# Navigation by Judgment

Dan Honig
ANU
June 18, 2019

NAVIGATION BY JUDGMENT

Why and When Top Down Management of Foreign Aid Doesn't Work

DAN HONIG

SAIS

JOHNS HOPKINS
SCHOOL *of* ADVANCED
INTERNATIONAL STUDIES

photo by Honig,
circa 2008

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# Asymmetric Information & Good Outcomes

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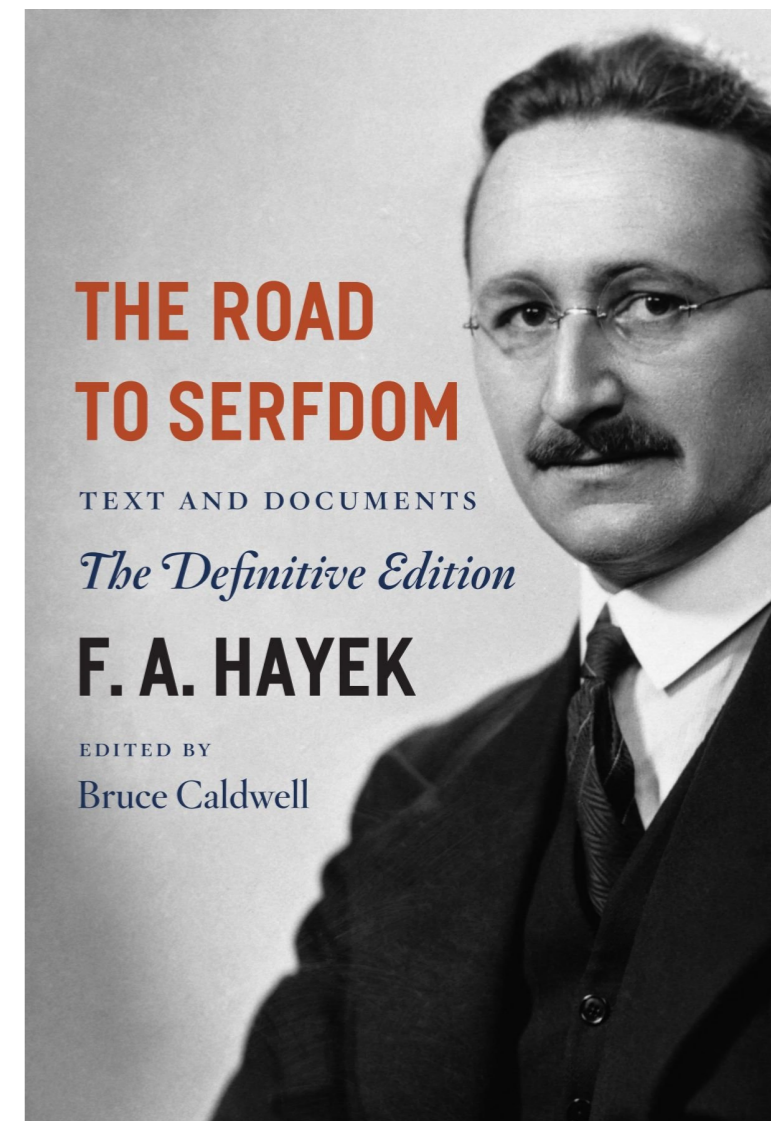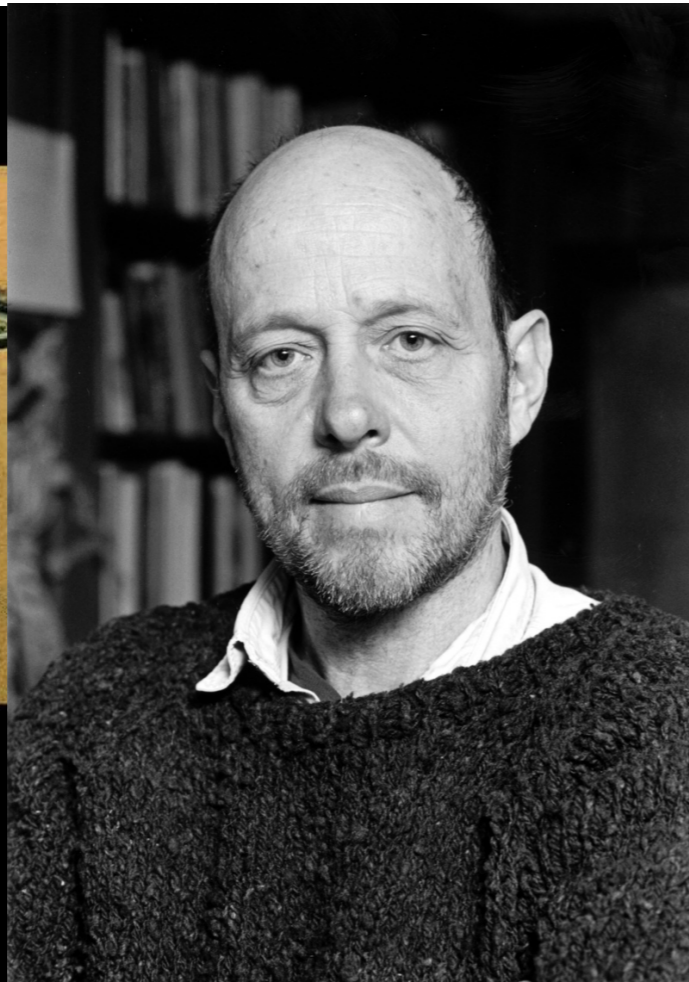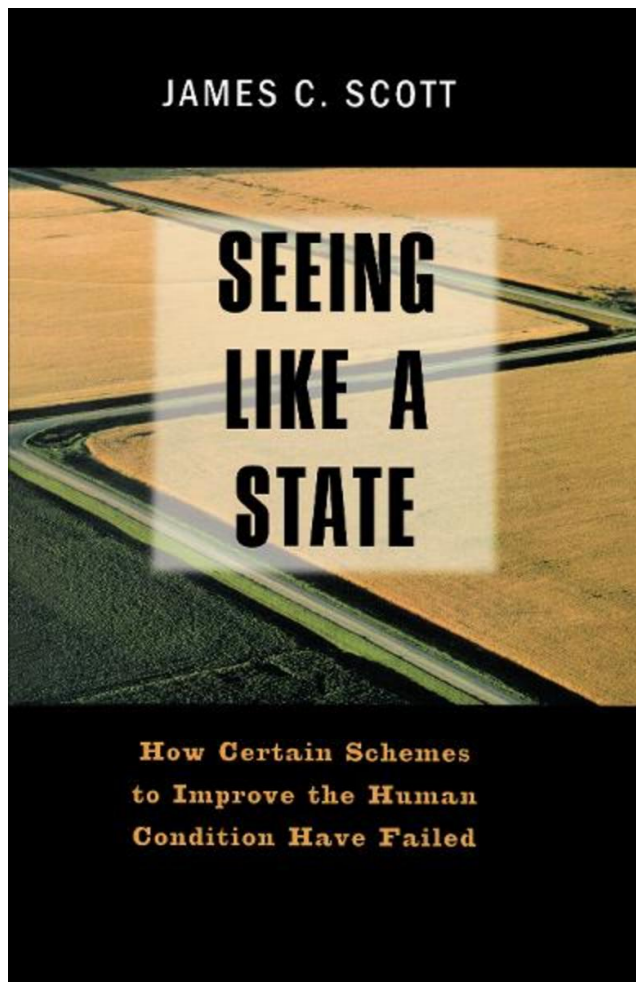# Asymmetric Information & Good Outcomes

