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Building State Capacity for Inclusive Development: The Politics of Public Sector Reform.

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Abstract

A capable state is essential for inclusive development, and throughout the developing world governments and international development agencies are seeking to build it through a multifaceted agenda of Public Sector Reform (PSR). This paper presents an analytical review of the PSR agenda, emphasizing the political contestation inherent to the development of state capacity, and argues for a more nuanced and politically-informed research agenda. We begin by examining the various definitions of state capacity that are commonly employed by researchers, and settle on bureaucratic capacity as the transversal precondition for policy implementation. State capacity so understood has two components, effectiveness and accountability, and two domains, internal and external. Their intersection generates four broad dimensions of reform: organizational rationality, administrative restraint, social embeddedness and political autonomy; and each dimension in turn is likely to exhibit a different pattern of political contestation due to the parallel incentives for patrimonialism, corruption, oligarchy, and capture. We use this analytical framework to categorise and examine the major components of the PSR agenda, assessing their rates of success or failure according to the available evidence: we find that the relative failure of the PSR agenda so far is due to its reliance on flawed assumptions about the administrative politics of state capacity. We then evaluate whether new models that try to bypass central bureaucracies are likely to encounter greater success; specifically, we review the Africa Governance Initiative, the Open Government Partnership, and the ‘hybrid models’ approach of the Africa Power and Politics Programme, and argue that all of them will be forced to confront the same politics of state capacity in the end. We close the paper by outlining a set of tentative guidelines for future research at ESID and elsewhere, suggesting a greater focus on the role of elites, informal institutions, the legislature as a non-state component of state capacity, the distinction between transversal and sectoral approaches, and finally the modalities and objectives of external assistance.

Keywords: state capacity; inclusive development; public sector reform

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Introduction

A capable state is essential for inclusive development. Strong public organizations can not only provide a safe and predictable environment for private economic activity, they also alleviate poverty and inequality through social service provision, correct market failures through regulation, encourage the expansion of strategic sectors through industrial policy, and stimulate economic activity through public investment and fiscal policy. The potential of the state for achieving these or any other developmental aims is fundamentally constrained, however, by its capacity to implement policy and enforce legislation in an effective and accountable manner. Throughout the developing world governments and international development agencies are seeking to increase state capacity to deliver inclusive development through a multifaceted agenda of Public Sector Reform (PSR). The success or failure of PSR, however, does not depend merely on technical know-how or resource availability: the strengthening and reform of the state is a fundamentally political task shaped by the dynamics of a country's political settlement: the interactions between regime elites, public bureaucrats and societal groups operating within local incentive and normative structures. . The aim of this paper is to review the empirical record and policy challenges of PSR initiatives through this analytical lens, and to propose a new set of questions for research on the political process of building state capacity for inclusive development.

PART 1: The state and public sector reform

1.1 The state and inclusive development

The evolution of development theory and practice has been inextricably linked to evolving debates within economics and political science about the role of the state. Reacting against orthodox economic theory and the determinism of post-World War II economic historians (Rostow, 1960; Gerschenkron, 1962), early theorists of development economics saw government policies as a necessary corrective to self-reinforcing inequality and inefficient use of resources (Myrdal, 1957; Hirschman, 1958). However, the failure of import-substitution industrialization, economic planning and interventionist policy in the newly-decolonized world soon cast doubts over the developmental role of the state. Where development economists and sympathetic leaders viewed "policy inducements", orthodox theorists saw "policy distortions" and the potential for a "rent-seeking society" (Krueger, 1974; Williamson, 1975; Bates, 1981; Lal, 1983). When these concerns seemed to be validated by the debt crisis of the 1980s, privatization, deregulation, and state rationalization became the key tenets of development policy under structural adjustment programmes (Callaghy and Ravenhill, 1993), forming the core of a "Washington consensus" that viewed the state as part of the problem, not the solution (Kahler, 1990).

Two separate trends in the developing world helped to stem this tide of anti-state economics in the 1990s. The first one was the so-called "East Asian Miracle" of

Japan and South Korea, followed by rapid-growth countries like Singapore and Taiwan: a new consensus emerged around the concept of the developmental state, which consisted of the careful design of industrial policy and broader stewardship of the free market by powerful public bureaucracies (Johnson, 1982; Amsden, 1989; Haggard, 1990; Wade, 1990). In the meantime the push for state retrenchment had head been discredited by the continued failure of structural adjustment policies and the ensuing “permanent crisis” of sub-Saharan Africa (Van de Walle, 2001). The second trend was a new academic agenda which combined the work by new statists in sociology and political science (Krasner, 1984; Evans *et al.*, 1985; Migdal, 1988; Tilly, 1990) with the rise of new institutionalism in economics (North, 1990) to consolidate a renewed political economy of development placing the state and public institutions more broadly at the centre of socioeconomic change (Evans, 1995; Ertman, 1997; Rodrik, 2000; Kohli, 2004; Vu, 2010).

By the 2010s governance had assumed a central role in development theory and practice, even if there was considerable debate as to the aims and expectations of ‘best fit’ versus ‘good enough’ governance (Grindle, 2004, 2007) due to the persistent challenge of implementation (World Bank, 2008; Andrews, 2013). However, whether as an expression of inclusive institutions (Acemoglu and Robinson, 2012) or ‘open-access orders’ (North *et al.*, 2009), or through its interaction with a country’s political settlement in producing developmental outcomes (Vom Hau, 2012), the state had come to occupy a central role in development.

1.2 Public Sector Reform as a development agenda

The agenda of Public Sector Reform has evolved over the last four decades, mirroring broader paradigm shifts in how the international development community understood the state and its role in the economy. The first generation of PSR, executed chiefly through structural adjustment programmes in the 1980s and early 1990s, was concerned with reversing the growth of government, liberalizing markets and privatising state-owned enterprises (Batley and Larbi, 2004). The analytical assumptions behind this first wave of reforms was that the public sector in developing countries was ‘overextended’, attempting to do too much with too few resources; it was ‘poorly organized’ and decision-making processes were irrational; staff were mismanaged; accountability was weak; and that public programs were poorly designed and delivered (Batley and Larbi, 2004; Devarajan *et al.,* 2001; UNECA, 2003; Schacter, 2000; Schiavo-Campo, 2009). In other words, the proponents of PSR equated development failure to the failure of ‘statist’ development (Devarajan *et al*., 2001).

The ostensible failure of structural adjustment to ameliorate chronic underdevelopment in least developed countries prompted a change of analytical lens and policy mindset: the World Development Report 1997, “The State in a Changing World” (World Bank, 1997), embraced the rise of new institutional economics and the centrality of institutions –formal and informal- and incentives for developmental performance. Inspired by these new ideas as well as the New Public Management, second-generation public sector reforms placed the emphasis on building managerial capacities, developing positive organisational cultures, and providing incentives for performance both at individual, organisational and country level (Batley and Larbi, 2006). Public Financial Management (PFM), in particular, emerged as the centrepiece of PSR and has remained at the core of the agenda for two decades now. Finally, the rise of poverty reduction, transparency, and private sector growth as the central organising principles of development at the turn of the 21st century prompted yet another reconsideration of PSR through a third wave acknowledgment of the centrality of the state in achieving pro-poor development (World Bank, 2003, 2004; Crook, 2010) and developing a business-friendly regulatory environment (World Bank, 2002; World Bank, 2005).

Bolstered by the proliferation of more or less reliable cross-national indicators like the World Bank's 'Doing Business' rankings and 'Worldwide Governance Indicators' (Kaufmann and Kraay, 2008) or Transparency International's 'Corruption Perceptions Index', the current configuration of the PSR agenda represents the merging of second- and third-generation reforms aimed at building effective, transparent and accountable states. Based on the policy guidelines generated by multilateral donors, and in particular the World Bank (a key protagonist in the PSR agenda), Table 1 identifies the six major policy targets of current PSR doctrine.

