

“QUOTABLE QUOTES”: POLITICAL ECONOMY IN THE HEALTH SECTOR.

This document provides a selection of ‘quotable quotes’ about political economy analysis as it can apply to priority setting and resource allocation in the health sector. The focus is on the four countries of the UNICEF political economy study : Bangladesh, Indonesia, Philippines and Nepal. There is a particular focus on the political economy of priority setting and resource allocation for Reproductive, Maternal, Newborn and Child Health (RMNCH) under decentralised settings.

*Ian Anderson.
Consultant to
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UNICEF was interested in deepening its understanding of the political economy of decision making in the health sector, with a special focus on decisions affecting Reproductive, Maternal, Newborn and Child Health (RMNCH). As part of that exercise UNICEF appointed me to undertake a literature review of the political economy of decision making in that sector. It soon became apparent that there is a wealth of thoughtful insights about the political economy of investing in RMNCH. But people are busy and often do not have the time to read all the literature. My aim is therefore to capture just some of the best “quotable quotes” about the political economy of RMNCH in this document. I am grateful to the many authors quoted here for their thoughts and insights. I am also grateful to Dr David Hipgrave, Senior Health Specialist, UNICEF New York, for his guidance and support as the Task Manger for this overall exercise on deepening our understanding of the political economy of decision making in the health sector with a special focus on RMNCH.

Ian Anderson
Director
Ian Anderson Economics Pty Ltd
Canberra, Australia

Political Economy Insights In The Health Sector.

The purpose and nature of this paper

The purpose of this paper is to bring together in one place some of the more thoughtful, interesting and well written quotations from the international literature about the political economy of priority setting and budget allocations in the health sector. The focus is the four countries of the current UNICEF political economy study: Bangladesh, Indonesia, Philippines and Nepal. Given UNICEF's corporate interests, there is a special focus on the political economy of priority setting and resource allocations at the sub-national level.

All of the texts are direct quotations from the literature.

Definitions and aspects of political economy

Definitions

Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time. OECD definition

Political economy analysis is a powerful tool for improving the effectiveness of aid. Bridging the traditional concerns of politics and economics, it focuses on how power and resources are distributed and contested in different contexts, and the implications for development outcomes. It gets beneath the formal structures to reveal the underlying interests, incentives and institutions that enable or frustrate change. Such insights are important if we are to advance challenging agendas around governance, economic growth and service delivery, which experience has shown do not lend themselves to technical solutions alone.... It can also contribute to better results by identifying where the main opportunities and barriers for policy reform exist and how donors can use their programming and influencing tools to promote positive change. This understanding is particularly relevant in fragile and conflict-affected environments where the challenge of building peaceful states and societies is fundamentally political.¹

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.²

There is nothing more difficult to manage, more dubious to accomplish, nor more doubtful of success ... than to initiate a new order of things. The reformer has enemies in all those who profit from the old order and only lukewarm defenders in all those who would profit from the new order.³

¹ DFID (2009) *How to policy note: political economy analysis*

² Keynes J M, (1936) *The General Theory of Employment, Interest and Money*.

³ Machievilli (1532) *The Prince*

Political entrepreneurs and political effectiveness

Research has shown that effective political entrepreneurs possess certain distinct features: they are knowledgeable about the issue, they are persistent, they have excellent coalition-building skills, they articulate vision amid complexity, they have a credibility that facilitates the generation of resources, they generate commitment by appealing to important social values, they are aware of the critical challenges in their environments, they infuse colleagues and subordinates with a sense of mission, and they are strong in rhetorical skills.⁴

Factors associated with government preferences for public financing of the health sector.

Empirical evidence on factors associated with government preferences for public financing of the health sector is generally scarce. In the limited empirical literature that exists, a range of economic and noneconomic factors has been found to influence government allocations for health. Prominent among these are democracy, corruption, foreign aid, ethnolinguistic heterogeneity, and female representation in the polity of a country. On average, cross-country analyses suggest that democratic societies tend to devote a larger share of their public resources to health even after controlling for confounding factors, while more corrupt societies do the opposite. The effect of donor assistance for health on government own-sourced revenue priorities is a topic of great interest among donors and policymakers alike. The evidence suggests that the effect is mixed: in some countries, DAH is fungible and in others it is not. Where foreign aid is tied to loans, the evidence suggests that the debt-service burden shifts public spending away from health. Research on the impact of heterogeneity on government spending on public goods suggests that governments generally tend to spend less on health in ethnically diverse societies.⁵

‘Good health at low cost’: why some countries or regions achieve better health and social outcomes than do others at a similar level of income

‘In 1985, the Rockefeller Foundation published *Good health at low cost* to discuss why some countries or regions achieve better health and social outcomes than do others at a similar level of income and to show the role of political will and socially progressive policies. 25 years on, the Good Health at Low Cost project revisited these places but looked anew at Bangladesh, Ethiopia, Kyrgyzstan, Thailand, and the Indian state of Tamil Nadu, which have all either achieved substantial improvements in health or access to services or implemented innovative health policies relative to their neighbours. A series of comparative case studies (2009—11) looked at how and why each region accomplished these changes. Attributes of success included good governance and political commitment, effective bureaucracies that preserve institutional memory and can learn from experience, and the ability to innovate and adapt to resource limitations. Furthermore, the capacity to respond to population needs and build resilience into health systems in the face of political unrest, economic crises, and natural disasters was important. Transport infrastructure, female empowerment, and education also played a part. Health systems are complex and no simple recipe exists for success. Yet in the countries and regions studied,

⁴ Shiffman J (2007) Generating Political Priority for Maternal Mortality Reduction in 5 Developing Countries. *American Journal of Public Health* Vol 97 Number 5.

