

**'Organisations that Reach the Poor:
Why Co-production Matters'**

by

**Anuradha Joshi and Mick Moore
Institute of Development Studies (IDS)
University of Sussex, Brighton**

October 2002

Prepared and Presented at the

**'Making Services Work for Poor People'
World Development Report (WDR) 2003/04 Workshop
held at Eynsham Hall, Oxford**

4-5 November 2002

Organisations that Reach the Poor: Why Co-production Matters¹

by

Anuradha Joshi and Mick Moore

The Institute of Development Studies

October 2002

Paper for the DFID-World Bank Workshop on
World Development Report 2004 'Making Services Work for Poor People'
Eynsham Hall, Oxfordshire 4 –5 November 2002-10-11

(This paper is disgracefully long for the purposes of this meeting. The first half is devoted to a set of conceptual and theoretical issues that we believe to be essential to the case we are making in the paper, but nevertheless may not appeal to some of the people attending this workshop. They will not be disadvantaged if they read only the Summary and Sections 4 to 7.)

Contents:

Summary

1. Thinking about Organisation: The Rationalist Tradition
2. Alternatives?
3. Towards a Conceptual Framework
4. Taking Co-production Seriously
5. The Logistical Drivers of Co-production
6. The Political Drivers of Co-production
7. Concluding Comments

¹ Thanks to Sarah Lister for comments on an earlier draft.

Summary: It is useful to distinguish two distinct ways of thinking about organisations. The mainstream tradition, that we label *rationalist*, is founded on a perception of the advantages of the division of labour. From a prescriptive perspective, organisations are perceived to work better when: (a) roles and responsibilities are allocated more precisely between units and individuals (b) boundaries between organisational units and between public and private spheres are more clearly drawn; and (c) the mechanisms to coordinate separate units (hierarchies, law, markets) are enhanced. From an analytical perspective, these processes of continual expansion of the division of labour are seen as the motors of historical progress. The rationalist tradition is historically accurate, at a high level of generalisation. It provides a coherent intellectual basis on which we can build universalistic theories or models of public organisation. However, it is not the only possible way of understanding how to organize public services. Further, the policy prescriptions that derive from the rationalist tradition generally require states with a high level of competence and regulatory capacity, to create useful divisions of labour and to install and maintain appropriate coordinating mechanisms. Any approach to service provision in poor countries that built dominantly on the rationalist tradition would be impractical. An alternative starting point is the second, *empiricist*, tradition. This focuses on what works, and why, in the actual environments facing public organisations in poor countries. This tradition leads to a great deal of locally-specific insight and policy guidance. It is however eclectic almost by definition, and does not easily translate into general or a consistent intellectual challenge – and supplement - to the rationalist tradition. We can make the empiricist tradition more coherent by exploring, in terms of the concept of *co-production*, a pattern of organisational arrangements for the delivery of public services widely found in poor countries that goes against rationalist predictions. Co-production is defined as: the provision of public services (broadly defined, to include regulation) through an institutionalised, long term relationship between state agencies and organised groups of citizens, where both make substantial resource contributions. We explain some varieties of co-production arrangements, and explore why they are relatively so widespread in poor countries. By using the concept of co-production to help bring into sharper focus the complex organisational realities of existing patterns service delivery in poor countries, one might contribute to two important objectives. The first is to help nail the myth that the current reality is of service provision dominantly through (failing), monopolistic, large-scale, centralised, public sector organisations, and the consequent notion that reform should be driven mainly by the need is to find (decentralized, ‘un-bundled’, privatised, participatory) alternatives. The second is to focus thinking more systematically on the potentials of what already exists in poor countries.

1. Thinking about Organisation: The Rationalist Tradition

There are two sets of inspiration for this paper. One – the practical realities of service delivery on the ground in poor countries – provides most of the construction materials for the archway we are attempting to build. The other – Michael Piore’s brilliant 1996 review of the *Handbook of Economic Sociology* (1996) – supplies the key-stone to the arch.² Let us start here, at the top of the arch.

Piore was trying to explain why the very rich tradition of thinking about economic organisation has not produced any very satisfactory or comprehensive understanding of how economies and economic organisations can work, or could be made to work better. Specifically, he was addressing the question of why, despite their frequent intellectual incoherence and vaguely mystical flavour, so many contemporary management fads – Zen-like notions of *post-modern management* or *thriving on chaos* – appeared to have something useful and practical to say to business managers. Let us quote him at length to get the full flavour of his argument:

“How did these theories go wrong? What do their failings indicate about an historical approach to economic analysis more broadly? The structure of the argument and the relationship to conventional economic analysis is easiest to see in Marx. There, technology provides the independent thrust and virtually every other aspect of the system is derivative of it. The technological development which he foresaw is essentially the playing out of the *division of labour*, first into a set of separate specialities which have their own logic and intellectual cohesion, and subsequently into much narrower, and extremely specific tasks, which derive their significance only from the larger whole in which they are embedded. Technology is driven in this direction by competition and the pressure which it generates for increased profitability and efficiency. Exactly why increased efficiency should lie in this direction is not altogether clear in Marx. One can in fact construct several, somewhat different theories out of his text. But the basic point was until recently not seriously questioned by other analysts. The same essential view can be found before Marx in Adam Smith and after him in Henry Ford and Frederick Taylor and his disciples. It is closely related to the more conventional economic notion of comparative advantage and to the somewhat vague views about rationality and rationalization to which both Schumpeter and Weber pinned their ideas about the historical trajectory of capitalism.

Much of the new managerial literature which is promoting the movement away from bureaucracy has a vaguely mystical flavour. Thus Ijuriko Nonaka traces the Japanese antecedents of the new managerial approaches to the Asian capacity for ‘nonlinear thinking’ typified by Zen, and the new managerial texts in the west carry titles like *Post-Modern Management* and *Managing Chaos*. The ultimate question is thus whether anything can be made out of this retreat from rationality in terms of scholarship and research.

