Conclusions

Over the last two decades Latin American countries have seen some radical transformations in the state’s organization and structure as well as in the relationship between the state, citizens, and markets. First, the region has moved from being a set of countries where democracy was the exception, to one in which it is the rule. Second, LAC governments have become significantly more decentralized in political, administrative, and fiscal terms. Third, there was a process of redefining the state’s role that involved increased roles of private service providers and a movement toward enhancing the role of competition in many areas of economic activity, including the provision of key services. Fourth, there has been rising activity by civil society actors, both in services delivery and as actors seeking different policies.

These transformations created opportunities for change in the accountability mechanisms that link policy makers, citizens, users of services, and providers. Figure 4.1 graphically illustrates some of these changes. The accountability relationship between citizens and policy makers has been altered by the generalization of national elections (and by the various mechanisms of intrastate controls implied by constitutional rule) and the strengthening of civic rights; it has also been altered by the introduction of local elections (and the increased role of local governments enabled by administrative decentralization) and the growth and increased activity of civil society organizations acting as watchdogs and intermediaries between citizens and politicians. The evidence suggests that expanded
political voice by citizens was an important factor in expanding service coverage under government auspices that took place over the last two decades, particularly for social services.

The accountability relationship between policy makers and providers has been affected both by contracting out services previously delivered by state bureaucracies and by changes in the way those bureaucracies operate, brought about by public sector modernization efforts. The accountability relationship between providers and users has been transformed, in many cases, as a result of the introduction of competition and community management of services. The evidence reviewed in chapter 3 shows that, when successfully implemented, changes in accountability relations between policy makers, providers, and clients do have an impact on the quantity and quality of services delivered. However, the evidence also shows that a particular service delivery approach may have very different results across countries and localities depending on political and social context.

Using the WDR language (see box 4.1, below), we can say that Latin American countries have “experimented” with both long and short routes to accountability. Together, democratization and state reform efforts have created more opportunities for the long route (citizens exercising control over providers through elected politicians or policy makers) to operate well in practice. But many weaknesses remain in the long route, particularly in terms of the citizen–policy maker relationship, which in turn weakens policy makers’ incentives to hold government and nongovernment providers accountable for services delivered. Overall, short route mechanisms (clients making providers accountable for results through the exercise of choice or through direct management of services) have, on balance, been successful in improving the delivery of many services, albeit with significant variation depending on the local sociopolitical context. Moreover,

**BOX 4.1 Lessons for Donors and International Organizations**

How can the World Bank and others in the international community contribute to improving services for the poor? This work has identified three main areas for innovation:

1. **What to do?** Reform lending and analytical work

   *Mainstream institutional analysis* as a key component of the project cycle. Beyond traditional economic and technical analyses, a direct implication of our analysis is that “donors” would be well-served by a better understanding of the political economy characterizing accountability relationships between policy makers, provider organizations, front-line providers, and citizens. Project work would be more relevant and effective if donors were to systematically consider the incentives and individual country and sector contexts that affect service delivery. Seemingly “neutral” or “technical” analysis will often fail to take account of the institutional determinants of success or failure.

   *More flexible lending instruments and operational practices* are a precondition to focusing on outcomes and institutional change rather than on inputs. Traditionally, donors often set up parallel processes to ensure effective outcomes on isolated projects, but coordinated efforts to strengthen (not weaken) existing service delivery systems are key to engaging clients in results-oriented service delivery reforms.

2. **How to do it?** Engage clients

   *Strengthen accountability and client “voice” through access to information.* Public access to transparent information on government performance and, conversely, supporting government’s access to public opinion are key to strengthening the accountability of policy makers and service providers to beneficiaries.

   *Process-oriented, responsive client partnerships.* There are no quick and unique fixes to service delivery problems. Technical advice alone is no longer sufficient; instead, donors can increase their effectiveness by adopting a partner role based on regular, open, sensitive, and in-depth policy dialogue with clients. This process-oriented (as opposed to a task-oriented) approach is likely to become more appropriate as institutional reform issues become more important in moving forward the reform agenda.
the weaknesses encountered along the “long route” may impose often serious bottlenecks even to apparently successful innovations empowering service users, particularly poor ones.

Looking forward, further progress is unlikely to happen if governments keep relying only on increasing resources allocated to the provision of services and more effective delivery systems are not developed. This is the case particularly when fiscal constraints limit the capacity to respond by simply adding more resources and for services for which ensuring quality and relevance is essential. It is in this context that the report stresses the importance of assessing the extent to which service delivery systems are today better positioned to address the many remaining challenges facing Latin American countries, particularly in terms of serving the poor. In this final chapter, we summarize our assessment of how changes in key accountability relations that have occurred in Latin America since the early 1980s affected service delivery, and discuss the implications from this assessment for future reform efforts. In some cases this involves entering a more speculative terrain.