⁵ Tandon A, Fleisher L, Li, R and Yap W (2014) *Reprioritizing government spending on health: pushing an elephant up the stairs?* World Bank HNP Discussion Paper 85773.

progress has been assisted by institutional stability, with continuity of reforms despite political and economic turmoil, learning lessons from experience, seizing windows of opportunity, and ensuring sensitivity to context. These experiences show that improvements in health can still be achieved in countries with relatively few resources, though strategic investment is necessary to address new challenges such as complex chronic diseases and growing population expectations.⁶

Democracy, service delivery, and accountability

Recent positive changes to the political economy in Indonesia

Imawan (2004) argues that the reform period has been marked by four key changes to the political economy of Indonesia. First, initiatives to shift the control over political decision-making by the executive to the citizenry, through freer elections first held in 1999, and subsequently in 2004 and 2009, with each set of elections being less marred by violence. Centralisation of political power and domination of decision-making were key features of the preceding Suharto government. Second, initiatives during the reform period have included creating greater checks and balances on the distribution and use of power between the legislative and executive arms of government, as well as between central and local governments. Third, rule over the populace has shifted from 'rule through using the law' that characterised Soeharto's New Order government, to building the 'rule of law'. Fourth, reform has also involved efforts to reduce opportunities for corruption and collusive practices within government.⁷

"Electoral autocracy": voting does not equal democracy in Bangladesh

For a number of reasons, the current system of government (in Bangladesh) might more aptly be described as electoral autocracy, rather than liberal democracy. Political competition is largely inter-elite contestation for access to patronage resources, with voters deployed as pawns during elections and ignored between elections. Competition is fierce and can be violent, as it is a zero sum game and the winner takes all. Once a government is elected, there are few checks on its power, as the opposition is neutered by institutional design, and ordinary voters lack effective accountability mechanisms. According to Freedom House, "*Endemic corruption and criminality, weak rule of law, limited bureaucratic transparency, and political polarization have long undermined government accountability.*".....

Political parties in Bangladesh are well developed, but not very democratic. They tend to be organizationally thin, elite-based cadre parties.. The leadership of the parties tends to be dynastic, with the children and grandchildren of early leaders expected to follow in their parent's footsteps. Since there is seldom turnover in leadership, policy change is glacially slow. Campaigning is based primarily on feudal ties and patronage, and appeals to historical grievances, rather than advancing a programmatic agenda for addressing current and future challenges.....

⁶ Balabanova B et al (2013) *Good Health at Low Cost 25 years on: lessons for the future of health systems strengthening*. The Lancet Vol 381.

⁷ UNICEF (2011) *The situation of children and women in Indonesia 2000- 2010: working towards progress with equity under decentralisation*.

Bangladesh is a country in transition, from agrarian to urban, from feudal to democratic, from traditional to modern; and it strongly suggests that efforts at reform or democratization that fail to address underlying social and cultural factors will have little influence or impact.⁸

Vote buying is correlated with lower investments in basic health services in the Philippines.

The data (in the Philippines) reveal a significant, robust negative correlation between vote buying and the delivery of primary health services. In places where households report more vote buying, government records show that municipalities invest less in basic health services for mothers and children; and, quite strikingly, as a summary measure of weak service delivery performance, a higher percentage of children are severely under-weight.

The central finding is that in places where households report greater vote buying (in direct response to questions about offers of money in exchange for votes at the time of elections), municipal government records show lower investment in basic health services for mothers and children; and, possibly as a result of lower public investments or worse performance in delivering broad services, a higher proportion of children are under-weight.⁹

Expanded political space in the transition to democracy increases competition for resources

Unresolved grievances now drive conflict in Nepal. The distributional struggle of such social movement actors as Dalits, women, trade unions, indigenous people, and ethnic groups, all of which are now demanding legitimate space, power, resources and identity have....led to populist policies that are beyond the state's capacity to fulfil. This has created state-society disharmony.¹⁰

Democratisation: chasing votes through the health sector

Democratization opened the policymaking process to more actors, including new political parties, social movements, and organized labour, some of which, as we shall see, have played an important role in lobbying and mobilizing for policy change. Second, democratization changed the incentive structures under which both new and old policy actors operated, especially by increasing pressures on political leaders to respond to voter preferences for greater welfare provision.

Accordingly, some of the most expansive local health care schemes have been introduced, not by political forces unleashed by democratization, but by old-style oligarchic politicians chasing votes and seeking new popular legitimacy.

“Promising to make healthcare services free is only to fool the people. No matter how much funding [is allocated for health care], it will never be enough.” Though such experts raise legitimate concerns

⁸ Meisburger, T (2012) Strengthening democracy in Bangladesh. Asia Foundation Occasional Paper Number 13

⁹ Khemani, S (2013) *Buying Votes Vs. Supplying Public Services: Political Incentives to Under-invest in Pro-poor Policies*. The World Bank

¹⁰ Poudal, B Jha, H (2009) The new dynamics of conflict in Nepal.

about the sustainability of new commitments, it is also possible to read into their comments a lament at the vulgarization of policymaking that has come with democratization. Since 1998, health care policy has ceased to be an exclusive preserve of technocrats, as it largely was under Suharto, and has instead been opened up to a much wider array of actors, including vote-chasing elements within the new political elite have become increasingly motivated to build political constituencies by responding to the interests of urban labour, the informal sector, and rural poor.¹¹

Poor people are poor because they are stuck in a low-level political equilibrium

Poor people are poor because they are stuck in a low-level political equilibrium. Teachers are absent from the classroom 25% of the time, students don't learn. But the same teachers run the electoral campaigns of local politicians who, in turn, give them a job to which they don't need to show up. Doctors are absent from public health clinics at least as much as teachers—and when present, spend an average of 39 minutes a day seeing patients—because they prefer to work in the fee-paying private practice, and medical unions are politically powerful enough to resist reform. Poor people have to pay high prices for off-grid infrastructure (water tanker operators, candlepower) because politicians perpetuate subsidized water and electricity in order to control whom the utility services. And they lack jobs because of exorbitant transport prices (thanks to protected trucking monopolies) or other monopolies granted to politically connected firms that stand in the way of export competitiveness.