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JAMES C. SCOTT

SEEING LIKE A STATE

How Certain Schemes to Improve the Human Condition Have Failed
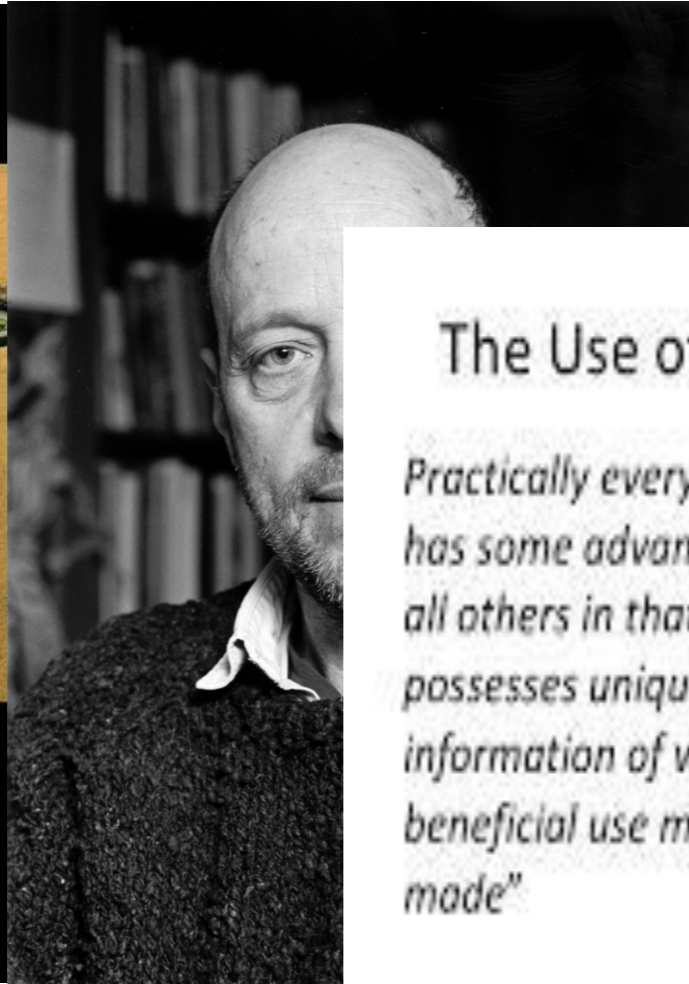
The Use of Knowledge in Society

Practically every individual has some advantage over all others in that he possesses unique information of which beneficial use might be made"

8 May 1899 – 23 March 1992
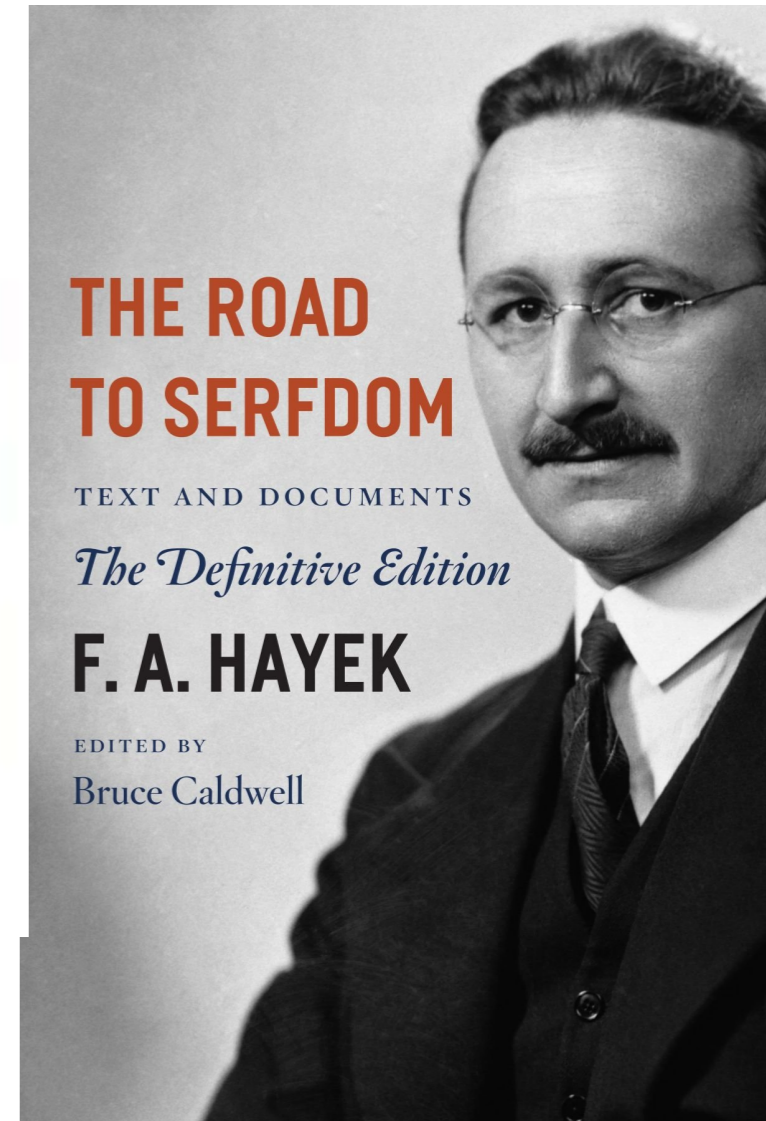
THE ROAD TO SERFDOM

TEXT AND DOCUMENTS
*The Definitive Edition*

F. A. HAYEK

EDITED BY
Bruce Caldwell

# Flawed Choices: Top-Down Control vs. Bottom-up Driving



Aşağı tükürsen sakal, yukarı tükürsen bıyık

# Flawed Choices: Top-Down Control vs. Bottom-up Driving

| Navigation from the Top | Navigation by Judgment |
|---|---|
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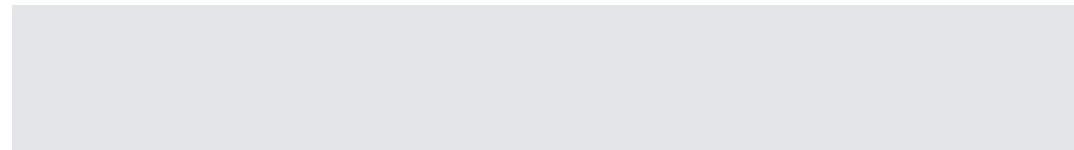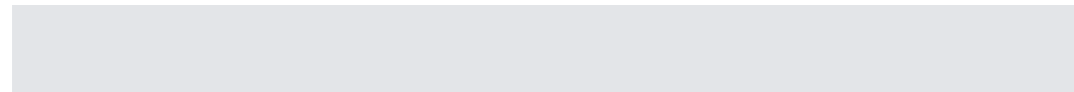Aşağı tükürsen sakal, yukarı tükürsen bıyık

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| Extrinsic Motivation (maybe) | |
| BUT: Distortions of Performance Measurement; Loss of Flexibility/ Adaptability | |

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# Flawed Choices: Top-Down Control vs. Letting Agents Drive

| Navigation from the Top | Navigation by Judgment |
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| Management Control | Agent Initiative |
| Oversight | Soft Information |
| Standardized Behavior | Flexibility |
| Extrinsic Motivation (maybe) | Intrinsic Motivation (maybe) |
| BUT: Distortions of Performance Measurement; Loss of Flexibility/Adaptability | BUT: Fallible Agent Judgment. |

Aşağı tükürsen sakal, yukarı tükürsen bıyık

# Getting the Balance Wrong

**THE SEEN AND THE UNSEEN**

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- Zoellick 2010:  "We know that a **focus on results is absolutely key for donors** [those who contribute funds to the World Bank], for clients [those who receive funds from the World Bank], and for us."