**Routes to Better Service Delivery**

Overall, public bureaucracies remain a bottleneck for effective service delivery in most countries. As shown in chapter 2 of the report, in most LAC countries governments have increased the amount of resources allocated to expanding coverage of basic services. Conventional, centralized public sector service delivery (involving pure public financing, delivered through public sector organizations and subject to standard public employment practices) has played a role in the substantial expansion in service coverage in many sectors and countries. But the weak quality of public LAC bureaucracies has not shown much improvement. This is despite the significant progress in state modernization reform that upgraded governments’ institutional capacities considerably, in some areas. It is likely that such upgrading will have substantial effects over the longer term in the quality of services that the state delivers. But very few countries in the region have been able to move decisively toward developing a results-oriented public administration or achieve significant depoliticization of the state apparatus. Some “islands of efficiency” (such as some social funds) have been created in the public sector with consequent positive service delivery results. But their ability to sustain those results is often limited without reforms in the operation of “mainstream” state agencies. Decentralization to subnational governments has changed structures, but in most cases without radically changing this conclusion—at least not so far. Many local governments have indeed grabbed the opportunities created by decentralization and introduced a variety of innovative service delivery approaches. But overlaps and gaps in responsibilities, inadequate or insufficient authorities and resources, few (enforceable) mechanisms to promote performance orientation, and the persistence of clientelistic relationships both at local and central levels (as well as between government levels) remain bottlenecks across the region.

As documented in chapter 3, the many experiments Latin American countries have attempted with alternatives to conventional public sector delivery have, overall, produced positive results, though with a wide variation, depending especially on the sociopolitical and institutional context. Contracting out to the private and NGO sectors, promoting competition and choice, and enabling consumer participation in the management of services have been tried—with some notable successes—in various sectors throughout the region. While the empirical evidence is hardly conclusive, it is fair to say that (i) the balance of evidence between contracting out and service delivery in-house in the state is mostly in favor of the first, under current conditions in most countries; (ii) the experience shows that there is considerable scope for expanding private sector participation in service provision, provided this occurs in a sound regulatory environment; (iii) giving individuals choice over who they get their services from has generated, in the limited areas where it has been implemented, powerful pressures
for results on front-line providers; and (iv) direct client involvement in the management of services can yield positive results when the services involved allow a relatively small production scale and rather simple management challenges.

There is often a temptation to try to “pick winners” and point our evaluative finger in the direction of one service delivery approach—a silver bullet. Specifically, the difficulties in reforming state institutions and the relative success in the various alternative delivery models reviewed above may lead some to argue that the solution to Latin America’s many remaining service delivery gaps resides solely in a scaling up of the “client power” and “contracting out or privatization” experiences. While it is easy to become enthusiastic with the results of individual positive experiments, the evidence is too strong regarding the importance of context to simply argue for scaling up or replicating “best practices.” First, it is often hard to replicate the specific conditions that enabled the initiation and effective implementation of the innovative efforts reviewed in chapter 3 (be they PROGRESA/Oportunidades in Mexico, water privatization in La Paz and El Alto in Bolivia, or EDUCO schools in El Salvador). How such reforms will be shaped and implemented will depend crucially on the social, political, and public sector context at national and local levels. Put another way, the reasons for success often lie in the particular ways that groups interact in each society, rather than the specifics of technical design, however important that may be. Second, in the long run most such innovations would, in the end, be ineffectual without reforms in the operation of “mainstream” state agencies that are more deeply beholden to the fundamentals of interactions between citizens, policy makers, and service delivery agencies (public or private). In situations where the state’s capacity to establish and enforce regulations, to prioritize and coordinate policy actions across ministries, sectors, and government levels, and to establish and sustain compensatory mechanisms is weak, there are dangers to these routes—a lack of sustainability, new forms of capture, and social stratification, among others. In the end, it is unrealistic and unlikely that LAC countries can get away without both stronger state accountability and complementary action to create effective core public bureaucracies, even when deciding to move decisively in the direction of delegating major responsibilities for delivery to nonstate actors.

