

Florian Sarges

ELITE COMPATIBILITY IN ODA PROJECT DESIGN

“Does it matter if a project design is compatible with the interests of political and economical elites of the recipient country?”

**PhD Conference on International Development
University of East Anglia, Norwich
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OVERVIEW

1. Why “Elite Compatibility”, And What Is It?
2. What Is My Empirical Material?
3. What Is My Research Model?
4. What Are My Preliminary Findings?

“ELITE COMPATIBILITY”

- ▶ The term “elite” does explicitly not have any normative connotation in this context.
- ▶ It simply refers to the group of key players involved in the recipient country of a development project

1.1 DEFINITION

Incentive compatibility:

$$\beta + \alpha e - \frac{r}{2} \alpha^2 \sigma^2 - C(e) \geq \beta + \alpha e' - \frac{r}{2} \alpha^2 \sigma^2 - C(e')$$

1.1 COMPATIBILITY WITH WHAT?

Project Target



“Deliver affordable clean water to poor population of region XYZ.”

PRINCIPAL

Politician's Target



“Maximize personal monetary benefits.”

AGENT

New Institutional Economics

INCENTIVE INCOMPATIBILITY PROBLEM

1.1 COMPATIBILITY WITH WHAT?

Maintenance of infrastructure not working

Illegal taps into power lines, inadequate bill collection and payment

Sustainable resource management difficult to establish with local users

Capacity-building projects fail to reach their goals

“Deliver affordable clean water to poor population of region XYZ.”

“Maximize personal monetary benefits.”

PRINCIPAL

AGENT

Projects for corruption prevention do not prevent corruption

INCENTIVE INCOMPATIBILITY PROBLEM

1.2 ELITE COMPATIBILITY: AN EXAMPLE

PROJECT: Install water and sanitation kiosks in a slum district in Nairobi

PROBLEM:

Municipal politicians seeking financial and/or political profit have no incentive to cooperate:

- ▶ Building permission would question state ownership of premises
- ▶ No interest in sustainability of project: profit is maximized if cost is low (= no maintenance)
- ▶ Sanitation not a „sexy“ topic for politicians

WHAT ELITE COMPATIBILITY IS NOT:

“Include bribes in project budget!”

WHAT ELITE COMPATIBILITY IS:

Applying a BOOT model:

BUILD: No costs for municipality (no budget)

OWN: Limited-time ownership is granted to project

OPERATE: Kiosk is operated by initiator

TRANSFER: After seven years, ownership is transferred to municipality

RESULT:

Financial profits only if kiosk is maintained

▶ Compatibility of project interest and politician's interest

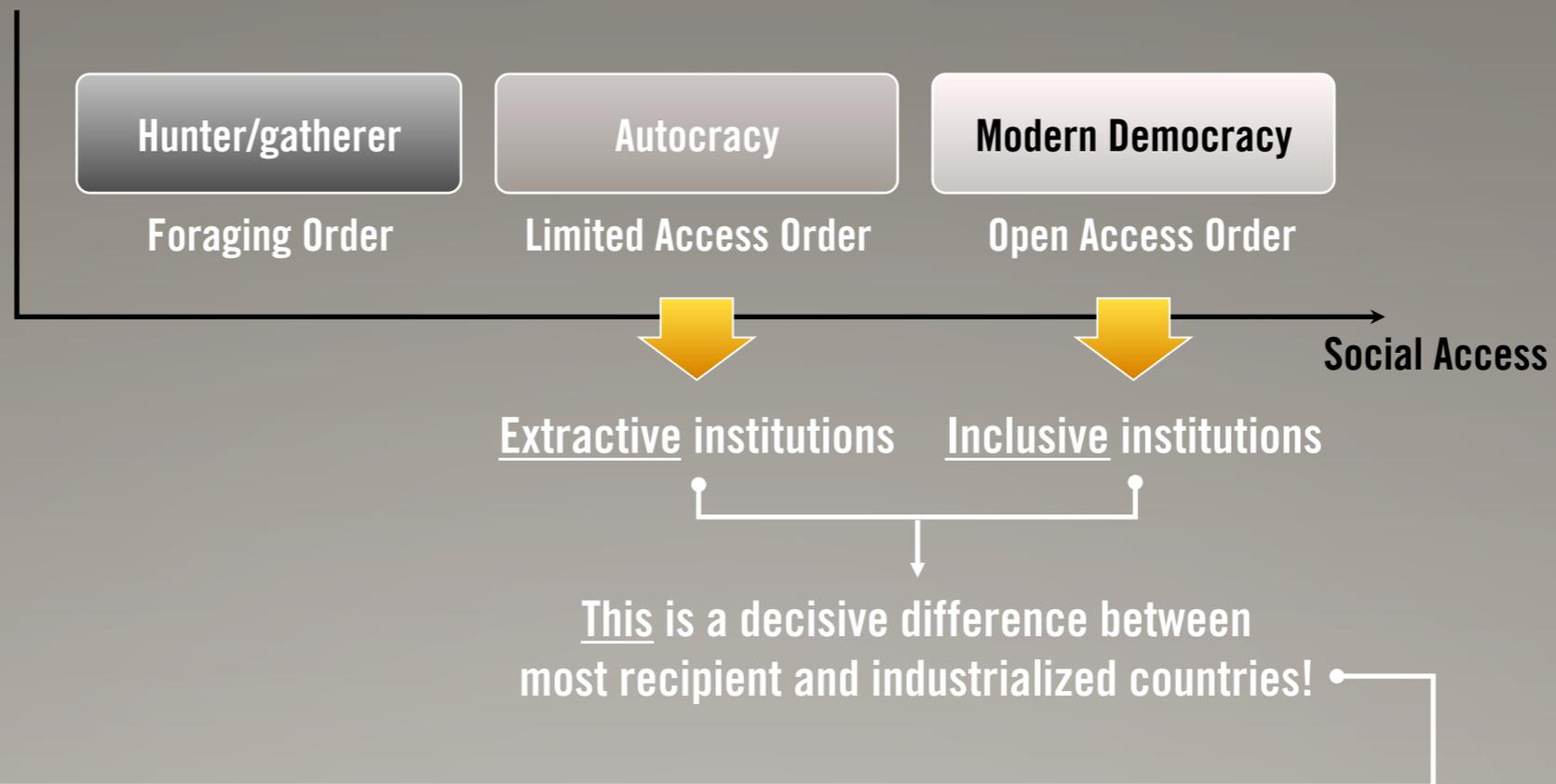
1.3 WHERE DID THE CONCEPT DERIVE FROM?

In the
Development Theory of:

North, Wallis & Weingast (2009):
VIOLENCE AND SOCIAL ORDERS

Acemoglu & Robinson (2012):
WHY NATIONS FAIL

the authors differentiate between three major stages of social order:



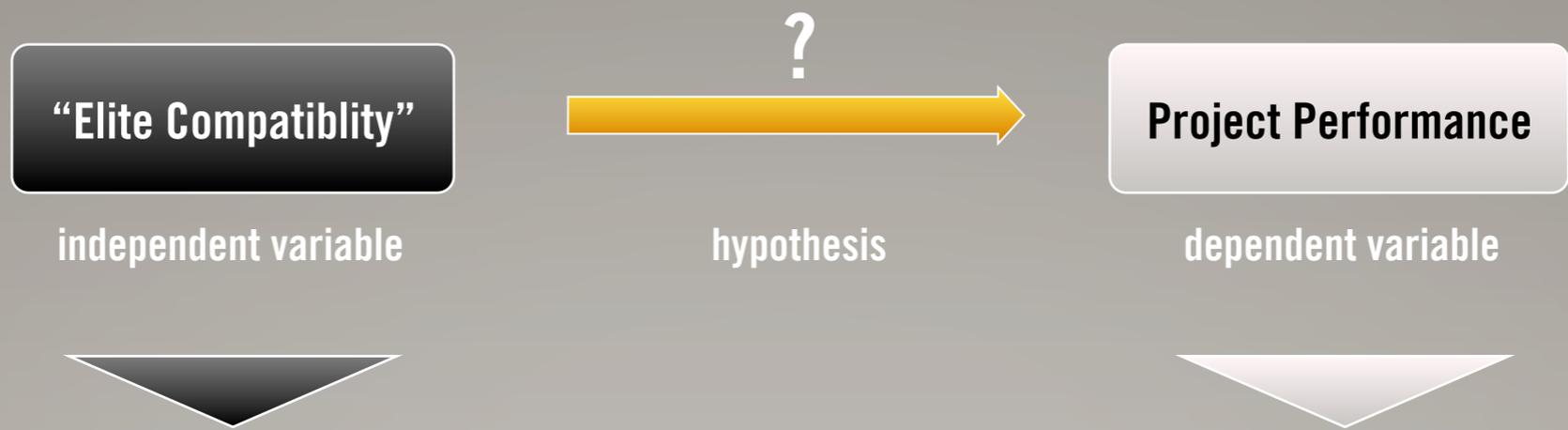
“For a transition, each step of this transition must be **compatible with the elite self-interest.**”

North, Wallis & Weingast 2009, p. 240

1.4 RESEARCH QUESTION



Is the concept of Elite Compatibility supported from the material and an influential factor for project performance?"



