



# Solutions When *the* Solution is the Problem: Arraying the Disarray in Development

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**Summary.** — An analytic framework for tracing three waves of efforts to provide key public services in developing countries is provided. Persistent (though not universal) failure has been the product of (a) the imperatives of large bureaucracies to discount decisions that are *inherently* both discretionary and transaction-intensive (and thus less able to be codified and controlled), and (b) good and bad reasons for believing that, because modern bureaucracies underpin rich country prosperity *now*, simply adopting their institutional form elsewhere is the surest way of facilitating development. Contemporary debates regarding the merits of incorporating more “participatory” approaches into public service delivery are best understood in this context.

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[T]he need for popular participation is not just sanctimonious rubbish. Indeed, the idea of development cannot be disassociated from it (Amartya Sen <sup>1</sup>).

The emphasis on empowerment is troubling [because it is, among other things] clearly outside the [World] Bank’s mandate [and promotes its] entry into domestic politics. . . [This is an area in which] it has no experience or competence (T.N. Srinivasan <sup>2</sup>).

Impact evaluations show that social fund resources are pro-poor, and that targeting has improved over time (Julie van Domelen <sup>3</sup>).

The evidence raises questions about the effectiveness of [social funds] as a safety net for the poor and, more significantly, about the presumed greater desirability of [social funds] as an alternative to traditional government supply, or reformed versions of it (Judith Tendler <sup>4</sup>).

articulate, and experienced people arrive at such vastly different and sharply divisive interpretations of the merits of new proposals to improve public service delivery under the broad banner of “participatory development.” The variety of items on this new menu is broad—“Participation,” “Social Funds,” “Community

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## 1. INTRODUCTION

This paper emerges from a puzzle among development practitioners and scholars—namely, why so many otherwise reasonable,

Driven Development.” “Empowerment,” “Decentralization,” “NGO provision,” “Contracting out”—but the reviews of the new dishes vary widely. Some rave that the new menu items are the greatest thing since sliced bread, other critics pan them as not fit for consumption, and still others deem them to be in violation of purity norms.

Our rather immodest goal in this paper is to outline a conceptual framework that arrays the disarray in recent development initiatives, with the goal of improving policy dialogue and effectiveness, and with it greater coherence in development research and teaching as it pertains to the provision of public services. The paper proceeds as follows. In Section 2 we consider the broad areas of agreement and disagreement among those proposing strategies for improving service delivery in developing countries, and define the limits of what we are, and are not, going to discuss. Our primary concern is with *key* services in which the government has compelling interests in engagement, and “how”—rather than “what”—it should deliver. To this end, we distinguish analytically between both the degree of discretion and transaction intensiveness entailed in providing a given service, using this to frame a discussion of development “policies,” “programs,” and (what we shall call) “practices.” We then consider the five critical elements of service delivery—resources, information, decision-making, delivery mechanisms, and accountability. Variations in how these responsibilities are structured are used to array traditional and current proposals for improving service delivery. In Section 3 we lay out the basic problem of service delivery as it was originally conceived, and the characteristics of the single solution that was routinely invoked to solve it; we then explain the common structures of the failure of that approach in sector after sector, and the three “solutions” that were devised to address those failures. These three “solutions” also failed, however, which provides the background for Section 4, in which we outline eight contemporary approaches to reforming public service delivery: (a) supplier autonomy; (b) single sector participatory; (c) contracting out; (d) decentralization to states/provinces; (e) decentralization to localities/municipalities; (f) demand-side financing; (g) social funds; and (h) community-driven development. Section 5 concludes, with a brief discussion of the implications of our analysis for contemporary development problems and pro-

gram design, using AIDS, education, and research as examples.

## 2. AGREEMENTS AND DISAGREEMENTS IN PUBLIC SERVICE DELIVERY DEBATES

Despite appearances to the contrary, the factions in contemporary development debates share a fair degree of consensus (cf. Kanbur, 2001). First, most agree the debate about the “Washington consensus” is blown far out of proportion.<sup>5</sup> At times 90% of the ink spilled addresses 10% of the development battle; in the end, no matter who is right about trade policy, fiscal deficits and the like, these policies do not add up to anything like a complete development agenda. As Rodrik (1999) and others have rightly argued, policies such as trade openness, fiscal probity, etc. need to be seen as *part of*, not a *substitute for*, a coherent development strategy. Even the “augmented Washington consensus” that adds the provision of some key services (such as education) to the standard policy agenda leaves wide open the question of how things will actually be accomplished. In general economists have focused their tools on the question of what governments should do, with relatively less attention given to the economics and politics of how to accomplish the “what.”

Second, most agree that the (perhaps very) long-run goal is to ensure that the provision of key services such as clean water, education, sanitation, policing, safety/sanitary regulation, roads, and public health is assured by effective, rules-based, meritocratic, and politically accountable public agencies<sup>6</sup>—that is, something resembling Weberian bureaucracies.<sup>7</sup> We call such a world “Denmark.”<sup>8</sup> By “Denmark” we do not, of course, mean Denmark. Rather, we mean the common core of the structure of the workings of the public sector in countries usually called “developed” (including new arrivals like Singapore). To be sure, there are numerous variations on the core “Denmark” ideal; indeed, remarkably similar performance outcomes can be and are delivered by different, and culturally distinctive, institutional forms—e.g., Denmark, New Zealand,<sup>9</sup> Germany, and Japan. The historical evidence is surely that while development is likely to entail a convergence in terms of institutional performance outcomes, the precise form those institutional arrangements actually come to take in

each country will continue to be as varied as the countries themselves.<sup>10</sup> Indeed, as we argue in detail below, the strategy of “skipping straight to Weber”—i.e., of seeking to quickly reach service delivery performance goals in developing countries by simply mimicking (and/or adopting through colonial inheritance) the organizational forms of a particular “Denmark”—has in fact been a root cause of the deep problems encountered by developing countries seeking to deliver key public services to their citizens.<sup>11</sup>

Third, most agree that while the solution of “skipping straight to Weber” has had some notable successes, it has also often failed—badly.<sup>12</sup> That is, development activities (in general, and those supported by development agencies in particular) have almost uniformly attempted to remedy problems of inadequate services<sup>13</sup> (in infrastructure, education, health, law enforcement, regulation) by calling upon a centralized bureaucracy to supply a top-down and uniform public service. These decisions to “skip straight to Weber” were historical, social, and political processes whereby the interactions between citizens, the state, and providers were simply overlooked. *The solution* was a coherent approach to service delivery in which a universal need was met by a technical (supply) solution, and then implemented by an impersonal, rules-driven, provider. That is, “*need* as the problem, *supply* as the solution, *civil service* as the instrument” became the standard organizational algorithm for solving public services concerns.<sup>14</sup> This approach has had some clear successes (e.g., eradicating polio), but the (more numerous and pervasive) failures have caused most practitioners in developing countries to doubt its universal applicability as *the solution*.

Fourth, most agree that the new solutions to *the solution* (which has now become “the problem”) will have two features: first, they will embody something like what is conveyed by terms such as “empowerment,” “participation,” “accountability,” “transparency,” or “good governance”; and second, how the principles are actually embodied in concrete organizational forms will involve a great deal of institutional heterogeneity—one size clearly will not fit all in countries as different as Canada, Chad, China, and Costa Rica (cf. World Bank, 2003).

These broad areas of consensus (which we generously presuppose), however, still leave plenty of room for serious disagreement. Beyond a broad agreement that the proposals for reforming the institutional mechanisms of

service delivery represent an attempt to move beyond the “Washington consensus” and to find a way to make institutions work, to show that context matters and that one size does not fit all, there is tremendous disarray in the field:<sup>15</sup> indeed, at times it is hard to even know who is disagreeing with whom, and why. Unlike most divides in development (and elsewhere), in which partisans line up more or less predictably along disciplinary, methodological, or political lines, participatory development seems to have exposed new schisms. For example, critics on the “left” such as James Scott (1998), in *Seeing Like a State*, provide damning critiques of the impact of governments, while those on the “right” such as Hernando de Soto (2000), in *The Mystery of Capital*, end a book extolling the virtues of property rights with an appeal to the power of marginalized people to overcome the established order and create new legal institutions for safeguarding their property. At the same time, the debate over the performance of social funds in Latin America (Carvalho, Perkins, & White, 2002; Tendler, 2000a; van Domelen, 2002) has created sharp division among those with otherwise similar political and ideological predispositions (“pragmatic center/left”), while critics who ordinarily share none of these said dispositions (e.g., Cooke & Kothari, 2001; Srinivasan, 2001) unwittingly find common cause in attacking notions such as “empowerment.”

