



WORLD BANK GROUP

Effective Public Sector Reform: What Does it Take?



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Reform in the Private vs. Public Sector

Private Sector Characteristics



Profit

Concentrated,
CEO
Performance

Turnover

Rapid

— Objective

— Leadership

— Culture —

— Staff —

— Speed —

Public Sector Characteristics

Policy

Diffuse

Inertia

Job Security

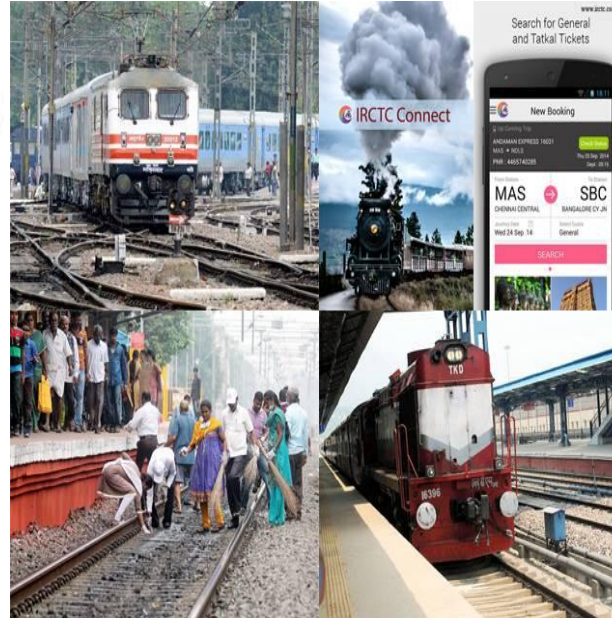
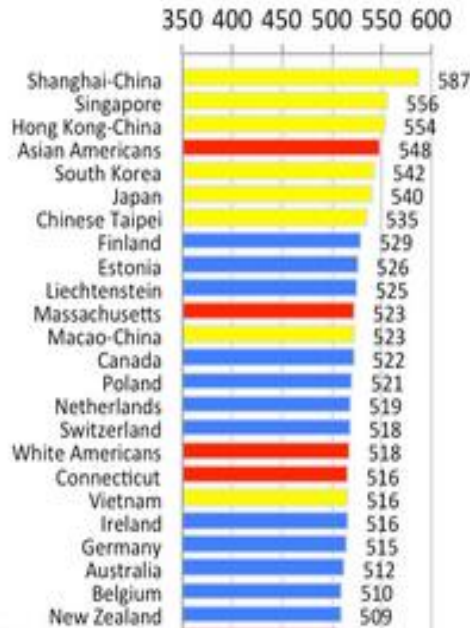
Gradual





Some Successful Public Sector Reforms

2012 PISA Overall Scores



Source: World Bank

POSTgraphics

Vietnam, education: now ranked higher than Germany in PISA tests; improvements accelerated since 2009

India: Railways. Delays, losses 10 years ago. On-time & profitable today. Development of mass rapid transit

Thailand: Doing Business. Now ranked 26 among 186 countries in Ease of Doing Business 2015, reflecting business climate reforms.



Running & reforming pensions, state-owned financial institutions: high risks, high cost of failure

PLAN COULD SAVE £38 BILLION

LOSSES on the Universal Credit scheme are a drop in the ocean compared with the potential savings if it is eventually made to work, officials say.

The National Audit Office report found that £34million of the £303million spent so far on a new IT system to run the programme had already been written off.

That figure could rise because the report warned that the IT system was still suffering from 'limited functionality'.

But the losses are only a fraction of the £2.4billion budget for implementing the scheme over

the next decade. Work and Pensions Secretary Iain Duncan Smith yesterday insisted the losses would be made up by savings from elsewhere in the budget.

And the losses pale into insignificance against the estimated £38billion in savings the scheme could produce over the next decade if it works as planned.

The Department for Work and Pensions predicts the scheme will eventually produce annual savings worth £7billion as people on benefits choose to do more work and fraud levels are slashed by the new system.





Characteristics of Successful Reforms

- Simple design
- Ownership: bringing people along
- Incentives: carrots & sticks
- SMART monitoring, evaluation, & reporting –
for learning, and for accountability & legitimacy



Characteristics of Failed Reforms

Doing the wrong thing (energy subsidies, directed credit, unfinanceable pensions, etc.), e.g. due to ...