The political transformations of the last two decades have positioned Latin American countries much better to enhance state accountability. At the same time, a long history of weak states and social and economic inequalities presents itself as a heavy burden in most countries. While elections can be established overnight, rule of law, an effective system of checks and balances, and representative institutions require changes in political culture and habits that are harder to change. This will no doubt require more citizen influence on government decisions and actions, including from poor and excluded citizens. Stronger voice (as a precondition for more accountable politicians) is needed not just to reform the state bureaucracy, but also to ensure that contracting out, choice, and participation do benefit the poor. This does not mean that until and unless state accountability is fully ensured—that is, until Latin American countries become fully mature and consolidated democracies—efforts to reform service delivery are bound to fail. On the contrary, there are many ways in which short- and long-term goals can be made complementary. To give one example, community participation approaches to service delivery (as in community-run schools in El Salvador) cannot only have good short-term results but, depending on how they are structured, can also help build individual, community, and state capacities over the longer run.

In the last analysis, using the WDR terminology, the short route (clients exerting direct control over providers) should be conceived as a complement rather than a substitute for the long route to accountability (citizens exerting control over providers through politicians), a potential shortcut that will only be consolidated if linked to more fundamental changes. Moreover, our reading of the evidence makes us skeptical of an approach whereby reformers put all
their eggs in one transformational basket. Rather, we are inclined to support the notion of “strategic incrementalism” (World Bank 2003a): continued efforts to deepen societywide conditions for accountability (deepen democracy, citizen participation, and state reform), while at the same time pursuing opportunities for specific service delivery reforms and program innovations that push for choice, client involvement in decision making, and performance-based contracts both in and outside the public sector. In other words, pragmatic incremental reforms while unlikely to fully address service delivery problems, can contribute both to short-term results and to creating conditions for deeper and more favorable change over time. In this context, complementarities will arise to the extent that such innovations are designed in ways that contribute to strengthening both state and individuals’ capacities as citizens and consumers. Seen from this perspective, the experiences reviewed in this report provide valuable lessons for the design of alternative service delivery approaches.

Public sector management reforms: seeking stronger links with concrete and observable service delivery improvements

The evidence suggests that reforming state bureaucracies and developing a performance orientation are naturally difficult endeavors, from which quick results should not be expected. The primary reasons for state reform failures are political and less so technical. Addressing the problems associated with weak traditions of bureaucratic autonomy and the highly politicized management of government offices involves touching on vested interests. But when the political system does not force accountability mechanisms to function effectively, technocratic approaches to state reforms are unlikely to produce lasting results. It is hard to aspire to a Weberian bureaucracy in charge of service delivery when state accountability mechanisms are not fully developed and functional. This represents a major challenge for Latin America’s young democracies that still experience too many barriers in the citizen and policy maker relationship. As a result, in most countries the case is weak for ambitious new public management–type reform measures being the solution to poor service delivery systems over the short to medium term.

This assessment, however, should not be construed as an argument against public administration modernization efforts. Rather, the implication is that Latin American countries should indeed continue investing in general state capacities, but with stronger links to specific in-sector reforms and linked to service delivery results. Specifically, we hypothesize that the likelihood that investments in improving the quality of administrative and financial systems will have significant and/or lasting impact is greater if and when they are linked to reforms in specific service delivery systems. Indeed, management reforms tied to better service delivery outcomes can create new constituencies and the consequent political support without which their sustainability would be questioned. This hypothesis is corroborated by the relative success of administrative reforms tied to substantive policy reform agendas. Examples include financial management reforms, such as the introduction of computerized financial management information systems as a potent instrument for expenditure control and thus broader fiscal adjustment efforts in the region, or the establishment of regulatory agencies as part of a broader privatization policy in several countries in the region. Similar examples related to service delivery as such are more limited, but the same logic would apply.

In some circumstances, the strengthening of an “enclave” in the administration may be required to achieve a specific service delivery goal. For example, this could be the case when political or social conditions require quick results on the ground that mainstream agencies would be hard pressed to achieve. Experience, though, suggests that the creation of islands of efficiency may result in the perpetuation of parallel bureaucracies with consequent efficiency losses. The response cannot be simply rejecting altogether the approach. Instead, what is required is facing the dilemma between short-run results and long-term
in institutional development, and designing upfront clear guidelines and strong incentives for transitions from islands of efficiency to the mainstreaming of administrative reforms.

**Service delivery decentralization: creating better conditions for performance-orientation at all government levels**

Decentralization is no panacea. It can be as susceptible to (local) elite capture and corruption as national service delivery. But it is a political fact of life, and for many services, it has the potential for both more effectively responding to local demands and fostering local structures of more equal and effective accountability. Moreover, under the right conditions, decentralization can provide a context for innovation and experimentation.