“One size does not fit all” does not mean that “any size fits any” or “anything goes;” without guidance as to which size fits which, it is merely a platitude. Moreover, even if “Denmark” is the agreed upon destination, when the starting point is anywhere from Mexico to Moldova to Mozambique it should not be all that surprising that attempts to map out the best route for getting there, and identifying the necessary provisions for the journey, generate deep differences of opinion. Is “participation” the new solution to improving project design, or a new form of tyranny (Cooke & Kothari, 2001)? Are “social funds” the new instrument to promote local development, or an inconvenient but comfortable detour (van Domelen, 2002)? Do services implemented through local community organizations more effectively include or marginalize the poor (Gugerty & Kremer, 2002)?<sup>16</sup> Is “decentralization” the answer to “bringing the government closer to the people,” or a cynical ploy to cut deficits (Tendler, 1997, 2000b)? Is “social capital” a potentially useful

analytical tool for designing more effective services, or an attempt to avoid politics (Harris, 2002)?<sup>17</sup> Is the increased engagement of non-governmental organizations (NGOs) in policy dialogue encouraging openness and accountability, or is it (as some have argued) the biggest threat to democracy the world faces? With so many alternatives on the table and the free debate of all against all, the disagreements cut across disciplinary and even ideological lines (with the “hard left” and “hard right” critiques often agreeing against the “soft left”). How can one make sense of all this confusion?

We propose an array of the disarray can be found in an analysis that begins with the evolution of the theory and practice of public service delivery, in particular the manner in which manifest failures were explained and the corresponding “solutions” justified. We argue that the variety of alternatives now on the table is a direct response to *the* solution which itself became “the problem” (Hirschman, 1970).

(a) *Key, discretionary, transaction-intensive services: a basic framework*

Our focus in this paper is on the provision of key, discretionary, and transaction-intensive public services. Key services are those for which there is a broad consensus that some type of government action is necessary, desirable, and/or inevitable—this includes absolutely essential functions such as ensuring law and order and maintaining a means of payment, through to development programs that have a strong rationale for public sector involvement, such as irrigation, sanitation, improved water supply, and components of education and health.<sup>18</sup> Even if these services are, in principle, able to be provided by the private sector, it is highly unlikely the government could escape assuming major responsibility for them if/when they failed (e.g., California’s recent electricity crisis).<sup>19</sup>

Services are discretionary to the extent that their delivery requires decisions by providers to be made on the basis of information that is

important but inherently imperfectly specified and incomplete, thereby rendering them unable to be mechanized. As such, these decisions usually entail extensive professional (gained via training and/or experience) or informal context-specific knowledge.<sup>20</sup> In the process of service delivery, discretionary decisions are taken which are crucial to a successful outcome; the right decision depends on conditions (“states of the world”) that are difficult to assess (*ex ante* or *ex post*), and hence it is very difficult to monitor whether or not the right decision was taken.

Transaction intensiveness refers simply to the extent to which the delivery of a service (or an element of a service) requires a large number of transactions, nearly always involving some face-to-face contact. School lunch programs, for example, require numerous cooks and cleaners to show up every day to prepare and distribute individually hundreds of meals in a hygienic environment; a small committee at a single meeting, on the other hand, can draw up the monthly menu.

Key services, then, contain elements that can be either discretionary or non-discretionary, and transaction intensive or non-transaction intensive. These distinctions generate a simple analytical two-by-two classification (see Table 1), that in turn helps distinguish between some familiar staples of contemporary development discourse, namely “policies,” “programs,” and what we shall call “practices.”<sup>21</sup>

We call discretionary but not transaction intensive activities policies. The clearest policy examples are in macroeconomics—lowering (or raising) the interest rate, devaluing (or not) the currency, setting a fiscal deficit target. These are all actions that intrinsically involve assessing the state of the world and taking an appropriate action, but implementation itself is not transaction intensive. The politics of policy reform may (or may not) require mass support politically, but “10 smart people” can handle the actual decisions and mechanics of policy reform.<sup>22</sup> Their decisions require considerable professional training and judgment, and thus cannot be automated. Alan Greenspan is a maestro, not a machine.<sup>23</sup>

Table 1. *Classifying modes of decision-making in key public services*

	Discretionary	Non-discretionary
Transaction intensive	Practice	Programs
Non-transaction intensive	Policies	(Procedures, rules)

In contrast, *programs* require thousands or millions of individual transactions and hence thousands or tens of thousands of “providers,” but each transaction can be (reasonably) carried out with relatively little discretion on the part of the agent responsible for implementation. In financial matters, an example is retail banking transactions, many of which can be carried out by a junior clerk (or for the most routine transactions, a machine).<sup>24</sup> To implement a “program” the agents of the organization need only to stick to a relatively fixed “script” (Dobbin, forthcoming; Leonard, 2002), in which the choices are few and judging the choice appropriate to the situation relatively easy. The primary problems with programs are technical (finding an effective and least cost solution) and logistical (carrying out the mandated actions reliably).

The provision of those elements of services which are (more or less) discretionary *and* transaction intensive—“practices”—provide the biggest headache for even the most astute and well-intentioned practitioner,<sup>25</sup> because they are intrinsically incompatible with the logic and imperatives of large-scale, routinized, administrative control.<sup>26</sup> An analogy from private sector production is the difference between activities that can be either carried out in a large bureaucratic setting (e.g., manufacturing production) or via a franchise (e.g., fast food restaurants) versus those activities that are not amenable to large-scale routinization—witness the generally small size (relative to the

national market) of most law firms, physician practices, universities, household contractors, counselors, fine restaurants, and coaches.<sup>27</sup>

While given sectors have relatively more or less of the three types of activity, it is not the case that “education” is discretionary and “health” is not; rather, within every sector there are examples of each in different stages of the service provision process (see Table 2). In health, for example, providing some individualized services, such as immunization, in which the appropriate action is nearly the same for each individual of a given age (which is easily observed), can be carried out as a program. In contrast, the provision of curative medical or psychological services, in which the provider is available for and responds to the complaints presented by individuals, requires a practice.

Policies, then, are primarily technocratic; programs are primarily bureaucratic; and practices are primarily idiosyncratic. Large organizations, by nature and design, are essentially constrained to operate exclusively in terms of policies (determined by “10 smart people”) and/or programs (implemented by “ten thousand bureaucrats”). Successful practices, when discovered and appreciated by such organizations, immediately give rise to a search for other instances, which can then be scrutinized by experts to discern their policy implications, and/or codified by rank and file staff into a best practice<sup>28</sup> handbook, CD-ROM, and training manual for standardized replication. Of course, it is entirely desirable that

Table 2. *Examples of discretionary and transaction intensive services*

Sector	Discretionary, not transaction intensive (technocratic “policies”)	Discretionary <i>and</i> transaction intensive (idiosyncratic “practices”)	Transaction intensive, not discretionary (bureaucratic “programs”)
Commercial banking	Setting deposit rates	Approving loans to small businesses	Taking in deposits
Social protection	Setting eligibility criteria	Determining eligibility of marginal/special cases	Issuing checks to the eligible
Law enforcement	Law making defining criminal behavior	Handling individual conflict situations	Directing traffic
Education	Curriculum design	Classroom teaching	Providing school lunches
Health	Public information campaigns	Curative care	Vaccinations
Irrigation	Location of main canals	Allocation of water flows	Providing standpipes “in every village”
Central banks	Monetary policy	Banking regulation	Clearing house
Agricultural extension	Research priorities	Communication with farmers	Dispensing seeds

innovative discoveries and effective solutions to universal problems (e.g., hand-washing to avoid disease) be rapidly disseminated; as we have defined them, however, practices by definition cannot be standardized and (easily) replicated. Diligent teachers might share tips about what seems to work in the classroom, and the wider dissemination of those tips may have a positive impact, but the everyday act of teaching entails making innumerable discretionary and transaction-intensive decisions, the effective execution of which are deeply embedded in the teacher's (idiosyncratic) personality and professionalism, and the nature of the particular institutional context.

