Doing Development Differently: Understanding the Landscape and Implications of New Approaches to Governance and Public-sector Reforms

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Seeking to accelerate development, the agencies and individuals involved have regularly advanced new ideas of how external support can function better, deliver more, and achieve greater impact. There has been a particular flourishing of new ideas within the broad field of governance and public-sector reforms in the 2000s.

This chapter starts off with a review of the "landscape of new ideas," focusing on five proposed approaches in particular: political economy analysis (PEA), Problem-Driven Iterative Adaptation (PDIA), Doing Development Differently (DDD), Thinking and Working Politically (TWP), and the "science of delivery." It sets out the "problem-diagnostic" that underpins each of these approaches, how they overlap and differ, and what they suggest to do differently. It then turns to what the World Bank, as one particular development agency, has done over the past decade, including how teams have sought to use such new approaches in various countries. It also provides a brief reflection on the *World Development Report 2017: Governance and the Law*, which is the first *World Development Report* since 1997 to squarely focus on governance. The final section sets out some of the implications that can be drawn from the past 10 years and what the important next steps going forward are so as to make projects that support a strengthening of governance more effective.

What does the landscape of new ideas look like?

The initial movement toward new ideas for development emerged in the early 2000s in the United Kingdom (UK). It grew out of a recognition that (i) fixing the macro-economic and trade policy environment was important, but not sufficient to stimulate growth and poverty reduction, and (ii) that even though good policy and institutional prescriptions were available for a range of sectors, these were often not taken up, or were implemented in a way that did not truly lead to the expected governance improvements. The UK may have offered particularly fertile ground for engaging these ideas, given that a number of universities have substantial development policy programs, and these have, in turn, a relatively close relationship with the country's official development agency, the Department for International Development (DFID). In addition, the UK has a range of development think tanks as well as substantial policy departments in its large development charities.

As captured by Warrener (2004), tracing the emergence of the "drivers of change" (DoC) approach, an authorizing environment was provided in the late 1990s and early 2000s by the then Secretary of State for International Development, Clare Short, who felt that understanding the politics underpinning opportunities for poverty reduction was essential.[1] The agency began to hire more governance advisors as well as to develop an initial framework for looking at DoC between 2000 and 2003. The idea of this approach was to identify the underlying stakeholder incentives and other factors that lead to policies and policy implementation which go against accelerating development and poverty reduction. The general assumption was that understanding such drivers and making them more explicitly part of the process of selecting and designing development interventions would enable greater effectiveness. How exactly this would happen was not precisely articulated at this stage.

Between 2003 and 2004, about 20 DoC-type studies were carried out by different DFID country offices, including in Bangladesh, Nigeria, Colombia, Pakistan, and others across the regions (Warrener, 2004). The main focus of the studies was on the political system, the policy process, and the budgeting process, and how these facilitated or hindered efforts at poverty reduction and expanding service delivery. Corruption was a major theme in several of the studies, mainly as a driver preventing change, or undermining efforts at improvements. Most studies were carried out at least to a significant extent by external consultants, whereas some, such as the Malawi DoC analysis, were carried out by regular staff based in country offices.

Key benefits were felt to be: a greater insight into the complexity of operating environments, greater attention to elite incentives, a better understanding of why certain programs had worked or failed, and also a

1 Short held this role from 1997 to 2003.

more comprehensive way of thinking about potential future scenarios of countries over the short, medium, and long terms. A main challenge was operationalization, that is, what to do differently, how to interpret the findings in terms of implications, and how to balance insights from the analytic work with pressures to disburse funds that were being increased for many country offices (Department for International Development, 2005). A further thorny issue remained as to whether the analysis could be developed jointly with partner governments and/or with other development partners, and whether the resulting reports should be made publicly available. Around the same time, a few other development partners began experimenting with versions of PEA, including Sweden and the Netherlands (Organisation for Economic Co-operation and Development, 2005), primarily targeting country-level analysis.

A new wave of political economy work emerged in the World Bank in the late 2000s – in part stimulated by a large-scale trust fund that was provided by the UK jointly with Australia, the Netherlands, and Norway (Van Heesewijk, 2014). In earlier years, individual World Bank country teams had started undertaking or commissioning political analysis, but these efforts were very individualized and remained little-known outside the particular teams. One of the key limitations of such an approach was to have little learning across teams.

