



Strengthening Public Organizations

Session 1: Goals

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8 July 2022

Threats to organizational effectiveness

Discussions often focus on lack of effort and/or corruption

- Related to lack of control, oversight, incentives

But also many other potential causes

- Coordination failures, red tape

Improving government requires addressing both. . .

- . . . but measures to address corruption/lack of effort may inadvertently exacerbate other types of inefficiency

Let's look at some recent evidence. . .

1) Procurement in Italy

American Economic Review 2009, 99:4, 1278–1308
<http://www.aeaweb.org/articles.php?doi=10.1257/aer.99.4.1278>

Active and Passive Waste in Government Spending: Evidence from a Policy Experiment

By ORIANA BANDIERA, ANDREA PRAT, AND TOMMASO VALLETTI*

We propose a distinction between active and passive waste as determinants of the cost of public services. Active waste entails utility for the public decision maker, whereas passive waste does not. We analyze purchases of standardized goods by Italian public bodies and exploit a policy experiment associated with a national procurement agency. We find that: (i) some public bodies pay systematically more than others for equivalent goods; (ii) differences are correlated with governance structure; (iii) the variation in prices is principally due to variation in passive rather than active waste; and (iv) passive waste accounts for 83 percent of total estimated waste. (JEL H11, H57, H83)

1) Procurement in Italy

Distinguish between:

- **Active waste:** wasteful expenditure that creates benefits for the decision-maker
- **Passive waste:** waste that does not benefit the decision-maker

If active waste is the main problem. . .

- . . . then we need to regulate public servants to reduce corruption

If passive waste is the main problem. . .

- . . . then more regulation will not help (and may even increase waste)

1) Procurement in Italy

Study examined differences in price paid by government agencies for the exact same product (e.g. A4 paper)

Finds major differences in average price paid across agencies

- Potential savings = 1% of GDP

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83% of waste is passive waste

- Corruption is only 17% of the problem

Potential reasons for so much passive waste:

- Individual purchasing managers have no incentive to save money
- Overly complex and highly restrictive procurement rules

2) Procurement in Pakistan

THE ALLOCATION OF AUTHORITY IN ORGANIZATIONS: A FIELD EXPERIMENT WITH BUREAUCRATS*

ORIANA BANDIERA
MICHAEL CARLOS BEST
ADNAN QADIR KHAN
ANDREA PRAT

We design a field experiment to study how the allocation of authority between frontline procurement officers and their monitors affects performance both directly and through the response to incentives. In collaboration with the government of Punjab, Pakistan, we shift authority from monitors to procurement officers and introduce financial incentives in a sample of 600 procurement officers in 26 districts. We find that autonomy alone reduces prices by 9% without reducing quality and that the effect is stronger when the monitor tends to delay approvals for purchases until the end of the fiscal year. In contrast, the effect of performance pay is muted, except when agents face a monitor who does not delay approvals. Time use data reveal agents' responses vary along the same margin: autonomy increases the time devoted to procurement, and this leads to lower prices only when monitors cause delays. By contrast, incentives work when monitors do not cause delays. The results illustrate that organizational design and anti-corruption policies must balance agency issues at different levels of the hierarchy. *JEL Codes:* D72 H57 D09

2) Procurement in Pakistan

Government of Punjab wanted to address waste in procurement

- Conducted a large-scale experiment with procurement officers

Introduced two new sets of rules for different groups of procurement officers:

- Some were given financial incentives to save money
 - 'Tournament' among officers with significant bonuses for winners
- Some were given greater autonomy in spending money
 - Automatic approvals for most purchases, clarity on audit procedures

2) Procurement in Pakistan

Results:

- Incentives had no effect
- Autonomy reduced costs by 9% on average

Why?