Table 1: Major Components of Public Sector Reform

Component	Aims
Civil service and administrative reform	High-performing and affordable civil service managed in an efficient, nondiscretionary, and transparent manner
Public expenditure and financial management	Good management and discipline in the allocation of resources according to policy priorities
Anticorruption and transparency	Accountability and transparency in the management of resources to discourage the use of public office for private gain
Tax administration	Improved revenue performance through an equitable and efficient tax service
Participation and co-production	Efficient and accountable service delivery through public-private partnerships
Decentralisation	Transfer of political, administrative, and fiscal authority to sub-national levels of government

Sources: (World Bank, 1997, 2000, 2008; European Commission, 2009; Scott, 2011)

Instead of looking at each component of the PSR agenda as a standalone reform effort, in this paper we advocate an analytical synthesis and review guided by conceptual and theoretical implications. Public sector reforms, in this sense, cannot be fully understood as isolated reform processes, but as dedicated attempts to alter the political economy of the state: state capacity is the conceptual foundation, administrative politics the analytical lens.

PART 2: The Administrative Politics of Public Sector Reform

2.1 Dimensions and domains of state capacity

The central role of the state in inclusive development may have come to be accepted as one of the central tenets of development theory and practice in the 21st century, but that does not mean that scholars and researchers have agreed on what the state actually is, or how one should go about building it. A consensus of sorts has emerged around the developmental importance of state capacity, broadly understood as the ability to implement policy, enforce legislation, and deliver services (Barkey and Parikh, 1991). Approaching the state through the lens of capacity clarifies analysis to the extent that it assumes a certain agnosticism as to the precise goals and policies that different states may pursue (Vom Hau, 2012: 4; Fukuyama, 2013: 4). Implicit in this concept is also a distinction between the state that implements policy and the political regime that makes policy; authoritarianism, democracy, and every other gradation in between are therefore features of the political regime, not the state. Even if there is some agreement around the idea of state capacity, however, there is much disagreement on how to define it, with researchers working within different scholarly traditions and disciplines emphasizing alternative or complementary versions of the concept. Building upon the review efforts carried by ESID researchers and affiliates (Vom Hau, 2012; Savoia and Sen, 2013), we have distilled these debates into the six most commonly articulated definitions of state capacity (Table 2).

Table 2: Definitions of State Capacity		
Concept	Definition	Sample References
Bureaucratic capacity	Capacity to manage resources and implement policy.	(Tilly, 1990; Evans, 1995; Evans and Rauch, 1999; Hendrix, 2010; Fukuyama, 2011, 2013)
Legal capacity	Capacity to enforce contracts and property rights.	(Levi, 1988; Besley and Persson, 2009)
Territorial capacity	Capacity to project power within territorial boundaries.	(Herbst, 2000; Mann, 2008; Soifer, 2008)
Fiscal capacity	Capacity to extract tax revenue from society.	(Ardant, 1975; Levi, 1988; Bräutigam *et al*., 2008; Hendrix, 2010; Fukuyama, 2013)
Infrastructural capacity	Capacity to shape societal behaviour.	(Migdal, 1988; Jessop, 2008; Mann, 2008; Soifer, 2008; vom Hau, 2012)
Coercive capacity	Capacity to deter or repel challenges to internal or external security.	(Finer, 1975; Tilly, 1990; Centeno, 2002; Bates, 2008; Hendrix, 2010)

Of these six definitions, five are concerned with what the state does and one with where it does it; in this paper we are concerned mainly with what the state does, and so we shall not focus on territorial reach. Of the remaining five definitions, four are functional while the remaining one is transversal: law enforcement, taxation, social domination, and coercion are all subsidiary to bureaucratic capacity, to the extent that their implementation requires administrative organisations of one sort or another. Therefore we adopt the most fundamental conceptualisation of state capacity understood as bureaucratic or administrative capacity, that is, the capacity of public organizations to manage public resources and implement public policies (Barkey and Parikh, 1991; Evans and Rauch, 1999; Fukuyama, 2013). This is consistent with the recent shift of policy debates from 'best practice' policy design to the institutional challenge of policy implementation (Grindle, 2007; Booth, 2012b; Andrews, 2013).

State capacity understood as bureaucratic capacity has two components: effectiveness, which is the ability to successfully implement policies; and accountability, which embodies the ability to ensure that public policy is not subverted by private incentives. These two components apply both to the internal domain of state organisations and to the external or relational domain of interactions between state, society and political regime. This intersection of components – effectiveness and accountability – and domains – internal and external – generates four dimensions of state capacity (Table 3). Rationality represents the rational, technical, hierarchical organisation of administrative action (Weber, 1978; Evans and Rauch, 1999; Fukuyama, 2011); restraint is the disciplinary enforcement of formal, impersonal, and rule-bound conduct in administrative action (Weber, 1978; Barnard, 1938; Finer, 1950; Yanguas, 2012); embeddedness encompasses the interactive ties and channels of communication between bureaucratic actors and sectoral stakeholders and recipients (Migdal, 1988; Evans, 1995; vom Hau, 2012); and autonomy represents the independent implementation of public policy without succumbing to informal pressures from regime actors and societal groups (Barkey and Parikh, 1991; Evans, 1995; vom Hau, 2012; Fukuyama, 2013).

Table 3: Dimensions of State Capacity

		Components	
		Effectiveness	*Accountability*
Domains	*Internal*	*Rationality*	*Restraint*
	External	Embeddedness	Autonomy

Rationality, restraint, embeddedness, and autonomy not only represent the conceptual building blocks of state capacity: most importantly, they articulate the various processes of political contestation inherent to the development of such capacity. The potential sources of tension are self-evident when we consider the conceptual opposites of each dimension: patrimonialism instead of rationality; corruption instead of restraint; oligarchy instead of embeddedness; and capture instead of autonomy. Although this conceptualisation supports the broad notion that state capacity and a country's political settlement are mutually constitutive (vom Hau, 2012; Hickey, 2013), it also refines it by isolating four distinct realms of political contestation which are subject to their own dynamics. Overcoming or circumventing political resistance to rationality, restraint, embeddedness, and autonomy is the main challenge for the diverse set of tasks encompassed by the policy agenda of Public Sector Reform.

2.2 The four challenges of PSR as political process

Patrimonialism can be defined as the organisation, staffing and remuneration of public bureaucracies on the basis of kinship or political clientelism, which transforms public office into a privilege or entitlement. The term neo-patrimonialism has been used to characterize modern post-colonial regimes in which a semblance of rational administration was superimposed on a resilient foundation of patrimonialism (Médard, 1982), and over time it has come to encompass a broad array of social patterns, such as clientelism, patronage, corruption, prebendalism, or ethnic favouritism (Pitcher *et al.*, 2009). Historically and conceptually, the establishment and consolidation of rational bureaucracy has implied the displacement and elimination of patrimonial behaviour, to the extent that the technocratic and meritocratic standards of recruitment and promotion represented a “levelling of status” in society (Weber, 1978). For the purposes of state capacity, the chief political challenge of pursuing rationality will be overcoming entrenched resistance from bureaucrats rooted in a moral and political economy of personalist or kinship-based administration in which state offices are created and sustained as specific privileges, benefits, or rewards, and not as generic, technocratic functions to be reformed or dismantled when they cease to be efficient (Callaghy, 1984; van de Walle, 2001).

Corruption, or bureaucratic corruption more precisely, can be defined as the use of public office for private gain, either through the appropriation of official resources or through the extraction of rents in exchange for the discharge of official duties (Rose-Ackerman, 1978, 1999; Bardhan, 1997, 2006). This kind of “everyday corruption” need not be based on avarice or egotistical motivations: it is more likely to be the expression of a moral economy in which social expectation and norms converge on the idea of the state as an informal welfare system (Olivier de Sardan, 1999; Blundo and Olivier de Sardan 2006). This is particularly the case in developing economies where the private sector does not provide enough opportunities for sustenance and enrichment and public office becomes the main source of income for entire families and extended kinship networks. Against such personal considerations in the discharge of public duties, the Weberian ideal type and classical administrative theory both call for strict adherence to administrative law and discipline (Weber, 1978; Barnard, 1938; Finer, 1950). In a sense, the development of such administrative restraint entails removing the public official from her personal context and transforming her into an impersonal servant of the state. Closely linked to the dynamics of rationality-patrimonialism, the politics of restraint and corruption are likely to elicit resistance not only from state bureaucrats, but particularly from their families, clients, and dependents, all of whom place an inordinate pressure on them to extract rents from their offices.