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- Differentially likely to constrain Navigation by Judgment

# 4 Predictions: What Agencies Will Do and When This Will Hurt Their Performance

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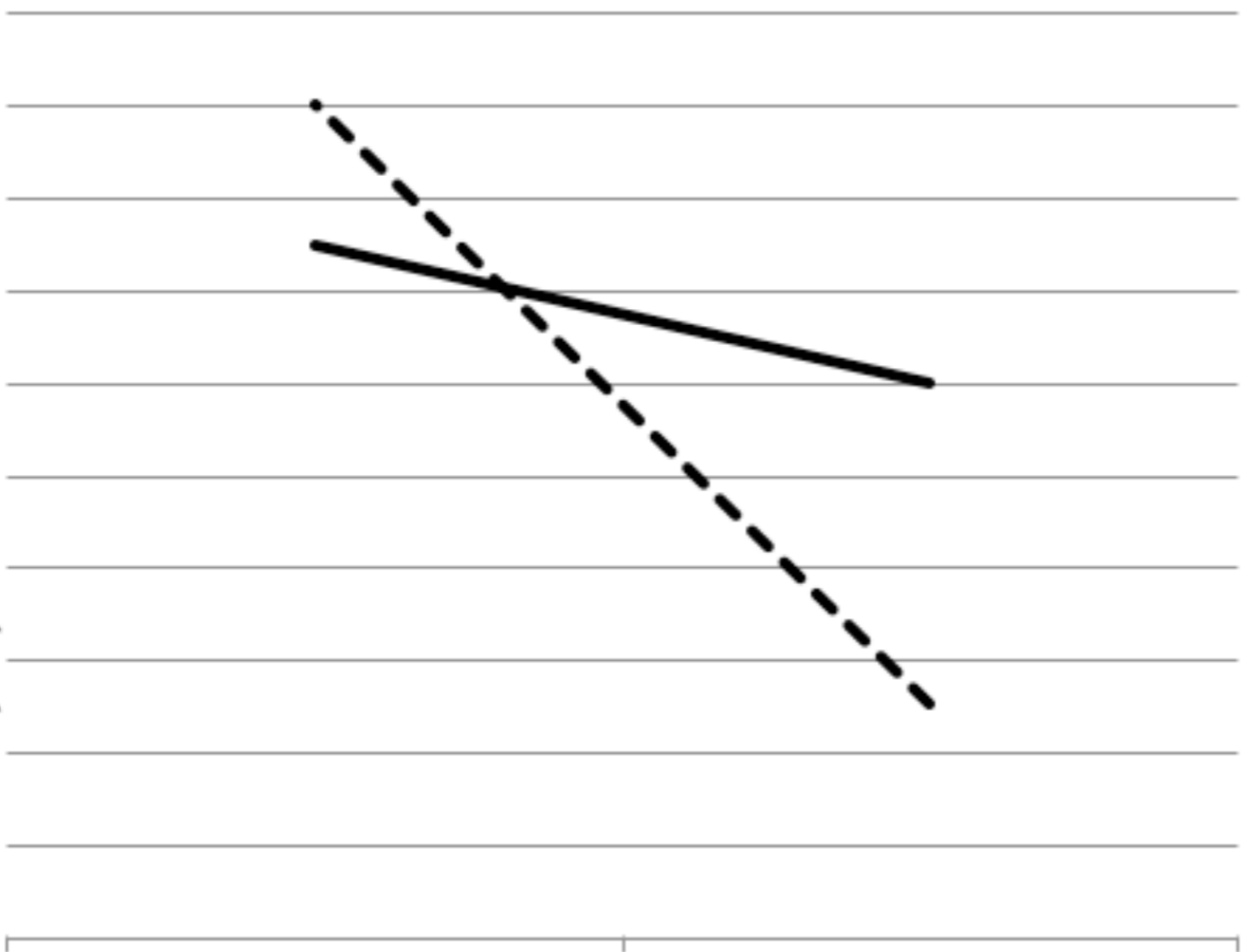1: Most organizations will err on the side of "too much" control more often than "too little"

2: More insecure agencies will err more than less insecure agencies

**3: The more unpredictable the environment, the greater the returns to Navigation by Judgment**

**4: The less the task can be pre-planned or effectively managed using output #s (verifiability), the greater the returns to Navigation by Judgment**

# Project Results Database

| IDO Name | Sourcing Process |
| --- | --- |
| Asian Development Bank (AsDB) | Public Information Process |
| Department for International Development UK (DFID) | Public Information Process |
| European Commission (EC) | Negotiated Release (Confidential) |
| Global Fund for Aids, TB, Malaria (GFATM) | Back Channel |
| German Agency for Technical Cooperation (GiZ) | Coded from Public Documents |
| German Development Bank (KfW) | Negotiated Release |
| International Fund for Agricultural Development (IFAD) | Coded from Public Documents |
| Japanese International Cooperation Agency (JICA) | Coded from Public Documents |
| World Bank (WB) | Already Public |

Online (ex-EC) at [danhonig.info](danhonig.info)