But the rationalist understanding of the contemporary managerial revolution is that the notion of the division of labor into separate spheres of enquiry and activity neglects the second problem of the reintegration of the parts to form a whole. The problem of reintegration is one much less discussed in the literature than the division of labor itself. In conventional economics, one could argue, we convert the problem of integration into one of coordination, a problem which is solved by the price system. In this sense, the division of labor and the problems it poses for social organization is what economics is all about. An alternative possibility – and equally rational moreover – is that integration is not just a cost of specialization but is itself a creative act producing a benefit in its own right. The whole which emerges from the reintegration of the parts may, in other words, be different from, and in some way more valuable to the economy, than the whole out of which the separate parts were originally formed. The old structures of economic and social organization, this view suggests, privileged one form of creativity; the new structures privilege the other.

This view is destructive not simply of the historical theories of Marx, Schumpeter, and Weber. Parson’s social system, and the parallel structure of his conception of the social sciences, also rests upon the notion of the division of labor” (Piore, 1996: 746-7).

Some careful reflection and a good overall grasp of the history of social thought are required before one can see the full implications of Piore’s insights. This is not the place for that reflection. We move directly to the implications for ways

of thinking about practical issues of delivery of public services in poor countries. What we get first from Piore is the notion that there is a dominant social science tradition of thinking about organisation-in-general – not just economic organisation – that:

- Privileges the notion of the (*increasing*) *division of labour* as the motor of social and economic progress, both in the grand historical sense of the term and from the perspective of shorter term, instrumental concerns with increasing efficiency or productivity.
- Correspondingly, values the correlates of the division of labour over their opposites: *specialisation* and *differentiation* rather than the combination of functions and activities within one role, office, organisation or post; *clear boundaries* between roles, offices, organisations or posts (and between public and private); *clear definitions* of relative duties, responsibilities and rights; and interaction between individual agents on the basis of *simplex* (single-stranded) rather than multiplex relationships between them.
- Prefers to tackle what Piore terms the *reintegration* problem – tackling the fragmenting consequences of the division of labour – not by restraining the division process but by finding overarching coordination mechanisms: the price system in the case of market transactions, hierarchy in the case of bureaucracy; and the law more generally.
- To a very high degree conflates prescriptions about how the world ought to be organised with analytic propositions about how it is organised, and the concepts we can best use to understand it.

As Piore says, there is nothing uniquely rational about this perspective or organisations. The division of labour generates problems as well as benefits, and may often be dysfunctional. We will nevertheless label this tradition as *rationalist*, because it is intimately associated with models and methods of social science analysis that are rationalist in the sense that they place great weight on, and depend heavily upon (a) the assumption of rational actor motivation (whether or not narrowly self-interested motivation) and (b) the underlying notion that it is in some sense realistic and useful to model the world as if it were composed of different categories of actors whose resources, constraints and motivations are largely shaped by their place in a division of labour. Game theoretic analyses of the advertising strategies of oligopolistic tobacco companies, economic analyses the effect of schooling on life-time earnings, public choice analyses of tax policy decisions, or principal-agent analysis of the ways in which lawyers treat their clients - all are based on this model of rational actors playing roles and pursuing objectives defined by a division of labour.

Piore deals mainly with economic organisation. But rationalist assumptions have very much shaped our thinking about public sector organisation, and have indeed become more influential recently. True that Max Weber is often criticised today for allegedly not perceiving the extent to which public servants would actually be motivated by individual self-interest in the ways in which they exercised public authority. But Weber - and the corpus of conventional thinking about public organisation that often bears his name - was well aware of issues of material motivation. He believed that it was precisely because public institutions were necessary for organising the market that they could not be driven by the same private individualistic motivations as the market. His emphasis on lifetime careers and on meritocratic promotion was a way of trying to align the public interest and the interests of individual public servants in the long term. For the time that he wrote, Weber was the arch-exponent of the principles of rationalism and the division of labour in public organisation. That is the whole burden of his contribution: the separation of public administration from society and politics (the need rigidly to separate public office from private interests; the specialised career public servant; public

² We are grateful to Judith Tandler for drawing our attention to this article.

administration as a continuous and distinct activity with its own rules and norms); the careful division of labour within the public service (clear assignment of duties to hierarchically-ordered posts); and the achievement of overall integration through the responsibility of the public service to the political executive. It is only because later generations have (critically) focused on one element in his image of modern bureaucracy – his faith in the combined value of hierarchy and the bureaucrats’ sense of duty as mechanisms to elicit good work performance – that one might be tempted to see Weber as diverging from what we have labelled the rationalist tradition. Weber was in fact fully within, and a major contributor to, the mainstream *rationalist* school of thought, as signalled by his own emphasis on some opaque concept of *rationalisation* as the driving force behind social change.

The recent New Public Management doctrine represents, in broad perspective, not some radical challenge to Weberian images of public organisation, but the incorporation into them of a few ‘market values’ – more emphasis on performance incentives at all levels.³ As many specialists have pointed out, this greater focus on performance incentives actually requires the deeper institutionalisation of the rationalist or division-of-labour principles. If individuals or organisational units are to be rewarded more for performance, then more resources need to be allocated first to actually assessing performance. This implies in turn implies (a) more narrow and precise specification of the duties and responsibilities of individuals and units and (b) the ‘unbundling’ of organisations into smaller and more discrete units, each with a more precise range of responsibilities. The irony is evident many observers: the New Public Management, that was originally promoted as a radical alternative to Weberianism (‘traditional centralised bureaucracy’), inescapably involves an intensification of the division of labour among and within the organisations – public or private – that provide public services.