Oligarchy, which etymologically means “rule of the few”, refers in this case to the subversion of public policy based on the discretionary preferences of a limited number of societal actors. These actors may organise themselves as pressure groups, represent the core constituency of the ruling elite, articulate a network of powerful families, or belong to a socio-economic class which exercises de facto control over public policy. The main effect of oligarchy is the conduct of state affairs with little or no regard for the needs of a large proportion of citizens who have no capacity or political power to supply feedback of any type over public policy. The pursuit of social embeddedness seeks to either dislodge this oligarchic class or dilute its relative power in order to empower citizens and economic actors so that they can have a voice in the provision of public services. Even though the mechanisms of embeddedness –such as administrative decentralisation, participatory arrangements, or public-private partnerships- may seem in principle technical and apolitical, in fact they entail a significant redistribution of power and agency away from the central sinews of power and towards a lower level of aggregation.

Capture, or state capture more precisely, is the subversion of public policy based on the discretionary preferences of a limited number of regime actors. It is important to clarify that capture represents informal control on public policy by political actors; formal control is already implicit in the definition of political regime as a system for policy formulation. In contrast, state capture represents the purposeful exercise of influence over the administrative bureaucracy –in terms of recruitment, budgetary allocation, or contract management- in order to exact political rents. The constitutional separation of powers and other similar systems of checks and balances have historically sought to increase horizontal accountability and thereby minimize the subversion of the state for political purposes (O'Donnell, 1998; Kunicová and Rose-Ackerman, 2005). As in the oligarchy-embeddedness contestation, the politics of autonomy and capture pit professional bureaucrats against a small set of powerful actors whose socioeconomic status as political players relies on the interference with impersonal and technocratic policy processes.

Having outlined the politics of rationality, restraint, embeddedness, and autonomy Table 4 presents each core component of the PSR agenda in terms of which dimension of state capacity (and political contestation) they are more closely linked to. Since we cannot hope to cover all kinds of public sector reform in the context of a single paper, instead we focus on those more likely to elicit political contestation; some of the more technical or managerial aspects of PSR are thus beyond the scope of our review.

Table 4: State-Capacity Politics and Public Sector Reforms

Dimension	Conflict	PSR Component	Specific Reforms
Rationality	*Patrimonialism*	Civil service and administrative reform; Public expenditure and financial management; Tax administration	Functional rationalization; Human resources management reform; Pay reform
Restraint	*Corruption*	Public expenditure and financial management; Anticorruption and transparency	Expenditure tracking; Auditing; Anti-corruption agencies
Embeddedness	*Oligarchy*	Tax administration; Participation and co-production; Decentralisation	Decentralisation; Co-production
Autonomy	*Capture*	Civil service and administrative reform; Anticorruption and transparency	Semi-autonomous agencies; Privatisation; Anti-corruption agencies

Part 3: The Impact of PSR on State Capacity

3.1 PSR and Organisational Rationality

Traditionally one of the main tasks of Public Sector Reform has been reforming or transforming the most basic features of state bodies as public organisations: their structure of hierarchy and functional delegation, the procedures whereby offices are staffed and managed on a day to day basis, and the remuneration and incentive schemes that public bureaucrats receive. All these organisational reforms aim to reduce transaction costs and improve managerial performance in public organisations. Organisational efficiency is ultimately the most apparent difference between those public sectors that seem to work well and those that seem not to, and performance-oriented reforms as the most intuitive and technical approach to achieving that efficiency.

3.1.1 Functional rationalization

Functional rationalization is part of the broader Civil Service Reform (CSR) agenda that sought to improve government performance through organisational restructuring (UNECA, 2003; Ayee, 2008). The need for restructuring arose from observations that the number of ministries and other state agencies that burgeoned in the post-colonial period had been accompanied by inefficiency, duplication and informality in the public sector (Manda, 2003; Robinson, 2006b). Principal-agent theory provided justification for reform by identifying the problems of multi-layered bureaucratic hierarchies, multiple principals with conflicting objectives, long-term and unspecified contracts between principals and agents and monopolistic agents that are difficult to motivate and control (Therkildsen, 2006). Thus the suggested measure was to re-organise government through regulations, decentralisation of functions, compression of some entities, and simplification of production processes among others with the aim of attaining impersonality, formalism, and rationality (UNECA 2003).

Although organisational reviews and restructuring in the public sector have been popular in many developing countries most studies have concluded that the creation of new formal institutions has not been able to replace or sideline old informal ways of doing things (Robinson, 2006b; Scott, 2011; Yanguas, 2012). As observed by McCourt (2006), despite the reforms, most African countries are yet to register improvements in the quality of their administrations. One of the main challenges of restructuring is that it is rarely sustained. In Uganda, having reduced the number of ministers from 38 to 21 in 1992, by 1995 the number had considerably grown to around 70 (Robinson, 2006b) and by 2011 it had become the country with the third largest cabinet in the world (Mwenda, 2011). Similarly, in most reforming countries, reducing the number of ministries did not reduce the number of civil servants as individuals and functions were simply transferred to other ministries.

The question therefore is: Why has there been little progress in this critical reform area? At its core, functional rationalization involves transforming existing power relations, and thus it is likely to trigger resistance from those whose power bases are threatened. In Vietnam, for instance, the underlying reasons for rationalization failure was that overlapping but highly autonomous bureaucratic agencies are sources of prestige, income and power for both bureaucrats and politicians (Painter, 2003). Similar observations are made by Yanguas (2012) who, based on the analysis of reforms in Sierra Leone and Liberia, concludes that reform implementation was bogged down by semi-autonomous ministers and senior civil servants whose very livelihoods were threatened by reform.

Such contextual factors were compounded by the fact that the reform process in most countries was mismanaged. Many reviews reveal that reforms were designed by a small number of civil servants, usually in the Ministries of Finance, with limited interaction with civil society and other key stakeholders (Devarajan *et al*., 2001; Therkildsen, 2006). This limited opportunities for the formation of reform coalitions. Elsewhere, agencies that were entrusted with leading the reform process had capacity constraints. In Sierra Leone and Liberian such agencies had no administrative sanctioning powers, thereby making them “great agents of institutional design, but not-so-great agents of enforcement” (Yanguas, 2012: 175).

3.1.2 Pay reforms

Since the late 1970s, the public sector in many developing countries has been characterized by inadequate salaries, opaque remuneration systems, unclear links between pay and responsibilities, and insufficient pay to retain employees with scarce skills (McCourt, 2006; Olowu, 2010). At the same time, evidence pointed out that there is a strong link between the level of wages in the public sector and the incidence of corruption, ‘moonlighting’, low morale and subverting bureaucratic procedures (McCourt, 2006). Therefore countries embraced reforms to comprehensively restructure public sector salaries to enhance transparency and to improve governments' ability to recruit and retain professional staff. Reforms here put emphasis on salary decompressions and increasing overall real pay levels (UNECA, 2003), funded via savings arising from the retrenchment and aid donors (World Bank, 2008; Crook, 2010).

However, efforts to regularise salary systems have had mixed results. The World Bank’s and IMF’s own evaluations reveal that both salary decompression and the downsizing required to fund it were not realized in most countries (Lienert and Modi, 1997; World Bank, 2008). In some countries, reform geared towards increasing staff wages were abandoned as soon as governments got competing demands for resources, a case in point being Uganda where the Universal Primary Education (UPE) programme took precedence in its place (Therkildsen, 2008). In other areas the impact of pay reforms has been the exacerbation of understaffing and low commitment of civil servants (Therkildsen and Tidemand, 2007; Crook, 2010). This is because pay reforms created large differentials between administrative grades and top civil servants, along with special treatment for senior officials in the political bureaucracy and semi-autonomous bodies (Olowu, 2010). This fuelled resentment, undermined morale and provided a stimulus for corruption (Robinson, 2006b).

