

INNOVATING BUREAUCRACY

A JOURNEY AND A DESTINATION



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DONNA ANDREWS

FIJI

JOINING US BY VC FROM MANILA



Recap Day One #1

- **Public bureaucracies are distinctive labor markets**
 - As Richard Disney argued, there is a need to understand the ***mix of pecuniary and non-pecuniary*** incentives for selection/recruitment into the public sector labor market
 - As Tim Besley underscored, the classic contract theory framework is insufficient to understand public sector performance, and therefore also important to ***understand culture and norms***
 - The characteristics of the public sector labor market, such as wage premiums, are also sensitive to choice of comparators and vary by occupation and ***gender***.
- **As a result, there is a particular challenge for selecting public service oriented individuals and for motivation**
 - Jim Perry talked about the specific challenge of ***motivating managers and administrators***
 - Erika Deserranno showed how ***financial incentives can work but also backfire***, and the importance of non-financial incentives, and their relative costs
 - Michael Best showed the effect of ‘one’ – and the ***ability to detect performance through data***, the way it perseveres and estimating the cost. A real life lesson in best fit.

Recap Day One #2

The nature of interaction between politicians and bureaucrats is central to the functioning of the public sector labor market for motivating bureaucrats to perform

- Yuen Yuen Ang's China case is fascinating – turns ***much of the orthodoxy*** on its head - the different mix of career and financial incentives for senior and street-level bureaucrats is really striking and reinforces Disney's point that public sector is many submarkets

Digital technologies provide new openings as Deepak Mishra showed; not a silver bullet; technology cannot bypass institutions

- Networked governments are still shaped by silos (Fountain)
- But with the right “analog complements”, digital technologies have considerable impact; Somalia on payments and Maji voice in Kenya

Reforms require understanding the local nature of bureaucracy, and using better data

- This was the point underlined in both Stuti Khemani, Dan Rogger and Adnan Kahn presentations
- ***Evidence matters*** for improving the functioning of government, and smart empirical holds the key to innovating bureaucracies
- This requires empirical work ***based on theoretical frameworks***, a deep knowledge of the local, institutional contexts

RAYMOND MUHULA

SERBIA



Innovative use of **ALL** instruments

FINANCING

- Analytical and Advisory
- Program for Results
- Development Policy Lending
- Reimbursable Advisory Service
- Sector Budget Support (EC)
- Standby Arrangement (IMF)

BINDING CONSTRAINTS ADDRESSED

- Knowledge for decision-making
- Incentives for persistence
- Policy Coordination

Lessons

- Rigorous analytics- to generate evidence of dysfunction
- Iterate—intensely to respond when needed
- Adapt-available tools to context
- Cooperate with other Development Partners for impact

Early results - promising

Law on Ceiling on Number of Employees passed

Some school and hospital consolidation underway

More effort to control temporary employees

Emphasis on coordination at the center

New Bank instruments can help us focus at the right place

	Incentive to reform	No incentive to reform
Has capacity	A	B
Does not have capacity	C	D

Approaches to reform

- Standard approach has us in Cell C, with the problem of moving to Cell A
- But if in Cell B the fact is that focus on legal frameworks and organigrams may be at the wrong target to get to Cell A.
- If in Cell D, opens up the issue of sequencing – should the focus be on capacity or the incentive and authorizing environment.

New instruments

- Traditional investment operations encouraged a focus on capacity; DPOs focused on changes in laws.
- New instruments such as PforRs, and more flexible approaches such as through DLIs assist us to focus at the right problem.