# Heat Map of Projects (approx. 14,000)
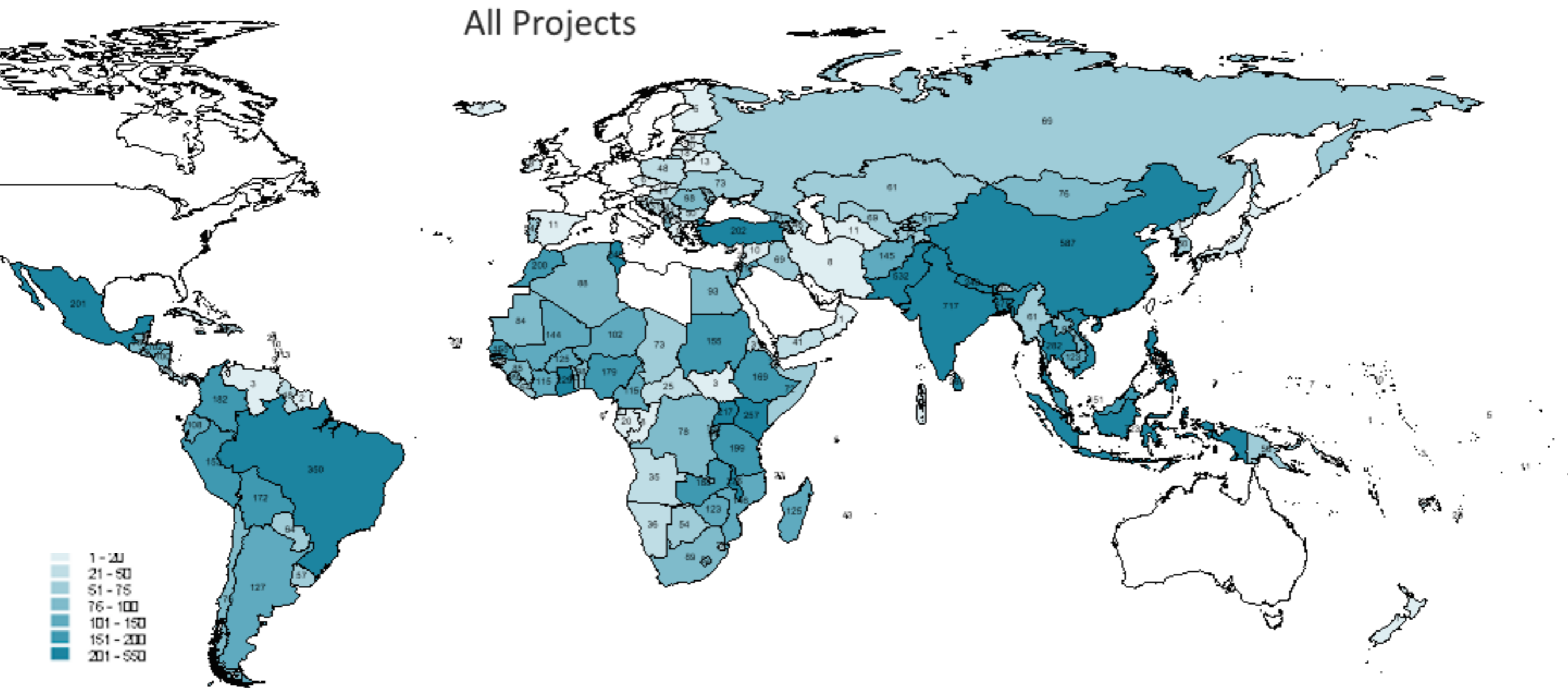
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  - Quant analysis makes relative comparisons

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- Focus on contingent relationship (interaction term)

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- **Small field survey** of development professionals who can directly compare autonomy of IDOs (correlation with PD measure: .71)