What is the definition of "Elite Compatibility"?

What is the definition of "Project Performance"?

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2. EMPIRICAL MATERIAL



Ex-post evaluation reports of approx. 60 projects*

- ▶ Timeframe: 2006-2011
- ▶ All geographical regions
- ▶ Filtered for sectors that concern infrastructure
(energy, healthcare, education, transportation, water, communications)

1

QUALITATIVE Data:

- ▶ Detailed assessments of the project quality in all five OECD categories (relevance, efficiency, effectiveness, impact, sustainability)
- ▶ Data per report:
approx. 8-12 standard pages

2

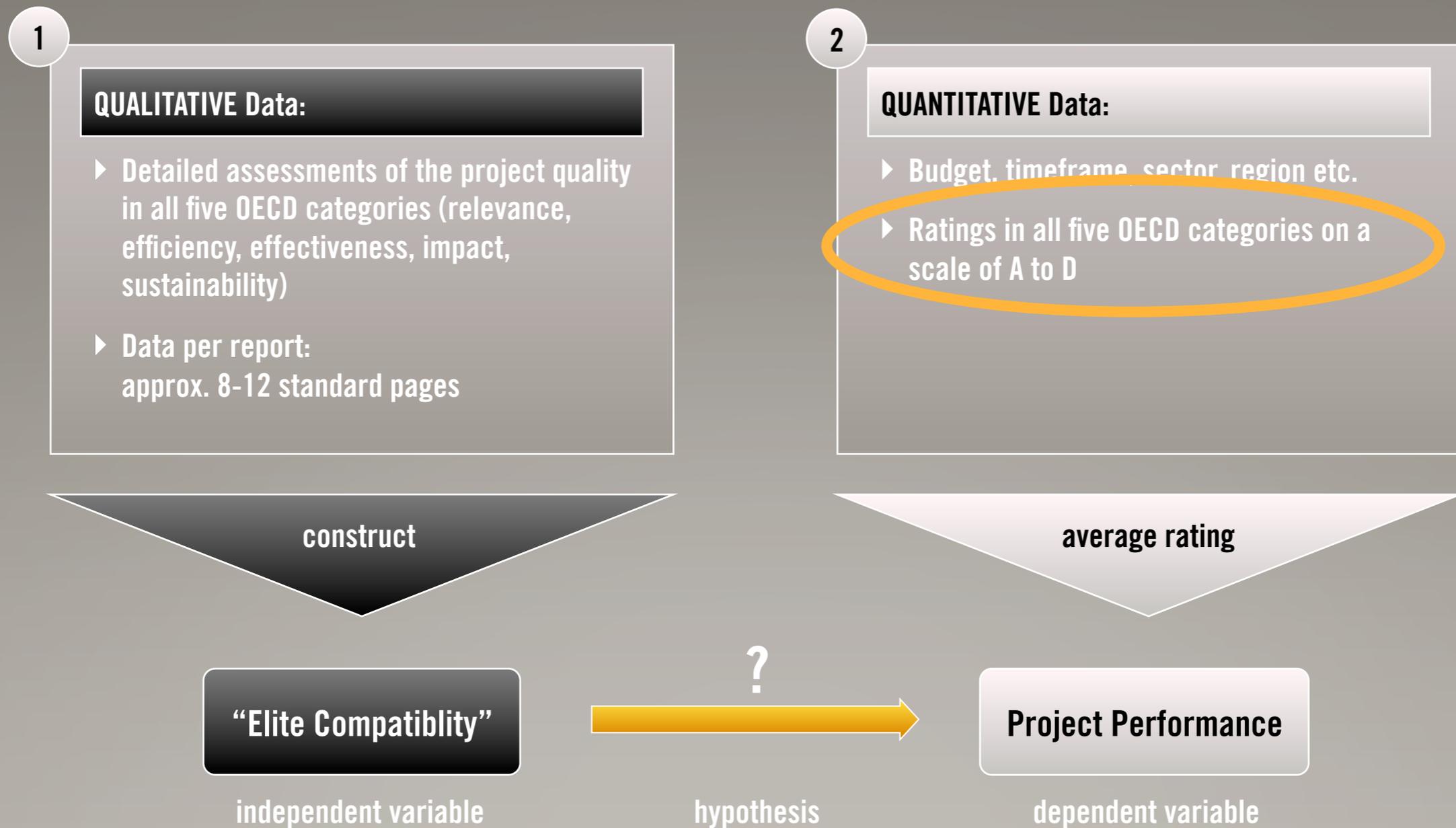
QUANTITATIVE Data:

- ▶ Budget, timeframe, sector, region etc.
- ▶ Ratings in all five OECD categories on a scale of A to D

2. EMPIRICAL MATERIAL



Ex-post evaluation reports of approx. 60 projects*

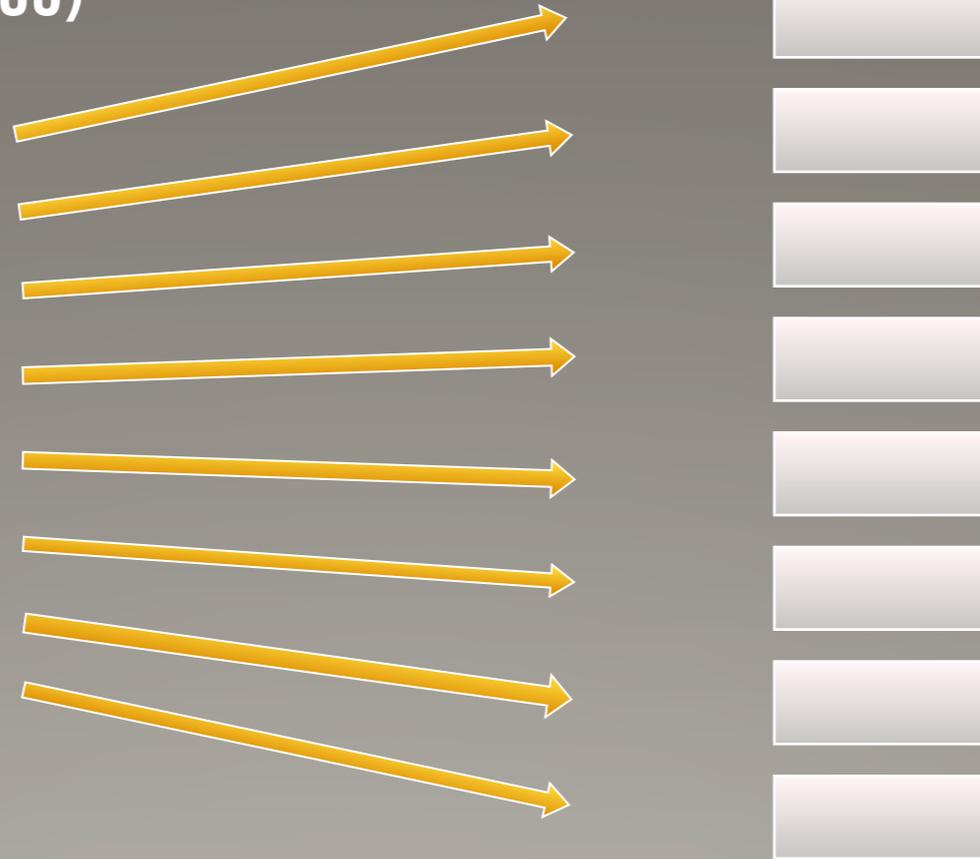
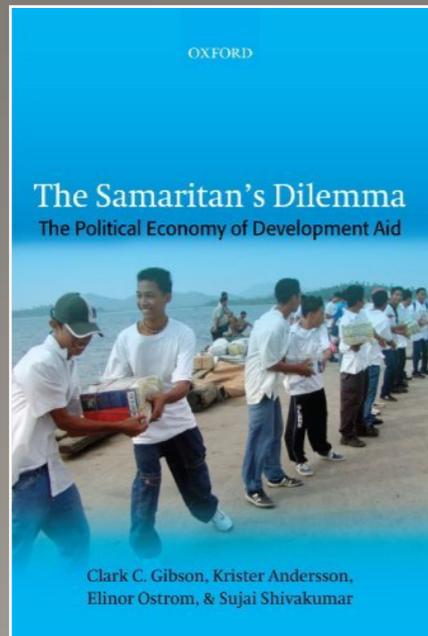