At the core of successful decentralization is a combination of an improved compact between government levels and strengthened local accountability to all citizens. Depending on the country and sector, this may require simpler and more transparent use of intergovernmental transfers, the enforcement of hard budget constraints for local governments, clear definitions of responsibilities (including through legal and/or administrative instruments), strengthening the capacity of central government monitoring and auditing, and developing information and evaluation systems. It may also require specific intervention instruments (by national authorities or federal bodies) when service delivery failures threaten the well-being of citizens. Last but not least, it requires attention to the other side of empowerment: the capacity of poorer groups to participate in local decision making.

Characteristics of different services make them more or less prone to local delivery, particularly depending on the presence of economies of scale. In fact, it is typically specific aspects or functions in broad services that involve such economies of scale. To give just one example, while day-to-day operations of schools can be managed in a very decentralized fashion, aspects such as curriculum design or student learning assessment systems are more effectively handled in a more centralized manner. In many countries, there is great heterogeneity in the size of subnational entities (for example, municipal governments ruling over large cities and very small localities with dispersed populations), which are in a very different position to deliver the various aspects of particular services. Considering the limited experience with decentralization programs that follow asymmetric rules among subnational entities with the same legal status, addressing these heterogeneities may require the active monitoring and engagement of central authorities.

The latter comment highlights another important lesson: making decentralization work is not a question of getting the blueprint right and then letting things happen. A more proactive role of central governments and NGOs to improve information flows between subnational entities and among citizens could contribute to strengthening the agency of the poor at the local level—a key factor for decentralization to materialize in welfare improvements for the poor. Central governments (and a range of nongovernmental actors) can also enhance the benefits from decentralized innovation by facilitating cross-jurisdictional learning and exchange of experiences. At the same time, central governments may often need to be proactive to help changing behaviors amongst local actors, for example, through the use of financial and other incentives, such as conditional matching grants, or even direct engagement in recruitment, in sharing information, and in support for mobilization. In the end, however, more time may be needed for decentralization’s benefits to materialize in a more generalized fashion.

**Delivery by nonstate providers: ensuring adequate regulatory and compensatory mechanisms are in place to increase service delivery effectiveness and equity**

There is solid evidence showing the positive impact of reforms oriented to increasing the participation of nonstate providers (private for-profit and not-for-profit organizations) in service delivery, when the condi-
tions are right. Privatization and contracting out reforms can improve efficiency and quality of service delivery, particularly when clients’ choice is enhanced. At the same time, privatization has sometimes led to increased concentrations of market (and perhaps political) power in conglomerates and has sometimes been associated with corruption. Not all forms of concessions have proved to be sustainable. Some countries have experienced difficulties in managing contracts over time. Increased social stratification may be an undesirable outcome of increased competition and choice when informational asymmetries are significant and differences large in purchasing power among consumers. The answer is not to throw out the baby with the bath water, as suggested in some critical analyses of private sector participation in service delivery, but rather to reap the lessons of experience to improve the way that such arrangements are designed.

First, it is essential to ensure that the benefits of private sector participation are equitably distributed between all the key stakeholders, namely, current customers, potential customers, employees, investors, and the state. This is likely to require a combination of regulations and subsidies, particularly to ensure affordability among low-income households. Second, greater efforts must be made to improve the efficacy of regulatory agencies that are key to providing a stable operating environment for contractors and enforcing contract provisions (including price and quality of services) to benefit all consumers. Third, there needs to be greater transparency throughout the entire process, from the transaction design, to the allocation of any resulting proceeds, to the subsequent regulatory decisions that affect the evolution of the contract. This will involve providing the public with better and more accessible information, establishing formal channels for citizen participation, and supporting the capacity of citizen-based groups to interpret the policies and practices of privatized firms that often require technical analysis. Stronger voice by citizens benefiting from choice and competition may be an important factor in protecting such reforms from interest groups seeking to reverse them (as occurred in the Colombia education voucher case) and ensuring their sustainability.

There are likely to be important differences between services in the extent (and nature) of potentially useful public interventions. The more that a service is like a classic commodity, the more likely are choice and competition models to work. This is most true of cellular telephony, but becomes of rising difficulty in areas where market power is intrinsic (for example, local water), there are major informational asymmetries (health, perhaps education), and significant probabilities that social, income, and provider structures will lead to greater stratification (health and education). In these areas choice can play a role, but it is no panacea: it is more likely to be a complement than substitute for state effectiveness—whether in public sector service delivery or effective regulation—and for stronger citizen voice, whether influencing policies or effectively representing consumer interests.