In this setting, approaching development as a problem of finance—the amount of money it will take to achieve the goals—can be counterproductive. From the donor's side, a focus on raising the \$50 billion in resources distracts from investing in the knowledge assistance needed to help unblock these political equilibria. And from the government's perspective, many of the reforms that are needed to accelerate poverty reduction are politically difficult. Discussions of financing needs enables policymakers to avoid these difficult reforms, while giving them an excuse for missing the goals (“the money was not enough”).¹²

“Revealed preference”: budget allocations reveal the ‘true’ priorities eg the fuel subsidy in Indonesia

President Susilo Bambang Yudhoyono's address on next year's state budget proposal last Friday has provided president-elect Joko “Jokowi” Widodo with little room for reform once he assumes office on Oct. 20. Given the exorbitant spending proposal for the fuel subsidy, debt payment and bureaucracy, the Jokowi administration will have less than 15 percent of the central government's budget for development programs. Spending on fuel subsidies will rise by around 18 percent, or Rp 44.6 trillion

¹¹ Aspinall E (2014) *Health care and democratization in Indonesia*.

¹² Devarajan S (2015) *Shame on me: Why it was wrong to cost the Millennium Development Goals*. Available at <http://www.brookings.edu/blogs/future-development/posts/2015/03/02-costing-millennium-development-goals-devarajan>

(US\$3.81 billion), to Rp 291.1 trillion. From the total central government spending of Rp 1,379 trillion in next year's proposed budget, at least 31.5 percent will be spent on subsidies alone, while 11 percent will be allocated to debt payments. President Susilo Bambang Yudhoyono has effectively handed a poisoned chalice to his successor president-elect Joko "Jokowi" Widodo as the former backed off from implementing much-needed fiscal and energy reforms in his final budget.¹³

The large expenditures on fuel subsidies (in Indonesia) are akin to an additional income transfer disproportionately benefiting rich households. About 84 per cent of all benefits go to the top half of households by consumption, and only 16 per cent to the bottom half, 40 per cent of benefits go to the richest 10 per cent of households, and less than 1 per cent to the poorest 10 per cent. In addition, not only do the poor (as measured by consumption levels) receive fewer benefits from fuel subsidies, they also are likely to suffer more from the poor provision of infrastructure.¹⁴

When there are no clear advocates for reform.

Interviews revealed that formal, organized support for local governance reform either from the bottom-up or top-down was conspicuously absent in Bangladesh. While all groups recognized that reforms (for decentralisation) would generate popular support *once undertaken*, it was unclear who would spearhead and agitate for reform. It seemed that civil society was weak and divided, while none of those with policy-making influence at the central level (e.g., military, MPs) had sufficient incentive to organize in favor of reform.¹⁵ (*italics in the original*)

The role of history, and how patronage works in practice.

The ancient Hindu caste system still influences society (in Bangladesh) dividing the population in several horizontal layers. At the top is an hereditary aristocracy or governing class (patrons), which monopolizes most political and economic power. These patrons provide their clients security and access to government services in return for loyalty and the vote.

Within the patron class there is also hierarchy, with lower level patrons owing fealty and service to higher level patrons. This includes mobilizing their own clients to support their patron when required; for example, on election day. The patron/client relationship is personal, but not permanent (as it would be in a family or clan relationship). Rather, it is continually renegotiated and renewed with changing circumstances. One explanation of vote buying — where individuals seem to sell their influence in government for relatively small amounts of money — is that it is actually symbolic reinforcement of the feudal tie between patron and client. The patron is in essence saying, "accept this gift as evidence that we have a personal relationship and I am here when you need me."

The patron/client analytical lens helps explain political development in Bangladesh. Essentially, rather than a single feudal hierarchy with a great king at the top, there are two competing hierarchies represented by the two main political parties, each with its own king, barons, nobles, merchant class

¹³ Jakarta Post 28 August 2004

¹⁴ World Bank (2014) *Indonesia: Avoiding The Trap*. Development Policy Review 2014.

¹⁵ World Bank World Bank (2009) *Political Analysis of Decentralization: Capturing the Stakeholder Perspective Lessons from the Bangladesh Study*. Social Development Notes.

and peasants. Between the two main parties and their supporters are several minor parties and many unattached or independent voters, who freely switch their support as voters or members of coalitions from one main party to the other with changing circumstances and prospects. Electoral competition, rather than being truly democratic, is largely a contest between feudal elites, and often about access to patronage resources.¹⁶

Stakeholders role in priority setting

NGOs are not the same thing as civil society organisations

To access international resources, NGOs need (English-speaking) technical and academic experts, and consequently the most successful tend to be capital-based and led by a foreign educated and charismatic member of the local elite. The structure of such organizations is hierarchical, and while an NGO may have many clients, they typically have few members. Elite-based NGOs fit easily within the traditional patron/client system, and tend not to rock the boat too much, as they operate within the existing system.....