2. Alternatives?

Is there then a realistic alternative to the rationalist tradition in thinking about public service provision? On the face of it, no. We do not have alternative theories with the intellectual power and scope of rationalism with a core set of principles that have historical validation and generally universal application. For general prescription, there is no real challenger to some variant of the rationalist tradition. Regardless of any reservations we might have about the (internally somewhat contradictory) injunctions of the New Public Management, we tend to stay with rationalist notions - the division of the public from the private; clear assignments of responsibility etc. – if asked to provide general prescriptions for the world.

The same is true if we are asked an analytical rather than a normative question: What are the best intellectual tools generally available to understand how public organisations actually function? Ask that question about a particular section of the Post Office in Brazil, and a knowledgeable specialist might give all kinds of very useful answers tailored to that circumstance, and to some degree influenced by all the diverse, useful segments of organisation theory that go

³ For a good summary of the ideas behind the New Public Management see Hood (1991). For some discussion of its relevance to developing countries, see McCourt and Minogue (2001) and Minogue, et al., (1998).

beyond the rationalist model.⁴ But ask the question in the abstract, and we tend to fall back on very rationalist analytic models like *principal-agent theory*: a way of thinking about inter-organisational relationships that focuses on three sequential issues: (a) the fact that operatives (‘agents’) often have much more knowledge about how a task could or is being accomplished than the people who commission or supervise them (‘principals’); (b) the possibility that agents will use this superior knowledge in some way to cheat or defraud their principals; and (c) ways of designing contracts or institutional relations between principals and agents that minimise cheating on the part of agents.. Most organisation theorists agree that principal-agent theory (a) is useful as a way of drawing attention to a particular set of potential problems in organisations; (b) has not to date proved to be a very useful ‘scientific’ tool, i.e. has not generated many robust actual research findings or policy prescriptions; (c) is very clearly biased in the sense that it focuses on the problem of how to minimise cheating or opportunism on the part of agents (including public servants), and cannot begin to address issues of why agents often err on the side of good, committed work performance despite difficult work environments; and (d) can therefore at best constitute one among an array of analytical tools to understand organisations.⁵ This modest record does not prevent recurrent attempts to promote principal-agent theory as the key analytic tool to understand public organisation. Part of the reason lies no doubt in its attractiveness to economists and to ideologists who really believe public organisations to be sinks of self-interested behaviour. But part of it too is the fact that principal-agent analysis fits with rationalist notions of organisation, and has a claim to universalism that is rivalled only by more extreme, doctrinally-driven propositions about the essentially corrupt nature of public service.⁶

We have given the ‘no’ part of the answer to our question of whether there is a realistic alternative to the rationalist tradition in thinking about public service provision. The more we are thinking in broad and universal terms, and the longer our time scale, the more likely is it that ‘no’ is the valid answer. But there is a ‘yes’ answer also. If we start from observations about how public services are organised we could find alternative frameworks that better fit empirical reality. The more we are dealing with specific cases, over a time span of years rather than decades, the more likely are we to find alternatives that are appealing and useful. This alternative way of thinking about public organization we label *empiricism* (pragmatism, a focus on what works in particular circumstances, etc.). The tension between general principles or theory and empiricism or pragmatism has always been especially strong in discussions about organisation, both in practical debates about how

⁴ For example, our specialist might diagnose: perceived deep inequities in remuneration among different categories of staff; a dysfunctional budgeting system; rent-seeking trades unions; contradictory and intrusive political interference; a mismatch between allocations of authority and responsibility; an organisational system that is too standardised among units performing very different roles, etc.

⁵ Good critiques of principal agent theory include Bohren (1998) and DiIulio (1994). All too often, the use of the principal-agent framework generates, at best, a partial restatement of things that we already believe in a different language. A good example is a recent book reporting on an extensive study of development aid in a principal-agent framework. Even the editor’s introduction concludes that “This book has many shortcomings, the principal one being that it proves nothing” Martens (2002: 30).

⁶ For example, Tullock (1965).

organisations should be structured and managed, and in academic debates about the analytic tools best used to understand them.

Empiricism is more an attitude or a behaviour than a theory. It is essentially a matter of where one begins to think about things. Its defining feature is strong preference for beginning with empirical (i.e. situation specific) data and understandings. This scepticism about general principles or theory, does not mean that empiricists are devoid either of general concepts or of some fairly broad ('middle range') policy propositions. One of the more significant achievements in recent years of empiricists researching organisational performance in poor countries has been to document and explain the extent to which, even in generally difficult environments, some organisations (or networks of organisations) do perform well because of specific local constellations of factors, often labelled as 'organisational culture' or 'human relations', that lead public servants positively engage with and value their work, identify with their organisation or its mission, and develop trust in other significant actors.⁷ The empiricists' open-mindedness and responsiveness to local evidence about the factors that explain public sector performance in specific circumstances differs from the rationalist approach. Whether dealing with policy issues like public sector reform or research questions like accounting for exceptional organisational performance, rationalists operate more deductively. They begin with a limited range of assumptions about the factors likely to be significant in explaining organisational performance, and a narrow menu of reform options.

3. Towards a Conceptual Framework

The distinction between empiricist (inductive) and rationalist (deductive) approaches to knowledge is as old as the hills. We are not suggesting giving up the rationalist for an empiricist approach--: the only real way forward is by mixing bits of both approaches in an iterative fashion. We raise the distinction here because in attempting to develop general principles to public service delivery in poor countries, there is a danger that the rationalist tradition will dominate to an inefficient degree. There are two reasons for this. The first we have already outlined above: only the rationalist approach is based on general or universal assumptions, approaches to analysis, and policy directions. Because the empiricist approach is grounded mainly in *exceptionalism* and *localism* – i.e. on arguments about what is special to particular circumstances, and why general expectations do not apply in specific cases – it is hardly the material from which one can begin to develop a convincing, action-oriented universal strategy for the provision of public services.. The second reason why the rationalist approach might dominate at this moment is that it appears to be powerfully