The World Bank teams that started engaging on a wider use of political economy perspectives sought to learn some of the lessons from the DoC work at DFID as well as similar frameworks used by other development partners. In doing so, they proposed the idea of "problem-driven analysis," that is, focusing the analytic effort on a particular set of questions and operational challenges from the outset, with the intention to make the resulting recommendations more directly operationally relevant and usable. Furthermore, to facilitate the exchange of ideas and experiences across teams undertaking PEA – in different sectors and regions across the Bank – a Community of Practice was established in late 2009. However, different from DFID, high-level endorsements of such a perspective and of deliberate analysis remained ambivalent.

Over the following years, more than 300 pieces of PEA were undertaken across the World Bank. Sectors included agriculture, energy, water, extractives, forestry, financial sectors, health, and education, as well as macro-fiscal management, and others. In many sectors, there are some very challenging incentive issues concerning the protection of national and public interests, such as: ensuring that power tariffs are fair but also enable investments; protecting and renewing forests in the face of the potential profits from illegal logging; recording and protecting the land rights of poorer individuals or groups; or ensuring that commercial banks are well regulated rather than allowed to extend insider loans for which repayment is not expected to be enforced. Members of political and commercial elites as well as individuals up and down the income ladder often face incentives to seek out individual income opportunities – engaging in illegal logging, seeking a favorable loan, or grabbing land – that harm collective interests. Making development interventions in these sectors even somewhat more effective is important to achieve progress on sustainable and shared prosperity.

The World Bank's 2009 Good Practice Framework recognized explicitly that PEA can target country-level dynamics as well as specific sectors and individual development interventions/projects. Especially the latter two are directly targeted at identifying what interventions are likely to be most feasible in a given context and period of time. They also seek to capture potential opportunities for "stretching" the available space for reforms, for example through understanding in greater detail the specific vision of country stakeholders for reforms (which may differ from what development agencies consider as best or standard practice), their ability to convince others about the merits of a development effort or reform, and how they can best be supported. A general guiding idea is that "first best solutions" inspired by economic or other technical theories may not work in practice in a development context, and that identifying flexible solutions is what matters most, even if they deviate from what is considered to be technically optimal.

Over time, other agencies have also developed frameworks for PEA, and/or have sought to make staff more aware of political economy risks and how these can potentially be addressed, or at least more actively taken into account. This has included the Danish International Development Agency in 2009, the German Federal Ministry for Economic Cooperation and Development (BMZ) in 2010, the European Union in 2011, the Asian Development Bank in 2011 (see Serrat, 2011), the United States Agency for International Development (USAID) in 2016, the International Monetary Fund, and others. Although this has some commentators wondering whether there are competing frameworks, there is actually a lot of commonality, and it involves tailoring a core set of ideas to the specific needs and operating models of different agencies. For example, similar to the World Bank's approach, USAID's *2016 Field Guide* to PEA emphasizes the need to pursue "problem-focused" approaches. What has varied more across agencies than the contents of these frameworks has been the specific motivations and the degree of management-level endorsements and, accordingly, subsequent efforts to actually use such approaches in seeking to adapt operational practices.

Furthermore, one key challenge for any general methodology is that it cannot be tailored to the specific set of issues and incentive problems in various sectors; this matters for making political economy perspectives readily usable by sector teams. Thus, in addition to general frameworks, there are also some sector-specific notes, albeit still only for a few sectors, such as urban water. Such tailoring to specific sectors and types of reform challenges is very important in order to further increase potential operational usefulness and ease of use. It can also involve some innovation within sectors in terms of what are assumed to be standard good practices – as these can be "too optimal" and make unrealistic assumptions about stakeholder incentives and institutional capabilities that do not hold in most low- or even in middle- (and high-) income countries.

In parallel to these efforts at making political economy operationally relevant and useful, another new approach that has emerged since the late 2000s has been Problem-Driven Iterative Adaptation. The idea was advanced by Michael Woolcock, Lant Pritchett, and Matt Andrews. The problem-diagnostic of political economy perspectives and of PDIA overlaps in some respects, but also differs in important ways. Whereas political economy perspectives emphasize that there can be powerful incentives that vitiate against making and implementing policies that promote development, PDIA emphasizes that development partners tend to impose solutions externally, and that development solutions agreed upon among local stakeholders are more likely to work. Furthermore, PDIA was developed with a more specific focus on public-sector reforms and institutional strengthening, whereas PEA has been utilized for a wide range of sectors.[2] PDIA also emphasizes the notion of "capability traps" and the idea that development partners tend to overstretch existing capabilities and, as a result, hinder rather than promote effective institutional strengthening.

