

WORKING PAPER 306

# Where Are ‘Pockets’ of Effective Agencies Likely in Weak Governance States and Why? A Propositional Inventory

David K. Leonard  
June 2008



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IDS Working Paper 306

First published by the Institute of Development Studies in June 2008  
© Institute of Development Studies 2008  
ISBN: 978 1 85864 698 7

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Typeset by IDS, Brighton UK. Printed by RPM Print & Design, Chichester UK.  
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## Where Are ‘Pockets’ of Effective Agencies Likely in Weak Governance States and Why? A Propositional Inventory

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### Summary

It is well established that even in countries that have poor governance and weak public sectors exceptional, well-functioning government and government-supported agencies do exist. What has not been established is how and why these ‘pockets of productivity’ are able to emerge. Some attribute their existence to exceptional leadership and good management. Others, while not doubting the importance of these internal factors, believe that these ‘pockets’ are generated by their place in the country’s political economy. The literature on this subject is dominated by case studies and the consequence is that a very large number of hypotheses have been generated about what the political processes at work might be. This paper inventories the array of available hypotheses and condenses them into five sets of mega-hypotheses. It also discusses how social scientists and practitioners ought to think about something whose occurrence is idiosyncratic and therefore perhaps an exception to the normal causal patterns sketched by research.

**Keywords:** pockets of productivity; capacity building; civil service reform; organisational performance.

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Leonard's books include:

2003    and Scott Straus, *Africa's Stalled Development: International Causes and Cures*, Boulder: Lynne Rienner Publisher

2000    (ed) *Africa's Changing Markets for Health and Veterinary Services: The New Institutional Issues*, London: Macmillan

1991    *African Successes: Four Public Managers of Kenyan Rural Development*, Berkeley: University of California Press

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## Acknowledgements

I am grateful to IDS Fellows Eun Choi and Mick Moore and to Cornell Professor Norman Uphoff for comments they made on an earlier draft of this paper. Of course I alone am responsible for the use I have made of their help.

This paper is published by the Development Research Centre for the Future State, based at the Institute of Development Studies, UK.

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# 1 Introduction

There is wide consensus that economic development and improvement in the welfare of the poor are significantly dependent on good governance. States that are unresponsive to their citizens, corrupt, and incompetent have difficulty mobilising resources and delivering services to the poor (Kaufmann *et al.* 1999a and b, 2005, 2006; World Bank 1997). Government effectiveness per se does not automatically translate into advances for the poor – some are competent at repression. But a state that is very weak on most of the dimensions of good governance is unlikely to be able to do much for its poor either (Moore 2004). Considerable donor resources have been spent on civil service reform, technical assistance and other remedies – but generally to little effect. Nevertheless, scattered throughout poor governance countries are state-related agencies that work reasonably effectively and are dedicated to an aspect of the collective good. Such agencies, operating in dismal surroundings, have come to be called ‘pockets of productivity.’ How do they come to be and to persist?

The majority of analysts who have written about the poor performance of state capacity-building efforts have focused on technical improvements that might increase the quality of the intervention (e.g., Berg 1993). This review explores an additional hypothesis – that the problem may also be in where, in organisational terms, these capacity-building exercises were attempted, not just or perhaps even primarily in how they were conducted. In other words, it may be that the ability of an agency to carry out valuable internal managerial reforms is dictated – at least in part – by the nature of the work being done, by the constituencies that it serves, by the larger political environment in which it exists, etc. This motivating hypothesis follows from the research that a small group of scholars have conducted over the last 20 years.

Reform of a country’s civil service as a whole is extremely difficult and rare. A careful review of the history of civil service reform in today’s developed economies would reveal as much. Reform almost always was slow, fitful, uneven, and highly controversial (e.g., Batley 2004; Silberman 1993; Tilly 1975; White 1954, 1958). So difficult is this effort that the donor consensus now is that it should not be attempted at all (e.g., Boesen 2004; Teskey 2005) – save in rare, very propitious circumstances.

A close reading of the same historical record, however, demonstrates that it is possible for a society to have some highly effective government agencies even in the face of a dismal overall picture. To provide a few historical and contemporary examples: – Fischer and Lundgren (in Tilly 1975) note that Britain had a highly professional navy for well over a century before it reformed its patronage-ridden and incompetent army and waited still another 50 years before beginning on its civil service. Leonard White (1954, 1958) observed that even in the most corrupt periods of nineteenth century America there were select agencies that retained high professional standards. Julia Strauss has analysed the small number of agencies that performed effectively in the chaos of Republican China between 1910 and 1940. Robert Daland and Ben Schneider separately observed that during Brazil’s military dictatorships agencies promoting industrialisation were models of productivity, even while social service agencies were a morass. Barbara

Grosh reports that the performance of agricultural parastatals in Kenya in the 1970s and early 1980s was highly uneven; even if the general picture was poor, some were model performers (1991).

Thus, what Robert Daland was the first to call public sector 'pockets of productivity' can be formed and continue to prosper in environments that are generally hostile to administrative reform and effectiveness. Others have used this term since that time, sometimes using a variant phrase such as 'pockets of excellence' (Leonard 1991; Strauss 1998) and sometimes only implicitly, simply by noting high performance organisations in a setting where most are weak (Bebbington and McCourt 2007; Grindle 1997, 2004; Grosh 1991; Fisher and Lundgren 1975; Tandler 1997; Uphoff, Esman and Krishna 1998).

The question left by the research that has already been carried out over three decades is not whether 'pockets of productivity' can exist but what are the conditions that make them possible? This question has considerable practical consequences, for if we have a good understanding of what makes 'pockets of productivity' feasible, sovereign states and donors alike can direct their efforts toward making them happen. This can contribute to an incremental process of administrative reform and improvement – and avoid a waste of effort and resources on agencies that are very unlikely to achieve 'pocket' status.

What Daland and we who have come after him mean by 'pockets of productivity' is relatively simple – public organisations that are reasonably effective in carrying out their functions and in serving some conception of the public good despite operating in an environment in which most public organisations are ineffective and subject to serious predation by corruption, patronage, etc.

Simplicity ends at this point, however. Those who have pursued the determinants of successful development organisations have gone in multiple directions and have not yet produced a coherent statement. Key authors in this quest sometimes fail even to cite other important contributions. Part of the task before us, then, is to sort out what it is we are trying to study and how the various strands that have been offered might come together.