Implementation of additional reforms to attract staff with specialised skills, e.g. the Selective Accelerated Salary Enhancement (SASE) and Senior Executive Service (SES) arrangements, failed to take off in countries like Ghana and Zambia or proved unsustainable as they did in Sierra Leone and Liberia (Therkildsen, 2008; Yanguas, 2012). To succeed, SASE and other types of significant pay reforms required a political leadership willing to openly and publicly differentiate pay between different organisations and even different staff positions, yet in many countries leaders preferred to pursue populist egalitarian pay policies. These schemes often become financially unsustainable in the medium to long term, especially because many depend on foreign aid funds for their continued operation.

The inability of governments to retain qualified staff has an impact on their capacity to manage the formulation and implementation of development policies and programmes (McCourt, 2006). Some countries attempted to address this problem through creating 'special' projects with parallel structures within government ministries (Sulemane and Kayizzi-Mugerwa, 2003). Staff in these projects are pampered with a variety of allowances and command better pay (Therkildsen, 2008). The challenge, however, is that this approach creates temporary islands of excellence that do not strengthen the capacity of the government to deliver in future (Blair, 2010). Moreover, they bring coordination and serious principal-agent problems to the fore – issues that pay and rationalization reforms ostensibly set out to address in the first place.

3.1.3 Human resource management reforms

In the past few years, international donor agencies, especially the Bank, have paid more attention to human resource management reforms, such as merit-based recruitment and promotion, and performance-based management among others. These are touted to have a dual objective of achieving improved performance and to act as a counter to patronage-based systems in the public sector through providing incentives, skills and motivation to government employees (Therkildsen, 2008; World Bank, 2008). The reforms promise to empower managers with the authority necessary to perform public duties, take risks and be innovative without being limited by the laborious rules and regulations characteristic of the old bureaucratic systems (UNECA, 2003). They are also expected to increase accountability because clear and explicit managerial targets make it easier to establish the basis for managerial and political accountability and to achieve outputs. Most studies on the impact of HRM reforms, and civil service reforms more broadly, on government efficiency concur that they achieved very little (Johnsøn *et al.*, 2012; Lienert and Modi, 1997; World Bank, 2008). It is common knowledge that despite civil service reforms, rather than meritocratic recruitment, patronage continues to be a dominant way government is staffed in most poor countries be it Africa, Asia or Latin America (Ayee, 2008;

Grindle, 2010). In addition, performance-based pay and promotion made limited progress in countries where it was promoted (Lienert and Modi, 1997; UNECA, 2003).

Much like functional rationalization and pay reform, human-resource management reforms have often fallen prey to the countervailing incentives for the personalisation and politicisation of public office that have come to be known as patrimonialism, for which staffing and remuneration of state agencies is a central source of patronage. Operating under the assumption of system-wide coordination that would require only a change in transversal policy and regulations for the entire public sector to change, PSR towards organisational rationality has exhibited instead a lack of coordination in reform efforts as well as the systematic isolation and disempowerment of reformers.

3.2 PSR and Administrative Restraint

The technical assumption that public sector performance can be enhanced through strictly managerial and organisational changes inevitably flounders in weak-capacity states in which the public sector is likely to be seen –partly or wholly- as a means to personal benefit, whether it is for the specific individual or for the larger social network behind him. Given how difficult it is to uproot patrimonial practices in uncoordinated public sectors, an alternative approach to PSR has focused on the establishment and enforcement of administrative mechanisms that can document, track, expose, and ultimately punish the abuse of public office for private gain.

3.2.1 Public expenditure tracking

Public expenditure tracking, which is part of the broader Public Financial Management (PFM) agenda, entails “measuring the amount of funds received at each link of the public service delivery chain from a nation’s treasury down to the service delivery unit, where it is supposed to be spent” (Sundet, 2008: 9). Often this process involves undertaking specialised studies, targeting particular programmes/projects, called ‘public expenditure tracking survey’ (PETS) to identify where blockages and leakages exist (Johnsøn *et al.*, 2012). It is expected that by furnishing information to the relevant authorities, PETS could trigger action especially in instances where discrepancies between disbursement and actual expenditures are reported (McNeil and Mumvuma, 2006). In this way PETS are one of the indirect ways for addressing “bureaucratic corruption” (World Bank, 2008). The effectiveness of PETS depends on a combination of the following: a) ability to extract reliable financial data b) manage it to produce disaggregated data showing where leakages occur, c) disseminate it regularly, and most critically d) there must be a “political will” by those in authority to act on this information (Robinson, 2006a; Sundet, 2008).

One of the oft-cited ‘successful' PETS was commissioned by the government of Uganda in the mid-1990s to gauge the flow of education grants to primary schools. The survey revealed that on average schools received only around 13% of what they were entitled to while the rest was captured by local government officials and politicians in charge of disbursing the grant (Reinikka and Svensson, 2004). This information awakened central government officials who were in the process of introducing the UPE programme. The government, through its ministries of Finance and Education, responded by, among other measures, introducing a newspaper campaign to publicise the grants released. According to Reinikka and Svensson (2011) the result was a 90% reduction in the leakage. Meanwhile in 2005 Tanzania organized its own PETS but, despite finding a huge leakage in the region of 40% of the total allocated funds, the government did not act (Sundet, 2008).

What the two examples above tell us is that although surveys can identify problems, whether such issues are addressed, or even accepted that they exist, depends on the political will of leaders to deal with them (Goetz and Jenkins, 2001; Singh and Vutukuru, 2010). Hubbard (2007) observes that the success of the Ugandan PETS was closely linked to the commitment of the president whose interest was in seeing his central promise in the 1996 elections, the UPE project, succeed. In Tanzania, on the other hand, PETS findings came in the run up to the 2005 elections hence the government might have been concerned about the implications of publicly tackling powerful vested interests at the central and local level who might upset its political fortunes (Sundet, 2008).

3.2.2 Anti-corruption agencies

Drawing inspiration from successful anti-corruption agencies in Singapore, Hong Kong and to some extent Botswana, a large number of Southern countries have embarked on establishing their own specialised anti-corruption agencies (ACAs) in the last two decades (Doig *et al.*, 2006; Meagher, 2005). ACAs are usually designed to play four major roles: 1) investigation, and in some cases prosecution, of bribery; 2) prevention through the simplification of administrative procedures; 3) educating of the public, the media, and government officials; and 4) government-wide coordination in the fight against corruption (Heilbrunn, 2004).

According to Johnsøn *et al.* (2012) there is a 'fair' amount of evidence that "ACAs, which are considered to have been highly successful in reducing corruption in Hong Kong and Singapore, have generally failed to replicate such success in developing countries," a conclusion that is implicitly endorsed by others (Doig *et al.*, 2005; Shah and Schacter, 2004). It is argued that the dismal performance is mainly because elite corruption is said to be an important means of retaining and consolidating ruling coalitions in most countries implementing anti-corruption reforms (Johnsøn *et al.*, 2012; Tangri and Mwenda, 2006). Top political leaders have influenced, manipulated and pressured anti-corruption institutions in ways that have constrained their effectiveness in checking high-level state wrongdoing for instance in Uganda (Tangri and Mwenda, 2006), Kenya and Nigeria (Lawson, 2009). In some countries ACA heads are appointed by the president which makes them "politically compliant" heads of the anti-corruption bodies (Tangri and Mwenda, 2006: 108). There are numerous cases where overzealous ACAs executives have either been marginalised or sacked by political leaders. Many of the cases investigated by ACAs involve low-level government officials, often working in local government institutions while leaving the "big fishes" to get off scot-free (Tangri and Mwenda, 2006). Where a "big fish" is brought to book it is usually because corruption charges are being used instrumentally to undermine rivals and shore up personal loyalty to the incumbent (Heilbrunn, 2004; Lawson, 2009; World Bank, 2008).

