GOVERNANCE REFORM – GETTING THE FIT RIGHT

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ABSTRACT

This paper builds on recent literature on political settlements and new institutional economics to lay out a 'good fit' alternative to the 'best practices' approaches which until recently have dominated efforts at governance reform. It introduces a typology for distinguishing systematically among different groups of countries, maps the typology to four alternative approaches to governance reform – and lays out a set of 'good fit' hypotheses as to the conditions under which each of the approaches is likely to be effective.

I: Introduction

In recent years, the limitations of 'best practices' approaches to governance reform (and to development policymaking in general) have increasingly become apparent. Over the long-run, good governance may indeed be a destination to which, as countries develop, their governance systems converge. But the ability to describe the characteristics of effective states does not conjure them into existence out of thin air. Best practices approaches assume that all policies and institutions are potentially move-able, and can be aligned to fit some pre-specified blueprint. But they cannot. The central development challenges (of both the governance and economic variety) have less to do with the end point than with the journey of getting from here to there.

But there is also a risk at the opposite end of the spectrum. Leaving aside one-size-fits-all best practice prescriptions makes the search for an alternative vulnerable to reaching a dispiriting conclusion: that every country is unique, and that there is little to be learned in one setting which can be helpful in another. As a way of filling the gap between hubris on the one hand, and despair disguised as humility on the other, this paper will lay out a 'good fit' approach to governance reform.[i]

Section II lays out a typology as a basis for distinguishing systematically among different groups of countries. The intent is not to suggest that, by grouping countries into categories, one can summarize (let alone capture) the whole of any single country's development path. Rather, the aim is to highlight some key characteristics that are shared in common among some sub-groups of countries – and can be directly contrasted with other sub-groups which share a different set of characteristics – and to use these features to facilitate more effective comparison of 'like with like', and thereby be more targeted and effective in identifying feasible options for moving forward.

Section III explores how the typology can be used to identify a match between country characteristics and four distinct approaches to governance reform: comprehensive efforts to strengthen core public management systems; more targeted efforts that focus on specific public sector functions, sectors, agencies or locales; multi-stakeholder approaches; and initiatives focused on strengthening checks and balances institutions. The aim is not to prescribe some mechanical formula, but to provide a platform for subsequent learning. Section IV concludes

with some brief reflections on the relation between the approach laid out here and other, related efforts to develop alternatives to 'best practices' thinking.

II: Constructing the Typology

Any typology is, by definition, a conceptual construct; typologies use 'ideal types' to bring analytical order to messy, multi-faceted reality. What framework is both as simple as possible, and capable of capturing the core complexities of the problem at hand? If the distinctions are made too finely, then the framework is more likely to obscure, to be weighed down by the burden of excess analytical complexity, than to shed light. But with too few distinctions, the effort to bring analytical order will end up with unhelpful, cartoonish oversimplifications. The aim is to delineate a small number of 'ideal types' which are each very different from one another, with each capturing a distinctive set of characteristics which resonate with a subset of actual country cases -- and which, considered together, delineate a spectrum of patterns along which most real-world examples could fairly straightforwardly be aligned.

Overview of the typology. Figure 1 below uses four concepts to distinguish among six very different country types. Each of the concepts is further elaborated in the subsections immediately below, with reference to relevant foundational literature.

Two of the six – conflict (cell #1) and sustainable democracy (cell #6) -- are not the focus of the present effort. This paper does not aim to address the challenges of countries that are failing to develop because they are trapped in endemic, violent conflict -- although for many countries how to escape the trap of such conflict is, of course, a central, ongoing challenge. And countries that have successfully built a platform of sustainable democracy generally will already have gotten beyond the development challenges with which we are concerned here.

FIGURE 1 (IN WORD AT END OF DOCUMENT) ABOUT HERE

The four middle cells are of direct interest. As detailed further below, these cells utilize distinctions between dominant and competitive political settlements, and between personalized and impersonal institutions to distinguish between four very different ideal-typical, country-level patterns:

- *Dominant discretionary* (cell #2), where strong political leadership (perhaps military, perhaps civilian; perhaps organized around a political party, perhaps a charismatic individual) has successfully consolidated its grip on power, but formal institutions remain weak, so rule is personalized.
- *Rule-by-law dominant* (cell#4), where institutions are more impersonal, but political control remains monopolized.
- *Personalized-competitive* (cell #3), where politics is competitive, but the rules of the game governing both the polity and the economy remain personalized. And
- *Rule-of-law competitive* (cell #5), where the political and economic rules have become more impersonal – though some other necessary aspects of democratic sustainability have not yet been achieved.

