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The Politics of Service Delivery Reform

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ABSTRACT

This article identifies the leaders, the supporters and the resisters of public service reform. It adopts a principal–agent framework, comparing reality with an ‘ideal’ situation in which citizens are the principals over political policy-makers as their agents, and policy-makers are the principals over public service officials as their agents. Reform in most developing countries is complicated by an additional set of external actors — international financial institutions and donors. In practice, international agencies and core government officials usually act as the ‘principals’ in the determination of reforms. The analysis identifies the interests involved in reform, indicating how the balance between them is affected by institutional and sectoral factors. Organizational reforms, particularly in the social sectors, present greater difficulties than first generation economic policy reforms.

INTRODUCTION

This article asks whether the policy-makers and citizens of developing countries have been instrumental in demanding, designing and directing reforms in service delivery systems. It offers some explanation of the interests and institutions that have stood for or against reform in different national contexts and in different service sectors. The analysis is of the *process* of reform rather than its outcomes or effects.¹

The article first refers to the case studies on which the analysis is based. It then follows an argument that moves from the general to the particular, beginning with some broad considerations about the sort of political stakes that public service reform measures may raise. It goes on to suggest that, in the institutional context of developing countries, reforms may have special political salience. A principal–agent framework is then used to identify the actors, their interests and relationships in the reform of some particular services in some particular countries. The theoretical models adopted will be explained at each stage; the intention here is to use these models rather than to test them or to explore the theoretical literature.

¹ A more comprehensive analysis will be published in Batley and Larbi (forthcoming).

THE RESEARCH MATERIAL

The analysis of actors which follows is based principally on recent research in four core countries — Ghana, Zimbabwe, India and Sri Lanka — and in several reference countries where more limited research was undertaken — Bolivia, Argentina, Venezuela, Kenya, and Thailand.² The research project examined experiences in these countries during the 1990s of reform in four service sectors: urban water supply, curative health, business development and agricultural marketing services. This article focuses on water and health, making limited reference to the other two sectors for comparative purposes. In addition to the primary case-study research which underlies the analysis, the article also draws on the limited available work on the service reform process, particularly the recent work of Grindle (2001, 2003) and Nelson (2000) who have analysed social sector reform processes in Latin America.

The core countries were chosen because of their different public sector traditions and experience of economic and state reform. Ghana and Sri Lanka came earlier to adjustment than Zimbabwe and India, whereas the latter have had more stable, classical public administrations. The East Asian and Latin American cases were selected because of their relatively deeper involvement in the ‘destatization’ of their economies, and because of their different administrative traditions and relatively higher levels of market development.

The four service sectors — health care, urban drinking water, agricultural marketing and business development — were selected for a number of reasons: (1) because of their impact on the livelihoods of the poor; (2) because they offer different conditions for the exercise of control by ‘principals’ (citizens, policy-makers) over service delivery ‘agents’; and (3) because they present different ‘technical’ cases for government intervention given the likelihood and form of possible market failure: while none of them are pure ‘public goods’, the sectors can be seen as being on a roughly declining scale from a stronger (health) to a weaker (business development) case for government involvement.

The research studied the application in these countries and sectors of the sorts of reform that have come to wear the label of the ‘new management’ (Manning, 2001; Minogue et al., 1998; Walsh, 1995) which includes such characteristics as: the

reduction of governments' direct role in managing economies and providing services; greater reliance on markets, communities and individuals to manage services; the adoption by governments of new roles of 'steering' (setting policy frameworks, regulating and supporting) service providers rather than providing directly; and the reform of public management to create incentives for efficiency and effectiveness.

Table 1 indicates the types of reform that were identified in the four service sectors: privatizing and contracting the management of public services; decentralizing management to semi-autonomous units within the public sector; the application of charges to users of services; and the development of enabling and regulatory roles by public agencies. For Ghana and Sri Lanka these were 'second generation reforms' that followed the earlier thrust during the 1980s to reduce state intervention in the management of the economy. For the later reformers, India and Zimbabwe, first and second generation reforms were slower and became conflated.

Table 1. Reform Types Analysed by Sector

Type	Health	Urban Water	Business services	Agricultural marketing
Decentralizing management within public sector	Autonomous hospitals	Corporatization of utilities	Autonomous agencies	Corporatization of marketing boards
Charging users	Charging users	Water tariffs	Charging for technical services	
Contracting out	Contracting ancillary and clinical services	Franchise and concession		Contracting of services
Other private sector participation		NGO and informal provision	Divestiture of state textiles manufacture	Liberalization of markets
Enabling private sector	Tax breaks, loans, grants and subsidies		Marketing, advice and promotion	Market information services
Regulating private sector	Regulation of hospitals, professions and pharmaceuticals	Environmental and economic regulation; contracting	Regulatory control and quality certification	Quality assurance

In the case of health care, the main reforms studied were decentralizing hospital management, charging user fees, contracting ancillary services from the

² The research on which the article is based was funded by DFID between 1996 and 2000, under Contract No. CNTR 94 2117A.

private sector, and strengthening the governments' regulatory and enabling roles. In urban water, the main reforms comprised corporatizing water utilities, decentralizing management, private sector contracting and concessions, and strengthening governments' regulatory roles. The research proceeded in three stages: first, the preparation of overviews of international trends in reform of the four sectors; second, the country case studies; and third, the development of sectoral and cross-sectoral analyses. In addition to the sector case studies, focus group surveys of the experiences of health and water service users were undertaken in the four core countries.³

This article is not about the outcome but the process of reform. However, in broad terms the research finding was that, while such reforms were often formally adopted, they were usually weakly implemented in the core research countries. Problems in the reform process were at least partly responsible for poor implementation.

POLITICAL STAKES IN THE REFORM OF PUBLIC MANAGEMENT

Underlying the question of who directs the reform process is the question of who participates in it at all. Grindle and Thomas (1991) distinguish reforms that become matters of wide public mobilization from those that generate responses largely within the bureaucratic arena. They argue that the stakes are higher in the first case; determined political support is needed to drive them through. In the second case, the political stakes are lower; the crucial issues are within the competence and compliance of the bureaucracy.