Some argue that ACAs in and of themselves cannot fight corruption yet quite often reformers approach these organisations as self-contained, overlooking the broader governance and institutional context in which they are embedded and the linkages between them (Santiso, 2008). Technically most ACAs do not have powers to prosecute directly (Meagher, 2005) hence their effectiveness is tagged on the performance of other government organs notably courts, prosecutors, and line ministries. ACAs for instance need to secure Attorney General's approval for prosecutions, yet the impartiality of the latter is often compromised because they are political appointees (Doig *et al.*, 2005). Tackling corruption requires a comprehensive strategy covering the "national integrity system" which comprises not only "watchdog" agencies (anti-corruption commission and supreme audit institutions) but also political will and administrative reform (Dye and Stapenhurst, 1998). Yet development partners are prone to treating corruption as an engineering problem, a phenomenon to be addressed through technocratic 'toolbox' or 'textbook' solutions (Fjeldstad and Isaksen, 2008: 17). Also by failing to pronounce themselves on errant political regimes which openly undermine ACAs, donors send a signal that politicians can ignore these supervising agencies and still receive aid (Devarajan *et al.*, 2001; Yanguas, 2012).

3.2.3 Auditing reforms

Similar to the case of ACAs, many developing countries have launched autonomous audit agencies (AAAs) in the last two decades. The aim is to help the legislature enforce accountability on the executive through routine oversight (Santiso, 2008). Auditing institutions also seek to reinforce the existing legal framework, reduce arbitrariness in the conduct of government, and enhance transparency in administrative decision-making (Dye and Stapenhurst, 1998: 4). Through scrutinising public financial management and producing reports AAAs provide assurance that resources are used as directed by national governments, hence the effectiveness of these agencies can go a long way in curbing corruption (Evans, 2008; Johnsøn *et al.*, 2012).

However, studies find that in most developing countries AAAs are not as effective as they could or should be (Santiso, 2008; Johnsøn *et al.*, 2012) due to political constraints they face and the political economy in which they are embedded. AAAs often lack sanctioning powers for non-compliance with audit recommendations (Yanguas, 2012). They also suffer from structural constraints especially the dysfunctional linkages between government auditing, legislative oversight, and judicial control (Santiso, 2006). The degree to which legislatures use audit findings to hold the government to account depends on the configuration of political power, the degree of political contestation and the extent of electoral competition. Some argue that audit information is often short-circuited in legislatures where the opposition parties are numerically outnumbered by the ruling party (Santiso, 2008).

Other sources of AAA's underperformance emanate from executive interference into the auditing process as well as inconsistent and the under-funding of audit institutions (Johnsøn *et al.*, 2012). Some also argue that given that country presidents are usually in charge of appointing and removing the top officials in these agencies, the independence of AAAs is compromised as it creates a degree of political sanction and oversight that could be used to limit the powers of the Auditor General (Robinson, 2006b; Tangri and Mwenda, 2006).

Nonetheless, within this context of failure, brief episodes of effectiveness have been observed. In Liberia, Yanguas (2012) finds that the General Auditing Commission performed well in its formative years which were characterised by an energetic Auditor General as well as a committed newly elected president. Even when it lost the support of the president, it employed other strategies that kept it politically relevant, albeit temporarily. It resorted to "using its findings as a way to spur public debate on corruption, publishing every audit and reporting on every controversy between the Auditor General and the executive on its website" (Yanguas 2012: 239). Similarly, in Latin America, Santiso (2008) observes that enforcement of audit findings has tended to occur indirectly through the peer pressure of societal control and an assertive civil society. In particular, the media has proved an effective actor by publicising audit findings thereby indirectly enforcing audit recommendations.

The main hurdle to effective administrative restraint in public sector reform has been the conceptual, organisational, and political distinction between reporting mechanisms and enforcing mechanisms. Public expenditure tracking and independent auditing can be great reporting tools, and anti-corruption agencies have the potential to introduce new incentives in favour of administrative restraint. But as long as enforcement depends on political will, PSR towards administrative restraint will tend to lead to disempowered reporting.

3.3 PSR and Social Embeddedness

Beyond the internal structure and controls of public bureaucracies themselves, the theory and practice of PSR has developed the notion that state capacity is predicated on a stronger accountability of public actors to their ultimate clients, i.e. citizens. From this perspective, efficient performance in service delivery is the product of both managerial rationality and social embeddedness. The chief aim of this strand of PSR has been to bring the design and execution of public programmes closer to the people, promoting interactive ties and channels of communication between the public sector and sectoral stakeholders and recipients. In this section we cover two of the most popular prescriptions for greater embeddedness: decentralisation and coproduction.

3.3.1 Decentralisation

The transfer of political, administrative and/or fiscal authority from national to sub-national governments has been a central part of PSR in most developing countries (UNECA, 2003; Scott, 2011). It has been viewed as a means for rural mobilisation and social engineering aimed at incorporating rural dwellers and the poor into the political process (Golola, 2003). The advantages of decentralisation, supposedly, arise from bringing policy decisions closer to citizens, who are said to be positioned to discipline local officials more effectively than their supervisors at the centre, and who can ultimately “vote with their feet” should they be dissatisfied with the performance of their local authority (Tiebout, 1956). Decentralisation is also assumed to be a cornerstone of good governance because it promotes local accountability and transparency as well as enfranchising local populations (Francis and James, 2003; UNECA, 2003; Golooba-Mutebi, 2012).

Attractive as they are, numerous studies and commentators have shown that those potential benefits of decentralisation are seldom realized (Crook, 2003; Francis and James, 2003; Crawford, 2008; Dauda, 2006; DEGE *et al.*, 2007; Scott, 2011; Golooba-Mutebi, 2012). The reason for this is fairly straight forward: the preconditions necessary for decentralisation reforms to improve governance, such as informed and mobile citizens, benevolent local politicians, democratic institutions, clear division of authority and policy responsibilities between the centre and sub-national units, constructive social capital, homogeneous interests, strong central government, and central government respect for local actors, are simply not present in most reforming countries (Crook, 2003; Francis and James, 2003; Corbridge, 2005).

As far as the political empowerment effects of decentralisation are concerned, Uganda’s policy is illustrative. Article 180(2) of Uganda’s constitution requires one third women membership on each Local Council (LC) and demands any subsequent law on local governments to provide for affirmative action for all marginalised groups, including women, youths and persons with disabilities (Mushemeza, 2009; Tripp, 2010). However some studies of the Ugandan system have found that the representation of underprivileged groups and of the rural poor has not guaranteed that their interests are channelled effectively in policy making because it is mostly the prosperous individuals who end up becoming leaders (Golooba-Mutebi, 1999, 2004). Indeed some caution that in societies with high inequalities at the outset, there is a definite risk that decentralisation will increase those differences, as opposed to bridging them (Rodríguez-Pose and Ezcurra, 2010).

3.3.2 Coproduction

The weaknesses of both the centralised and decentralised government arrangements have inadvertently popularised the coproduction movement, which puts emphasis on the direct involvement of citizens in affairs that directly impact on their lives. Coproduction is the joint and direct involvement of both public agents and private citizens in the provision of services (Ostrom, 1996). Its major rationale is that it allows development programmes to be customised to the particular needs of the communities they serve and opposes systems in which agents in state bureaucracies follow tightly controlled rules, regulations, and mandates from the centre (Pritchett and Woolcock, 2004; Mitlin, 2008; Pritchett *et al.*, 2010). Specific examples of programme areas where close ties between the state and society have produced strong results include security and tax collection (Joshi and Moore, 2004); primary health care in Brazil (Tendler, 1998), antiretroviral therapy administration in rural Uganda (Bukenya, 2013); and improvement of living conditions for the urban poor in the global South (Mitlin, 2008; Workman, 2011). Yet, when citizens are involved, coproduction can become an avenue for promoting citizenship formation since the process can ostensibly "[extend] citizen action into areas where it was previously not present, building skills and capacities, including those to recognise and realise collective will" (Mitlin, 2008: 345).

