

Institutional Options for Local Rural Infrastructure Services

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What Rural Infrastructure Services?

- Roads and footpaths
- Water supply and sanitation
- Irrigation and drainage
- Energy
- Telecommunications

What Institutional Options?

- Deconcentrated sectoral ministries?
 - Local governments?
 - Local communities?
 - Commercial private sector?
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- And what are the roles of each group – leading or supporting – in each option?

Two Basic Characteristics of All Goods and Services

- **Excludability:**
 - The ability of suppliers of a good or service to exclude from consumption those who are not willing to pay for it
 - High excludability makes markets possible.
 - Low excludability makes markets difficult, because of free-rider problems.
- **Rivalry:**
 - The extent to which one person's use or consumption of a good or service reduces its availability to other people.
 - High rivalry implies individual consumption
 - Low rivalry permits joint consumption.

A simple taxonomy

Excludability

High

Low

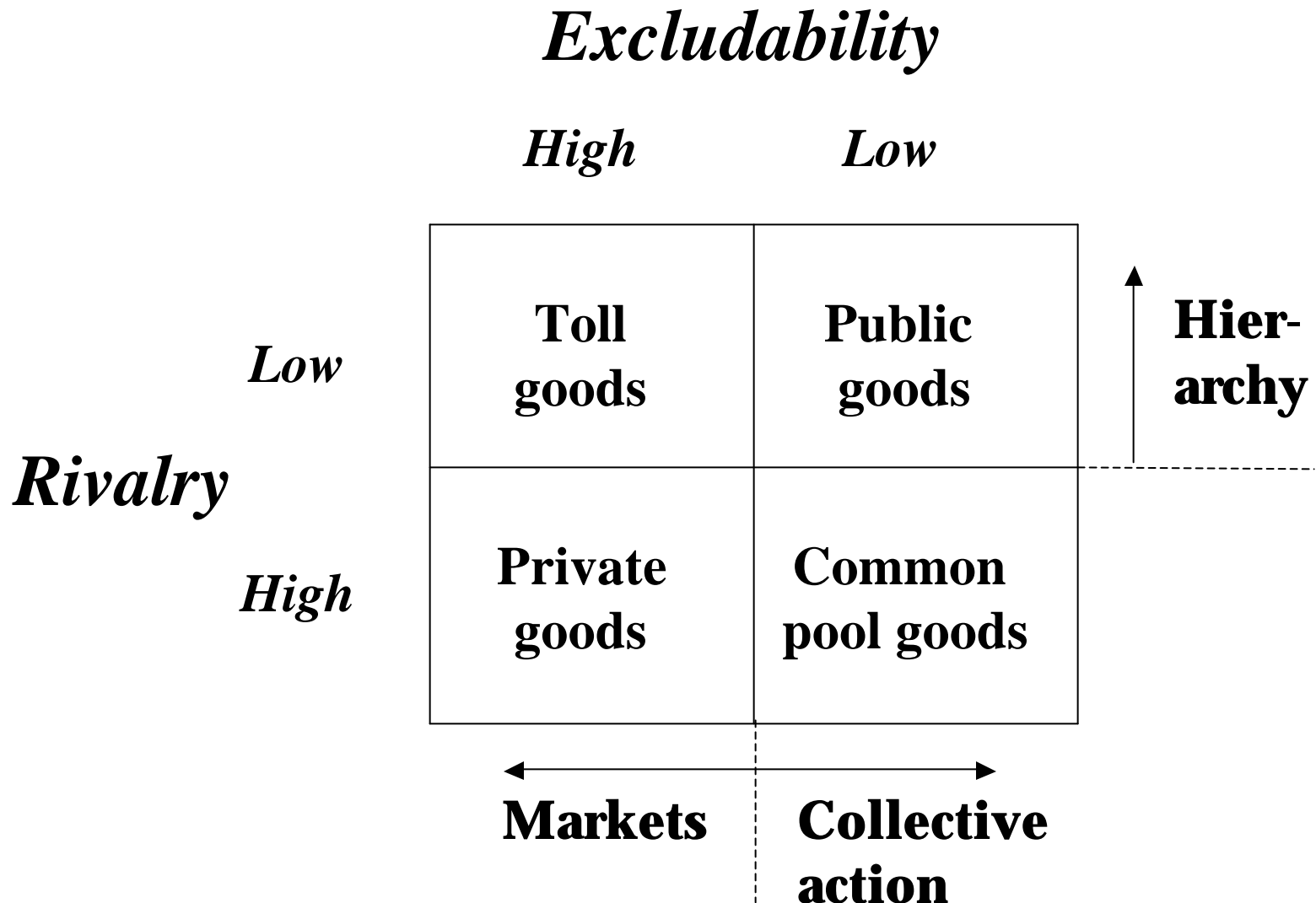
<i>Low</i>	Toll goods	Public goods
<i>High</i>	Private goods	Common pool goods

Rivalry

Three Basic Coordination Mechanisms

- **Markets:**
 - Coordination by **exchange**
 - Voluntary, **one-on-one** exchange between two parties
- **Hierarchy:**
 - Coordination by **command and control**
 - Authority flowing, **one on many**, from the top to the bottom of successive levels of hierarchy
- **Collective action:**
 - Coordination by **common interest**
 - A group of people, **many on many**, acting together in pursuit of a common interest

Goods and coordination mechanisms



Additional Characteristics of Goods and Services

- **Reach of public benefits: Local, national, global**
 - Roads and footpaths, and water and sanitation are generally local public goods => Local governments
 - Irrigation and drainage are local common pool goods => Local communities, such as water-users associations
- **Networks**
 - That local public goods are part of a national network requires coordination with the center and with other localities.
- **Minimum efficient scale of production**
 - For electric power and telecommunications, these are generally beyond the scale of rural localities (towns and villages)
- **Political context**
 - Large vs. small countries, federal vs. unitary states
 - Strong vs. weak national frameworks for decentralization

