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Public Sector Management Reform: Toward a Problem-Solving Approach

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“What will it take?” World Bank President Jim Kim has reinvigorated debate on how the development community can better achieve its mission to reduce poverty. As President Kim has highlighted in his address at the World Bank and International Monetary Fund’s (IMF) annual meetings, there is an “urgent need for a science of delivery in development”—to tackle the tough question of how to bridge the gap between designing good projects or policies and implementing them. This challenge lies at the heart of strengthening client countries’ public sector institutions. In the long term, it is client governments and their public administrations, not the development community, that must deliver—that is, provide quality services to citizens, effectively manage infrastructure and other public investments, regulate social and economic behavior, set sector policy objectives, and maintain fiscal and institutional sustainability. How governments manage—how they collect taxes, prepare budgets, and motivate civil servants—is therefore crucial for development outcomes.

Yet, how to make the machinery of government work to deliver is a question without an easy answer in many of the World Bank’s client countries. India is one example: the country’s bloated and malfunctioning bureaucracy is seen as one of the biggest obstacles to its sustainable growth (Singh 2004). Pritchett identifies this malfunctioning of India’s public service as “one of the world’s top ten biggest problems—of the order of AIDS and climate change” (*The Economist* 2008). A very different example is postconflict Afghanistan; whether it will be able to build a public sector that can deliver services, and thus hope, particularly when the international presence begins to significantly withdraw, is a challenge of worldwide concern (World Bank 2012a).

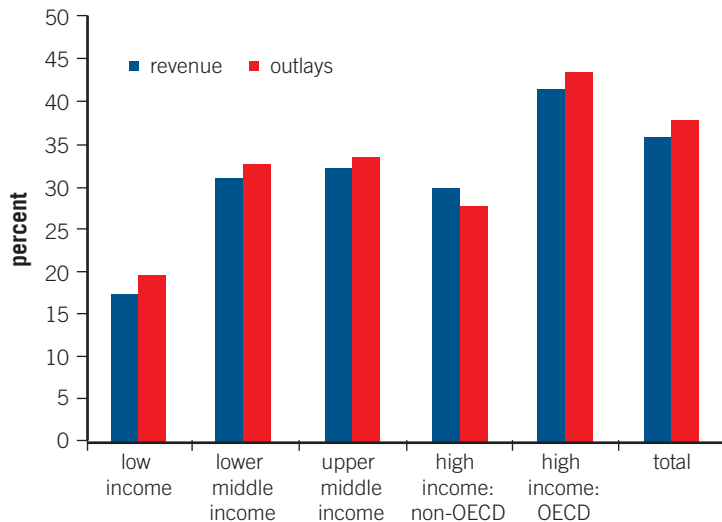
This note sets out key ideas from recent discussions inside and outside the Bank on how donors can support governments more effectively in delivering results in public sector management (PSM) reforms. This note also reflects the dis-

cussions that have led to the Bank’s new [Public Sector Management Approach for 2011 to 2020](#); identifies challenges to reforming public sector institutions; and summarizes how current thinking on PSM reform strategies has shifted toward pragmatic problem solving, seeking to improve results by identifying sustainable improvements for the public sector results chain.

Why Does It Matter How the Public Sector Is Managed?

The public sector is large. Government revenues and spending average above 30 percent in developing countries (figure 1), making the public sector a major potential contributor to growth and social welfare. A well-managed public sector delivers quality outputs for citizens and firms. It provides services, manages infrastructure and other public investments, regulates social and economic behavior, sets sector policy ob-

Figure 1. General Government Revenue and Outlay as a Percentage of GDP



Source: Government Finance Statistics and International Financial Statistics of IMF. Averages by Country Income Group for 2002-2011, based on data from 80 countries.

jectives, and ensures fiscal and institutional sustainability. PSM shapes how the public sector machinery translates these resources into results. It comprises formal and informal rules that govern how taxes are collected, budgets or policies are prepared, and how public employees are managed as well as public agents' informal behaviors. PSM also determines what governments are able to achieve across policy domains.