The factors that Grindle and Thomas identify as determining whether reforms become openly political or are managed internally are summarized in Table 2. These include the distribution of the concrete costs and benefits of reforms between government and sections of the public, and also factors to do with the 'visibility' of reforms, their administrative complexity, whether public support is required for their implementation, and the duration of the process of implementation. So, reforms such as the introduction of user fees are likely to become matters of open public debate — the benefits are most obviously to the public purse, the costs are to consumers, and the

³ An overview of the research can be found in Batley (1999).

impact is immediate and visible. Decision-makers therefore confront high political stakes in pushing such reforms.

Table 2: The Public and Bureaucratic Arenas of Response and Resistance to Reform

Characteristic of reform	Features of reforms in the public arena, requiring political support and stability	Features of reforms in the bureaucratic arena, requiring bureaucratic compliance
Dispersal of the costs	Costs have wide impact among the population	Costs focus on government institutions
Dispersal of the benefits	Benefits are focused on government	Benefits are not immediately felt by bureaucracy and only in long term by public
Technical and administrative complexity	Reforms have low administrative content and can be done quickly	Reforms are administratively complex
Level of public participation	Reforms require wide public involvement and are 'visible'	Reforms require limited public involvement and are 'invisible'
Duration and visibility of reform process	Reforms can be achieved quickly and are visible	Reforms require sustained effort with few immediate visible returns
Examples	User fees Privatization of services	Contracting out Decentralized management

Source: Adapted from Grindle and Thomas (1991)

However, many of the management reforms listed in Table 1, for example contracting out or management decentralization, are unlikely to generate a public reaction. They are a matter of detailed working out and interaction within the government system, requiring a high degree of sustained technical competence and commitment. They may have great significance for the population but only in the longer term and not in direct and immediate costs or benefits. The arena of reform is instead likely to be within the bureaucracy where the interests and behaviour of officials and professionals are affected. Grindle and Thomas argue that, in these cases, the political stakes are relatively low: the only risk to government is of failure to achieve bureaucratic compliance rather than of loss of public support.

This article suggests a modification of Grindle and Thomas's argument in two main respects. First, as the next section will indicate, there is not such a clear distinction between the bureaucratic and public arenas. In weaker political-economies, particularly the African cases in this study, the bureaucratic arena is itself highly politicized and inter-connected with societal interests; it is where power, employment and patronage are concentrated, so the stakes are high. Second, as we will see later in

the study, where policy reform is led by external agencies (donors) rather than by government, public reaction is likely to have little capacity to influence the course of reform.

THE INSTITUTIONAL BACKGROUND TO REFORM

Reform entails a re-structuring of institutions. It is not just a technical matter of finding the best design solution and applying it, although much of the debate about the respective roles of state and market in the 1980s and early 1990s proceeded on this sort of technical-economistic basis. Nor is reform only a narrowly political process of confronting specific interests. An institutional perspective draws attention to a more complex reality where political and administrative arrangements embody values, behaviour and structures of power (Lane, 2000). This section briefly locates the specific reforms in an institutional context of state dominance, weak markets and a convention of public sector service delivery affected by fiscal crisis and staff demoralization.

In the case-study countries, the period from the late 1980s until the present has been characterized by attempts at extraordinarily radical public sector reform. These were at least equal to the previous great period of radical reform in the 1950s and 1960s in South Asia and Africa (or the 1930s to 1950s in Europe and Latin America) which had established the responsibility of the state for social services and economic development. The level of 'pre-reform' state involvement across the sectors and in the African and South Asian countries was, in broad terms, similar. In the industrial sector, there was widespread state management of production, justified on infant industry or import substitution arguments. In staple food marketing, governments typically intervened through marketing and produce boards, on grounds of food security, consumer and producer welfare; or, in the case of export crops, on national development and tax-raising grounds. Formal urban water supplies were operated by direct state or municipal administrations, subsidized on grounds of equity, but typically with the poorer sections of the population having least access and often having to resort to household action or private markets for their supplies. Similarly, formal curative health services were provided by direct public administration, but a

commitment to free services went with under-investment and widespread resort by citizens to informal or private providers.

In India, Sri Lanka, Ghana and Zimbabwe, the specific models of state provision were traceable to the British colonial inheritance of public administration, often with the legislative basis largely unchanged. Post-colonial governments added redistributive and nation-building intentions whose interventionism was often enhanced by commitments to reversing colonial inequalities, to state socialism and national planning. The degree and forms of prior state intervention were not very different in the non-anglophone countries referred to in this research: Argentina, Bolivia, Venezuela, and non-colonized Thailand. They shared a practically world-wide convention (from the 1940s to the 1980s) in favour of direct public ownership or state management as the preferred models of intervention, regardless of the existence of other available instruments.

Economically, the model of direct state intervention was fragile, being even less fiscally sustainable in the face of economic crisis than in the West. However, institutionally, it presented strong barriers to change, which have had particular force in the poorer developing countries. Although they never achieved the same level of inclusiveness of benefits as in the West, the statist model was more deeply ingrained in their power structures. On it was constructed a commitment to the responsibility of the state with its own constituency of interests in maintaining interventionism: politicians and bureaucrats with patronage opportunities, professional staff with standards to protect, urban residents enjoying subsidized prices, services and employment, and industrialists and farmers with guaranteed but also controlled prices. In the poorer countries with weaker market systems, power and privilege were determined by state action. To challenge the statist model was almost to challenge the foundations of the state and its legitimacy (Sandbrook, 1993).