Infrastructure goods and services

- Rail, port and airport facilities
- Bus transport
- Electricity transmission
- Street lighting
- Telecommunications
- Land titles
- Ground water
- Surface water
- Piped water supply
- Piped sewerage systems
- Tertiary water supply & sanitation systems
- Solid waste collection
- Rural roads
- Urban roads
- Sidewalks, footpaths
- Community centers, parks

Public	Pri- vate	Toll	Common Pool

Decentralization Option for Rural Roads and Rural Water Supply

- **Local governments** in the driver's seat,
- In collaboration with **local communities**,
- Supported by **central government agencies**, and
- Contracting certain activities to the **commercial private sector**

Like any other arrangement, decentralization must be institutionalized in order to be effective

- For each local service – roads, water, etc. –
- Specific institution(s) must be established
- That create the right incentives
- For the actors in the system
- To deliver the services
- In ways that are efficient, sustainable, transparent, and accountable

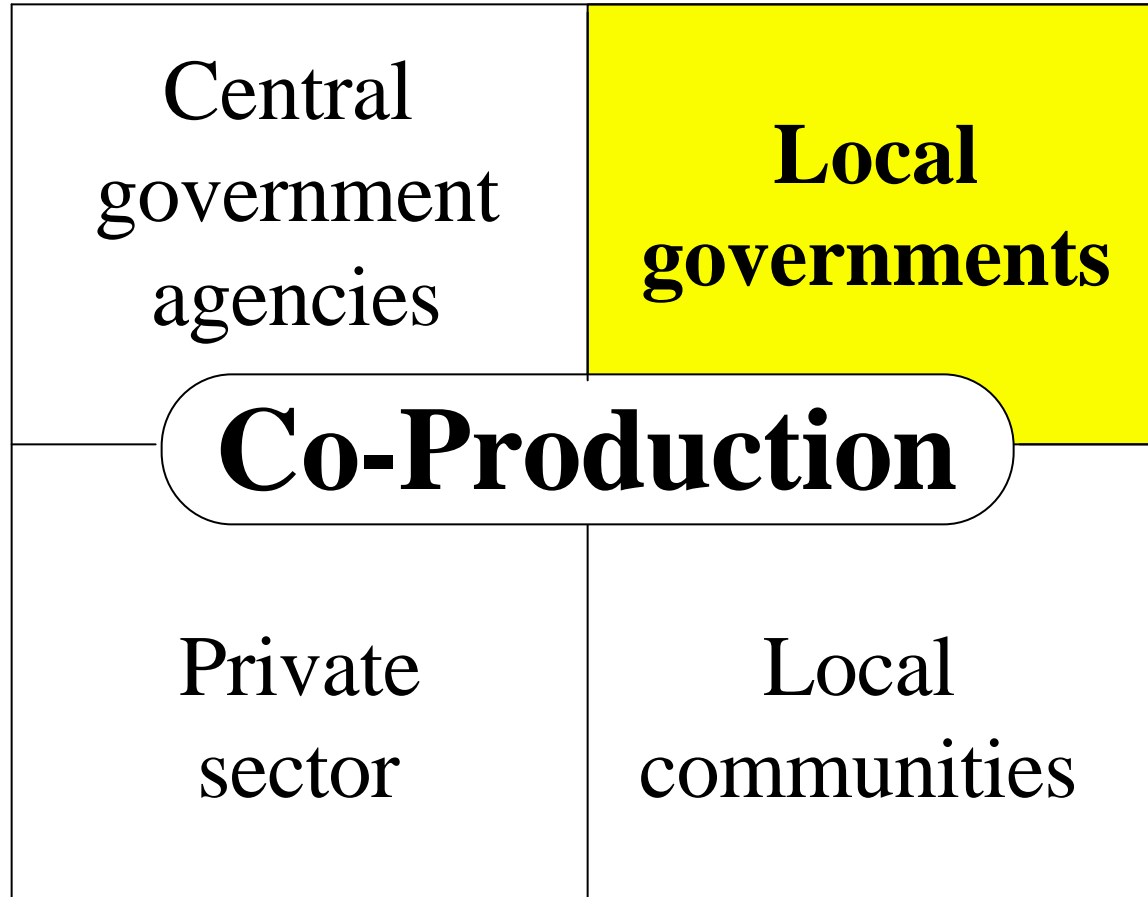
Two Key Institutional Challenges

1. National framework for decentralization:

- a. Administrative => deconcentration
- b. Political => devolution
- c. Fiscal => full decentralization

2. Service-level institutional arrangements in relation to each service – generally characterized by co-production (or co-management):

- The joint production (or management) of a particular good (or resource) by two or more different types of organizations in order to benefit from the comparative advantage of each



Central government agencies

- Nation-wide coordination
- Building capacity
 - Especially of local governments (both political representatives and administrators)
- Administering financial transfers
- Establishing and enforcing realistic standards.

Local governments

- Make “**provision**” decisions
 - Deciding the scale and quality of investments and services
 - Arranging financing and production
 - Monitor production and use.
 - Often referred to as “funding” or “financing”
- Consider contracting “**production**” activities to NGOs or the private sector
 - Transforming inputs into outputs
 - E.g. Maintaining a local road or footpath
 - E.g. Constructing a village water supply system
 - Often referred to as “delivery”

Local communities

- Articulate demand
- Ensure transparency
- Exercise accountability with respect to local governments (and central agencies and the private sector)
- May be involved in the delivery of services

Commercial private sector

- Engage in “**production**” activities
 - Construction
 - Maintenance
 - Service delivery