

Convincing Politicians that Public Sector Reform Pays Off

Guy Grossman

University of Pennsylvania

ggros@sas.upenn.edu

January 29, 2015

Outline

1. Goals and assumptions of Public Sector Management reforms
2. Reasons for why PSMs are commonly resisted by incumbents
3. External and internal factors that can contribute to success
4. Do and don't do in dealing with political actors

Public Sector Management (PSM) reforms

- ▶ Public financial management (PFM)
- ▶ Civil service reform (CSR)
- ▶ Revenue management reforms
- ▶ Legal and judicial reforms, and anti-corruption

The key goals of PSM Reforms

- ▶ PSM reforms' stated goal: achieve greater capacity, efficiency, integrity, and responsiveness within the public administration

The key goals of PSM Reforms

- ▶ PSM reforms' stated goal: **achieve greater capacity, efficiency, integrity, and responsiveness within the public administration**
- ▶ Reform proponents expect that this will contribute to realizing other development goals (growth, equality, greater access to services)

The key goals of PSM Reforms

- ▶ PSM reforms' stated goal: **achieve greater capacity, efficiency, integrity, and responsiveness within the public administration**
- ▶ Reform proponents expect that this will contribute to realizing other development goals (growth, equality, greater access to services)
- ▶ To achieve sustainable change, public officials—politicians and civil servants— are expected to alter their behavior

The key goals of PSM Reforms

- ▶ PSM reforms' stated goal: **achieve greater capacity, efficiency, integrity, and responsiveness within the public administration**
- ▶ Reform proponents expect that this will contribute to realizing other development goals (growth, equality, greater access to services)
- ▶ To achieve sustainable change, public officials—politicians and civil servants— are expected to alter their behavior
- ▶ PSM reforms are based on a very specific “ideal model of political order” (open access to politics and the economy)

Political order (reform context)

- ▶ The political order in many developing countries differs (sometimes dramatically) from the “ideal model”

Political order (reform context)

- ▶ The political order in many developing countries differs (sometimes dramatically) from the “ideal model”
- ▶ The coalition in power seeks to maintain an equilibrium in which spoils from preferential access to the state is divided peacefully

Political order (reform context)

- ▶ The political order in many developing countries differs (sometimes dramatically) from the “ideal model”
- ▶ The coalition in power seeks to maintain an equilibrium in which spoils from preferential access to the state is divided peacefully
- ▶ Political order is based on (some) elites enjoying privileges such as access to jobs, public sector contracts, and regulatory distortions

Political order (reform context)

- ▶ The political order in many developing countries differs (sometimes dramatically) from the “ideal model”
- ▶ The coalition in power seeks to maintain an equilibrium in which spoils from preferential access to the state is divided peacefully
- ▶ Political order is based on (some) elites enjoying privileges such as access to jobs, public sector contracts, and regulatory distortions
- ▶ This equilibrium, though excludable and non-efficient, is key to restrain the use of violence by coalition members

Political order (reform context)

- ▶ The political order in many developing countries differs (sometimes dramatically) from the “ideal model”
- ▶ The coalition in power seeks to maintain an equilibrium in which spoils from preferential access to the state is divided peacefully
- ▶ Political order is based on (some) elites enjoying privileges such as access to jobs, public sector contracts, and regulatory distortions
- ▶ This equilibrium, though excludable and non-efficient, is key to restrain the use of violence by coalition members
- ▶ PSM reforms that introduce meritocracy and reduce opportunities for nepotism can be at odds with such an equilibrium

Tension between incumbents' and reforms' goals

Incumbents' goal is to remain in power

Tension between incumbents' and reforms' goals

Incumbents' goal is to remain in power

- ▶ Politicians are thus hesitant to implement reforms that endanger their power sharing arrangements
- ▶ When reforms are designed in ways that threaten existing stabilizing arrangements, politicians are expected to resist

Moderate expectations

- ▶ There are, however, instances of successful PSM reforms

Moderate expectations

- ▶ There are, however, instances of successful PSM reforms
- ▶ About 42% of WB public sector operations approved between 2000-2008 are rated as at least satisfactory

Moderate expectations

- ▶ There are, however, instances of successful PSM reforms
- ▶ About 42% of WB public sector operations approved between 2000-2008 are rated as at least satisfactory
- ▶ PSM reforms will more frequently be implemented partially and in piecemeal steps than be truly transformational