- Incentivized officers couldn't save money even if they wanted to because of rigid rules and fear of prosecution
- Autonomy empowered officers who cared about saving money
- Autonomy was especially impactful when supervisor was "bad"

Implication: removing rules may improve performance more than adding rules

- Removing *some* rules + increasing clarity + empowering officers

3) Management in Nigeria and Ghana



MANAGEMENT OF BUREAUCRATS AND PUBLIC SERVICE DELIVERY: EVIDENCE FROM THE NIGERIAN CIVIL SERVICE*

Imran Rasul and Daniel Rogger

We study how the management practices bureaucrats operate under correlate with the quantity of public services delivered, using data from the Nigerian Civil Service. We have hand-coded independent engineering assessments of 4,700 project completion rates. We supplement this with a management survey in the bureaucracies responsible for these projects, building on Bloom and Van Reenen (2007). Management practices matter: increasing bureaucrats' autonomy is positively associated with completion rates, yet practices related to incentives/monitoring of bureaucrats are negatively associated with completion rates. Our evidence provides new insights on the importance of management in public bureaucracies in a developing country setting.

Journal of Public Administration Research and Theory, 2021, 259–277
doi:10.1093/jopar/rtaa034
Article
Advance Access publication November 11, 2020

OXFORD

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Management, Organizational Performance, and Task Clarity: Evidence from Ghana's Civil Service

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Abstract

We study the relationship between management practices, organizational performance, and task clarity, using observational data analysis on an original survey of the universe of Ghanaian civil servants across 45 organizations and novel administrative data on over 3,600 tasks they undertake. We first demonstrate that there is a large range of variation across government organizations, both in management quality and in task completion, and show that management quality is positively related to task completion. We then provide evidence that this association varies across dimensions of management practice. In particular, task completion exhibits a positive partial correlation with management practices related to giving staff autonomy and discretion, but a negative partial correlation with practices related to incentives and monitoring. Consistent with theories of task clarity and goal ambiguity, the partial relationship between incentives/monitoring and task completion is less negative when tasks are clearer *ex ante* and the partial relationship between autonomy/discretion and task completion is more positive when task completion is clearer *ex post*. Our findings suggest that organizations could benefit from providing their staff with greater autonomy and discretion, especially for types of tasks that are ill-suited to predefined monitoring and incentive regimes.

3) Management in Nigeria and Ghana

How do management practices in an organization affect its performance?

Measured government output across full range of functions

- Nigeria: mainly physical infrastructure and procurement
- Ghana: physical and non-physical tasks

Measured management practices in 100+ orgs across both countries,
7000 civil servants:

- Top-down control: monitoring and incentives
- Bottom-up flexibility: autonomy and discretion

3) Management in Nigeria and Ghana

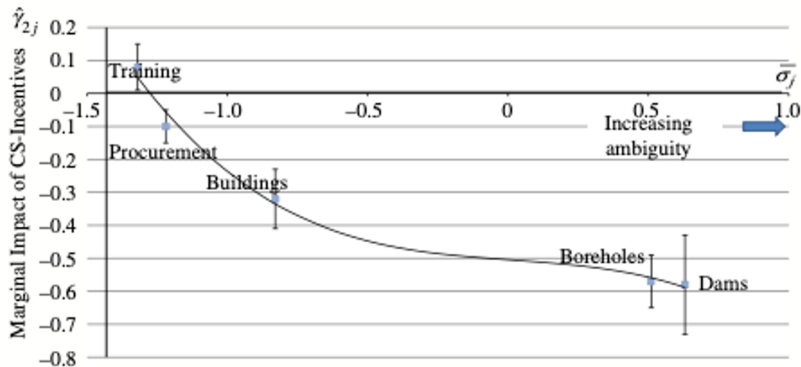
Findings:

- Giving staff autonomy and discretion is positively associated with output completion
- Conditional on this, using monitoring and incentives to control staff is negatively associated with output completion

Giving public servants autonomy, flexibility, and discretion can be effective at improving performance

- Especially for complex tasks that are hard to specify ex ante or measure ex post
- Greater autonomy did not increase corruption

Incentives/monitoring most negative for more complex types of projects



What do we learn from looking at these studies together?