However, there are doubts about the ability of coproduction arrangements to bring about large scale transformations at the national level. In particular, coproduction is said to work under localized settings characterized by reciprocal exchange, mutual dependence and where sanctions on free-riders can be effectively enforced (Workman, 2011). According to Tsai (2007) when local ties are scaled up to higher levels of aggregation, interpersonal trust becomes more difficult, especially if social capital is based on limited kinship and immediate community ties. A further look at coproduction also reveals that although it is presented as an alternative to administrative capacity-building and participatory approaches, in reality it builds on them as preconditions (Evans, 1996; Ostrom, 1996). As argued by Tendler (1998) and Bukenya (2013) coproduction requires strong activist states that can mobilize and coordinate with citizens and which can enlist citizens' trust.

The hurdle for PSR reforms aiming to increase social embeddedness is the fact that localised and citizen-owned policy-making can be as prone to inequity and disproportionate benefit of powerful actors as centralised public policy is often assumed to be. Decentralisation and coproduction ultimately rest on the premise that citizens either exact greater accountability from their local authorities or that they themselves can easily organise in a participatory and equitable manner in order to respond to their own policy needs. This assumption of localised equality in contrast to centralised inequality merely replicates old clichés about the intrinsic immorality of "politics" as opposed to the inherent morality of "people". But PSR in the real world has to contend with the fact that politics and people are as difficult to disentangle at the local level as they are centrally. And thus in an unequal society prone to oligarchy, the decentralisation or coproduction of public policy runs the risk of simply decentralising inequality.

3.4 PSR and Political Autonomy

The fourth area of public sector reforms that we cover in this paper encompasses attempts to separate regime politics and state policy so as to minimise the capture of public funds and bureaucracies for private political gain. Political autonomy is in fact one of the oldest principles in PSR, building on such foundational ideas of the modern democratic state as the separation of powers or the independent bureaucracy. Instead of attempting to increase the rationality or accountability of state agencies from within, and in contrast to increasing the links to stakeholders and clients, political autonomy PSR seeks to diminish or sever entirely the link between political preferences and policy implementation, either by instituting constitutionally independent bodies, by establishing watchdog organisations, or by taking policy-making entirely out of the public sector through privatisation.

3.4.1 Semi-autonomous agencies

Since the 1990s several developing countries, largely inspired by the UK's 'Next Steps' initiative, have embraced the idea of granting responsibility for executing certain government functions to semi-autonomous agencies rather than through the usual centralised bureaucratic ministries and related departments (Talbot, 2004a; Larbi, 2006; Therkildsen, 2008). As their name suggests, semi-autonomous agencies are by law granted some autonomy from the executive, in terms of structural separation and/or delegulation of management controls, with the purpose of limiting direct political interference in their day-to-day operations (Talbot, 2004b; Fjeldstad and Moore, 2009). However, for purposes of accountability, the government is expected to retain some control for instance through performance contracting (Talbot, 2004b). It is assumed that these agencies would operate unencumbered by rigid bureaucratic procedures and/or clientelistic hiring practices thought to be characteristic of central ministries – hence they can perform efficiently, effectively and responsively than their centralised counterparts (Caulfield, 2002, 2006; Therkildsen, 2008; Fjeldstad and Moore, 2009).

Although measuring the aggregate performance of semi-autonomous agencies even within individual countries has been rife with difficulties, most commentators argue that only a few agencies have been able to sustainably deliver on their core functions (Bowornwathana, 2004; Talbot 2004a; Taliercio 2004; Ayee 2008). Even for semi-autonomous revenue agencies (ARA), which are said to have had success (Srivastava *et al.*, 2012), there is evidence that revenue collection tends to increase only marginally and be unsustainable beyond five years (Ayee, 2008; Fjeldstad and Moore, 2009).

The reasons for poor performance are numerous but many start from the observation that limited autonomy was granted to these agencies (Taliercio, 2004). Fjeldstad and Moore (2009) observe that most ARA in sub-Saharan Africa wholly depend on the annual budget appropriations from government, and are thus under the direct control of politicians who decide the amount of funding they get. In addition, the appointment of agencies' supervisory board members, including their private sector representative, is in the hands of the politicians – usually the President or Minister of Finance. The same applies to the chief executives of the agencies, although in some countries such as Botswana, Kenya, Latvia, Lesotho, Uganda, Rwanda and Zimbabwe the CEOs for their respective revenue agencies were appointed in collaboration with a supervisory/management board (Pollit, 2004; Therkildsen, 2008). In some countries foreign expatriates, allegedly free from local politics and networks of corruption, were appointed to head ARA (Robinson, 2006b). However, because the appointment authority is usually the President, over time these expatriates have been influenced to operate in politically compliant ways (Fjeldstad and Moore, 2009). In sum, both the operation and performance of semi-autonomous agencies has been compared to the old parastatal corporations as they have been undermined by bad politics in form of patronage, rent seeking, and subsiding particular segments of the customers among others (Mwenda and Tangri, 2005; Batley and Larbi, 2006; Robinson, 2006b; Therkildsen, 2008).

However there are a few examples of success here. In Africa the list of success stories commonly mentioned include the Cocobod in Ghana that has a reputation of having a triple A credit rating, the Diary Board of Zimbabwe (DBZ) in the 1990s, the Uganda Management Institute (UMI) and its sister organisation, the Ghana Institute of Management and Public Administration, are also considered star performers (Clarke and Wood, 2001; Batley and Larbi, 2004, 2006; Therkildsen, 2008; Mcloughlin and Batley, 2012). Revenue authorities in Peru, Kenya and South Africa (Taliercio, 2004) as well as aviation authorities in Uganda and Tanzania have also been reported to have brought "higher quality airport services" to these developing countries (Therkildsen, 2008). Their success has mostly been attributed to strong backing from the political leadership and insulation from political interference seen in managerial autonomy and freedom to generate own revenues, which reduced dependency on the parent ministries. Although important for success, autonomy must be accompanied by strong and effective accountability requirements. In countries such as Latvia and Tanzania where the parent ministries were unable to formulate, and monitor adherence to, performance contracts with their semi-autonomous agencies, performance was poor (Caulfield, 2002; Pollit, 2004). Indeed, for Pollit (2004) the creation of semi-autonomous agencies should be preceded by capacity building of the parent ministries, e.g. in terms of staffing and information capabilities that are necessary to steer the new agencies – short of which is 'building castles on sand'. In addition, the amount of autonomy granted to these agencies is a function of political commitment to reform by the political and bureaucratic leadership.

3.4.2 Privatisation

Privatisation, the transfer of assets of a public enterprise from public to private ownership, is another set of PSR that gained salience across most developing countries in the 1990s (Parker and Kirkpatrick, 2005; Boubakri *et al.*, 2010). This policy reform, among other reasons, was based on observations that most state-owned enterprises (SOEs), especially in Africa, were inefficient and unprofitable and therefore a drain on public finances. In return the poor performance was attributed to the self-seeking behaviours of politicians and bureaucrats since their main interest in SOEs was not to serve the public interest but rather to enjoy rents and exercise political patronage e.g. by creating jobs for their supporters as well as targeting credit and other benefits to them (Kayizzi-Mugerwa, 2003; Boubakri *et al.*, 2010). Privatisation was therefore expected to improve the performance of SOEs by changing the mechanisms through which institutional arrangements affect the incentives for managing enterprises.

For a variety of reasons, implementation of this policy was slow in most African countries given that only a handful divested more than 40% of their enterprises (UNECA, 2003; Ayee, 2008). Moreover, in many countries the political incentives for such reforms did not emanate from the potential attractiveness of improved allocative and productive efficiency per se, but from anticipation of fresh opportunities for exercising power, influence and remuneration emanating from new institutional configurations (Tangri and Mwenda, 2001; Robinson, 2006b). Only in a few countries did privatisation boards enjoy true political independence (Mwenda and Tangri 2005). In Uganda, for instance, there is documented evidence that most SOEs were irregularly sold at less than market value to top government officials, cabinet ministers and pro-government businessmen (Tangri and Mwenda, 2001). Moreover, few safeguards were in place to manage the conflict of interests by the governance boards. Among African countries, only Guinea is reported to have taken a tough stance regarding the abuse of office by members of the privatisation committee – in others legislation was reported to be “ either mild or silent (Kayizzi-Mugerwa, 2003).

