

ISS Analytical Lexicon or Taxonomy

ISS researchers are most effective when they have a gut sense of the kinds of political and political economy challenges that may bedevil implementation. We will focus on these in briefings and pre-trip discussions, but here is a cheat sheet. The World Bank has one of its own.

A leader or manager may have a keen sense of an evidence-based policy design that will improve people's lives or improve service delivery. We will call that "vision." Our work normally focuses on the delivery challenges that person or team is likely to encounter in trying to implement that vision. Usually these arise from the context (type of political system, pattern/level of ethnocultural diversity, conflict, poverty, location, whether the economy is growing or shrinking, etc.). However, sometimes the policy design, the program itself, gives rise to some of the challenges.

Preliminaries

Legal authorization/mandate

A reformer can't just say "Hey, I have a great idea, now let's get to work." The person has to have authorization to act, a mandate. A case should say where the authorization came from. Does the legislation (law, decree, legal judgment) that created someone's agency endow the agency with this responsibility? Within that agency, does the activity fall within the person's role description? Or was s/he specially appointed to take on this task? Did the legislature create special authorization? Was there also popular political support? Or were the laws so confusing that no one knew who really had authorization to act? (If the action involved an emergency decree or some sort, we must discuss because these often come with special limits—or should.)

Coalition-building/maintenance

A coalition is a temporary alliance among political parties, political leaders, private sector partners, etc. in order to achieve a common purpose. The NGO Beyond Intractability phrases the challenge nicely: "Coalition building is the process by which parties (individuals, organizations, or nations) come together to form a coalition. Forming coalitions with other groups of similar values, interests, and goals allows members to combine their resources and become more powerful than when they each acted alone." Coalitions are usually essential for allocating resources to institutional form or passing laws to set up new institutions (both of these are aspects of design, not implementation). But less formal coalitions with key stakeholders may be essential for successful delivery. Note also that countries with coalition governments may sometimes suffer from cabinet instability, or rapid and repeated changes in government, as no one coalition finds itself able to retain support.

Interest group politics

In democracies, government is supposed to be responsive to voters. Legislators are supposed to represent voters in their districts. But individuals often don't pay attention or don't have the time to assess policy alternatives. Parties are supposed to help reduce these costs and act as intermediaries. Interest groups sometimes also form to play this role—often on behalf of people with similar economic interests. Often interest group politics is healthy for political debate—but not always. When a group seeks special privileges (rents) and uses money or other resources to make politicians grant such (a form of clientelism), the results can be suboptimal. A variant is *elite capture*, where benefits meant for the entire population (village, nation) flow only to the leaders, or elites.

Streamlining & Delegation

It is often possible to generate big results fast or create pockets of effectiveness simply by improving the efficiency of a process—a technical matter with political implications—or by more effective delegation.

Process engineering/coordination

Service delivery may contain extra steps, actions that aren't well-defined and require more time to sort out, lack of role clarity, etc. The right skills or resources aren't deployed at the right time or in the right place. The field of supply chain design and management (logistics) is a subset of this problem. Consulting firms often earn their pay simply by reengineering processes to make them more efficient and more transparent. Process engineering is often taught in engineering schools or under the name "operations research," because it can become highly mathematical. Streamlining often yields quick gains, but it can create some political challenges (e.g., what happens to people laid off? Who gained from inefficiency and will they fight back? Are all people equally effective in working together or are their cultural differences that impede reengineering?).

Principal-agent problem (agency problem, delegation problem)

A principal-agent relationship is where one party, the *agent*, is supposed to act on behalf of another party, the *principal*. The problem arises when the interests of the principal and agent are not aligned. Principals have to screen carefully for the right people to hire and/or create incentives (positive, such as pay-for-performance, and negative, such as monitoring and penalties) to ensure the agent does what the principal wants rather than acting in their own interests. One example might be getting doctors to show up at rural health clinics, because without a good monitoring system (information symmetry), agents can collect their incentive (salary) without doing what the principal wants (treating patients). Often it is impossible for government officers to observe the delivery point or just too darn expensive to supervise directly. In these instances, one might run an [audit system](#) to check that employees have actually done what their daily logs say they have done. Or it might be possible for community members to report on behavior and accomplishments ([short-route accountability](#)). Or one could even just contract with a couple of groups to provide the service and let people vote with their feet, paying the most effective provider with a voucher.

Collective action problem

Community monitoring of a service sets up another challenge: collective action. Where it costs something to carry out a task (e.g., monitoring) and where everyone will benefit, no matter whether they contributed, then people have a tendency to say "I will let my neighbor do the work." They may free-ride or shirk. Typically we try to solve these problems by enabling people who have an exceptional stake in the outcome to step up and bear the costs or by offering selective incentives (perks) to those who contribute. Collective action problems can arise in other aspects of implementation, beyond short-route accountability systems. For example, the ISS case study on controlling deforestation in Brazil highlights the collective action problem at the municipal level, where private landholders had to all agree to abide by environmental regulations in order to escape federal government penalties.

