub-national providers) or across different countries.
- Different services within a common service provision jurisdiction.

The more narrowly specified is the 'unit of analysis' the better: focusing on a specific decision/action or some specific ongoing behaviour can permit the use of 'process tracing' as a way of exploring the empirical relevance of the hypothesized explanation.

Second is **a common focus on performance** in provision of the service. This will involve a careful effort to measure trends in performance over time to support links with process tracing. Potential measures of performance might include:

- observational surveys (households or firms), that report on service use (e.g. clinic attendance);
- perceptions of service quality by users;
- actual outcomes (health status, profits);
- administrative data on service provision and use; and
- field experiments on consequences of specific changes—whether RCTs or other designs.

Third is an exploration of **the sectoral manifestation of the political settlement**, including diagnosis of:

- The overall nature of the country and sectoral settlements, from political and historical analyses of regime character, interpretation of interactions;
- Formal policies, rules, rights, specific laws (e.g. Right to Education); and
- The *de facto* role of the organization and sector being studied within the political logic of the settlement, the narrative of state legitimation etc.

Fourth is a diagnosis of **the drivers of organizational behaviour**, including:

- An assessment of the impact of sectoral structural characteristics on the incentives of political and bureaucratic leaders to invest in effective hierarchical control.
- A description of the formal governance structure (board etc.) through the relevant principal-agent tiers.
- An assessment of the organization's goals, their clarity and, for each relevant level of the principal-agent structure, the extent to which they are reflected in arrangements for performance management.
- A depiction (from interview-based interpretations) of the organizational culture, and its alignment with the organization's goals;
- Exploration of interactions with external stakeholders, specified for the different management levels (which stakeholders matter, where do they intervene and influence).
- Potential modeling of behaviour at different levels (e.g. in terms of resolution of principal-agent interactions, interactions with stakeholders; influence of extrinsic and intrinsic motivation).
- Also ideas that shape organizational and individual behaviour (e.g. substantive policy ideas but also ideas around public service, professional pride etc)?

Process tracing of how the organization addressed specific problems, and why its organizational routines and culture took the form they did will provide a useful lens within which each of the above can be analyzed.

Fifth is an assessment of the **exercise of citizenship**, including:

- Household and/or firm surveys on use of services, means of connection and patterns of redressal and engagement;

- Ethnographic analyses of the interface between front line workers and clients, with a view to understanding how the interactions align (from the perspective of each) along a citizen-subject continuum, and how this might be changing over time; and
- Documentation of the extent of collective action, and the pattern, affiliation and role of civil society organizations that have a relation to service delivery.

Sixth, and finally, are the ***implications for policy***. One of the strengths, we believe, of the conceptual approach laid out here is that the policy lessons will derive directly from the political and organizational analysis, and its implied theory of change. The thrust of the analysis will be to explore to what extent principal-agent relations within an organization and strategic interactions with external stakeholders create space for collective action (or for capture.....). Each of the case studies should thus provide useful lessons as to how space was created, how it was used – and/or what might be the potential for enhancing space for creative action going forward. Our hope is that, taken together, the comparative case studies will take us well beyond the simplistic bromides of ‘strengthened voice’ and an improved ‘compact’ along the long route, or ‘strengthened user participation’ via a better short route - and instead offer insights which open up new terrain for action in the space in-between these two polar patterns, the space where most developing countries are located.

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Annex: Some schematic illustrations.

In this annex we illustrate our proposed approach by using the common methodological elements laid out in Sections 2 and 3 to provide some highly schematic accounts of the functioning of six selected sectors/organizations, three in India and three in South Africa.

The six are:

- Basic education in an Indian state;
- Water and electricity provision in Delhi's slums;
- Provision of government services for the management of collective land rights and common pool resources in a tribal area of Rajasthan;
- Electricity provision by South Africa's ESKOM;
- School level governance in South Africa; and
- The provision of passenger rail services in South Africa's metropolitan areas.

Each of these are the focus of ongoing or planned research, and the purpose is not to give definitive research results, but rather to give a sense of the framework in action. We follow the four categories of area (1-4) above, and put more emphasis on the some tentative results and interpretation rather than methodological description.