⁷ The primary contributor to this literature is Judith Tandler (1997). See also Merilee Grindle (1997). There are in addition other bits of organisation theory that furnish concepts, hypotheses or propositions that have proved useful in many contexts – general systems theories, resource dependence approaches, organisational network theories, and more symbolic-interpretative theories.

backed by recent experience of public sector reform in the OECD countries. The specialists are still arguing about the extent to which the New Public Management (NPM) actually has been introduced or has been successful in OECD countries. There is particular controversy over the desirability of some of the more 'extreme' components of the NPM menu: e.g. contracting out of public service delivery to private firms; rewarding public employees to a much greater extent by assessed performance in the short-term; and eroding of the boundaries between the public sector and private enterprise by encouraging extensive personnel movements between them. All those kinds of measures have clear disadvantages as well as advantages. But it is very hard to dispute the following two propositions;

- There has been a general shift - especially evident in OECD countries but also widely found elsewhere in recent years – toward an intensification of Piore's 'division-of-labour' principles within the public service. Above all, there has been a general trend toward (a) what is often termed 'unbundling' (specialisation, tighter role definition) by giving more organisational autonomy to operational agencies charged with specific tasks, and separating policymaking and financing organisations from service delivery organisations; (b) defining more clearly the responsibilities of public agencies, measuring their performance in a quantitative way, and explicitly – and sometimes publicly – comparing their relative efficiencies; and (c) putting the relationship between policy-cum-financing and service delivery organisations (whether public, NGO or private commercial) on a more explicit, contractual basis. These kinds of reforms go under a variety of names, including for example Results Based Management (Canada), but have a common core.
- While a variety of political and other factors affect the ways in which these reforms are introduced in specific circumstances, it is becoming increasingly clear that they are very substantially driven by technological change. Over the past two decades, new information and communication technologies have made it more feasible to further the division of labour in organisations generally. It has become much more possible, more speedy and much less costly to collect, analyse, compare and disseminate information on costs of organisational activity, performance, and the relative advantages of alternative arrangements. Electronic media make it easier for separate organisations to work closely together. Geographical and organisational distance are not such obstacles to operational integration that they used to be.

In sum, new technology favours extending the division of labour within public organisations. If one avoids the more doctrinaire components of the (now somewhat dated New Public Management), the rationalist approach to public service delivery appears to have the wind of recent history in its sails. It is likely, for example, that most public education systems will move in the directions of (a) 'un-bundling' (for example, by giving individual school managements more operational authority, and relying on the private sector more for ancillary activities like provision of text books and other teaching materials) and (b) achieving coordination more through regulation of the core curriculum, examinations, and teacher certification.

But, in relation to the coordination (or regulation) issue, there is a little black cloud on the horizon. We do need to ensure that the now more separated parts the system are, as Piore put it, 'reintegrated' to form a whole? There have to be adequate mechanisms to ensure that quantitative performance assessments are conducted competently and honestly, that contracts for public service delivery are negotiated and assigned transparently and fairly, that staff recruited from the private sector do not continue to work covertly in the interests of their former employees, etc. the problem is that

We are not attempting to deny the value of much of this work. It simply does not have the power and scope of the rationalist tradition.

effective regulation implies a level of governance capacity that is simply not available in many countries. In some parts of the world, our little black cloud turns into a tropical storm. While poor countries clearly can benefit from adopting elements of the kinds of reforms that have extended the division of labour in the public sector in OECD countries in recent years, there are serious potential obstacles to the success of those reforms in poor countries. We cannot reasonably take the view that the rationalist perspective provides such an appealing path to reform that we can abandon the search for alternatives.

Fortunately, there are some good recent precedents for our search for alternative organisational paradigms that will challenge and complement – rather than replace – mainstream rationalism. One is found in the concept of ‘flexible specialisation’, that generated so much interest in the domain of industrial organisation in the 1980s (Piore and Sabel, 1994). The flexible specialisation paradigm distilled a set of characteristics of successful, dynamic industrial clusters found in Southern Germany, Austria, and what was then termed the ‘Third Italy’. They included: closer, long term relations and collaboration between both producers and suppliers and producers and customers; clusters that fostered innovation through cooperation as well as competition, greater ‘integration’ of employees into the organisation, including long-term or lifetime employment, an emphasis on training and skills upgrading, greater emphasis on team rather than individuals in assigning and evaluating performance, and more flexible use of individual employees in different roles on a daily basis; and more internal autonomy for individuals, units or managers on the means used to achieve objectives. Flexible specialisation was contrasted with ‘Fordism’ - a nexus of organisational features rooted in the division of labour similar to those that we associate with the rationalist tradition, but with specific emphasis on standardisation and hierarchy. From the perspective of this paper, one can interpret flexible specialisation as a reversal of division-of-labour principles, that unearthed real value in blurring and softening (a) the intra-organisational boundaries and roles that had hitherto been ‘policed’ by hierarchy and standardisation, and (b) the inter-organisational boundaries, between producer and supplier and producer and customer, that had been sharpened by the pursuit of a relatively short-term market logic.

We hear little of flexible specialisation today, probably because experience shows that the bundle of attractive features with which it was identified do not in fact go together with the same consistency that its early exponents believed. But the paradigm did greatly influence thinking about industrial organisation, and has made us very aware that the future need not be unremittingly Fordist/rationalist. The technological changes that have made some kinds of extension of division-of-labour principles more feasible all types of organisation have also made it possible to change relations between and within organisations along non-Fordist/non-rationalist lines.

