District Development Authorities in PNG: 2017 and Beyond
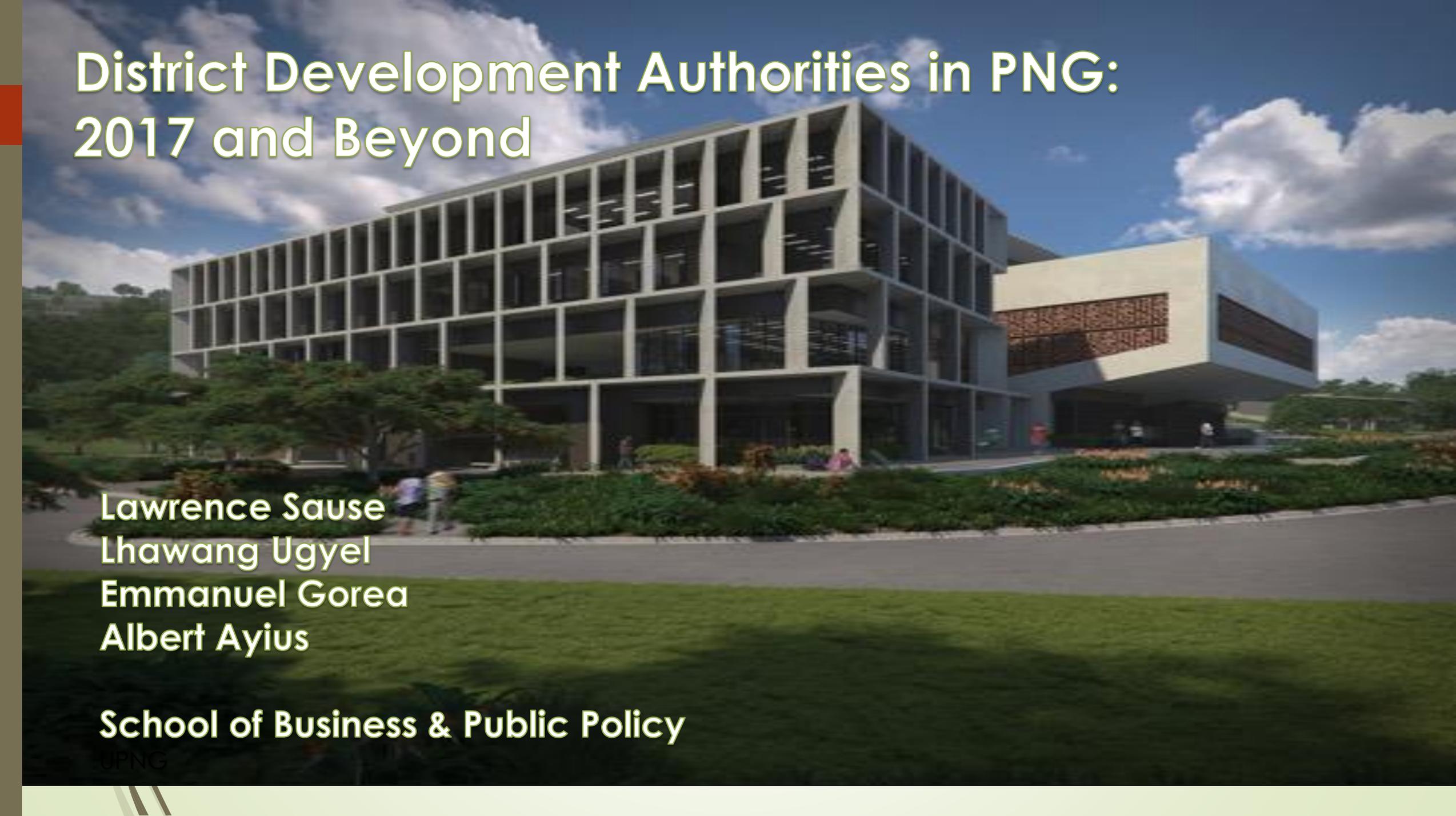
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Outline

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Rationale

- To its framers, the DDA concept holds the real promise of strengthening service delivery at the district and the ward levels

- Like any institutional reform, there is an implicit and optimistic assumption that the concept will work and deliver

- This optimism becomes more important in the light of the DSIP and PSIP funding arrangement. To the politicians the DDA concept must work.

- Two and half years after inception, our understanding of the DDAs performance is sparse: How are they faring? What are the consequences or likely consequences emanating from its (the DDA) institutional design, and what are the implications on the overall performance and governance of the DDA?

- This paper seeks to contribute to answering some of these questions

Focus of Study

- We take an exploratory look at how the DDAs are working. We focus specifically on the dynamics of power relations among the different actors in the DDA setup brought about by the DDAs' institutional design through the DDA Act 2014.