The circumstances under which reform was to take place compounded the difficulty. The initiating impulse to public sector reform in developing countries (as elsewhere) was the economic crisis that became transparent in the early 1980s and which, for many, has persisted since then. This has been not only the impulse for reform, but also — particularly in sub-Saharan Africa and Latin America — the difficult context of reform. New approaches to public management are being developed in even more stressful circumstances than those experienced by reformers in more advanced countries. This is true particularly, but not only, in the African countries where, paradoxically, the

proposed reforms have often been most radical. Structural adjustment and public sector reform have often been delayed until the point that the fiscal crisis is deep and public resources exhausted. They have therefore often taken place in the context of already rapidly declining public services, a spiral of decline from which it is difficult to recover. Moreover, the reforms themselves have usually generated a first impact of increased stress and poverty for those sections of the population that had had access to services and employment (Batley, 1994). The public administration that was expected to carry out the reforms was itself demoralized by a decline in real salaries and by severe cuts in numbers, particularly in Africa. Furthermore, many of the reforms were likely to damage them further, as ‘government agencies were expected to co-operate in diminishing or dismantling their own power’ (Hirschmann, 1993: 114). The climate of change has, therefore, often been one of suspicion and resistance, unmatched by support from any clear constituency.

The broad categories of stakeholder in the reform of the management of public services can thus be defined as international agencies, governments, politicians, officials and the population as citizens and (would-be) consumers. Reforms, which in more advanced countries have had relatively low political salience, in poorer and weaker government systems were highly politicized. The following sections use a broad principal–agency framework to analyse the relationships between the actors using the studies of reform in the four sectors named — particularly health and water, but also agricultural and business development services. Some reference is also made to education.

A PRINCIPAL–AGENT FRAMEWORK

The principal–agent model (Lane, 2000; Stiglitz, 1987; Walsh, 1995) examines organizational relationships as a tension between the ‘principal’ who demands a service and the ‘agent’ who provides it. The model assumes that actors are motivated by rational self-interest. The question, then, is how principals can manage the self-interest of those empowered to act on their behalf, their agents, so that it is aligned with the purposes that they (the principals) wish to achieve. The problem arises not just from conflicts of interest but also from the privileged access of the agents to information — the problem of asymmetric information. The agents who have been

employed to provide a service will tend to use their superior knowledge to divert benefits in their own direction.

In a democratic polity, the ultimate principals are the citizens, or consumers of specific services. In principal–agent theory, they are ‘principals’ in the sense that politicians, as agents, seek their mandate from and act as the representatives of the public. In their turn, appointed officials are, in theory, the agents of political leaders in executing policy. Each has a measure of autonomy and each has their own interests to advance. The likelihood of the principal effectively controlling the agent depends on how much information the principal has about the performance of the agent, and how far the principal can structure the relationship so as to control the agent or give incentives so as to make the agent’s interests correspond to the principal’s.

I adopt this framework as a way of structuring my argument and of arriving at some broad conclusions. There are, however, two major limitations. First, I share the view of the critics of the principal–agent model (Bøhren, 1998; Dilulio, 1994) that it offers only a one-dimensional view of behaviour, ignoring the co-operative aspects of social life. Second, my own evidence is limited and has here to be summarized, often eliding over differences between countries and sectors.

The following sections first look at the balance of influence between external bodies — the international financial institutions and donors — and national governments, and then consider interests and institutions at a national level, breaking these down into two categories: (1) the ‘principals’, that is the public and the politicians who in formal political theory would decide the priorities of government; and (2) the ‘agents’, that is the senior core government officials, the ministry level officials and professionals, and public sector workers,

External ‘Agents’ and National ‘Principals’

Economic crisis was a key catalyst in bringing about reform in the case study countries. This is probably true always and everywhere, and not only in developing countries. Crisis both generates a need for change and also opens up ‘windows of opportunity’ by throwing the normal rules of the game into flux (Grindle and Thomas, 1991; World Bank, 1997). There were internal reasons why collapses of government spending power should lead to radical proposals for change but, particularly in the case of the poorer countries studied here, these conditions also created a susceptibility

to external pressures. Among the strongest of these are the multilateral or international financial institutions, the International Monetary Fund and World Bank, which act not only on their own behalf but also as bodies that influence the agenda of bilateral donor agencies and the credit policies of commercial banks. They present themselves as ‘agents’ of nationally determined programmes.

It is difficult to disentangle the contribution of the different internal and external actors in bringing about shifts in policy. However, in Ghana, Sri Lanka, India and Zimbabwe, multilateral lenders played a key role with bilateral donors in support. What is distinctive about the involvement of external actors in developing countries is that they come not just as advisors but as the financial sponsors of reform, which gives them much greater influence (Corkery et al., 1998). There are cases where reforms have been advanced in the absence of real local support, but few where the international agencies have not been present, even if only in the wings. However, governments are, of course, not without influence; the balance of power between external agencies and governments varies by country, service sector and the specific reform issue.

Donor influence, even where local support is lacking, has been more readily asserted in the immediate reforms associated with stabilization — divestiture in industry, abolition of external trade controls, cuts in civil service expenditure. These were not so much elements of a sector-specific reform programme, but more of a response to the more general requirements of structural adjustment, orchestrated by the IMF and World Bank. Fiscal crises and the IMF’s stabilization package required the divestiture of state-owned enterprises, and the removal of controls on imports and prices. Aspects of agricultural marketing were also directly affected by IMF and World Bank conditions, particularly in the African countries where the crisis was deeper. Import controls and price subsidies were challenged, and swept away where the international financial institutions had sufficient influence; monopoly marketing boards were privatized, corporatized and lost their monopoly status (Hubbard, 2003). Many of these were ‘stroke-of-the-pen’ reforms whose implementation required little more than a change of policy. More complex were the ensuing ‘supply-side’ reforms designed to promote the development of market producers (Jackson 2002).

The water sector was not immediately affected by structural adjustment programmes. It was initially bilateral donors that supported reforms leading to more efficient and equitable management of water resources. For example, in 1994, four

donor countries (Germany, The Netherlands, Norway and the United Kingdom) supported Zimbabwe's development of a water resource management strategy. Together the bilateral donors and World Bank commissioned studies and supported proposals for pricing and structural reform in the water sector, although national leadership of the process was emphasized (Batley, 1998). However, by the end of the 1990s a new international convention had developed, and governments everywhere were under pressure from the multilateral agencies to move towards concessions as a condition for further funding to the sector (Nickson and Franceys, 2003).