Each of these four patterns comprises a distinctive platform for governance reform (and for development policymaking more broadly) -- with distinctive incentives for the participants, distinctive constraints and risks, and distinctive frontier challenges. As Section III details, careful attention to these incentives and constraints provides a way of identifying specific policy and governance reforms which potentially are both worthwhile and feasible, given country-specific institutional realities.

Political settlements. Khan (2010) defines a political settlement as the set of institutional arrangements through which a country addresses the most fundamental of governance challenges -- restraining violence.[ii] Two basic types of political settlement can be distinguished. The two have very different relationships between the rulers and the ruled, and thus very different ways of assuring stability.

The first type of settlement concentrates power in the hands of a dominant party or political leader. For settlements of this type, the disparity between the power of the rulers and the opponents is very large. The rulers' grasp on power is strong in the sense that it would take an extraordinary level of commitment by the opponents to mount a credible challenge to the status quo. Barring extreme levels of dissatisfaction – extremes which history shows us are, on occasion reached -- there is thus an 'equilibrium' in which the political leadership can govern as a 'principal', and engage others in the country as 'agents' (or subjects).

The second, contrasting, settlement is 'competitive' – organized around a 'truce' in which rival forces agree on peaceful rules for political competition. Here, the disparity in violence potential between the rulers and their opponents is much narrower than in the dominant settlement. For example, the ruling party might be faction-ridden, and excluded factions might also be strong -- so it would take a much lower level of commitment for opponents to mount a credible challenge to the status quo. To maintain stability, rulers would thus need to respect the 'rules of the game which provided the basis for the competitive settlement. This settlement thus is less one between a principal and its agents, and more in the nature of a negotiated agreement between principals.

Institutions. The distinction between 'dominant' (or 'hierarchical') and 'competitive' (or 'negotiated') regimes takes us part of the way to where we want to go But it needs to be complemented with insight into what distinguishes early from later-stages. This brings us to the analyses of institutions, of the 'rules of the game' (the mechanisms for rulemaking, monitoring and enforcement).

North et al. (2009) explore in depth the distinction between personalized and impersonal institutions. Both personalized and impersonal institutions, they underscore, are built around rules, monitoring and enforcement. But where institutions are personalized, the rules (and their monitoring and enforcement arrangements) are built around the specific identities of the parties involved. By contrast, impersonal institutions are codified in formal written law, and responsibility for monitoring, adjudication and enforcement is assigned to an impartial, formal third party organization dedicated to this task (e.g. the judiciary in constitutional democracies).

Impersonal institutions cannot be engineered on the basis of some pre-specified blueprint. As North et al. (2009) argue[iii], the evolution from personalized to impersonal relationships is a long

process of development. Efforts to transplant institutions from high-income to low-income societies to are unlikely to be effective. Indeed, such efforts risk undermining institutional arrangements which help maintain political stability, and so can end up making a country significantly worse off.

Looking across countries and over times there is thus a spectrum encompassing the range of institutional forms -- personalized, impersonal and in-between. This spectrum is evident across a variety of specific sets of institutions and organizations. Five sets in particular, grouped into two broad categories, are especially relevant for work on governance. They are:

- The extent to which the *public bureaucracy* – both the 'central bureaucracy' and front-line executive agencies -- functions in an ad hoc, personalized way or according to impersonal rules.
- The extent to which impersonal *checks and balances* (sometimes described as non-executive institutions of accountability) constrain arbitrary action by the political leadership and the bureaucracies. Within this broad category are:
    - The extent to which *the rule of law* functions as an impartial, third party mechanism for resolving disputes between public and private parties, within the state (or, for that matter, disputes among private parties);
    - The extent to which *political parties* become formalized, and organized around programmatic platforms rather than the conferral of patronage to insider clients.
    - The quality of *elections* – that is the extent to which they are competitive, free and fair; and
    - The extent of *openness*—i.e.,the presence of rules (for example on freedom of information) and actors (such as the media) that ensure the open operation of civil society, and the transparent flow of information.

Taken together, the functioning of these institutions shape the incentives and behavior of a country's political and economic actors.

Rents. The concept of rents helps clarify how the differences between personalized and impersonal institutions translate into different patterns of incentives and constraints across the country types.[iv] In all economic systems built around individual incentives, rents – defined as returns which exceed the opportunity cost of resources which might otherwise be deployed in a competitive market – are ubiquitous, and are the driving motive force which moves economies forward. But as North et. al. (2009) and Keefer and Khemani (2005) highlight, the roles played by rents are very different in settings where institutions are personalized, and settings where they are impersonal, and the rules of the game are competitive.