(b) *Elements of service delivery and the principal-agent problem revisited*

We argue that effective service provision depends on the structure of incentives facing providers and recipients, which in turn are shaped by five central elements. Comparing these elements helps discriminate between the solution of old (need as problem, supply as solution, civil service as instrument) and the new menu of solutions. The five elements are:

- (i) *Resources*. Where does the budget of the service providers come from?—revenue from clients, budgetary allocations, some mix? Who retains control of the budget flows at what level?—central allocation to functions, discretion at the point of service?
- (ii) *Information*. Does information flow to and/or from the top? To whom (if anyone) is information disseminated? How accessible is that information?
- (iii) *Decision-making*. What is the scope of decision-making? Over what items do providers have *de jure* and/or *de facto* control?
- (iv) *Delivery Mechanisms*. To whom is the service actually provided?—individuals, groups? By whom?—providers in large bureaucratic organizations? Are any third party intermediaries involved?—small groups, staff of NGOs?
- (v) *Accountability*. To whom are service providers accountable? What power do they have?—hire and fire, reassignment, compensation?

Economists (and others) will recognize these five elements as exactly the central items identified in the context of institutional and organizational solutions to the "principal-agent"

problem, particularly with multiple tasks (e.g., Holmstrom, 1999; Holmstrom & Milgrom, 1991; Milgrom & Roberts, 1992). This problem arises whenever one actor called the principal (e.g., a firm) with one objective (e.g., profit maximization) contracts with another actor, called the agent (e.g., an employee), to undertake a task that affects the principal's objective function, knowing the agent may have a different objective function (e.g., leisure).<sup>29</sup> In this case the problem facing the principal is how to structure the incentives for the agent so that the agent's best interest, given those incentives, leads to desirable outcomes for the principal. Even within a purely market organization there are principal-agent problems that deal with resources (what does the agent work with?), information (how does the principal observe agent effort and outcomes?), decision-making (which decisions are made by the agent, which by the principal?), delivery mechanisms (who does the agent interact with?), and accountability (how does the payoff to the agent depend on the agent's performance?).<sup>30</sup>

The provision of key, discretionary, transaction-intensive services through the public sector is the mother of all institutional and organizational design problems. Service providers with discretion over actions that are difficult to observe creates contracting problems even in private sector organizations,<sup>31</sup> but these are much more difficult in the public sector, for three reasons. First, there are many levels of the problem, each of which can fail: the multitude of citizens (as "principals") must somehow constrain the government (as an "agent" to the citizen) to provide services. But since the problem is in the public sector, multiple levels of interaction must be addressed simultaneously: between citizens and the government, between government and agencies, between agencies and its employees/contractors (the providers), and between citizens and providers, and public authorities. But then the government (as "principal") must constrain the behavior of its many departments (as "agents") to act in the government's best interest, and then each of these departments (e.g., water, education, police) must act as a principal to constrain the behavior of its many employees (see Wilson, 1989). This necessarily complex structure of the public sector, with millions of citizens and tens of thousands of employees, requires institutional and organizational patterns that structure the interactions.

Second, many activities are in the public sector precisely because the market would fail or because it is not desirable for the citizens to bear the full cost of the service. This implies that many means of disciplining workers available to a market organization (e.g., competition for sales) or to the market as an institution (e.g., competition among alternatively structured organizations) are not available to the public sector. So, while making consumers bear the full cost of educational services might improve pressures for performance of teachers, it would defeat the very objective of government involvement in education (see Pritchett, 2003).

Third, we are focusing on services where discretion is a necessary part of effective service delivery, so taking discretion away from agents as a means of control, while it might have advantages in terms of reducing the abuse of discretion, also has disadvantages in terms of performance outcomes. Moreover, valuable local “practices”—idiosyncratic knowledge of variables crucial to the welfare of the poor (e.g., soil conditions, weather patterns, water flows)—get squeezed out, even lost completely, in large centralized development programs designed to address these issues (cf. Ostrom, 1990; Scott, 1998). The myriad informal “practices” that indigenous communities in particular have evolved over the millennia to address these concerns may be clearly ill-suited to the complexity and scale of modern economic life, but the transition from one set of mechanisms to the other cannot be made in a single bound. While not attempting the transition at all is a prescription for continued poverty, revolutionaries from Stalin to Mao to Nyerere to contemporary “shock therapists” have imagined that it was actually possible and desirable to ruthlessly “skip straight to Weber”—but with patently disastrous results. In the murky middle ground between the public services and risk management systems of “Djibouti” and “Denmark” lies the need for a much more delicate articulation of the two, an articulation that the technocrats and bureaucrats of large development (and other) agencies inherently and inevitably struggle to resolve.

These more graphic examples of large-scale bureaucratic disaster, however, have their counterpart in a host of smaller everyday instances of repeated failure by standardized delivery mechanisms to provide basic services to the poor. Some of these problems, of course, stem from the fact that in many instances the

state itself (for whatever reason) was unable and/or unwilling to provide the services that citizens wanted. Our concerns, however, apply to systemic services failures that routinely occurred even in settings where intentions and resources were reasonably good. These failures, it turns out, had a common structure.

### 3. THE COMMON STRUCTURE OF THE FAILURE OF THE SOLUTION

The basic problem with the “needs/supply/civil service” solution is that it treated all problems as amenable to the logic of policies and programs. How does *the* solution structure the key elements of resources, information, decision-making, delivery mechanisms, and accountability? Resources are centralized and canalized. The center collects nearly all resources from general taxes, rents, or aid—there are few user fees or local taxes—and then allocates them into budgets of line ministries. Information, if it exists at all, is tightly controlled and only flows internally and upward (not horizontally). Decision-making is done primarily by government agencies and their agents, with the discretion of local agents, at least on paper, tightly controlled by rules, regulations, and mandates from the top. Delivery mechanisms are via line agencies that reach directly from center to the service provider. Accountability of the service providers flows internally and upward, with accountability to the citizens occurring only via whatever political mechanisms exist for expressing discontent (which are characteristically limited in autocratic, authoritarian, and totalitarian regimes).

Consider rural water supply. At first glance this seems like a perfect case for the “needs–supply–civil service delivery” paradigm. After all, what could be more of a “need” than a biological necessity such as water, especially when the health consequences from insufficient or contaminated water sources are so obviously harmful? What problem could more clearly have a supply-side solution, for example, developing a low-cost engineering “appropriate technology” such as a public standpipe that can be made available to all at virtually no cost (since, after all, no one can be denied a *need*)? “Safe Water For All”—what agenda could be more obviously necessary and more eminently doable?

The first round of government intervention was to launch discrete (often donor-funded)

projects that would create simple and inexpensive public standpipes. Sometimes it succeeded, but sometimes it failed—badly. One recent review of 12,000 standpipes showed that breakdown rates fell from 50% when maintenance was the responsibility of the national water corporation, to 11% when it was under community control (Narayan, 1995). But the importance of community input was not the conclusion reached from the first round of failures: rather, they were attributed to proximate causes and imperfect project design, and so a new round of “better of the same” solutions were launched—better training, better technology, better central funding for maintenance. Only after the second round of failures were the failures recognized as systemic.<sup>32</sup>

Three systemic failures were generic in rural water supply projects. First, decisions about the location and design of the project were made on a “technocratic” and “expert” basis almost exclusively; there was little effort to incorporate local knowledge (that was often tacit). This led to insufficient knowledge about local conditions being taken into account and hence technological mistakes were common. This was systemic in that improvement was not simply a matter of identifying “better” expert decisions; failure was inherent in the design of projects that did not allow for or encourage beneficiary engagement (Isham, Narayan, & Pritchett, 1995).