First, what does it mean to be effective or to serve a 'public good'? All public organisations have multiple goals, even more so than private ones do (Fried 1976). Heredia and Schneider have suggested that there are three alternative conceptions of administrative reform (and hence of organisational 'productivity') – a civil service one (directed against clientelism and corruption); an accountability version (countering abuse of power and unresponsiveness); and a managerial emphasis (directed against inefficiency and inflexibility). Conceptually and historically these models are distinct, and it is possible for an organisation to be good on one criterion and deficient on another. For initial purposes, then, we will look for excellence on any one (and all) of these dimensions, coupled with the production of some kind of externally-valued, concrete public service.

The second knotty problem is what constitutes a 'public organisation'? Most of us working on 'pockets of productivity' have centered our attention on government bodies or at least on organisations that have grown out of government initiatives (e.g., for the latter, Grindle 1997, 2004). The studies of Esman and Uphoff, however, have focused on purpose rather than relationship to government. Their

concern has been collective, participatory organisations advancing the public good of rural development, no matter how they originated. Such an approach resonates well today with the New Public Management influenced movement away from the reform of government administration and instead toward governmental design, regulation and sponsorship of societal institutional structures that provide collective goods. Even though Esman and Uphoff do not claim to be writing about public sector management in their later work the greater number of their observations apply to it (especially in Uphoff *et al.* 1998 and Uphoff 1994). Our focus in this paper is on governmental efforts. The number and utility of suggestive hypotheses our literature search produces is expanded, however, by a conception of public organisations that includes ‘non-governmental organisations’ that were initiated by governments or derive substantial support from them and that provide public benefits to a significant number of beneficiaries across several local areas.<sup>1</sup>

A third aspect of the problem of boundaries to the study of ‘pockets of productivity’ concerns the approaches to it. The Uphoff and Esman studies have focused primarily on successful organisations, as did Grindle (1997, 2004); Schneider (1991); and Owusu (2006). Leonard (1991) looked at exceptional managers, and this is implicit in Krishna *et al.* (1997), Uphoff and Esman as well. Grosh (1991); Bebbington and McCourt (2007); and Mukandala (1988) study public policies that have done well, whereas Grindle and Thomas (1991); Grindle (2004); and Heredia and Schneider (2002) ask about successful policy reform initiatives. Israel’s analysis was based on World Bank projects. Then we have those such as Tendler (1997) who cut across these categories. Nonetheless these different approaches clearly are dealing with quite closely related problematics. We need a way to draw on the implications of these disparate studies and focus them on a common target. The organisation is the unit of analysis that best draws on all of them. Ultimately we care about the generation of public goods for society across

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1 I think there is a sound rationale for including in our conception of ‘pockets of productivity’ those NGOs that are significantly structured or supported by government, as doing so emphasises function over form and concurs with a similar decision that Bebbington and McCourt (2007: 14) made about public policies. The use of Esman and Uphoff studies to derive propositions about *government-related* organisations is more problematic, however. On the one hand, they base their analysis on local development associations, cooperatives and interest associations. They themselves suggest that the first are often like local governments and most cooperatives in the development world are highly regulated and supported by governments. On the other hand, they explicitly exclude government agencies from their analysis in their big quantitative study (Esman and Uphoff 1984: 61–8). The reasons for including their work in our propositional inventory are both that it seems so relevant to our topic and that it is the only study to be based on the systematic analysis of a reasonably large number of examples (150 cases about which there was sufficient documentation publicly available).

Esman and Uphoff did explicitly analyse what if any impact there is on local organisations’ performance from their having been initiated by government agencies and found it to be negative. This is a separate issue from the one we are exploring here, however. The question we are asking is how public organisations can be made effective, not whether the private sector should be left free to provide a given range of services by itself. For a certain range of functions, perhaps they should, as I argue in my 2000 book. In many other circumstances, however, it is hard to see how an adequate supply of public goods can be provided, especially to the poor, without the state. What makes those, government-related organisations perform well?

time. Adequate and wide distribution of such goods generally requires the creation of government-related organisations at some point, both to provide the public goods themselves and to press government and society for reform in the ways in which they are delivered when circumstances change. Managers, management, policies and reforms that don't result in well-functioning organisations generally cannot assure the provision of their particular public goods into the future. In this sense, these various approaches are aspects of the same issue and ultimately should contribute to a common set of conclusions.

For example, a 'pocket of productivity' very often will be the creation of some kind of reform effort at some point in the past, and it will also have the capability of reforming itself in the face of changing conditions. This clearly signals that the literature on policy reform contains some useful insights on the processes that give rise to 'pockets of productivity' and the conditions under which they may be able to renew themselves (e.g. Grindle and Thomas 1991). But it alerts us as well to the fact that reforms not only have to be initiated but also consolidated. Indeed for a true 'pocket of productivity' to exist that consolidation should persist for at least a 'political cycle' (Bebbington and McCourt (2007) follow Sabatier (1988) in choosing ten years, which seems a good standard).

The academic literature on 'pockets of productivity' has pursued a very wide range of hypotheses about what causes them. Those in the donor community who are responsible for shaping contemporary 'capacity-building' programmes and think carefully about them have concluded that the factors permitting organisational success lie in the political context (e.g., Boesen 2004; Teskey 2005). The quality of donor thinking about just what this politics is and how one would analyse it and predict it, however, is quite weak. Donors have been extremely reluctant until very recently to admit openly that there is a political dimension to their work, and political analysis therefore had been left hidden in the ad hoc 'craft wisdom' of development practitioners. Some of these men and women had superb intuitions, but clearly most did not; the invisibility of politics made it hard for the first to educate the second, and academic students of politics were excluded from the endeavour altogether. The purpose of this review is to bring the political economy of 'pockets of productivity' out of the donor closet, from whence it would be possible to subject to rigorous empirical tests the hypotheses that the small group of scholars working on this subject have generated, and to create a set of analytic tools and guidelines for development practitioners of state capacity building.

