

Engaged or divorced?

Governments and non-state service providers

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In many countries non-state providers play a vital role in the delivery of basic services. Based on research in six countries, Richard Batley assesses how governments could work in partnership with non-state providers and promote better services for poor communities.

Governments in many countries are failing to provide adequate public services, particularly for poor communities. Some may recognise the importance of non-state providers to fill the gaps, and the need to collaborate in order to improve services, but are governments creating a supportive environment in which partnerships can succeed? To answer this question, researchers led by the University of Birmingham, UK, have examined a wide range of providers of healthcare, education, water and sanitation services in six countries ? Bangladesh, India, Malawi, Nigeria, Pakistan and South Africa.

Non-state providers of basic services, which include for-profit firms, local entrepreneurs, individual practitioners, community and faith-based organisations and NGOs, have a lot to offer. In the six countries covered by the research non-state providers of services to poor communities are important in all but South Africa, where the private sector serves a small, wealthy segment of the population.

In Nigeria and Malawi, Christian missions provide around 60% and 37% of healthcare services, respectively. Faith-based organisations run the majority of schools in Malawi. In the Asian countries the patterns are similar. Non-state providers predominate in the health sector. In the water and sanitation sector, they serve largely the poor and those living in areas beyond the reach of public systems, whereas in the health and education sectors they offer services to a broader range of consumers. In all countries except South Africa, non-state health and education services are used by the poor as well as the rich.

While the quality of services can vary considerably, it is wrong to assume that the poor choose to use non-state providers simply for want of access to public services. Surveys in Pakistan show that users are more satisfied with non-state healthcare, education and water supply systems than with public services. Also, in Nigeria many users prefer non-state health providers because they are often more convenient, more considerate and cheaper than state-run services.

The policy environment

Partnerships require, at a minimum, a policy environment that enables non-state providers to get established and function. Most governments have now formally adopted policies that endorse non-state service provision. Yet in practice there is frequently little support for such initiatives. Many non-state providers operate in an uncertain environment in which policies are frequently changed, or their legal position is unclear. Their relationship with government is frequently beset by ambivalence and mutual mistrust, built on histories of policy change and rivalry. Underlying this is a real struggle for 'territory' and for control over scarce financial resources.

In the six countries there have been many changes in the policy environment. Nigeria and Pakistan have seen the most drastic changes – from state takeover, through public service decline and the growth of private providers, to the advocacy of partnerships (see box, right). At the other extreme is South Africa, where post-apartheid governments have been largely successful in strengthening state-run public services, while also encouraging non-state providers to operate as an adjunct to the public sector in delivering services to the poor.

The following sections outline the ways in which governments in the six countries engage with the non-state sector in policy dialogue, in the development of regulatory frameworks, and in facilitating and contracting non-state service providers.

Policy dialogue

Donors, the World Bank and UN agencies have long advocated the need for partnerships between governments and non-state providers since they can play complementary roles in improving access to and the quality of services. Associated with this is formal 'policy dialogue' in which all stakeholders participate in the development of legislation, standards, regulatory and support systems. Donor-inspired policy instruments such as poverty reduction strategies, the Education for All agenda, and sector-wide approaches at national level have created frameworks for more open policy dialogue.

The country studies show that opportunities for formal dialogue have indeed increased. In practice, however, these new, more open encounters are often limited, in three ways. First, they tend to take place at the policy design stage rather than in continuous interactions during implementation. Second, the involvement of non-state providers in such dialogue is often restricted. Third, they typically include large NGOs with the capacity to represent themselves, or those acting as advocates for the rights of the poor. In many cases, large NGOs have taken advantage of donor processes to initiate dialogue and to lobby for influence. Some service providers have set up umbrella associations to represent their interests, but local-level community organisations and entrepreneurs are rarely, if ever, represented.

But even where the formal dialogue remains limited, it can be argued that the promise of partnership and of participation in policy formulation has contributed to a restructuring of the non-state sector's relations with government, excluding some but creating new levels of organisation among others. There are some positive cases of high-level policy dialogue and national consultation processes, but these are exceptions. There is little evidence that high-level planning has influenced the implementation of policy on the ground.

Regulatory frameworks

Regulation provides the basis on which non-state service providers are prohibited, permitted or encouraged to operate. Broadly, there are two sorts of regulation: those that seek to suppress non-state activities, and those that promote more efficient operations. The research found a complex reality. Governments may argue for partnership while deploying regulations that are suppressive, yet those regulations are rarely actually applied. This creates a realm of uncertainty in which non-state providers operate without security or incentives to invest.

Systems for monitoring and controlling the quality of performance of service providers are largely absent in all the countries surveyed, except South Africa. More common are entry standards that restrict formal permission to operate, and therefore also access to markets, subsidies and donor funding. But they rarely set a practicable basis for assessing operational performance. Those non-state providers that are approved are then able to operate without regard to the quality of their services, while the unapproved continue to operate in any case. However, the case studies did find some positive cases of government regulation, and some effective alternatives to it, including external accreditation, franchising and community control.

