

Random notes on the “World Development Report 2004: Making Services Work for Poor People” and its applicability to the problem of police services in developing countries. – Jeff Hammer, December 11, 2007

The very general structure of the model of service delivery in the WDR 2004 has been applied, refined and “tested” (sort of – as formulated in such an overview document, it’s too general to be subject to finely critical tests) in a variety of ways since its publication. The “very general structure” was simply that there were at least two routes for making service providers accountable to the ultimate clients, taken to be the general public, preferably poor people. The “direct” route was directly (hence the name) between clients and providers. Markets, market-like mechanisms, and other on-the-ground sanctions would be examples of this route. “Market – like” mechanisms would be vouchers or payments from governments to providers in proportion to numbers of clients who choose to use their services – as in the Canadian, and almost all other rich-countries’, health system. “Other on-the-ground sanctions” would include beating up doctors who do not show up for work as sometimes happens in Kerala, India. Providers have incentives to satisfy the client since that’s where their income (or safety) comes from.

The “indirect” route places a government agency in between the ultimate client (citizens, again, preferably poor ones) and the direct service provider. This can be due to any number of perfectly good reasons such as the presence of systematic market failures. However, when the government chooses to interpose itself between the two, the essence of accountability of provider to beneficiary should be maintained. This is in two steps. First, policy makers must have incentives (be accountable) to choose and design services that people really want. In the direct case, people use their own purchasing power and choice to signal what they want. Second, policy makers must have at their disposal mechanisms to make sure direct service providers (teachers, doctors, irrigation engineers, immigration officials, policemen, etc.) face incentives to carry out the services that both citizens and policymakers (assuming the first step was successful) want them to do.

Both steps can screw up just like markets screw up. Policy makers may not adequately represent peoples’ interests and service providers may not adequately carry out their duties. The latter is reflected in high absentee rates, low effort while on the job and, occasionally, exploitation of their position for personal gain. The potential problems are many but often turn on the inability to monitor precisely what the provider does, particularly if the service is highly discretionary (where providers must exercise judgment in their duties) and transaction-intensive (where there are a lot of encounters with clients). Teachers, doctors and, especially, policemen have jobs that are very difficult for supervisors to monitor.

One area in which the application of these ideas has borne some fruit is particularly relevant to this workshop in that it suggests answers to questions like “why does something (community policing in this case) work in some places and not others?” The area of application is in decentralization. Decentralization can be of two forms: 1)

formal delegation of executive powers to smaller geographic areas with substantial discretion at those levels¹ or, speaking loosely, 2) the emergence of informal cooperative groups – usually small and among people who know each other and therefore, necessarily “local”² – which are a result of peoples’ need to solve a collective action problem when the government fails them and, by definition, the market doesn’t work either (that’s what makes it “collective”). Of course, there is a third type of decentralization but that is simply individual, market, transactions which was covered in the original report.

Both forms give more discretion to local communities. Discretion with “bite” comes with the ability to hire/fire, dock pay, fail to renew contracts or otherwise discipline providers who do not carry out their duties adequately. But, neither of these forms is free of problems. The most common tradeoff involves the better ability of clients (local government committees or informal user groups) to watch what providers do versus the risk that local elites may dominate decisions over which services get provided as well as the allocation of who gets services within the community.³

Generalizations across the world (and, given my recent experience, within a country as varied as India) are impossible since the relative influence of these two factors vary enormously from place to place. In some places, communities are relatively close-knit, have a history of cooperation and commonality of purpose and goals. “Local capture” is not a risk due to this unanimity. Other places are still virtually feudal and “local capture” is not simply an abstract risk but almost certain. Rural Bihar state in India and the province of Sindh in Pakistan come immediately to mind. Things that would work well in southern India, say, would be foolish to try in Bihar. With the variety of circumstances across the world, the relative balance can go either way – sometimes being clearly on the side of decentralized decision making, sometimes clearly on the side of more centralization.⁴

¹ As opposed to purely formal “decentralization” where budget items show up on some local government balance sheet but no real authority over how it is spent accompanies the line item. This sometimes makes it hard to define “decentralization” from commonly accessible statistics since a central government may transfer the cost of a school to a local government while continuing to pay the teacher and retaining control over all allocations of money within the budget head. Decentralization in this case is just an accounting trick. A second “faux” decentralization is known as “de-concentration” where central authorities set up local offices but personnel report to the central authority with no accountability to locally elected or otherwise legitimate representative.

² It will be interesting to see if the spread of the internet makes the geographic dimension less important as people with common interests who are not physically near each other can meet and discuss common problems anyway. This could take a while in poor countries, though.

³ There are other tensions as well such as technological economies of scale for certain services that make individual communities too small to be efficient managers of the whole operation. River basin management, highways, large irrigation systems and hospitals are some examples. The tension is worst when local communities are in the best position to help in some aspects of the service such as routine maintenance.