Our focus on the political factors producing 'pockets of productivity' must be balanced and tested against the opposing view that the causes are more endogenous. Over the years Norman Uphoff has studied both governmental and non-governmental organisations working on rural development, with the conclusions on NGOs actually having many implications for our study of government agencies. The Esman and Uphoff quantitative study of local rural development organisations finds managerial factors more strongly associated with organisational performance and impact than contextual ones (1984: 96, 108–09, 131–32, and 170). In a 2007 personal communication Uphoff added,

Of the 18 cases featured in [Krishna 1997; Uphoff and Esman 1998] *Reasons for Hope*, only 7 of the 18 were public sector and I can't see any 'causal effect' or 'enabling conditions' associated with 'where' they were located within

the government structure; of the additional 12 cases included in [Uphoff, Esman, and Krishna] *Reasons for Success*, half were state-sector, half were NGO sector – but ‘where’ seems an irrelevant factor bearing on performance; we addressed these questions to some extent in our festschrift for Milton Esman, *Puzzles of Productivity in Public Organisations*; there was no hint of any ‘where’ influence in the various contributions to that volume.

The several studies arguing for the importance of political context therefore have a strong counter-case to answer.

In what follows we will group the contending hypotheses that the literature on ‘pockets of productivity’ has produced into five implicit meta-hypotheses. The last three are all about political context; the first two concern causes that are endogenous to the organisation.

- 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.
- Function drives organisational structure and personnel, which in turn determine performance.
- The process by which efforts to improve performance are undertaken frequently can overcome other aspects of its political context.
- Political institutions shape what is organisationally feasible and are not automatically deducible from interests and power.
- 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.

These hypotheses are not mutually exclusive; but even if all of them were true to some extent, their relative importance and the ways in which they influence one another matter immensely for practice. At the end of the propositional inventory proper, we will turn back both to the question of what these relationships might be and also to how social scientists and practitioners ought to think about something whose occurrence is idiosyncratic and therefore perhaps an exception to the normal causal patterns sketched by research.

## 2 Internal factors contributing to productivity

The research that has been done to date on successful ‘capacity building’ efforts<sup>2</sup> has produced a large number of hypotheses about the attributes of a government-related organisation or its context that would increase the probability that a ‘pocket of productivity’ would emerge and survive. The reader will be justified if he feels overwhelmed by them. Almost all the literature we have on successful development reforms and organisations derives from case studies with modest numbers. The consequence has been an ever-extending list of hypotheses, with very little

research assessing their relative importance.<sup>3</sup> I assemble them here precisely so that sorting and weighing can begin.

The first two sets of hypotheses on internal factors largely derive from the public administration and organisation theory literatures and are the counters to the political context mega-hypothesis. (Note that there is some commentary on specific hypotheses in the footnotes.) The first is managerial and concerns the administrative strategies adopted in running the organisation. The second focuses on the functions that an agency performs, the form the organisation adopts to fulfil those functions, and the attributes of the staff that it recruits and builds.

These two sets of hypotheses raise another part of the puzzle of creating 'pockets of productivity'. What internal attributes of organisational success are driven by the larger political economy? The research that we have suggests that there is an interaction effect at work here – agency effectiveness does not follow automatically from a congenial political setting, but it may well be dependent on it. It is helpful to distinguish here between managerial strategies and organisational attributes. Prescriptions for the former grow out of both development experience and a relatively universalistic management literature and are presented in Table 2.1. They are things that any good manager should try to do, quite independent of the organisation's function, social 'endowment' and political context. For our purposes the critical questions about them are not only the relative importance of these strategies, both individually and collectively, but also whether they are independent of political context or are dependent on it. Are they found in all successful organisations? When they are absent is this a managerial choice or something forced on the manager by circumstances? As one would expect, almost any donor-financed capacity-building project attempts to implement these strategies and since the track record of capacity-building is so dismal, the suspicion is either that they are not effective by themselves and/or that some projects are prevented by their political or organisational context from employing them. In her article on the importance of managerial culture, Grindle acknowledges that she 'does not deal with issues such as how good managers are trained, how they are effectively motivated, how performance orientation is embedded in organisations, and how autonomy can be increased without sacrificing accountability' – in short with the organisational context. On the other hand, as already mentioned, the Esman and Uphoff quantitative study finds managerial factors more strongly associated with organisational performance and impact than contextual ones (1984: 96, 108–09,

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2 A small and unheralded group of scholars have argued that it is dangerous to derive development prescriptions only from failures. These people have produced a modest but important set of studies focused on successful development endeavours (see, Paul 1982; Leonard 1991; Bebbington and McCourt 2007; Uphoff 1992; Tandler 1997; Krishna *et al.* 1997; and. Uphoff *et al.* 1998).

3 Grosh is the only person in this genre who has assembled a systematic data set, having examined all the agricultural parastatals in Kenya over a 20 year period. In every other instance, the cases examined are not statistically representative. Esman and Uphoff (1984) and Grosh (1991) (to a lesser extent) were the only studies to work with sample sizes that permitted assessment of the relative importance of hypothesised causal variables with quantitative/statistical methods. Uphoff *et al.* (1998) covers the largest number of variables presumed to affect the performance of development organisations, but does not attempt to weigh their importance against each other.

131–32, and 170). The sample on which the study is based is not representative in a statistical sense (as it was based on those organisations for which documentation already existed) and intentionally did not include government organisations proper so the results are not definitive. They do mean, however, that the impact of context cannot be taken for granted.

**Table 2.1 Hypotheses about managerial attributes that make ‘pockets’ more likely**

<p>i. Management of the external policy environment is more important for productivity than internal organisational leadership than internal administration than ‘bureaucratic hygiene’ (Leonard 1991). [I&gt;C]<sup>4</sup></p> <p>ii. Alternatively, the most important determinant of organisational performance is resource management, followed by resource mobilisation and then goal-setting and influencing the delivery of related government services (Esman and Uphoff). [C]<sup>5</sup></p> <p>iii. Personnel management is more important than financial management, which is more important than logistics (Uphoff <i>et al.</i> 1998). [C]<sup>6</sup></p> <p>iv. Productivity is more likely if [hereinafter represented as P&lt;=] employees are selected for their positions because of high competence or unique skills (Grindle 1997; Leonard, 1991). [I&amp;C]</p> <p>v. P&lt;= Efforts are made to reward employees for good performance (Grindle 1997; Leonard 1991). [I&amp;C]</p> <p>vi. P&lt;= The organisation has a ‘mystique – a widely-held sense of purpose (Grindle 1997; Leonard 1991; Uphoff <i>et al.</i> 1998). [C]</p> <p>vii. P&lt;= The organisational leadership has a reputation for honesty, equity and efficiency (Leonard 1991; Uphoff <i>et al.</i> 1998). [C&gt;I]</p> <p>viii. P&lt;= The organisational leadership is prepared to take risks (Leonard 1991). [I&amp;C]</p>
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4 I denote factors that the literature applies only to the initiation of reform with an ‘[I]’, those that apply only to consolidation with a ‘[C]’, those that have a stronger relevance to one or the other with ‘[I>C]’ or ‘[C>I]’, and those that apply equally to both with ‘[I&C]’.) The literature on the consolidation (and hence long-term success) is thinner than that on its initiation, although there are a few useful exceptions (see, Bebbington and McCourt 2007; Grindle (2004); Heredia and Schneider (2002); and the Uphoff and Esman *corpus* of work).

