

Government of Spain-UNDP MDG Achievement Fund (MDG-F)

Terms of Reference for the Thematic Window on

Democratic Economic Governance

Second Revised Draft for Discussion

Revised on 20 February 2007

**-NOT FOR CIRCULATION/NOT FOR QUOTATION**

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## 1. Background and Rationale

Democratic economic governance can be seen as the exercise of democratic principles and good governance practices in political and economic decision making involving the management of public funds, resources and affairs. Good Governance ensures that the voices of the poorest and the most vulnerable are heard over the allocation of development resources and that political, social and economic priorities are based on broad consensus among all stakeholders: the state, the private sector and civil society.

A dynamic and vibrant interaction amongst all these stakeholders influences the extent to which political and economic institutions and processes deliver for all especially for the poor. It also impacts strongly on the provision of services by utilities (power, water, telecommunications, and transportation). The institutional setting and regulatory strategy that govern utilities (regardless of whether services are publicly or privately provided) determine how responsive decision makers and service providers are to the preferences and aspirations of the population, and the extent to which this provision is not biased against the poor and vulnerable.

While up to the mid 1940s most utilities around the world were private, from the 1950s through the end of the 1970s most utilities around the world were nationalized – exceptions include the water sector in France and virtually all utilities in the US. In the 1980s and 1990s, many countries introduced economic reforms and undertook restructuring, adjustments and changes in the ownership of utilities. This occurred through privatization, where control of formerly state-owned enterprises was transferred to private firms to attract foreign investment and unleash market efficiency. It also took the form of public-private partnerships, in which public and private agents share risks and financing responsibilities in the operation of utilities and infrastructure. In yet other cases, the reform occurred through changes in the oversight framework of state-owned firms, with provision of services remaining public.<sup>1</sup>

These reform processes sought to trigger economic growth, develop the private sector and create a reliable and credible investment climate to bolster domestic and foreign direct investments as well as enhance access, security, continuity, affordability of services, promoting social equity. The assessment of this experience remains contentious. While outright reversals towards state-ownership were rare, they did occur and were highly visible (examples include the bankruptcy of Rail Track in the UK, and the termination of water concessions in Bolivia). Renegotiations were much more common, however. For example, in Latin America, about half of all utility concession contracts have been renegotiated, especially in the water and transportation sectors. Some renegotiations are welcome developments, because they address poorly designed contracts, but the rate of failed renegotiations has increased in Latin America, reaching almost 10 percent of all renegotiations by the end of 2003. The outcomes of reforms have often failed to reduce social and economic inequalities. For example, gains in efficiency

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<sup>1</sup> For more details see, for example, Gómez-Ibañez (2003).

and quality of service often concentrated in urban rather than in rural areas – the rural population is only 30 percent of the population in low and middle-income countries, but access rates are 70 percent higher than in rural settings.<sup>2</sup>

There has also been a backlash against these processes even when there is evidence that access was enhanced, when the population felt alienated and removed from the decisions. The backlash has often extended beyond a rejection of specific interventions and was broadened to include expressions of dissatisfaction with how democracy was working and with the functioning of market economies. For example, recent opinion polls suggest that slightly over half of Latin Americans—about 55 percent—said that they would accept an authoritarian government if it could solve their economic problems.<sup>3</sup> Surveys have also indicated that there are more young people who hold views against democracy compared to those who don't—showing a willingness to support a regime capable of resolving their country's economic and social problems even if it was not democratic.<sup>4</sup> As far as economic reforms are concerned, the backlash is identical, if not more pronounced. Support for a market economy in Latin America dropped from 77 percent of the population in 2000 to only 18 percent in 2003 – and while there are differences across countries, the drop in support was very pronounced across the board.<sup>5</sup>

Thus, the democratic economic governance of utilities remains a critical challenge for developing countries. Universal and affordable access to these services is crucial to attain the Millennium Development Goals (MDGs). For example, UNDP's latest Human Development Report highlighted how lack of access to safe drinking water and sanitation services may constitute a barrier to achieving a set of MDGs beyond those directly related to water and sanitation.<sup>6</sup> But enhanced access to utilities is also crucial to provide countries with the conditions for sustained economic growth and sustainable human development. For instance, in Africa, the region with the greatest utility investment needs, the Commission for Africa suggests that if investments were increased to US\$10 billion by 2008 and to US\$20 billion by 2013, the level of GDP would be raised by 4.5% by 2015. This growth could lift about 20 million people out of poverty.<sup>7</sup>

The financing needs for utilities and infrastructure are very large – which speaks to the large gaps that remain to be filled in this area. Some estimates suggest that for 2005-2010 period middle-income countries require 5.5%-7.0% of GDP and low-income countries require 7.5%-9.0% of GDP to meet their utility investment needs.<sup>8</sup> The OECD estimates that for 2005-2010, point out that total annual infrastructure investment needs for *middle-income* countries will be \$356 billion while for *low-income* countries this figure stands at \$ 109 billion, with Africa alone requiring \$17-20 billion per year.<sup>9</sup>

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<sup>2</sup> See, for more details, Kikeri and Kolo (2005).

