Week 11 SI757 Reading Notes
Session of 5 April 2010
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This week's readings primarily address ICT4D-enabled e-government, microfinance loans, and mobile e-commerce. First, though, the chapter by Chambers looks more fundamentally at administrative capacity---an issue that comes up in the Schuppan piece on e-government.

Chambers writes on administrative capacity, drawing on an article he originally published in 1969 and updating it based on nearly 40 years of experience. Writing from his 1960s viewpoint, Chambers's main point is that "unless administrative capacity is weighed as a scarce resource in development decision making, some policies will delay or inhibit, rather than promote development" (p. 30). For example, he later notes that coordination meetings should be evaluated on an ROI basis---is the time spent in meetings less costly than dealing with any procedural errors that would result without the meetings (p. 34)? There's an opportunity cost for aid program administrative overhead, costs that are often hidden, that Chambers feels should be considered.

Donors often make demands on national administrations without considering the effect on productivity. Recipient nations often feel they are not in the position to refuse. Chambers's first example relates to information requests that can make significant demands on recipient time. From 1969 to the current decade, Chambers notes the growth in number of donor agencies and the resulting fragmenting of interfaces with recipient nations (p. 37). Anecdotally, African colleagues have told me that one of the most productive steps donors have taken recently is to standardize on reporting forms so that information can be captured once and shared across all donors.

Changes that have occurred since the original article include the horrific human cost of the HIV/AIDs crisis and a shift in funding priorities from projects to direct budget support at the national level. The latter has reduced the demands made for rural staffing with the tradeoff being concentrating both donor staff and their administration counterparts in capital cities, perhaps becoming too insular (p. 39).

In the 21st century, Chambers feels his point about treating administrative capacity as a scarce resource still holds, but the implications are more nuanced. "Administrative capacity" is not a commodity nor is it completely inelastic (p. 49). He then closes the chapter with a look at the reproductive nature of World Bank dominance in recipient nation engagement and how that dampens development of autonomous expertise in developing countries.

Interest in e-government comes from the goals of "strengthening the performance of government and public administration" (Schuppan, p. 118). E-government is more than simply digitizing current services; its benefits are more fully realized through the "reorganization of public services and participation processes" (p. 119). However, while governments around the world share similar goals, lessons learned are not immediately generalizable from developed countries to developing. Clearly understanding how best to implement solutions in Africa is important as e-government in developing countries is in its infancy. For sub-Saharan Africa specifically, "hardly any measurable e-government data is available" (p. 119).

E-government development has been difficult for Africa and developing countries because of "low-performance public administration with correspondingly low resources ... corruption, high levels of over-staffing with low pay scales, as well as unmotivated and unqualified staff" (p. 120). The claimed root causes of inefficient and ineffective administrations include colonial legacies, donor restrictions, and cultural factors (p. 120). Regardless of where "blame" may go, it's agreed that solutions must take systems approaches as "economic, political-administrative, and cultural conditions must be taken into consideration when transferring or implementing new administrative techniques" (p. 120).

According to Schuppan, the e-government opportunities in Africa are the general provision of public services, statistical and information processes, finance management and tax systems, public participation, and formalization (i.e., move away from informal, arbitrary processes most subject to corruption) (p. 120). E-government can make governments "more democratic and responsive through new participation forms," but it doesn't eliminate corruption (p. 121).

E-government is not about moving everyone to the web. It's important that citizens are still given choices. Physical government offices must still exist for those without computers and internet access. In addition, creating pro-poor policies is recommended to meet the information and not just access needs of the poor.

Per Abed and Matin, microfinance "is an established way to provide financial services to the poor" (p. 3). Microfinance allows the poor to take advantage of opportunities and manage their vulnerabilities (p. 3). Further, it helps "redefine the relationships within socio-economic hierarchies, and between formal institutions and poor women" (p. 4). Examples drawn from BRAC show that the financing activities are part of a package of processes and services that not only enhance the raising of chickens or cows but empower women and show them respect by engaging clients in formal processes. Identified challenges include scaling up microfinance programs to reach more people. But, that requires more than simple linear scale ups in terms of money and access. Abed and Martin say innovations are needed in their "process capital" approach, which combines microfinance loans with new forms of engagements, relationships, and capacities (p. 16).

Parikh is concerned with the IT infrastructure requirements for microfinance, which is an industry without standards and where existing systems are immature, fragmented, and not scalable. Parikh sees that situation changing as microfinance both gains greater investment and the entry of large, more traditional banks. The paper focuses in particular on information and financial exchanges with remote, rural clients and inter-institutional data processing. Handling large volumes of small transactions efficiently is a challenge for any IT system. Compound it with bandwidth and access limitations and the proportionally high cost of PDAs or other terminals for field agents in developing markets and you characterize the microfinance challenge.

Hughes and Lonie describe a mobile e-commerce solution in Kenya that allows the transfer of money between mobile phone users. What's interesting is that Hughes was hired by Vodafone to, in part, help the company understand its role in addressing issues like the Millennium Development Goals. Addressing the MDGs and banking in particular would seem to be outside the company's core interests, but Vodafone supported the project as a pilot and then later saw business opportunities that justified the commercial launch, such as customer retention (p. 77). Many interesting lessons are included in the case study, from things the authors recognized up front (working to avoid building a technical solution in search of a problem) to learning about new applications they hadn't anticipated, such as securing money during travel between locations or overnight (p. 76). According to Hughes and Lonie, the pilot and successful launch provide evidence for the positive role of the private sector in addressing the MDGs.

Week 11: SECTORAL APPLICATIONS: FINANCE AND GOVERNANCE (Apr 5th)

Robert Chambers, "Aid and Administrative Capacity," in *Ideas for Development* (Earthscan, 2005), pp 30-53.

Tino Schuppan, "E-Government in Developing Countries: Experiences from Sub-Saharan Africa," *Government Information Quarterly* 26:1 (2009), pp 118-127.

Fazle Hasan Abed and Imran Matin, "Beyond Lending: How Microfinance Creates New Forms of Capital to Fight Poverty," *Innovations* 1:2 (2007), pp 3-17.

Nick Hughes and Susie Lonie, "M-PESA: Mobile Money for the 'Unbanked': Turning Cellphones into 24-Hour Tellers in Kenya," *Innovations* 1:2 (2007), pp 63-81.

Tapan Parikh, "Rural Microfinance Service Delivery: Gaps, Inefficiencies, and Emerging Solutions," *Proceedings of the International Conference on Information and Communication Technologies and Development 2006*, pp 223-232.