Returns to Navigation by Judgment in Countries of Differential Environmental Unpredictability
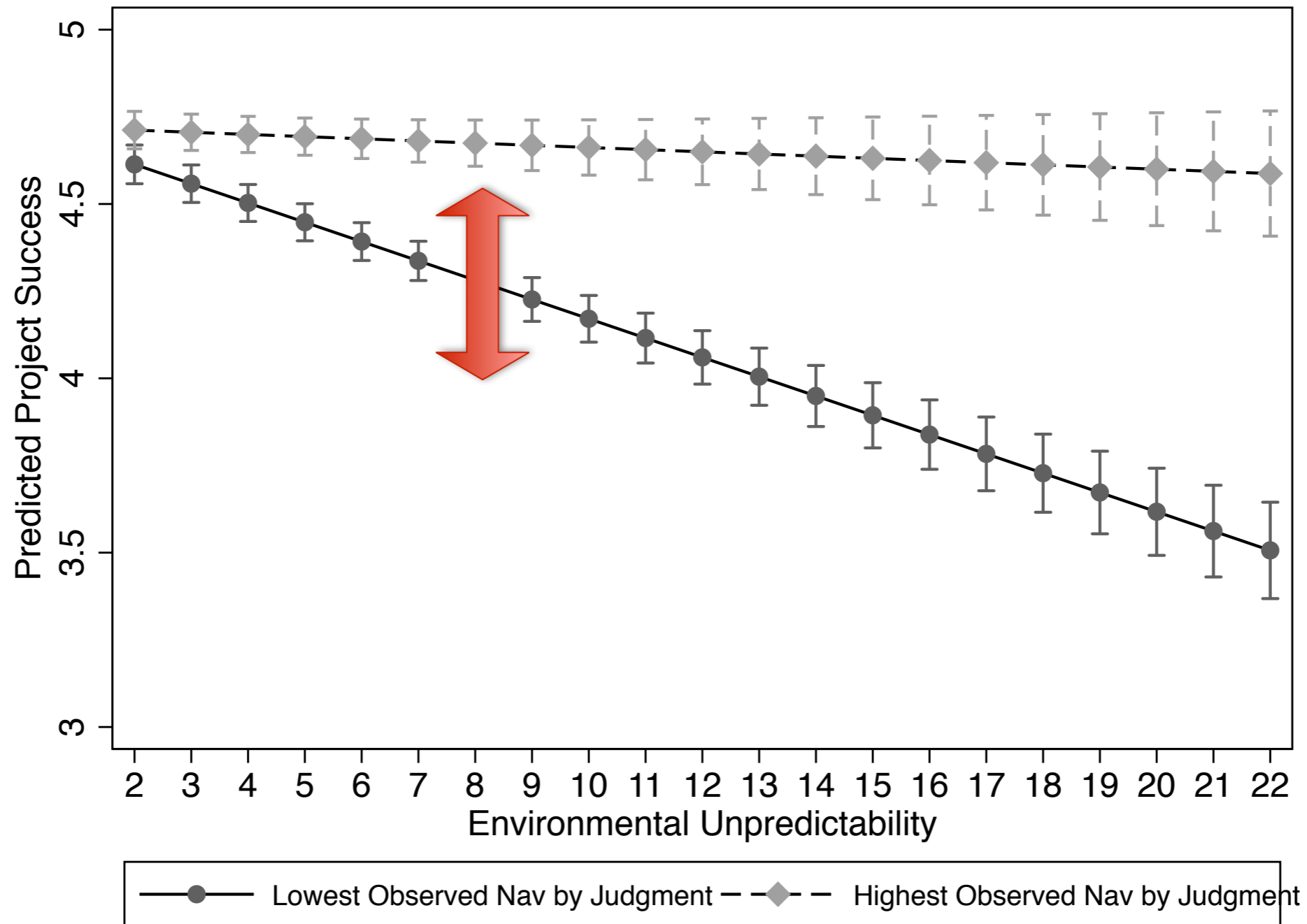
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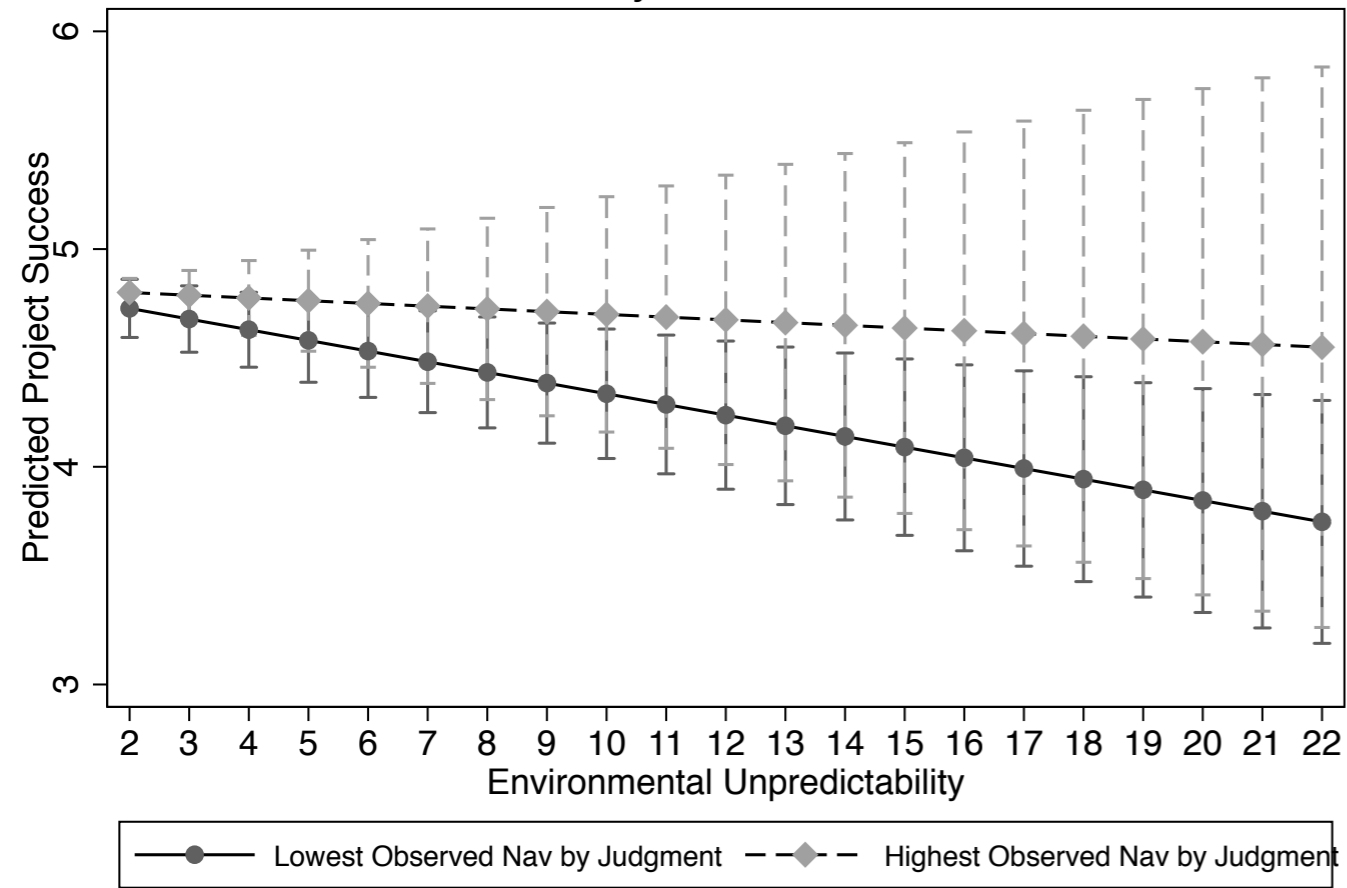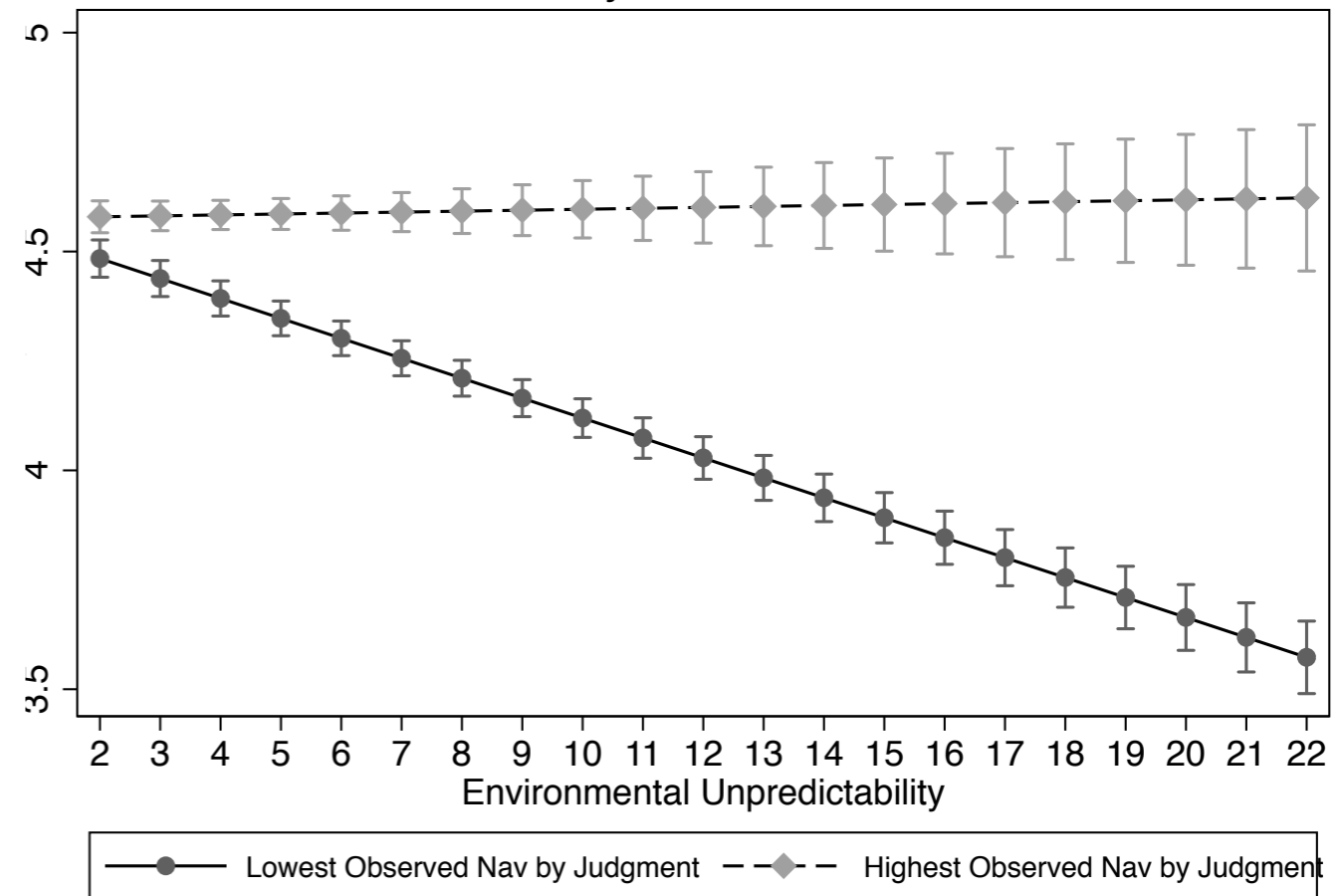
# Robustness

- Placebo tests for alternate scales of "Good Donor-ness" - this isn't just a proxy for best practice

- Control for Evaluation Type

- Test for systematic selection into donor-country-sector-years by NbJ*Fragility

- Survey measure rather than Paris Declaration-derived scale for Navigation by Judgment

- Running observability of sectors as dummies in full model (heterogeneity of IDOs, recipients in sectors)

- Donor, Recipient, Year Fixed Effects (where not shown)

- Using scales without IDO Fixed Effects & with base term (Z-score outcomes)

- Ordered Logits

# Robustness 2

- Running 9 separate regressions (so not driven by parameterization of interaction term)

- Restricting SFI to common support (so not driven by SFI outliers)

- No substantially differential variance by SFI/NbJ 'quadrant'; NbJ result also shows by quartile (non-parametrically)

