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Helpdesk Research Report

Incentivising governments to improve service delivery

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12.04.2013

Question

What kind of incentives can be used to encourage government agencies to deliver basic services? At what point in the chain is it most effective to build incentives for better service delivery? Provide examples of successful international development interventions and explain factors that account for this success.

Contents

1. Overview

Although there is substantial research on service delivery, empirical research into how development activities incentivise better service delivery is fragmented (Tavakoli 2012; Joshi 2010). It is increasingly recognised that increasing technical or financial capacity does not automatically translate into improved service delivery performance or better development results (World Bank 2003; Andrews et al. 2012). Understanding incentives has been identified as a key variable in any thinking about motivation, behaviour, capacity and institutions involved in service delivery. Central to this is how to incentivise positive change in both the formal and informal institutions that affect service delivery.

The literature reviewed for this report finds that:

- **There is no 'best practice' model that determines the most appropriate entry point in the chain** – upstream or downstream[1] – for interventions (Williamson & Dom 2010). This instead depends on the local context and is particular to each service delivery bottleneck. Development actors typically focus more on upstream activities, with limited attention paid to downstream activities.

- Two broad, overlapping groups of development initiatives have been used by development practitioners to influence service delivery incentives:
  - **Incentivising accountability, transparency, participation and voice**. Initiatives include: establishing codes of conduct; scorecards; surveys; user participation initiatives; school voucher schemes; parent teacher associations; heath management committees; linking budgets with performance indicators; publishing budget releases and spending reports; league tables of performance; scorecards; and public information campaigns.
  - **Incentivising performance.** Initiatives include: changes to pay and conditions; access to organisational funding; linking performance with pay; training and career development; performance management; supervision; provision of equipment for work or private use; discussing and disseminating service delivery processes and expected standards; and introducing merit-based systems.
- **Development interventions can incentivise recipient governments to pretend to reform**, rather than actually change. This means that state capability can stagnate or deteriorate, despite development funds and policies being in place (the 'capability trap') (Andrews et al. 2012).
- The process of designing and implementing development interventions is crucial to their subsequent successful impact on service delivery (Andrews et al. 2012; Tavakoli et al. 2013).

2. Incentives and service delivery

Incentives are a key variable in any thinking about motivation, behaviour, capacity and institutions. In regards to service delivery, technical or financial capacity does not automatically translate into improved performance and better development results (UNDP 2006). Instead it is the incentives that influence the motivation and behaviour of individuals, groups or organisations to fulfil service delivery functions (UNDP 2006). From an institutional perspective, all institutions (formal and informal) create incentives (or disincentives) that influence the delivery of basic services (Carter forthcoming).

Development interventions vary according to the modalities, means, conditions, sector focus, internal and external contexts. Different types of interventions can produce different kinds of incentives (Gibson 2005; Khemani 2008, in Joshi 2010).

3. Types of interventions

3.1 Upstream or downstream activities

[1] The public sector is made up of 'upstream' core ministries and central agencies, and 'downstream' bodies including sector ministries, non-executive state institutions and agencies that deliver services (World Bank, 2012).

Interventions can focus on upstream or downstream activities, and/or on the supply or demand side of service delivery. The World Bank (2012) identifies that a 'public sector management' (PSM) approach would tend to focus on upstream, cross-cutting reforms at the centre of government, as opposed to a 'sector' focus which would tend to focus on downstream reform aspects, closer to the point of service delivery. The literature reviewed indicates that there is no 'best practice' model that determines the most appropriate entry point for interventions (Williamson and Dom 2010). This instead depends on the local context and is particular to each service delivery bottleneck (Andrews et al. 2012).

As part of the 'Sector Budget Support in Practice Study', Williamson and Dom (2010) note that development actors typically focus more on upstream activities, with limited attention paid to downstream activities. Meanwhile, downstream activities have often focussed on quantitative measures - expanding access to services, but not as much on improving (or maintaining) quality of services (Williamson and Dom 2010; Tavakoli et al. 2012).

3.2 Incentivise accountability, transparency, participation and voice

Accountability has been recognised as an important theme in improving service delivery, particularly since the 2004 World Development Report recognised the need to improve the accountability between (a) poor people and providers; (b) poor people and policymakers; and (c) policymakers and providers (World Bank, 2003; Lister et al. 2012). Schedler (in Joshi, 2010) underlines four elements in accountability relationships — setting standards, getting information about actions, making judgements about appropriateness and sanctioning unsatisfactory performance.

The 2004 World Development Report identifies the following ways to improve services through accountability measures (World Bank, 2003):

- Increasing choice and participation in service delivery by the poor so they can monitor and discipline providers.
- Increasing citizens' voice through democratic channels to articulate public demand for services, using information widely available on the expected standards of service.
- Rewarding effective, and penalising ineffective, service delivery.