<sup>3</sup> UNDP (2004, p.33).

<sup>4</sup> UNDP (2004, p.52).

<sup>5</sup> Panizza and Yanez (2006, p. 5).

<sup>6</sup> UNDP (2006).

<sup>7</sup> Commission for Africa (2005, p. 227).

<sup>8</sup> Briceño-Garmendia, Estache and Shafik (2004, pp. 25-26).

<sup>9</sup> OECD (2005, p. 44).

While financing needs are large, access to finance is only one of the key policy challenges. As elaborated upon below, the range of policy challenges goes beyond mobilizing resources. In fact, the constraints to access and widespread availability of services, especially to the poor and vulnerable, may often be the result of lack of empowerment and deficiencies in the accountability of providers to political institutions.<sup>10</sup> Key policy challenges in this area, which are elaborated upon below, may have to do more with the difficulty of setting up appropriate regulatory strategies that provide stability by being perceived as fair by governments, suppliers, and consumers, while being accountable to representative political institutions.

## 2. Key Policy Challenges

There are three main reasons why governments either provide utilities services directly or strongly regulate the provision of these services by private companies. First, utilities provide key infrastructure for economic development, from power and transportation, to telecommunications. Second, equity considerations weigh heavily, given deep concerns with ensuring broad and even universal access (as with the case of clean water and sanitation, for example).<sup>11</sup> The third reason relates to the intrinsic nature of utilities itself: utilities typically require large, durable, and immobile investments, which, in combination with strong economies of scale, create a tendency towards a natural monopoly. This sets the stage for a set of complex economic and political challenges when it comes to building, expanding, monitoring, and operating utilities, among the most important of which –somewhat interrelated and overlapping – are the following.

- 1- **Institutional setting and regulatory strategy.** Perhaps the most fundamental challenge is to decide upon the regulatory strategy that defines the institutional setting that frames the interactions between the government, the utility, and the consumers. The intrinsic economic nature of utilities – requiring large, durable, and immobile investments – implies that the government, the supplier, and the consumers are all vulnerable to each other. An opportunistic incumbent operator may hold the government and consumers hostage with low quality of service and high prices because the incumbent knows that it is difficult to attract a new entrant – the large capital costs are sunk and the incumbent can lower prices to recover only the short-run variable costs to make entry impossible. Or the incumbent may raise prices well above cost, since it knows that consumers are largely immobile and cannot easily move somewhere else where services are cheaper and better. But the incumbent is vulnerable to opportunistic behavior by the government, too.

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<sup>10</sup> This is also one of the main findings and themes of the latest Human Development Report, as far as water and sanitation is concerned (UNDP 2006).

<sup>11</sup> Other reasons for government involvement in utilities include the difficult in assembling the right of way that is often required for utilities infrastructure and the fact that the consumption of services provided by utilities often creates vast externalities (e.g. the benefits of safe drinking water and of sanitation for public health). This discussion draws on Gómez-Ibañez (2003).

Once the investment has been made, the government may just decide to change the rules in a way that is favorable to its particular political circumstances that may make the operations of the utility financially unsustainable – a typical time-consistency type of problem. Thus, from all sides, there is potential for opportunistic behavior, and therefore the best regulatory strategy will be one that ensures some degree of stability and commitment to all involved. Incentives should be such that they ensure stability, lowering the likelihood of politically motivated short-term shifts in policy and opportunistic behavior by incumbent suppliers. Lack of credibility and instability can generate more harmful and long-lasting effects than bad policies. But framing this challenge along this lines just opens it up to a wider set of narrower challenges, including:

- a. **How to decide on the level of involvement of the government, from direct provision, at one extreme, to fully liberalized private provision, at the other?** From the government's point of view, some of the relevant trade-offs include weighing the efficiency costs of retaining public delivery against the transaction costs of relying on purely private transactions. Options in-between, including concessions and regulation of private provision, also create problems. For example, information asymmetries between the regulatory agency and the supplier may distort prices and levels of service. And even if the delivery remains with the public sector, similar issues of information asymmetry may emerge when it comes to public oversight of a public supplier.
- b. **How to design a regulatory scheme that balances commitment with flexibility?** Over the course of the life of a utility investment, many changes in technology, markets, politics, society, can occur. So while commitments are important, some degree of flexibility is required. When a government regulatory agency is established to regulate a private supplier, a narrower set of this challenge is how to balance regulatory independence (justified by technical/economic reasons and the importance of acquiring and maintaining credibility) with the need for responsiveness to the aspirations of the population. It is justifiable in principle to protect the technical integrity of certain decisions from regulatory capture. Independence can also be justified given the importance of credibility and policy stability, which may justify setting policy constraints and rules in advance to limit, amongst others, the time inconsistency problem. But there is no clear guidance of where to set the dividing line between technocracy/independence and discretion to enable decisionmakers to adjust to trend changes, shocks and shifting preferences of the people.
- c. **How to take capacity constraints into account?** The broader institutional setting and capacity of the government, institutions, and civil society in the country determine the type of regulatory strategy that is more effective – there is no one strategy that is more appropriate in all contexts.

2- **Goal setting.** Even the most perfect regulatory strategy may ultimately fail economically and politically if the objectives that it was set to deliver were

misguided at the outset. What are the efficiency goals (cost reductions, increase in the reliability of the service) and social welfare objectives (not only individual benefits, but also the externalities expected, for example in public health or increased economic activity)? How do these goals reflect public values, concerns with equity, poverty reduction, and economic development? Was there an effective participation of the population setting these goals? Lack of effective participation may cause the goals to not reflect public aspirations, with an optimal regulatory strategy thus under-delivering in the public's eyes. Goals can also be overoptimistic, leading to unsustainable processes. For instance, there is some evidence that suggests that some of the benefits of privatizing some utilities in some countries in the 1990s were oversold, contributing to a negative backlash against the reforms.

- 3- **Monitoring the outcome and ensuring accountability.** Monitoring the outcomes and ensuring continuing accountability of utilities to representative institutions will increase the likelihood that the goals set will be met. But if utilities fail to deliver – whether for excessive price or tariffs, or lack of quality service, or job cuts, or poor environmental protection among others – how can the usual democratic channels intervene to correct these public policy problems? What are the channels of redress, if any? How can regulatory mechanisms help? Who may be appointed as the watchdog of public values and how can they report to the government? What are their powers over the industries?
- 4- **Meeting financing needs.** Even with well-defined and publicly consensual goals, along with perfect regulatory and monitoring strategies, the nuts and bolts of financing the investment and operation of the utility are a challenge. For example, how to balance the wide/universal access with the requirement of financial viability (be it fiscal sustainability by governments or private returns to service delivering firms)? In particular, how to extend access and raise quality of services to the poor and to those currently excluded, while ensuring that increased/enhanced access is affordable to consumers and financially viable for suppliers? In most contexts, meeting the financing needs will require accessing all possible sources or resources (public and private, domestic and external). It will also involve risk management, through risk mitigation and appropriate efficient risk sharing approaches.
- 5- **Meeting information needs.** One critical challenge involving many utilities is the availability of information related both with the existing assets of the utility, as well as the cost and quality of the services provided. Gathering this type of information is a requirement not only to start any process of reform, but also essential for the on-going monitoring and evaluation of the process.
- 6- **Dealing with dislocation.** Even if all of the above goes well, economic, social, and political dislocation may occur when a process of change in the current status quo of utilities takes place. Some people may lose jobs, individuals in privileged positions may lose power and income, prices may have to increase for some (or

taxes, if not prices), all sorts of externalities (including environmental impacts) may take place. Managing and dealing with this set of dislocations is a challenge that may go beyond the scope of setting-up well-run, efficient and effective utilities, but ignoring it may impede that the conditions for setting-up the process in motion to begin with – or lead to reversals afterwards.

### **3. The UN's Contribution at the Country Level**

The complex and multifaceted nature of the key policy challenges outlined above suggests that effective interventions require at least two critical dimensions. First, a multidisciplinary approach is required. It is clear that the challenges will not be addressed if economic considerations alone are brought to the table. It is also evident that social equity and enhanced access will not be served well if the complex economic issues are set aside. And neither economic nor social equity considerations can ignore the broader governance setting in which interventions are to take place. The UN system, including the international financial institutions (IFIs), bring to bear a diverse set of expertise areas, on which it is crucial to draw upon to ensure that interventions are technically sound, economically viable, and political sustainable.