PSM reforms are the design choices affecting how the public sector machinery works. This machinery comprises upstream core ministries and central agencies, downstream bodies including sector ministries, and nonexecutive state institutions. PSM reforms are about deliberately changing the interlocking structures and processes within the public sector that define how financial and physical resources and people are deployed and accounted for.

Why Is Reforming Public Sector Management Difficult?

PSM reform remains a distinctively difficult policy area because it must overcome four challenges well known to PSM practitioners.

First, PSM is to a large extent about reform implementation, which is often harder than reform design. PSM reforms are often thought of as changes to the formal (de jure) institutional and managerial arrangements in the center of government and in sector agencies, such as new civil service laws or budgetary procedures. While changes to formal arrangements are important, PSM reforms are ultimately about changing the de facto behaviors of agents within the public sector (figure 2). These implementation challenges tend to be more present in PSM reform than in other reform areas.

For example, a macroeconomic policy such as an interest rate change can be implemented by a few central bank agents. But implementing a new, merit-based promotion policy within the civil service requires changing the behavior of thousands of public servants, many of whom can continue patterns of patronage while claiming to have embraced the new policy wholeheartedly.

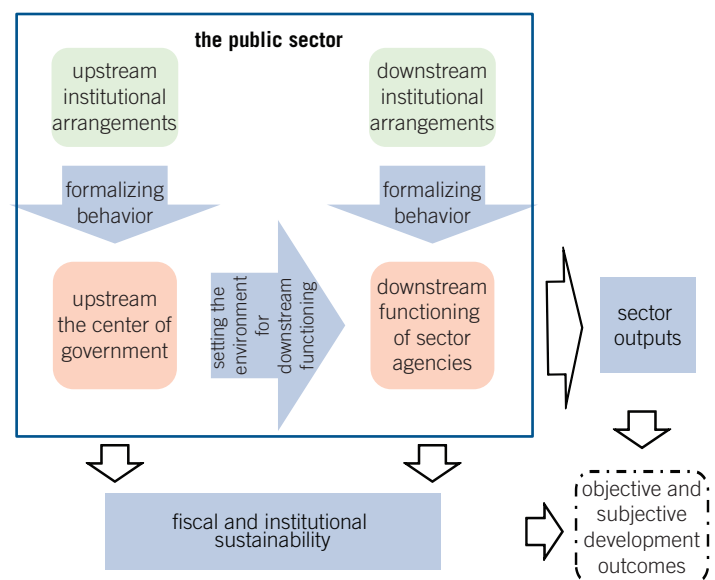
The public sector results chain is about ensuring that formal institutions and actual behaviors are mutually consistent and targeted toward delivering results.

Second, the politics are often misaligned. Few political leaders have won election on an administrative reform platform. One reason is that PSM reforms are often fraught with information problems. Their benefits tend to be indirect and long term, so voters may not perceive that they benefit from them. Second, it is often harder for the beneficiaries of PSM reform to act collectively and lobby for reform than it is for reform opponents. For example, the “winners” from civil service reforms are typically dispersed citizens, whereas the opponents who fear losing from the reforms may be well-organized public sector unions (Moynihan 2006).

In contexts of “extractive” political and economic institutions (Acemoglu and Robinson 2012), the politics can be particularly adverse, because the public administration's primary purpose may not be to provide services to the broad public. Rather, it may serve as a mechanism for distributing public jobs and rent-seeking opportunities as targeted benefits to a few.

Third, evidence on what works is limited. The connection between strong PSM and social and economic develop-

Figure 2. The Public Sector Results Chain



Source: Author's illustration.

ment is evident to any experienced government official or practitioner—but hard to pin down empirically. Institutions that have been shown to matter for economic development are largely restricted to those that protect the returns to private investment, particularly property rights and the rule of law.