Second, the assumption that there was a “need” produced a complete lack of attention to what people actually wanted from improved water supplies—i.e., to the demand for improved water services. This meant that the systems often did not meet the demands of the users, and hence there was little local commitment to the projects by the beneficiaries. This low commitment led to low and improper maintenance, and chronic underfunding and underprovision of recurrent inputs.

Third, providers could abuse their discretion. The difficulty of observing in detail the quality of the services rendered from either the beneficiaries themselves (who were kept in the dark about costs) or from managers above (who did not know about beneficiary satisfaction) meant that projects often had considerable “slack.” These monies were often siphoned off in various ways to bureaucrats and politicians. There were few pressures for cost-efficiency and actual delivery of services.

Systemic failures led to a revolution in thinking about water supply—that incorpo-

rating local knowledge was important, that assessing local demand was important, that creating open, transparent conditions of supply was important. In water supply the shorthand was that water projects had to be more “participatory” at every stage—involving beneficiaries in design, in construction (usually with cost contributions to demonstrate commitment) and in maintenance (again, usually with some cost recovery).

The same pattern of problems emerged in irrigation services—the “needs-supply-civil service” model led to technologically inappropriate, socially inappropriate, and economically inappropriate systems that had low political commitment (Ostrom, 1990). Formal, technologically superior public systems often replaced locally developed communal systems with no impact on agricultural performance. Not surprisingly, many of these large public sector projects were often not maintained, provided low quality services, and were even corrupt in their delivery (Wade, 1988). Low farmer support for modernized systems led to little maintenance effort, and major information problems in water allocation.

The same problems unfolded in education—the “needs-supply-civil service” approach led to schools with standardized curriculum, teachers with little training, low local commitment to the school (which was viewed as “the government’s” school), excessive devotion of recurrent expenditures to wages, little real learning, and high dropout rates.

The same pattern of systemic failure is evident in agricultural extension—the “needs-supply-civil service” model led to extension agents with “packages” that were often not superior to existing practices. Few efforts were made at local adaptation in the field; extension agents arrived armed with recurrent inputs (modern technologies and techniques) to actually reach farmers, and there was a resultant low adoption of “new and improved” methods (cf. Isham, 2002). The same problems emerged in the health sector—the “needs-supply-civil service” model ensured that some services were provided and that some health conditions did sometimes improve, but often the “discretionary and transaction intensive” elements did not. The results were clinics without adequate staff and recurrent inputs—not just drugs, but basic equipment such as scales, and medical practitioners who could listen to villagers and speak in terms they could understand. Consumers did not or could not use the facilities



provided, resulting in a “by-passing” of public primary care services for private, traditional, and higher level public facilities.

The same pattern was followed in family planning—the “needs–supply–civil service” model with a specific mode of family planning as the solution led to low-quality services that were not attuned to the women, underutilization of public clinics, and reliance on private sector suppliers even when they were more expensive. The same thing happened with sanitation. The same thing happened with rural road construction and maintenance (see Table 3).

The same thing happened in all these sectors because the common structure of the solution created the common conditions for its failure—namely, the lack of feedback mechanisms and modes for engagement of citizens in either controlling the state or directly controlling providers allowed systemic problems of organizational design to overwhelm logistics. But the logic of the solution is so seductive to governments (and donors) alike that it has taken decades of painful and expensive failures in sector after sector to see that the problem is not just a few mistakes here and there, but that as an approach to development, it can be fundamentally wrong-headed from top to bottom. Why is this approach so seductive? There are both good and bad reasons.

The first good reason is that it demonstrably works: “This is how Denmark does it now.”<sup>33</sup> As development was taking off in the late 1950s and early 1960s, every country that was developed delivered the bulk of its public services via a civil service. In the United States the triumph of the “Progressive Era” agenda was fresh—and part of the triumph was defeating the power of local political machines by making public service provision less local, less discretionary, less personalized and more rational, more scientific, more “modern” (Ackerman, 1999). Moreover, in many former colonies the transferred apparatus for governing was already structured in exactly this way.

The second good reason is that it makes solutions rational, modern, scientific, technological, and controllable, while rendering more “legible” a host of complex problems and situations (Scott, 1998)—i.e., it makes development an “engineering” problem amenable to modern management techniques. If  $X$  thousand children are to be educated then we need  $Y$  classrooms,  $Z$  desks, and  $W$  teachers, which can then be easily mapped into corresponding

budgets, targets, goals, and plans. Today, the high-profile (and otherwise laudable) Millennium Development Goals—with their straightforward (if ambitious) numerical goals—create a fresh political impetus to build the most accurate and efficient “model” for identifying the “resources” needed for a given country to reach them.

The third good reason governments (especially in the poorest countries) adopted this approach (at least formally) is that it fit perfectly with the interests of the donor agencies, providing the latter with a powerful, coherent, and consistent agenda for action at both the macro and micro level.<sup>34</sup> Nothing fits the internal organization needs of an assistance agency better than an objectively quantifiable gap into which resources can be poured.

Of course, nothing becomes universal on the basis of good reasons alone: there were also bad reasons for the triumph of the “needs–supply–civil service” approach. This approach left the direct control over the provision of “the supply” in government hands, which served a variety of useful purposes. First, there was no need for consultation with, and/or creation of, alternative power bases among business owners, labor groups, or other civil society organizations. Second, complete government control from the top down meant the central government was able to reward supporters and punish detractors. Third, direct supply may have supplanted local power structures, but it usually did not fundamentally challenge them.

A final (though speculative) bad reason for the perpetuation of the “needs” approach is the blinding nature of the institutional creation myths in the countries of the developed world. de Soto’s (2000) account of his investigation into the historical origin of a “good” property rights regime in the United States starts from the telling insight that no one who operates the property rights regime has any idea about its origin and that the true historical origin was exactly the opposite of how it was commonly portrayed. Donor activity often amounts to sending “experts” who operate institutions in “Denmark” to design institutions in “Djibouti.” At best this would be like sending a cab driver to design a car. But it is worse, because institutions come with their own foundational myths that deliberately obscure the social conflict the institution was designed to solve. That is, political institutions as mediators of interactions between bodies of agents arise to solve

Table 3. *Problems, solutions, and symptoms of the “needs–bureaucratic supply” approach*

Sector	The “needs” based problem	<i>The</i> solution	The common <i>symptoms</i> of the problem with the solution	The common deep structural problems with the solution
Rural water supply	“Need” for safe water calculated from household volume requirements and biology based safety standards	Public provision of free water through a public works program	Lack of maintenance leads to rapid depreciation One size fits all; scientific, modern, least cost, solutions lead to mistakes and inappropriate supply	Top down civil service organization leads “accountability” to flow “up” the organizational chart, not “down” to citizens Attempt at “free” provision demands little commitment from local citizens
Irrigation	“Need” for irrigation water calculated from increased cultivation and productivity requirements	Public provision of main works and canals	Low consultation leads to low local “ownership” of facilities and services	Free provision combined with low and variable governmental revenues leads to periodic or chronic recurrent input (O&M) starvation
Primary health care	“Need” for basic preventive and curative services deduced by health experts	Public provision of primary health care at clinics provided free or at low cost	Lack of recurrent inputs and low quality services lead to low utilization and the continued reliance on traditional community or private sector alternatives	Attempt to control service providers from the top down leads to excessive, though often ineffective, regulation and imposition of common rules to limit discretion
Roads	“Need” for transport services calculated from traffic flows	Public provision of roads free or low cost	Low local discipline leads to excessive cost, inefficiency, patronage, and corruption	
Education	“Need” for formal schooling to achieve enrollment targets	Public provision of basic schooling provided free or at low cost		

fundamental social conflicts. Often we would argue that part of the institutional solution is to pretend the social conflict never existed, with the creation myth of the institution including a false historical account as an intrinsic component of the operational institutional and organizational vision (cf. Weick, 1995). This means that those who operate currently functioning and successful Weberian bureaucracies may be sufficiently blinded by their own institutions' creation myths to lack the historical knowledge and political savvy to successfully create institutions elsewhere.