Civil Society Organisations (CSOs), on the other hand, are by definition membership organizations Since they are voluntary associations based on mutual interest, they can exist and operate without outside funding. CSOs are powerful in a democracy because of their membership. Rather than basing advocacy on a personal relationship, and respectfully asking a favor of government, CSOs make demands, and threaten to remove those that do not accede to those demands by deploying their members at election time (the more members, the more power).

The decentralisation process and evidence based planning

The importance of credible indicators

Credible indicators: Agenda-setting scholars have demonstrated that among the factors that shape whether an issue rises to the attention of policymakers is the presence of a clear indicator to highlight the issue, such as a maternal mortality ratio to indicate maternal death levels. These make a difference because they have the uniquely powerful effect of giving visibility to that which has remained hidden, serving not just monitoring purposes, the way they are traditionally understood, but also as catalysts that may provoke political elites to act.¹⁷

Evidence based planning in the absence of basic data

Birth registration in Indonesia in 2007 was just above 42 per cent, with a marginal improvement from 40 per cent in 2001, and that the target of achieving a record of 100 per cent registration of children by 2011 is unlikely to be achieved. The majority of children in Indonesia therefore have no legal

¹⁶ Meisburger, T (2012) Strengthening democracy in Bangladesh. Asia Foundation Occasional Paper Number

¹⁷ Shiffman J (2007) *Generating Political Priority for Maternal Mortality Reduction in 5 Developing Countries*. American Journal of Public Health Vol 97 Number 5.

identity. Indonesia currently ranks among the bottom 20 countries in the world in its registration of children..... The rural population are at a clear disadvantage. The disparity between rural and urban birth registration in Indonesia is among the highest in the world. These data further indicate that no changes in the birth registration figures occurred in rural areas between 2002-2003 and 2007, and the little improvement that took place was concentrated in urban areas.¹⁸

Political economy incentives and disincentives to decentralisation in Indonesia

The President's intent was to decentralize rapidly and radically to local governments, but to eliminate the provinces. These had been the center of the regional unrests in the 1950s, and the military only wanted to go along with regional autonomy if there was no chance of a rerun. In their eyes, local government was easier to control than the larger, and thus potentially more powerful provinces. The key line ministries were outright obstructionists. They felt they had everything to lose from decentralization, as the laws would abolish their deconcentrated apparatus, and with it their control over projects, resources, and perks.¹⁹

Incentive structures more generally

Whatever the starting context, those most responsible for decentralization—elected politicians and national-level bureaucrats—face diverse incentives to pursue, to appear to pursue, or to limit reform. For analytical purposes, we distinguish in this volume between the motivations facing elected politicians—electoral, partisan, institutional, and coalitional—and those facing appointed bureaucrats—consolidating institutional power, improving career trajectories, and checking rival agencies.

Understanding the initial conditions under which decentralization arose is a useful starting point for assessing the most genuine and robust reasons for pursuing it, their likely implications for the shape and pace of reform, and the potential durability of resulting policies. For example, a country in crisis may decentralize too much too quickly and run into serious problems later. A country under no obviously strong pressure to decentralize, on the other hand, may become stalled at early stages of reform....

No matter what the official justification, decentralization is largely driven and continually shaped by politics and institutional dynamics. Politicians and public officials tend to cite lofty, normatively inspired, internationally advocated goals when they decide to decentralize, including the promotion of democracy, development, and public security, and/or improved efficiency and equity in the delivery of government services. Yet other more immediate, narrowly political factors are often more centrally behind the decision to decentralize and the process of bringing decentralization to life.

It is difficult, in fact, to imagine a more intensely political process than decentralization. Roughly since the emergence of the modern nation-state, struggles between and within national and subnational

¹⁸ UNICEF (2011) *The situation of children and women in Indonesia 2000- 2010: working towards progress with equity under decentralisation*.

¹⁹ World Bank (2003) *Decentralising Indonesia*

government entities over which levels do what, and with whose revenues, have been at the core of state formation.²⁰

Early disappointment with decentralisation in Indonesia, Philippines and Vietnam for political economy reasons

Note: the following is a quotation from 2005 so is now dated:

Experience in these three countries (Indonesia, Philippines and Vietnam) reveals that decentralization dividends have been modest for two reasons. First, these countries decentralized health services in less-than-favorable environments. Inequitable economic growth, population pressures that brought epidemiological changes, and political uncertainties have limited the potential gains from decentralization. Weakness in decentralization policy also contributed to lower-than-expected health payoffs. These include ambiguities in goals, lack of detailed design, inconsistency with other policies, and poorly thought-out implementation strategy. These follow from the fact that health was not the main—much less the sole—driver of decentralization. The Philippines, for example, included health services in its decentralization strategy only when resistance from the education lobby forced legislators to look at other national expenditures.²¹

Politicised decentralisation makes things worse in Nepal

Severe lack of capacity to implement the ambitions of the LSGA, the onset of conflict, impractical design of local-level planning processes and, most of all, the reckless decision to dissolve the elected bodies in 2002 have all contributed to the informalization of local governance in Nepal. Similarly, the inability to conduct elections since 2002, and the succession of different ad hoc arrangements that filled the void—handing all authority first to bureaucrats, then to an unelected guild of political elites, and finally to the All Party Mechanism in 2009—have contributed to political collusion, increased corruption, and bolder forms of patronage politics at the local level.²²