In general, and beyond these particular case study countries, it took much longer for public management reform to affect state intervention in the social sectors of health and education. In these areas, the pressure of donors, the IMF and World Bank has been much more incremental. Certain aspects of reform in the social sectors could be introduced quickly and without real political support, as long as there was little organized political resistance — for example, rises in tariffs and introduction of user fees. But 'second generation' reforms in the organization and roles of government bodies, in changing attitudes towards, and the relationship with, the private sector required long term administrative and political commitment. This was particularly the case in the health and education sectors but also in water and sanitation. In these, the model being proposed by reformers was less readily available off-the-peg than in the economic sectors, and there were strong administrative and professional apparatuses to resist change (see also Nelson, 2000).

The social sectors have been freer from the attention of the international financial organizations, and therefore generally slower to reform than macro-economic and industrial policy. In the health sector, chronic fiscal crisis and then the new poverty agenda and sector-wide approaches of donors eventually forced re-consideration of the role of the state, particularly in Africa. Pressure was greatest where the crisis was deepest, with the effect that there were more elaborate plans for reform in Zimbabwe and Ghana, and even in Thailand after the 1997 crisis, than in South Asia. Donors encouraged hospital autonomy in Ghana, Zimbabwe and Thailand, as well as user fees — particularly in Zimbabwe where fee increases formed part of the first structural adjustment programme — and contracting out of services, again particularly in Zimbabwe (Mills et al., 2001).

Donors and international financial organizations have been fundamentally important actors in reform, most directly in the case of demand-side, stroke-of-the-

pen, economic reforms. However, there were some cases where governments were the initiators of liberalizing reforms. Among the four core countries, this was most clearly the case in Sri Lanka which, in 1977, launched its own liberalization programme involving the privatization of state enterprises and the promotion of foreign inward investment. India has been a modest liberalizer but made its own decision for compliance with the terms of the World Trade Organization when, in 1995, it undertook a tariff reform that opened its previously highly protected textiles industry to imports. Among the reference countries, South Africa and Argentina launched programmes of reform in the early 1990s, backed by the international institutions but clearly primarily in response to internal dynamics — the end of apartheid, and political crisis arising from hyper-inflation, respectively.

Even where the international financial institutions and bilateral donors asserted influence, governments were not powerless to modify or resist unwanted changes. The effect of health reforms was little more than ‘nibbling away at the fringes of the state, rather than fundamentally changing its role in health’; countervailing forces or inertia preserved the dominance of the state (Mills et al., 2001). In spite of pressure from the IMF and World Bank for full liberalization of both the external and internal trade in cocoa, the Ghanaian government successfully defended its choice to move slowly so as to minimize the risk to farmers (Hubbard, 2003).

While governments were not powerless, the international financial institutions and donors were almost always a significant presence in policy determination, holding to question any straightforward relationship between national principals and national agents. IFIs and donors acted as a *deus ex machina* that produced policy extraneously, breaking the direct relationship between citizens, politicians and service providers.

The Principal–Agency Characteristics of Services

In exploring the role in the reform process of the nominal principals — the public (the citizen-consumer) and political leaders — and the nominal agents — public officials in core and line ministries or public bodies — the leading question is, who, in practice, is the principal? The agency problem is that the nominal agents frequently have little incentive to serve the goals of the nominal principals.

The incentives to responsive service delivery differ by sector, since the characteristics of sectors influence the capacity of actors — principals and agents — to organize and to assert control over each other. Drawing on the research in Ghana, Zimbabwe, India and Sri Lanka, Table 3 summarizes the balance of power between principals and agents in three service sectors. The table is schematic, ignoring the differences between country contexts, and grouping business development and agricultural services into one category for comparative purposes. It also ignores differences between parts of each service, for example, policy-making, financing, delivering and monitoring. The table identifies the capacity of control by principals and agents as being composed of the following factors:

Control by Principals

The capacity of client groups to organize is greater where:

- the service is used regularly and predictably, not only in crisis;
- the service is area-based.

The capacity of clients to exercise influence is greater where they have:

- information on the quality of the service;
- choice about whether to use the service.

Policy-makers' capacity to control and incentivate provider organizations is greater where:

- service provider's effort and outcomes are measurable;
- information on provider's performance is available;
- provider's contract is specifiable and enforceable.

Control by Agents

The capacity of provider groups to organize is greater where:

- the service has a high information or professional content;
- professional organization is strong;
- unionization is strong;
- professions and unions 'colonize' agency;
- contractors are large, few and have specific skills and assets.

Agency structures that favour provider control are

- monopolistic;

- led by professional staff

The following sections set out the analysis in more detail, but Table 3 indicates the broad conclusion. Principals (clients and policy-makers) are weakest and the agents (the providers) are strongest in the case of curative health services. In urban water supply, there is a greater possibility of balance between the two sides. In business and agricultural services, the agent-providers have less possibility of dominating the principals.

Table 3. Principal-Agent Relationships by Service

Capacity of Control by Principals				Capacity of Control by Agents	
Service	Capacity of client organization	Capacity of clients to exercise influence	Policy-makers' control of performance	Providers' organization	Agency structure
Curative health	Weak: Clients are scattered and use service in crisis.	Weak: Information asymmetry limits choice, but alternative providers exist.	Weak: Service effort and output difficult to assess; information asymmetry. Difficult to specify contract.	Strong: Strong unionization and professional interests in direct provider organizations and ministry. Some major suppliers/contractors.	Dominant: Large direct deliverers with high autonomy.
Urban piped water	Medium: Service is area-based and regular, facilitating client organization.	Medium: Clients have information on service, but no alternative suppliers of piped water.	Strong: Service effort and output is easy to measure and monitor. Relatively easy to specify contract.	Medium/strong: Engineering dominates provider or ministry; moderate unionization; big contractor interests.	Dominant: Monopolistic with a high degree of autonomy in management, or large contractor.
Business and agriculture services	Medium/Strong: Services are for specific user groups. Stronger in industry than agriculture.	Strong: Users have choice about whether to use the service.	Medium: Service effort and output difficult to assess; information asymmetry. Difficult to specify contract.	Weak: Small organizations with a relatively weakly established professional base and low unionization.	Weak: Non-monopolistic.