For both good reasons and bad, then, most developing countries "skipped straight to Weber"—that is, adopted the direct government production of public services by a civil service bureaucracy within a large political jurisdiction (e.g., country, state, province) as *the* solution. We call this approach "skipping straight to Weber" because this form did not emerge from an internal historical process of trial and error and a political struggle (as it did in most European and North American countries), but rather was "transplanted" more or less intact as a top down decision.

While debates raged as to what governments should do—from minimalist in neoliberal capitalist states to maximalist in socialist and Marxist states—there was very little debate about how governments should do whatever it is they were doing.<sup>35</sup> The formal institutional and organizational structure of delivering education or police or health looked substantially the same whether the locale was Rio or Moscow or Chicago. As we saw above, however, the adoption of a uniform bureaucratic "supply" in response to various development "needs" failed in sector after sector (although it also had notable successes).

(a) *Three failed remedies to the solution: intensification, amputation, policy reform*

To understand fully the current intellectual and practical disarray, one needs to understand not only the common structure of failure of *the* solution, but also the responses to the failure. We discuss three: intensification, amputation, and (more) policy reform.

(i) *Intensification*

As with the water sector, in nearly all cases the initial response to failures was to point to proximate, logistical, technical causes and

attempt to remedy the failures directly, but within exactly the same institutional structure—that is, with exactly the same patterns of interactions among the agents and hence exactly the same incentives. If pumps are breaking down, find a technological fix—a simpler pump. If classroom pedagogy is terrible, provide teachers with "more training." If maintenance expenditures are too low, find more funds for maintenance. If there is corruption, launch a program to root out corruption. If the health clinics lack drugs, create a new supply chain.

We are not criticizing these efforts *per se*—"intensification" solutions are proposed by intelligent, motivated, well-meaning professionals trying to address the very real implementation problems that present themselves. Sometimes the problem is technical and some of these solutions did work in some places—particularly where the systemic problems between citizen and state and between providers and citizens or the state were not too overwhelming.

"Intensification" is a natural reaction, a much more natural reaction than considering fundamental reform, for two reasons. First, even if those involved perceived the need for more fundamental changes they were not within the mandate of those running a particular "program" and there was likely a narrow range of alternatives that were perceived as politically feasible. Second, a much deeper problem intellectually is that the shortest distance between two points is a straight line. That is, if existing institutional and organizational forms of service delivery are *de jure* isomorphic to those in "Denmark," and if "Denmark" is the desired destination, then fundamental reform is not the obvious response to failure—incremental reform is much more attractive. Even if the institutional and organizational structure is dysfunctional in "Djibouti," everyone knows that the same forms can deliver services—after all, they do deliver services in "Denmark." In many cases proposals for more local autonomy seem a step backwards in the historical sequence followed by the now-developed countries. Only after many rounds of failed intensification is it acknowledged that, however well services are delivered via this structure in "Denmark," it is not going to work "here."

(ii) *Amputation*

The second failed remedy to failing public services was amputation—namely getting the

government out of it. This was legitimized under various mottos such as “getting prices right,” “scaling back the state,” and “privatization” (Handler, 1996). This line of reasoning was given impetus by the fact that resource pressures made fiscal retrenchment necessary in any case. But while less of a bad thing is less of a bad thing, less of a bad thing is not the same as the good thing.

The amputation strategy does not work for key discretionary and transaction intensive services for two reasons. The first is that governments discovered there were several sectors from which they could not disassociate themselves (even if it was possible or desirable). There is a whole range of activities in which governments could feasibly sell existing assets and in doing so liquidate their entire responsibility.<sup>36</sup> There are other activities, however, that even the complete privatization of all assets does not absolve the government of its responsibility for continuing to play a role. We are focused on the key services where either the services are essential (e.g., policing) or the government has a difficult, if not impossible, time disassociating itself for responsibility for the service.<sup>37</sup> Take the example of electricity—while this activity can be privatized in various ways, no government can pretend that it is not responsible for electrical power. If people flip the switch and nothing happens, there is almost universally a different response if the device is a car versus an electric light. If the car fails to start no one would blame the government, but if the homeowner’s lights fail to come on the government will be held responsible—whether it owns and operates any part of the system or not.<sup>38</sup> As discussed above, the latter category is what we mean by key services in the first place—the provision of these services cannot be a matter of indifference to the government.

The second reason amputation did not work is that making a weak state weaker does not solve the problems that governments need to solve. The primary strategy pursued by the central ministries (finance, economy, planning) facing macroeconomic constraints on budgets was amputation, while intensification (which usually required more money) was the primary strategy desired by all the services ministries (education, health, infrastructure). These are obviously incompatible—not delivering services with a large budget is very possible, but delivering services with no budget is impossible. The reconciliation of “fiscal protection” of desirable sectors (health, education) or subsec-

tors (primary education, public health) or components of sectors (O&M) is a less than satisfactory alternative, as protecting resources does nothing to promote sustained improvement in services.

Amputation played out in its most extreme form in the transition from socialism. In some of the more extreme cases, creaky and ineffective institutions of communism collapsed, and were replaced with...nothing. This caricature of the transition to modern capitalism has had disastrous results. Those that have had the slowest transitions to capitalist policies or those with the most rapid transitions—but either of which have managed to maintain the basic capabilities of the state—have done much better than countries with more radical reforms which undermined the state (see Bunce, 1999).

### (iii) *Policy reform*

The third response is to deepen policy reform—i.e., continue with the types of reforms that can be implemented by “10 smart people.” That a small(ish) cadre of high-quality technocrats made a huge difference to the success of many of the East Asian tigers and to Chile is indisputable.<sup>39</sup> Moreover, some argue that an important component of the success of these technocratic elites is precisely that they did not have to engage in broad, open consultative processes in deciding on policies. If they had either sufficiently strong support (and direction) from the top (e.g., Indonesia, Singapore, Taiwan), or sufficient “embeddedness” (e.g., Japan), or both (e.g., Korea), a small cadre of well trained, highly committed individuals could design and implement macroeconomic and trade policies pretty well (even ones that required discretion).

Precisely because the proverbial “10 smart people” can manage these particular development decisions, there is an almost irresistible temptation for these individuals to assume (or be given) levels of political power and stature well beyond what they can ever actually accomplish; for educators and lobbyists (of all stripes) to focus attention on training or influencing them, in the belief that efforts expended here are likely to have a disproportionately high impact; to cast a host of complex but qualitatively different development problems as technocratic “policy issues” amenable to standardized responses; to let an increasingly narrow set of discretionary but non-transaction intensive policies (e.g., trade openness) replace

more comprehensive (and inevitably messier) efforts at designing a broad development strategy (Rodrik, 1999); and to imagine that the policies adopted by successful developing countries can and should be adopted by laggards elsewhere, and that only ignorance, incompetence, or indifference prevents it from happening.

Forgotten in all five cases is that not only do discretionary, non-transaction-intensive decisions constitute one part of one development agenda, but that the very success of the decisions themselves rests on (indeed is made possible by) the viability of a vast underlying organizational infrastructure (both formal and informal). “10 smart people” can make the difficult but correct decision about when to shift from first to second gear, but that matters little if they fail to note that the car’s breaks, wipers, and turn signals do not work, that the tires are bald, that the driver does not have a license, and that the road is wet, winding, steep, and full of deep potholes.<sup>40</sup>

This is amply demonstrated in the debate over the virtues and vices of the “Washington consensus” (or “Beyond”), which is explicitly, if not implicitly, and singularly about policies. Neither side doubts that countries need effective police and effective schools, but as one moves beyond “policy” elements the question is not just “what to do” but also “how to get it done,” and in transaction-intensive services (such as primary school education) identifying a small cadre of elite technocrats cannot be the answer. A small cadre cannot make a difference in even a modestly sized educational system if they do not change the daily classroom behavior of thousands of teachers; a small cadre cannot create a functioning legal system if they do not change the daily behavior of the law’s agents on the streets and in the courtroom.