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3.1 QUALITATIVE EVALUATION: THE MODEL

Gibson, Andersson, Ostrom & Shivakumar:
The Samaritan's Dilemma (2005)

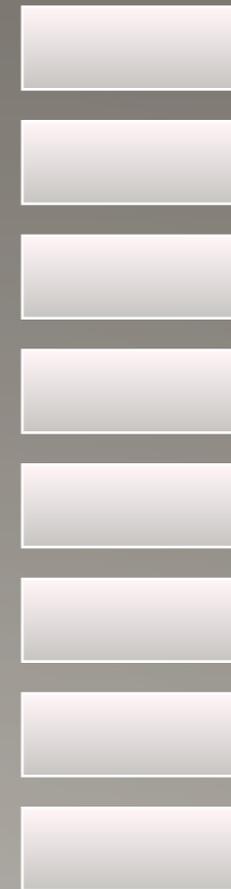


- ▶ The most complete description of incentive problems in Development Aid
- ▶ Provides a theoretical overview and NIE classification of the institutional-economic problem situations

Step 1 to develop my qualitative model:

Extraction of all incentive problems described with references to theoretical explanation and case study incidence

3.2 QUALITATIVE EVALUATION: THE MODEL



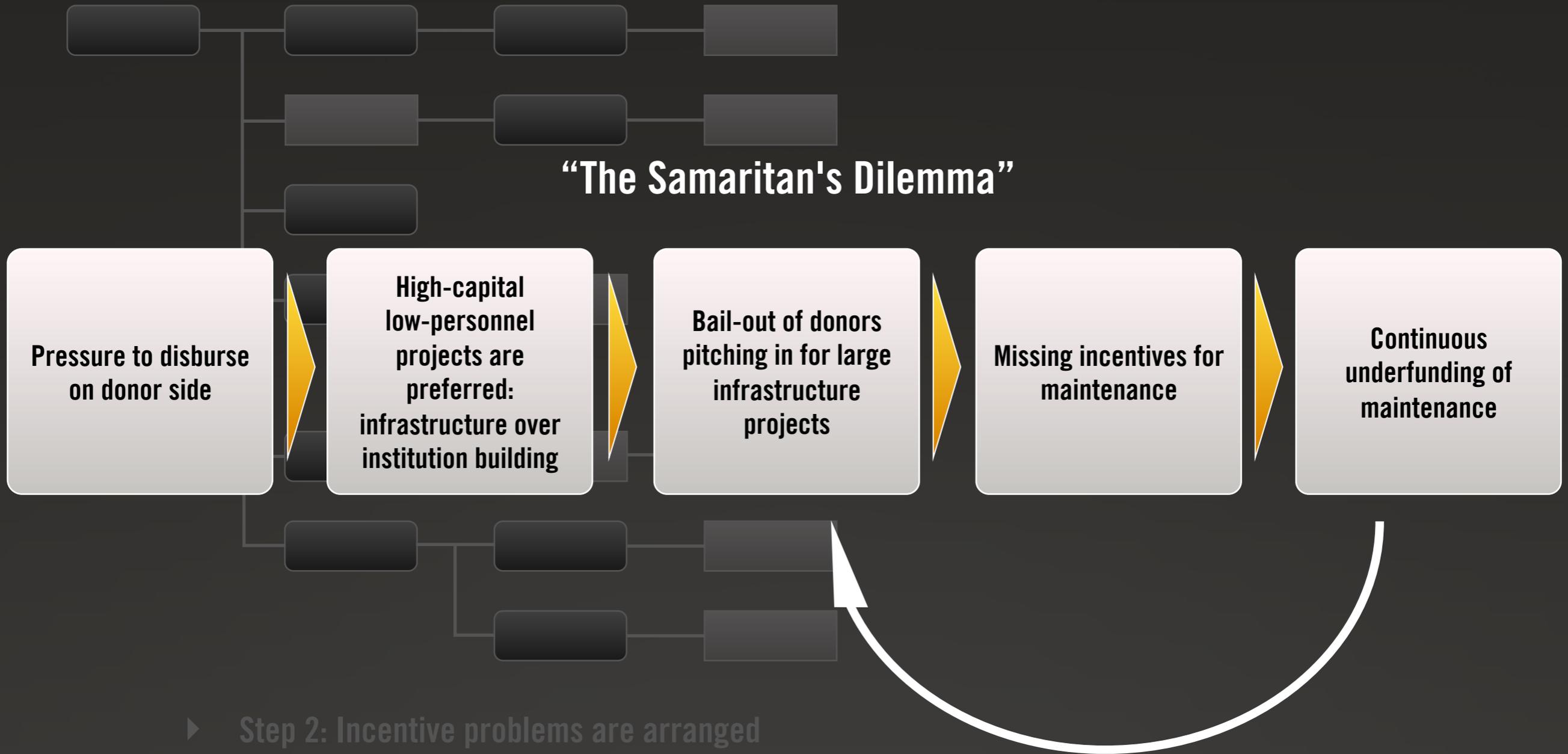
- ▶ Step 2: Incentive problems are arranged into causal chains