In settings where institutions are impersonal, rents are accessed on the basis of initiative and talent (and differential access to the human and financial capital which can be key to transforming initiative and talent into action……). The potential to earn returns to innovation spurs productivity -- and then competition, as new actors seek to participate in markets which offer opportunities for high profit. Over the longer-run, competition bids away the rents-- this is the ongoing process of 'creative destruction' that drives a market economy forward.[v] (Note that a parallel process of 'creative destruction' can play out in the political realm – where returns come from innovative ideas for political action, and the test of success is the ability to win votes.)

In personalized settings, by contrast, the discretionary allocation of rents comprises the currency of politics. Rents can take the form of the allocation of access to natural resources, of access to public jobs and procurement contracts, or the conferral of privilege through restrictive economic policies. In settings where impersonal institutions have not yet taken hold, the discretionary conferral, and threat of withdrawal, of access to these rents is the glue around which the polity is organized.

In some settings, a personalized polity can be wholly predatory, with personal enrichment of the powerful the sole function of rent allocation. In other settings, though, the discretionary conferral and withdrawal of rents comprises the platform of stability on which development can move forward. In these latter settings, as North et. al. (2009) emphasized, a premature effort to replace personalized arrangements with unworkable, impersonal rules of the game risks derailing the development endeavor as a whole.

Inclusion, inequality and legitimacy. While impersonal institutions and competitive politics are necessary for democracy to be sustainable, they are not sufficient. Without broad acceptance by society, institutional arrangements are unlikely to be stable over the long-run. Some countries may indeed be able to transition from a rule-by-law dominant political settlement (cell #4 in Figure 1) to sustainable democracy (cell #6). But where inclusion has not yet been adequately consolidated, a move to democracy takes a country from cell #4 to cell #5, rather than cell #6.

Whether a country moves forward from cell #5 toward sustainable democracy, or backward toward more personalized institutions is likely to depend importantly on how effectively the challenges of legitimacy and inclusion are met. This involves three distinct aspects.

First is the expansion of the middle class which has as a long history in social science literature, as a key driver and buttress of democracy; classic contributions include Moore (1966) and Huntington (1968). To cite one recent example, Acemoglu and Robinson (2012) define economic inclusion in a relatively narrow way that puts the growth of the middle class at the center of their framework. By their definition, economic inclusion concerns the pattern of growth – the presence of competitive markets, and the extent to which growth is employment-creating, and is accompanied by opportunities for accumulation of capital (including, importantly, human capital) across a broad swathe of society.

Second is inequality. A voluminous literature suggests that, working through multiple direct and indirect channels, higher levels of inequality can both slow the rate of economic growth, and can inhibit the emergence of inclusive political and economic institutions.[vi]

Third is legitimacy. In a textbook definition, legitimacy "involves the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate and proper ones for the society".[vii] Along similar lines, Francis Fukuyama (2012) suggests that political power ultimately is based on social cohesion – that a society's citizens recognize the fundamental justice of the system as a whole, and so are willing to abide by its rules.

Without attention to these underlying structural variables, efforts to improve public sector performance and strengthen governance are unlikely to yield sustainable results over the long-term. Further, where challenges of equity and inclusion remain unaddressed, the risks could rise over time that earlier governance gains might be reversed.

Fitting countries into 'typology space'. How can a typology organized around a small number of 'ideal types' be practically useful? Key to making the bridge between theory and application is recognition that the variables around which the typology is organized are continuous. This recognition has implications as to how the typology can be used.

Considered as a snapshot of governance patterns prevailing at a specific moment in time, some countries align quite well with the individual ideal-typical patterns. Figure 2 illustrates with five examples, each of which is explored in detail in Levy, (2014)

- Korea in the 1960s and 1970s is a vivid example of the dominant discretionary (and developmental) type, with General Park using top-down discretionary authority to reshape both the bureaucracy and business-government relations in a developmental direction. Ethiopia under Meles Zenawi (and after his death under the collective leadership of the Ethiopian Peoples Revolutionary Democratic Frond) is a more contemporary example. But note that Robert Mugabe's Zimbabwe and Ferdinand Marcos's Philippines also are examples of a dominant discretionary (but not developmental!) type.
- Bangladesh and Zambia in the decades following their transitions in the early 1990s to multi-party democracies exemplify personalized competition in action. Both countries have been characterized by competitive politics, personalized rules of the game and associated high levels of corruption – and also (especially in the case of Bangladesh) sustained, and quite rapid and broad-based economic growth.
- South Africa, following its transition to democracy in 1994, offers a vivid example of a 'rule-of-law-competitive' country. Government indicators (on which more below) suggest that at the outset of democracy, its formal institutions were much stronger than those of other middle-income countries. But its inequality was also much higher (and was strongly associated with a legacy of racist, apartheid rule). Subsequent decades have witnessed a corrosion of institutional quality, with strong indications that this is causally related to continuing unresolved challenges of inclusion and legitimacy.[viii]