5 Hypotheses i and ii clearly are in tension if not contradiction with each other. Leonard’s policy management includes the Esman and Uphoff resource mobilisation and influence on the delivery of related government services, and the former’s leadership includes the latter’s goal-setting. But to the extent that resource management includes finances, the two sources give it very different priorities, which can be explained only partly by the fact that Esman and Uphoff are looking more at consolidation than initiation. Given that Esman and Uphoff have a larger sample, their proposition should have precedence unless and until proven otherwise.

6 This hypothesis can be considered an extension of either i or ii and is consistent with both of them.

- ix. P<= Managers have a relatively open and non-hierarchical style for interacting with staff (Grindle 1997). [C]
- x. P<= Management is shared, teamwork is encouraged, and responsibility is delegated (Grindle 1997; Leonard 1991; Uphoff *et al.* 1998). [C>I]
- xi. P<= Financial management is relatively simple and transparent (Uphoff *et al.* 1998). [I&C]
- xii. P<= The organisation has multiple levels, and both vertical and horizontal linkages are strong (Uphoff *et al.* 1998). [I&C]
- xiii. P<= The organisation is accountable and transparent to its clients/members, which if disadvantaged it empowers (Bebbington and McCourt, hereinafter B&M 2007; Uphoff *et al.* 1998). [C]
- xiv. P<= A 'learning process' is followed in setting an organisational and policy course, especially in the initiation stages (Korten 1980; Uphoff *et al.* 1998; B&M 2007). This entails: (i) starting small and learning to be effective before attempting to be efficient and to expand; and (ii) 'embracing error' by constantly evaluating progress and abandoning or changing whatever is being less successful. [I>C]
- xv. P<= The organisation continues to have a learning and reforming culture after its initial consolidation, so that it keeps on adapting to its environment and does not ossify (B&M 2007). [C]

The list of hypotheses the 'successes' literature has produced on good organisational management practices are lengthy, overlapping and occasionally conflicting. In general the status of most of these practices as functional to organisational performance is not in doubt, for they derive from a much larger organisational theory literature. What is more contested is whether any of them are more (or less) important in the context of the developing world than they are in industrialised countries and what their relative importance is.<sup>7</sup> The consensus seems to be on leadership, personnel management, resource mobilisation, and adaptability. In my 1991 study I deprecated the relative importance of 'bureaucratic hygiene' but the larger consensus is that a personnel system that is transparently merit-based is valuable to the larger goal of attracting and motivating good staff and that integrity and efficiency in resource management generally are important to being able to mobilise adequate resources (including supportive policies) from the external environment. It probably is not essential to 'productivity' that every one of these practices is in place and one may sometimes be able to trade-off for another, but preponderance is essential. Thus a consolidated set of management hypotheses is presented in Table 2.2. The mega-hypothesis is that these practices can be independent of political context; the counter hypothesis is that are significantly influenced by it.

<sup>7</sup> With regard to the former issue, see Leonard (1977, chap. 11). As to the latter, see Leonard (1991, chap. 12).

**Table 2.2 Consolidated hypotheses about managerial attributes**

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.

1. A preponderance of good management practices is necessary to produce and sustain a 'pocket of productivity'.

Among the multiplicity of good management practices identified in the literature, the presence of the following seem to be the most important:

2. A performance-based personnel system
3. Adequate resource mobilisation, which generally depends in turn on competent and honest resource management
4. A set of goals that give the organisation strong legitimacy to those both within and without it
5. Flexibility in setting and implementing goals.

The other set of internal factors contributing to performance are the organisation's setting and endowment of attributes. These are presented in Tables 2.3 and 2.4. What types of functions does the organisation perform? What types of incentives do they generate? What technological attributes are attached to them that might have social and political consequences? What type of workforce will be employed to do this work? These questions are aspects of what the literature has come to call the specificity of the benefits an organisation delivers and the incentives it provides to its staff. It is valuable in addition to have a pool of potential agency leaders who can act as 'organisational entrepreneurs' to pull together the facilitating resources in the agency's internal and external environment and who have attributes that give them some degree of autonomy from political predation. These internal factors can even sustain for a modest time a 'pocket of productivity' that has an uncongenial external environment. This kind of functional analysis has a strong tradition in the study of government organisations in industrial economies (e.g., Wilson), and Israel has indicated that he found support for it in his analysis of World Bank project evaluations. Generally, however, these organisational attributes have been underacknowledged in development work nearly as much as political ones and probably have contributed to the donor record of throwing 'capacity-building' resources at agencies where there was little real prospect of success. Not only do we want to know about the validity of these hypotheses in poor countries, but we also need to understand their interactions with both managerial and political variables. Do certain functions dictate particular managerial strategies? And are specific functions associated with distinct political environments? In both cases, we also would want to know which set of factors was driving the causality – management, profession, function or politics? Israel believed that he could abstract the management system and incentive dynamics of a set of functions and transfer them into other functions with more troubled performance records. Is this true? The independence or interdependence of the different sets of hypotheses would tell us.