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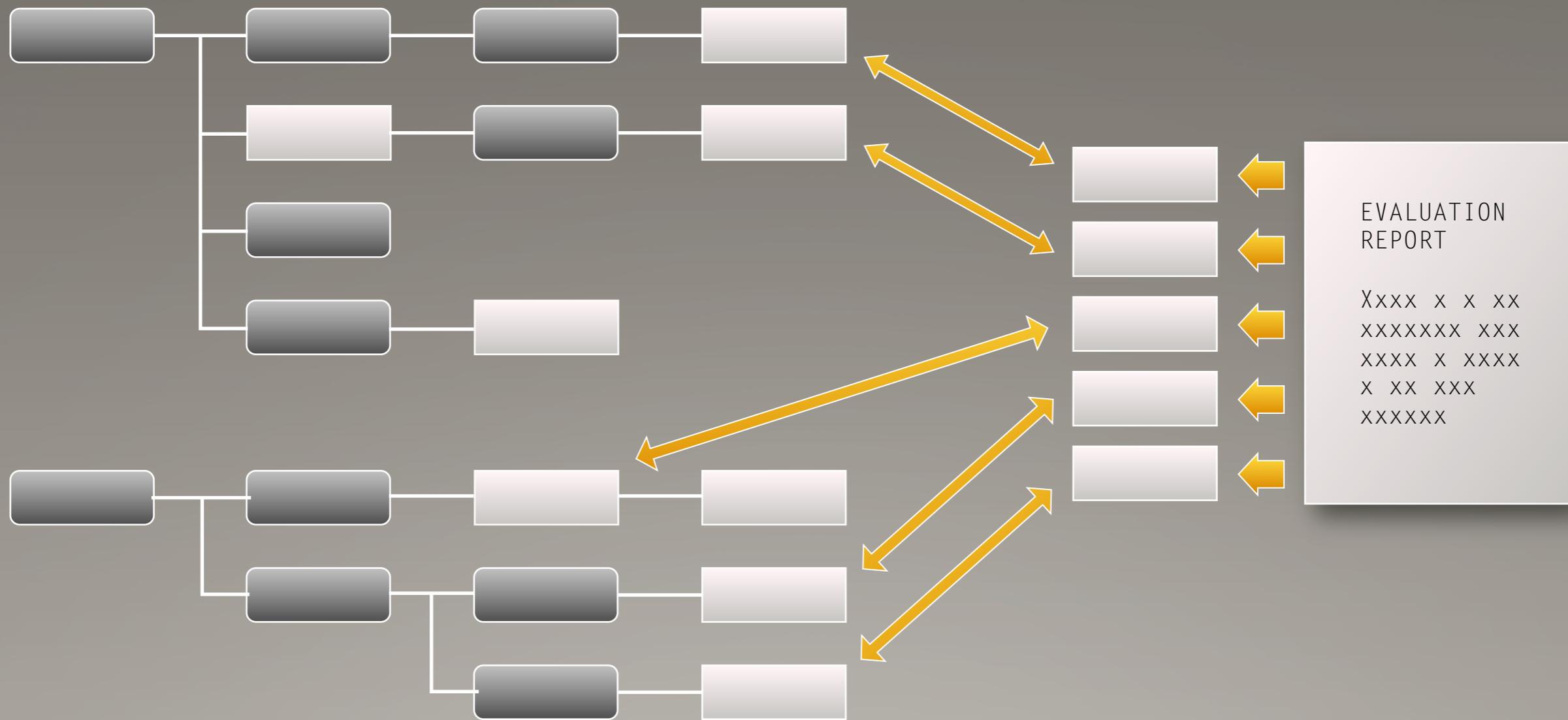
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- ▶ Each incentive issue is rated whether it relates to elites (political, implementing agency, local)