A second critical dimension is that there is no universal, one-size-fit-all, solution for addressing the policy challenges. The interventions have to be firmly anchored in the historical, political, social and economic context of each country. They are also constrained by the capacity and institutions that are specific to each country. The UN country team, working closely with the government, private sector, and civil society of the country on many levels, is particularly well placed to frame the interventions given a deep and well informed understanding of the specificity of each country.

### **4. Objectives for the MDG-F under the Democratic Economic Governance Window**

The main objective of the MDG-F under this theme is to support interventions that enhance the provision of services by utilities, increasing their efficiency, affordability, and access, especially by the poor and those that are being currently excluded from having access with reasonable quality. The value-added of MDG-F support includes:

1. Utilizing the possibility of allocating substantial resources, on a larger scale than what is currently available from comparable concessional financing facilities for the same purpose;
2. Capitalizing on the ability to disburse large amounts of resources quickly;
3. Building on the potential benefits of a multi-year perspective, which enables more strategic interventions;

4. Incorporating in all interventions aspects related with public values in the final provision of services;
5. Ensuring that that forms of government and provider accountability are imbedded in the design and operation of the options chosen to deliver services.

## 5. Proposed Areas of Intervention

Interventions financed by MDG-F under this thematic window must aim at improving efficiency, access, and quality of services provided by utilities, while achieving three key outcomes. First, proposals should clearly demonstrate how the interventions foster inclusive participation, empowering the poor, women, youth and the marginalized. Second, interventions should show how they ensure the government reflects and serves the needs, priorities, and interests of all people, including women, the poor, youth, and minorities, by promoting the core governing institutions of representation and accountability at the national, regional and local levels. Third, interventions should be grounded on UN values, including human rights, gender equality, and anti-corruption. Proposal should also seek, where possible, to develop and strengthen partnerships with the private sector.

Proposals may include interventions in more than one area, but at the same time proposals should not include exclusively interventions in areas 1, 2 and 3.

- 1- **Country Specific Challenges: “Know-thy-challenge.”** All proposals from UN country teams must justify their interventions based on a prior formulation of a diagnostic identifying the general issues and perceived constraints to performance. But there may be cases where the severity and complexity of the situation may justify a more in-depth analysis. It may also require widening consultation processes to hear the views of neglected or excluded stakeholders. And it may call for the collection of data and information on rates of coverage and quality of service that are just not available. Where these needs for more in-depth analysis, wider consultation, and collection of information and data are justified for informed policy decisions, the interventions may consist of undertaking a diagnosis of the binding constraints to enhanced utility service delivery. This diagnostic should also include, among other aspects, the following:
  - a. information on current rates of access and quality of service
  - b. identification of the specific governance challenges;
  - c. capacity gaps and resources constraints;
  - d. criteria for prioritization of needs;
  - e. analysis of risks for policy instability.
  - f. disaggregated data on impact and access of women to public utility and services;
  - g. current modalities of public service delivery and private-public partnerships;

- h. regulations and legal framework introduced;
  - i. identification of negative and positive externalities (e.g. economic and social dislocation, and environmental impacts);
- 2- **Demonstrate and assess additionality.** Proposals should demonstrate and assess the additionality of the proposed projects. This should include, among other aspects:
- a. an analysis of funding resources constraints;
  - b. a study of similar projects that are being undertaken in the same or other regions;
  - c. a presentation of gaps that the projects aim to fulfill;
  - d. a justification for why the proposed projects would benefit from a multi-year and large scale fund, with the perspective for a rapid disbursement of resources.
- 3- **Building information capacity.** If information and data are found to be binding constraints to enhanced utility service delivery, proposals may focus in building information capacity. This could include but should not be restricted to building capacity to identify natural assets (e.g. water reserves) and the communities and people affected by the lack of services. The goal is to enhance the characterization of current assets and delivery patterns, as well as to facilitate transparency and accountability to the public and other interested parties.

The proposal can include funding for the studies along the three lines suggest above, but should not be limited to financing studies. Other possible areas of intervention include the following.