**Table 2.3 Hypotheses about organisational attributes that make ‘pockets’ more likely**

<p>Organisational autonomy:</p> <p>a. P&lt;= Direction is provided by an externally-recognised professional cadre (which may not have existed at the start of reform but for which there existed a plausible technical demand for one to be created) (Leonard 1991; Grindle 1997; Strauss 1998; White 1954, 1958) [C&gt;I].</p> <p>b. Alternatively, B&amp;M (2007) speak of P&lt;= a cadre that is part of an ‘epistemic community’ (Haas 1992) that includes external experts and like-minded activists. This type of cadre might not be formally professionalised. [I&amp;C]</p> <p>c. Both the preceding formulations (a and b) depend on this profession/policy network having values that are consistent with the goals of the organisation. Some professions have values that are more publicly-oriented than others (Leonard 1991). Also, the values embedded in certain professions are inimical to pro-poor goals. (B&amp;M 2007; Chambers 1983).</p> <p>d. P&lt;= The profession or network leading the organisations (a &amp; b of Table 2.3) achieves ‘embedded autonomy’, that is, the leadership has close links to societal constituents of public service delivery and at the same time maintains its corporate identity (i.e., not falling into patron-client relations). The former attribute of ‘embedded autonomy’ facilitates information flows and support. The latter makes it possible to deliver public goods in a programmatic way, rather than as clientelistic goods (Evans 1995, 1996; B&amp;M 2007).<sup>8</sup> (Note that this item could be interpreted as political, rather than functional. This is part of the context between ‘mega-hypotheses’ that we need to sort out.)</p> <p>e. P&lt;= Leadership is provided by an ‘organisational entrepreneur’, i.e., an individual but preferably a group that is proactive about assembling the resources necessary to build a successful organisation. [I] (This item creates the possibility of interaction between political and organisational variables. The existence of such leadership is more likely in the conditions hypothesised above (a – d) (Grindle 1997; Leonard 1991; Bebbington and McCourt 2007; Uphoff <i>et al.</i> 1998).</p> <p>f. P&lt;= The organisation has autonomy from political interference in its managerial decisions (Grosh 1991; Leonard 1991). Mliga finds this particularly important for personnel and financial decisions, and Grindle concurs on personnel management. [C]</p> <p>g. The preceding autonomy must be ‘earned’, however, i.e., its autonomy is not simply a result of formal regulations or neglect but is the consequence of confidence in its operation by politically powerful segments of society or government [C&gt;I]. Formal autonomy is an</p>
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<sup>8</sup> This hypothesis and the one below at g arguably would be better placed in Table 3.5, where more explicit aspects of political economy are discussed. They are kept here to show that this is an area in which function (and hence leadership qualifications) overlaps with politics.

illusion. Virtually all public organisations require resources from the state – finances, enabling legislation, policy cooperation, etc. – if they are to carry out their mandates (Grosh 1991; Mukandala 1988; Leonard 1991). And those organisations that do not need external help could nonetheless be subject to outside attacks or predation. Autonomy to make effective operational and managerial decisions is critical to an agency's effectiveness, but it has to earn this autonomy by impressing powerful groups in its political field that its autonomy is valuable and should be protected and enhanced.

- h. Autonomy for organisations that earn revenue will be more likely if the entity is able to maintain a positive balance in its accounts, although even this usually requires a politically 'earned' freedom from interference, for it is not hard for a state to adopt policies that predate on its own organisations (Grosh 1991; Esman and Uphoff 1984). [C]
- i. Entrepreneurship and political autonomy are more easily maintained when there is a good market for professional and managerial talent outside government (Leonard 1991). [I&C]
- j. P<= An institutionalised history of effectiveness exists, creating a strong 'esprit de corps' or 'organisational mystique' among staff that has a prospect of being sustained for at least 10 years. Such 'mystique' contributes both to the ability and the desire of staff to maintain the organisation's autonomy and effectiveness (Grindle 1997; Strauss 1998; White 1954, 1958) [C].
- k. As values that are developed around interests usually lag the rise and fall of those interests, agencies that were highly valued by previously dominant political elites are likely to remain effective for some time after those elites have lost power (Friedman 2003). [C>I] Organisations that have persisted for long periods (> 25 years) are more likely to have become captured by narrow interests and to have suffered a consequent decline in performance unless they have undergone reform more recently (B&M 2007; Wilson 1987). [C]

#### 'Specificity' of benefits and incentives

- l. Creation of benefits of high 'specificity' spurs success. These are outcomes (not just outputs) that have effects that are (i) Intense; (ii) Immediate; (iii) Identifiable without difficulty, and (iv) Focused on a self-conscious group (Israel 1987; Hirshman 1967; Wilson 1989).<sup>9</sup> On the other hand, I sometimes have found aspects of this formulation

9 Israel's hypothesis is consistent with the work of James Q. Wilson and Albert Hirschman (1967) – and indeed draws explicitly on the latter. Wilson's higher order hypothesis is that the dynamics of management and organisational conflict are driven by the extent to which an agency's outputs and/or outcomes are visible and attract agreement as to their desirability. Where Israel differs from Wilson and Hirschman is in his belief that one can artificially create surrogates for 'specificity' where it does not exist naturally in the nature of the work. Research and analysis done subsequent to Israel suggests that artificial 'specificity' can have unintended negative side-effects, for it violates the inherent nature of the work itself. Thus this statement of the hypothesis sticks to the less expansive version of Israel's thinking.

difficult to apply and Grindle (1997) does not find functions to be a good predictor of success. [I&C]

- m. To the foregoing hypothesis, we should add that the groups upon which benefits are focused can be readily organised for effective political action on behalf of effective services. [C>I]
- n. P<= The methods for achieving the organisation's outcomes are widely agreed (Wilson 1989). [I&C]
- o. P<= The organisation does not create 'rents' which are easily attachable by other groups in society because of 'asset specificity', i.e., it has the flexibility to redirect its assets, methods or efforts in the face of predation and thus defend itself (Williamson 1984; Bates 1989). [C]
- p. Organisations that expand benefits are more likely to succeed than are those that redistribute them, as they attract less political opposition (B&M 2007). [I>C]

**Table 2.4 Consolidated hypotheses about organisational attributes**

Mega-hypothesis 2: Function is more important for productivity than either management or political economy. Thus function and the associated technology, not management initiative, produce organisational specificity of benefits and incentives; and function, not political economy, lead to organisational autonomy.

1. Organisational leadership that is autonomous of operational political direction but that is highly responsive to general political pressures for effectiveness is a key contributor to a 'pocket of productivity'.
2. P<= The benefits created as outcomes by the organisation have effects that are (i) Intense; (ii) Immediate; (iii) Identifiable without difficulty, and (iv) Focused on a self-conscious group and politically consequential group.

