

# Incentives and Reform in Government

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# Bureaucracy and Development

- Since the late 1980s developmental economists and related scholars have drawn attention to the importance of **bureaucracy** for economic **growth** and **development**.
- Hierarchical, merit-based organisations with appropriate insulation from politicians were deemed a precondition for **reducing corruption** and for **realising state goals**.
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# Rethinking Corruption

- New Scholarship has thrown a spanner in the works:
- Yueng Yueng An writing on China proposes that certain kinds of corruption have been highly conducive to rapid growth and development – while having long-term negative affects

See China's Gilded Cage: The Paradox of Economic Boom and Vast Corruption, University of Cambridge Press, 2020.

Yang Yao: “In the Chinese case, rampant corruption was not allowed to prevent tremendous economic growth. [...] there might be something to the argument that certain forms of corruption grease the wheel of development in the particular sectors and contracts in which it occurs”  
(GAPP, Architecture of Government conference)

# Yet in South Africa, corruption has been debilitating

- The crisis of government is so general in South Africa that its causes are unlikely local or idiosyncratic.
- There are very few public institutions that are not in distress, either wracked by internal conflict, corruption or without adequate technical staff or resources to do much more than reproduce themselves.

Why has corruption in China not  
blocked development but in  
South Africa it has?

# Meritocratic Recruitment

The Chinese central government is a **disinterested government**: an impartial government, able to remain neutral amid social and distributive conflicts, and indeed anti-populist to a fault. Elsewhere, governments are either captured by certain groups or beholden to populist impulse. Neither situation is conducive to the design and implementation of policy geared towards long-term economic growth.

# Decentralisation

- The second factor is **decentralisation** – which does not always work well everywhere but in China
  - Decentralisation provides strong incentives to local officials. In China, both revenue and expenditure are decentralised. Wholly responsible for the budgets of their towns, township governors have to work hard – and promote local economic growth – to increase revenue.



# Meritocratic Promotion

- Entry-level recruitment occurs through an annual civil servants' exam, but more important is the system of promotion. Both in government and in the CPC hierarchy, one's promotion prospects are governed by one's record of performance.

# Corrupt incentives!

- In China very low wages and professionalization **incentivize** civil servants to diligently, competently and proactively implement development projects, from which they are able to take gifts and other inducements from satisfied developers!

# In South Africa, however

- South African politicians are NoT disinterested. They meddle in operational matters.
- Civil Servants are structurally political appointments
- Civil servants are very well paid and their salaries are determined nationally in bargaining councils.
- There is no incentive or reward for them to capably implement development projects, especially those corruptly sourced.

- The challenges of government are largely political. They are not primarily caused by the low moral character of South African civil servants or by their especially low skills base.
- There are tens of thousands of capable people in departments and elsewhere in government. They should not have to suffer the slings and arrows of simplistic analysis.
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# A Fortune Cookie for South Africa...

How can we align the interests of civil servants and the developmental mandates of the departments and agencies that they serve?