Community-based service delivery approaches: seeking designs that strengthen capacities of organizations of the poor while ensuring accountability for results

Overall, when market mechanisms are hard to develop—for example, due to a lack of competition—community-run services can be a powerful approach to generate results (even in the short run) for services that do not necessarily involve large scales (and thus both requiring sophisticated technical skills and involving significant collective action challenges) and for which there are not substantial asymmetries of information between clients and providers. But their long-term impact is likely to be the greatest when they contribute to changing the local balance of power in favor of the poor and disadvantaged—simply giving more influence or resources to local communities may, in itself, risk just pushing problems of elite capture, inefficiency, or patronage to a more local level. In the end, the key is whether and how they help empower the poor through both creating capacities for choice, aspiration, and organization (that is,
building agency) among the poor as well as changing the opportunity structure where they live to increase the probability of their voice and actions making a difference. How this is done will depend on social and political context. In particular, to the extent that the experience of running services leads to the strengthening of associational autonomy among poor communities, even a narrow exercise of client power can contribute to an enhanced ability of citizens to hold governments (local and central) accountable for a broader set of actions and policies. At the same time, the government’s role in the promotion of community-based approaches may need to be more proactive than simply “transferring resources” to groups of organized citizens. A solid “compact” between the authorizing state authority and the empowered community groups will typically be required to ensure the fulfillment of coverage, efficiency, and equity targets, as illustrated in the case of EDUCO, for example. This brings up again the complementarities between state modernization and client power approaches.

Social accountability: seeking opportunities for synergistic relations to strengthen the capacity and accountability of state organizations

Enhancing the accountability of policy makers to citizens requires more than regular and clean elections. It is through the virtuous interaction of electoral (national and local), intrastate (legislatures, judiciaries, and control agencies), and social accountability mechanisms that Latin American countries are most likely to reverse the inherited pattern of clientelism, elitism, and corruption characteristic of most of its states. In particular, given the difficult path to the strengthening of rule of law in countries with such a long history of weak public institutions, stronger social accountability mechanisms may help trigger a virtuous circle by creating the pressures needed to mobilize intrastate checks and balances and, eventually, create the opportunities for stronger and more inclusive political representation mechanisms. In other words, effective social accountability is not about bypassing the formal channels of state accountability (elections, parliamentary activity, independent courts, and so on) but, rather, about supporting them.

In that sense, investments in social accountability mechanisms at the national and local levels, focused on both overall state performance and specific service delivery issues, can potentially have an extremely high payoff. It is in this context that the growing number of cases of civil society organizations involved in participatory monitoring and evaluation of service delivery (for example, through the use of report cards), public policies, and budgets as well as of the transparency in the performance of public servants constitute a powerful instrument for change.

In a region characterized by a long tradition of exclusionary public policies, the actual enforcement and application of rights appears as a key challenge for improving state accountability, particularly vis-à-vis the poor. The expansion of political rights associated with the new wave of democratization offers a unique opportunity to expand civil and social rights—particularly of the poor, the excluded, the discriminated against—an essential step to counteract the current pattern of policies against poverty and inequality being captured and distorted by ingrained clientelism and paternalism practices. But the active and explicit enforcement of rights could be an even more direct accountability instrument when it is linked to specific services. An example is the case of the recent efforts to establish guaranteed health insurance benefits in several Latin American countries. Although all countries include the right of citizens to good health and/or access to health services as a constitutional mandate, until the mid-1990s, effective instruments for the poor to demand compliance by the state or other actors did not accompany such mandates. First Colombia in 1994, and since then Bolivia (1997), Chile (2001), Mexico (2002), and Argentina (2003), have introduced legislation and sector reforms to guarantee a package of services to all citizens. Such reforms also include legal mechanisms for beneficiaries to complain and demand state compliance. Of
course, whether this approach is enforceable depends crucially on how fiscally and operationally reasonable the mandates really are.

**The Centrality of the “Fitting Process”**

Our review of the Latin American experience supports the view that there cannot be a “one-size-fits-all approach” to service delivery: differences in types of services, characteristics of the population, and the nature of the political system make any attempt to define the perfect “size” futile (World Bank 2003a).

Seeking the “size that fits” is at the core of any service delivery reform effort. Characteristics of different services—such as the degree of discretion in decision making and the intensity of transactions involved in the delivery process, the existence of economies of scale, and so on—make them better or worse suited for alternative delivery models (Pritchett and Woolcock 2002; World Bank 2003a). For example, as discussed above, it is much easier to create the conditions for a well-functioning competitive market for some services than for others (for example, cellular telephones compared to rural water systems). Similarly, some services (for example, vaccination) are much better suited for massive, standardized approaches than others that require much more customization (for example, the pedagogical aspects of schooling). An important aspect of the “fitting” involves disentangling the nature of different aspects or components of each service (for example, how easy it is to monitor results) to determine the most appropriate approach.