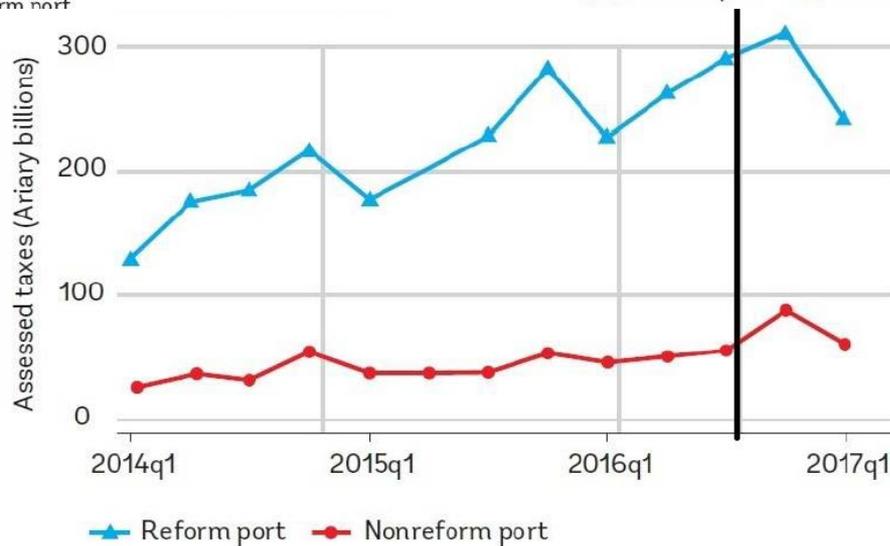
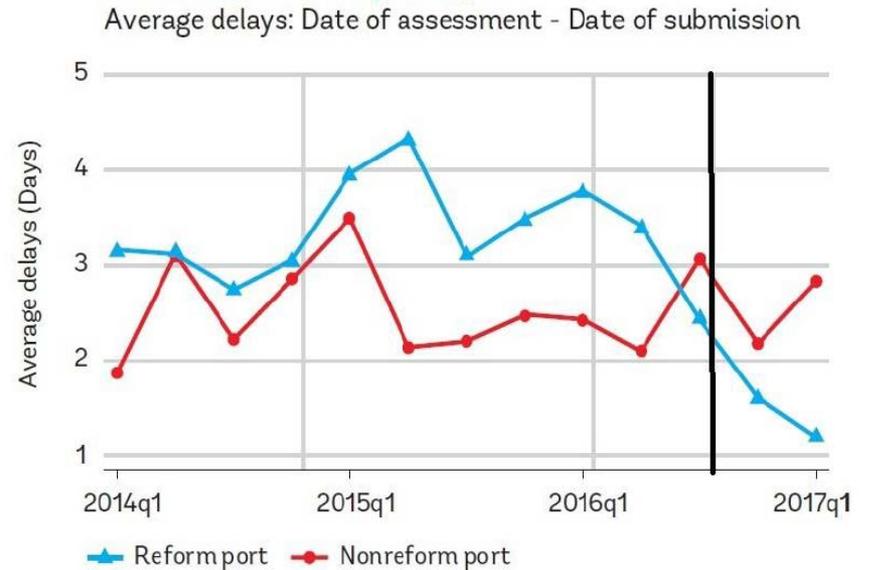
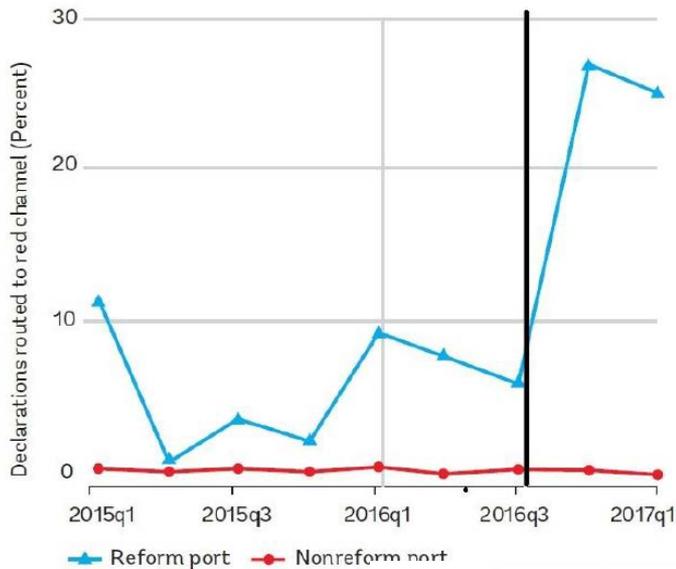
GAEL RABELLAND