Types of accountability, participation and voice initiatives include: establishing codes of conduct; scorecards; surveys; user participation initiatives; school voucher schemes; parent teacher associations; heath management committees; linking budgets with performance indicators (Williamson & Dom, 2010; World Bank, 2003; DFID, 2003). Transparency initiatives can include: publishing budget information; performance league tables; Public Expenditure Tracking Surveys; scorecards; public information campaigns (Williamson & Dom, 2010; World Bank, 2003; DFID, 2003). Notably, Joshi (2010) recognises that there is limited research that explicitly looks at the impact or effectiveness of transparency and accountability initiatives in service delivery.

Examples of interventions

Linking citizen participation and local government with access to development funding

Williamson and Dom (2010: 18-19) explain how Local Government sector budget support programmes in Uganda and Tanzania linked access to development grants with citizen participation performance measures including: the involvement of citizens in planning, investment prioritisation, budgeting, project implementation, monitoring and better public access to information on local government plans. They note an important factor for success was the aligning of this with a decentralisation policy. In terms of results, Williamson and Dom (2010: 18-19) identify that increasing citizens' access to information on plans and budgets, created incentives for local governments to better adhere to domestic accountability provisions. In Uganda, these measures helped the local governments to better identify citizen local service delivery needs.

Scorecards in Malawi
Wild and Harris (2011) examine the use of facilitated community scorecards in Malawi by three national civil society organisations. The process offers a means for communities to provide feedback about services by combining citizen report cards, community monitoring, social audits and community meetings. The process covers four sectors - education, agriculture, health, and water and sanitation. Wild and Harris (2011) identify that the scorecards approach works best when:

- Facilitating collaborative spaces or forms of collective problem solving by actors across the supply and demand side.
- Reigniting communities' own capacity for self-help, alongside encouraging greater state responsiveness.

Establishing international standards: The Public Expenditure and Financial Accountability (PEFA) Programme
In 2001, a multi-donor partnership established PEFA, introducing the public financial management (PFM) Performance Measurement Framework in 2005, which among other things, establishes a series of PFM indicators which are used to monitor and compare reform. The provision of standard indicators facilitates analysis of progress across time periods and across countries, which can incentivise policy reforms. The World Bank (2012) identifies one success factor of this initiative as the broad-based Steering Committee which has increased legitimacy of the programme.

Budget transparency in Ethiopia
In an evaluation of the multi-donor Protecting Basic Services Programme in Ethiopia, Lister, et al. (2012: 23) examine a financial transparency initiative which has led to budget information being prominently displayed across the country in government offices and service facilities. The information is displayed via specially designed templates, to ensure it is easy to understand (Lister et al., 2012). A key finding was that publicising the budget made it easier for the public to understand budget deficits, and this incentivised increased contributions from the public towards service delivery budgets (Lister et al., 2012).

Formalising minimum quality standards in education in Rwanda
Williamson and Dom (2010: 18) explain that sector budget support in Rwanda has supported the Ministry of Education in designing Minimum Quality Standards for education, via dialogue and sector priority actions, and through technical assistance. This intervention targets supply side accountability between policymakers and providers - this should incentivise policymakers to ensure that the standards are appropriate and legitimate, which in turn should incentivise the providers to comply with the standards.

Involving stakeholders in change strategy in India
DFID (2003: 22) explains an initiative by the Bombay Electricity Supply Company which set up committees in local villages with the responsibility of paying the whole village's bill, billing villagers and monitoring use. The Company paid the committee a bonus related to the percentage of money due that they managed to collect. After 6 months revenue had more than doubled, from a prior situation of high losses. This measure incentivises users not to free-rise and to pay into the system, according to use.

3.3 Incentivise human resources performance

It is widely recognised in the literature that human resource reforms are central to improving service delivery (Williamson & Dom 2010; DFID 2003; Scott 2011; Rao forthcoming). A study of seven case studies in Africa, Asia and Latin America concludes that successful public sector governance reforms should target the enhancement of human capabilities – with large scale implementation over at least ten years, and preferably across one change of government (Scott 2011, in Rao forthcoming). Williamson and Dom (2010) note that civil service reform can be a protracted process, taking a top-down perspective. They question whether turning civil service reform 'on its head' by focusing instead on bottom-up, sector-specific and service delivery oriented strategies, would improve reform efforts.

Incentivising performance initiatives include: introducing merit-based systems; changes to individual pay and conditions (e.g. donor salary support); organisational access to funding; linking performance with pay;[2] training and career development; performance management; supervision; provision of equipment for work or private use (e.g. accommodation in remote areas); discussing and disseminating service delivery processes and expected standards (Rao forthcoming; Williamson & Dom 2010).

Examples of interventions

Non-material incentives transform the Rwanda Revenue Authority

UNDP (2006: 23) explains how a mix of non-material incentives have played an important role in transforming Rwanda's Revenue Authority (RRA) from a "defunct government department" to a semi-autonomous agency, including:

- High-level political support and donor alignment around a national strategy have ensured a high level of national political ownership of the reform process, leading to increased legitimacy, and performance expectations.
- The RRA was given a clear mandate, agency status and management autonomy allowing it to develop its own corporate values and principles, and results focus. This has allowed it to develop performance-oriented management practices; rewards, sanctions, and decision-making processes.
- The in-house staff developed corporate values and reputation which meant that staff were proud to be part of an organisation that has developed a positive reputation among peers and is a sought-after place of employment.
- The RRA offers training opportunities, career development and a modern working environment with advanced technology facilities.
- The organisation has pursued a client focus, increasing awareness of the needs and demands of its clients, resulting in stronger downward accountability.