There is no necessary connection between the sides in a given debate about policies and their stance on the appropriate institutions and organizations for discretionary transaction-intensive services (“practices”). That is, some argue that policies for reducing discretion is a desirable criteria because of time inconsistency or political pressures, that a pre-commitment will produce better results than more active discretion with regard to monetary rules or exchange rate regimes or uniform tariffs or fiscal deficit protocols. In some circumstances this is a powerful argument, although certainly not compelling or universal. But we are talking

about services in which local, day-to-day discretion is an intrinsic part of the service; one cannot imagine non-discretionary education or policing or agricultural extension or health care.<sup>41</sup> “Street level bureaucrats,” “direct providers,” “bare foot doctors,” and “front line workers” all need discretion to do their jobs, but with discretion there comes the possibility of abuse of discretion. One can easily be in favor of reducing discretion of some actors in policies (e.g., independent central banks to limit discretion on monetization of deficits, uniform tariffs to limit rent seeking in trade policy, pegged exchange rates) while still favoring more community power in schooling, greater voice in local infrastructure, higher levels of user participation in irrigation projects, etc. Or vice versa—sometimes those advocating more policy discretion are defenders of service delivery via civil service bureaucracies that limit local flexibility and service provider discretion.

This means that any discussion about “empowerment” or “participation” or “accountability” in general is bound for incoherence. A working democracy is not a series of continuous referenda but a messy collection of institutions that allocate, delegate, and limit powers. The structures will be different for each. There is nothing incoherent in choosing zero popular participation in the single most important macroeconomic decision-making body (e.g., the Federal Reserve) and direct community participation in schooling (e.g., autonomous local school boards). There is also nothing incoherent in the converse, with civil society (in the European sense) concordat to determine wage setting (and hence inflation) and schools with nationally controlled curricula and conditions.

#### 4. WHERE WE ARE TODAY: THE (DIS)ARRAY OF ALTERNATIVES

There does seem to be a broad consensus on objectives and adjectives. Few would disagree that governments should be responsible for the provision of key services: children should learn, roads should be passable, bridges should not fall down, people should get healthier, water should arrive to crops. There is perhaps more, but still little, dispute that to accomplish these objectives the institutions and organizations of service delivery should satisfy certain

adjectives: <sup>42</sup> be “accountable,” “sustainable,” “responsive,” and “transparent.”

There is tremendous controversy as to exactly how to bring about such institutions and organizations. Can “participation” really improve outcomes? Will “decentralization” really bring government “closer to the people?” What is the best way to get to “Denmark?” In the following section, we explore the characteristics of eight different answers to these questions that can be found in the contemporary literature.

(a) *Eight responses to the solutions to the solution*

To recap, in the beginning was the problem of poverty, and the answer to the problem was *the solution*: poverty defined as a series of needs, which could best be met (“supplied”) through a centralized civil service bureaucracy. When *the solution* failed, the initial response was intensification, amplification, and policy reform. Now that these solutions too have failed, and thereby become the problem, a variety of new responses have emerged. These responses in fact cohere into eight alternatives (see Table 4): (i) Supplier autonomy (Public sector reform II), (ii) Single sector participatory, (iii) Contracting out, (iv) Decentralization to states/provinces, (v) Decentralization to localities/municipalities, (vi) Demand side financing, (vii) Social Funds, and (viii) Community driven development (CDD).

These eight alternatives on the contemporary development agenda, we argue, are all responses to the same underlying problems in the failure of *the solution*. They are alternative mechanisms for changing how resources, information, decision-making, delivery mechanisms, and accountability can be changed to improve outcomes. Each of these approaches has its proponents and detractors, but the questions often boil down to: will the changes proposed be sufficient to change outcomes?

Though these alternatives are often associated with a given sector, it is also the case that all of them can be (and indeed have been) applied to a single sector. Schooling, for example, is one activity that everyone agrees is a key public responsibility that is a discretionary and transaction intensive service. How should schooling be organized? National control has been the norm, but recently nearly every one of the eight above alternatives has been attempted: federalization (Brazil, Argen-

tina), localization (Indonesia), school autonomy (Nicaragua), vouchers (Chile, Czech Republic), community control (EDUCO in El Salvador), increased parental involvement, and contracting out to NGOs (Africa) have each been touted as the new, legitimate, participatory, accountable, institutional heir to the old (failed) development solution. Are all of these right and universalizable? Are none of these right in any circumstances? Are some right in some circumstances and others in others—if so, then which are which?

What is needed in a diagnostic decision tree with nodes so that one can move from a concrete problem (e.g., poor schooling quality) through a set of empirical criteria—“Is your country poor, low-middle, middle, rich?” “Is your country religiously homogenous?” “Are there important regional variations in language?”—to a specific solution. But perhaps that is the wrong set of questions, and now, with the existing state of empirical knowledge, no one even knows what the most important nodes in the decision tree are, much less is able to say what the thresholds are. There is currently no theoretical or empirical basis for making any claims about what the “right” solution is for any sector in any country that has not itself tried the alternatives.

Worse, it is not clear that in principle the new consensus can provide concrete answers, in two deep senses. First, if institutional conditions really do need to be tailored to individual circumstances, then conditions for replication elsewhere may simply not exist. That is, suppose the Minister of Education in a poor country learns that the community control of schooling in El Salvador (EDUCO) has been empirically demonstrated to be successful. Should she adapt EDUCO? Maybe, but maybe not. Perhaps El Salvador and her country do not share the same “conditions.” But what are the conditions for community control to work well? Having the same political system? Common language? Colonial heritage? Ethnic homogeneity? Social capital? Low/high inequality? Levels of education? To estimate empirically each of these interactive effects would require sufficient experiences in each category, but the possible variations will rapidly and inevitably outstrip any conceivably empirical experience. So as a policymaker working in particular conditions, the Minister is left to make her way forward on the basis of vacuous recommendations that “institutions matter,” that she should “learn from experience,” adopt “best

Table 4. “The” solution and the new alternatives

Alternative	How flows are structured				
	Resources	Information	Decision-making	Delivery mechanisms	Accountability
“The” solution (National Agency)	From government to agency then within agency down to providers	Internal flows up from provider (neither horizontal, nor to “out”)	All decisions centralized, little formal flexibility (but some discretion in practice)	From government provider to citizen	From providers up hierarchy
1. Supplier autonomy	Flows to point of service in a flexible way	More horizontal flows	Provider works with formal discretion	By government provider	From providers up
2. Single sector participatory	Government to agency into “programs”	Greater information flows to local communities	<i>Process</i> specified centrally, decisions made locally	Local group responsible for some functions	Still mostly internal to agency, but new criteria
3. Contracting out	From center to agency to contractor	As specified in contract, usually to contracting party	Parameters specified in the contract; all decisions made by contractor	By employees of the contractor	From contractors to contracting party
4. Decentralization to states/regions	Block grants from center to states/province then via agencies	Internal flows up from provider	By states/provinces, but subject to central control	From government provider to citizen	From providers up hierarchy
5. Decentralization to “localities”	(As above)				
6. Demand side financing	Government directly to citizen	Individualized	By citizen and provider	By provider chosen	Citizens choose own provider
7. Social funds	Government to SF to “communities”/groups/providers	Information about availability flows “out”	By SF office in response to demand, implemented locally	Contractors working directly for local group	SF to government
8. Community driven development	Straight to communities (not local government)	Localized at community level (out and in)	Community chooses project and provider has autonomy	By provider chosen by community (with government input)	Providers to communities

practices,” and then “adapt to individual circumstances.”