While the past decade has seen a tremendous growth of experimental studies on the effectiveness of management reforms in sectors—such as teacher or health worker incentives for learning or health outcomes—no comparable revolution has happened in the knowledge on how to reform upstream public sector institutions. Consequently, there is relatively limited scientific evidence about what matters most for improving public sector performance.

There are many potential reasons why research on PSM reform in developing countries is lagging behind. Two reasons are (i) there are more economists than public administration scholars focusing on developing countries, and (ii) PSM reforms are long term, complex and tough to measure, lending themselves less to rigorous evaluation. Unlike other frameworks, a medium-term expenditure framework cannot be randomized. This is not to say that the field of PSM research is without advances, but compared to other policy domains, there is relatively little evidence on what matters most in improving public sector performance, particularly in developing countries.

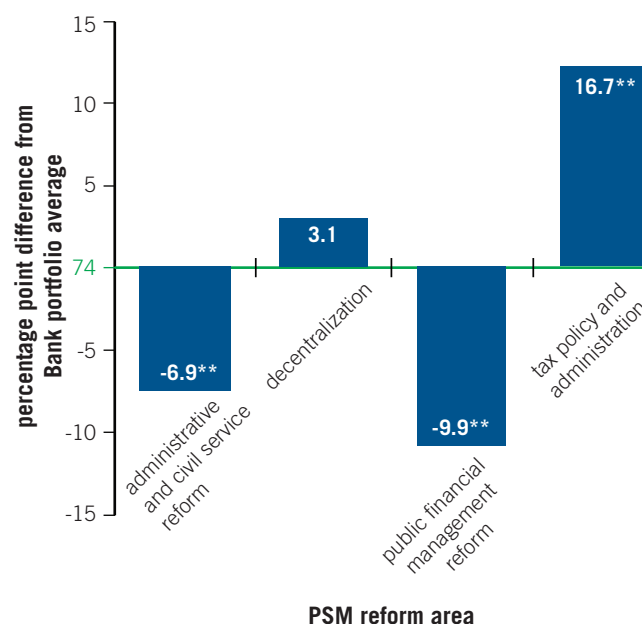
Fourth, the results chain is long. Even if PSM reforms are implemented in practice, there is no performance gain if other weak links in the chain are more fundamental obstacles. For example, introducing a school-based management regime may improve management of resources, but will have little impact on learning outcomes if poor quality teaching staff is the binding constraint.

These reform challenges exist in all regions and at all levels of development. Whereas the World Bank's project outcome ratings need to be regarded with caution as a measure of reform success, they indicate that PSM reforms are an uncertain reform domain, although they may yield high returns.

At 71.6 percent, the share of PSM investment projects that the Bank's Independent Evaluation Group rates as having achieved at least moderately satisfactory outcomes is on average only 2.7 percentage points lower than the average for non-PSM projects (74.3 percent). But this modest average difference conceals significant variation of success rates among PSM projects. As figure 3 highlights, public financial management and civil service reforms receive significantly lower outcome ratings than the average Bank project. Revenue administration projects are the only group of PSM reform projects that perform at above-average levels.

However, this uncertainty in PSM reform results is by no means a developing country phenomenon. Figure 4 shows that a very significant number of PSM reforms introduced in the European Union fail, or at least fail to improve results.

Figure 3. Share of PSM Projects Rated Satisfactory Compared to World Bank Average



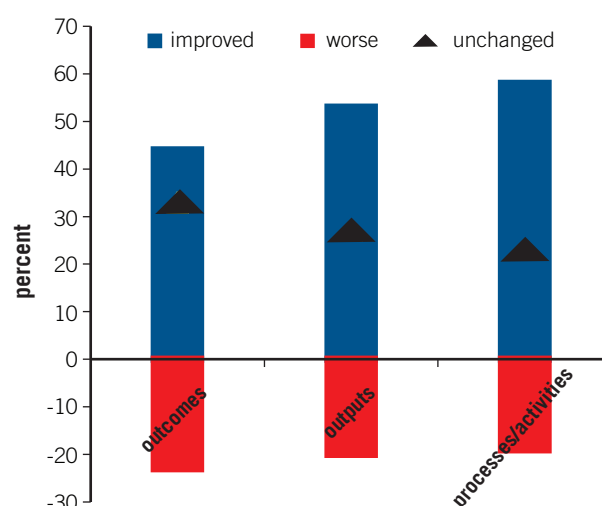
Source: World Bank data.