Basic education in an Indian state

The Problem: dismal quality of learning, in spite of a major expansion of public education, and widespread use of private teaching or tutoring. We hypothesize that these are in H3a, but with potential to move to H3b.

1. Specification of organizations for (comparative) case study

The Bihar state education service, in comparison with other Indian states.

2. Measurement of performance

Observational surveys: the large-scale Annual Survey of Education Report and other surveys; Poverty Action Lab (J-PAL) Read India study: RCT on alternative pedagogy with some teacher surveys and qualitative; Assessment: major gains in enrollment, continued dismal quality; enrolled kids not attending.

3. Diagnosis of drivers of organization behaviour

A. Manifestation of political settlement

India and Bihar competitive clientelistic

Formal national push on education, with Right to Education Act; major conditional transfers from Central (Union) Government to states.

Bihar unequal across caste and class lines, history of corrupt, clientelistic government, group-based violence, major neglect of public service provision. From 2006 a strongly developmental Chief Minister, who has maintained political support on a service delivery platform - especially around schools, roads and police - and was re-elected in 2011.

Basic education a mix within the political settlement: massive recruitment, embedded in local (panchayat) politics, teachers unionized, campaigning for better terms.

B. Organizational behaviour.

An internal ideology typified by a focus on curriculum

Motivated top level civil servants and ministers in Bihar

Several levels between Bihar state and front line

Core of hierarchical principal agent, influential civil society actors at various levels (especially Pratham), political actors relevant at least at local recruiting level.

C. Front line behaviour and citizenship

A teaching service that became part of both a patronage and market-based structure.

Head teachers a key actor, highly variable

Panchayat teachers much more poorly paid, some evidence of a patronage appointment

Village Education Committees with little influence

Major exits of households; probably many teachers also tutor, but data weak on this.

4. Development of a theory of change and implications for policy

Clear scope for action from the top, evident in enrollment drive; continued political support from Chief Minister and Education Minister, but as in many cases of education

reform, this is much harder in terms of getting quality up. Scope for experimentation within state service.

Water and electricity provision in Delhi's slums

The problem: low service quality in slum areas; transition to universal electricity connection. We hypothesize a mixture of in H3a and H3b for different services.

1. Specification of organizations for (comparative) case study

Delhi's unauthorized/slum areas: water is provided by a corporatized organization and electricity by (two) privatized distribution companies with spatially segregated regulated monopolies. Both fall under Delhi State. (Note: potential to embed in broader review of electricity provision)

2. Measurement of performance

Extensive JPAL survey of slums throughout most of Delhi
In-depth mixed method research in two of Delhi's slums, with parallel research on two slums in Noida (part of overall urban conurbation but in another State)
Potential administrative data.
Assessment: major issues in water supply (highest concern amongst slum-dwellers); by contrast 100% electricity connection, the bulk legal - or became so in the past decade.

3. Diagnosis of drivers of organization behaviour

A. Manifestation of political settlement

India and Delhi state competitive clientelistic
Delhi State in Congress hands - mixed strategy of appealing to 'middle class' and centrality of poor as voters; >90% of slum-dwellers are registered to vote; c. 80% vote
Ideology of 'capital' city in tension with both voting blocks and right to life jurisprudence

B. Organizational behaviour.

Still under research
Private electricity companies appear to be functional, hierarchical bodies, who took a pragmatic decision to legalize illegal connections in slums. Some role of regulator here, to be established.
Water less clear: have legal mandate to provide public standpipes (but not private connections) in slums. Internal efficiency and performance unclear
Both appear to be multi-stakeholder, especially with two levels of local politicians, community leaders.

C. Front line interactions and citizenship

Interview- and observation-based research on front line workers
Ethnography of community leaders; Interviews with small samples of households.
Assessment: substantial activity and local intermediation in provision and problem resolution in both domains; significant evidence of exercise of local citizenship via local leaders, citizens, pragmatically working through different intermediaries. Water tanker

providers (from public utility and private sources) embedded in local social and market interactions on provision.

