LSE Course DV450  
Policy, Bureaucracy and Development:  
Theory and Practice of Policy Design, Implementation and Evaluation  

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Syllabus 2016-17, Half-Unit - MT

Building an effective state is critical to promoting economic growth and development but in a sizable number of developing countries the state, and public sector in particular, fails to deliver on development. A well-functioning public sector that provides key inputs to development ultimately relies on the performance of the individuals who provide public services, the bureaucrats. Bureaucratic performance matters for development in multiple ways since development failures often happen not only because of failure to adopt policies necessary for sustained economic development but, perhaps more importantly, also because of failure to successfully implement public policies and programmes. Identifying opportunities for policy change thus requires an understanding of the internal working of the state and of bureaucratic performance.

The instructor brings to the class 15 years of experience as a bureaucrat in different policy positions and 10 years as a researcher, catalyst of other people’s research and as someone who connects research and policy worlds on growth and development. This course is intended to be a balance of theory and practice, and draws on policy questions and examples from the real world and is designed to engage development professionals and anyone interested in public policy in thinking more deeply about policy challenges and finding feasible solutions. The seminars, conducted by an experienced development specialist, are aimed at critically engaging with course material, at asking thought-provoking questions and at developing structured thinking on public policy issues. The course brings the world of practice into the world of academics and will invite guest lectures from bureaucrats and other policy actors engaged in practice.

This course uses principal-agent model as the main analytical framework along with practice to examine public policies, government performance and their impact on development outcomes. It integrates analytics and empirics with practice on public policy to encounter conventional wisdom on policy reform that include greater spending, technocratic interventions, best-practice solutions and capacity building and discusses evidence suggesting that these per se are not sufficient for improving government performance. For instance, evidence suggests that public school teachers are better trained and educated and get paid far
more than their private sector counterparts and yet perform at similar or lower levels. The course relies on credible, current evidence to provide a basis for informed discussion and to explore options for reform. This course is aimed at anyone interested in public policy, economic development, and in building more effective governments in low-income countries that are accountable to their citizens.

The course will start with an introduction to policy and bureaucracy in the developing world, discussing how thinking on bureaucracy has changed and showing how cutting-edge research is helping us gain a better understanding of how states operate and perform. The second part of the course (Weeks 2-4) deals with personnel economics and in particular with selection and incentive structures for bureaucrats. The principal-agent model is introduced and applied to explore how best to recruit, train, motivate and monitor bureaucrats. We will discuss signalling and screening models for selecting job applicants and the role of ability, personalities, motivation and contract employment. We will also examine when performance rewards improve performance, if these crowd-out intrinsic motivation and if these ever fail. Other options for improving government performance through broad motivators like improved management practices, career concerns, and rules versus discretion will also be evaluated.

Since policy formulation and implementation are embedded in politics, the third part of the course (Weeks 5-7) covers political economy of government performance and introduces the long and short routes of accountability. Given the trade-off in delegation, we will explore conditions under which politicians delegate to bureaucrats and hold them accountable for performance. We will then look at information flows and potential improvements through monitoring, and examine current evidence on conditions that enable more effective monitoring of government workers by citizens. The potential for collective action to enable citizens to mobilise for pro-poor development reforms and hold public workers and agencies to account will also be evaluated. We will then turn to the role of institution and explores when political system generates incentives for adopting and implementing better policies to promote growth and development. This section concludes by exploring policy determination and accountability failures like elite capture and looks at ways of making politics work for development.

Given that policy actors in developing countries today have growing access to new sources of evidence whose use can potentially improve policy effectiveness and development outcomes, the fourth part of the course (Weeks 8-9) covers evidence-informed policy formulation. Drawing on the latest research in the field, we will explore when policy actors can effectively use evidence to inform policy decisions. We will look at biases in policy judgements and decision-making and discuss ways of de-biasing policy decisions. The lectures and seminars will examine programme evaluation, issues in evaluating an evaluation and discuss cases where good evidence is produced, understood and acted upon to shape policy in critical ways, even in environments characterised by limited resources and weak governance. The course concludes with a discussion on creating, identifying and building on opportunities for policy change.

**Teaching**

Lectures will give students a thorough overview of the key themes and debates related to policy, bureaucracy and development, drawing on a range of theoretical and empirical materials, insights from practice and using a variety of teaching methods. Students will deepen their understanding in seminars by analysing and presenting case studies, critically evaluating literature and working through group exercises.
Evaluation

Students will be required to write two individual policy memos (15% of total mark), undertake one group project (35%) and produce one individual 4,000 word essay (50%). Policy memos will be submitted in Week 6 and Week 10. The group project will involve the analysis of case studies related to issues discussed on the module. Groups will present their findings to the class and submit a brief written report in Week 11. The deadline for the individual essay will be the first day of Lent Term.