(b) *A pressing example: “policies” to “programs” in the AIDS pandemic*

Though the efficacy of core services provision is central to development, we feel there is insufficient focus on the particular issues we have highlighted. Nowhere is this more evident than in the responses to the terrible tragedy of the AIDS pandemic in Africa. In certain influential quarters the core problem is cast exclusively as a “mercy failure” in the provision of antiretroviral drugs to combat the symptoms of AIDS. The solution is beating a path to foundations, governments, and citizens’ wallets in order to persuade them to provide funds for subsidizing the production and distribution of the necessary drugs, which will then (presumably) be made available at low cost to the masses of those infected through the national health service and/or private (NGO or for profit) clinics. The implicit, if not explicit, assumption is that once the funds are available and the “mercy failure” has been corrected, effective drugs will be available at last, and those suffering from AIDS will flock to their local clinic to purchase the medicines they have heretofore been denied. Game over.

So, as with so many past and present development problems, *the* solution is the solution. The “need” for cheap drugs is “the problem,” the “supply” of the technically appropriate pharmaceuticals with subsidies to ensure they are available to the poor is “the solution,” and some form of large-scale public or private bureaucratic infrastructure is “the instrument” for delivering the final product to its intended recipients. Securing this money and using it in this way doubtless has its place, but surely constitutes only a part of a strategy that is likely to be effective; it is a classic twin response in which the policy technocrats first calculate the size of the “gap” and promote it as a “need,” then hand over to bureaucrats to implement the transaction-intensive but non-discretionary “program.” This type of response to AIDS is consistent with the logic of “bureaucratic high modernism” (Scott, 1998), but unfortunately, as we have seen, it is one which has failed early and often whenever it has been applied to a socially complex problem not amenable to logistics.

Virtually every serious analysis of the political economy, anthropology, and epidemiology of the AIDS pandemic in Africa, however, stresses as the key elements (i) the enormous social stigma that surrounds the issue, preventing politicians and religious leaders from openly addressing the subject, (ii) the overwhelming power that men exert over the frequency, diversity, and nature of sexual encounters, (iii) the role of particular occupational networks in establishing disease vectors that enable rapid transmission of the disease among vulnerable populations, and (iv) the onerous economic, social, and psychological toll that the prolonged illness and eventual death of young adults is having on children, surviving household members, and extended kinship systems. Whether on the “prevention” or “cure” side (both of which, of course, are needed), dealing systematically with stigma, identity, power, networks, and kinship systems is not something amenable to routinization and uniform administrative management, but rather entails a legion of discretionary and highly transaction-intensive decisions. If the African public health experts (and, importantly, the victims themselves) have a more accurate sense of what “the problem” actually is, and if the corresponding “solutions” are ones that necessarily eschew grand standardized designs, we should be simultaneously skeptical of those promoting such designs, unsurprised that there appears to be little coherence among the various particularistic strategies that practitioners offer, and yet unrelenting in our quest to build the capacity, autonomy, and accountability of those making crucial decisions that are necessarily highly discretionary and transaction intensive.

## 5. CONCLUSION

The old king—that agencies of the nation-state organized through a bureaucratic (in the good sense) civil service were *the* development solution, or at least, the instrument for the development solution—is dead, wounded by disappointing experience and stabbed fatally from both the political left (Scott, 1998) and political right (de Soto, 2000). But there is no new king, or at least not one with the substantive coherence, to take his place. The consensus around a long series of statements—“institutions matter,” “improved governance is central,” “there are no magic bullets,” “one



size does not fit all.” “development should be more participatory,” “service providers need to be accountable”—do not add up to a consensus about action.

In this paper, we have endeavored to provide an analytical and historical framework for understanding why there is—and perhaps must necessarily be—an absence of a uniform consensus regarding how to improve service delivery. Discretionary, transaction-intensive services intrinsically embody the tension between two desirable goals for public services—that they be “technocratically correct” and that they be “locally responsive.”<sup>43</sup> As with the tension in a musical string, going too far in either direction leads to disharmony; the “right” creative tension depends on particular context and requires constant tuning.

It is not the case that one of the eight items currently on the development menu is inherently “better” than any of the others, yet neither should we conclude that therefore “anything goes.” If our analysis is correct, it is the very search for a consensus amenable to technocratic “policies” and bureaucratic “programs”—a consensus driven by the powerful logic and

organizational imperatives of governments, donors, and aid agencies—that must be resisted, since a sizeable element of effective delivery in those services central to the well-being of the poor (schooling, health care, agricultural extension) resides in precisely that area where “policies” and “programs” alone cannot go.

It is in the tension between the interests and incentives of administrators, clients, and front-line providers that the solutions (plural) lie (cf. Lipsky, 1980). These tensions—between specialists and the people, planners and citizens, authority and autonomy—cannot be escaped; rather, they need to be made creative rather than destructive. Moreover, maintaining this creative tension is crucial as historical forces (whether secular or intentional) change the balance of power between them. If the incessant quest for *the* solution is, in fact, the problem, development professionals need to help create the conditions under which genuine experiments to discern the most appropriate local solutions to local problems can be nurtured and sustained, while also seeing them as a necessary part of a broader and more holistic country development strategy.

## NOTES

1. Sen (1999, p. 247).
2. Srinivasan (2001, pp. 124–125, 128).
3. van Domelen (2002, p. 627).
4. Tendler (2000a, p. 115).
5. An exception is Fine, Lapavitsas, and Pincus (2001).
6. There are two key terminological devices in the sentence that allow us to claim consensus. First, we say that provision is assured by a public agency. This is consistent with production being entirely in the hands of private firms. Even the most radical proposal for an entirely voucher-based system of education with no public production of schooling at all, for example, would still have some public agency that supervised and regulated the process to assure provision. Second, we refer to key services—without specifying any particular model for determining which activities are key. We are not asserting that key services are public goods (in the economist sense) nor are we asserting any other technocratic definition (e.g., public health specialists designate a key set of services), nor that any service that becomes publicly provided as the result of any political process is therefore key. We are saying that, however one defines key services, public responsibility for provision is a consequence.
7. We use the term Weberian though, of course, “the West” did not invent the public sector bureaucracies that Weber described; China and India have had bureaucracies for thousands of years.
8. The real Denmark, it should be noted, is presided over not by a cold all-encompassing bureaucratic state, but an interesting mixture of (latent) royalty, clean democratic government, and vibrant community input.
9. We want to stress that we are not ignoring the “new public management” literature (e.g., Barzelay, 2001; Moore, 1996) made famous by New Zealand’s sweeping public sector reforms or the “reinventing government” (Osborne & Gaebler, 1993) movement in the United States. These types of reforms, however, build on a fundamentally successful set of public services and seek to make them even better (e.g., more cost efficient, flexible), and as such do not directly address the

problems associated with the dysfunctional or inadequate public services characteristic of most developing countries.

10. To be clear: we are not invoking some neomodernization theory argument that the institutions of developing countries should aspire to look like or emulate the institutional features of the West. Contra the claims of those who fret that development amounts to “Westernization” (or “colonialism by other means”), in 50 years time Vietnam’s institutions for public service delivery will most likely just be better versions of what they are today, not pale imitations of those in Switzerland. This approach also suggests that it is vital to understand how the idea and structure of viable public service institutions evolved historically (on this, see Chang, 2002; Szreter, 1997). The United States civil service, for example, has not always been a model of what we would now call good governance. Until the 1880s, public servants appointments were openly familial and political (Wilson, 1989).

11. An explicit historical example is the imposition of more or less common forms of governance on the Native American groups in the early 20th century. As documented by Cornell and Kalt (1992), the extent to which the *de jure* institutions were compatible with social realities strongly determined their functionality.

12. We do not wish to paint an entirely bleak picture, as there have been successes. The expansion of educational access and the reduction in mortality have led to revolutionary improvements in human welfare. There are however, failures of several kinds: pure failure, in which the services do not actually function even when the physical facilities are present; and the failure to build on earlier successes in the expansion of physical access to basic services, to the qualitatively more difficult stages of providing high quality services. The analysis below hopes to explain both the successes and failures.