- We use the theoretical lense of public choice, in particular agency theory, to examine power relations between "principals" and "agents" as actors

- We raise the inherent tensions (and constraints) arising from the relations among actors and show how they are affecting or are likely to affect the performance and governance of the DDAs

- We cast our analysis based on our field engagement (visits) and discussion with staff of two DDAs and the Prov. Admin in ENBP

Theoretical Framework

- Agency theory or model is an offshoot of Public Choice Theory(originates from the work of James Buckanan and Gordon Tulluck (1992); Anthony Downs (1957); William Niskanen (1971); Jensen and Meckling 1976). Has an immense influence on political science, public policy and public administration and especially on public sector reform (Boston, 1996)

- Principal – agent theory as the main component of "agencification" reform under public choice theory: "assumes that relationships in an organisation can be viewed is a series of "contracts" (agreed relationships or exchanges), which define the manner in which parties engage and associate and carryout their role. Each party would have his/her own interest and would seek to maximise that interest at the expense of the other

- Two key parties exist and enters into exchanges or agreed relationships: the **principal** (designator and creator of the tasks) and the **agent** (the person who carries out the task designated (contracted) by the principal and who is accountable to the principal)

- **Typical examples:**
- Employer-employee relationship: employer = principal; employee = agent
- Lawyer-client relationship: client = principal; lawyer = agent
- Politicians-Voters relationship: Voters = principal; politician = agent

- **Examples in DDAs**
- DDA is a typical "agencification" reform seen in the context of agency theory
- DDA-Minister for Inter-Governmental Relations relationship: Minister = principal; DDA = Agent
- CEO DDA and DDA Board relationship: Board=principal; CEO = agent
- CEO DDA and Prov. Administrator relationship: Prov. Admin = principal; CEO = agent

Methodology

- Interviews with key officials (fieldwork in May 2017):
  - CEO of Rabaul and Kokopo DDAs
  - Mayor of Rabaul
  - Staff of Rabaul and Kokopo DDAs and Prov. Admin

- Why East New Britain?
  - Good example of DDAs that are fairly successful
  - Possible areas of tensions/conflicts/challenges
  - Areas where they are able to do well—overcome the challenges—lessons for the future

Background to the DDAs

- Institutional Design created by the DDA Act 2014 (certified December 2014)

- Created more power and leverage than the OLPLLG provision of the JDPBPC

- DDAs are statutory authorities assuming a corporate structure & power

- DDAs are legal creatures that can sue and be sued

- Can acquire and dispose of property

- Would have their own procurement arrangement

- Are they part of the Prov. Administration?

- Institutional design has created multiple principals and agents, with some parties assuming more power in a complex relationship

- Multiple accountability relationships
- Multiple reporting relationships
- Multiple and often ill-defined (confusing) tasks (responsibilities) both on principals but more so on agents

Preliminary Findings and Discussions

- **Differing goals**
  - Politicians versus bureaucrats (DDA) and Provincial Administration—politicians concerned about campaign promises and re-elections.
  - Public servants—concerned about their promotions and organization's budget
- **Multiple principals**
  - CEO of DDA (as an agent)—Principal 1 (Board, in particular, the Chairman) and Principal 2 (Provincial Administrator)
  - Chairman (as an agent) to the electorate (principal) and to his/her Party

- **Information asymmetry and adverse selection**
  - Release of budget (esp. DSIP) dependent on relationships among politicians at the national, provincial and district levels.
  - Selection of members of the board, DDA administration.
  - Shirking of responsibilities by the public servants (?)
- **Conflicting roles**
  - Politicians as principals (as part of the Parliament) and as agents (as Chairman of the DDAs)

Policy Implications

- **How ENB DDAs are able resolve the role of differing goals and multiple principals—through good coordination**
  - Goal conflict is part of principal-agent theory—many relationships are based on cooperation and not conflict
  - One principal and one agent focusses—but such a dyadic relationship is un realistic –dynamic interaction between multiple principals and set of bureaucratic agents—not all principals will agree on goals (goal conflict)—makes relationship complex—pure information asymmetry is unlikely to occur

Potential sources of conflicts—not all DDAs will have good coordination—what happens then (reporting and accountability systems)

- Agency theory—principals achieve their goal of controlling bureaucratic agents—elected officials create bureaucracies and can design them various incentive structures to facilitate control—political principals monitor the activities of their bureaucratic agents, and when bureaucratic activities stray from the principals' preferences, policy makers can apply sanctions or rewards to bring agents back into line.

- Reduce uncertainty esp. DSIP release—ENB DDAs raise their own revenues

  - Principals must reduce uncertainty by acquiring offsetting information (which is not a costless undertaking)

Conclusion

- To make changes to DDAs may be challenging as politicians will not agree to it. As it stands, the politicians enjoy substantial powers within the existing framework.

- Thus, it is best to suggest how the functioning of the DDAs can be improved. In this respect, ENB provides a good example of what are some of the possible challenges that DDAs are likely to face.

- Future research: DDAs in other provinces