Note: Projects are attributed to the respective reform area if they contain at least a 25 percent relevant component. Reported statistics are purely descriptive and have no causal implications. ** indicates that the difference is statistically significant at the 5 percent confidence level or higher.

How Has Understanding of What Matters in PSM Reform Changed?

Views on how public sector institutional reform can effectively improve public sector results have evolved considerably over the past decades. While there is no unified broadly agreed theory of change for PSM reform, there is a clearly discernable evolution in broadly held assumptions marked by several key developments (table 1).

Figure 4. Success and Failure of New Public Management Reforms in the European Union



Source: Pollitt and Dan 2011.

Table 1. Stylized Evolution in Theories of External Influence on Public Sector Management

Period	Broad theories of economic growth	Theories about PSM reform	
		Changing theories	Underlying changing ideas
1960s	Development promotion more about capital flows, less about government policies and institutions; emphasis on capital accumulation, technological adoption, and import substitution under state guidance.	Theories of public sector institutional reform were implicit—embedded and unstated assumptions about filling capacity gaps (knowledge, ability, and technical expertise), particularly in newly independent countries.	“Gap-filling” (in capital and in capacity) ^a emerged as a commonsensical, obvious, and uncontested approach.
1970s	Capital flows not enough, turn to macropolicies.		
1980s	Macro not enough, turned to a more comprehensive package including fiscal discipline, broadening of the tax base, and outward orientation with freeing and enabling markets; early emergence of the Washington Consensus. ^b	Theories of PSM reform began to emerge more explicitly, with greater focus on incentives inside the public sector that can be changed through transfer of best practice. Broader incentives of state actors, including politicians, were excluded from debate.	Reform “contents” begin to dominate (“this reform is universally the right thing to do”). There were dissenting views about the right reform contents, but a small state ideology was particularly important.
1990s	Donors saw high growth in mediocre policy environments and slow growth in good policy environments; with policies an insufficient explanation, donors turned to “institutions” within the “New Growth Theory,” although the notion of institutions was broadly and ambiguously articulated.	Theories began to get more explicit concerning matching reform content to the country institutional context. Good fit began to emerge as a concern (World Bank 2000).	Broad country “contexts” were increasingly considered a primary issue; reform contents judged in terms of their suitability for the context.
2000s	Began to add “political incentives to pursue development” into the mix; demise of the original Washington Consensus—some argued that inadequate attention to original institutional concerns of the Washington Consensus, others argued that the list of institutional concerns needed augmenting.	Concept of context became wider and deeper. Contextual considerations broadened to include incentives of political actors to implement reform. Shaping interventions to meet political realities and nibbling away at political constraints at the margin (for example, transparency initiatives) became increasing concerns. The concept of context also extended to sequencing theories such as the PFM platform approach and led to the strengthened approach (Joint World Bank/IMF/PEFA Public Expenditure Working Group 2006).	The definition of context became much more encompassing.
2005+	Continuing slow progress suggested need for experimentation/diversity and recognition that there are multiple paths; overall, argued for moving away from formulaic policy making to focus on binding constraint(s).	Sequencing theories continued, but theories also start to embrace the actors’ subjective understanding of the reform process more directly since the problem that is to be solved in PSM reform is primarily “adaptive” and not “technical,” and notions of change space emerged. The 2005 Paris Declaration ^c placed “ownership” first in the principles for effective aid.	The process of understanding the problem began moving to the forefront. Context remained critical, and reform contents were whatever could be contained within the available space.
2010+	Social mobilization is associated with changed political incentives that constrain growth, although uncertainty about which way the causality runs.	Theories start to suggest that intervention requires a finer-grained view of the context and that the context can be changed as good governance can, sometimes, be demanded. ^d Changing political incentives to supply good governance may mean improving citizen capacity to demand good governance. Sequencing now more open to challenge.	The process of understanding the problem remains pre-eminent, but context considerations have become more complex. Reform content is the residual.