- 4- **Adapting institutional frameworks and incentive structures to enhance quality and widen access.** When the diagnosis included in the proposal is robust and supportive of more concrete steps, the interventions can consist of steps towards setting-up alternative intuitional framework delivery models that respond more efficiently and equitable to the institutional failures identified in the diagnosis. This may include upgrading oversight agencies that oversee public providers, setting-up or enhancing regulatory agencies, when providers are private (which may include building support to allow for regulatory training), or advancing with hybrid public/private delivery models. When hybrid public/private delivery models are found to be the most desirable, proposals may include plans to prepare public and private partnerships units and to offer technical and financial support in structuring projects and deals. The interventions proposed must explicitly address how they seek to deal with the challenges related with incentive structures that promote policy stability and commitment by private actors, while being responsive and accountable to shocks and shifts in preferences. The proposals must spell out what are the entities that are technically independent, and the mechanisms through which political accountability and the participation of the public is to occur.

- 5- **Reducing information asymmetries/transactions costs to enhance legitimacy.** The interventions may contemplate providing support to government (Executive and Legislatures) and civil society in ensuring that the process through which policy change is being implemented is open, transparent, credible, and participative. This may include, but is not limited to, support for public consultations, media outreach, and empowerment of civil society to engage in a wide and active debate of the options. Through this process, the goal is to decrease information asymmetries and amongst all the stakeholders involved in the process. Proposals may also seek to mitigate transaction costs by suggesting the creation of incentive mechanisms that aim to decrease agency problems. This is likely to facilitate monitoring both by the government and by the population at large, including civil society. Proposals may include further, actual mechanisms that could facilitate evaluation and monitoring of implemented projects.
  
- 6- **Managing financial resources and incentives for enhanced access.** The interventions may include proposals to use subsidies to directly extend access, or to partner with private and other actors for the same purpose. They may also include seeking advice on the most efficient ways to use potential freed up resources from gains in efficiency to guarantee enhanced access by the poor. This could include assistance in the establishment of price mechanisms, the creation of customers cooperative to serve as “price regulators”, or the use of competitive bidding and contracting; all of them aim to diminish the dead weight loss originated by the cost structure of infrastructure providers. Proposals could also explore potential ways to promote ownership by the poor of shares in the utilities to engage communities. Interventions could also include efforts to strengthen the negotiating capacity of governments if they seek to enter into arrangements with private sector providers – including through public-private partnerships (PPPs). In this latter case, the support for establishing PPP units within the government could also be supported.
  
- 7- **Stimulating private sector development.** Proposals may include initiatives to develop the private sector and introducing conducive legal frameworks to encourage private investments, increase local and community ownership of private assets as well as participation in service delivery.
  
- 8- **Dealing with economic and social dislocation.** Proposals may include interventions to support those that are “dislocated” by the process of reform (in terms of changes in skills, shifts in employment, etc.). Particular attention should be given to sectors where women and marginalized segments of society are mostly affected.

## 6. Framework for Ensuring Impact

Some of the indicators to assess the impact of the interventions include the following:

- 1- Changes in coverage rates;
- 2- Increases in access by those previously excluded and by those at the bottom of the income distribution;
- 3- Increase in access by the poorest women;
- 4- Changes in measures of satisfaction with services as measured by surveys;
- 5- Changes in the efficiency in the delivery of public services, as measured by changes in prices and cost of delivery;
- 6- Sustainability of the process, as reflected by surveys of satisfaction and the results from consultative initiatives.

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## **Annex 1- Conveners, Rapporteur, and Expert Committee (Composition and Bios)**

Conveners: Pedro Conceição (Office of Development Studies, UNDP) and Elissar Sarrouh (Bureau for Development Policy, UNDP).

Rapporteur and advisor: Heloisa Marone (Office of Development Studies, UNDP)

### Expert Committee Members:

**Germà Bel** (Professor of Economics at Universitat de Barcelona). His academic research focuses on the economic and politics of infrastructure and transport; and on the economics and politics of public sector reform, with special attention to privatization, pos-privatization, and regulation. He has published and edited several books, and has published articles in Spanish as well as in international academic journals. He served as economic advisor for the provincial government of Barcelona (1989-90), for the Spanish Minister for Territorial Affairs (MAP, 1990-91), and for the Spanish Minister of Public Works and Transportation (MOPT, 1991-93). Between 2000 and 2004 served as Congressman in the Spanish Congress (spokesperson for tax and competition issues). MA in Economics at the U. of Chicago (1988); and PhD (with Honors) in Economics at the U. of Barcelona (1993). Has been Visiting Professor at Cornell University (CIPA) in 2004-05, and Visiting Scholar at Harvard University (KSG) in 2005-06.