Organisational attributes are by no means limited to the functions that the organisation is carrying out, but that is one powerful dimension of them. When a hypothesis is likely to vary in direct relation with the organisation's functions, I give examples here of what those would be. The types of organisations we will discuss in this regard are ones concerned with: health care (curative and preventive); livestock production (preventive and curative veterinary services, and production services such as extension); crop production services (research and extension); and tax collection (royalties, import and export, value added, corporate, individual and land). These choices represent three quite different aspects of state activity – welfare, production, and sustenance of a core part of 'stateness'.<sup>10</sup>

Externally recognised professional cadre [a of Table 2.3]: this advantage is enjoyed by health, veterinary medicine, and to a lesser extent agricultural research.

‘Earned’ autonomy [2.g]: Health and veterinary medicine enjoy a natural advantage on autonomy because of the external visibility of their professional qualifications and the value of their services to important constituencies. But these advantages are not at all absolute. Most agricultural parastatals have formal autonomy, but in many countries only a few of them have been successful in protecting themselves from political interference. Still more widespread is parastatal failure because of an inability to secure needed policies or resources from the government; in other words their autonomy was only formal and they had not ‘earned’ the political support that would enable them to make it real.

The Wilson-Israel-Hirschman framework [2.m-q] has the following functional implications:

- Both agricultural parastatals and tax collection agencies are high specificity, having visible outputs and outcomes. For parastatals, this specificity is conditioned by the relative political power of the groups that benefit from them – specific groups of farmers (positive) vs. employees and the political control of patronage appointments (negative). Tax collection agencies also can create focused benefits for their employees and the politicians who can command their discretionary authority. This can be balanced by organised groups of tax payers who find uniformly-applied and predictable taxes to their collective advantage. It also can be balanced if taxes are central to state revenues and hence to the state project if political leadership is more concerned with executing its programmes than with generating political support from patronage networks (Moore and Schneider 2004).
- For tax agencies this leads to the subsidiary hypothesis that they will achieve the benefits of ‘high specificity’ only if the state does not receive most of its revenues from mineral royalties or appropriation of income from state-controlled enterprises (Moore and Schneider 2004). Similarly, inflation, high indebtedness to international financial institutions, and concessional finance all hinder the visibility of the potential benefits of effective taxation (Moore 2004). [I&C]
- The outcomes of curative human and veterinary medicine have high visibility, but the outputs are obscure to the client/patient. This is a classic situation in which professionalism is demanded and has considerable weight.
- The (negative) outcomes of preventive human and veterinary medicine are visible only episodically, although the outputs are more easily understood by the public than those of curative practice. Professionals dominate here as well, but they have less power than in curative services.

The foregoing might lead us to something like the hypotheses implicit in Table 2.5. I say ‘something like’ because specificity is partly driven by societally-specific

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10 An additional reason for these choices is that these sectors have received considerable donor attention over the years and are likely to continue to so benefit. They also are sectors in which I already have expertise, or, in the case of revenue generation, which were the focus of considerable research in the first five years of the research done by the IDS Centre for the Future State, upon which I have been able to draw.

attributes of the organisation and politics of demand and autonomy also is even more influenced by politics. However, the table does capture the dynamics of these two organisational ‘sets’ when ‘all other things are equal’.

**Table 2.5 Sample functions grouped by key organisational attributes, rank ordered as to probability of being a ‘pocket of productivity’<sup>11</sup>**

Autonomy	Specificity	
	Low < High	
Low <	1. Collection of royalties > Ag. & livestock production services > Ag. Extension	2. Tax collection (import and export > value added > individual > corporate > and land).
High	3. Preventive health > Preventive vet. medicine > Agricultural research	4. Curative health. >Curative vet. medicine

### 3 The contextual political economy of productivity

Systematic analysis and empirically verified propositions about the effects on public sector productivity of the political economy in which specific agencies are embedded has been relatively neglected. What we do have is significant, however, particularly if we draw inferences from the research that has also been done on policy reform. Since at some point in their history public ‘pockets of productivity’ usually will have depended on political reform for their creation, their regeneration, or their ongoing effectiveness, the political processes that underlie reform more generally usually are relevant to ‘pockets’ as well. Since this literature all is qualitative, however, we once again find ourselves faced with a rather overwhelming number of hypotheses, which need winnowing. A further feature of the contextual literature is that it is isolated from the one on organisational variables. There is a need to examine the interactions between the two broad sets of factors.

The contextual variables in the literature can be divided into those concerned with process, those focused on political institutions, and those directed at the underlying political economy. We start in Tables 3.1 and 3.2 with processes, as these are prominent in the widely cited work by Grindle and Thomas on policy reform in developing countries. The sequences and locations in which costs and benefits appear are prominent in their analysis.

<sup>11</sup> I will subsequently propose a research project to test the various hypotheses on ‘pockets of productivity’ that is focused on these sectors – health, agriculture, and revenue generation.

**Table 3.1 Hypotheses about political process attributes**

<ol style="list-style-type: none"> <li>1. The initiation of reform – for our purposes, organisational reform and of the policies that influence its ‘productivity’ – is more likely under perceived crisis, which brings the concentrated attention of top political leadership and breaks the hold of narrow interests clustered around the agency. [I] Crisis does not assure success and consolidation, however (Grindle and Thomas, hereinafter G&amp;T 1991). [C]</li> <li>2. If visible benefits are achieved relatively quickly, survival of the initiation stage by a new organisation or of its reform is more likely (G&amp;T 1991; B&amp;M (2007). [I] The research of March and Olsen on administrative reform in the US suggests that this is precisely why efforts to increase governmental efficiency fail – they are costly to individual members of the bureaucracy and produce no visible benefits that are significant to those who are politically consequential on the outside (1984).<sup>12</sup></li> <li>3. If costs are contained within government and/or are modest and diffuse across most sectors of society, chances of success are increased (G&amp;T 1991). [I&gt;C]</li> <li>4. If costs that impact significant sectors (including bureaucratic ones) do not appear before there are compensating benefits, chances of surviving initiation are enhanced (G&amp;T 1991). [I&gt;C]<sup>13</sup></li> <li>5. Implementation that is relatively simple also enhances survival chances (B&amp;M 2007). [I]</li> <li>6. Consolidation depends on the durability of the benefits generated in the first flush of reform and the continued power of those initial winners (Heredia and Schneider, hereinafter H&amp;S 2002). [C]</li> </ol>
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**Table 3.2 Consolidated hypotheses about political process attributes**

<p>Mega-hypothesis 3: The process by which efforts to improve performance are undertaken frequently can overcome other aspects of its political context.</p> <ol style="list-style-type: none"> <li>1. The ability of a government-related organisation to achieve and sustain ‘productivity’ depends on the mix and timing of benefits and costs it generates for the politically-powerful groups in its environment.</li> </ol>
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12 This hypothesis and those that are listed below at 3.1: 4–6 are related to the nature of the policies pursued. And insofar as certain organisations tend to deal with certain types of policies, these hypotheses are related to organisational attributes. The *exact* nature of policies pursued and the strategies adopted for implementing them are not narrowly *determined* by function, however, so we have listed them here. Of course, this lack of strict relationship is itself a hypothesis, which requires empirical investigation.

