Governance & service delivery: Toward a conceptual framework for HD operational work

Ariel Fiszbein
Chief Economist, Human Development
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The Governance Agenda in HD: What we all agree on...

- **Mainstreaming GAC in HD sectors:** Focus on good governance and accountability as a positive agenda, central to HD’s core business:
  
  - Improving outcomes through enhanced efficiency, equity and quality of service delivery requires improved governance – good intentions and more spending are not enough
  
  - Good governance requires (i) stronger incentives for service providers and (ii) stronger accountability mechanisms (‘long and short route’) to improve results in the delivery of services and benefits.
The Governance Agenda in HD: What we are missing…

I. A common **conceptual framework** that is:

   Simple and flexible enough to help us identifying entry points for reform to match country/sector conditions
   Informed by **evidence** and allows for **measurement** of results

II. *(often) **instruments** to engage clients:*

   Lending instruments that create the right **incentives**
   Strategies to create **demand and capacity** for better governance
I. Conceptual framework
Governance of service delivery

- Governance: rules under which actors interact
- Can be seen as set of principal-agent relations defined by the:
  - Incentives facing agents
  - Accountability mechanisms available to principals
A set of principal-agent relations...
Many potential entry points

- Right to information
- Parliamentary Representation
- Legal recourse
- Citizen scorecards
- Voting
- Taxes

- Budget Planning & Execution (e.g. Resource allocation)
- Civil service (e.g. HR policies)
- Inter-govt. arrangements (e.g. fiscal, Decentral.)
- Procurement
- Regulatory Systems (e.g. laws, norms, standards)
- Formal Controls (e.g. Performance audit)

- Social Accountability Mechanisms
- Community management

Client Power

Politicians & Policymakers

Voice/Politics

Compact/Policies

Citizens

Service Providers
Public policy as a function of provider & user/citizen behavior

- Provider motivation
  - Knaves: self-interested, extrinsic motivation
  - Knights: altruistic, intrinsic motivation
- Agency: Capacity for action and choice among citizens/service users
  - Pawns: Passive
  - Queens: Active

Improve agency (information, client power)

Improve provider incentives (Pay-for-performance, autonomy)
1. Improving agency

- Vis-à-vis: policy makers (e.g. spending decisions, quality of services) and providers (e.g. effort)

- Requires access to information (‘transparency’) & opportunities to use it (‘redress’)

  - Information: timely, relevant, credible (e.g. right to information, information campaigns, scorecards)

  - Opportunities: turn information into action (e.g. vote, complaints, user oversight, choice)
1a. Improving citizen/user access to information

- Information campaigns
  - Making citizens aware of their rights and services standards
- Score cards
  - Reporting provider performance in transparent ways
- Right to information
  - Enforcing legally access to information
1.b Establishing redress mechanisms

- Information w/o means to use it may be useless:
  - Voting is a rough mechanism for accountability
  - Clientelism may act as a counterforce to information
  - The poor face limited choice in service providers
  - Providers may have few incentives to be interested in/responsive to complaints from users

- Explicit redress mechanisms are needed for when service delivery fails
Redress mechanisms: a combination of approaches...

- **Administrative** complain mechanisms
  - Hotlines, ombudsmen, etc.

- **Legal** complain mechanisms
  - Role of the courts, legal support services

- **Independent** oversight
  - Media, watchdog organizations
  - Community oversight of service providers (e.g. community boards)
Mapping of Demand-Side Instruments in FY08 HD projects

*Preliminary data from desk reviews by QAG and HDNCE of 64 HD projects that went to the Board in FY08.
Analysis of EAP portfolio

- Projects where demand-side elements are well-defined or somewhat present.

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Transparency</th>
<th>Participation</th>
<th>Grievance</th>
<th>TPM</th>
<th>Independent verification</th>
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<td>Total EAP Projects (11 projects)</td>
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<td>2</td>
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<td>HNP (6 projects)</td>
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<td>Social Protection (2 projects)</td>
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<td>1</td>
<td>1</td>
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2. Improving provider incentives

- Multi-layered systems of incentives: central and local governments, provider organizations, individual providers (and users as well)

- Involves a combination of rewards and punishment (‘carrots and sticks’):
  - Instruments: level of payment, contracts (e.g. duration/tenure), recognition (e.g. promotion)
  - It requires information on performance (monitoring and evaluation, auditing) and matching decision-making autonomy
2.a Paying for performance

- Increasing interest in results-based financing (RBF) as means of providing stronger incentives to providers
  - Intrinsic incentives hard to achieve as a matter of policy
  - Limits to flexible contracting within public sector
  - Contracting often involves pay-for-performance

- Given the complexity of service delivery arrangements, RBF takes many different forms
  - Conditional grants to sub-national governments
  - Monetary incentives to facilities
  - Merit pay to workers
2.b Complementary reforms

- Monitoring performance
  - Definition of monitorable indicators
  - Monitoring systems
  - Audit functions
- Incentive-compatible design
  - Potential effects on equity
  - Un-planned motivational effects
- Allowing space for autonomy
  - Political economy constrains
  - Capacity constrains
2. Instruments for engagement?
Growing frustration with status quo. Creativity and innovation abound. But it is felt as uphill battle by staff.

Messages to GAC council: Management can facilitate success by helping to:

- Reduce the **Fear Factor** (tolerance for risk)
- Exercise the **Patience Principle** (realism)
- Clarify the **Rules of the Game** (lending)
- Support **Teams** (skills and resources)
Opportunities in the horizon

- Measurement
  - Indicators for policies and performance
  - Inter and intra-national benchmarking
- Learning on what works
  - Experimentation, evaluation and information exchange
- Political economy is legitimate!
- Pluralistic approaches
  - Role for CSO, media and academia
- Investment Lending Reform
  - Operational risk assessment framework
  - Results Based Financing Instrument
END