Introduction

Even in countries with very poor governance, some exceptional, well functioning public agencies can be found. How and why are these ‘pockets of productivity’ able to emerge? Research on this topic has been dominated by case studies, which have generated a large number of hypotheses but no coherent overall statement. This review collects and organises the available hypotheses into five mega-hypotheses; reflects on their relative importance and how they influence one another; and suggests some implications for policymakers. Most analysis of capacity building efforts focuses on technical improvements that might increase the quality of interventions. This review suggests that the ability to carry out internal managerial reforms is dictated in part by the nature of an organisation's work, the constituencies it serves, and the larger political economy environment.

Five Mega-Hypotheses

The review includes as ‘public organisations’ both government agencies and NGOs that either initiated by governments or derive substantial support from them. The focus is on organisations because the interest is in the production of public goods across time.

The first two mega-hypotheses relate to internal factors that contribute to productivity: management and leadership; and the organisation's function that drives its structure and personnel, which in turn determine performance.

*Mega-hypothesis 1:* An organisation’s ‘productivity’ is largely determined by how it does its tasks -- i.e., by management and leadership -- not primarily by its function or its political context. A performance-based personnel system, adequate resource mobilisation, strong organisational legitimacy and flexibility in setting and implementing goals are especially important. The importance of good managerial practices is well established from organisational theory literature: the question is whether (as this hypothesis asserts) they can be independent of political context, or (a counter hypothesis) that they are significantly influenced by it.

*Mega-hypothesis 2:* Function is more important for productivity than either management or political economy. An organisation's function and associated technology are responsible for producing two organisational attributes that contribute to productivity: leadership that is autonomous of operational political direction; and high specificity of benefits (i.e. the benefits created as outcomes by the organisation have effects that are intense, immediate, identifiable without difficulty and focused on groups that can be readily organised for effective political action). Factors that contribute to autonomy include an externally recognised professional cadre (e.g. healthcare professionals), whose qualifications are externally visible and whose services are valued by important constituencies. Examples of high specificity benefits include outputs of curative human and veterinary medicine, and tax collection.
Impact of Political Economy Context on Productivity

The remaining three mega-hypotheses relate to **contextual variables**, as follows:

**Mega-hypothesis 3: the political process involved in creating/reforming an organisation can contribute to achieving/sustaining improvements in productivity, and can overcome other aspects of political context.** Important factors are the mix and timing of benefits and costs generated for politically powerful groups.

**Mega-hypothesis 4: political institutions (e.g. different configurations of executive and legislative power) shape what is organisationally feasible.** ‘Productivity’ is more likely if appointments to top agency positions are not politicised; and will be inhibited if there is not a good fit between the formal structure of the organisation and the political organisation of those who benefit from it services.

**Mega-hypothesis 5: the underlying political economy in which an organisation is placed ultimately will overcome and shape all the other causal factors, and thus determine what productivity is possible.** Productivity is more likely if the groups that the agency benefits are organised by their interests and not into patron-client networks.

**Implications for Policymakers**

Traditional capacity building efforts have focused on management factors (mega-hypothesis 1 above). The review suggests that functions, processes and institutional/political economy context also play a part in increasing (or constraining) the likelihood of achieving pockets of productivity. Policymakers need to know the likely priority of the five sets of hypotheses set out above, and probable relationships between them. That could provide guidance on how to better target resources.

The first set of hypotheses relate to managerial factors most directly connected to organisational performance. But the poor record of capacity building projects suggests that efforts to improve managerial strategies are not effective by themselves. The author concludes that the political economy surrounding an organisation, mediated through its functions and endowment of other attributes, are the motivating force behind the adoption of good management.

Organisational factors are influential, and can have a direct causal impact on political factors (e.g. political processes of reform may be heavily influenced by an organisation's functions/technologies). But organisational factors are most powerful when they interact with social and political demands (for example, political pressure for services will be effective if transmitted to an incentivised management able to protect its autonomy and mobilise a response quickly and effectively).

Overall, the author concludes that the later sets of hypotheses are the causes of the earlier ones. Political economy is the ultimate cause of institutions, which in turn shape processes. Technical functions are determined independently, but then need to interact with the ways in which society is organised politically. The two together create the context within which organisational leadership is shaped and selected and various managerial strategies are chosen.

But these conclusions should not be read deterministically. It is very difficult to predict the occurrence of something unusual (such as pockets of productivity). Many of the contextual variables are themselves quite dynamic; and change does occur against the social structural odds. Nevertheless, when time and resources are limited, it makes sense to invest these where the odds are better.