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Reform Teams

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This Note draws especially on the preliminary findings of Alberto Criscuolo, Starting Weak, Growing Strong: Institutions to Drive High Growth *(Washington, D.C.: World Bank, forthcoming).*

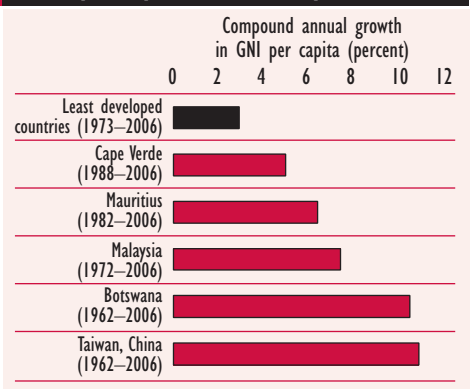
How the Most Successful Reformers Organized Themselves

What do Botswana, Cape Verde, Malaysia, Mauritius, and Taiwan (China) have in common? They belong to an exclusive group of economies that grew out of poverty in less than 30 years. They also initially relied on a small, dedicated team of experts to get the job done. These teams brought to bear world-class skills along with direct access to the top level of government and a large development budget. That combination of skills, access, and resources gave them the clout to steer an ambitious reform agenda through vested interests and layers of government.

Only a small number of developing economies have managed to grow out of poverty in one generation, sustaining GDP per capita growth at rates averaging more than 4 percent a year.[1] Achieving this economic performance required deep microeconomic reforms spanning many policy areas and industries.

How did these reformers organize themselves at the beginning of their development journey? A recent study examined that question by focusing on five cases—Botswana, Cape Verde, Malaysia, Mauritius, and Taiwan (China)—chosen because of their varied cultural and administrative heritages (ranging from strong autocratic governments to weak multiparty coalitions). These economies achieved remarkable performance despite dire starting conditions (figure 1). Botswana was the poorest country in the world in 1966, with only 22 university graduates and 12 kilometers of paved roads. Mauritius had an economy that depended almost exclusively on sugar and was

Figure 1 **Out of poverty in less than 30 years**



Note: Gross national income (GNI) per capita is calculated using the World Bank Atlas method. "Least developed countries" is a United Nations classification.
Source: World Bank 2007.

prone to violence in the decade before independence in 1968. Cape Verde had virtually no private sector and among the world's worst human development indicators in 1975.

Dedicated reform teams at the top

Remarkably, the study found that all these economies initially relied on a small, dedicated reform team that was connected to the top of government and in charge of formulating and updating the reform strategy, building consensus, coordinating and mobilizing resources for implementing the strategy, and, crucially, nurturing the reformist political leadership over time (figure 2).[2]

Malaysia's team was its Economic Planning Unit, which reported directly to the prime minister. The unit started in the early 1960s with 15 staff, half of whom were expatriates. Cape Verde relied on three returnee advisers around the prime minister (who was also the minister of planning and development assistance) in 1975. Botswana also had an Economic Planning Unit, which started in 1965 with two economists and soon became the core of the powerful Ministry of Finance and Development Planning. Taiwan (China) had the Council for U.S. Aid (created in 1948), which reported directly to the president and combined some of the economy's best engineering minds with top-notch U.S. economists.

Other star performers followed a similar approach—with Singapore relying on its Economic Development Board, Chile on its "Chicago boys," the Republic of Korea on its Economic Planning Board, and Japan on its Ministry of Trade and Industry. More recent examples include the Executive Office in Dubai and the Ministry of Reform in Georgia, which was ranked the top reformer in *Doing Business 2007* and among the top 10 in *Doing Business 2008* (World Bank and IFC 2006, 2007). According to Simeon Djankov, lead author of the *Doing Business* reports, "The Ministry of Reform . . . has a small cabinet—20 people or so—all former bankers, consultants, and lawyers. If I had to identify one organizational feature of Georgia's success (9.4 percent GDP growth in 2006), this would be it."[3]