MADAGASCAR

PRE-RECORDED VIDEO



Madagascar – measurable gains



Try to look at the right thing; rather than the most observable thing #1



Strengthened foundation with base isolators inserted

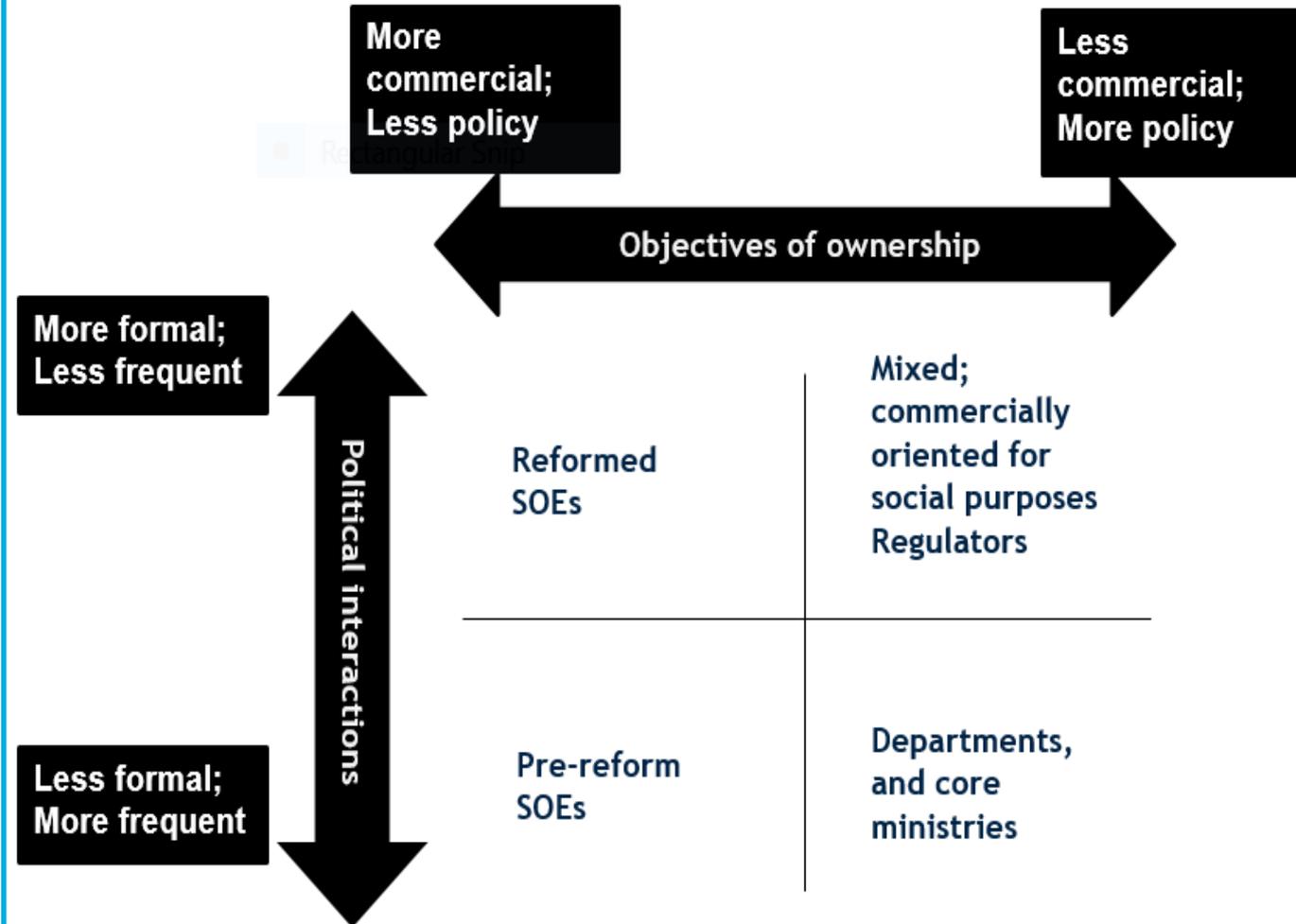
	Low investment in architecture & systems	High investment in architecture & systems
Easy to measure performance	OK (A)	Unnecessary (B)
Hard to measure performance	Big mess (C)	Necessary (D)

Where to focus our attention

- Tend to focus a lot on Cell C; but maybe looking at the wrong place.
- Observers see NZ experience being about performance related pay as the big observable, but arguably it was high investment in the architecture and systems.

Try to look at the right thing; rather than the most observable thing #2

- Formal authority and real authority; interactions with politicians – political will is endogenous
- Don't get distracted by Denmark; benchmarking can mislead



LORENA VINUELA

BRAZIL



Some pathologies to get better data on...

- 20 years since Wolfensohn speech:
 - Corruption measurement: If we don't move on this; someone else will
 - Corruption paralysis – a variation on the corruption story but with substantive public policy implications
- Need to understand positive deviance – from mean analysis to variance analysis
 - Helps save us from Denmark
- Not just organizations, but also units within organizations
 - Micro data matters

Incentives matter, but remember...

No amount of incentives can make a



...jump like a