Source: Author’s compilation, drawing extensively on World Bank (2005).

a. It is important to note that the 1960s notion of capacity was a narrow concept focusing on the lack of technical ability to perform a task, in contrast to more recent, broader ideas of capacity that comprise political commitment and institutional design.

b. This is a reference to the consensus that Williamson (1989) identified as emerging de facto, with its emphasis on a paradigmatic shift in favor of macroeconomic stabilization and market-based development—not the more ideological version, which was subsequently the basis for much controversy.

c. <http://www.oecd.org/dac/aideffectiveness/34428351.pdf>.

d. Demand-side work has its early roots in social participation approaches.

First, there is more willingness to *expose the assumptions* underlying PSM reform approaches to make them testable and open to improvement than there was in the past. For example, the notion that capacity building is a commonsensical and obvious entry point for reform is no longer widely accepted.

Second, there has been a shift in attention from a sole focus on reform *contents* (what should be done) toward reform *context* (where it is to be done) and *process* (how the problem is to be agreed on and a solution developed or reform sequenced). The process of PSM reform focuses on eliciting actors' real incentives and interests and on finding a compromise among them. A process that engages stakeholders is key to ensuring ownership of the reform agenda. In sum, there has been a strong move away from the Washington Consensus–style PSM reform, which entails broad claims about PSM reform contents that should work across a number of different contexts, toward the idea that “what works” in PSM reform is highly context contingent.

Why Is the Reality of PSM Reform Lagging Behind?

The shift toward “best fit” in PSM reform learns from diagnostic approaches in other fields that sought to base reform design on empirics and focus on *where the shoe pinches most* through finding the binding constraint. However compelling this logic, best fit policy is hard to implement for several reasons.

- **First, rather than asking for best fit, governments may ask for “best practice” as a source of legitimacy.** Imitating someone else's look is often a smart strategy. In nature, some butterfly species mimic leaves to survive. In public administration reform, client governments may mimic the institutional forms of donor governments to gain legitimacy in donor's eyes and win their support. The downside of such isomorphic mimicry is that it emphasizes *form* not *function*—and therefore may not bring the desired performance improvements. For example, adopting competitive procurement processes may do little to improve value for money if contracts continue to be allocated within influential public-private elite networks. In such cases, change may be largely limited to the laws and behavior of a few central, visible actors—but the de facto behaviors of many less visible front-line staff risk remain unaffected.
- **Creating best practices and selling them is a business.** An entire industry has developed around the packaging and transmission of New Public Management ideas to developing countries. This is the case even though there is evidence that the ideas were not implemented consistently in many successful Organisation for Economic Co-operation and Development (OECD) and middle-income countries.

- **It is also unrealistic to expect that advisors can start from scratch on every occasion.** If best practices are shorthand for shared practitioner knowledge supported within the field, it is inevitable that they will be used as a starting point for many discussions—hopefully with caution.
- **Finally, the lack of a well-developed, explicit body of knowledge on what works in reforming public sector institutions makes it hard to debunk claims of universal solutions.** Lacking robust empirical evidence, practitioners rely on a strong body of tacit or “craft” knowledge to develop practical reform strategies. Relying on tacit knowledge provides few checks against unfounded fashions in PSM reform. Simplistic mantras about the relevance of private sector management approaches for the public sector or about the power of performance-based rewards can thus assume a mythic status.

Putting a Problem-Solving Approach to PSM Reforms into Practice

Current thinking on PSM reform highlights three broad principles that can help bridge the gap between what is known about PSM reform and how it is conducted. These principles call for designing reforms based on thorough diagnostics, agility and experimentation in implementing reforms, and continuous learning from reform experiences, bolstering tacit knowledge with more scientific knowledge about what works in general, and what is likely to work in a particular context.