However there are some arguments that despite the admittedly unfair and often illegal manner of the asset allocation, privatisation could still be a successful policy if the new private owners bring productivity to the hitherto poorly used state assets (Birdsall and Nellis, 2003). Indeed, some qualitative studies have reported that in some areas privatisation led to substantial improvements in profitability, operating efficiency, capital investment, output, employment and dividends of SOEs (Josiah *et al.,* 2010). However, opinion is divided over the macro impact of the reform. There are some quantitative analyses pointing to privatisation’s positive effect on economic growth (Plane, 1997; Barnett, 2000; Boubakri *et al.*, 2010; Ceriani and Scabrosetti, 2011) while others report that the reform has negative or no impact on growth (Cook and Uchida, 2003; Adams, 2006; Nixson and Walters, 2006). Some claim that privatisation was associated with the emergence of private sector monopolies (Bangura, 2006) because the economic and political power of newly privatised firms made the entry of more actors into the market extremely difficult (Parker and

Kirkpatrick, 2005). Others have suggested that the performance of privatised firms largely depended on the type of privatisation that countries pursued (Bennet *et al.*, 2007).

The mixed track record of privatisation in weak states, just like the limitations of constitutionally-mandated independence for revenue agencies, demonstrates that political capture as a threat to state capacity is not limited to the contours of the formal political regime or electoral competition. Politics in weak states overflows the ostensibly public arena into the public bureaucracy and even the private sector. Against the assumption that the political, public, and private can be neatly distinguished and separated, PSR toward political autonomy has had to contend with the fact that there are denser and deeper links between politicians, bureaucrats, and business, and that legal changes may not be enough to circumvent these private and incentive-compatible relationships.

3.5 The failure of the PSR agenda?

It was hoped that PSR would re-organise developing countries' public sectors to pave the way for improvement in public services delivery and to create a conducive climate for (private sector-led) economic development (Schacter, 2000; UNECA, 2003). Although reform processes have been implemented without sound evidence bases nor a commitment to evaluation (World Bank, 2008; Scott, 2011), there is some consensus that of the three different waves of PSR, the first one – liberalisation and privatisation – was easy to implement as it required 'stroke of the pen' type of decisions, while the latter two – managerial reform and pro-poor delivery – have been difficult to implement due to their structural and institutional nature, and the need for much broader consultation and agreement between social and political actors (Devarajan *et al*., 2001; Crook, 2010). Overall PSR has not generated sustained improvement in government performance in service delivery or other development outcomes (Larbi and Bangura, 2006; World Bank, 2008; Crook, 2010; Scott, 2011). We argue that the main obstacle has been a set of best-case-scenario assumptions that did not account for the sort of worst-case-scenario realities prevalent in polities exhibiting weak state capacity (see Table 5). It takes strong political will to enforce new managerial or ethical regulations on dysfunctional administrations, and a wholesale political transition for the distinction between political, public, and private to emerge and consolidate.

Table 5: Assumptions, Challenges and Problems of Public Sector Reform			
Reform Area	Assumption	Challenge	Problem
Rationality	System-wide coordination	Patrimonialism	Isolated reform efforts
Restraint	Transparency-based accountability	Corruption	Disempowered reporting
Embeddedness	Localized equality and empowerment	Oligarchy	Decentralised inequality
Autonomy	Political-public-private separation	Capture	Public-private merging

Part 4: New Models of PSR Assistance

4.1 New Models, Old Politics

Dissatisfaction with state-oriented reforms has led to a new wave of PSR based on a discursive and analytical critique of the underlying assumptions of the dominant agenda: in particular its roots in a century-old Weberian ideal type of bureaucracy, which industrialised democracies themselves are hardly capable of attaining. What is interesting about this 'fourth generation' of reforms is that they try to sideline the seemingly intractable challenges of administrative politics by looking outside of the state, and engaging political leaders and civil society. But while from a policy perspective these new approaches may in fact represent an innovative shift in prioritisations and targeting, from an analytical approach they still have to contend with the core problems of state capacity.

4.2 The Leadership Model: Africa Governance Initiative

Established by former UK Prime Minister Tony Blair in 2008, the Africa Governance Initiative (AGI) represents a 'third-way' alternative to PSR seeking a complete overhaul of government institutions and the narrow reforms which focus on specific programme areas within individual ministries or localities. AGI works in several African countries, such as Sierra Leone, Rwanda, Liberia, Guinea, South Sudan and most recently Malawi. Its central premise is that political leadership is the missing link in building the capacities of Southern countries for development (Blair, 2010). AGI provides "arm's length aid" (Booth, 2012a) in form of technical assistance that is closely tied to developing an effective 'center of government' (usually comprising of the presidential office, cabinet secretariat, and the prime minister's office) as a means of establishing a well-functioning system that can provide leadership for delivering development (Blair and Gross, 2013).

In view of the dimensions of state capacity discussed in Section 2, a critical look at AGI indicates that it attempts to promote rationality in government through minimising the negative elements of patrimonialism. However, there is a marked difference between AGI and the mainstream PSR discussed in the previous section. AGI acknowledges that eliminating patrimonial practices entrenched in African states is an unrealistic goal, at least in the short run, and therefore suggests that efforts should instead be put on finding optimal systems to the political, social, cultural and administrative context in which African states operate. By focusing on building capacity around those projects considered priority by the ruling elites (as these attract a high level of commitment necessary for sustaining reform efforts) (Blair, 2010), AGI appears to be helping African states to realise something akin to what Kelsall and Booth (2010) call “developmental patrimonialism”. It is suggested that the initiative helps to build collective long-term interests of the elites and that reform efforts from it are likely to be sustained (Booth, 2012a). One of the obvious outcomes of such a strategy is that some key ministries or state agencies become “islands of excellence” which benefit from protection against predatory practices because, among other reasons, they help to produce rents for the ruling elite to keep power. It is argued that AGI builds systems for the sitting government that deliver projects “in a way that both ensures that they get done and strengthens its capacity to take on other projects in future” (Blair 2010, 12).

AGI activities are yet to receive independent rigorous assessment. However, there are questions as to whether the “islands of excellence” that the initiative gives rise to provide a viable strategy to support the level of structural transformation that is required to realise inclusive forms of development in Southern countries. In that regard leadership-based initiatives of this kind are vulnerable to the assumption of system-wide coordination that has plagued functional restructuring PSR in the past, and may result in the establishment of yet another set of isolated and disempowered reform units with little transversal impact on the public sector.

4.3 The Transparency Model: Open Government Partnership

The Open Government Partnership (OGP) is a new multilateral initiative that aims at securing concrete commitments from governments (of both developed and developing countries) on promoting transparency, citizens empowerment, fighting corruption, and harnessing new technologies to strengthen governance (Janssen, 2012). OGP formally launched on September 20, 2011, with eight member states but has since expanded to 55 member governments. In the spirit of multi-stakeholder collaboration, OGP is overseen by a steering committee of governments and civil society organizations. The origins of OGP are linked to the Open Government Initiative in the United States advocated for and launched by President Obama during his first term of office (Yu and Robinson, 2012). The initiative also has strong links with the right to information (RTI) movement which promotes access to government information as a fundamental right (Bergh *et al.*, 2012; Janssen, 2012).

OGP’s goals are closely linked to two of the dimensions of state capacity identified in Section 2 –administrative restraint and embeddedness. Indeed the central premise of OGP is that greater government openness leads to greater accountability and promotes active citizenship (Janssen, 2012; Yu and Robinson, 2012). There is an explicit assumption, for instance, that using government resources and information citizens can partner with government entities to identify specific problems, and co-design/co-produce resolutions. As a way of achieving these goals the initiative requires member countries to develop OGP country action plans that elaborate their commitment to promote: a) improved public services by fostering innovation, b) public integrity through granting access to information, campaign finance reform, media and civil society freedom, c) effective management of public services, and d) corporate accountability and responsibility on issues such as the environment, anti-corruption, consumer protection and community engagement.