For many other countries, rather than trying to force a fit into one of the types, it may be more useful to characterize the prevailing governance pattern as a weighted average – with variations across countries in the relative weights of each of the patterns of incentive and constraint highlighted by the typology.

FIGURE 2 (AT END OF DOCUMENT) ABOUT HERE

Figure 2 also uses the examples of Korea (from the 1970s onwards) and the United States Progressive Era (1880s-1920s) to characterize some longer-term patterns.[ix] It would be comforting to be able to argue that each cell was qualitatively different from the other, and that irreversible 'lock-in' points could be identified. However the empirical track record suggests that a more continuous pattern of change – including a variety of distinctive patterns of leads and lags, and the risk of reversal – offers a better depiction of reality:[x] In Korea, sustained, rapid economic growth led to an increasingly complex economy, a rapidly growing middle class, and (spurred in part by middle class pressure) a democratic 'moment' in 1987 – with a consolidation

of impersonal rules over the subsequent decade. For the United States, as Carpenter (2001) details, a combination of sustained efforts by individual public officials, coalitions with civil society organizations, and the legislative reform of the 1883 (with step-by-step expansion of its reach over a subsequent thirty-year period) resulted in a gradual transformation from an overwhelmingly patronage to an increasingly rule bound public sector

Framing the typology in terms of a set of continuous variables also provides a useful bridge to measurement. While governance is notoriously difficult to measure, a variety of indicators are available, each of which measures a different aspect. These measures generally take the form either of specific point estimates along a continuous scale, or of ordinal measures (with the latter often based on expert assessments). But regardless of the specifics of each measure, governance quality generally is viewed as a matter of 'greater or lesser', rather than 'yes or 'no'.. Levy (2014; chapter 7) includes an extensive discussion of governance indicators – and illustrates how specific measures can be used to locate countries along each of the dominant/competitive, personalized/impersonal ("rule of law") and bureaucratic capability spectrums.

III: Prioritizing and Sequencing Governance Reform

To get from the typology laid out in Section II to a "good fit" framework for prioritizing and sequencing governance reform, we need to complement the distinction among country-types with a parallel set of distinctions between different types of governance reform. Table 1 unbundles potential governance interventions across two dimensions: whether the approach is comprehensive or incremental; and whether the focus is on hierarchical ("principal-agent") or horizontal ("principal-principal") improvements:

- The top row of the table highlights two types of comprehensive reforms: hierarchical reforms which focus on system-wide strengthening of the public bureaucracy; and horizontal reforms which focus on strengthening checks and balances institutions (targeting improvements in electoral systems, and in the capabilities of the judiciary, parliament and other non-executive institutions of accountability).
- The bottom row highlights two types of incremental reforms: narrowly-focused hierarchical reforms to improve specific aspects of public management; and principal-principal reforms which seek to achieve focused gains by fostering engagement with multiple stakeholders with the incentive and influence to support reform.

TABLE 1 (AT END OF DOCUMENT) ABOUT HERE

Table 2 brings together the alternative approaches to reform and the distinctive country contexts identified in the Section II typology. The table suggests a series of 'good fit' hypotheses as to the conditions under which three of the four approaches are likely to be effective. Each is considered in turn. (Reforms to strengthen checks and balances institutions are considered separately at the end of this section.)

TABLE 2 (AT END OF DOCUMENT) ABOUT HERE

Consider first the hypotheses as to the contexts in which comprehensive public management reform will be effective. Comprehensive public management reforms comprise the classic menu laid out by the German sociologist Max Weber in his description of the core elements of a 'rational' ('Weberian') bureaucracy. These included: an explicit division of labor among different parts of the bureaucracy; a hierarchical structure; rule-governed decision-making; meritocratic recruitment; and a predictable, long-term career ladder for staff within the bureaucracy. The challenge of improving bureaucratic performance often is conceived as principally a capacity-building, managerial one – namely to strengthen the skills of public employees, to re-engineer public systems to make them more efficient, and to stamp out fraud, waste and abuse. Donors have supported very extensive programs of public sector capacity building -- some focus on strengthening 'core of government' public financial and administrative management systems, others more on building sector-level capacity. (Viewed from the perspective of this paper, the longstanding debate between protagonists of 'getting the basics' right first versus champions of more results-driven 'new public management' is not of central relevance.)