Principle 1: Designing solutions based on rigorous diagnostics

Successful public sector reformers start with a degree of agnosticism on what works and what does not in a given client country. Diagnostic approaches are a key in countering “strong priors about the nature of the problem and the appropriate fixes” (Rodrik 2008) and in discovering outside-the-box solutions. Good diagnostics can take many forms, but recent discussion emphasizes a few basic principles:

- **Diagnostics focus on solving a performance problem.** They define a problem in terms of the *functions* that the public sector is meant to serve—such as insufficient results or counterproductive behaviors of public agents—rather than in terms of the absence of particular institutional *forms*. For example, a functional problem might be that the public sector achieves low value for money in public road construction projects or that teachers are often absent—not the absence of a particular procurement process or pay policy for teachers.
- **Diagnostics engage stakeholders in the problem-solving process.** The growing recognition that process matters implies that problem solving on the whiteboard alone will not work. Engaging stakeholders in the problem-solving process is crucial for building agreement around a feasible, context-tailored solution—and for building solu-

tions from local insights into the problem, rather than from imported ideas about best practice (box 1). Such processes are often politically sensitive because they may surface underlying conflicts that have prevented the problem from being solved in the past—and thus require courage and skill to navigate.

- **Diagnostics use political economy analysis prospectively.** Diagnostic approaches start with the hypotheses that the status quo of public institutions represents a *functional* equilibrium given stakeholder incentives, even if this equilibrium may be very dysfunctional for ends such as service delivery. Political economy analysis is used to understand the current constraints to reform and to map out feasible reform paths based on what is known of stakeholder interests (box 2).
- **Diagnostics use available evidence and accepted theory to identify the most promising entry points for reform in a specific context.** First, diagnostics use empirical data to find out what the major root cause (or binding constraint) of a problem is in a specific context. In practice, this can often be as much of an art as it is a science. Many things tend to be broken in developing countries' public administrations—and the challenge is in identifying the binding constraint and pragmatically focusing on fixing it.
- **Diagnostic analyses can for example draw on comparative indicators** ("how does this compare with what we know about what is going on elsewhere?") or country-

specific data ("what is the specific constraint here and who agrees with this?") to narrow down the most plausible cause of a performance problem. For example, the hypothesis that ethnic politics have undermined the service delivery improvements hoped for from decentralization could be tested by reviewing whether fiscal transfers to local government have been biased toward regions with particular ethnic groups.

Principle 2: Implement with agility

The traditional emphasis on well-defined but rigid project design is challenged by the growing evidence that implementation processes are crucial for success—particularly in building public sector institutions. If experimentation and learning by doing are increasingly seen as the keys to success, the traditional distinction between design and implementation in reform projects can be a constraint. Process matters in part because knowing what works to achieve an intended result may be hard to know at the design stage—it may only emerge during project implementation through stakeholder engagement and experimentation.

Process also matters because lessons from change management processes need to be taken into account when implementing PSM reform projects. In particular, reformers can seek to strategically enlarge the reform space by engaging closely with a broad array of government, businesses and civil society stakeholders, and other donors—including through workshops, evidence-based discussions of problems, coaching, small experiments, and relationship building. Results-based lending instruments may be particularly suited for en-

Box 1. Building Space for Reform: Civil Service Performance and Pay Reform in Sierra Leone

The recently launched Sierra Leone Pay and Performance Project has been a pilot for results-based financing in PSM reform. The project emphasized particularly intensive engagement with different government stakeholders to build space for reform, because responsibilities for managing civil service are highly fragmented across different agencies in Sierra Leone. While it is too early to conclude how the reforms will eventually unfold, evidence from project preparation and early implementation phase suggests that such an approach is more promising than if it were engendered by a traditional (input-based) lending instrument. The results-based financing and consultative engagement process have improved interagency trust, provided incentives for collaboration, and provided flexibility for politically and technically feasible solutions to emerge. As a result, government actors are now working together much more closely on a challenging reform agenda than they would have in the past. Overall, the experience suggests that an intensive, results-focused engagement process can be conducive to building agreement on desirable reform targets and to identifying reforms paths that have a greater prospect of "working with the grain" in a particular context. However, continued future engagement by the World Bank will be critical for success.

