How to improve rural service delivery in developing countries
Complementarities, information, and incentives

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High-quality rural service delivery has been linked with higher economic growth and lower poverty and inequality (Azulai et al. 2014) and is essential for achieving the Sustainable Development Goals. Agricultural and livelihood services (including extension and water access), infrastructure (such as roads, electricity, clinics, and schools), social services (such as healthcare, education, and social protection), and even regulatory services (such as environmental and food safety) improve both the welfare of recipients and the economy and society as a whole through spillover benefits. For example, agricultural extension services train farmers to make better investments. And providing healthcare and ensuring food safety reduces the incidence of illness and makes workers more productive. Access to these services has also been shown to raise individuals’ goals and aspirations for the future—thus leading them to make costly but rewarding personal investments (Kosec and Mo 2017).

Getting rural service provision right is critical, given that about 68 percent of the world’s poor live in rural areas. However, logistical and communications challenges in these areas can make service delivery difficult. Rural areas are often less integrated than the rest of the country, service providers lack information about what users want, and users are insufficiently informed about the mandates of providers. In such environments, policymakers may take advantage of citizens’ limited information (for example, by stealing public funds or shirking responsibilities), to the detriment of rural welfare (Kosec and Wantchekon 2020).

The public sector is often the primary service provider, especially for the ultra poor. The private sector frequently lacks strong incentives to invest in and provide rural services, particularly in impoverished areas. If not well regulated, private sector investments are likely to be targeted toward more profitable areas and may intensify inequality in access to services, dangerously skew the market power and political influence of private companies, and increase environmental degradation. These factors point to an essential role for government in both providing and regulating rural service delivery.

In recent years, the rural landscape has also been changing in developing countries. Rural-urban linkages have increased, a more diverse set of actors is delivering services, and information and communication technologies are affecting both service delivery and government transparency and accountability.

KEY MESSAGES:
PRIVATE AND PUBLIC SECTOR ROLES AND INCENTIVES

• When the private sector can equitably and sustainably provide high-quality rural services, the public sector’s role lies in creating an enabling environment for private sector provision.
• The public sector plays an important role in regulation, monitoring, and enforcement to support high-quality, equitable, and sustainable service provision.
• The public sector also plays a critical role in encouraging take-up of services, including through social protection programs—especially given spillover benefits from accessing services.
• Public and private service providers require strong incentives to deliver high-quality services, and to be effective, interventions meant to improve service delivery must carefully consider the incentive environment for providers.
• Both government service providers and service users require good information about users’ preferences, government mandates (obligations), and actual investments made to ensure that public service provision benefits recipients and the economy and society as a whole.
Many organizations design, research, and debate how best to provide rural services, and much has been learned over the years. The International Food Policy Research Institute (IFPRI) has for decades contributed significantly on key topics for effective service delivery. Building on earlier work, this brief summarizes research led by the CGIAR Research Program on Policies, Institutions, and Markets (PIM) over the last seven years that focuses on agricultural and social protection services to inform policymakers and organizations of ways to improve delivery and access to these services within the changing rural landscape.

This policy brief builds on a framework (Figure 1) that illustrates the roles of the public and private sectors in rural services provision, including the role of various mechanisms that bridge the information gap between citizens and service providers. The private sector plays a key role as funder, investor, and provider of rural services. The public sector serves as enabler, regulator, and funder, as well as a service provider when market failures cripple access to private sector services, diminish service quality (for all or for select groups), or undermine the sustainability of service provision. Between public and private options are numerous nongovernmental organizations (NGOs) and community-based organizations (CBOs) that fund and deliver rural services, at times in partnership with the public or private sectors (Davis, Babu, and Ragasa 2019). For the delivery of high-quality services, information on citizens’ preferences and demands and on the obligations and performance of providers needs to be shared; and both public and private providers must have the capacity and incentives to respond to these demands.