4. Implications for policy

JPAL field experiment is working on very specific channel of the influence of information

Management of collective land rights and common pool resources in tribal area of Rajasthan

The problem: inefficient and inequitable exploitation of common pool resources - pasture and forestry - in poor rural areas. Conflicts between Forest Department (with a mandate to preserve forests, but also often politically embedded locally) and communities, plus between individual encroachment and collective use. Hypothesize that general location is in H3a, but where village-level resolutions are achieved this is in H3b.

1. Specification of organizations for (comparative) case study

Tribal area of Rajasthan with extensive issues of common forest and pasture.

Forestry Department; Tribal Affairs Ministry. Seva Mandir as a large, activist NGO

Potential comparison with other tribal areas.

2. Measurement of performance

Survey based indicators of household wellbeing

Information on (specific) successes and failures of local management of the commons, qualitative documentation from locally active NGO

3. Diagnosis of drivers of organization behaviour

A. Manifestation of political settlement

Post-independence, extensive conflicts over individual encroachment, with Forestry Department playing an official role of protecting forests.

Forest Rights Act (2006)—under the Tribal Affairs Ministry—a measure to give land rights to tribal communities under Congress-led coalition; pitched to secure political support.

B. Organizational behaviour.

Early days: Forestry department traditionally had an ideology of forest protection, but this subverted by (heterogeneous) private invasions and often locally corrupt forest officials. Appears to be hierarchical, but also multi-stakeholder, with major NGO, local politicians, community leaders all seeking to influence behaviour.

Tribal Affairs Ministry less established, and almost certainly multi-stakeholder.

Seva Mandir a longstanding, well-established NGO with outreach into the communities, direct service provision and access to State-level government hierarchy.

C. Front line interactions and citizenship

Case study work on specific community-based interactions. Cases of success and

failure of collective organization and action; tension between individual action and collective narratives.

To explore links with both parallel survey-based work; and how to structure the comparative analysis both within the study area and with others.

4. Development of a theory of change and implications for policy

Also early days: NGO partner is eager to explore whether community mobilization can change the behaviour of state actors, especially on the private-common pool axis.

Electricity provision by South Africa's Eskom

The Problem: In 2008, South Africa suffered an unprecedented wave of electricity brown-outs. The pre- vs-post 2008 performance and institutions thus provides a good basis for a comparative case study.

The Hypothesis: Eskom, 1994-2008 is a sector-level example of H3a in Table 1; post-2008 it is consistent with H4b.

1. Specification of organizations for comparative case study

Eskom, a state-owned enterprise, is South Africa's monopoly generator and transmitter of electricity.

(A potential extension of the study could be to focus on electricity distribution, which is municipally managed, and provides a further basis for comparison, including with the Delhi work).

2. Measurement of performance

Expansion of access to electricity over time; Electricity outages over time, and across locales;

Indicators of system stability (capacity vs demand; maintenance performance) Extent of black economic empowerment in recruitment and performance practices

3. Diagnosis of drivers of organization behaviour

A: Manifestation of political settlement

Between 1994 and 2008, Eskom confronted multiple pressures from different factions among the governing elites. These included:

- a push to expand access
- the provision of reliable, cheap power to the private sector (including as an incentive to attract new energy-intensive private investment)
- a push for black economic empowerment (BEE) in Eskom practices
- a continuing controversy over which, if any, aspects of the electricity sector should be privatized.

Plausibly, the latent tensions underlying South Africa's political settlement meant that there was no clarification of these multiple, potentially contradictory goals.

B: Organizational behaviour

Research at an early stage. Key questions:

How did management respond to the presence of multiple, competing objectives?

How was the performance of the enterprise monitored by its Board, and by other principals? Based on which objectives, and using which indicators?

How did management, and the governance/oversight arrangements, respond to the experience of rolling brown-outs?

C: Front line interactions and citizenship

Key question for research: What role have external stakeholders (especially including the private sector, both established and BEE)) played in Eskom governance? How was the opportunity and willingness of the private sector to participate in governance affected by the 2008 experience of rolling brown-outs?

4. Implications for policy

The interaction between stakeholder (and ideological) interests and engagement, and goal formation, is likely to emerge as key to performance. Analyses of the pre-brown-out-crisis, the crisis period, and the post-crisis period are likely to offer rich insights as to what can be done to assure a continuing focus on performance even in a contested environment.