Need to think beyond regulation and control in order to improve performance of government agencies

- Lack of effort, corruption not always the biggest problems
- Top-down control rules aimed at forcing compliance can have negative side effects

Giving greater autonomy and discretion to officers can improve organizational performance

- Even in challenging contexts

Thoughts?

Surprising? Not surprising?

Generalizability?

Comparison to org processes and
reform efforts you've witnessed?

Verifiability and contractibility

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- Depends on *ex ante* pre-specifiability and *ex post* measurability

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- Depends on *ex ante* pre-specifiability and *ex post* measurability
- Verifiable actions can potentially be enforced by contract (or other legalistic bureaucratic procedures)
- Letter of the contract vs. spirit of the contract

Formal and informal practices inside organizations

Every behavior in an organization has both **formal** and **informal** elements

Formal and informal practices inside organizations

Every behavior in an organization has both **formal** and **informal** elements

- Formal = verifiable = contractible
- Informal = non-verifiable = non-contractible
- Both are important, both require effort

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Many informal practices are important for org. performance. . .

- . . . but people can't be forced to do them

Formal and informal practices in annual staff appraisals

Three stylized levels of performance

Non-performance: formal practices not enforced

Perfunctory performance: formal practices enforced, but no supporting informal practices

Consummate performance: formal practices enforced with supporting informal practices

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Three levels of performance

	Non-performance	Perfunctory performance	Consummate performance
Formal practices defined and executed?	No	Yes	Yes
Supporting informal practices undertaken?	No	No	Yes

Evidence: staff appraisal behaviors in Ghana

Table: Staff appraisal process in Ghana's Civil Service, 2013

Standardized <i>de jure</i> practice in all ministries			
All officers should sit with their manager at the end of year and complete an annual appraisal (based on a standardized template) to assess performance against pre-defined targets.			
Variation in <i>de facto</i> practices across ministries			
	Non-performance	Perfunctory performance	Consummate performance
Formal aspects of practice	Appraisals are not conducted annually. Instead, multiple years are filled out at the same time when individual are due for promotion.	Appraisals are always conducted annually.	Appraisals are always conducted annually.
Informal aspects of practice	The appraisal is a self-assessment; actual discussions about officers' performance rarely happen. "The appraisals don't improve the system. They're a formality."	Appraisal discussions are not meaningful, and process is viewed as a formality.	Appraisals are used as an opportunity to give meaningful feedback, and are supplemented by discussions in weekly divisional meetings.

Evidence: organizational performance review in Ghana

Table: Reviewing organizational performance in Ghana's Civil Service, 2013

Standardized *de jure* practice in all ministries

Organizations should hold regular management meetings to discuss performance and operational issues.

Variation in *de facto* practices across ministries

	Non-performance	Perfunctory performance	Consummate performance
Formal aspects of practice	Management meetings are supposed to be held monthly but in practice only occur 4-5 times per year, usually linked to external demands like the budget and annual report.	Management meetings are held weekly, as are broader annual and mid-year review meetings.	Management meetings are held weekly, with additional quarterly and mid-year reviews.
Informal aspects of practice	Management meetings are “more for human management and the condition of the office and that kind of thing than results management. There's very little discussion of what are we supposed to do and where are we.”	These meetings are used to discuss a mix of operational and administrative issues, and minutes are compiled and circulated to attendees. However, non-management-level staff are not briefed on discussions from management meetings so they are not aware of most performance issues within the ministry.	Different types of reviews deliberately include different groups of staff and divisions hold follow-up meetings to cascade down information from management meetings, so that all officers are aware of performance issues in their division and other divisions.

Core challenge #1 of organizational effectiveness

How to get members of your organization to regularly carry out important but non-verifiable actions and behaviors?



Core challenge #2 of organizational effectiveness

How to blend formal and informal management practices?

Different approaches across different:

- Organizations?
- Task types?
- Countries?
- Time periods?