How far down to decentralise? education sector in Indonesia

However, by stopping much of the decentralization process at the district office level—where one office can be in charge of 1,000 schools or more—little reform or change, in fact, may happen at the level where it matters the most: the community and the school. This decentralization process both (a) transferred substantial policy making and planning authority (and resources) from the central level down to the district level, and (b) moved implementation processes (and resources) from the subdistrict level up to the district level—changes that resulted in much larger and much more powerful district-level offices. But the unclear and incomplete division of labor among the different levels of the system and the lack of management and technical skills in planning, budgeting, procurement, and

²⁰ Eaton, Kaiser, Smoke (2010) *The Political Economy of decentralization reforms*

²¹ Lieberman, S Capuno, J Van Minh, H *Decentralizing Health: Lessons from Indonesia, the Philippines, and Vietnam* in World Bank (2005) *East Asia Decentralizes: Making Local Government Work*.

²² Asia Foundation (2010). *Political economy analysis of local governance in Nepal with special reference to education and health sectors*.

accounting needed at lower levels of the system to take on more authority (and the willingness of the upper level to give up its authority) made decentralization a problematic process.²³

Devolution can fragment service delivery and undermine the referral system

Devolution (in the Philippines) has led to the fragmentation of service delivery as public health functions and primary care (the responsibility of municipalities) were de-linked from primary and secondary hospitals (the responsibility of provinces) which were in turn de-linked from tertiary and national referral hospitals (the responsibility of DOH). The lack of inter-jurisdictional payment systems for referrals, the mobility of patients, and frequent bypassing of primary care and district hospitals to start with, has led to the fraying of the financing and delivery system, manifest in overcrowded provincial and DOH hospitals, and underutilized health centers and district hospitals. The “network model” that existed prior to devolution – based on the district catchment area and district health structure that responds to it – has all but disappeared.²⁴

Political incentives for systematic corruption

In Nepal

Local-level corruption in Nepal is generally not a onetime event, but rather an ongoing practice involving a multitude of stakeholders each playing their part. In other words, it is not a complete absence of the rule of law in local governance, but rather an ethical degeneracy in local politics that seeks short-term individual benefits at the cost of longer-term public welfare, and deeply undermines formal procedures of governance. Collusive schemes employed at the local level included a tactical mixing of private and public interests in resource allocation decisions, practice of nepotism, lack of transparency, informal decision-making, among others.²⁵

In Indonesia

‘Rosser argues that the source of this problem is that patients confront a coalition of interests uniting “politico-bureaucrats and their corporate allies” in the health care system. Illegal fees persist because this coalition continues “to treat public health facilities as mechanisms for generating rents” and ensures “that programmes aimed at providing free health care to the poor remain underfunded.

Accordingly, the health care system is a site of major corruption in Indonesia. The media is full of reports about corruption scandals in public hospitals, involving everything from skimming off funds in construction projects, equipment purchases, and pharmaceutical orders, to manipulation of patient or staffing data and outright theft of equipment.

²³ Mae Chu Chang, Sheldon Shaeffer, Samer Al-Samarrai, Andrew B. Ragatz, Joppe de Ree, and Ritchie Stevenson (2014) *Teacher Reform in Indonesia: The Role of Politics and Evidence in Policy Making*. World Bank.

²⁴ World Bank (2011) *Transforming the Philippine Health Sector: Challenges and Future Directions*.

²⁵ Asia Foundation (2010). *Political economy analysis of local governance in Nepal with special reference to education and health sectors*

As elsewhere in the public sector, such corruption is integral to the system, and is critical to the manner by which staff are recruited, promoted, and assigned tasks within it. The links to the political system are also clear, with local health bureaucrats being political appointees who are expected to furnish their superiors with kickbacks and support them in election campaigns.

Dinna Wisnu lists a dozen major corruption scandals involving a total of 3 trillion rupiah in Jamsostek funds since 2000, involving companies owned by some of Indonesia's notorious crony capitalists and by major political figures such as Golkar party leaders Aburizal Bakrie and Jusuf Kalla. Little wonder that the management and board of PT Jamsostek is stacked with political appointees and the top position is "strongly desired by the largest party".²⁶

The demand for, and supply of, evidence

Demand: Under Suharto "Technocratic ministers were the government's primary interface with the international financial institutions whose aid was crucial in fostering development. However, the influence of technocrats was highly variable and context specific. They had no base support within government and no constituency outside it. The president entrusted technocrats primarily as expert crisis managers and economic fixers with their influence peaking at times of economic turmoil. During times of relative stability and prosperity however, national and crony interests (large entrepreneurs who were close to the president) tended to dominate policy.....

Supply The World Bank in particular was highlighted by many. Ministry of Finance was said to regularly seek advice from a number of donors and international agencies, in particular the World Bank, with one respondent suggesting that the World Bank had effectively been installed as an 'in-house advisor'. Although the World Bank's loan portfolio was relatively small (in comparison with aid disbursements of other donors), it had significant staff numbers - approaching 800 (providing mainly technical assistance) many of whom were funded by a range of donors through trust funds. (There were three incentives to use the World Bank): (i) very fast turnaround compared to Indonesian bureaucracy: World Bank do short, technically strong, policy notes on complex issues within a week for Ministry of Trade (ii) it is free: important when Ministries lack a budget for research (iii) can then blame World Bank if something goes wrong.²⁷

²⁶ Aspinall E (2014) *Health care and democratization in Indonesia*

²⁷ Ajoy Datta, Harry Jones, Vita Febriany, Dan Harris, Rika Kumala Dewi, Leni Wild and John Young (2011) *The political economy of policy-making in Indonesia : Opportunities for improving the demand and use of knowledge* ODI SMERU