Source: Authors' compilation.

Box 2. Diagnostic Work in Practice: Mongolia—How to Make Public Investment Management Reforms Compatible with Political Incentives?

Mongolia has the potential to reap tremendous growth and development benefits from its booming mining revenues—if it invests these revenues well. At first sight, political incentives seem to be stacked against sound investment. Mongolia's Members of Parliament (MPs) have incentives for succumbing to pork-barrel politics and for overspending on small projects targeted toward their local constituencies. The close connections between some MPs and construction and mining companies also risk the emergence of a new class of oligarchs. Most MPs are afraid of agreeing to invest in large projects of national importance for fear of political capture by these oligarchs. However, a recent diagnostic of Mongolia's political economy suggests that Mongolia's MPs might agree to collectively tie their hands and safeguard strategic investment projects from political interference. Among others, the diagnostic identifies that the country's system of a few programmatic, relatively disciplined parties may enable such a collective agreement, which would be tough in other settings.

Source: Hasnain 2011.

couraging such results-focused cooperation among different government agencies.

The rapid spread of information and communication technology (ICT) brings promising new opportunities to engage more easily with stakeholders for gathering their subjective views on how well a project's implementation is progressing. ICT can provide a vehicle for both broader stakeholder engagement in proposing PSM reforms and for more regular monitoring of progress, which is particularly important in flexible project designs. For example, asking public officials who use a financial management information system to provide regular feedback on the value that they see in its use (as proposed for Mozambique), or using hotlines that citizens can call via mobile phones for reporting corruption in the land registry (India) can be powerful tools.

Principle 3: Learn as we go

Practitioner's experience is of course an invaluable source of knowledge for PSM reform design—many senior administrators and advisors can sense that a reform is implausibly ambitious or excessively modest. However, by itself, tacit knowledge held by experts is insufficient—constant empirical testing of what works in reform is still needed.

Two stylized types of evidence about reform feasibility and impact are needed. One set of evidence is about probabilities in the average case—what types of reforms are most likely to work in the average country or education sector? Such broad-brushed comparative data provide useful pointers. For example, knowing that the adoption of medium-term fiscal frameworks has on average enhanced fiscal discipline (based on a sample of 132 countries) is an important insight for policy makers (World Bank 2013). However, what is true in the average country need not hold in a specific case. Ultimately, cross-country evidence needs to be balanced against evidence from particular cases—obtained for example through qualitative case studies or from rigorous impact evaluations—to help answer the question: What will enable us to maximize the prospects of reform implementation in this specific context? Investing in learning about what drives results in public sector reform is therefore fundamental to help governments make better-informed reform decisions in the future.

Learning entails deepening and broadening the metrics available for measuring the strength of country institutions, eliciting more powerful learning from projects, and an active research agenda on PSM including more rigorous, qualitative, and quantitative research on reform impacts (box 3). Open-source approaches for sharing data can be harnessed to stimulate external research and internal learning.

What unites these three principles? They all call on us to be ready to *adapt* on the basis of *evidence*—to adapt reform designs to clients' specific problems and context, to adapt

solutions to what is learned from experimentation along the way, and to adapt Bank advice to client governments on reform design to what is learned from new evidence as it emerges.³ These principles are ultimately about a move toward a more scientific method and may help the Bank find feasible, locally appropriate solutions to its clients' public sector problems.

