

Bihar Roads and Bridge Construction Initiative 2005-2010

Kumar Aniket & Jim Meikle

17 October 2017

Potential avenues to explore.

Pre-existing power structure

- Collusion amongst the contractors – no contractor would take up the job if someone was removed from their position.
- High cost of entry due to registration requirements. Allowed creation of rents, which were shared with bureaucrats, which in turn kept barriers to entry high.
- A culture of sub-letting contracts extended the informal power structure where the big contractors were just rent seekers and intermediated between the government and sub-contractor that did the job

Multiple Equilibria

- **Corrupt Equilibrium** high entry cost into public contracting where economic rents were shared between public officials and contractors
 - economic rents were increased by lowering people's expectations from roads, hence the cost of building bad quality roads was kept low – see the connection with public perception.
- **Non-corrupt Equilibrium:** low cost of entry into public contracting and zero or low level rents created and shared between public officials and contractors.

Initiative

- *Initiative* required in switching equilibrium
 - Requires *insight*: knowledge of the current local power structure and the force that reinforce the “corrupt” equilibrium.
 - Requires *effort*: understanding the current power structure and creating a new opportunity where seemingly none exist by breaking current power structure and switching to another equilibrium.
 - Requires personal *commitment*: requires moving from one equilibrium to another, through “burning the bridges” approach (requires bearing personal cost). E.g. Junior engineer suicide.
 - Exerting either informal influence or influence not formally accorded to them. Can be for both good and bad ends.
 - Creating a coterie of like minded “*mission oriented*” officials, who objectives, actions and personal commitment are aligned.
 - Role of *deadlines* in aligning incentives.
 - *Mission orientation* or optimism contagion has positive and negative impact. Bridge collapse due to coordination problems due because of deadlines.
 - Connected to the literature on leadership (Myatt paper)
 - Connected to the contract theory literature on teams (Itoh).

Incentives:

- Reduced ex ante entry cost for contractors
 - Changed contractor registration rules and made them less onerous.
 - Dropped capital adequacy rules.

- Made it possible to renting machinery, which may have activated a dormant rental market for machinery.
- Moved from pre-selection to project specific incentives
 - Moved requirements from registration to tendering process.
 - Created a standard bidding document

Using technology to monitor

- Using latest technology to reduce the cost of two way information flow between the central planner and contractor
 - Monitoring the project
 - Resolving coordination problems between various arms of the government and the contractors, i.e., RK Singh using personal authority to call local police officer and get protection for contractors.

Public perception

- Changed the public perception and increased expectations from public projects. Slogan: “*We build dependable bridges*”.
- Important to retain public confidence when expectations were not met, i.e., the bridge collapse.