These are important steps in making governments open but it is not clear whether they represent a viable strategy for sustainably fostering administrative restraint and embeddedness in southern countries with deeply ingrained power structures that are not easily amenable to increased transparency. First of all, OGP is a voluntary arrangement not only in terms of membership (entry and exit) but also with regards to governments' adherence to the commitments in the country action plans. This might explain why uptake of OGP in Southern countries is dismal with only five African countries so far expressing interest to join. Secondly, there is some evidence to suggest that transparency-related initiatives do not automatically generate accountability, particularly at the level of enforcement, and particularly when the broader context is not addressed (as discussed in section 3.2 above). Some have also noted that OGP may become an easy way out for some governments to avoid much harder, transformative and open government reforms by for instance establishing data portals in the less politically sensitive areas such as health care (Yu and Robinson, 2012). Finally, the capacity of citizens to analyse the voluminous publicly available data into usable formats is questionable and this casts doubt on the ability of OGP to bring about citizen participation in government affairs that it promises (Evans and Campos, 2013).

4.4 The Local Solutions Model: The Africa Power and Politics Programme

Funded by the British and Irish development agencies, the Africa Power and Politics Programme (APPP) offers a justified and well-articulated critique of the 'principal-agent approach' to aid policy, in which both recipient governments and populations are assumed to want development but lack the capacity to pursue it. Instead, APPP argues that the main problem in development is not for one of these groups to be able to get the other to do something, but for both sets of actors to agree and coordinate on what to do. The challenges of development stem largely from coordination and collective action problems, which can be resolved in principle by abandoning the imposition of foreign institutions and ideas and pursuing instead 'hybrid practices' that reconcile development objectives with pre-existing local values and norms. Successful aid policy understands local contexts, and it refuses to micromanage local development in order to let such hybrid practices flourish (Booth, 2012b).

It is too early to assess whether the findings and recommendations of APPP can be successfully generalized and applied outside of the case study materials from which these conclusions were drawn. On the one hand, the basic criticism of current doctrine is sound: the use of collective action logic highlights in a stylized and intuitive way how development problems are basically political problems in which collective incentives (what is socially optimal) clash with individual incentives (what is individually optimal). This is a feature of policy reform not only in developing countries, but also in industrialised democracies. On the other hand, the implications of the APPP findings -and in particular its prescriptions- seem incomplete. To begin with, the analytical power of collective action decreases as we move into the realm of prescription and actionable policies, as APPP does not explain what to do when the preferences of local actors are such that collective action is likely to fail. The prescription of promoting ‘hybrid practices’, which merge new ideas and pre-existing cultural practices, relies on the crucial assumption that local cultural frames are amenable to – or reconcilable with – developmental aims. While APPP encourages aid actors to target on the basis of the local context, it is silent on what to do when local contexts are actually counterproductive. Finally, even when development actors can graft developmental initiatives onto pre-existing values and norms, it is not evident how these piecemeal reforms aggregate into higher levels of public administration, from regional governments all the way up to the government.

The same doubts can be raised with any approach to public sector reform that relies too heavily on so-called ‘local solutions’: when a given community exhibits norms and incentive structures supporting oligarchy, capture or patrimonialism it is hardly realistic to assume that institutional change will take place without new and invigorated state organisations enforcing new rules on social and political actors. Instead, ‘local solutions’ may very easily unravel into ‘local oligarchy’, decentralising but not neutralising the performance-impeding dynamics that APPP seeks to overcome.

Part 5: An Agenda for PSR Research

This paper has sought to provide an analytically-driven review of public sector reform as a policy agenda and its potential impact on the enhancement of state capacity. It has done so through a conceptual framework that directly links some of the most frequently invoked challenges to state-building with the chief aims and guiding assumptions of different areas of PSR. But our analysis also reveals that this overarching review of the principles and practices of PSR is only the beginning: old models are now being replaced by new ones, only a few of which we have reviewed in a cursory manner; and even so the appearance and promotion of new approaches by donors does not diminish the centrality of the conventional challenges and dilemmas of state capacity.

A reinvigorated analytical agenda of PSR research is sorely needed in order to provide a clearer sense of what works and what does not. This agenda will have to be intensely comparative, both across and within countries; it will have to move beyond comparative statics in order to gain a more historical perspective of what are inherently long-term processes; and it will have to ask analytically sophisticated questions if it is to generate actionable implications. We conclude this paper by outlining a series of such lines of enquiry, all of which can serve as the basis for future research projects at the Effective States and Inclusive Development Research Centre or elsewhere.

1. ***The role of elites***. Although several studies make reference to the importance of the ruling elite in influencing PSR outcomes, we did not find many studies that have investigated this issue systematically. For instance it is not clear what incentives motivate elites to support reforms and which ones make them anti-reform. Initiatives such as AGI that explicitly seek to leverage the power of elites in building state capacity have emerged, however studies investigating their performance are still few. Research in this area should explicitly be linked to cross-country differences in context particularly in relation to country-specific political settlements.

2. ***The role of informal institutions.*** This review has shown that one of the cardinal goals of mainstream PSR has been that of replacing informal systems such as patrimonial and clientelistic practices characteristic of African states with formal bureaucratic rules. Similarly most PSR literature has tended to focus on analysing how formal government structures and systems have been transformed by the reforms. However, there is a dearth of studies that explore the interplay between PSR and traditional political structures, understood as the customary informal institutions that may hinder or bolster reform efforts.

3. ***The legislature as a non-state component of state capacity***. A lot of emphasis in PSR practice and research has focused on the adoption and implementation of new organisational templates, administrative policies or constitutional safeguards, but with little attention – if any – to legislatures as the political bodies responsible not only for drafting and enacting such institutional changes but also for overseeing and enforcing their actual application. It is time that legislative oversight is separated conceptually from law-making and constituency service so that its study can be framed in terms of state capacity and not democratisation.

4. ***The difference between transversal and sectoral approaches***. Much of public sector reform is concerned with across-the-board changes in policy and practice, such as the salary scale or the reporting obligations of independent agencies to watchdog agencies. But more attention needs to be

paid to sectoral or self-contained approaches to PSR which seek to enhance state capacity in a targeted instead of diffused fashion. Perhaps the greatest example is the attempt by both governments and international financial institutions to strengthen rationality and restraint in ministries of finance and central banks; but there are other sectors which have received disproportionate attention from reformers, such as natural resource management or the security apparatus. Future research needs to investigate, first, the processes that lead to the emergence of so-called 'islands of excellence', specifically the role of political commitment and external support by donors; and second, whether these 'islands' produce dispersal effects to other state agencies in the medium to long term.

5. ***The comparative effects of design and enforcement***. A recurrent challenge for PSR identified throughout this review is the faulty assumption that institutional (re)design automatically implies institutional enforcement. Weak states around the world do not lack best practices or up-to-date templates: in fact their formal legislative and regulative frameworks are closer to the ideal type than those of many industrialised countries (Andrews, 2013). This highlights the fundamental disconnect between design and enforcement – or implementation – as the defining characteristic of weak states. This disconnect should not be overlooked or assumed to be unproblematic in the study of PSR, which could rely on research designs that more carefully contrast cases of sectoral or state reform in which the focus was on new designs versus renewed enforcement.

6. ***The impact of aid modalities and donor goals***. The role that donors play in the success or failure of PSR has been shown to be important. However the literature tells us very little about the kind of aid modalities that best support PSR in Southern countries, an essential question at a time when most donors are shifting away from project to programme aid and budget support. Beyond modalities, the type of reforms that donors support (or impose) is an equally important factor. At the end of the day, depending on how they understand and interact with the local political settlement, external actors have the ability to act as champions or spoilers of public sector reform. Future research needs to unpack these dynamics if it is to produce policy-relevant implications and contribute to the search for aid effectiveness.

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