The six key functions of reform teams

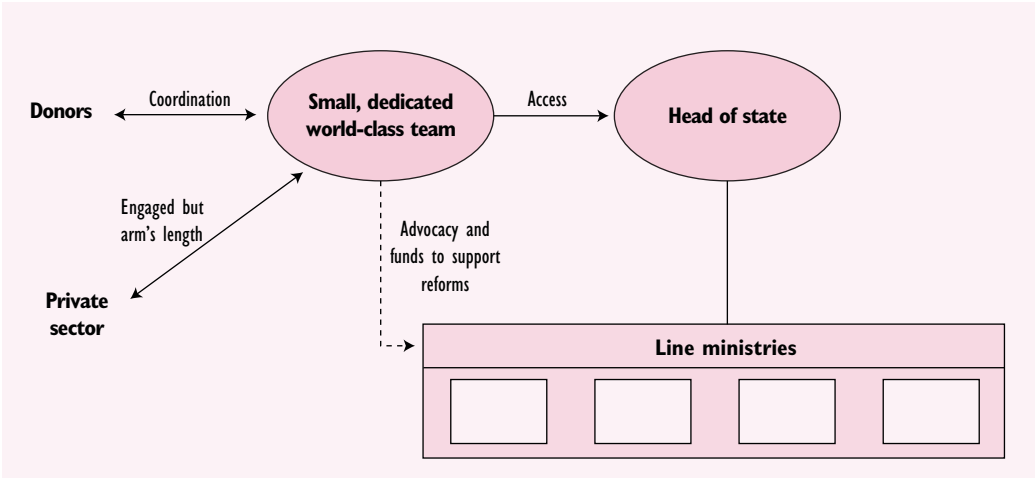
Reform teams were embedded in the policy process and at the same time relieved of daily administrative matters and one step removed from the political frontline. That was the best way to leverage scarce technocratic expertise, maximize impact on policy formulation, and perform the six key functions of these teams.

Designing development strategies

The reform teams were charged with designing comprehensive yet focused strategies, often in preparation for or soon after independence.[4] Focus was essential, since the teams lacked the capacity to fix all problems at once.

Following initial attempts at import substitu-

Figure 2 How smart governments got started



Source: Authors.

tion leading to mixed growth outcomes, all the reform teams settled on export-driven strategies focusing on the industries with the strongest export potential: mining and food processing in Botswana; tourism and fishing in Cape Verde; apparel, sugar, and tourism in Mauritius; and light manufacturing and then information and communication technology in Malaysia and Taiwan (China).

The reform teams identified key constraints and success factors by industry, such as ensuring good governance in mining and developing best-practice export processing zones for light manufacturing and information and communication technology. They also adapted the strategies to changing conditions (such as rising labor costs) and terminated bad experiments (Taiwan, China, is one of the few economies ever to abandon an ailing automotive assembly industry).

Finally, the development strategies always included a fundamental "social contract" with citizens on better health, education, and infrastructure. That not only ensured social cohesion but also aided the competitiveness of industries.

Leading the dialogue with the private sector

Economic policymaking required the reform teams to lead an intense but arm's-length relationship with the private sector. The team in Mauritius, for example, strategically engaged the sugar industry in pursuing access to international markets on favorable terms. And Botswana's initially relied on the entrepreneurial class of cattle ranchers (the "beefocracy") to advocate for an export-oriented, private sector–led strategy of modernization.

This approach required the reform teams to mix top-notch knowledge of industries with rigorous economics—a mix leading to creative and sometimes explosive tensions. One example: the legendary "showdowns" in Taiwan (China) between the Economic Research Unit and the Sectoral Planning Department of the Council for Economic Planning and Development (formerly the Council for U.S. Aid; Wade 1990).

In all cases the autonomy and apolitical nature of the teams enabled them to engage with the business community while avoiding the risks of capture by dominant interest groups—what Peter Evans (1995) would call "embedded autonomy."

