

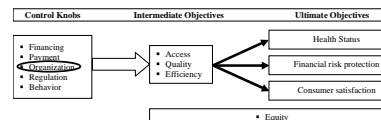
Decentralization of Health: Recent Studies of Decision Space, Capacities and Accountability

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Harvard Health System Framework

■ Health system performance



■ Decentralization focused on organizational “control knob”

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Health System Objectives and Decentralization

- Why would we think that decentralization will improve health system performance?
 - Equity?
 - Efficiency?
 - Quality?
 - Health status?
 - Risk protection?
 - Citizen satisfaction?

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Key Questions about Types and Conditions of Decentralization

- ***Who Gets More Choice ?***: Local offices of Ministry of Health, Local Governments, Facilities?
- ***How Much Choice do they get?*** Decision Space Approach
- ***Do the local officials have sufficient capacity to make good decisions?***
- ***Are local health officials accountable for achieving health objectives?***

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Who Gets More Choice? Rondinelli's public administration approach

- **Deconcentration**
 - Increase responsibility and authority of regional and district offices within ministry of health
- **Devolution**
 - Shift responsibility and authority to provincial or municipal governments
- **Delegation**
 - Shift responsibility and authority to semi-autonomous bodies like "central board of health" or "joint commission"
 - Probably Regional Health Authorities in Canada

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How Much Choice over What? "Decision Space Approach"

- What functions can be decentralized to local choice?
 - Financing
 - Service Delivery
 - Human Resources
 - Governance
- How much choice may be different for each function

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MAP OF DECISION SPACE

Functions	Range of Choice		
	Narrow	Moderate	Wide
Finance Sources of Revenue Allocation of Expenditures Income from Fees and Contracts			
Service Organization Required Programs/Norms Hospital Autonomy Drug Supply and Logistics Systems Insurance Plans Payment Mechanisms to Institutions Contracts with Private Providers			
Human Resources Salaries Contract Staff Civil Service			
Access Rules Targeting			
Governance Rules Local elections Facility Boards Health Offices Community Participation			

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Table 3. Comparative Decision Space: Current Ranges of Choice

Function	Range of Choice		
	Narrow	Moderate	Wide
Finance			
Sources of Revenue	Columbia Chile Bolivia		
Expenditures	Columbia Chile Bolivia		
Income from Fees	Chile Bolivia	Columbia	
Service Organization			
Hospital Autonomy	Columbia Chile	Bolivia	
Insurance Plans	Columbia Chile Bolivia		
Payment Mechanisms		Columbia Chile Bolivia	
Required Programs & Norms	Columbia Chile Bolivia		
Vertical Programs, Supplies and Logistics		Columbia Chile Bolivia	
Human Resources			
Salaries	Columbia Chile Bolivia		
Contracts		Columbia Bolivia	Chile
Civil Service	Columbia Chile Bolivia		
Access Rules	Columbia Chile Bolivia		
Governance			
Local Accountability			Columbia Chile Bolivia
Facility Boards	Columbia Bolivia	Chile	
Health Offices	Columbia Bolivia	Chile	
Community			Columbia Chile
Total Decision Space			
Columbia	8	5	2
Chile	5	3	3
Bolivia	5	3	1

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Theoretical basis for “decision space” approach

- Principal Agent Theory
 - Principal has objectives and relies on agents to achieve them
 - Agents have own objectives but respond to incentives and rules
 - Information asymmetry means that principal needs to align incentives of agent with principal's objectives
- Decision space are the “rules” that allow local choice
 - Justified by better information, shared objectives, and/or incentives

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Capacities at the Provincial, Regional or Local Level

- Are administrators interested in performance or patronage?
- Are administrators captured by local elites or stakeholder groups?
- Will administrators have sufficient capacity to make good decisions and implement them?
 - Training and education of managers and staff
 - Sufficient key staff
 - Make choices most likely to achieve objectives
 - Sufficient enforcement capacity for implementation
 - Sufficient funding

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Accountability

- Local governance experts assume: more local accountability → improved performance
- But...
 - Accountability *for what?*
 - Performance vs patronage
 - Accountability *to whom?*
 - Local elected officials
 - Directly to citizens

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Case Studies for World Bank Analysis

- Review of Literature and HSPH studies for:
 - Chile
 - Bolivia
 - India
 - Pakistan
 - Philippines
 - Uganda
- Tentative Conclusions on Performance