FIGURE 1 Role of public and private sectors and information platforms in improving rural service delivery

Creating an Enabling Environment for Private Sector Investments

In some cases, the private sector can provide rural services, and do so equitably and sustainably. In such cases, the public sector should create an enabling environment for private provision. Private provision of extension services, often bundled with several other services such as input provision and marketing, has been successful in many settings and sectors, most notably for commercial commodities (Zhou and Babu 2015; Davis, Babu, and Ragasa 2019; Ragasa et al. 2017, 2019a). These private firms fill a void left by major reductions in public expenditures on extension in recent decades. The private sector also successfully provides many other services. For example, privatization of water services across Africa has improved child health (Kosec 2014). And in the area of food-safety regulatory services, private companies are signaling safe food with certification, branding, labeling, and traceability mechanisms that carry price premiums (Ragasa et al. 2019b).

It is critical that government or donor projects do not crowd out private sector participation. Provision of inputs or services for free or at subsidized rates can distort market incentives. For example, in Ghana, agricultural development projects providing subsidized inputs or credit for the maize sector have been associated with lower participation in contract farming schemes and more frequent exits from contract farming (Lambrecht and Ragasa 2018).
THE PUBLIC SECTOR’S REGULATORY ROLE

Growing involvement of the private sector requires a greater regulatory and monitoring role for the public sector in protecting the livelihoods, safety, and welfare of citizens. An enabling regulatory environment can also promote private sector investments. For example, Ghana’s thriving aquaculture sector is threatened by weak enforcement of regulations on entry of foreign fish seeds into the country, which is causing fish diseases and mortality (Ragasa et al. 2018). Poor enforcement of safety regulations for imported foods creates a large risk for many countries that are highly reliant on food imports. Private food-safety certification systems can work, but only when oversight and regulatory enforcement are effective (Ragasa et al. 2019b).

Coordination among service providers is also crucial, and should be facilitated by the public sector. With increasing entrants and pluralism in extension services provision, conflicting messages are a growing issue (Ragasa et al. 2017). Information and communication technologies (such as mobile apps, radio, Internet, tablets, and social media) are increasingly used in the delivery of extension services (Ragasa et al. 2019a; Abate et al. 2019; Van Campenhout, Spielman, and Lecoutere 2018). But the quality of information needs to be regulated and harmonized for these technologies to ultimately benefit farmers (Ragasa et al. 2019a). In Malawi, the National Agricultural Technology Content Committee as well as multi-stakeholder review meetings for radio messages are promising initiatives that can be further strengthened and supported (Ragasa et al. 2017)—and possibly expanded to more countries.

SOCIAL PROTECTION TO INCENTIVIZE CITIZEN TAKE-UP OF SERVICES

Beyond supply, individuals must also be persuaded to take up services, from extension to schooling. In addition to direct benefits to users, many rural services exhibit positive externalities (for example, preventative healthcare and clean drinking water reduce the rate of infection in other populations). Government social protection programs, such as conditional and unconditional cash transfer programs, can encourage take-up of other services. For example, cash transfers in Tanzania conditioned on clinic visits and school attendance made individuals more likely to purchase health insurance, more likely to attend health clinics, and healthier (Evans, Holtemeyer, and Kosec 2019). Beneficiary children also enrolled in school at younger ages and had higher attendance rates. In Malawi, intensive extension services only become effective in increasing adoption, productivity, and farm incomes when coupled with cash transfers that enable farmers to buy complementary inputs (Ambler, de Brauw, and Godlonton 2018).

A PROPER INCENTIVE ENVIRONMENT IMPROVES PUBLIC SERVICES

Delivery of high-quality public services requires critical attention to the prevailing institutional environment and how it shapes incentives for policymakers and administrators. Insufficient political will and weak state capacity are major barriers to the public sector’s ability to provide services, enable private sector engagement, and provide monitoring and regulation (Kyle and Resnick 2019). Well-intentioned policies are often improperly implemented. For example, in Malawi, the passage of a national extension policy and establishment of a decentralized, district-level extension system in 2001 have had limited impacts due to insufficient funding, low capacity at all levels, and a lack of effective accountability mechanisms (Ragasa et al. 2017). Addressing this problem involves improving incentives for proper implementation by modifying organizational structures, increasing civil servants’ and decision-makers’ knowledge base (Kyle and Resnick 2019), and ensuring sufficient financial resources (Kosec and Resnick 2019).