The flexible specialisation relates to industrial organisation, especially in dynamic sectors, and to a world that is often very different to the one we are concerned with: service delivery to poor people in poor countries. There has however been another recent positive intellectual challenge to rationalism from a point within or close to that world. Like a number of other observers of contemporary China, Corinna-Barbara Francis (2001) has been puzzled by the extent to which a country that so thoroughly violates standard (Weberian, rationalist) norms about public organisation can be so successful in nurturing capitalism. The anomaly lies not so much in the continuing ramifying influence of the Communist Party over the state apparatus, but in a set of more recent phenomena: the extent to which distinctions between public and private, state and commercial, are routinely violated:

“Unorthodox interactions between the state and the market are ubiquitous in China’s emerging market system.... The central role of Chinese local governments and state agencies in the market, captured in such concepts as local state corporatism and bureaucratic entrepreneurship, blurs orthodox state-market boundaries. China’s market landscape is laden with quasi-governmental organizations and other mixed institutions. In short, China’s emerging market system displays a wide range of quasi-public, quasi-private trends and is frequently described with such adjectives as quasi-public, quasi-private, paragovernmental, and semiofficial” (Francis, 2001: 266).

Francis’ overall point is that, while China appears as an anomaly from the perspective of conventional ideas, it may in a fact be no more than an extreme case of the norm. She suggests that “the blurring of public-private boundaries” may be “a core feature of modern capitalist states” (p. 276).⁸ This is not the place to present the details of Francis’ argument and explore whether she is right in attempting to turn conventional wisdom on its head. We can at least support careful scrutiny of its roots, and go on to talk of the implications, in the context of public service delivery, of the “proliferation of hybrid institutional forms” that she sees in China (p. 279).

4. Taking Co-production Seriously

How are services actually delivered to poor people in poor countries? ‘Diversity’ is a big part of the answer. One can find every type of arrangement found in the standard classifications:

- (i) Self-provisioning through collective action, independently of external agencies. Poor people often get together on a local basis to provide their own basic education, security, funeral expenses or small-scale savings systems.
- (ii) Direct market provision, on a commercial basis. A high proportion of basic services, especially health, are simply purchased on the market from local providers, formal or informal.⁹
- (iii) Direct social provision through state agencies. In most poor countries, there is a substantial government apparatus that is dedicated, at least formally, to the widespread provision of, at a minimum, health and education, and often a much wider range of services.
- (iv) Indirect state provision, through sub-contracting of delivery responsibility to other agencies – religious organisations, NGOs, private for profit companies user groups etc. In poor countries as elsewhere in the world, there has been an expansion of sub-contracting in recent years. This arrangement often goes under the catch-all title of ‘public-private partnerships’ (PPPs).
- (v) Direct social provision through private associations. In almost every part of the world there is a long tradition of providing basic services through private associations, notably religious organisations, but also private philanthropic foundations, locality based associations, caste associations in India, etc. In recent years, increasing attention has been paid to the fact that, especially in much of the Islamic world, in India and many parts of the world where evangelical Christians are active, the kinds of organisations normally labelled ‘fundamentalist’ are often major providers of

⁸ Tandler (1995) has also noted the importance of the blurring of boundaries in possible explanations of good performance of public agencies in developing countries.

services, notably basic education and income assistance for very poor families. In addition, one can find arrangements that fit into none of these standard categories, and are so ‘mixed’ or, to use Francis’ term, ‘hybrid’, that they seem almost to defy categorisation. We find it useful to categorize many such ‘hybrid’ arrangements under the label of co-production.

What is co-production? There is no standard definition. To the scholar who has done most to promote the idea, co-production takes place when some of the inputs used to produce a good or service are contributed by individuals who are not ‘in’ the formal ‘provider’ organisation, but are in fact the ‘clients’ (‘recipients’, ‘customers’) in conventional terminology (Ostrom, 1997: 86). The key notion was that the distinction between producers and consumers was not as rigid as the literature had suggested. We find it useful to define co-production in slightly narrower terms, to refer only to relatively institutionalised arrangements: **the provision of public services (broadly defined, to include regulation) through an institutionalised, long term relationship between state agencies and organised groups of citizens, where both make substantial resource contributions.**¹⁰ This definition implies that, where we have co-production, the boundaries between public and private (organisations, resources, authority etc.) that Weber and others have taught us to revere may be very fuzzy. Consequently, the power and authority is divided (not necessarily equally) between the state and groups of citizens in an interdependent manner. Related, as we explain below through examples, co-production frequently does not involve the kinds of contractual or quasi-contractual arrangements between state agencies and organised non-state actors that is often implied in the use of terms like ‘public-private partnerships’.

Why do co-production organisations appear to be relatively widespread in poor countries? The first part of the answer is that they appear to work as a way of delivering certain types of services. They may not represent the best option one can envisage, but may be the best that is on offer in some cases. The second part of the answer is that, as far as we can judge, they appear to evolve as a response to two relatively distinct sets ‘state imperfections’. First, some services cannot effectively be delivered to the ultimate recipients by state agencies because the environment is too complex or variable, and the costs of interacting with very large numbers of poor households is too great, especially in rural areas. In such cases, users become involved in an organised way at local level. We label these factors the *logistical* drivers or causes of co-production. Second, some co-production arrangements have evolved in response to declines in governance capacity at local or national level. Government no longer provides certain services very effectively, and as a result, is forced to share responsibility with organised groups of citizens. In such cases we talk of the

⁹ The contractual arrangements through which payment is made may however be diverse and sophisticated (Leonard, 2000).

¹⁰ We are not here concerned with short-term arrangements that otherwise constitute co-production. For example, co-production is a widespread mode of coping with the challenges posed by strikes, political demonstrations and similar phenomena. Emotions often run high. Both police and organisers of demonstrations may stand to lose if the situation gets out of control. This risk can be reduced by co-production arrangements: prior agreement on routes, timings, numbers and forms of demonstration; and the use of authorised stewards, provided by the organisations doing the demonstrating, to police these agreements, eject ‘troublemakers’, etc.

political drivers of co-production. The two categories are not entirely distinct, but it seems best to present them separately.

5. The Logistical Drivers of Co-production

In explaining the *logistical* drivers of co-production arrangements, we pay special attention to generic differences between different sectors or services – more than to differences in national or broad political contexts. We begin by looking in some detail at irrigation, because the extent and logic of co-production in that sector have been relatively well documented.¹¹ Examining this sector provides good insight into the logic of co-production more generally.