The ‘Principals’ — Citizens and Political Leaders

The Citizen-Consumer as Principal

A fundamental first point with regard to the involvement of the public is that most of the reforms investigated here were of little direct interest to users or citizens in the case study countries. Managerial reforms — the decentralization of internal management, contracting out of functions, developing support and regulatory systems — were hardly likely to inspire public passion. Given a low level of public engagement with policy in the countries studied, reform generally remained within the ‘bureaucratic arena’. Some reforms had a more immediate political impact, such as user fees, ‘privatization’ and the liberalization of markets. However, public demand for reform was rare; there was usually more pressure on politicians for the defence of existing rights and privileges than for change.

In practice, with few exceptions, the public and particularly the poor, were largely outside the policy process. Producer groups (farmers, traders and industrialists) appeared sometimes as lobbyists against change. Consumers of social services generally represented an implicit (not organized) pressure on politicians to maintain existing rights. In most cases, consumers were the ‘silent stakeholders’ in reform. The research programme’s surveys of users’ opinion of health and water services in Ghana, Zimbabwe, Sri Lanka and India found strong critical opinion about the price and quality of the services but widespread ignorance about the proposals for reform of those sectors. The reform issue that did arouse much comment from respondents in the Ghana and Zimbabwe surveys was that of user fee and tariff rises (Rakodi, 2000).

In spite of the failings of public services, the surveys showed that users accustomed to public sector provision generally supported its continuation and opposed alternative arrangements. This seemed to be based on a belief that entitlement to basic services could best be assured by governments, and on experience of privatizations which had left users worse off and with less say in decisions. Reforms have often threatened public institutions in which users have a basic confidence. Moreover, users have not been convinced that the reforms addressed their concerns about the low quality, queues, rationing, staff shortages and disrespect for

customers often associated with public services (Rakodi, 2000). In spite of these concerns, there were few instances in which surveyed attitudes were translated into active intervention in the policy process.

Political Leaders

Who then are donors' local allies for change? We saw above that, in almost all cases, reform was associated with structural and sector adjustment programmes. Formally, therefore, governments had 'bought in' to the reforms, although they might often have little real commitment. This level of agreement, or at least acquiescence, was concentrated at the level of the president or prime minister and the key ministers, particularly ministers of finance. It was backed by core central agencies associated with the political leader, such as the public service commission and head of the civil service. The focus of reform leadership at the highest political level is noted also by Grindle (2003) and Nelson (2000).

In the core case study countries in South Asia and Africa, political leadership at other levels — sector ministers, parliaments and individual politicians — rarely played an important role in advocating and driving through reforms, although it might obstruct them. There was often formal political tolerance of the reform process, combined with informal inertia or sabotage by politicians in the legislature and even in government. Sector ministers were not involved in reform design, apart from ratifying the proposals of the political leadership. The exceptions among the reference countries were Argentina and South Africa, where there were coherent party programmes and a broader-based political commitment to reform including among service sector ministers. In Ghana, ministers responsible for water under the Rawlings régime and under the current government argued for the private management of the Accra water supply but backed down in the face of the resistance of the powerful trade union and public mobilization (Larbi, 1998).⁴

Political acquiescence may be enough to allow donors, together with other local actors, to initiate reform, but probably not to sustain it. Politicians outside the core executive, from both government and opposition, had more influence on the

⁴ Mills (2002) identifies political leadership in reform in the case of the health sector in Zambia, South Africa and Colombia. See also Corkery et al. (1998); Nelson (2000); Grindle (2000, 2003) for examples of sectoral political leadership.

implementation than on the design of liberalizing reforms. Usually their position was negative, particularly where change was disruptive of the established distribution of benefits and systems of patronage.

Sector Differences

As indicated in Table 3, sector characteristics may affect the capacity of citizens and service clients to control the performance of service providers:

1. *Organization and definition of client groups:* While agricultural marketing and business support services are oriented to production and apply to specific producer groups, health care and drinking water supply are consumer services applying to the general public. Water consumers are defined territorially and can organize on that basis, but health care users encounter the need for services individually and in a state of vulnerability.
2. *Exercise of choice and influence:* The sectors are differentiated between those where users have some choice about whether to use services at all (agricultural and business support services); one (health care) where they have some choice about which public or private service provider to use but inadequate information on the quality of the alternatives; and one (piped water) where they may have little or no choice.
3. *Measurability of performance:* Policy-makers and users have stronger possibilities of control where they have information about and can assess the performance of producers. Water supply is the most clearly quantifiable, tangible and measurable; health care, business and agricultural support are qualitative services with greater difficulty of performance measurement.

These criteria indicate a scale of capacity of citizens and clients, as the ultimate principals, to control policy-makers, and for the latter to manage the performance of the provider organizations that are supposedly their agents. Industrial promotion and agricultural marketing services present the greater possibility of the recipient group organizing to demand services: first, industrial (and perhaps agricultural) producers are a definable group and, second, they have some choice about whether to apply for the service. Piped water supply services are typically monopolistic but, if they are supplied locally, consumers may organize territorially to hold providers to account for

measurable physical outputs. The weakest clients are those of curative health services who may have some choice but little information about how to exercise it and little capacity to organize.

Social pressures against change were most organized and articulate in the agricultural services sector. They were effective in slowing liberalization and the reduction of government subsidies, especially in South Asia where peasant farmers form an important political bloc and where the influence of the international financial institutions was less strong. In India, politicians face a line-up of support for the status quo — urban consumers, farmers capable of producing surplus, traders, millers, parastatal personnel and government officials. The political interest is in the defence of entrenched welfare rights rather than in the promotion of uncertain gains from freer trade and competitive markets. Politicians ‘aspire to be identified as the guardians of the poor’ (Hubbard, 2003: 46; see also Kohli and Smith, 1998). In Sri Lanka, where rice production employs around half the labour force, farmer protests had a powerful effect in slowing and limiting the liberalization of external trade and in reducing farm input subsidies. The Ghanaian government’s caution in following the World Bank and IMF proposals to open the cocoa trade can be attributed partly to the political sensitivity of exposing farmers to abrupt change. Zimbabwe was one of the few cases where there was a lobby (the large-scale commercial farmers) in favour of the liberalization of trade and privatization of agricultural services. However, the reforms received temporary political toleration rather than support and their gains were short-lived. In 2001, under pressure of political and economic crisis, the government resorted to export prohibition and compulsory grain purchases at fixed prices to feed the population.