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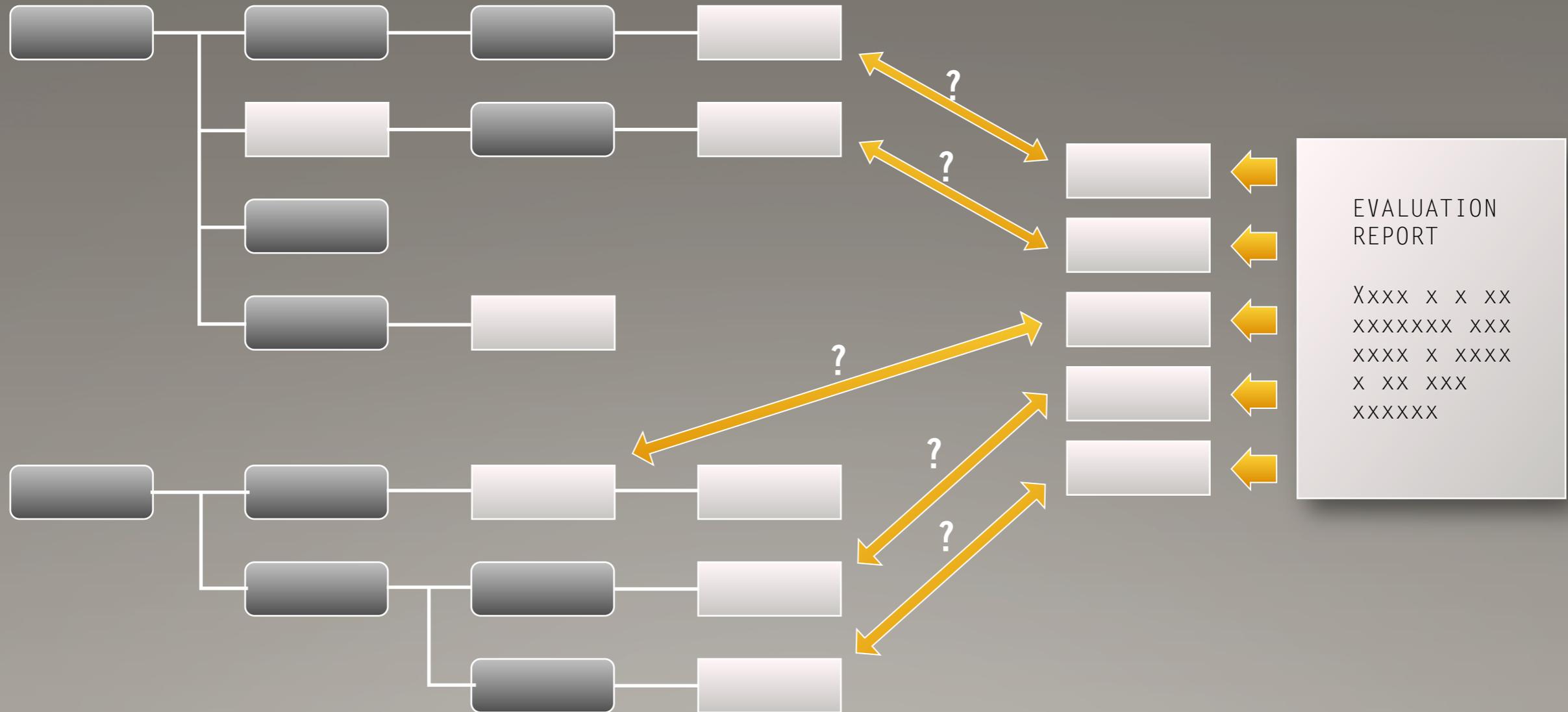
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3.3 APPLICATION OF THE MODEL



- ▶ Application of the model: Reports are evaluated for problem descriptions
- ▶ Problem descriptions are then compared to the descriptions from the causal model