Intersectoral issues

Demography matters

To achieve its Millennium Development Goals (MDG) targets and provide education and healthcare services with higher quality, the government would have to increase social spending by around five per cent of GDP initially and sustain it by an annual increase of about 10 per cent. With a high dependency ratio every member of the fully employed sector, which accounts for less than 30 per cent of the population, would have to support an average of 2.8 family members who are outside the labor force, without a job, or without an adequate job. With falling real income, this feat is becoming much more difficult to accomplish.²⁸

The importance of remittances on economic structures and poverty

Growth (in Nepal) relies largely on remittances supporting consumption. In FY13, remittances soared to an unprecedented \$4.9 billion, growing 11.7 per cent year-over-year in dollar terms, equivalent to over 25 per cent of GDP—exceeding both foreign aid and foreign direct investment (FDI) by a considerable margin. These inflows were mostly channeled to consumption, boosting aggregate demand, helping to lift household incomes, and driving expansion of services.....

Remittances-fueled consumption has been the main driver of poverty reduction (in Nepal). With about four million Nepalis currently working outside the country and sending part of their wages home, remittances have soared and helped to give poor households the means to increase consumption and lift themselves out of poverty. . But while labor migration has provided a response to limited domestic employment opportunities, out-migration involves significant negative externalities, including dislocation of families and the risk of inflows leading to real appreciation and a shift of labor resources towards production of non-tradeable goods. Remittances thus far have not been used effectively to finance Nepal's development and jobs also need to be created "at home" for Nepal's growing youth population.²⁹

Decentralisation and the private sector

It is doubtful that decentralization has widened access by the poor to quality health care. A national client survey confirmed that Filipinos in general were more satisfied with private hospitals and clinics than with government health facilities. Filipinos also tended to rate traditional healers as more satisfactory than any public providers (World Bank 2001). The low regard for public health services prevailed even among the poor, an indication that the public health system does not serve its target clients well.....Perhaps because of the inferior quality of public health services, the poor—like well-off fellow Filipinos—continue to self-finance their access to private health services. Private sources, including direct out-of-pocket payments, accounted for an annual average share of 57 per cent of total health expenditures in the Philippines from 1991–2001.³⁰

²⁸ World Bank (2013) *Philippines Development Report Creating more and better jobs*.

²⁹ World Bank (2013) *World Bank Country Partnership Strategy for Nepal FY 2014 – 2018*

³⁰ Lieberman, S Capuno, J Van Minh, H *Decentralizing Health: Lessons from Indonesia, the Philippines, and Vietnam* in World Bank (2005) *East Asia Decentralizes: Making Local Government Work*.

The importance of tobacco taxation

For Indonesia, tobacco tax is the most cost-effective way of reducing the incidence of death from tobacco use while reducing poverty. A tax that increases tobacco prices by 10 per cent is associated with decreasing tobacco consumption by up to 8 per cent in low and middle-income countries. In Indonesia, implementing the maximum legally allowable tobacco tax rates could prevent between 1.7 and 4.0 million tobacco-related deaths among smokers, and increase fiscal space by generating additional revenues of US\$3.2 to US\$6.5 billion. While a doubling of the tobacco tax may negatively impact six economic sectors, one research simulation suggests that growth in 60 other sectors would be stimulated." ³¹

The political economy of implementation

Implementation matters but is often ignored

All too often, implementation is thought to be a matter of carrying out that which has been decided upon, and successful implementation is viewed as a question of whether or not the implementing institution is strong enough for the task..... the probabilities of success are higher if policy makers are involved in the entire process of reform rather than assuming that the decision to reform is the critical choice and what follows is little more than a mechanical process of implementation. This means looking at policy reform as a process, and not as a series of phases, as the linear model would encourage us to do. Our cases make clear that decision makers frequently concern themselves only with the decision, and neglect or ignore implementation. They generally have cause to regret this shortsightedness....

The distribution of the costs and benefits of a policy or institutional change, its technical complexity, its administrative intensity, its short- or long-term impact, and the degree to which it encourages participation determine whether the reaction or response to the initiative will occur primarily in a public or bureaucratic arena. Reforms with some or all of these five characteristics create strong reactions that are played out primarily in the public arena.....*For example:*

Dispersion of costs: If the costs or burden of the reform have a direct impact on the public or on politically important groups in society, opposition will emerge during implementation. The best example of such a policy is increasing the price on an important commodity such as water or food, especially as such a decision often represents the reversal of a previous policy to subsidize prices.

Short duration. The length of time needed to implement a reform also has an important influence on the reaction generated by it. If the full impact of the change is immediately visible - again, the example of a price increase is relevant - the reaction is likely to be stronger and more public. ³²

³¹ World Bank (2014) *Indonesia: Avoiding The Trap*. Development Policy Review 2014.

³² Thomas J, Grindle M (1990) *After the decision: implementing policy reforms in developing countries*. World Development 18 (8).

Intersectoral rivalries exacerbated by political differences in Indonesia

Difficulties in securing cooperation amongst ministries were exacerbated with ministers often affiliated to rival political parties. For instance, the cooperation of the Ministry of Education and the Ministry of Religious Affairs was vital given their overlapping mandates. However their ministries were affiliated to rival parties, had different governance arrangements (one was centralised, while the other was decentralised), differed in their ethos and approach and were often competition for the same funds.³³

Good policies need to be transformational: otherwise they can be reversed.