Evaluation will also include formative assessment. Students will be required to present in at least one seminar and also be expected to write a formative policy memo which will be submitted in Week 3. Students will also be encouraged to write essay plans and discuss them with the tutors before the end of term.

Feedback will be provided on all forms of summative and formative evaluation.
Week 1: Introduction: Rethinking Policy and Bureaucracy in the Developing World

- Development and government performance
- Changing perspectives on the role of bureaucracy - beyond Weberian ideal types
- Development failures, public policy and bureaucracy – why have traditional reforms not delivered?

Core Readings:

Recommended Readings:

Additional Readings:
- Paul Collier. 2007. “The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done about it”, (Oxford University Press) [Chapters 1,5]
Weeks 2 - 4: Principal-Agent Framework and Bureaucratic Performance

Key Themes:
- Principal-Agent Model and Personnel Economics
- Selection and Recruitment:
- Signalling and screening models
- Role of ability, motivation, and personalities
- Incentive structures for bureaucratic performance
  - Performance rewards
  - Intrinsic versus extrinsic motivation
- Broad motivators:
  - Management practices
  - Career concerns

Key Questions:
- How to best recruit, motivate and train bureaucrats?
- When do performance rewards improve performance? When do they fail? Do these crowd out intrinsic motivation?
- When do non-financial rewards and broad motivators for performance work?
- What are optimal incentive structures for bureaucratic performance?

Practitioners’ Perspective:
Guest Lecture (TBD)

Core Readings:
Recommended Readings:


Additional Readings:


• Bandiera, Oriana, Michael Best, Adnan Khan and Andrea Prat. 2016. “Motivating Public Servants: Autonomy vs. Performance Pay for Public Procurement”.


**Weeks 5-7: Political Economy and Government Performance**

**Key Themes:**

- Making politics work for development and the accountability triangle
- Long and short routes of accountability
- Delegation from politicians to bureaucrats
  - Necessity and cost of delegation
  - Ex-ante and ex-post control mechanisms
- Effective monitoring of government performance
- Collective action
- Potential of CA in mobilising citizens for pro-development reform
- Logic of collective action
• Role of institutions
• Elite capture

Key Questions:
• How can politics be made to work for development?
• What constraints do political structures and processes place on bureaucracies? How can they be alleviated or overcome?
• Under what conditions can government performance be improved through top-down and bottom-up monitoring? When do ex ante and ex post control mechanisms work?
• How can collective action improve policy implementation and strengthen accountability?
• Should policy interventions take the current distribution of political power as given, or take into account elite capture?

Practitioners’ Perspective:
Guest Lecture (TBD)

Core Readings:
• Huber and Shipan. “Politics, Delegation and Bureaucracy.” Oxford Handbook of Political Economy. [Chapter 14]
• Lant Pritchett. 2011. “Isomorphic Mimicry: Can Camouflage be Sabotaged?”

Recommended Readings:

Additional Readings/References:
• Callen, Michael, Ali Cheema, Adnan Khan, Asad Liaqat, Farooq Naseer and Jacob Shapiro. 2016. “Candidate Attributes and Political Accountability”.
• IGC film: *Taxing Pakistan: How to motivate civil servants*
• IGC film: *Health Workers in Zambia*

**Weeks 8-9: Evidence-informed Policy Formulation**

**Key Themes:**

- Role of evidence in development policy
  - Potential and challenges
- Biases in policy judgments
  - De-biasing decision-making
- Programme Evaluation and evaluating an evaluation
- Promoting use of evidence in development

**Key Questions:**

- When do policy actors use evidence to inform policy decisions?
- How does policy and programme evaluation improve development outcomes?
- What are the principle challenges of policy and programme evaluation and evidence-informed policy formulation? What methods, practices and processes are required to overcome these challenges?

**Practitioners’ Perspective:**

Guest Lecture (TBD)

**Core Readings:**


**Recommended Readings:**

- *Logged On (Chapters 1-3)*
Callen, Michael, Asad Liaqat, Adnan Khan, and Asim Khwaja. 2016. “Precision versus Proximity: Evidence from Survey Experiments with Civil Servants”.

Additional Readings:

Week 10: Pro Development Change

Key Themes:
- Civil service reform
- Building effective states for development
- Exploring opportunities for change
- Identifying and mobilising reform drivers

Key Questions:
- How does pro-development policy change happen?
- What is the role for politicians, bureaucrats and civil society actors in driving change?
- What incentives are required to encourage politicians and bureaucrats to introduce and implement pro-development policy?

Core Readings:

Recommended Readings:
- IGC Evidence Paper. 2015. “State Effectiveness, Growth and Development”

Week 11: Group Student Presentations