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Function	Optimal local discretion			Comments
	Low	Med	High	
Administrative decentralization				
Norms/Programs (e.g., staffing patterns; vertical programs)		↔		Avoid extremes: too little discretion = central-level micromanagement; too much discretion = lack of effective national stewardship
Hospital Autonomy	↔			Greater autonomy requires mechanisms to balance responsiveness to local preferences doesn't detract from national-level goals
Insurance Plans	↔			Most aspects benefit from economies of scale; some aspects may be amenable to greater local discretion (e.g., enrollment of subsidized beneficiaries)
Contracting (with organizations)	↔	↔		Appropriate degree of discretion inversely dependent on oversight capacities (local and national)
Procurement (e.g., pharmaceuticals)	↔			Standardized aspects benefit from economies of scale (e.g., inventory control); other aspects may be amenable to greater local discretion (e.g., budgeting)
Human Resources				
Civil Service (e.g., salaries, selection, termination)	↔			Discretion over civil service terms of employment can be a powerful tool for enhancing accountability / improving performance, but public sector rules often preclude local control over salaries
Contracting (with individuals)		↔		Appropriate degree of discretion inversely dependent on oversight capacities (local and national)
Fiscal decentralization				
Expenditures / Revenues	↔			Limits on discretion should be exercised through administrative decentralization functions, not high conditionality on central transfers or limiting ability to raise/use own-source revenues

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Discretion– summary

- Cases suggest that more centralization may result in better performance for:
 - Bulk purchasing of pharmaceuticals
 - Scale and norms for insurance plans
- Moderate range (balance of central and local choice)
 - Norms and standards
 - Contracting
 - Financing and expenditures
 - Human Resources

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Capacity -- summary

Reasons for limiting local choice:

- Patronage politics
- Elite capture of local institutions
- Lack of sufficient staff and skills

Chicken and egg problem: higher decision space may be necessary to build capacity

- “hiding hand of development”

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Accountability – summary

- Mechanisms of accountability often combine elements of public/social and upward/downward accountability
- Local capacities shape effectiveness of local accountability

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Study of Decentralization in Orissa and Uttra Pradesh

- Assess the relationship among:
 - Actual range of choice (“informal decision space”) exercised by local officials
 - Local capacities
 - Accountability to local elected officials.
- Specifically designed survey of officials

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Surveys of Officials

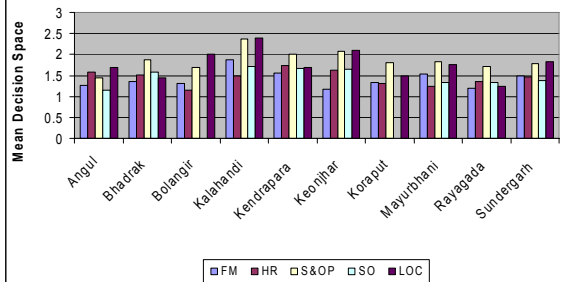
Level	Civil Service	Elected Representatives
<i>District</i>	<ul style="list-style-type: none"> ▪ District Magistrate ▪ Chief Medical officer/Chief District Medical Officer ▪ Chief Medical Superintendent 	<ul style="list-style-type: none"> ▪ Zila Parishad President ▪ Zila Parishad Member
<i>Block</i>	<ul style="list-style-type: none"> ▪ AD Medical Officer ▪ Block Development officer 	<ul style="list-style-type: none"> ▪ Block Pramukh ▪ Block committee member
<i>Gram Panchayat</i>	<ul style="list-style-type: none"> ▪ Medical officer ▪ Village development officer ▪ Auxiliary Nurse Midwife ▪ Aanganwari Worker 	<ul style="list-style-type: none"> ▪ Gram Panchayat Pradhan/Sarpanch ▪ Gram Panchayat Member

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District-level Decision Space - Orissa

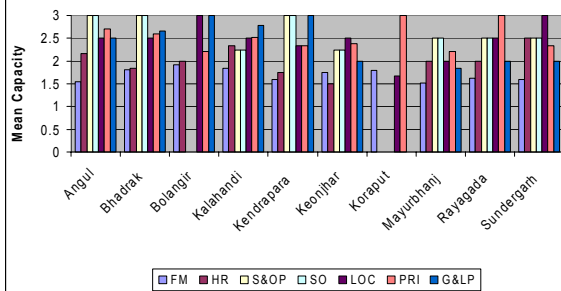


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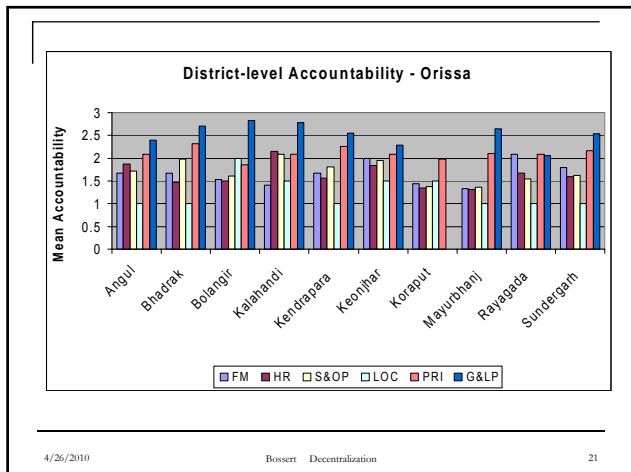
District-level Capacity - Orissa



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Congruence of Decision Space, Capacity and Accountability among Individuals