Choosing good economic policies and institutions on their own will not guarantee this movement (to reform and better outcomes). Unless they have consequences for the distribution of political power, they can be reversed by future governments. One such example of sustained reform is the introduction of electronic voting in Brazil in 1990s, which greatly simplified procedures for illiterate voters and led to a large expansion of pro-poor expenditures, particularly education. For the Philippines to create more inclusive political and economic institutions, two questions need to be answered: What is the coalition for reform in the Philippines? And what reforms can be undertaken to make this coalition broader and stronger?³⁴

Implementation and rent seeking in Nepal

The effective and responsive delivery of health services requires effective systems for procurement, human resources management, budgeting and the timely release and flow of funds, management and provision of drugs and equipment, and reporting and accountability relationships. All of these are affected by the interests and incentives facing key stakeholders, particularly those working within the public health system. Implementation problems have been encountered for both of the case study programmes which are related to the adverse effect of rent-seeking and the use of political influence in the operation of these key systems....

Political and institutional factors however are significantly adversely affecting the effectiveness of health service delivery. Major problems include the following:

- There is an excessively high level of turnover of staff in senior administrative positions in the Ministry of Health and Population (largely occurring for political reasons) which militates against effective management or the consistent adoption of a long-term focus in policy and administrative reforms.

- There are significant problems with the management of procurement that have led to inflated costs and poor quality equipment as well as apparently generating rent-seeking behaviour.

³³ Ajoy Datta, Harry Jones, Vita Febriany, Dan Harris, Rika Kumala Dewi, Leni Wild and John Young (2011) *The political economy of policy-making in Indonesia : Opportunities for improving the demand and use of knowledge* ODI SMERU.

³⁴ World Bank (2013) *Philippines Development Report Creating more and better jobs*.

· Weak management and supervision through the still effectively centralised process of management of health facilities has not yet been compensated for systematically by effective local supervision (for instance through the HFMCs). HFMCs generally lack the skills to perform this role and (as in the example visited during this study) may also be severely affected by local political conflicts that distract attention from management issues. In addition, the degree of effective control over resources and decision-making that they possess is limited (with effective control tending to be retained at district level).

Despite this, there are reported examples of good practice and the use of local initiative for instance to improve incentives to retain senior medical staff.....

Weak implementation of procurement regulation and oversight functions leaves the procurement process open to manipulation including direct political interference. Problems identified or alleged fall into three main categories: constraints on free and fair participation in the bid process; weaknesses in the bidding and evaluation process; and systemic issues in LMD and in relation to civil works.³⁵

Universal Health Coverage: political economy risks of some provider payment systems

Subsidized health insurance is unlikely to lead to Universal Health Coverage (UHC); insurance coverage doesn't always improve financial protection and when it does, doesn't necessarily eliminate financial protection concerns; and tackling provider incentives may be just as – if not more – important in the UHC agenda as demand-side initiatives.....

Out-of-pocket payments are a cost to a family, but a source of income to a health provider. Such payments persist even after health insurance coverage expansions – or perhaps even partly *because of* health insurance coverage expansions – because providers rely on them for their income. Where providers are paid fee-for-service, there's a strong temptation to focus on treating more patients, doing more tests, prescribing more – and more expensive – drugs, and so on. Shifting from fee-for-service toward payment methods such as capitation and salaries, and combining these with incentives for delivering good quality care, may be a more effective approach to reducing out-of-pocket spending. It may also help curb unnecessary care, thus helping a country get toward the first of the UHC twin goals – making sure that everyone gets the care *they need*. (italics were in the original article)³⁶

Practical application of political economy

³⁵ Draft report. Details available on request

³⁶ Wagstaff A, (2014) *We just learned a whole lot more about achieving Universal Health Coverage*. World Bank blog. 25 August 2014.

Political economy factors that shape the enabling environment for better prioritisation and resource allocation in maternal care

Nine factors, each identified in previous research on agenda setting, shaped the degree to which maternal mortality reduction emerged on the national policy agendas of these 5 countries:

- Norm setting (international standards)
- Resource provision
- Policy cohesion
- Political entrepreneurship
- Credible indicators
- Focusing events
- Clear policy alternatives
- Political transitions
- Competing health priorities

....Specifically, national health advocates are more likely to be effective if they:

1. Coalesce into unified policy communities, translating their potential moral and knowledge-based authority into political power and pressing national political officials to act.
2. Bring into their communities respected and well-connected national political entrepreneurs with track records in placing public health issues on national agendas.
3. Develop credible measures that mark the severity of this problem, and make political leaders aware of these measures so they cannot plausibly deny that a problem exists.
4. Organize large-scale focusing events such as national forums to generate widespread attention to the issue.
5. Present leaders with clear policy alternatives proven to be effective, so that policy-makers come to believe the problem can be surmounted and know what they are expected to do.³⁷

Human resources – often decided outside the health sector itself – are sometimes the key binding constraint to improved policy and service delivery

A key feature (in Nepal) has been high rates of turnover in senior positions, largely driven by political factors. In the last five years, MoHP has had eleven Secretaries. The Department of Health Services has had seven Directors-General during the same period. Even the low-profile Department of Ayurvedic Medicines has had four Directors in the past five years. These frequent staff changes represent a clear indicator of instability in the system, encourage a short-term approach, and militate against the effective implementation of coherent administrative reform plans.....The practice of politically driven reassignments of staff leads to a climate of insecurity and risk aversion..... Such

³⁷ Shiffman (2007) *Generating Political Priority for Maternal Mortality Reduction in 5 Developing Countries*. American Journal of Public Health 97 (5).