13 Consistent with these hypotheses, Haggard has suggested that the *initiation* of reform is aided by the insulation of the reformers but that *consolidation* depends on the generation of winners in society (in Heredia and Schneider 2002).

Tables 3.3 and 3.4 present hypotheses on political institutions, which largely derive from work done in Latin America by Schneider and his associates. Among other things, they have examined the effects of different types of executive and legislative power.

**Table 3.3 Hypotheses about attributes of political institutions**

<ul style="list-style-type: none"> <li>i. The initiation of significant administrative reform depends on support at the highest executive levels (H&amp;S 2002; also Leonard 1991). [I]</li> <li>ii. Nonetheless, partisan entanglement will be disadvantageous (Uphoff <i>et al.</i> 1998; Evans 1995, 1996). [C&gt;I]</li> <li>iii. Presidents or prime ministers backed by coherent executives and clear and disciplined majorities in the legislature will be better able to enact reforms (H&amp;S 2002). [I]</li> <li>iv. The larger the number of 'veto points' within the system, the more difficult initial reform is – but the more likely it is to survive once consolidated (Kaufman 2003). [I&amp;C]</li> <li>v. Reform is unlikely if appointments to top agency positions are fully politicised, so that the political and administrative elites are fused (Evans 1995, 1996; Grindle 1997; H&amp;S 2002). [I&amp;C]</li> <li>vi. Politicians will not approve civil service reforms when clientelist resources are critical to electoral success, unless the reforms are perceived as being at least as damaging to opposition parties as to the governing one(s) (H&amp;S 2002; originally from Geddes 1994). [I&gt;C]</li> <li>vii. As reform generally shifts immediate control away from politicians and in favour of managers its benefits will be consolidated only if competition or civil society attention are vigorous (H&amp;S 2002). Professionalism would help to consolidate these results but would not assure them by itself (Leonard 1991). [C]</li> <li>viii. Oversight by legislatures is easier to institutionalise than other forms (H&amp;S 2002). [C]</li> <li>ix. Gains from transparency alone tend to fade (H&amp;S 2002). [C]</li> <li>x. Initiation of an organisation, as well as its reform and political support for its consolidation all will be inhibited if the political organisation of the social actors who would benefit most from its services has a poor 'fit' with the formal structure of state organisation (Houtzager and Moore 2003). [I&amp;C]</li> <li>xi. A programme, reform or organisation has a better chance of introduction and survival if it 'fits' with the dominant institutional patterns of its society (Kaufman 2003). [I&amp;C]</li> <li>xii. Introduction is more likely if it conforms to the practice of a regional hegemony (Kaufman 2003). [I&gt;C]</li> </ul>
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**Table 3.4 Consolidated hypotheses about attributes of political institutions**

Mega-hypothesis 4: Political institutions shape what is organisationally feasible and cannot be deduced automatically from interests and power.

1. 'Productivity' is more likely if administrative leadership is depoliticised but responsive to political leadership.
2. Initiation of an organisation, as well as its reform and political support for its consolidation all will be inhibited if it does not 'fit' with the society's dominant organisational patterns or if the political organisation of the social actors who would benefit most from its services has a poor 'fit' with the formal structure of state organisation.

A final set of hypotheses particularly focus on the ways in which various groups of citizens are incorporated into the political process. They could be extended into a whole series of propositions on how and why patron-client systems emerge, the uneven effects they have on various groups in society and the conditions under which they come to an end. Such an extension is unnecessary for the present project, however; we are concerned here not with why such patterns of political organisation emerge but instead with what their consequences are for agency performance.

**Table 3.5 Hypotheses about attributes of the underlying political economy that make 'pockets of productivity more likely**

- a. Globalisation and the integration of markets make countries more susceptible to the actions of international economic actors and make national agencies that are key to economic management (central banks, ministries of finance, judiciaries, pension funds) highly susceptible to international pressures for performance/reform (Kaufman 2003). [I&C]
- b.  $P \leq$  The organisational initiation or reform effort grows out of the 'social energy' generated by a social movement (sometimes frustrated in its primary target) (B&M 2007 drawing on Hirschman 1984). [I]
- c.  $P \leq$  The benefits created are critical to the survival of the regime OR in the direct interests of powerful groups (B&M 2007; G&T 1991). [I&C]
- d.  $P \leq$  The groups that benefit from the agency's activities are organised around their interests (rather than clientage) (Leonard 2006). [I&C]
- e. Broader coalitions and a strong membership base add to the strength of the groups in c (of this table) (B&M 2007; Uphoff *et al.* 1998). [I&C]
- f. Since peasants are much more likely to be incorporated into politics through patron-client networks than interest groups, predominately

agrarian poor societies are likely to have difficulty calling for and sustaining *effective* national government-related organisations. This has been noted particularly with tax collection agencies (Moore and Schneider 2004; Schneider *et al.* 2004). [I&C]