As a combination of the PEA and the PDIA perspectives and insights, the proposal of Doing Development Differently emerged in 2014, being a

2 In part, PDIA also draws on the development policy thinking of the Paris Declaration of 2005, which emphasized the need for developing countries to be in the driving seat of development efforts.

synthesis of the two ideas of pursuing implementation that is politically smart as well as using iteration in identifying and pursuing solutions.[3] It also brings on board ideas of seeking rapid results – that is, small but concrete steps toward progress implemented rapidly instead of investing in big upfront plans. This approach had initially become popular in the mid-2000s as a management tool applied to development challenges (see, e.g., World Bank, 2008). As noted also by Booth, Harris, and Wild (2016), given the DDD term's attractiveness (and broadness), it is also being stretched in various directions.

The core proposals on DDD are set out by Andrews, Pritchett, Woolcock, and their collaborators across various publications (see, e.g., Andrews et al. 2012, 2016). One of their main starting points was complexity – and the need to adapt to changes that could not be foreseen at the outset of a development project. Some of these changes may be due to political developments, others because of fragile situations or because of the way any situation can evolve in unexpected ways. The PDIA approach recapitulates earlier ideas raised by the famous "political economist" Albert Hirschman from his experience of implementing projects on behalf of the World Bank in the 1950s in Latin America. Hirschman noted at the time the need for greater flexibility and for revisiting how best to approach improvements in an iterative way, rather than presuming that "what to do" could be fully specified at the outset. In recent years, the DDD approach has gradually moved toward a greater level of specification of what this could mean and how DDD proposals could be operationalized by development agencies – for example, see a recent paper proposing a move from a "Logframe" to a "Searchframe" (Andrews et al., 2016).

A year earlier, in 2013, a somewhat less well-known effort was launched as Thinking and Working Politically.[4] The main emphasis is to work in "politically smart ways" and to focus on the translation of political economy insights and to actually take different approaches. The intention is to establish TWP as an international Community of Practice across different development agencies and other stakeholders such as think tanks, academic departments, and others.

Apart from these specific efforts made within – or closely linked to – development agencies, there is a wider intellectual debate on international

3 See homepage at http://doingdevelopmentdifferently.com/
4 See homepage at https://twpcommunity.org/

development that has increasingly emphasized the need to consider political economy factors. This has included several widely read publications such as Acemoglu and Robinson's 2012 *Why Nations Fail*, various essays by Dani Rodrik, as well as Carothers and de Gramont on the "almost revolution." Courses on "Political Economy of Development" and variations thereof have been widely offered at a number of universities; research on issues such as vote-buying practices, electoral systems and their implications for policy choices, the role of information, and other issues has expanded considerably over the past decade. One major effort to review and synthesize what this literature implies for the work of development agencies is the *World Development Report 2017: Governance and the Law*, discussed further below.

A further idea – linked to the arrival of Jim Kim as the 12th President of the World Bank in 2012 – has been the "science of delivery" (Wagstaff, 2013). The problem-diagnostic of this approach – based on the healthcare sector – is that, despite a great deal of *scientific* innovation that is focused on a better understanding of the causes of diseases and better medicines, innovation with regard to supplying healthcare effectively and affordably to populations has been much more limited and uneven. Based on this problem-diagnostic, a Global Delivery Initiative (GDI) was established in 2015 as an initiative with a total of 36 partners, including bi-and multilateral development agencies as well as think tanks, NGOs, and academic institutions.[5] In terms of how to improve delivery and development effectiveness, the GDI is more of a "big-tent" initiative that has assembled a range of proposals of what to actually do differently, ranging from specific financing arrangements to community empowerment, to the use of PEA and PDIA-inspired approaches. The latter includes several of the case studies on efforts in Nigeria at innovative project design and implementation, which involved strong up-front analysis of political economy incentives and constraints as well as embedding staff with a political economy perspective and focus in the subsequent operational engagement (Hima, Santibanez, Roshan, & Lomme, 2016).

