Principal-agent relationship: the role of ministries

Victoria Alsina Burgues
Pompeu Fabra University, Spain

ReSPA, Danilovgrad 9-10 October 2013

Public service delivery options:

- Direct management
- Indirect management
- Privatization

- Administrative offices
- Executive agencies
- Outsourcing in private companies
- Outsourcing in the third sector
- Private companies

PRINCIPAL - AGENT MODEL:
PLANNING + CONTROL BY RESULTS

Definition of objectives and resource allocation
Agent
Evaluation of results

MANAGEMENT CYCLE

- An executive agency, is a part of a government department that is treated as managerially and budgetary separate in order to carry out some part of the executive functions of the government

Functions undertaken by Executive Agencies:

- Service delivery
- Control
- Advisory

Examples:
- provide internal services to its own organization
- provide services to citizens (education, health, culture, ...)
- regulatory or administrative police functions (inspections and sanctions)
- administer economic resources, collect them (taxes, contributions) or distributed them (scholarships, grants)
- manage infrastructures (roads, railways, bridges)
EXECUTIVE AGENCIES # REGULATORY AGENCIES

QuickTime™ and a decompressor are needed to see this picture.

PRINCIPAL - AGENT MODEL

CONSTITUENT ELEMENTS:

1. Grouping of functions to produce a homogeneous final product (measurable results)
2. Separation of responsibilities (POLITICS - MANAGEMENT)
3. Management autonomy
4. Control based on results

It is important to distinguish:

- The model
- The legal status
- The name

Contractualise the relationships between the Ministries and their Executive Agencies
Organizational measures:

1. Contractualise the relationships between the Ministries and their Executive Agencies.
2. Ministries: redesign the organization chart and the functions of their units (planning - control - evaluation)
3. Guarantee the professionalization of public managers
4. Enable a “plural” typology of Agencies
5. Link the Agency creation to an improvement of commitment
6. Gradual implementation of the new model

The management contract like a strategic planning tool

• It is a mechanism to ensure that:
  – Ministries can exercise, effectively, the prerogatives of planning, control and evaluation.
  – Agencies will take the responsibility for their management results.