In poorer countries, the irrigation sector appears in general to have been plagued by mismanagement and poor organisational performance. At the same time, high levels of organisational achievement have been observed in many smaller scale irrigation systems, especially in East Asia and in many mountain areas. We cannot explain differences in organisational performance in terms of the degree to which clients (farmers) control irrigation facilities. Farmer-controlled systems often perform poorly. Conversely, farmers may have limited influence over the management of high performance irrigation systems. There is however a strong connection between good performance and the extent to which there is co-production, i.e. the extent to which both organised farmers and the staff of the irrigation agencies actively cooperate in service provision. Irrigation systems that perform well typically are characterised by some combination of the following types of co-production arrangements:

- (i) Farmers' organisations or representatives have some discretion in the final distribution of water towards the end point of the delivery chain, i.e. among farms and fields – as opposed to among villages or districts. This discretion may be wide or narrow, formal or informal, 'democratic' or 'authoritative'.
- (ii) There are institutionalised mechanisms through which farmers can have some influence on the local-level policies and operations of the irrigation agency – organising routine maintenance or emergency repairs, planning irrigation schedules to fit cropping patterns, agreeing rotation schedules to cope with water scarcity etc. These mechanisms too may be formal or informal, 'democratic' or 'authoritative', or otherwise diverse.
- (iii) The social and geographical origins of irrigation agency employees, the locations of their offices or official quarters, or their prescribed work schedules may be designed to ensure empathy and informal social interaction with their clients (farmers).

Why do we tend to find co-production in many of the more effective irrigation delivery systems in poor countries? The simple answer is that it is otherwise difficult to deliver the service effectively. Keeping the argument at a broad conceptual level and abstracting from details of particular cases, there are three related reasons why effective irrigation service delivery to small farmers is logistically difficult without co-production:

- (i) First, there is the issue of trying to deal with large numbers of clients. Small farmers are numerous. It is difficult for any formal irrigation management agency to interact with them individually, to assess needs,

¹¹ See especially Lam (1996), Moore (1989), Ostrom (1992) and Wade, (1988).

respond to problems etc. The costs of any interactions are high in relation to the average small farm economy. Informal communications that piggy-back on existing local networks are preferred.

(ii) Second, there is a major issue of diversity of operational situations, which has several dimensions.

Individual farmers may have very different cropping patterns and planting schedules, and thus have very different water and drainage needs at any moment. Irrigation delivery infrastructure is unstandardised, integrated into the local physical environment, and subject to rapid changes over time as physical structures erode, break or silt up, and some parts are maintained much better than others. Discharging 25 cusecs of water down distributory channel X in one year might deliver enough water to the Jones clan field channel in one season, but totally fail to reach them at an equivalent point in the next season. Most evidently, the weather – and thus the need for either irrigation or drainage – can vary widely and rapidly over even small areas. All in all, this diversity of operational situations means that it is very difficult for an organisation pursuing formal or office-based procedures to obtain and process the information on client circumstances that is needed to respond adequately. And response sometimes has to be very fast. A break in a channel may need fast repair if it is not to enlarge rapidly and lead to flood damage. Additional, non-bureaucratic means of obtaining relevant, rapid information on local operational situations offer advantages to both sides.

(iii) Following from the previous two points, formal provider organisations, acting alone, will in these kinds of circumstances tend lack the resources needed to deliver services effectively, whether resources take the form of (a) information on local client needs and situations; (b) equipment; (c) personnel, especially in numbers and locations adequate to deal with emergencies, such as floods; or (d) the authority to command help from members of the public.

Co-production is potentially an effective means of mobilising the resources needed to cope with these kinds of logistical challenges.¹² Co-production solutions to public service delivery are not peculiar to irrigation. They are in fact widespread. Perhaps the most visible examples from the recent development literature are of Joint Forest Management, where Forest Departments and local communities cooperate to plant and protect forests, and share the eventual proceeds (Joshi, 1999). As in the case of irrigation, effective management virtually requires the active collaboration of both parties. Other kinds of co-production arrangements are found in primary health care, agricultural extension, urban sewerage (Watson, 1995), and the provision of micro-credit.¹³ The potential benefits may be greater than some readers will infer from the rather ‘mechanical’ mode of argument we have employed here to explore the logic of co-production. As we have suggested above, the interaction of state employees and clients in actual service provision can generate valuable information and more tangible resources.¹⁴ It can also increase mutual understanding of the situation and constraints faced by the other side, enhance trust, and thereby further increase organisational effectiveness.

¹² For logistical reasons, co-production is less widespread in the irrigation sector in rich than in poor countries. Farms are larger in rich countries, reducing transactions costs; and higher levels of capital investment make it easier to capture, deliver and monitor water in a reliable way.

¹³ There are a number of interesting cases in Tendler (1997) although she does not herself use the term.

¹⁴ Evans (1995), in his explanation for the differential performance of India, Korea and Brazil in the high technology sector, terms this sort of regular generalized interaction as “embedded autonomy.”

6. The Political Drivers of Co-production

The explanation of the logistical reasons for the practice of co-production focused on differences between sectors or activities. Our second argument focuses more on differences among political jurisdictions, and explains a further reason for the relative prevalence of co-production in the South. In a nutshell, our research to date suggests that, in some of those areas of the South where governments have been severely over-stretched and are now unable to provide even the public services that they delivered a few decades ago, co-production arrangements have in some cases emerged to fill the gap. In situations of governance crisis, co-production can be politically attractive—states can provide services at reduced costs and resources, gain political support in exchange for some loss of control and power. We are arguing here more from specific cases than from a broad understanding of sectors. In particular, we summarise two cases on which we have on-going research. It so happens that both concern what are normally conceived as core state regulatory functions - tax collection services in Ghana (Joshi and Ayee, 2002) and the information database for police investigatory work in Karachi, Pakistan (Masud, 2002) - rather than service delivery to citizens in the very strict sense of the term.