- g. Patron-clientage is not an insuperable problem in implementing programmes for peasants at the village level, however (Esman and Uphoff 1984; Uphoff *et al.* 1998). [C]<sup>14</sup>
- h. P<= There exist in society *interest* groups (rather than patronage ones) that have a conception of the state as a *public* good, rather than simply as a target of predation or a tool for gaining advantage over others. This conception of a public good may well be self-interested – indeed it generally is – but it leads to a long-term view of state performance (Leonard 1991). Hence H&S find administrative reform associated with the rise of an urban middle class, as do Moore and Schneider for effective tax systems. But H&S caution that this effect depends on this class being a significant target of electoral competition. [I&C]
- i. Political leaderships with agendas that rely on a proactive state are more likely to press for capacity-enhancing reforms (H&S 2002). [I&C]
- j. P<= Groups that pay costs for the agency's activities that are greater than the benefits they receive are immobilised by patron-client relations (Leonard 2006). [I&C]
- k. P<= Groups in the agency's 'organisational field' that would benefit most from its *ineffectiveness* are considerably less powerful or are less focused on the agency than those groups that benefit from it (Bates 1989). [I&C]
- l. P<= Groups that are interested in predation for corruption or patronage are focused on other geographical or functional entities (White 1954, 1958). [C]
- m. P<= External donors provide facilitative financial and technical support [I] (but not direction or initiative) (B&M 2007; Grindle 1997; Grindle and Thomas 1991; Leonard 1991, 2006; many others). [C]

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14 There is a cruel paradox here. Local kinship, ethnic, caste and religious groups tend to be highly effective at the village level in organising to demand and deliver local services (Ananthpur 2004). But their ascriptive character and the control of the membership by local (wealthier, male) elders tends to lead to incorporation into patronage networks rather than interest groups, making them subjects rather than citizens of the larger society, as Mamdani (1996) would put it. Thus the very factors which make this form of incorporation attractive in local project implementation are destructive when transported to the level of regional and national politics.

**Table 3.6 Consolidated hypotheses about the underlying political economy**

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.

1. 'Productivity' is more likely to be achieved if the groups that the agency benefits are organised by their interests and not into patron-client networks.
2. There exist in society interest groups (rather than patronage ones) that have a conception of the state as a public good, rather than simply as a target of predation or a tool for gaining advantage over others.

## 4 Overview

Where then is the where in this set of hypotheses? Traditional capacity-building efforts have been focused on the management factors elucidated in Tables 2.1 and 2.2 and thus on 'what' needs to be done. The other sets of hypotheses imply something quite different – that actual and potential government-related organisations with certain functions, features and contexts are much more likely to be turned into 'pockets of productivity' than others. The question then becomes, where do such targets of opportunity intersect with substantial potential for societal benefit? Resources are always limited – if not of money then of attention and political capital. Where can they be invested with the greatest probability of achieving public benefit? This may not mean always putting effort into an organisation which has a very high probability of becoming a 'pocket of productivity'; indeed 'pockets' probably are usually achieved against the odds, but are worth taking a chance because of the high return they offer. Nonetheless, some potential targets of effort offer much greater odds than others and therefore deserve priority.

There is another sense as well in which these hypotheses focus on a where. Where are an organisation's potentially fatal weaknesses? And where are there potential assets upon which the organisation might rely? If by attention it is possible to lessen the weaknesses and activate the strengths, the chances of success will be enhanced.

What is the likely priority of the sets of hypotheses we have derived from the literature and what are the probable relationships between them? The managerial hypotheses set out in Tables 2.1 and 2.2 largely concern the factors most directly connected to organisational performance. Precisely because they are direct, this set probably has the strongest correlations with 'pockets of productivity', as Esman and Uphoff suggest. This statement leaves unanswered, however, why – when the importance of these managerial practices is so widely acknowledged – they are not universally practiced. It is possible that their occurrence is idiosyncratic, or they could be expanded by education or technical assistance alone. The latter seems very unlikely, however, given that donor-assisted capacity-

building projects have such a poor record (Berg 1993). I share the judgment of B&M that the political economy surrounding an organisation (Tables 3.5 and 3.6), mediated through its functions and endowment of other attributes, are the motivating force behind the adoption of good management and thus the largest ultimate cause of its existence.

The hypotheses grouped together as organisational attributes in Tables 2.3 and 2.4 concern factors that are a given for an organisation, at the very least in the near term. If an organisation's goals are simple and consistent, enjoy wide acceptance, are manifest in outcomes that are readily visible, and are produced by methods which are generally agreed, any political pressures that are generated for its services will be transmitted unambiguously to an incentivised management that is likely to be able to protect its autonomy and mobilise resources to provide a quick and effective response. But when there is conflict about goals, about the relationship of organisational outputs to desired outcomes, or about the methods that are called for, political pressures may be as likely to confuse as to incentivise managerial response. Similarly, if the organisation is led by an externally grounded and respected professional elite, it is much more likely to be able to manage external political pressures to the benefit of the organisation.

The preceding hypothesised effects of organisational attributes are seen as mediating or interacting with political pressures, however. Israel and Hirschman tend to see organisational functions and technologies as imposing fixed structures and incentives for work. Certainly there is some of this. But these effects will be most powerful when they interact with social and political demand structures, that they mediate political pressures rather than substituting for them.

It is true that organisational attributes generally are less malleable than the political ones, and they have a direct causal impact on some of the latter. For example, the sequence in which the costs and benefits of organisational reform are experienced by society (Tables 3.1 and 3.2) is heavily influenced by the functions undertaken and the technologies used to pursue them.

Otherwise, however, 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 they too interact with the ways in which society is organised politically and the two together create the context within which organisational leadership is shaped and selected and various managerial strategies are chosen.

These conclusions must not be read deterministically, however. We almost never are able to predict more than 50 per cent of the variance in social processes. With human affairs the unexpected is always possible.

It is particularly tricky trying to predict or cause the occurrence of something unusual, as a 'pocket of productivity' is by definition. Many of the contextual variables that influence the existence of a 'pocket' are themselves quite dynamic, so that a static analysis of the political economy surrounding an organisation's behavior may miss something that is changing or could be made to change. Norman Uphoff (1992: 345 ff. and 397 ff.) has pointed out that the preferences of individuals vary over time and situations and that their motivations can be shifted by the 'social energy' of a social movement or a persuasive set of new ideas.

Change does occur against the social structural odds sometimes and there are times when it is quite rational to try in spite of those odds. David Korten (1980) points out that only a third of new business starts in the US are successful. And business professors (who certainly know how to calculate the odds) don't improve substantially on this result. Success is so valuable – both in business and in government administration – that it is worth the attempt, even when the odds are long. A one third chance of quadrupling one's money is better than a 99 per cent chance at a 2 per cent interest rate.

It still is true, nonetheless, that when our time and resources are limited it makes sense to compare the probabilities of success on the multiple high return opportunities on offer and choose the one with the best odds. The hypotheses generated in the research reported here point toward the way of improving these odds.

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