Moderate expectations

- ▶ There are, however, instances of successful PSM reforms
- ▶ About 42% of WB public sector operations approved between 2000-2008 are rated as at least satisfactory
- ▶ PSM reforms will more frequently be implemented partially and in piecemeal steps than be truly transformational
- ▶ Conditions for success in implementation are infrequent and not always in the control of the implementers

Moderate expectations

- ▶ There are, however, instances of successful PSM reforms
- ▶ About 42% of WB public sector operations approved between 2000-2008 are rated as at least satisfactory
- ▶ PSM reforms will more frequently be implemented partially and in piecemeal steps than be truly transformational
- ▶ Conditions for success in implementation are infrequent and not always in the control of the implementers
- ▶ Thus moderating expectations and being patient are key for success

External conditions that increase success likelihood

External conditions that increase success likelihood

- ▶ **Country type:** PSM reforms seem to be more successful in middle-income countries than in low-income countries

External conditions that increase success likelihood

- ▶ **Country type:** PSM reforms seem to be more successful in middle-income countries than in low-income countries
- ▶ **Timing:** PSM reforms during post-conflict reconstruction and following fiscal crisis have a relatively higher success rate

External conditions that increase success likelihood

- ▶ **Country type:** PSM reforms seem to be more successful in middle-income countries than in low-income countries
- ▶ **Timing:** PSM reforms during post-conflict reconstruction and following fiscal crisis have a relatively higher success rate
- ▶ **Reform type:** Reforms are more successful when they do not eliminate opportunities to use political access for political support

External conditions that increase success likelihood

- ▶ **Country type:** PSM reforms seem to be more successful in middle-income countries than in low-income countries
- ▶ **Timing:** PSM reforms during post-conflict reconstruction and following fiscal crisis have a relatively higher success rate
- ▶ **Reform type:** Reforms are more successful when they do not eliminate opportunities to use political access for political support
 - ▶ de jure reforms (legal changes), and technical changes are relatively easier from a political economy perspective

Key internal factors affecting politicians' calculus

1. Time Horizon
2. Patronage
3. Bureaucratic resistance
4. Citizen (low) demand

Key Factor I: Time Horizon

PSM combine significant short term costs with only long-term prospects for meaningful gains (in 10–20 years)

Key Factor I: Time Horizon

PSM combine significant short term costs with only long-term prospects for meaningful gains (in 10–20 years)

- ▶ Politicians need to be able to show at least some short term tangible benefits for their core constituents

Key Factor I: Time Horizon

PSM combine significant short term costs with only long-term prospects for meaningful gains (in 10–20 years)

- ▶ Politicians need to be able to show at least some short term tangible benefits for their core constituents
- ▶ **Windows of opportunity**: Politicians are unlikely to back reforms which yield observable costs prior to subsequent elections

Key Factor I: Time Horizon

PSM combine significant short term costs with only long-term prospects for meaningful gains (in 10–20 years)

- ▶ Politicians need to be able to show at least some short term tangible benefits for their core constituents
- ▶ **Windows of opportunity**: Politicians are unlikely to back reforms which yield observable costs prior to subsequent elections
- ▶ Reforms are more likely after changes in government that reduce the stakes that new office holders have in the public sector status quo

Key Factor II: Clientelism / Patronage

The more the public service is a source of patronage, the larger is the cost and the lower are the incentives for pursuing PSM reforms

Key Factor II: Clientelism / Patronage

The more the public service is a source of patronage, the larger is the cost and the lower are the incentives for pursuing PSM reforms

- ▶ This means, strive to reduce inefficiencies but don't attempt to eliminate discretion
- ▶ Gradual changes that allow experimentation are easier to implement

Key Factor III: bureaucratic resistance

Bureaucratic inertia: for many civil servants “old habits die hard”

Key Factor III: bureaucratic resistance

Bureaucratic inertia: for many civil servants “old habits die hard”

- ▶ Bureaucrats' familiarity with old IT systems and the shared opinion that 'what worked before would continue to work in the future' are reform obstacles

Key Factor III: bureaucratic resistance

Bureaucratic inertia: for many civil servants “old habits die hard”

- ▶ Bureaucrats' familiarity with old IT systems and the shared opinion that 'what worked before would continue to work in the future' are reform obstacles
- ▶ Bureaucratic inertia depends on factors such public sector staff turnover, job security and reliance on informality to increase salary

Key Factor III: bureaucratic resistance

Bureaucratic inertia: for many civil servants “old habits die hard”