- Double-clustering SEs at IDO-recipient level

- Controlling for project size

- Changing PD measure - dropping any measure, each of the two sub-scales, any wave of the PD survey

- Using either sub-scale of SFI (legitimacy or effectiveness), or using any SFI domain (security, political, economic, social)

# A Deeper Dive: Case Studies
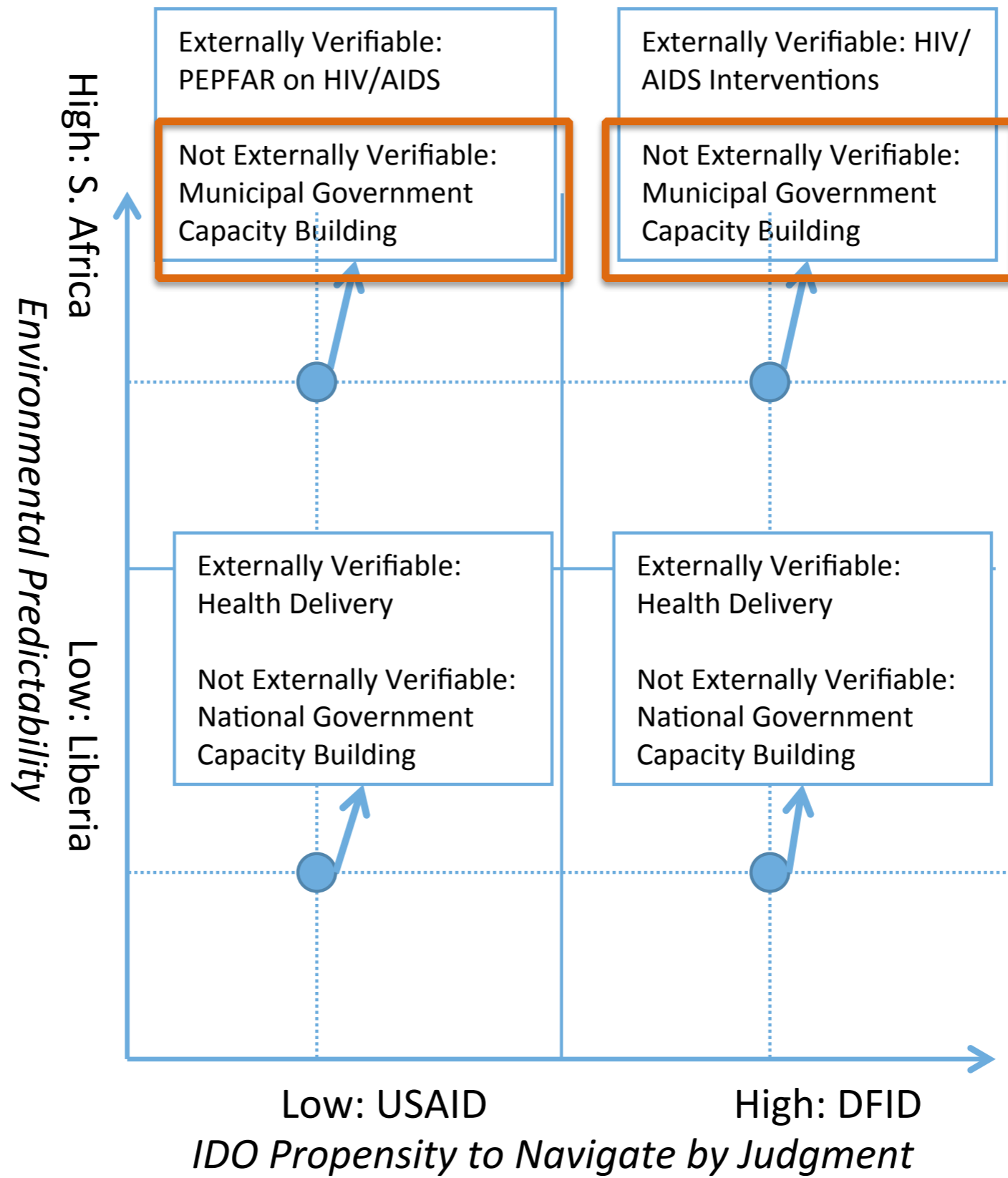
# Mechanisms: Political Authorizers Matter Differentially, and Link to Reporting

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A: No I never, no people didn't talk about, I mean [name redacted] would time and again, maybe talk about the Department of International Development [DFID], you know meaning in London, but it wasn't a dominant sort of talk about, "we are all doing this so that we can report to the House of Commons" or something like that in the UK Parliament. But the US[AID] is always about "**the Congress wants these numbers because they are providing so much for South Africa and they want to know what is it that we have done with their money**"

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Constraint from above "make[s] you cautious" - USAID Official

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- DFID: Successes linked to good judgment calls… "although uneven in parts, included some highly positive examples in selected municipalities" - DFID report

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- "More a number chasing toward the end especially because we needed to reach our target." - Implementer