In terms of results, UNDP (2006) notes that in the six years since becoming a semi-autonomous body, the RRA has increased revenue from 9 – 13% of GDP while also decreasing the costs of collection. UNDP (2006) also notes that corruption has reduced significantly and the public perception of the agency has improved.

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[2] Useful insights on this available via World Bank blogs, available at:
http://blogs.worldbank.org/impactevaluations/node/971;
http://blogs.worldbank.org/impactevaluations/node/941; and
http://blogs.worldbank.org/impactevaluations/getting-good-civil-servants-for-tough-jobs

Human Resource Plan in the health sector in Zambia

Williamson and Dom (2010) identify a promising scheme in Zambia, whereby sector budget support is being used to support the Ministry of Health's 'Human Resource Plan' in the health sector in Zambia. The plan includes a comprehensive analysis of human resource problems, and matches this with a series of policy initiatives covering issues of staff recruitment and deployment, pay, working conditions, performance management, professional development, and the brain drain (Williamson and Dom 2010). The plan supports the main Health Sector Strategic Plan 2006-10, and is aligned with other Public Sector Reform Programme initiatives (Williamson and Dom 2010). Research from Houtzager, Joshi and Lavalle (2008, in Joshi 2010) identifies that the participation of citizen groups in upstream policy reform processes can increase the likelihood of their engagement in activities downstream.

Performance linked salary scheme in Tanzania

In this example, UNDP (2006: 22) recognises the limitations of a performance linked salary scheme in Tanzania – the Selective Accelerated Salary Enhancement scheme (SASE). The SASE was a national and donor supported scheme aiming to reward staff recognised as having the greatest impact on service delivery and wider reform efforts. SASE plans included:

- A government set medium-term target pay structure, with salary supplements from donors.
- All personnel of a particular grade, whether a SASE beneficiary or not, would be entitled to the same basic salary. The difference in compensation would be the difference between the target salary and the basic salary.
- Donors would agree to phase out the supplementation arrangements.
- Each fiscal year, as the government would make salary adjustments, the gap between actual and target pay would be reduced - lowering donors' financial commitment.

UNDP note that difficulties in the implementation of this policy highlight some important factors that should be considered in project design:

- Initiatives of this nature are time sensitive and technically complex – programme delays meant that by the time the SASE beneficiaries were in a position to benefit, the salary supplements were no longer sufficient to incentivise behaviour.
- The Government was unable to conduct performance reviews and adhere to the envisaged annual salary adjustments.
- A robust and transparent performance appraisal system is required to ensure that corruption is not induced. Managers will likely face pressure to extend benefits to others.

4. Overcoming service delivery bottlenecks

Andrews et al. (2012: 1) identify that many development interventions "fail to achieve sustained improvements in performance because they are merely isomorphic mimicry—that is, governments and organizations pretend to reform by changing what policies or organizations look like rather than what they actually do". They argue that this can lead to "capability traps" – when state capability stagnates or deteriorates, despite development funds and policies (Andrews et al. 2012: 1). A key issue is how to incentivise positive change in both the formal and informal institutions that affect service delivery (World Bank 2012).

In recognition of the risk of capability traps, Andrews et al. (2012: 8) propose a new approach: problem-driven iterative adaptation (PDIA). This identifies four principles to guide development interventions: (1) focus on solving problems locally (and not transplanting 'best practice' solutions from other contexts); (2) create an "authorizing environment" for decision-making to encourage experimentation (and not expecting implementation of a project exactly as designed); (3) embed this in feedback loops to facilitate rapid, on-going learning; (4) actively engage diverse agents to ensure reforms are viable, legitimate, relevant, and supportable.

Elements of this approach are supported and built on by research by Tavakoli et al. (2013), in the identification of six factors that have enabled aid-funded activities to facilitate institutional change related service delivery:

- Identifying and seizing windows of opportunity;
- Focusing on reforms with tangible political payoffs;
- Building on what exists to implement legal mandates;
- Moving beyond reliance on policy dialogue;
- Facilitating problem solving and local collective action solutions by bearing the transaction costs;
- Adaption by learning.

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Key websites

- ODI/Mokoro – Study of Sector Budget Support in Practice: http://www.odi.org.uk/projects/1013-sector-budget-support; and http://www.mokoro.co.uk/publications/68

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Suggested citation

Herbert, S. (2013). *Incentivising governments to improve service delivery.* GSDRC Helpdesk Research Report 912. Birmingham, UK: GSDRC, University of Birmingham.

About this report

This report is based on three days of desk-based research. It was prepared for the Australian Agency for International Development, © AusAID 2013. The views expressed in this report are those of the author, and do not necessarily reflect the opinions of GSDRC, its partner agencies or AusAID.