The state-private interface in public service provision

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Political theory sets out a strong case for the state to play a major role in public service provision. Yet services are often provided by a range of state and non-state actors as well as by collaborative partnerships. This paper surveys the literature, seeking to map arrangements in developing countries and to understand the politics of different types of service provision. It finds strong evidence for the view that some level of state capacity and rule of law is important for effective service provision. Even when outsourcing services, it is preferable for government to retain some capability, if only to effectively oversee partners' activities. Another key finding is that the perceived legitimacy of non-state service providers partially determines their success.

The paper also highlights gaps in the evidence, for future research. Many of these gaps relate to the need to better understand the politics of partnerships from the point of view of *both* partners. Much of the literature on service provision considers the provision separately from the provider, or considers one actor as having primary agency while another responds.

Introduction

This paper examines five areas:

- types of state-private interface;
- the state-private balance;
- effective and legitimate partnerships;
- political settlements, informal networks and service provision;
- accountability.

'Private' is used to refer to a range of non-state actors involved in service provision, including NGOs, global listed corporations, small private companies, and international donors.

The paper draws on published and grey literature, particularly material published in the last five years. Efforts were made to include academic, practitioner, policy-maker and Southern perspectives.

Research from a wide range of countries and regions was consulted, including sub-Saharan Africa, where the most substantial body of evidence and analysis exists, and the Asia-Pacific region, where the diversity of security and justice programming offers important lessons. The search strategy focused on the topics of public-private partnerships, outsourcing, corporate responsibility and service provision in international development.

Key findings

- Most services are provided by multiple actors, although the combinations of roles and modes of interaction vary.
- There is strong evidence that public-private partnerships work best where there is a good fit with local norms and expectations – legitimacy – and structured relationships with institutions that can monitor providers and have the independence to do so. This implies that some level of state capacity and rule of law is important.
- The type of interface that works best varies according to sectoral characteristics and the complexity of a particular service. Even where state capacity is weak, public-private partnerships may effectively carry out simple tasks or elements of service provision that need little coordination among different actors, as long as those partnerships have local legitimacy. More complex programmes are, however, likely to flounder.
- When services are outsourced, it is preferable that the state builds and retains expertise in contracting and, ideally, some capability to provide the same services itself.
- Multinationals' ability to provide public services is limited, even where there is significant corporate commitment, if the public does not view them as legitimate providers.

- Outsourcing raises accountability and corruption risks in processes such as the award of tenders, contract management and renegotiation, and the 'revolving door' exchange of staff between the private and public sector. These risks can be addressed through better contracting, monitoring and transparency.

- Informal networks of actors who switch between public and private identities to maximise their own gains may undermine the building of sustainable service provision capacity. On the other hand, locally embedded actors and organisations can sometimes provide extra-legal governance that supports service provision.

Evidence gaps

An emerging consensus in the research suggests that state capacity is often important for the success of service provision even by non-state actors, whether multinationals, small companies or NGOs. However, while some work discusses which kinds of capacity are necessary to support different types of reform, it does not specifically address the kinds of state functions necessary to facilitate or support service provision.

Whether not-for-profits provide better value public services than for-profits is not adequately addressed in the literature. While the evidence to date suggests that both types of provision produce good and bad projects, a more systematic comparison would help to illuminate the relevance of the provider's approach to profit.

Efforts to assess service provision often focus on quality rather than impact. For example, work on education compares the performance of existing providers. It pays less attention to the overall impact on the population, the distribution of costs and benefits, or the impact that the emergence of one group of providers might have on other groups of providers or users.

The literature rarely seeks to gauge which factors influence the way state and non-state actors form perceptions about one another, and how those perceptions shape their strategies.

Little is known about how the state might seek to benefit from service provision by other providers, and whether it can gain legitimacy or reputational benefits by association.

More work is needed to understand how accountability structures can be created where there is weak state capacity and little rule of law. The potential for transparency and civil society to play a role in making service providers more accountable in such circumstances warrants greater exploration.

A significant risk to the success of the PPP model lies in the tension between state-building and non-state service delivery, specifically whether non-state service delivery affects state legitimacy and hence hinders state-building. A stronger evidence base is needed to support the development of initiatives that respond to urgent needs without undermining nascent states.

Informal networks may either undermine donor objectives or state-building efforts by exploiting the public-private divide; or they may be able to make service provision more effective because they have more flexibility than formal organisations. More research is needed on the motives and goals of such networks.

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