But service characteristics are just one element in the equation. Probably more important is the country context. Of course, countries differ along many different dimensions and any systematization of such differences runs the risk of oversimplifying complex realities. Nevertheless, based on the review of experiences presented in chapter 3, it is possible to identify four key dimensions that help characterize a country context and provide a useful orientation to the range of feasible reform options that policy makers face in seeking to alter the way specific services are being delivered to improve performance.

1. The first dimension is the state’s overall strength and formality. We have argued that there is a general tendency across the region for states to be weak in the sense of doing a poor job delivering key public goods and quality basic economic and social services. Naturally, there are differences between countries. State weakness is manifested in various ways but, for service delivery, the nature of the state bureaucracy (ranging from “dysfunctional” to “Weberian”) and the degree to which the rule of law is established (ranging from informality to different degrees of formality) appears to be critical (see, for example, Burki and Perry 1998). Chile, for example, is a country with a relatively well-functioning bureaucracy; significant parts of Brazilian’s bureaucracy work effectively despite high levels of clientelism in parts. Poorer countries such as Bolivia or Guatemala have much weaker and less rule-bound bureaucracies. The further away from having a “Weberian” bureaucracy a country (or a sector in a country) is, the less likely sophisticated public administration reforms seeking to establish performance orientation in the state are to succeed. Similarly, in countries where the rule of law is not well established, the enforcement of contracting out schemes is likely to be weak, and thus such approaches will be more vulnerable to abuse.

2. The second dimension is the prevailing type of political representation. We have argued that Latin American politics have historically been characterized by clientelism and corporatism, which have a direct negative impact on public sector service delivery systems and make it difficult to develop alternative delivery methods that may fit better changing realities and needs on the ground. Once again, there are differences among countries in the extent to which patronage and authoritarianism continue being the pattern by which politicians and citizens relate to each other, as well as in the
degree to which programmatic (idea-based) parties have replaced corporatist or populist movements. Efforts to reform intragovernmental compacts (for example, by establishing performance-based reward systems in the state) are likely to be captured by insiders in the presence of strong corporatist movements. Similarly, in highly clientelistic environments, schemes involving community-managed services may be highly vulnerable to manipulation and capture by local patrons. Many countries are in transition, especially at local levels: Colombia is traditionally highly clientelistic, but has experienced major changes in Bogotá, for example.

3. The degree of social and economic inequality is the third dimension. It is well known that Latin American countries experience high levels of income inequality relative to other parts of the world. It is also increasingly recognized that several countries in the region experience sharp, group-based social inequalities (particularly linked to race and ethnicity). High levels of social and economic inequality typically are reflected in large gaps in access to quality services and thus increase the cost of meeting the goal of ensuring minimum service levels for all. Social inequality and stratification are also likely to weaken the government’s ability to generate necessary consensus for service reforms that often involves tradeoffs in the short run. Managing inequality is particularly challenging where it is associated with group-based differences and social exclusion—as with indigenous groups in the Andes and parts of Mexico and Central America, and Afro groups in Brazil, Colombia, and Venezuela, and many in the Caribbean. Besides, societies stratified along ethnic and racial lines tend to be vulnerable to populist appeals of politicians who appeal to specific societal groups by providing them with selective private goods rather than public goods that benefit society as a whole (Keener and Kheman 2003). In a context of high social and economic inequality, an emphasis on choice and competition may yield further stratification unless the state is capable of enforcing strict quality regulations and/or subsidizing access to quality services by traditionally excluded groups.

The previous three dimensions are strongly interlinked in what has been characterized as the syndrome of “weak and unequal institutions” (De Ferranti et al. 2004), which affects a majority of LAC countries. These “structural” factors play out in various ways depending on historical trends.

4. Thus, a fourth dimension is the point of departure regarding how services are being delivered. The history of how specific services have been delivered matters to the extent that it creates constituencies for the status quo as well as ideological reference points for society’s conception of what are appropriate roles for different actors and thus influences the costs of a transition to a different approach. In particular, the historical pattern of state involvement in the delivery of specific services differs between countries (for example, countries with a strong tradition of publicly provided basic education versus others where private schools have historically represented a large share of the system) and with it the strength and attitudes of key stakeholders (including, of course, citizens as consumers of those services) to alternative reform approaches. Overall, path dependence plays a big role in defining feasible service delivery reforms: forces for inertia tend to be high.