There are some promising mechanisms for creating a proper incentive environment for public sector service provision. To promote intersectoral collaboration and accountability, multi-stakeholder panels and innovation platforms have been formed in various countries to help address information gaps on preferences and demand for extension services and on the performance of providers. While many of these platforms function poorly due to the limited motivation and capacity of service providers to respond to rural communities’ demands, newer forms of innovation platforms that focus on market access and center on specific value chains have been successful in some cases (Ragasa, Badibanga, and Ulimwengu 2016). In Ethiopia, Digital Green’s Connect Online–Connect Offline platform, which regularly collects data and automatically computes relevant statistics on adoption and yields, provides relevant and timely data for decision-making and programming (Bernard et al. 2016). In Rwanda, an approach combining elements of performance-based contracts for various actors, consultative platforms for greater accountability, earmarked funding, and capacity strengthening at all levels (from farmers’ groups to local and state institutions) is successfully improving adoption and yields (Davis, Babu, and Ragasa 2019). Three-party performance contracts between Rwandan district officials, the Rwanda Agricultural Board, and farmer field school facilitators’ cooperatives are helping monitor the progress of field school facilitators. This approach is combined with the imihigo system, a traditional consultative process for demand articulation and accountability.
Finally, political competition also affects policymakers’ motivations and incentives. In established democracies, highly contested political races can create electoral incentives that encourage policymakers to perform well. But in emerging democracies with low levels of transparency, political competition can actually worsen public goods provision; it makes it harder for politicians to work together and reach agreements about which goods to supply, where, and how (Gottlieb and Kosec 2019). In such settings, policy changes—for example, the central government basing future transfers to local governments to some extent on their past performance in utilizing those funds—could incentivize politicians to collaborate even when it is challenging to do so. Ultimately, this could lead to improved rural service delivery.

INFORMATION AND TRANSPARENCY CAN IMPROVE SERVICE DELIVERY

Bringing about high-quality rural service delivery requires ensuring that government actors have information about what citizens want and how service providers are performing. It also requires ensuring that citizens have information about what the government should be doing and how well it is delivering. Politicians are often the keystone to accountability: citizens hold politicians to account for adequate service provision, while politicians hold frontline service providers accountable. Information is important for both relationships.

Governments can put information in the hands of service users through budget and planning transparency, high-quality public education, or even civic education initiatives. But the private sector can also equip citizens with information. For example, women’s self-help groups (a form of CSO) in India made women more likely to possess a voter ID card, to have voted in the last election, to attend village council meetings, and to believe that the village council of CSO) in India made women more likely to possess a voter ID card, to have voted in the last election, to attend village council meetings, and to believe that the village council was responsive to their needs (Kumar et al. 2019). There are several ways to keep service providers well informed. For example, governments can provide opportunities for citizen feedback, invite citizen participation in budgeting, support a free press, or use technology to monitor service providers (Kosec and Wantchekon 2020).

Information can strengthen electoral incentives in democracies; informed citizens can vote policymakers out of office if they fail to deliver, and governments are more likely to invest if they know their efforts will be visible. In addition to creating electoral incentives, information may also stimulate demand for public services. For example, if citizens know that by law the government must provide free and high-quality education to all children, they are more likely to ask for it at the ballot box or protest poor-quality education.

A systematic review of 48 empirical studies on information and rural service delivery in developing countries found that provision of information to either service users or service providers could improve service delivery (Kosec and Wantchekon 2020). However, information had these salutary effects if and only if the individuals receiving information perceived it to be relevant and if they had both the power and the incentives to act on it.

CONCLUSIONS

The research reviewed from the PIM program highlights some of the policies and institutions that have been shown in various contexts to improve rural service delivery. The private sector and numerous NGOs and CBOs are increasingly delivering services successfully, equitably, and sustainably, including extension and drinking water. In these cases, the public sector should play a regulatory and coordination-focused role, enabling private sector participation. However, in many cases—especially those characterized by persistent credit constraints among the poor or positive spillovers that magnify the benefits of government investments—government direct provision and even government encouragement of take-up, such as through conditional social protection programs, are warranted. Finally, a focus on the public sector incentive environment is critical; for example, innovations such as performance contracts and value-chain-focused innovation platforms may help improve service quality. Access to credible and accurate information and greater transparency can also help promote accountability. Especially where the government lacks incentive to provide high-quality services, institutional reconfigurations—such as bringing pressure to bear on policymakers by making citizens aware of their mandates and performance—may be required.

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