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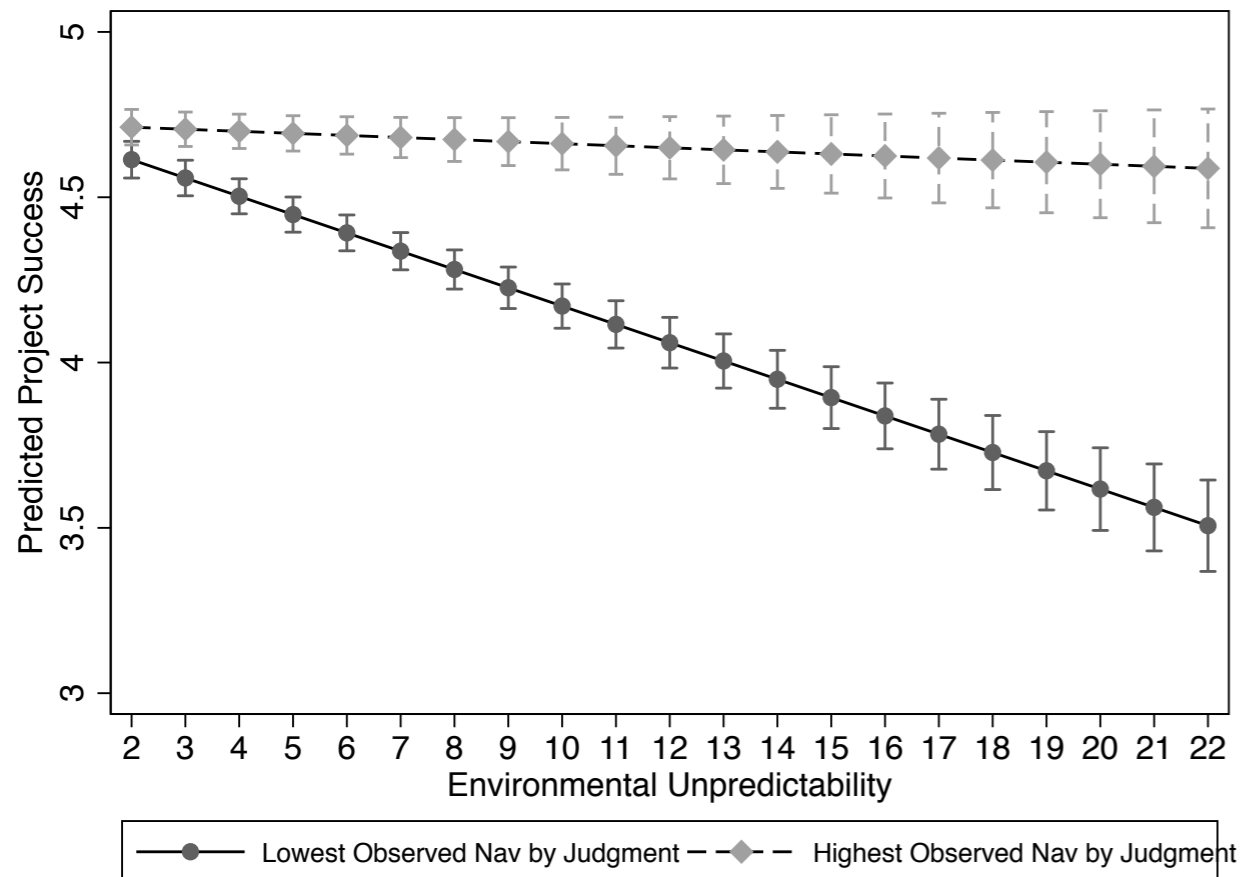
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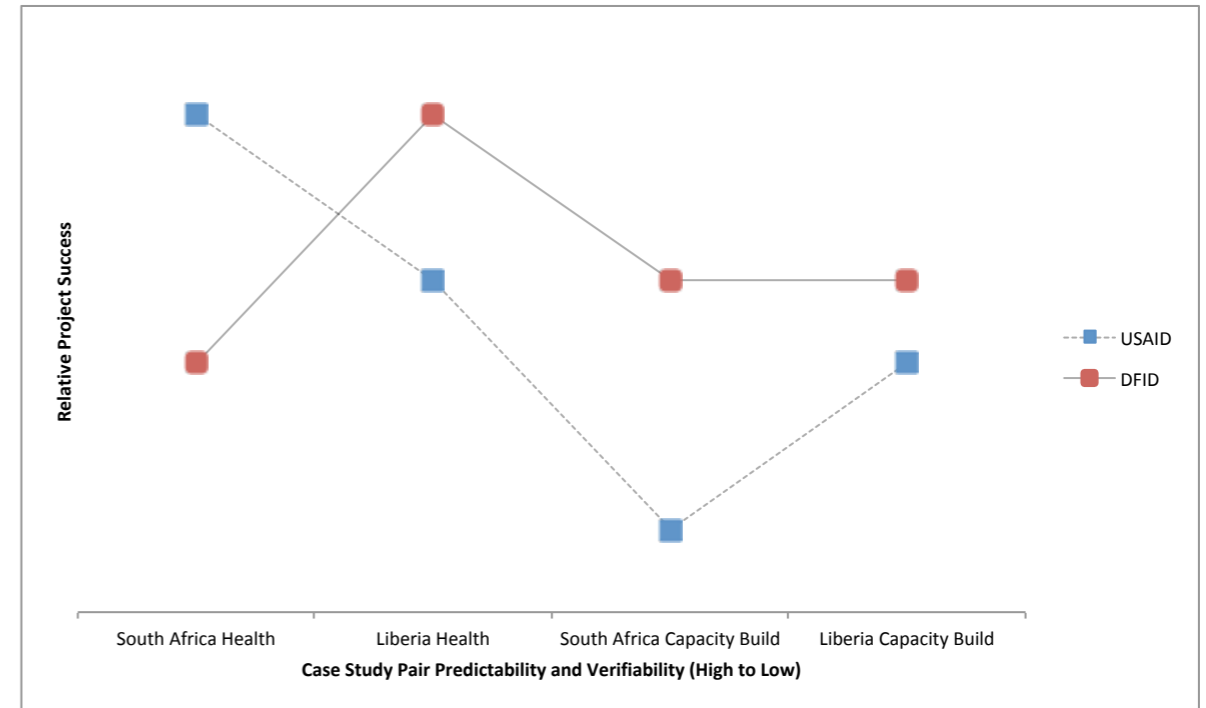
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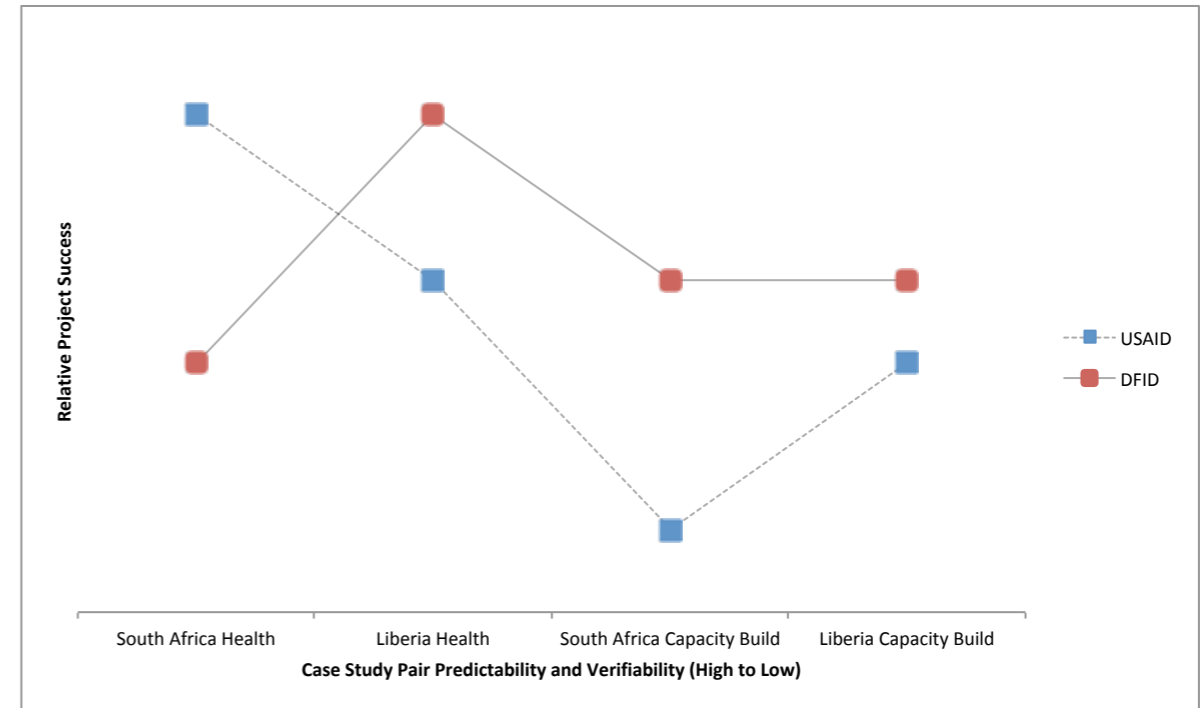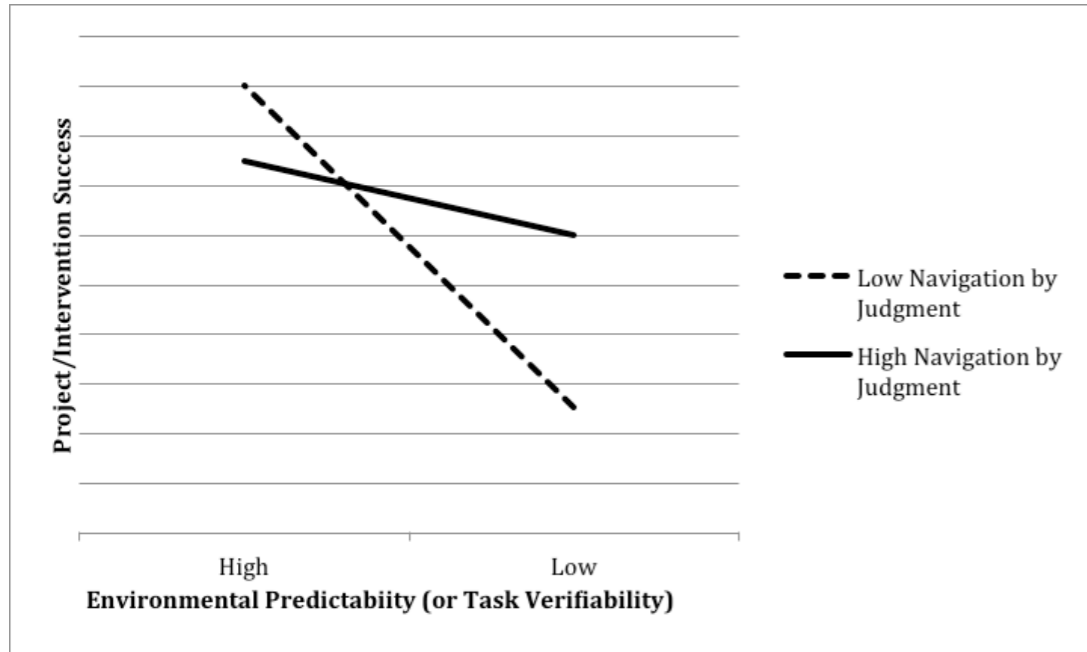
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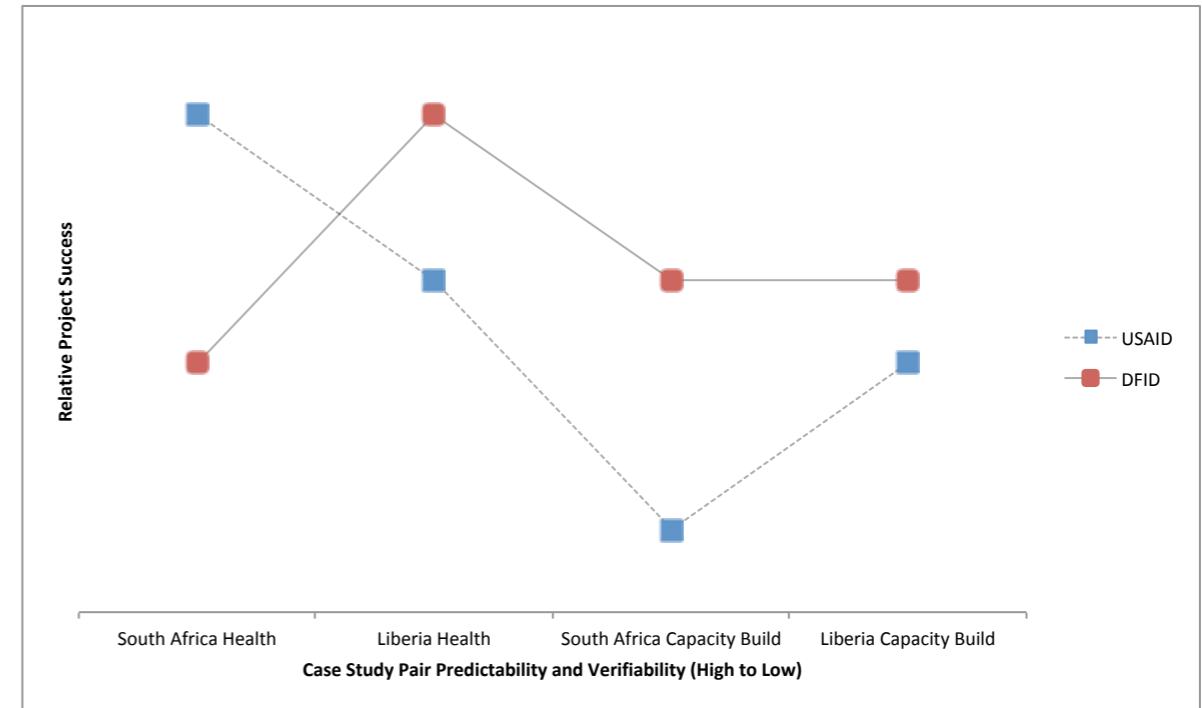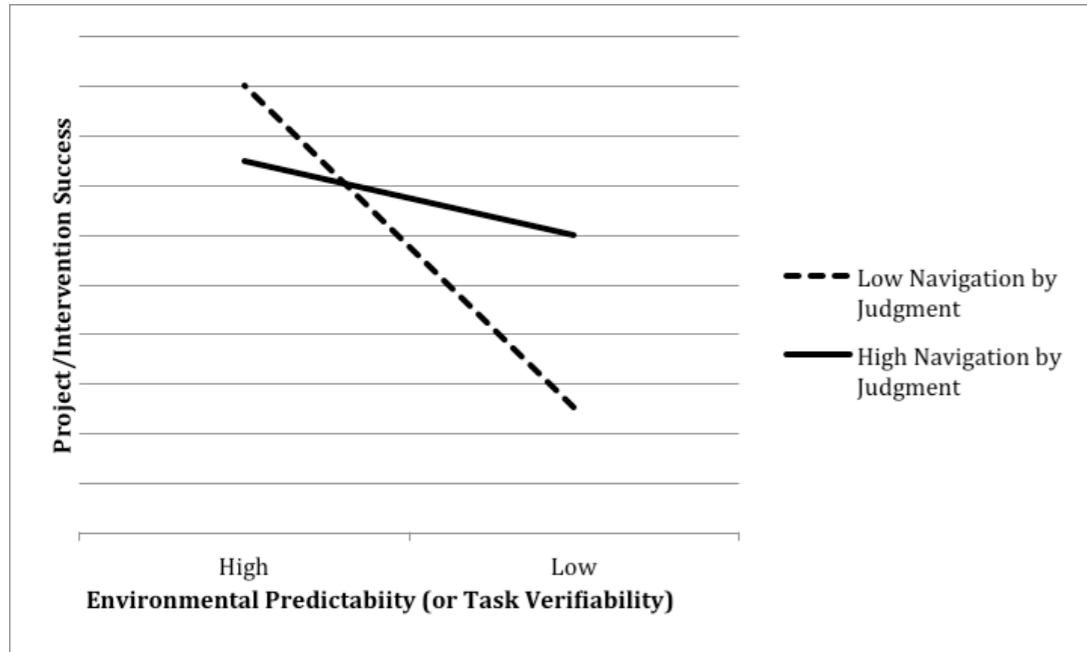
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- Navigation strategy errors 1) particularly frequent, and 2) have particular 'bite', in fragile states

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*When development assistance works best **Accountability is a conversation, not a #; primarily "Account", not "Accounting".***

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  - Can sometimes get more "juice" with *less* "squeezing" (Trust-based Management?)

# NAVIGATION BY JUDGMENT

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**DAN HONIG**