Facilitating non-state providers

There are few examples of government support for non-state providers through, for example, finance, training, technical advice, or mobilisation of communities. Where such facilitation does function effectively it is often funded by donors, and operated not by governments but by large NGOs. This is not surprising, given that most non-state providers operate in spite of or in the absence of government.

While undertaking this study, the researchers met widespread puzzlement on both sides at the idea that government might facilitate the development of the non-state sector. Non-state providers tend to regard governments with distrust and scepticism, while governments usually feel that any available funding or support should go to state-run services.

In numerous cases where donor support has been channelled through the government to NGOs or community organisations, resentment has grown on both sides. State agencies resent being obliged to part with the funds, while the recipient organisations fear that the funds are being badly managed or at risk of being diverted. Nevertheless, there are some cases where government support has helped non-state providers to deliver services to poor communities, without donors taking the lead. In Malawi, for example, the government has maintained a relationship of mutual support with the Christian mission hospitals.

Overall, however, the evidence from the six country studies indicates that large NGOs are better able than government to support service provision at the local level, especially where this involves

community contributions to the construction or management of facilities. Some NGOs have been able to build up long-term relationships of trust with communities. Donors have often chosen to fund services through NGOs following bad experiences with funding through government. In the Asian countries, large national NGOs often act as mediators between donors or government and communities by working through affiliated local organisations, or have piloted forms of service delivery that have then been adopted and replicated by government (see box 'NGOs as mediators').

Contracting non-state providers

In all countries, the types of contracts or agreements that are relevant to all service sectors range from loose to tight, from hierarchical to collaborative, in which the non-state provider may be financially autonomous or dependent. Once again, positive experiences are rather scarce.

- *Loose but hierarchical arrangements*, where the government contracts a non-state provider under unclear terms. These have sometimes led to cheaper, improved services, but without adequate oversight.
- *Loose, collaborative agreements*, where the roles of the government and non-state providers are supposedly complementary, but their obligations are unclear. These tend to engender mistrust and instability in service provision.
- *Tight contractual agreements*, which formalise the obligations and responsibilities of government and other providers. These can work if there is mutual trust between the partners, and sufficient monitoring capacity.
- *Collaborative partnerships*, where the government and non-state providers are equal partners, with clearly assigned roles, and make separately funded contributions to service provision. These may take the form of joint ventures, based on formal agreements (a memorandum of understanding or contract) between organisations, or co-production arrangements, based on informal agreements between service providers and communities. Such partnerships are most likely to be sustainable, since they can be scaled up and replicated by additional collaborative partnerships, rather than creating new organisations.

Improving collaboration

Relying on non-state providers of basic services is often a fact of life for people in developing countries, both poor and not so poor. In some respects, donors' concerns about 'scaling-up' seem a little off-track. Non-state providers already fill much of the gap in terms of the quantity, if not the quality, of services. Until governments can provide more comprehensive and better public services, what needs to be improved is the level of collaboration between them and other providers.

It is not enough for donors to seek policy statements from governments indicating their readiness to collaborate with the non-state sector. Such statements are easy to make. In practice, formal dialogue typically involves large NGOs at the level of policy design. The direct providers of services to the poor – community organisations, small NGOs and entrepreneurs – are usually

excluded. What is missing is effective engagement between governments and the non-state sector at the operational level. It is at this level that the history of distrust and rivalry usually frustrates policy intent.

While there are cases of effective (pro-service) regulation by government, the general lessons are that it can only work where regulators have adequate information, the capacity to enforce standards, and no incentive to suppress non-state providers, and where providers have incentives to comply. Regulation is desirable only when it is slimmed down and redirected from controlling service inputs to monitoring and supporting the quality of outputs. Efforts to raise awareness and improve the capacity to regulate in this positive sense are essential. Alternatives to government regulation, particularly where capacity and understanding are limited, include external accreditation, contracted out regulation, offering local service franchises to NGOs and private firms with a reputation to defend, and community monitoring.

Governments can create a facilitating environment for non-state providers at a very broad level by providing stable legal frameworks and access to subsidies. But when it comes to working with communities and reacting sensitively to local realities, the more likely model is of large NGOs mediating between government/donors and local NGOs/community organisations, and offering technical support to the latter.

Tight contractual arrangements between government and non-state providers present challenges to government's capacity for contract design and implementation. They also tend to rule out the local and informal providers that are often most important to poor communities. On the other hand, over-loose partnerships create confusion and conflict about roles and responsibilities. Collaborative partnerships ? joint ventures involving government and non-state providers, and co-production agreements between providers and users ? present the possibility of clearly stating the roles of the partners without subordinating one to the other. They would allow the scaling-up of organised service provision, not by creating new organisations, but by developing replicable models of effective collaboration.

Links

[Bangladesh Rural Advancement Committee \(BRAC\)](#)

[Community Information, Empowerment and Transparency \(CIET\)](#)

[Development Research Centre on Citizenship, Participation and Accountability](#)

[Eldis, Non-state providers and education](#)

[Governance and Social Development Resource Centre, Service delivery](#)

[Self-Employed Women's Association \(SEWA\), Vimo SEWA insurance](#)

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