- Populist focus on short-term benefits.
- Vested interests

Or doing the right things wrongly, e.g. due to

- Complexity
- Coercive top-down change without stakeholder buy-in
- Ambiguity of vision, goals, and roadmap
- Words without action. Lack of follow through.
- Corruption.

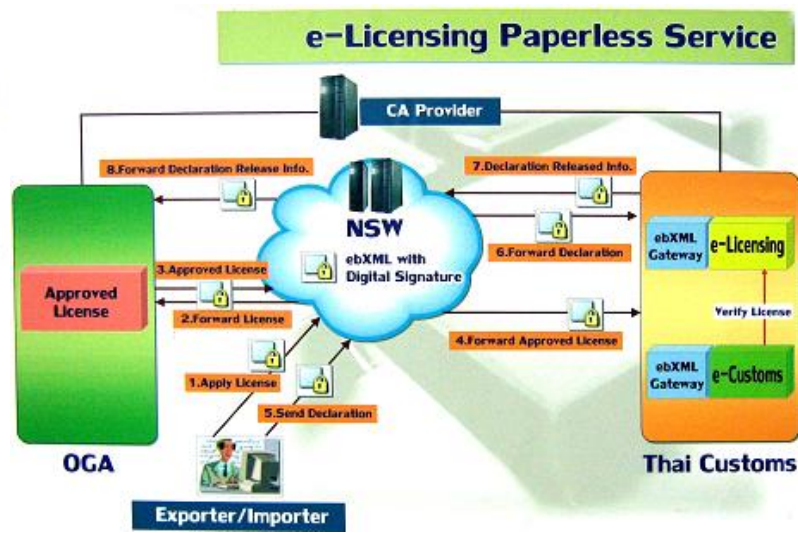
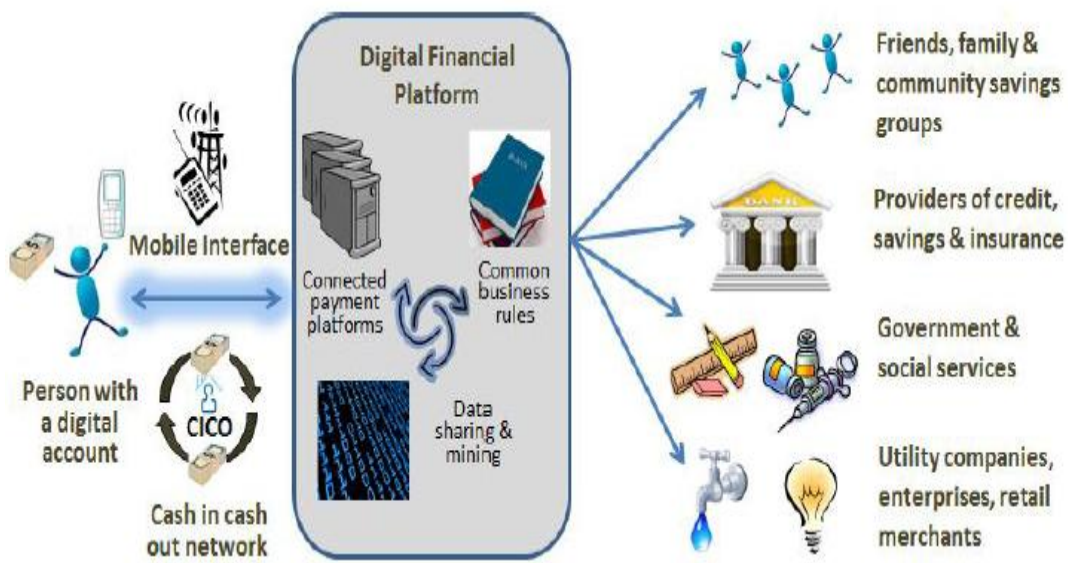


Lessons Learned

- Humility
- Keep it Simple
- Monitor results, evaluate reform performance,
LEARN, and ADAPT



In Sum: Effective Public Sector Reform is an Art, Takes Time, and has High Returns



THANK YOU



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