13. As we emphasize below the idea of “inadequate services” generally characterized those services provided by communities or informal mechanisms (that is, not directly provided by the civil service apparatus of the state) as inadequate—or ignored them entirely (Ostrom, Gardner, & Walker, 1994).

14. Thus the three steps: (a) Define the goal as a need—children need education, people need water, farmers need irrigation, citizens need health care. (b) Find the least-cost supply solution to the need. To be least cost, the solution will have to be standardized so

that it can be replicated quickly and reliably, and managed efficiently. This generates an imperative toward a standardized format for schools, for primary health clinics, for roads, for water supply. (c) Implement this solution nationally via the public sector and thus by funding (and if necessary expanding) the civil service—a hierarchical, impersonal, rule-based organization.

15. The area we address is a subset of the larger issue of the general slow progress in the second generation reforms (Naim, 1994; Navia & Velasco, 2002).

16. For an extended review of the successes and limitations of community-based targeting mechanisms in development projects, see Conning and Kevane (2002).

17. On social capital’s intellectual and policy career at the World Bank, and the various internal and external debates it has generated, see Bebbington, Guggenheim, Olson, and Woolcock (2004).

18. We exclude a variety of services about which debate rages as to whether public sector involvement is necessary or even desirable, such as provision of finance (or micro finance), provision of housing, etc. We exclude these not because we have a strong view as to whether governments should or should not engage in these activities, but rather because we wish to avoid debate about this question of “what” governments should do in favor of the question of how services can be delivered.

19. We are self-consciously linking across long-standing literatures about organizational and institutional design in economics (Arrow, Simon), public administration (March), and private business organizational design (Milgrom, Roberts) to relate these to the problems in the delivery of key services. We are trying to create a minimalist vocabulary that reflects these concerns.

20. Forgive us the potential confusion as “discretionary” more appropriately refers to the mode of the arrangement of an activity (which, at some level, is an endogenous choice) while we are using the term to refer to the underlying characteristics of the activity that lead it to be provided in a discretionary manner (or suffer losses from not being provided with arrangements that provide for discretion).

21. We has chosen the term practices as it evokes (a) what are typically small scale arrangements for the provision of professional services—e.g., medical and legal practices, (b) the notion of informal patterns of behavior that rely on local conditions or cultures—the

- local practice, and (c) the idea of repetitive action (unlike policies that might require only occasional action) but which cannot be codified into a defined algorithm. The fourth logical possibility produced by our table, “procedures” (non-discretionary, non-transaction intensive decisions) refers to invariant rules. We do not discuss them in any detail because such decisions are usually fully automated (i.e., require minimal human involvement of any kind).
22. The classic example is the small core of three or four technocrat economists who guided macroeconomic policy in Indonesia for almost 30 years (often by holding all of the key cabinet positions simultaneously).
  23. The idea of Greenspan as macroeconomic “maestro” comes from Woodward (2000).
  24. The name “programs” has the advantage of following the usual development nomenclature (of policies versus practices) but also invoking the idea of a computer program.
  25. Our rendering of “practices” should not be confused with Sunstein & Ullmann-Margalit’s (1999) intriguing notion of “second-order decisions,” which they define as the various strategies adopted in complex environments (by key actors such as judges, politicians, administrators) to *avoid* actually having to make discretionary decisions. Our discussion is more akin to, and in some senses builds on, Heifetz’s (1994) useful distinction between technical and adaptive decision-making.
  26. In policing, for example, “studies identified the enormous gap between the practice and the image of policing. They identified problems in policing that were not simply the product of poor management, but rather reflections of the inherent complexity of the police job: informal arrangements... were found to be more common than was compliance with formally established procedures; individual police officers were found to be routinely exercising a great deal of discretion in deciding how to handle the tremendous variety of circumstances with which they were confronted” (Goldstein, 1990, p. 8).
  27. The exception, that proves the rule, in the “coaching” industry (e.g., music lessons, sports instruction) is the emergence of large organizations that provided courses that prepare students for a standardized exam.
  28. Less ambitiously, it is now becoming increasingly common to talk of “good practice.”
  29. For an attempt to provide an interdisciplinary account of organizational behavior—one stressing game theory, leadership, and cooperation within a core principal–agent framework—see Miller (1992).
  30. This is not to say, of course, that a principal–agent analysis exhausts the complexity of the service provision problem.
  31. The same elements of the difficulty of observation and the need to create incentives explains why some activities are (generally) in large organizations while others are carried out in relatively small-scale enterprises.
  32. Although we have seen donor documents where the evaluation of the second round of failed water supply projects (not just second failed project, but second generation of failed projects) concludes by proposing more of same with some minor fixes.
  33. Even if, as noted above, the “Denmarks” did not do it this way then, i.e., when they were “poor countries” themselves (cf. Chang, 2002).
  34. At the macro level, for example, the constraints on development were seen as the “savings” gap and the “foreign exchange” gap; therefore, having donor institutions provide loans/grants that augmented investment in the form of foreign exchange was the right and proper macro instrument. If there were more specific supply requirements to meet the needs—especially that required foreign exchange—then these could easily be bundled into discrete projects.
  35. In particular, professional economists were very much absorbed in a normative framework about the scope for potential Pareto improving interventions by a hypothetical welfare maximizing actor, with, until recently, relatively less analysis of the internal logic of the performance of public sector organizations.
  36. We are taking no view on the desirability of privatization *per se* as there remains a debate about activities in which nearly everyone became convinced a government role was not desirable: hotels, beer manufacturing, shoe production, textiles, cement, etc. and another set of activities about which there was consensus that government involvement in production was not essential to economic development, but for which there was continued debate about whether government involvement was desirable: retail banking, airlines, housing.

37. This “responsibility” is not deduced from a formal model, but is rather itself a complex socio-political outcome. That is, we are not just referring to those goods with a well-articulated “rationale for public sector involvement” in the sense of an economic normative (“public goods”) model.

38. “Privatization” in a sector can mean three very different things: “privatization/liquidation” (complete disassociation from government reliability (beyond the basics for any industry/sector)), “privatization/contracting out” (in which the government continues to provide the service (in the sense of bear direct financial responsibility)) but no longer produces the service, and “privatization/regulation” (in which the government neither provides nor produces but does have sector/industry specific regulation).

39. See, for example, Amsden (1992), Evans (1995), Haggard (1990), Johnson (1990), and Wade (1990).

40. The masterful book by Power (2002) on the tragedy of the US failure to end genocide in (among other places) Rwanda, documents powerfully the disastrous consequences of narrow technocratic (e.g., “cost-benefit”) decision making by a small cadre of outsiders in situations that patently cannot be managed this way. This was also the theme of David Halberstam’s (1973) classic, *The Best and the Brightest*, on how US engagement in the Vietnam War was designed and carried out.

41. On the challenges of delivering discretionary and transaction-intensive services (e.g., social work, policing,

welfare assistance, legal aid) in the United States, see the classic study by Lipsky (1980).

42. We rule out lots of the rhetoric as unhelpful tautologies, e.g., that “governance” should be “better.”

43. Hayes (1968, p. xiii) expressed this tension well in the 1968 preface to the paperback edition of his 1959 classic on the history of the conservation movement in early 20th century America:

Examination of the evolution of conservation political struggles, therefore, brings into sharp focus two competing political systems in American. On the one hand the spirit of science and technology, of rational system and organization, shifted the location of decision making continually upward so as to narrow the range of influences impinging on it and to guide that decision making with large, cosmopolitan considerations, technical expertness, and the objectives of those involved in the wider networks of a modern society. These forces tended toward a more closed system of decision making. On the other, however, were a host of political impulses, often separate and conflicting, diffuse and struggling against each other within the larger political order. Their political activities sustained a more open political system, in which the range of alternatives remained wide and always available for adoption, in which complex and esoteric facts possessed by only a few were not permitted to dominate the process of decision-making, and the satisfaction of grass-roots impulses remained a constantly viable element of the political order.

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