	DS & CAP		DS & ACCT		CAP & ACCT	
	ρ	N	ρ	N	ρ	N
FM	0.19 *	311	0.39 *	76	0.24 *	76
HR	0.35 *	78	0.24 *	232	-0.27	42
SOP	0.49 *	263	0.44 *	263	0.48 *	268
SO	0.13	42		0		0
LOC	0.84 *	91	0.65 *	14	0.52	14
PRI		0		0	0.39 *	160
GLP		0		0	0.21	55

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Congruence of Decision Space, Capacity and Accountability among Districts

	DS & CAP		DS & ACCT		CAP & ACCT	
	ρ	N	ρ	N	ρ	N
FM	0.46 *	25	0.02	25	0.13	25
HR	-0.22	24	0.50 *	25	-0.03	24
SOP	0.56 *	25	0.68 *	25	0.81 *	25
SO	0.26	23		0		0
LOC	0.73 *	25	0.55	10	0.16	10
PRI		0		0	0.65 *	25
GLP		0		0	0.74 *	24

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- ### Some General Findings
- Significant **variations** in responses among districts within states and between states, and among different types of officials
 - Strong **positive correlations among decision space, capacities and accountability** at both individual and district levels
 - **Strongest** correlations are for **planning** and for functions related to **accountability**.
 - **Weakest** correlations is for **service organization**
 - **Orissa has higher levels and stronger correlations** than UP
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Recommendation for Programs for Kushinagar District, Uttra Pradesh

	Indicator	Table	Finding	Recommendation
Decentralization	Decision Space	4	Below State average in FM, SOP and LOC	Advocate more choice in FM, SOP and LOC
	Capacity	5	Below State average in FM, SO, LOC and PRI	Capacity-building in FM, SO, LOC and PRI
	Accountability	6	Below State average in FM, HR and PRI	Incorporate accountability into capacity-building for FM, HR and PRI
Summary	<ul style="list-style-type: none"> Needs to focus on all aspects of FM through a program emphasizing the ability to make independent choices, capacity-building to match FM skills with wider choice, and greater accountability. Needs capacity-building and concurrent widening of decision space for elected leaders with special initiative in LOC Needs strengthening of elected body capacity and accountability to public through special initiative in PRI. 			

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Performance?

- Not feasible in the India study
 - poor quality of data on performance
- Implementing similar studies in West Bengal, Pakistan and Vietnam
 - performance data said to be better
- Earlier studies of performance give some evidence on equity and logistics system performance

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Evidence of Performance: Change in Expenditure Gaps in Colombia

Table 7 Colombia: Average External and Own Source Revenues per Capita by Income Decile

Deciles	1994		1995		1996		1997	
	National Funds	Own Revenues	National Funds	Own Revenues	National Funds	Own Revenues	National Funds	Own Revenues
1 poor	7.1	0.2	10.9	0.2	22.4	0.9	54.6	2.1
2	10.7	0.5	12.0	0.8	22.8	1.2	56.2	2.9
3	10.5	1.2	15.3	1.4	25.4	3.2	59.1	7.1
4	14.8	2.2	19.4	2.4	26.6	4.7	54.4	9.6
5	16.9	2.6	24.3	4.3	28.8	7.6	62.4	13.9
6	28.1	4.1	27.1	6.0	38.0	12.8	60.0	18.1
7	24.5	4.1	36.0	7.9	47.2	14.7	67.3	20.3
8	25.7	4.1	41.6	8.0	45.8	13.4	67.3	21.2
9	37.8	6.7	52.4	10.0	56.0	18.1	64.7	23.4
10 rich	43.4	8.3	58.7	14.0	52.7	21.2	64.6	25.0
Avg	21.9	3.4	29.7	5.4	36.6	9.8	61.1	14.4
10 th / 1 st	6.11	41.5	5.38	70.0	2.35	23.55	1.18	11.9

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Guatemala and Ghana Study of Logistics Functions

- Financing
- Cost Recovery
- Product Selection
- Forecasting
- Budgeting
- Planning
- Procurement
- Storage
- Inventory Control
- Transportation
- LMIS
- Personnel Allocation
- Supervision
- Organizational Support
- M&E
- Product Quality
- Client Contact and Product Use

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Decision Space and Performance of Logistics Functions

- For each function we designed questions to assess “variable decision space” and indicators of performance of that function

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Decentralization in Ghana and Guatemala: Positive Results

- In Ghana functions with a **positive** relationship between decentralization and performance:
 - **Financing**
 - **Planning and Budgeting**
- In Guatemala
 - **Planning and Budgeting**
 - **Forecasting**
 - **Procurement**
 - **Human Resources**

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Decentralization in Ghana and Guatemala: Negative Results

- In Ghana functions with a **negative** relationship between decentralization and performance:
 - Procurement
 - **Inventory Control**
 - Storage
 - **Logistics Information System**
- In Guatemala
 - **Inventory Control**
 - **Logistic Information System**
 - Transportation of Medicines

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Conclusion

- Decentralization is **more complex** than most analysts are willing to admit
- **How** you decentralize is likely to be more important than **whether** you decentralize
- We need **more evidence** of what types of decentralization produce better performance for multiple objectives
- At the least we have an evidence-based **policy framework** for thinking about decentralization that can help to guide current policy decisions

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