School-level governance in South Africa

The problem: Except at the very upper tier, school performance in South Africa is far below that of comparator countries – even though fiscal resources are abundant, and top-down policy is OK. Might there be an opportunity for improving performance by focusing on governance at the school level?

The hypothesis: Differences between successful and unsuccessful schools can be explained by local differences in the salience of H3a and H3b as per Table 1.

1. Specification of organizations for comparative case study

Government-run schools serving pupils/families in the lower (5th -8th deciles) of the income distribution – comparing above average with below average performers.

An initial round of analysis in the Western Cape with a possible extension to other provinces.

2. Measurement of performance

Student test scores from standardized tests.

3. Diagnosis of drivers of organization behaviour

A: Manifestation of political settlement

The political settlement left unresolved some competing tendencies in the governance of education:

- the legacy (and continuing practice) of hierarchical, top-down governance of the school system versus a legislative framework (the South African Schools Act) which gives substantial potential authority to school-level governance;
- a political commitment to broad-based investment in human capital versus a politically powerful, and patronage-oriented teachers' union.

B: Organizational behaviour

The South Africa Schools Act creates the potential for institutionalization of school-level governance, via:

- development within the school of strong self-governance arrangements among teachers and others; and
- involvement of parents and communities in school-level governance.

Preliminary research suggests that divergence in school performance may be partially explained by the willingness and ability of school principals/leaders to invest in school-level governance.

The extent to which higher levels within the Department of Education sustain pressure for performance – and encourage the implementation of good practices (including good school-level governance) - will also be a focus of research. (This is likely to vary across provinces, in part depending on the interactions between political leaders and the teachers union.)

C: Front line behaviour and citizenship

Preliminary evidence suggests that there is strong diversity across communities in their willingness and ability to support school-level governance. Research will explore some of the reasons for these differences (including divergent conceptions of citizenship).

4. Implications for policy

The research will offer useful insights into the limits and potential of school-level institutionalization – and what can be done (including the extent and type of community engagement) to foster better governance at the school front line.

The provision of passenger rail services in South Africa’s metropolitan areas

The problem: Performance of urban passenger rail has been worsening over the past decade. Major expenditures are projected to support a turnaround – but there is a history of weak sector governance.

The hypothesis: Urban rail is a *de facto* example of H3a.

1. Specification of organizations for comparative case study

‘Metrorail’ – the umbrella organization in which South Africa’s city-level passenger rail operating units are located;

Two city-level operating units – one higher- and one worse-performing.

The oversight organization within which Metrorail is embedded (this varied over time).

2. Measurement of performance

On-time performance; Service cancellation; Trends in usage; Share of budget going to investment and to maintenance

3. Diagnosis of drivers of organization behaviour

A: Manifestation of political settlement

Unresolved tensions between:

- fiscal goals (urban passenger rail revenues cover less than 50% of costs);
- service provision goals (a very difficult area; transport reflects apartheid geography);
- patronage goals (a major employer of unionized workers; major procurement contracts)
- industrial policy goals (combine a proposed \$15 billion investment in new rolling stock, and local content provisions).
- Centralized versus municipal level control.

One result, until very recently, has been continually shifting arrangements for governance.

B: Organizational behaviour

Research is at an early stage. Key questions:

What role did system performance, and the risks of continuing decline, play in higher-level decisions over time on goals, outlays and oversight?

How did the organization respond to continually shifting goals and oversight arrangements?

To what extent did these responses vary across metropolitan areas, and why?

C: Front line behaviour and citizenship

Users of urban passenger rail lack political influence, or the incentive to invest effort in advocating for better system performance. A useful focus could be on the interaction between lower-income, train-using urban residents and municipal-level politicians: what shapes the priorities of the politicians? How do the concerns of residents factor in? Do residents and politicians rate differently the salience of urban passenger transport? Why?

4. Implications for policy

There is a potential mismatch between the ambitious goals, and major injection of resources, proposed for Metrorail, and the difficult, structural governance challenges which the system confronts. (Major drain on revenues; no consensus as to goals and appropriate subsidy; no natural constituencies to credibly pressure for performance). The study will surface the mis-match, and suggest ways forward – including what role municipalities might usefully play in system governance.

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