Since 1987, a private association of owners and employees in the road passenger transport business in Ghana, the Ghana Private Transport Union (GPRTU) has been collecting income taxes from its own members on behalf of the government. This arrangement originated under the military government led by Jerry Rawlings, at a time when the Ghana economy had suffered severe collapse, but has survived the recent transition to a democratic regime and to less harsh economic circumstances. From the government perspective, this deal originally offered two main benefits. One was a means of obtaining some tax revenue from a sector that was disorganised, fragmented and ‘informal’, yet had great potential as a source of revenue due to the rapid growth in the number of vehicles operating as a result of economic reforms. The other was that it gave the GPRTU, a close political ally, both resources and authority and effective control over a strategic political resource: the capacity to move a large number of people around the country for political activities - or to prevent them from moving. This second motivation is now much less powerful, but the arrangement – the effective devolution of taxation powers to a private association – has continued. Why? Because it also provides a set of advantages to the members of the GPRTU, virtually all of whom own or operate enterprises consisting of a single vehicle. In Ghana, public buses operate from lorry parks. The GPRTU controls and manages the lorry parks. This control is not used to reduce competition among members. It does however make possible the provision of services that its members value. First, since income tax is levied per journey (for buses) or per operational day (taxis) and paid on the spot, with receipts, members pay their tax as they go (making the tax affordable). Second, the tax receipts and the power of the GPRTU largely protects members from harassment or extortion by the police while on the road. Third, the GPRTU is able to use some of its revenue to provide sleeping and eating facilities at lorry parks.

The GPRTU co-production case is not without its practical problems. In particular, much of the tax that is or should be levied does not reach the public treasury, and there is intimidation in the relationships between the GPRTU and a number of smaller, rival transport unions who co-produce a similar range of services in specific localities.¹⁵ The

¹⁵ Similar arrangements exist on a small scale in some other sectors in Ghana, including roadside eateries, hairdressing and auto-repair shops.

arrangement that has evolved is however effective in its own way, and certainly seems to have been superior to any feasible alternative, given the past political circumstances in Ghana. There is also a conceptual problem with this set of organisational arrangements. How do we classify and categorise them? The GPRTU and the government gain from this complex relationship—with the GPRTU providing valued services to its members as well as the government. It is presumably the very hybrid character of these arrangements, along with their political origins under an authoritarian government, that account for the fact that, although they are well known in Ghana, no one until recently believed them to justify an research. To us, this case illustrates both the diversity and the potential ‘depth’ of the co-production arrangements that can emerge when over-extended states are no longer able to fulfil even their core functions.

The Citizens Police Liaison Committee (CPLC) in Karachi has similar origins in efforts to cope with the failure of the state to perform a core function – in this case, policing. Since the late 1980s, Karachi has been notorious for disorder, political violence, and the general failure of state agencies to assert their presence. The CPLC emerged in 1989 out of attempts by a group of influential business people, stimulated by the provincial Governor, to make a positive contribution. ‘Intelligence’ emerged as an area where they could make a major impact. But this is not the type of intelligence that citizens are expected to provide under co-production arrangements for policing typically found in the West, i.e. locality surveillance, watching over neighbours’ properties, and reporting suspicious activities to the police.¹⁶ The main contribution of the CPLC has been in the establishment and management of crime data bases, that are accessed by the police on a daily basis as if they are dealing with their own information system. The CPLC works very closely with the police, and focuses on improving police performance through supportive engagement with their work, without taking credit for successes. The organisation conducts crime analysis, plays an important role in the investigation of kidnappings, and provides a range of police-related services directly to poor and rich alike. With offices in some police stations and its headquarters in the office in the Governor of Sindh Province, the CPLC has become deeply integrated into the apparatus of government, yet remains rooted in informal social networks linking leading members of the city’s business community. In exchange for the information services and support, the CPLC has helped improve spatial crime analysis in the city and offers an alternative, credible organization that can be approached by citizens for addressing crime or redressal of their grievances.

There are many differences between our two cases. For example, the GPRTU is a large membership organisation and its initial engagement in co-production was very political. Much of the strength of the CPLC lies in the facts that it scrupulously avoids ‘politics’ and comprises only 40 members. To be selected for membership is a great honour. The cases have in common the facts that (a) they are co-production organisations in the sense defined above; (b) these organisations help fulfil a core state function in response to a clear decline in state capacity; (c) both organisations provide additional services;¹⁷ and (d) conventional distinctions between legitimate public authority and private power are either obscured or maintained only with great difficulty. There are probably many more cases co-production that emerge from attempts to cope with the consequences of over-extended states. As far as we can judge, by far the largest number of cases in this category in the South are of ‘neighbourhood associations’ that help provide utility connections

¹⁶ These are termed Neighbourhood Watch schemes in the UK.

¹⁷ It seems logical that organisations that evolve in response to governance deficits are more likely to accumulate a range of functions than those that are oriented more to solving logistical problems in state-society interactions in the provision of particular services.

and repairs, urban development services such as sanitation and drainage, and local security. But we do not yet have much of a map of types of co-production of services in the South.