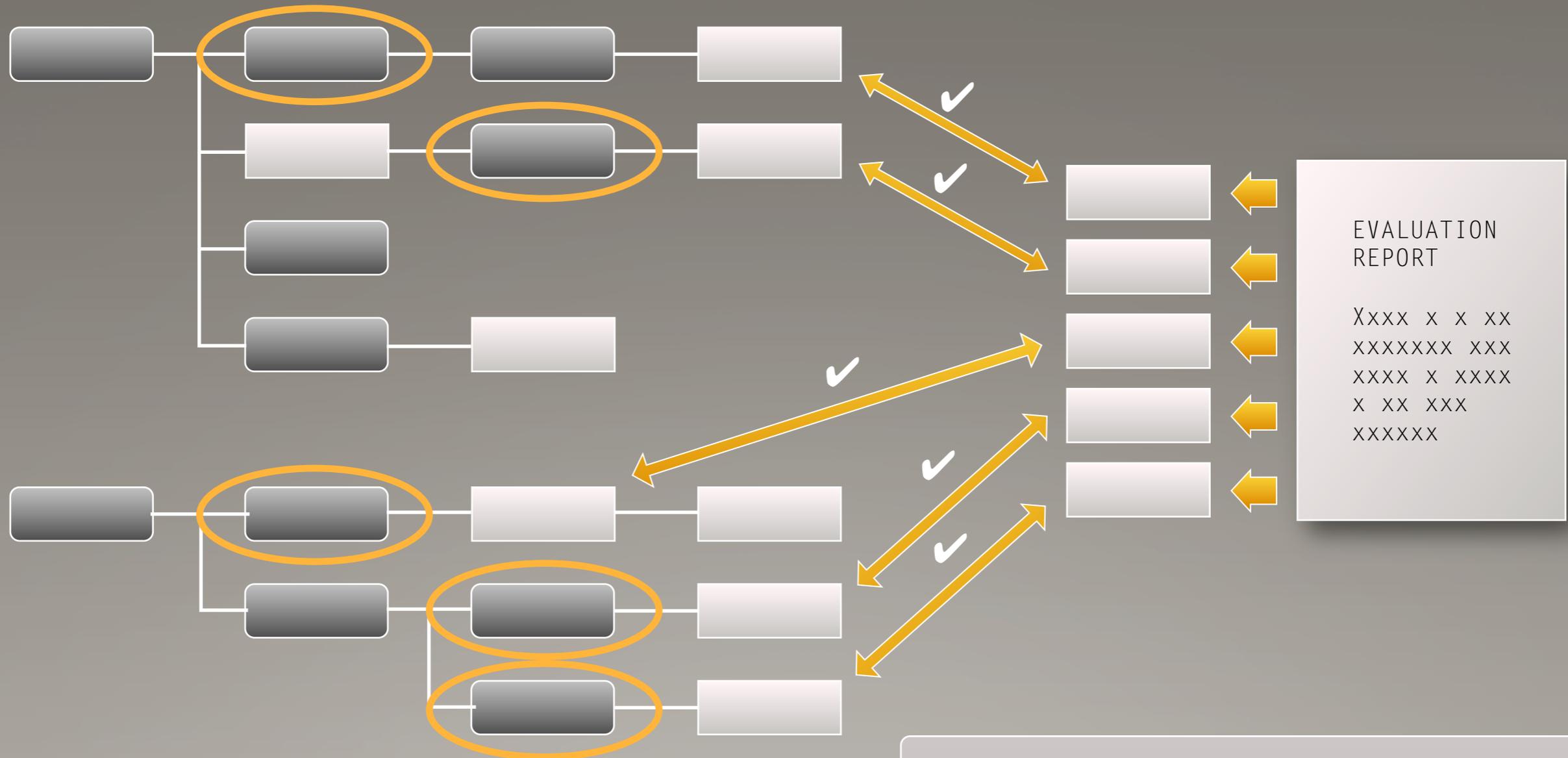
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- ▶ **PROBLEM:** The descriptions in the reports rarely provide a full reasoning, making the interpretation (= is it an issue of Elite Compatibility or not) difficult
- ▶ **SOLUTION:** Using linked descriptions from the model as indicators

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4.2 WHAT ABOUT COMMON SOLUTIONS?

“Ownership Devolvement!”



- ▶ Projects with a high ownership devolvement turn out to work out very effectively – but **ONLY** if governmental entities are not part of the “game” and the ownership does not need to be evolved from them.
- ▶ This means that resource projects work out only if they concern a local resource that cannot be centralized (i.e. local water provision).

“Participatory Approaches!”



- ▶ Statements of “Design too ambitious” exist in both high- and low-performing projects (indicates a problem of reforms imposed by the donor, with high ownership of donor and low of recipient government)
- ▶ The difference lies in the 'reaction': Projects with high beneficiary ownership will adapt the design, in low-performing projects the adaption may simply consist of 'lowering targets'.

THANK YOU FOR YOUR ATTENTION.