Large portions of the population are typically outside the range of public water supplies. Even in the wealthiest of the countries studied, Argentina, in the early 1990s around 30 per cent of the population of Greater Buenos Aires lacked access to the public water supply and instead made their own illegal connections or developed their own water supply. During the previous five decades the viability of the water company had been undermined by party campaigns for a combination of low tariffs and politicized investment decisions. The excluded population depended on patronage to obtain water connections, while existing recipients benefited from the low tariffs. The political risks of radical change, in raising and collecting unpaid tariffs and in de-politicizing investment decisions, were clear, while the gains from a more efficient

and extended supply system were long-term and uncertain. The patronage basis of decisions about urban water access was a major obstacle to management reform in all the core countries. Nickson and Franceys (2003:) describe a 'low-level performance equilibrium' between urban consumers and producers – a poor quality service is provided in exchange for a minimal tariff.

Where consumers have organized to affect policy on urban water, it is *to defend or improve existing arrangements*. In Ghana a movement supported by international NGOs resisted the commodification of water through leases to foreign companies in Accra and Kisumu. In Cochabamba, Bolivia, riots led to the abandonment by the government of its concession of water management to a private company (Nickson and Vargas, 2002). In the major cities of Zimbabwe, residents' associations have been active in pressing for improved services, though urban water supply is good by international standards. In Bulawayo:

Widespread protests have been organized by residents' associations, complaining not only about the service and its cost but also that meters were not being read properly but only estimated. Mass refusals to pay bills gave way to a pre-election moratorium granted by councillors on further payment of arrears while the matter was reviewed. This led quickly to a new attempt by councillors and officials to explain tariff levels. (Batley, 1998: 48)

The high expectations of urban consumers in Zimbabwe seem to derive from a surprising combination of ideologies: the established expectations of the previous colonial population and the expectations raised by the redistributive policies of the post-colonial government. In addition, the fact that water is provided by local government in Zimbabwe offers a political focus for popular organization. As described below, radical reform *to change the organization* of water supply resulted not from public demand but from high-level political leadership that mobilized rumbling discontent into an awareness of crisis.

The reform of health care was not generally driven by the political leadership or by sectoral ministers, nor was it supported by legislators. The health sector is complex, with multiple sub-sectors and services, and does not provide easy focuses for political or social mobilization for or against change. In the African countries where the reform proposals were most radical, they had been externally inspired so there was little sense of political ownership. In all countries, the initiators and

supporters of change among officials in the core government agencies, in the ministries of health and in international organizations regarded the support of politicians as very uncertain and unpredictable. Civil servants therefore proceeded opportunistically in the face of inconsistent policy direction: ‘politicians make ad hoc decisions, not rational for the health sector, and often change their minds; we have to cope with these decisions’ (Ministry of Health official in Sri Lanka, quoted in Russell and Attanayake, 1997: 82)

As in the water sector, health reform was more likely to bring political risk than gain. The risks were different for the various reforms. In Sri Lanka and India, decentralized management of hospitals would threaten the structure of political control and arouse the opposition of trade unions and health professionals. Politicians opposed user fees in all case study countries but particularly in Sri Lanka, where there was widespread commitment to free public health care among the middle classes as well as trade unions, the radical left, health professionals and managers. Pressure from donors for the introduction of charges was greater in the African countries, where public opposition was less mobilized and had fewer channels of expression (Herbst, 1993). As Mills et al. (2001: 99) argue, ‘one-party politics and more limited democratic accountability meant that politicians were less fearful of an electoral backlash or the “political suicide” associated with fees in South Asia’.

There were very few cases of positive public pressure in favour of reform in health care. NGOs in India and the media in India and Thailand have campaigned for improved regulation of health care, but remained a weak counter-balance to the considerable professional and business interests lined up against regulation. In general, rather than press for change, users have found alternatives in the private or traditional sectors where the public health service was inadequate, choosing ‘exit’ rather than ‘voice’ (Mills et al., 2001).

The ‘Agents’ — Public Service Administrators, Professionals and Workers

International agencies thus had little guarantee of stable support for liberalizing reforms from government or politicians, citizens or users. As long as there was basic political acquiescence, relatively little support was necessary for the immediate policy reforms associated with structural adjustment — divestiture and de-regulation in the productive sectors, civil service cuts and one-off tariff rises. However, for the longer-

term ‘supply-side’ reforms (in organizational structure and process, efficiency orientation, and changed relationships with the private sector) there was one group whose support was essential to the implementation of reform: the senior ministerial administrators and professionals. In formal terms, these are the ‘agents’ of citizens and politicians; in practice, together with the international agencies, they were often closer to being the ‘principals’.

Where reform was successful, it had high level political and donor support and a working combination of senior officials and external advisers. Similarly, Grindle (2001, 2003) identifies the importance of small ‘design teams’ attached to the political executive, and Nelson (2000) of ‘change teams’. The initiators of change were usually outside the ministry that was subject to reform. Crisis and adjustment put into the driving seat the ministry of finance and agencies subject to the president’s or prime minister’s office, such as planning and public service commissions. They negotiated the commitment to the programmes of the World Bank, IMF and donors, reported to them, and had an across-the-board responsibility for liberalization and civil service cuts. Typically, where radical reform was really implemented, these core public officials led and were supported by top civil servants of the line ministries working with international advisers.⁵ The degree to which core officials were involved depended on the salience of the sector to macro-economic adjustment; there were also differences between sectors with regard to the respective roles of line ministry officials and professional staff.