- ▶ Bureaucrats' familiarity with old IT systems and the shared opinion that 'what worked before would continue to work in the future' are reform obstacles
- ▶ Bureaucratic inertia depends on factors such public sector staff turnover, job security and reliance on informality to increase salary
- ▶ The larger the bureaucratic resistance the larger the political capital that leaders have to invest to implement PSM reforms

Key Factor III: bureaucratic resistance

Bureaucratic inertia: for many civil servants “old habits die hard”

- ▶ Bureaucrats’ familiarity with old IT systems and the shared opinion that ‘what worked before would continue to work in the future’ are reform obstacles
- ▶ Bureaucratic inertia depends on factors such public sector staff turnover, job security and reliance on informality to increase salary
- ▶ The larger the bureaucratic resistance the larger the political capital that leaders have to invest to implement PSM reforms
- ▶ Politicians must find champions of reform from within the civil service, generate winners quickly but move in piecemeal pace

Key Factor IV: citizen' low demand

Sustained public pressure appears to be relatively rare. Reform-minded politicians might have an interest in increasing citizen demand to increase the legitimacy of reform

Key Factor IV: citizen' low demand

Sustained public pressure appears to be relatively rare. Reform-minded politicians might have an interest in increasing citizen demand to increase the legitimacy of reform

- ▶ Public support for reforms increases with the availability and dissemination of information about service delivery and expenditure

Key Factor IV: citizen' low demand

Sustained public pressure appears to be relatively rare. Reform-minded politicians might have an interest in increasing citizen demand to increase the legitimacy of reform

- ▶ Public support for reforms increases with the availability and dissemination of information about service delivery and expenditure
- ▶ Information needs to be on development outcomes that are reasonably affected by the suggested reforms

Key Factor IV: citizen' low demand

Sustained public pressure appears to be relatively rare. Reform-minded politicians might have an interest in increasing citizen demand to increase the legitimacy of reform

- ▶ Public support for reforms increases with the availability and dissemination of information about service delivery and expenditure
- ▶ Information needs to be on development outcomes that are reasonably affected by the suggested reforms
- ▶ Information needs to be made available in a credible and regular manner, and allow comparison between electoral districts

Key Factor IV: citizen' low demand

Sustained public pressure appears to be relatively rare. Reform-minded politicians might have an interest in increasing citizen demand to increase the legitimacy of reform

- ▶ Public support for reforms increases with the availability and dissemination of information about service delivery and expenditure
- ▶ Information needs to be on development outcomes that are reasonably affected by the suggested reforms
- ▶ Information needs to be made available in a credible and regular manner, and allow comparison between electoral districts
- ▶ Publicizing reforms to garner public demand might be in tension with keeping a low profile to minimize opposition

Implementation factors: from content to process

- ▶ A sole focus on reform **contents** (what should be done) is a recipe for failure. Focus should be placed on broader concerns:

Implementation factors: from content to process

- ▶ A sole focus on reform **contents** (what should be done) is a recipe for failure. Focus should be placed on broader concerns:
- ▶ These include reform **context** (where it is to be done) and **process** (how problems are defined, how reforms get sequenced)

Implementation factors: from content to process

- ▶ A sole focus on reform **contents** (what should be done) is a recipe for failure. Focus should be placed on broader concerns:
- ▶ These include reform **context** (where it is to be done) and **process** (how problems are defined, how reforms get sequenced)
- ▶ A strong move away from 'best practices' approach to 'best fit' – what works in PSM reform is highly context-contingent

Implementation factors: from content to process

- ▶ A sole focus on reform **contents** (what should be done) is a recipe for failure. Focus should be placed on broader concerns:
- ▶ These include reform **context** (where it is to be done) and **process** (how problems are defined, how reforms get sequenced)
- ▶ A strong move away from 'best practices' approach to 'best fit' – what works in PSM reform is highly context-contingent
- ▶ PSMs are behavioral problems that can only be resolved through a careful, adaptive, flexible process that **engages local stakeholders**

Summary of “Dos”

- ▶ There is real dearth of research of what works; how to identify champions and how to get politicians on board
- ▶ There are no silver bullet and no universal ‘best practices’; context matters!
- ▶ Beware of pushing fast and hard policies that may have serious destabilizing consequences
- ▶ Demonstrate knowledge of political arrangements and be sensitive to local constraints
- ▶ Timing is everything; make sure reforms are aligned with political cycles such as elections
- ▶ Patience, gradualism and flexibility are true virtues