7. Concluding Comments

We are suggesting here that many of the actual arrangements in place for service delivery to poor people in the South – and the potential to build upon them - will escape the attention of people who influence national and international policy agendas because they do not fit easily into our standard ways of thinking. The concept of co-production is not a complete remedy to this deficit. Like notions of organisational culture (Section 2), it is a way of taking some important empirical observations and exploring the extent to which, by organising them into a broader conceptual framework, one can redress the balance of attention. We do not know how productive the concept of co-production ultimately will prove to be. There are many questions that need to be empirically investigated including—under what conditions are such arrangements sustainable, how is accountability for use of public resources maintained in these arrangements, what are the long term prospects for their sustainability, and what is the impact of these arrangements on the poor. But the concept of co-production should at least encourage policymakers in poor countries to focus more on the realities of current service delivery, and examine the potentials to build upon and expand the things that seem to work. This may sound like an underdeveloped project. But it may be more fruitful in the long run than surrender to the conventional myth that the current reality is of service provision dominantly through (failing) monopolistic, large-scale, centralised, public sector organisations, and the notion that reform should be driven mainly by the need is to find (decentralized, ‘un-bundled’, participatory) alternatives – that are driven mainly by rationalist assumptions about what is organisationally possible. Lester Salamon (2002), writing from a position of acknowledged eminence, recently has launched a devastating critique of the notion that government services typically are provided in this highly stereotyped ‘centralist’ fashion. The myth of (failing) monopolistic, large-scale, centralised, public sector service delivery should be viewed rather as a kind of mobilising device that might be helpful in generating impetus for reform. If we want to know how to reform, we need to forget the myth and look more at reality. Unfortunately, most of Salamon’s material on how governments actually operate relates to rich countries, especially to the United States. The concept of co-production can perhaps help induce the same realism about what really goes on in the poor regions of the worlds.

Finally, we should not forget Michael Piore’s suggestion (Section 1) that:

“An alternative possibility – and equally rational moreover – is that integration is not just a cost of specialization but is itself a creative act producing a benefit in its own right. The whole which emerges from the reintegration of the parts may, in other words, be different from, and in some way more valuable to the economy, than the whole out of which the separate parts were originally formed” (Piore, 1996: 746).

Translated to the contexts we are examining, that quotation suggests that, in some circumstances, and even where good governance structures are in place, co-production might not simply be a ‘make-do’ arrangement, but a ‘first-best’ creative and effective way of delivering some public services to the poor.

References:

- Bohren, O., "The Agent's Ethics in the Principal-Agent Model," *Journal of Business Ethics*, Vol. 17 No. (1998), pp. 745-55.
- DiIulio, J. D., "Principled Agents: The Cultural Bases of Behavior in a Federal Government Bureaucracy," *Journal of Public Administration Theory and Research*, Vol. 4 No. 3, (1994), pp. 277-318.
- Francis, C.-B., "Quasi-Public, Quasi-Private Trends in Emerging Market Economies. The Case of China," *Comparative Politics*, Vol. 33 No. 3, (2001), pp. 275-94.
- Grindle, M. S., "Divergent Cultures? When Public Organisations Perform Well in Developing Countries," *World Development*, Vol. 25 No. 4, (1997), pp. 481-96.
- Hood, C., "A Public Administration for All Seasons?," *Public Administration*, Vol. 69 No. 1, (1991), pp. 3-19.
- Joshi, A. and J. Ayee, "Taxing for the State? Politics, Revenue and the Informal Sector in Ghana," *IDS Bulletin*, Vol. 33 No. 3, (2002), pp. 90-7.
- Joshi, A. "Progressive bureaucracy: An Oxymoron? The case of Joint Forest Management in India." Rural Development Forestry Network Paper No. 24a, 1999. London: ODI
- Lam, W. F., "Institutional Design of Public Agencies and Coproduction: A Study of Irrigation Associations in Taiwan," *World Development*, Vol. 24 No. 6, (1996), pp. 1039-54.
- Leonard, D., (Ed.) *Africa's Changing Markets for Health and Veterinary Services* (London and New York: Macmillan and St. Martin's Press, 2000).
- Martens, B., "Introduction," in Martens, B., et al. , *The Institutional Economics of Foreign Aid* (Cambridge and New York: Cambridge University Press, 2002).
- Masud, M. O., "Co-producing Citizen Security in Karachi," Working Paper, No. 172 (Brighton: IDS, 2002).
- McCourt, W. and M. Minogue, (Ed.) *The Internationalization of Public Management. Reinventing the Third World State* (Cheltenham UK, Northampton MA, USA: Edward Elgar, 2001).
- Minogue, M., et al., (Ed.) *Beyond the New Public Management. Changing Ideas and Practices in Governance* (Cheltenham UK, Northampton MA, USA: Edward Elgar, 1998).
- Moore, M., "The Fruits and Fallacies of Neo-Liberalism: The Case of Irrigation Policy," *World Development*, Vol. 17 No. 11, (1989), pp. 1733-50.
- Ostrom, E., *Crafting Institutions for Self-Governing Irrigation Systems* (San Francisco: ICS Press, 1992).
- Ostrom, E., "Crossing the Great Divide; Coproduction, Synergy, and Development," in Evans, P. (Ed.), *State-Society Synergy. Government and Social Capital in Development* (Berkeley: International and Area Studies, University of California, 1997).
- Piore, M. J., "Review of *The Handbook of Economic Sociology*," *Journal of Economic Literature*, Vol. 34 No. 2, (1996), pp. 741-54.
- Piore, M. J. and C. Sabel, *The Second Industrial Divide* (New York: Basic Books, 1994).
- Salamon, L. M., "The New Governance and the Tools of Public Action: An Introduction," in Salamon, L. M. (Ed.), *The Tools of Government: A Guide to the New Governance* (Oxford and New York: Oxford University Press, 2002).
- Tendler, J. "Social Capital and the public sector--The Blurred Boundaries Between Private and Public." Mimeo. Cambridge, Massachusetts Institute of Technology. 1995
- Tendler, J., *Good Government in the Tropics* (Baltimore and London: The Johns Hopkins University Press, 1997).

Tullock, G., *The Politics of Bureaucracy* (Washington, D.C.: Public Affairs Press, 1965).

Wade, R., "The Management of Irrigation Systems: How to Evoke Trust and Avoid Prisoners' Dilemma," *World Development*, Vol. 16 No. 4, (1988), pp. 489-500.

Watson, G., *Good Sewers Cheap? Agency-Customer Interactions in Low-Cost Urban Sanitation in Brazil* (Washington D. C.: World Bank, 1995).