patronage-based decisions are often influenced by political-party loyalty, staff union pressures, and financial gains (to be made from “auctioning” positions with corruption opportunities). Regional/ethnic affiliations are also a factor but to a more limited extent. Influence is also alleged to be used in relation to training and travel opportunities, and in seeking jobs with international agencies for relatives and political allies.³⁸

Success factors in reducing maternal and child mortality in 144 low and middle income countries over 20 years

There is no standard formula – fast-track countries deploy tailored strategies and adapt quickly to change. However, fast-track countries share some effective approaches in addressing three main areas to reduce maternal and child mortality. First, these countries engage multiple sectors to address crucial health determinants. Around half the reduction in child mortality in LMICs since 1990 is the result of health sector investments, the other half is attributed to investments made in sectors outside health. Second, these countries use strategies to mobilize partners across society, using timely, robust evidence for decision-making and accountability and a triple planning approach to consider immediate needs, long-term vision and adaptation to change. Third, the countries establish guiding principles that orient progress, align stakeholder action and achieve results over time...

No single configuration of factors proved necessary or sufficient.¹⁶ Instead, results point to a diversity of configurations in different countries associated with fast-track progress. There were also no simple cut-off points, or levels of coverage, associated with fast-track progress, as these varied depending on country contexts, starting levels in 1990 and combined progress across a core set of multisector factors.....

Two factors identified as key enablers across the quantitative and qualitative findings in the Success Factors studies are good governance and women’s political and socioeconomic participation.....

Good governance, and particularly control of corruption, as measured by the World Bank’s Worldwide Governance Indicators, is associated with country progress . Ensuring value for money is also a key feature of enabling governance, as most fast-track countries improved health outcomes despite relatively low levels of investment resulting in part from low GDP per capita and significant political and economic problems.....

The Success Factors literature review found decentralized governance to be an enabling factor for accelerated progress. However, the reach, influence and even definition of decentralized governance varies considerably between countries. Rwanda has a highly centralized policy-making approach supported by district-level planning and implementation. In other countries, such as Nepal, geography and politics necessitated a much more regionalized approach. Caution is therefore needed when interpreting decentralized governance as a success factor...

The Success Factors studies further highlight the importance of women’s political and socioeconomic participation. Fast-track countries have significantly more women parliamentarians Fast-track countries also had a higher average female labour-force participation rate than other “Countdown”

³⁸ Draft report. Details available on request.

countries in 1990 (64% to 54%) and this rate still remained higher in 2010. Many fast-track countries (e.g. Bangladesh, Cambodia, China and Viet Nam) developed industries that employ large numbers of women. The increased wages these workers earn are potentially available for expenditure on their own health, as well as that of their children and families, and further work is needed to understand these links.³⁹

Expanding fiscal space in Nepal: improving allocative and technical efficiency

The highest potential for efficiency gains comes from linking payments to results. Clearly designing such a system requires robust monitoring and verification. The Ministry could start by explicitly linking grants and transfers and other incentive payments to results. These payments are the most immediate candidates to begin with and this experience could then be used in expanding to other areas where verification/monitoring capacity is more challenging. More can also be saved by addressing a number of other governance related issues including staff absenteeism, and equipment procurement and maintenance.....

The Ministry could explore options of reforming the provider payment system. The benefit of this is immediate for hospitals and districts where the grant system is already in place. Different types of provider payments have different effects on the hospitals with varying level of efficiency. Nepal could start with a per diem system. Per diem systems are ideal for implementation as they are simple to administer and less information intensive. The risk is that providers quickly learn the system and can start changing behavior in order to maximize revenue. The best option would be a mix of per diem and a case based rate. However, the case based payment is complex to administer and requires information that is not readily available today. By starting with a per diem system, data that will be necessary might then also start to be collected for an eventual move towards case-based approach. At the same time, alternative payment mechanisms to districts and primary care facilities could also be explored.⁴⁰

Development Partners

Development partners and the quest for “results”

Efforts to improve donor quality by strengthening performance feedback can undermine efforts to improve recipient quality....Former USAID Administrator Andrew Natsios writes ‘those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable’⁴¹

³⁹ Kuruville et al (2014) *Success factors for reducing maternal and child mortality*. Bulletin of the World Health Organization. Vol 92

⁴⁰ World Bank (2011) *Assessing Fiscal Space for Health in Nepal*.

⁴¹ Howes, S (2014) *A framework for understanding aid effectiveness: determinants strategies and trade-offs*. Asia and the Pacific Policy Studies Vol 1 No 1.

The form of financing: pooled budget support increases influence

External development partners (EDPs) play an important role in terms of their influence (in Nepal) because of the dependence of the sector on donor funding. Donors providing pooled budget support are particularly significant because these resources are (unlike those provided to particular programmes and projects) potentially available to support unbudgeted policy initiatives.....

Donors providing substantial pooled funding (DFID and the World Bank) have had particular potential influence in relation to new initiatives and policy changes compared to other EDPs because the resources they are providing are fungible and can be used more flexibly at the programme level than funds tied to specific programmes or projects.

The corollary of this is that providers of pooled funds potentially face greater fiduciary risks especially in the current environment documented above where there is a lack of effective governance and compliance with service standards within MoHP. It is therefore particularly important that EDPs providing pooled funding should maintain a clear strategic focus on encouraging improvements in the key operational systems for the health sector, including protecting them from political interference and minimising rent seeking opportunities.⁴²

⁴² Draft report. Details available on request.