⁴ The nature of centralization can vary. Recall the American south during the 1950’s and 1960’s. It took Federal Marshalls to escort little girls in Little Rock, Arkansas to school in 1957 over the objection of local and *state* authorities. On the other hand, at no time did the Federal government run or even suggest it run the Little Rock school system.

One area where differences in how this balance goes can lead to a concrete judgment over what kind of organizational structure best serves the needs of the poor, is in deciding who should receive funds and discretion over the use of these funds. This choice would be made by higher levels of government or international donors and would be between locally elected government and a wide variety of informal “users groups” sometimes organized by NGO’s, sometimes by a formal government program and sometimes (and preferably in my view) spontaneously formed from historical ties within a well-defined community smaller than a political jurisdiction. In World-Bank (and, I believe, general aid donor) speak, this is known as “Community Driven Development”. There are numerous cases where such self-help groups seem to work (some have reasonably well-done evaluations but, as with most government and aid-funded projects, most don’t). There are also numerous cases where they don’t. Especially when “groups” are formed with the express intention of getting government or donor funds, the sense of community within them is lacking and they are just as prone to misappropriation as any other program by central or local governments.⁵

Police work is a particularly tough case for this framework. On the one hand, there is no doubt that proper policing requires enormous discretion on the part of the officer and is tremendously “transaction intensive”. Policemen do dozens (“transaction intensive”) of very different (“discretionary”) things each day, possibly having to deal with everyone from lost children to dangerous criminals in the same shift. On the other hand, there is enormous scope for taking advantage of this freedom. Surveys of poor people in many countries find that predations of policemen are among their biggest problems.⁶ In many places, policemen pay many multiples of their prospective salaries in order to get hired to the force. Why would someone pay more for a job than they could possibly recover in their salary? Having the right to use a weapon and numerous opportunities to use them for extortion, unobserved by supervisors (or, in the case of India, with the full expectation by their supervisors of this extortion and the share that they will receive from it) is a lucrative and standard part of the job. Salaries are sometimes a negligible fraction of income.

Urban and rural areas differ substantially on this score. The relative anonymity of urban life and the difficulty of defining the boundaries of a “community” make monitoring police performance difficult but the generally higher levels of crime in cities make the need for an extensive police force unavoidable. In rural areas, the potential for monitoring – that is, keeping track of what police do – is much easier. There are fewer secrets in rural areas. On the other hand, in areas that are dominated by a local elite, giving resources to police (including weapons or, at least, the legal use of violence) who are accountable to the local government and, hence, the local elite, merely exacerbates the social pathology of feudal relations with a better-funded government pathology. If there is no reliable grievance procedure for those on the receiving end of this (almost

⁵ Mansuri and Rao, “Community Based- and Drive- Development: A Critical Review”, World Bank Research Observer, 2004. and Platteau, “The risk of resource appropriation in community-driven development” World Development, 2003.

⁶ Narayan et al, (2000) “Can Anyone Hear Us? Voices from 47 countries”, Washington, World Bank.

certainly the poor and, in India again, the low-caste), this can only make a bad situation worse.

The general conclusion is that there should be no surprise that something like community policing can work in some places and not others. Social relations, cohesiveness of communities, formal grievance and monitoring procedures, openness of information (and the ability to do something about it) among many other factors will influence the success of this mode of service delivery.

Random ideas and references: On a theoretical level, a particularly useful paper is Holmstrom and Milgrom, (1991) "Multi-task principal-agent analysis: Incentive contracts, asset ownership, and job design." *Journal of Law, Economics, and Organization* 7: 24-52. This is a widely used and cited reference that illustrates the problems of balancing incentives that providers can face when they are expected to do a lot of different, hard to observe, things. Its wide use is probably due to the relative simplicity and intuitive interpretation of the mathematics. An application to the case of health care workers in developing countries can be found in: Hammer and Jack, "The Design of Incentives for Health Care Providers in Developing Countries: Contracts, competition and cost control", in Audibert, M. and J. Mathonnat (eds.) Health Financing Systems in Low Income African and Asian Countries, Paris, Karthala Publishers, 2003 (also in a World Bank Working Paper which is probably easier to find).

As for police services specifically, the best references come from Canice Prendergast, particularly "Selection and oversight in the public sector, with the Los Angeles Police Department as an example", NBER working paper 8664 but with several other excellent papers as well.

As a curiosum: the World Development Report 2004 team thought that police services were the very best example of the dilemmas and difficulties posed by the general framework of the report and wanted to include an analysis of them. The team was told by the Legal Department of the World Bank that the police (and military) were off-limits due to the Articles of Agreement of the Bank. So, they were left out and explains the speculative nature of this note.