Once one looks beyond a narrow capacity-building and managerial lens, and focuses more broadly on the incentives and constraints of political and bureaucratic actors, it quickly becomes evident that the potential for success of comprehensive public management reforms depends on context. The first column of Table 2 points to two sets of contexts in which comprehensive public management reforms might succeed:

- In competitive settings, comprehensive public management reforms can be effective where (as per the 'sustainable democracy' cell #6 in Figure 1) political competition is between programmatically-oriented political parties, which differ in the details of their platforms, but have a shared incentive to have a capable public sector in place.[xi] But this basis for political competition generally comes only when institutional arrangements are impersonal – quite prevalent among more later-stage countries, but less likely among early-stage personalized-competitive countries.
- In dominant settings, the effectiveness of comprehensive public management reform efforts is hypothesized to depend on the extent to which political leaders are developmentally-oriented (this, of course, varies widely from one leader to another) and the extent to which the leadership has an unequivocal hold on power. Where these are present, the opportunities for ambitious public management reforms gaining traction are good. But where these are weaker,, efforts at comprehensive public management reform are unlikely to get much traction.

By contrast, in more personalized settings, there is little prospect of comprehensive reforms gaining traction – both because the reforms reduce opportunities for discretion in hiring decisions, and sometimesbecause of a lack of consistent leadership with a longer-term orientation. In such settings, a pre-occupation with comprehensive public management reform initiatives has a high risk of being counterproductive –distracting attention from more achievable goals, only to be abandoned before anything has actually been achieved.

The second column of Table 2 points to a variety of settings where targeted, incremental approaches might have the potential to gain traction, even though comprehensive public management reforms are unlikely to be effective. The underlying hypothesis here is that even in difficult governance settings narrow reforms can be carefully designed to align reform approach

and stakeholder incentives – crowding-in stakeholders with a stake in reform (more on this below), and avoiding actions which risk antagonizing powerful actors with a stake in the status quo. Examples of how incremental approaches might work include:

- Focusing sectorally to get early results, without waiting for broader reforms of core public management systems. This can be especially crucial in early-stage settings where the most effective ways for leaders to deliver often can be to use their discretionary authority, bypassing whatever formal processes may be in place, and recruiting trusted associates who they are confident have the skills and commitment to deliver.[xii]
- Giving early priority to a few core systems which enable sector-level initiatives to move forward – policy processes for identifying a few key priorities, and for getting resources to their champions, plus some initial steps in the ongoing long-term effort to put in place a robust system of financial controls.
- Initiating targeted efforts to introduce merit-based approaches to the management of a modest number of relatively senior civil service positions – thereby beginning to build a cadre of public officials with the skills, incentive and commitment to sustain the development agenda over the longer-term, through the vicissitudes of political changes,. but without confronting directly the use by political leaders of patronage to reward allies and buy-off potential opponents.[xiii]

The third column of Table 2 explores the potential for multi-stakeholder initiatives to add value across different country contexts. Multi-stakeholder initiatives bring to center stage the participatory engagement of non-governmental as well as governmental stakeholders in the (micro-level) processes of formulating the relevant rules and policies, and assuring their implementation. Stakeholders can be engaged in a variety of different ways to directly[xiv] improve service provision in difficult governance settings. These include:

- Transparency and participatory approaches to the governance and monitoring of service provision. Transparency and participation potentially can be used to support public sector efforts to provide services –by crowding-in stakeholders who can help build a coalition capable of trumping predatory efforts to capture public resources for private purposes.
- 'Parallel' arrangements for providing serviced provision in settings where public management capacity is especially weak. While such mechanisms often are criticized for undercutting efforts to build public sector capacity, both the evidence and the logic of the argument are more ambiguous than critics suggest.
- Drawing in stakeholders from outside the country-- via global and regional commitment mechanisms as another way of filling the gap that comes from weak early-stage institutions.