The first wave of reform in the industrial sector, particularly in the African countries, was a direct consequence of IMF and World Bank conditionality — privatization of state-owned enterprises and the de-regulation of production and trade. Ministries of industry could not but comply, although they might procrastinate. It was the second wave of reforms that left room for the initiative of senior ministry officials. This was the development of a new raft of agencies and departmental units concerned with enabling, promoting and facilitating private industry. However, ministries of industry had previously performed mainly regulatory and licensing functions and found it difficult to step into the new roles of supporting industries that they had previously controlled (Jackson, 2002).

⁵ Corkery et al. (1998) and Nelson (2000) note the importance for sustainability of reforms of involving line ministries, but that they are often excluded in programmes driven by stabilization and structural adjustment.

The influence of senior officials in the core institutions of government over the agricultural sector was weaker. State intervention in agriculture was less immediately exposed to structural adjustment and was defended, particularly in India, by its historical importance to national food security and to the needs of poor consumers and producers. Nevertheless, the driving forces for change in all the case study countries were again the core ministries of finance, planning commissions and presidential offices that were obliged to pursue agendas of cost-cutting and de-regulation in response to fiscal crisis. The sector ministries and agencies generally acted to restrain reform (Hubbard, 2003).

In the service sectors of water and health, core government officers, together with international agencies, were again the main initiators of change. Crisis and structural adjustment agreements set the broad policy agenda for shrinking budgets, staff cuts, raised tariffs and fees, contracting-out and privatization. However, unlike in agriculture and industry, where the most significant part of the reform was for state withdrawal, in water and health the state was bound to have a continuing role. Here, the development of detailed new management practices could not easily be directed from the public service commission, ministry of finance, president's or prime minister's office. Unless conditions could be created for an abrupt and *radical* transfer to private provision, new arrangements would have to be worked out *incrementally* within the public sector. In the latter case, the sectoral administrators and professionals had a necessarily strong role in reform, or in stopping it. Professional staff — engineers in water and doctors in health — were much more important in the direction of these sectors than they had been in ministries of industry and agriculture. Nelson (2000) comes to similar conclusions about the influence of education professionals in reform in Latin America.

Radical reforms challenged the control of water supply by professional engineers and public administrators, in favour of the private sector and financial managers. Where radical proposals for water sector reform were successfully implemented, they were politically driven. In the case of Argentina, the new government of President Carlos Menem in 1989 declared its commitment to liberalization and reform of the state. A rapid programme of privatization of utilities culminated in 1992 with a State Reform law that spelled out future arrangements for gas, electricity and water, including the thirty-year concession of Buenos Aires' water supply. Similarly, the president of the Philippines pushed through a concession

arrangement for Manila by demanding radical change in response to a declared 'water crisis'. Both presidents managed to raise the political salience of sector reform, giving it a similar degree of urgency as had been assumed by macro-economic stabilization reforms.

Incremental water sector reforms were often led by lower level alliances of water agency managers usually with, but sometimes without, the pressure of donors and their technical advisers. These generally retained existing professional (engineering) control while freeing agencies from the constraints of being part of government. At a national level, in Zimbabwe it was the professional staff of the Department of Water Resources who, in 1985, put the case to the cabinet for the corporatization of the state bulk water supply organization, as a way of escaping civil service controls on investment, management and recruitment. This meshed with World Bank structural adjustment and was supported by international consultants and donors, although the proposal always had weak political backing. A similar attempt to turn the Sri Lankan National Water Supply and Sewerage Board into a consumer-oriented, cost-conscious organization, with USAID support, foundered on the resistance of leading engineers and central government politicians to the loss of their control to professional managers (Nickson and Franceys, 2003).

Crisis and the adjustment programmes agreed by core government agencies with the international financial institutions indirectly affected the health sector, particularly in Africa. Health sector reform was often a spin-off from broader national commitments by public service commissions and ministries of finance to contracting-out, staff cuts and the raising of user fees. For these to be operationalized, however, support was needed from the most senior officials of the ministry of health, usually with technical advisers of donor and international organizations. Such commitment was more forthcoming in Africa where donor influence was more complete and where economic and fiscal crises had led to a near collapse of health services. The charging of fees was accepted by doctors and managers in Zimbabwe and Ghana as a way of maintaining health spending, but rejected by their counterparts in Sri Lanka and India as an affront to free care (and perhaps as a threat to informal charging).

Even where there was high-level commitment to reforms of this type, in practice there were major difficulties with implementation. Many of the proposed health reforms entailed a weakening of powerful internal interests and erosion of professional autonomy. Particularly in South Asia where health systems were

somewhat more secure, ministry officials commonly resisted decentralization of control to hospitals; contracting-out and privatization were resisted by unions; and the medical profession opposed the regulation of private practice in which it usually had a stake. The health sector was, in this respect, the most impervious to radical reform. It was not easily dealt with by the sort of ‘stroke-of-the-pen’ privatization that international agencies and some political leaders had demanded of the productive sectors or, in a few cases, water supply. Reformers had to persuade the medical professionals and public sector unions who saw change as a threat, who had a large place in the organization and delivery of health services, and who had an important political voice (Mills et al., 2001).

EMERGING CONSTITUENCIES FOR CHANGE

Reform was often constrained by lack of political commitment and by the interests embedded in existing organizational arrangements. Even where reforms were introduced, governments and public agencies could easily slip back into previous practices. However, in some cases, the first round of reform built up momentum for a further round of change, supported by the agents and beneficiaries of the reform process. Grindle (2001, 2003) and Nelson (2000) describe how educational and health reformers have achieved strategies of change in some Latin American countries by understanding the political constraints and opportunities. They have been able to calculate opportunistically to build alliances and outwit the opposition. This research also found some examples of how reform can sow the seeds of further change.

Liberalization, the privatization of state enterprises and deregulation of industries and agricultural trade are unlikely to be reversed. They have created a new set of incentives for entrepreneurs and, sometimes, led to the creation of private and public support agencies whose services are in demand. In Sri Lanka, early encouragement of foreign direct investment created producer and consumer support for further liberalization to encourage foreign investment and employment. In Zimbabwe, textile firms and trade unions pressed for further freedom from government controls, and the private sector established its own new agricultural and industrial support services (Jackson, 2002). Government officials in Kenya who had opposed the removal of the state monopoly in maize marketing eventually came to support it after seeing its positive effects. The millers and traders who began to deal in

imported maize and rice in Kenya and Sri Lanka became a constituency for further liberalization. Urban consumers who benefited were a latent source of demands for the freeing of agricultural trade if it could deliver cheaper and better food (Hubbard, 2003).