Grooming political leaders

A sound development strategy is worth little if not backed by outstanding political leadership able to make tough decisions and discipline often reluctant administrations. The five reform teams benefited from plenty of outstanding political leadership. For example, Botswana's first president laid the groundwork for sound mining policies when he gave up the mining rights of his own tribe (through the historic Mines and Mineral Act of 1967) to the benefit of the national government.

At the same time the continual and almost symbiotic engagement of reform teams with top political figures helped groom several generations of political leaders. The second chairman of the Council for U.S. Aid, C. Y. Yen, later became president of Taiwan (China) (Wade 1990). Pedro Pires, the team leader in Cape Verde in 1975, is now the president of the country. Botswana's second president, Quett Masire, had been in charge of the Economic Planning Unit for 14 years, and its third, Festus Mogae, had been head of the Ministry of Finance and Development Planning for 5 years.

Leading critical policy negotiations

The reform teams brought unique skills and expertise to bear in key negotiations. These included negotiations with foreign companies on mining concessions in Botswana and with large U.S. electronics companies on the acquisition of technology licenses in Taiwan (China)—and negotiations on access to the European market and on more flexible labor rules for exporting companies, both in Mauritius.

Mobilizing and allocating resources

The teams played a key part in mobilizing resources for implementing strategies, particularly by coordinating donor support. In Taiwan (China) the Council for U.S. Aid managed U.S. aid flows. Malaysia's Economic Planning Unit was in charge of the development budget, which amounted to a third of the national budget. Cape Verde's Ministry of Planning was in charge of mobilizing donor support. One trick it used was to set up competition between donors by assigning each an island. Similarly, Botswana's

Ministry of Finance and Development Planning put donors in charge of the performance of different industries—for example, Canada for mining and the United Kingdom for agriculture.

Compelling the administration to act

These central, dedicated reform teams were in an ideal position to monitor progress and suggest corrective actions to the national leadership. Indeed, their unique combination of monitoring capacity and access to the top (the stick) and financial and technical resources (the carrot) enabled them to compel the administration to act. They also experimented with different organizational drivers, such as expatriates embedded in line positions (Botswana), cross-departmental task forces (Taiwan, China), staff exchanges (Mauritius), and tight-knit networks of policy officials (Cape Verde). Implementing agencies had little choice but to come to specific agreements with the reform teams on implementation targets, budgets, and responsibilities.

Conclusion

Dedicated, multiskilled, change management teams are common in the private sector. Companies rely on them to effect radical change, such as launching a new product or turning around a loss-making operation. Governments typically use them in times of crisis, such as during a war or after an earthquake. Most low-income countries are in a war against poverty—and need radical change in the way their government operates. Yet they rarely rely on such teams. Instead, governments' limited technical and financial resources typically are scattered thinly, with no strategic focus and little coordination. In the absence of strong government leadership, donor support typically follows the same patterns.

Understanding how reform teams operate, what drives them to perform when others have failed, and how donors can work with them is critical. Yet these questions have been largely overlooked in the development discourse. This Note is a first step toward tackling such questions, including whether the model would apply to such large economies as Brazil, China, and India. Reform teams are not the answer to all problems. But they can be a good start.

Notes

1. According to World Bank operational classifications and staff calculations, fewer than 15 economies graduated from low-income to middle-income status between 1965 and 2006.
2. The reform teams also led deliberate efforts to create capable public institutions for effectively managing economic policies.
3. Email message to authors, April 19, 2007.
4. These strategies were, for Taiwan (China), the Nineteen Points Program of Economic and Financial Reform of 1960 (Haggard and Zheng 2006); for Mauritius, the Meade Report of 1961; for Botswana, the Transitional Plan for Development of 1965; for Malaysia, the New Economic Policy of 1971; and for Cape Verde, the Emergency Recovery Plan of 1975.

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