Of course, it is the combination of these (and other) factors that together define country context and help determine which type of service delivery approach is most likely to succeed in improving results. As an illustration of how context matters, in table 4.1 we provide a simple set of criteria derived from our assessment of the Latin American experience. These are meant as illustrations of how to analyze country context in assessing prospects for specific service delivery reform approaches.

In a country where state bureaucracies operate broadly along Weberian lines and the rule of law is well established (most
likely, countries where patronage has weakened significantly as the primary form of political relationship), the choice between deepening reforms of public bureaucracies—seeking to make them more efficient and performance-oriented—and expanding alternative service delivery models involving nonstate actors will be highly dependent on the departure point. In sectors where there is a strong tradition of state presence, the costs of radically shifting approaches may be too high. In those cases a cost-benefit analysis is likely to support a strong push for results-based management (as is currently being tried in the case of Chile). This may need to be complemented by actions to open up the state to feedback and influence from clients or citizens, if no such tradition exists. For those sectors in which there is a tradition of private (for- or not-for-profit) participation in service delivery, a key factor to consider in selecting alternative delivery mechanisms is the degree of social and economic inequality. Choice and competition are likely to operate better either under conditions of low inequality or where there is the potential for developing means to ensure that poorer groups are not excluded from the widening possibilities. Under conditions of high inequality, stronger state involvement is required and, thus, contracting out using strong compensatory schemes may be a better alternative (for example, targeting publicly subsidized concessions to low-income areas as in the Bogotá school concessions program).

In the other extreme, in countries with dysfunctional state bureaucracies and where rule of law is limited, the set of choices available to policy makers is much more limited. In such settings, reforming public sector delivery systems is a long-term endeavor that will face major technical and political constraints. Ambitious efforts to modernize administrative systems are likely to go wasted in the face of weak civil service, and attempts to reform personnel practices are likely to generate strong resistance from those benefiting from the prevailing use of government jobs as instruments of political patronage. Thus, in these settings, administrative reforms are likely to be a long-term affair that will not bring major short-run service delivery benefits. It will often be necessary to complement such reforms with parallel efforts to enhance service delivery by nonstate actors. Limited rule of law is likely to be a serious constraint to the enforcement of contracts, unless contractors have very strong intrinsic motivations to deliver quality services to clients (as in the case of some faith-based NGOs, such as the noted example of Fe y Alegría schools). The choice between an approach that builds on community-managed services and one based on competition and choice as alternatives to public sector provision depends on social and political context. In these countries, the ability of governments is likely to be low to design and implement compensatory measures to address informational asymmetries and differences in purchasing power.

### Table 4.1 Fitting Approaches to Country Conditions

<table>
<thead>
<tr>
<th>State characteristics</th>
<th>Weberian bureaucracy and acceptable rule of law</th>
<th>Acceptable rule of law but weak bureaucracy</th>
<th>Weak bureaucracy and limited rule of law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong tradition of state presence in service delivery</td>
<td>Fruitful to try results-based management. Need for complementary actions to promote social accountability (and decentralization) in cases of authoritarian tradition and weak citizen participation.</td>
<td>Small-scale experimentation with results-based management (for example, an enclave) within overall long-term efforts at increasing pressures (demand) for reform at a larger scale. Decentralization is an option for large countries.</td>
<td>Very modest administrative reforms linked directly to client power initiatives (see below). Decentralization problematic as national standards will be hard to enforce.</td>
</tr>
<tr>
<td>Tradition of diversified service delivery</td>
<td>Low inequality; competition and choice.</td>
<td>Contracting out a good option as long as opposition from vested interests (political patrons and corporative interests) allows it.</td>
<td>Client power may be the only option in the short run. If inequality is high, community management may be less costly than choice/competition unless clientelism is pervasive.</td>
</tr>
</tbody>
</table>

Conclusions
Thus, under conditions of high inequality, community management schemes may be a better alternative (as, for example, in the case of EDUCO in El Salvador). On the other hand, when local level clientelism is pervasive, the danger that such schemes end up being captured by local patrons is significant, and thus competition among private providers may be the best option. Where the rule of law is weak, there are also greater risks of privatization being captured or corrupted—although the problem is that it is often precisely in these cases that public delivery is also weakest and most captured.