**Bibek Debroy** (economist). He has studied in Presidency College (Kolkata), Delhi School of Economics and Trinity College (Cambridge). He has worked in Presidency College (Kolkata), Gokhale Institute of Politics and Economics (Pune), Indian Institute of Foreign Trade (Delhi), National Council of Applied Economic Research (Delhi), Ministry of Finance (Delhi), Rajiv Gandhi Institute for Contemporary Studies (Delhi) and International Management Institute (Delhi). He is the author/editor of several books, papers and popular articles and is presently Contributing Editor, Indian Express. His interests are international trade, law and governance and the political economy of reforms in India. He has been a member of several government committees and is now a member of the National Manufacturing Competitiveness Council.

**John Donhaue** (Harvard University; Raymond Vernon Lecturer in Public Policy and Director of the Weil Program in Collaborative Governance). His teaching, writing, and research center on the distribution of public responsibilities across levels of government and sectors of the economy. Donahue has written or edited 11 books, including *Disunited States*; *The Privatization Decision* (four translations); and most recently *The Warping of Government Work* (forthcoming). He served in the first Clinton Administration as an Assistant Secretary and then as Counselor to the Secretary of Labor. Donahue has consulted for a wide range of business and governmental organizations and serves as a trustee or advisor to several nonprofits. He holds a BA from Indiana University and an MPP and PhD from Harvard.

**Anne Marie Goetz** (UNIFEM; Chief Advisor, Governance Peace and Security). Prior to joining UNIFEM in 2005, she was a Professor of Political Science at the Institute of Development Studies, University of Sussex. She is a political scientist who has specialized in the study of gender and governance in development. She has researched the conditions under which marginalized social groups, including women can become more effective in advancing social change agendas once they occupy public office. Professor Goetz has also worked on pro-poor and gender-sensitive approaches to public sector reforms, anti-corruption initiatives, and decentralization, and has also studied means of supporting political liberalization and state-building in fragile states and post-conflict situations. She is the author of five books on the subjects of gender and politics in developing countries, and on accountability reforms.

**Heba Handoussa.** Former Managing Director of the Economic Research Forum for the Arab countries, Iran and Turkey. Professor Handoussa is also a member of the Shura Council, Egypt's Upper House of Parliament. An economist by training, Professor Handoussa taught at the American University in Cairo and was subsequently appointed as Vice Provost. She has served as an advisor to the Egyptian government and consultant to the World Bank. In 2000 she was elected member of the Board of the Central Bank of Egypt. Her numerous research publications cover the areas of structural adjustment, industrial policy and foreign aid, institutional reform and comparative development models. She was the lead author of the Egypt HDR 2004 & 2005, on Decentralization and Vision for a New Social Contract for Egypt.

**Jonathan Portes** (UK Government, Chief Economist/Director, Children and Poverty, Department of Work and Pensions). He has worked in a number of other departments of the U.K. Government, including the Treasury, the Performance and Innovation Unit, and the Prime Minister's Forward Strategy Unit. He served as Secretary to the External Evaluation of Surveillance and has also worked as a consultant to the U.S. Department of the Treasury and the European Commission. Previously, in the private sector, he was a Senior Consultant with National Economic Research Associates. Jonathan holds a B.A. in Mathematics from Oxford University and an M.P.A. in Economics from Princeton University.

**Jordan Schwartz** (World Bank). He is currently serving as the Deputy Program Manager of the Public-Private Infrastructure Advisory Facility (PPIAF) where he manages the Facility's Global Activities Program. He has worked in the field of infrastructure planning, transaction design and regulation since 1991. Beginning his infrastructure career as a management consultant, he worked in Deloitte Emerging Markets and Booz Allen & Hamilton before joining the Bank in 1998. Over the last twelve years, his project work has included market structure, regulatory, policy and transaction work throughout East Asia and the Pacific, Latin America and the Caribbean, Central Europe and Sub-Saharan Africa. He has worked in the power, water supply and sanitation, ports, rail, roads and aviation sectors. He holds a Master of Science from Georgetown University and a B.A. in International Relations from Tufts University.

**Pablo T. Spiller** (Jeffrey A. Jacobs Distinguished Professor of Business & Technology, University of California, Berkeley). His research looks at the role institutions play in society and, in particular, regulatory institutions. A major focus of this research is the role that institutions play in providing credibility to regulatory and other policies. He also studies how regulations arise and how these regulations, in turn, affect the incentives of business. M.A. and Ph.D. from the University of Chicago (1977 and 1980, respectively).