Participatory and transparency initiatives potentially can add value at multiple levels of the public sector. One common approach is to focus on their potential influence at the service provision frontline (the so-called "short-route" of accountability), and recent research has led to increasing skepticism as to whether, given the relative political weakness of users of services, this can be effective.[xv] But as Levy and Walton (2013) explore in depth, a focus on the 'short route' offered a very constricted view of the range of alternatives to top-down technocratic reforms: Focusing primarily on two polar patterns – a hierarchical long-route, and a front-line short route -- deflects attention from the vast spaces in the middle: the many layers within a

specific sector in-between the top-levels of policymaking and the service provision front-line; and the many countries where governance falls well short of 'good', but is better than disastrous.

Viewed through the lens of multi-stakeholder governance these in-between spaces are where many opportunities for building coalitions capable of achieving gains in performance potentially are to be found. Decisions at all levels potentially are populated with multiple interested stakeholders. Some are protagonists of the development purpose; others are predators who seek to capture for their own private purposes what the protagonists are seeking to build. The former can trump the latter as long as they incorporate participants with both a strong incentive to see results, and good political connections. Hence the hypotheses in the last column of Table 2 that, in all but the most predatory of settings, multistakeholder approaches have real potential to improve public service provision.

Turning to checks and balances institutions -- the fourth approach to governance reform identified in Table 1 (but not included in Table 2), here principal goal of reform is to provide credible commitment – assurance to citizens and firms that promises made by government (and restraints on arbitrary action more broadly) will be honored into the future. The long-run task is to enshrine commitments into laws, enforceable by an impartial judiciary, and supported by other arms-length institutions of accountability (for example, supreme audit agencies tasked with overseeing and reporting publicly on the quality of public spending).

However, in many early-stage settings, credible commitments are anchored in personalized institutional arrangements. The incentives to move from these to an impartial, capable judiciary generally only become strong quite late in the development process – only once contending elites conclude that it is in their interests to abide by impartial third-party dispute resolution, rather than try to impose their will directly. What early-stage governance reforms can help facilitate a shift to more impersonal checks and balances institutions?

For countries developing along the competitive trajectory the early-stage reform priorities for strengthening checks and balances institutions are clear, though not necessarily easy to implement. Key priorities are:

- credible electoral competition as a way of assuring powerful groupings outside the circle of power that they have the potential to become insiders – it is fundamental to the stability of the system, and needs priority attention from the first.
- Support for press freedom, for access to information, and media capacity building as signals of commitment to the type of political and civic discourse which must be nurtured if a country is to thrive along the competitive trajectory.

But note that, even within the competitive group of countries, there is a need for differentiation. Reforms to foster openness will work best in settings where a baseline of political stability has been achieved. In more fragile settings, a determined commitment to openness runs the risk of bringing more contestation and conflict into the system than its weak institutions can bear.

How can countries developing along the dominant trajectory consolidate credibility over the long haul? This challenge goes to the heart of how their political regime is organized. In the near term, their principal source of credibility comes from consistent leadership – consistency in how the public sector performs, in the honoring of agreements, and in attention to the concerns of

stakeholders (including private sector stakeholders) outside the immediate inner circle of power. But leaders can change. One way of trying to sustain credibility is to do 'more of the same, only better' – to strive (a la, say, Singapore) through continual improvement to be on the global cutting edge in providing a world class business environment. The dilemma, though, is that this does not reckon with broader challenges of legitimacy. Whether, when, and to what extent countries along the dominant trajectory should pro-actively invest in checks and balances institutions is a question which goes far beyond the scope of this paper.

IV: Concluding Reflections

This paper falls within a recent stream of literature that explores practical alternatives to 'blueprint, best-practices' approaches to governance reform. (Andrews, 2013; Unsworth, 2010; Booth and Cammack 2013; Hausmann, Rodrik and Velasco, 2008). While these analyses vary in their details, all share the following features in common:

- An insistence that the appropriate point of departure for engagement is with the way things actually are on the ground -- not some normative vision of how they should be;
- A focus on working to solve very specific development problems – moving away from a pre-occupation with longer-term reforms of broader systems and processes, where results are long in coming and hard to discern, and where the temptation to be pre-occupied with reforms which change 'form', without changing anything of substance is correspondingly large;[xvi]
- An emphasis on ongoing learning – in recognition that no blueprint can adequately capture the complex reality of a specific setting, and thus that implementation must inevitably involve a process of iterative adaptation.

As part of this broader array of efforts, this paper lays out a "good fit" framework for governance reform. The intent is not to prescribe some mechanical formula, but rather to lay out a "good fit" framework capable of providing a platform for subsequent learning -- an initial orienting framework that can serve as a guide for helping to identify which of a broad array of alternative interventions potentially are most relevant as points of departure, across a parsimonious set of divergent country settings.