Naturally, there is a whole range of cases in between these two extremes. In table 4.1 we have identified a particular configuration characterized by an acceptable rule of law but weak bureaucracy—a configuration that may approximate the case of a large number of Latin American countries where strong traditions of clientelism and/or strong corporatist movements still have a large negative effect on the quality of state bureaucracies, even though rule of law has been strengthened over the last two decades. Unlike the case of countries with “Weberian” bureaucracies, the opportunities are much reduced for large-scale reforms seeking to improve service delivery by the state through the introduction of performance-based management, which suggests that smaller scale experimentation may be more appropriate. It is in these cases that the tension between short-term fixes and longer-term reforms may be the strongest. Unlike the case of countries where the rule of law is not yet established, there are likely to be opportunities to create “enclaves” or “islands of efficiency” that bypass the overall weak state bureaucracies (as illustrated by the experiences of various social funds). At the same time, as discussed above, unless those experiments have some built-in mechanisms through which experiments are, somehow, mainstreamed, the short-term impacts of innovations may be lost over time. The fact that the rule of law is more established suggests that there may be room to experiment with decentralization of service delivery responsibilities—possibly another way of bypassing some hard-to-reform state bureaucracies. The rule of law is also a supportive factor for contracting out service provision with non-state actors. This may be the most appropriate approach as long as opposition from vested interests is not strong enough to block it. This suggests that contracting out is likely to work better in countries in which patronage, if not completely eliminated, is in the process of being weakened.

In practice, though, the policy maker choice is constrained and conditioned by a multiplicity of factors, which we would find difficult to predict ex ante. Finding the “right approach” is both a political and a technocratic process. This is true both at the macro or national level, where there is growing evidence of the political complexity of service delivery reforms (Grindle and Mason 2004; Kaufman and Nelson 2004), and at the micro delivery point, where specific design choices interact with provider and client behaviors in often-complex ways. As Robinson (2003) has argued, the issue is much less the specific design choices or the new magic bullet (that quickly loses its shine) than the processes that generate policy adjustments to changing outcomes in response to societal and political pressures. This may take place at the national level or at local levels—under the conditions of substantive political and administrative decentralization that exist in Latin America. Paraphrasing Fox (2000, 2001), we can say “the challenge can be understood as a kind of political Feng Shui—the art of placing things in balanced relationship to one another.” That is why the process by which service delivery reforms are defined, designed, and implemented is so crucially important. In other words, identifying the “size that fits” country and sector circumstances is likely to require the participation and involvement of different voices in society. As Pritchett and Woolcock (2002) suggest, unlike some macroeconomic policies, service delivery reforms can hardly be managed by “ten smart people.” This may very likely involve more open and deliberative forms of governance than what is presently the case in most Latin American countries, with the consequent requirements in terms of institutions for consensus building and
conflict management. Of course, strategic incrementalism applies also in this area: there is scope for many partial changes and payoffs in different parts of the accountability structure that will often involve specific, partial forms of opening and deliberation, and that will support the broader shift in institutions.

But to be effective and avoid becoming a synonym for “chitchatting” debate, consensus building and deliberation need to be fed by rigorous analysis based on solid empirics. This reinforces the importance of robust and systematic evaluations, few of which are readily available, that feed the policy-making process in a timely fashion. In other words, strengthening the links between policy evaluation, debate, design, and implementation is fundamental to achieve a better process. That is, a learning from experience approach is needed. In this approach, policy design is the outcome of a dialogue among interested parties, and implementation is organized in ways that enable the elaboration of regular and solid policy evaluations, which frame and support further dialogue and debate.

The practice of “informed dialogue” (Reimers and McGinn 1997), whereby research-based knowledge is used to shape policy, requires a strong sensitivity to process and the engagement of all relevant stakeholders. Implementing such an approach would undoubtedly involve capabilities on the part of governmental and nongovernmental actors that, in most cases, do not yet exist. Fox (2001), for example, identifies a key role that civil society organizations can play in their advocacy work, by producing policy and program evaluations. He emphasizes both the capacity and organizational challenges of such an initiative and the large expected payoffs that would result from it. To the extent that such investments do materialize, the synergistic civil society or state relations discussed earlier could well develop in this area as well. Thus, a key way to support service delivery reforms is to strengthen the capacities of all relevant actors to participate effectively in policy evaluation and dialogue.

Furthermore, particularly given the increasing range of state and nongovern-
(state bureaucrats), and outside (international actors). The recent Latin American experience provides sufficient evidence that such leadership exists within and outside the state. Often it may have become ineffective by single-mindedly seeking to push a magic bullet solution to service delivery. Shouldn’t a “learning from experience approach” as advocated above help turn it into a more effective source of change? We humbly think so. We see processes of systematic exploration and evaluation, integrated within democratic debate, as key both for the “technical” design issues and for the broader process of empowering all citizens and making decision makers more accountable.