Adverse incentives

Getting incentives right is really tricky. An incentive that generates the opposite of the intended result. For example sometimes income assistance to job seekers may increase the time spent unemployed

because it reduces the incentive to find a job. Another example comes from Mexico City, where in an effort to reduce traffic congestion by 20% during the week, the municipal government banned cars from driving on a specific day of the week.¹ Many residents and commuters responded by buying an additional car, so they had access to personal transportation all 5-days during the week. Because families then owned two cars, the overall number of cars on the road increased.

Information asymmetry (low transparency, high information cost)

When somebody knows more than somebody else. Such asymmetric information can make it difficult for the two people to do business together, which is why economists, especially those practicing [game theory](#), are interested in it. Transactions involving asymmetric (or private) information are everywhere. A government selling broadcasting licenses does not know what buyers are prepared to pay for them; a lender does not know how likely a borrower is to repay; a used-car seller knows more about the quality of the car being sold than do potential buyers. This kind of asymmetry can distort people's incentives and result in significant inefficiencies.²

Traps

Sometimes a problem puts us in what economists term “a bad equilibrium.” We are stuck, or can't make progress, because actions reinforce earlier causes of failure. There are several types of traps.

Capability trap (low capacity trap)

A leader or manager may be committed to improvement and may have a policy that looks promising, but it is impossible to match the right skills to the right tasks, and there is, instead, a race to the bottom. In this instance, the problem isn't lack of people with the right skills, per se. In a capability trap, training or better HR policies by themselves may do no good. Why? Conflict may drive the most skilled people to leave for other countries, or higher salaries in private enterprise or in international NGOs may constantly skim off the people you have trained. Occasionally institutional rules can generate this situation too. That is, if a new government is permitted to replace large numbers of personnel with party followers or to replace key managers with party stalwarts, there won't be much incentive to invest in improvement and retraining will have to take place often but to little avail.

¹ Hoy No Circula program. The day each car could not drive depended on the plate number.

http://en.wikipedia.org/wiki/Hoy_No_Circula

² Definition from The Economist (<http://www.economist.com/economics-a-to-z#node-21529485>)

Institutional traps/Spoilers

Not all groups or individuals may stand to benefit from the implementation of a project, program, or reform. Gatekeepers, such as highly placed political officers, may benefit from dysfunction (the status quo) and block a change that would make everyone else better off. Example: In Indonesia, some members of the legislature get a kickback from corruption in ministries and have steadily undermined the capacity of the country's once-powerful anti-corruption agency to do its job. They used their legislative power to alter the laws that set up the agency. A gatekeeper who is beholden to a powerful private interest may exercise power to block changes if they threaten that interest. For example, Jacob Zuma, once South Africa's president, received special benefits from the Gupta brothers and protected the Gupta's efforts to shift government contracts to themselves. In this instance we might term the arrangement state capture.

Norm coordination trap

Norms are social expectations—expectations about how the people around us will behave. There may be a better way to behave and we know that if everyone did so, the community or country would be better off. But because we think that others won't change, no one changes. That is, I condition my behavior on what I expect you to do and vice versa, so we never get to that better place. These problems aren't common but they do exist. For example, water conservation efforts sometimes fail because we each expect our neighbors to cheat and therefore ask "why should I be the one to make the sacrifice?" In a classic example, Palermo, Italy tried to set up a taxi dispatch system to calm sometimes violent competition among taxi drivers, but no one believed that the others would abide by the dispatch system, so chaos continued to rule.

Threshold traps

Sometimes it takes a critical mass of activity before we see results. In these instances, there may be disincentives to invest. For example, malaria primarily affects people who are poorer and don't have the means to buy expensive vaccines. Private firms, acting on their own, have little incentive to invest in the R & D to develop malaria vaccines. Instead, the Gates Foundation came in and helped organize efforts to subsidize the research. Another example: Some of you know the work of Jeffrey Sachs. Sachs argued that "development" requires investment in whole villages, not just individuals. One person producing more grain or having more cows to milk doesn't solve the myriad other problems that afflict sustainability of this individual's investments. His idea of creating "Millennium Villages" is a response to a perceived threshold trap.

Other

Self-reinforcing incentives

This is a type of positive feedback where incentives to support a certain behavior or reform lead to outcomes that reinforce the incentive. Change generates a virtuous circle. It would be great if we could figure out how to create self-reinforcing incentives. Sigh.

Time-inconsistency

Legislators or outside aid donors often grant financial support for reform based on a promise that the recipient will take an action at a future date (e.g., liberalize the economy). But as time passes, there is an incentive for the recipient to defect and to do something else instead. The reform does not materialize.

Defection may affect the policymaker's credibility and reduce the likelihood of future support for reform,, but not always. There are plenty of examples of governments promising to enact reforms, taking the money, doing something else, and then getting more money because the donors don't want to lose support in the UN or access to a strategic base.

Transaction costs

The costs involved in reaching and implementing a policy decision. Complex policies may involve negotiations with different parties, performance monitoring, provision for future maintenance and service, etc. As the number individuals involved in the policy decision grows, transaction costs increase because all the individuals' preferences must be taken into account. Transaction costs are higher in a context of poor inter-governmental coordination, weak governing coalitions, and limited routines for negotiating across levels of government.