All of the recent contributions (including the approach laid out here) contrast starkly with maximalist assertions that the full set of 'good governance' reforms is necessary for development. If the only available actions and outcomes are 'all' or 'nothing', then efforts at change will almost certainly fall short, leading to disillusion and despair. The great twentieth century development economist Albert Hirschman challenged this maximalist way of approaching policy. His purpose, he said, was to "move public discourse beyond extreme, intransigent postures". Rather, the "fundamental bent" of his writing was "to set the stage for conceptions of change to which the inventiveness of history and a 'passion for the possible' are admitted as vital actors", even in the face of formidable obstacles. The emerging approaches (including this paper) draw on the spirit of Hirschman. The aim is to encourage the exploration of possibilities that respond creatively to the governance ambiguities of our early 21st century world – and in so doing to sustain, even in the face of formidable obstacles, Hirschman's 'bias for hope'.[xvii]

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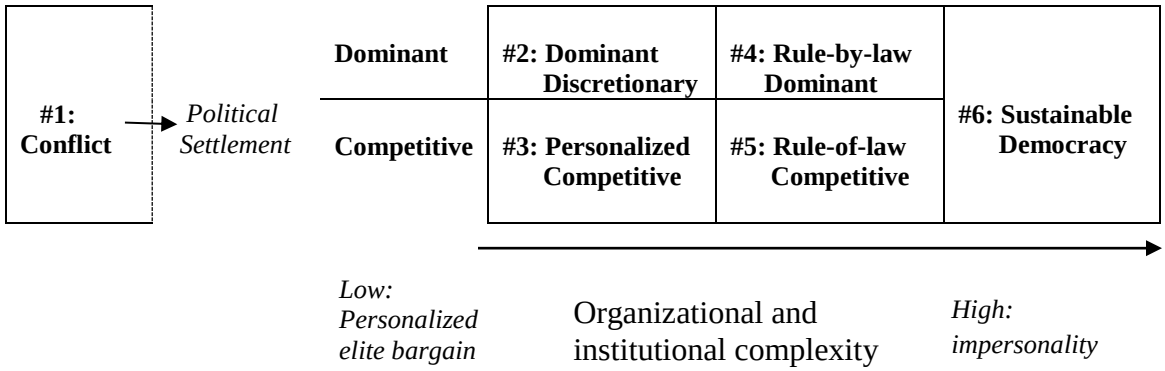
FIGURES AND TABLES

Figure 1: A Development Typology



Source: Levy (2014).

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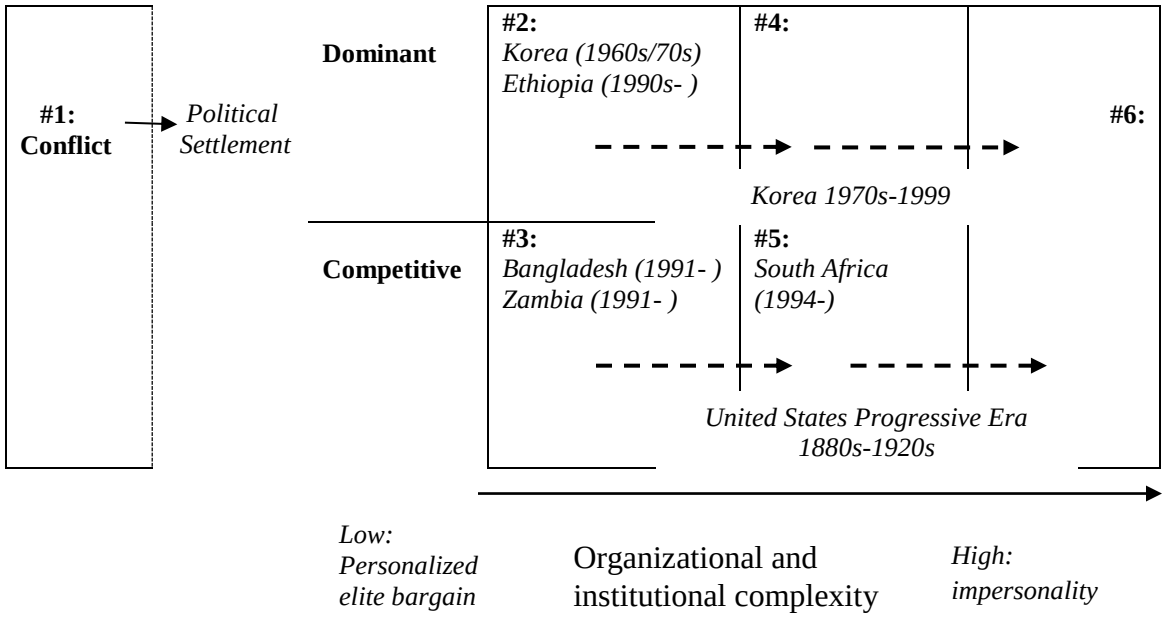
Figure 2: Fitting the Typology – Illustrative Countries



Source: Levy (2014).