The Argentinian government learned from earlier utility privatizations, developing a capacity for negotiation that led to better and clearer contracts in gas, electricity and water. Aguas Argentinas, the company that held the concession for water supply to Buenos Aires, overcame suspicion of the privatization of management by taking some quick steps to satisfy the opposition. It ensured early water connections to the previously excluded poorer population by cross-subsidies from other water consumers, and made contracts with communities to supply labour in return for earlier and cheaper connections. It also improved the conditions of employment of staff transferred from the public sector water company, and worked with NGOs and small local firms to build infrastructure and extend services (Nickson and Franceys, 2003).

In the health sector, the development of capacity could also be cumulative: ‘Once a degree of decentralisation has taken place and hospital staff have the opportunity to learn new systems and skills, there will be stronger systems and a pool of experienced staff in place which will be able to cope with greater degrees of decentralisation’ (Mills et al., 2001: 93). A key issue for reformers is then how to phase this development of skills and build constituencies of interest in favour of reform. One of the problems in the professionally-dominated sectors of health (doctors) and water (engineers) in developing countries was how to make the first incursion. Whereas in countries such as Britain, reformers could call on the support of financial and managerial staff (Ferlie et al., 1996: 7), in developing countries these groups are often weak. Reform might be phased to first build this management cadre as a core group of advocates of change. Secondly, organizational reform is likely to receive more support if it is dissociated from direct threats to the status of employees. Where re-organization was implemented after the earlier stages of structural adjustment were over, there was less likely to be resistance. Thus, Ghanaian health and water workers, no longer threatened by further major employment cuts, supported reforms which would decentralize control, introduce new sources of fee revenue and raise salaries. In Zimbabwe, on the other hand, health sector reforms were associated

with the general staff cuts and suppression of salaries of the earlier stages of structural adjustment, and were met with opposition or suspicion.

CONCLUSION

The concern of this article has been to identify the leaders, the supporters and the resisters of public service reform. It has adopted a broad principal–agent framework, comparing reality with an ‘ideal’ situation in which citizens are the principals over political policy-makers as their agents, and policy-makers are the principals over public service officials as their agents. Public service reform is generally complicated by the fact that public service officials are both the agents and the objects of change. Reform in most developing countries is further complicated by an additional set of external actors in the shape of international financial institutions and donors.

The analysis has identified the interests involved in reform, indicating how the balance between them is affected by institutional factors including: the importance of the statist model to the institutional stability of weaker states, the important role of international organizations in reform, in the context of economic and fiscal crises; and the effect of the characteristics of different service sectors on the power balance between clients, policy-makers and provider organizations.

The first generation of reform in the 1980s and early 1990s, under the pressure of crisis and structural adjustment, focused on reforms concerned with macro-economic stabilization. Several factors made for relatively quick implementation — the imminence of the financial crisis, the availability of ready-made models of neo-liberal economic reform, and the ‘stroke-of-the pen’ nature of many of the policy changes. The more recent reforms in the organization of service delivery, particularly in health, education, water and sanitation present a much harder reform task. They have less clear-cut goals, offer uncertain benefits, involve multiple actors, challenge existing provider groups, and require long-term commitment. In the social sectors, citizen or client awareness and capacity to organize in order to press for improved services are weak, and policy-makers have relatively little capacity to assert control over the performance of providers. This is particularly the case in the health sector; infrastructural services (such as water) appear to offer greater opportunities for control by policy-makers over provider organizations.

A second point with regard to the nature of these reforms is that their concern with the *organization* of service delivery was of little direct interest to users or citizens. The struggle for change generally remained within the bureaucratic rather than the public arena. Where reform took place it was more often a covert, administrative rather than an overt, political process. As Grindle (2001: 31) has found in other studies, reform is generally an élite process: it is not public demands, the legislature or interest groups that define reform initiatives but 'small groups located in the executive'.

Political leadership, where it existed, was concentrated at the highest levels — the president or prime minister and minister of finance. Otherwise, political engagement was usually weak and more often aimed at defending existing interests and arrangements. The political risks of promoting change were much greater and more certain than the possible gains. The interests of service recipients were more often experienced by policy-makers as a passive drag on change than as a source of active demands. Producer interests were more assertive than the consumers of health and water services.

Paradoxically, it was normally the supposed 'agents' of the policy process who were the key leaders or 'principals' of change — international and key domestic officials. This was most clearly the case in the reforms directly associated with the conditionalities of structural adjustment such as privatization and de-regulation of the productive sectors, increases in tariffs and fees, and cuts in staffing. These could be driven through by international agencies with the acquiescence of political leaders and top officials of core ministries. The research shows that, by comparison with macroeconomic and industrial reform, there was much less high-level political and top official involvement in health and water reforms. Here, line ministry officials often had a key role in implementing change and were likely to let it lapse. Professional staff — engineers in water, doctors in health (and teachers in education) — are much more important in the direction of these sectors than they are in ministries of industry and agriculture, and are likely to have a continuing role whatever the reform (see also Nelson, 2000 on this point). Where social reform was more successful (for example, health care in Ghana), it was led by a small reform team that included donors, core ministry and line ministry officials with high level political support.

The deep involvement of international lenders or donors in the policy-making of countries in crisis can lead to the ventriloquizing of policy through national political leaders. This can give the impression of local ‘ownership’ of reform without substance, and can undermine the relationship of accountability between national citizens, policy-makers and providers — principals and agents. External bodies (IMF, World Bank and donors) have the greatest force with regard to the weakest governments, with the greatest dependence and the least capacity to negotiate. As a result, proposals for reform, including in the social and utility sectors, have often been most sweeping and radical in the countries with the deepest crises. The consequence has been a large gap between radical reform design and modest outcomes, particularly in Africa.

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