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Box 3. Initiatives in Learning about Public Sector Reform

Towards expanding metrics of the strength of country systems

Indicators of the strength of public management systems (ISPMS) are a crucial data source for comparative learning about what works and why in PSM reform. The PFM Performance Measurement Framework, issued by the Public Expenditure and Financial Accountability (PEFA) Programa in 2004, confirms the importance of ISPMS. Since 2004, PEFA diagnostics have been prepared for over 130 countries, often repeatedly. They are used to design PFM reforms in many countries, are widely used by international financial institutions and aid agencies, and are used by academic researchers to understand patterns in PFM reform. Yet, past efforts to generate similar measures for other PSM systems—such as tax or civil service systems—have been handicapped by the costs of data collection and lack of consensus on what matters. In a multistakeholder initiative with other donors, the World Bank is seeking to overcome these hurdles and expand the coverage of ISPMS by systematically building on existing data and data collection infrastructures.

Piloting rigorous impact evaluations of PSM reforms

Rigorous impact evaluation research has traditionally focused on PSM reforms in education or health, where result measures (such as test scores) and sufficiently large *n* samples are more easily available. Yet, recent academic pilot studies, such as Dal Bo, Finan, and Rossi (2012), show the potential for using impact evaluation methods for aspects of PSM reform such as selection processes for civil servants. Building on these pilots, the World Bank is seeking to pilot a series of innovative impact evaluations on PSM reforms in the Africa region.

Source: Authors' compilation.

a. The Public Expenditure and Financial Accountability (PEFA) Program was founded in December 2001 as a multidonor partnership between the World Bank, the European Commission, the United Kingdom's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund.

Notes

1. “What Will It Take (to End Poverty)?” is the worldwide consultation World Bank President Kim launched on September 12, 2012 (<http://go.worldbank.org/QZTITEF1K0>).
2. “There is an urgent need for a science of delivery in development, but that science does not yet exist. We must create it together” (Kim 2012b).
3. Moynihan (2006) documents how this imbalance has led to a political logic of partially implementing New Public Management reforms in the United States at the state level. Politicians often did strengthen public managers’ accountability for results, which is a popular stance to take. But they failed in giving managers the necessary freedom for managing staff and money to achieve these results, because this would have implied confronting powerful vested interests, such as public sector unions.
4. It has become commonplace to recognize that “institutions matter” (North 1990) for economic development, with cross-country empirics relating better institutional quality to higher levels of per capita income and greater economic growth (Mauro 1995; Knack and Keefer 1995; Acemoglu, Johnson, and Robinson 2001; Dollar and Kraay 2003; Rodrik, Subramanian, and Trebbi 2004). A foundational level of institutional quality in relation to property rights and the rule of law appear to be necessary for sustained economic growth (Acemoglu, Johnson, and Robinson 2001; Rodrik, Subramanian, and Trebbi 2004), but beyond that, it could be that institutions are an outcome of economic development as richer societies demand better governance structures. This ambiguity is underscored by findings that demonstrate that growth accelerations are often not preceded by or tied to major changes in core public sector institutional arrangements (Hausmann, Pritchett, and Rodrik 2005). The growth experiences of China after the late 1970s and Korea from the early 1960s provide two such examples.
5. See, for example, Glewwe, Ilias, and Kremer (2010) for a comprehensive review of the rapidly growing rigorous impact evaluation literature on teacher incentives, or Mansuri and Rao (2012) for a comprehensive review of the research on different forms of citizen participation.
6. PSM projects are defined as projects that have a 25 percent or larger component dedicated to PSM reform.
7. Based on a sample of 2,964 Bank projects (Blum 2012).
8. This is the direction flagged by the World Bank president: “I do not mean to suggest that we have ready-made solutions for every development problem. We do not, nor is this our goal. Rather, as a solutions bank, we will work with our partners, clients, and local communities to learn and promote a process of discovery” (Kim 2012a).
9. This move was well described in World Bank (2000), *Reforming Public Institutions and Strengthening Governance*.

10. Bailey, and Rodrigo 2008) is discussed in the World Bank Public Sector Management Approach for 2011–20 (World Bank 2012b), which calls for a diagnostic approach to reforming public sector management.

11. See, for example, Andrews (2009).

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