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Table 1: Addressing governance constraints – four approaches to reform

	Hierarchical ("principal-agent")	**Horizontal** ("principal-principal")
Comprehensive	System-wide public management reform	Strengthen checks and balances institutions
Incremental	Targeted improvements in public management (specific functions, sectors, agencies- or locales)	Strengthen multi-stakeholder governance

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TABLE 2 OVERLEAF

Table 2: A 'good fit' approach to public sector reform

Country types	***Approach to public sector reform***		
	Principal-agent		***Multiple principals***
	Comprehensive public management reform	*Incremental public management improvements*	*Multi-stakeholder governance*
Sustainable democracy	Good performance if consensus on agenda across political parties	Good performance if political mandate for targeted reform	Could add value if it helps resolve principal-agent problems
Personalized competitive	Poor performance • multiple principals with lack of clarity on goals; • high risk of capture by managers/staff	Some potential, if combined with multi-stakeholder engagement	Good potential if developmental influence networks stronger than predators.
Dominant, developmental	Good performance if sustained leadership commitment to agenda	Good performance if political mandate for targeted reform	Could add value if it helps resolve principal-agent problems
Dominant patrimonial	Poor performance insofar as it reduces opportunities for public employment patronage		
Dominant, predatory	Capture by predatory principal		Unlikely to be effective as countervailing power to predator

Source: Adapted from Brian Levy and Michael Walton (2013)

[i] A fuller treatment of the arguments made in this article can be found in Levy, 2014.

[ii] More precisely, according to Khan (2010) a political settlement emerges when (i) the distribution of benefits supported by its institutions is consistent with the distribution of power in society and (ii) the economic and political outcome of these institutions are sustainable over time". North, Wallis and Weingast (2009) use the terminology of a 'fragile limited access order' to explore a similar issue.

[iii] North et. al (2009), pp. 32; 264-5

[iv] For applications of the concept of rents by economists to analysis of the interactions between economics and politics, see Khan and Jomo (2000); Krueger (1974); and Bhagwati (1982). For applications by political scientists, see Clapham (1985); Lewis (1996); Bratton and van der Walle (1997); and Mkandawire (2001).

[v] For a classic statement of this process of creative destruction, see Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Brothers, 1942).

[vi] For a comprehensive review, see World Bank, *Equity and Development*, World Development Report 2006, (Washington DC: World Bank and Oxford University Press, 2005), especially pp. 101-44.

[vii] Seymour Martin Lipset, *Political Man: The Social Bases of Politics*, 2nd edition (London: Heinemann, 1983), p.64

[viii] For a recent analysis that elaborates this argument, see Levy, Hirsch and Woolard, 2015.

[ix] Levy, 2014 provides a summary overview of each. You, 2013 carefully examines the leads and lags in the emergence of Korea's impersonal institutions. Carpenter, 2001 explores the incremental processes through which the United States bureaucracy moved from a personalized, patronage to impersonal mode of organization.

[x] North et. al. (2009) attempt an argument along these lines, via the identification of a set of 'doorstep conditions' (rule of law among elites; perpetually-lived organizations; consolidated control of the military) which they suggest provide a platform for transition to 'open access orders'. However a careful look at country specific patterns in North et. al. 2013 did not provide support for this hypothesis.

[xi] For a statement of this argument, Geddes, 1994.

[xii] For this point, see Grindle, 2013.

[xiii] For some examples of this approach in practice, see Srivastava and Larizza. 2013; and Reid, 2005.

[xiv] Note that another approach to multistakeholder engagement, not a focus of the present paper, is via strengthening the so-called 'voice' chain in the long-route of accountability through which citizens hold politicians to account.

[xv] The 'short route'/'long route' framework for public service provision was introduced in World Bank, 2004. For one critique of the efficacy of the short-route, see Mansuri and Rao, 2013.

[xvi] Andrews uses the term 'isomorphic mimicry' to describe this pre-occupation with form over substance.

[xvii] The quotations are from Hirschman AO, 1971, pp. 28; 37 and Hirschman AO 1991, pp. 167-170.