The key challenges that these interrelated approaches confront is "how to make development practice different" and to prove that doing so actually increases the development effectiveness of interventions – their ability to be well-implemented, to have a significant and sustained impact, and to

5 See homepage at http://www.globaldeliveryinitiative.org/about-us

avoid unintended consequences such as (reinforcing) elite capture. A related challenge is the fact that, in an increasingly fast-paced world of ideas and policy proposals, it can be hard to sustain the focus on any particular approach or issue long enough to actually pursue a full sequence: from conception to doing something differently, to lesson-learning about whether this worked and made a difference, and finally to potential for wider application. A set of these challenges have been aptly summarized in the book by Carothers and de Gramont (2013), *Development Aid Confronts Politics: The Almost Revolution*.

As highlighted in Carothers and de Gramont's book as well as by Booth et al. (2016), although attention to political economy factors has significantly increased in recent years, there is still a gap to more fully "doing things differently" in terms of operational approaches, both with regard to core governance and public-sector projects, and to governance aspects across a wide range of sectoral issues – from seeking to improve the design of energy subsidies to better land management and reducing absenteeism of teachers and nurses in the education and health sectors.

Doing things differently is challenging. It requires some consensus among those involved – including country stakeholders – in developing an intervention and implementing it as well as consensus about what is to be done differently; it also encapsulate the notion of continuous learning. Such consensus can be difficult to develop and sustain. This especially remains the case as long as doing so, on the one hand, runs counter to standard incentives and business processes among development agencies, and, on the other hand, as long as such concepts and ideas are not shared and discussed more widely with country stakeholders.

What has the World Bank done differently in its engagement?

As outlined in the section above, an initial key contribution of the World Bank's approach to PEA has been to emphasize a *problem-driven* perspective, that is, to focus the analytic attention on specific issues that are expected to be challenging for project design, implementation, or impact. This brings the analysis closer to potential actions that a development agency can take. This may lead to questions such as whether or not to engage in a sector at a particular point in time, for example banking-sector regulation, or whether to seek improvements in the power sector, and also how best to calibrate the engagement. Often, this involves identifying the available space for reforms and areas in which a government is truly interested in achieving progress.

Taking a problem-driven approach does not mean letting go of trying to understand country-level drivers. Often, country-level political economy dynamics influence the situation in various sectors – whether agricultural subsidies are provided to keep rural voters loyal, or whether advantageous loans to political insiders become a problem, or even which company gets contracts for improving government processes, from public financial management to land registries. The importance is to hone in on how this plays out with regard to a particular set of public goods or services, the business environment, etc. A problem- or issue-specific perspective also helps to bring economic drivers more closely into view, since it drills into the particular gains and rents available; the reasons why some stakeholders may not want to change the status quo.

Problem-focused analysis can also involve focus-group discussions or surveys to understand more closely what the expectations and concerns of citizens are. Citizens may oppose certain solutions, even though they are intended to reduce poverty and improve livelihoods. For example, citizens may not trust that governments will compensate for the removal of subsidies through greater spending on social benefits, or they may not believe that registering as a taxpayer and paying taxes will indeed contribute to better roads and better schools.

Across the World Bank, problem-driven PEA has been used in a number of sectors – the provision of urban water (Manghee & Poole, 2012), nutrition policy reforms (Natalicchio, Garrett, Mulder-Sibanda, Ndegwa, & Voorbraak, 2009), improving approaches in the forestry sector (Kishor, Castillo, & Nguyen, 2015), considering how to induce better cross-border collaboration for watersheds (ongoing), civil service reforms (Nunberg, Barma, Abdollahian, Green, & Perlman, 2010), natural resource management (Barma, Kaiser, Le, & Vinuela, 2012), and more effectively reforming energy sectors (Kojima, Bacon, & Trimble, 2014). Many staff members and managers in various sectors – frustrated by the inability to gain traction or concerned about risks that are apparent, but the details of which are not well understood in many instances – have sought to undertake or commission political economy analytic work. In some sectors, there has been a systematic effort comprising coordinated analyses of multiple countries; in others there have been thus far only a handful of applications for particular countries and sector challenges. In the latter, analysis has often been focused on specific aspects and questions related to a planned project, or a project that is under implementation but experiencing challenges.

Despite a substantial uptake, it has not been easy or straightforward to bring the resulting insights into project design and implementation in a consistent manner – that is, to fully implement such an approach. This is also highlighted by the *World Development Report 2017: Governance and the Law* (World Bank, 2017, p. 35). Some challenges in this regard are related to the business model of lending to governments. The strength of the lending model is that it assumes that governments which borrow funds have a real interest in realizing what they borrow for (e.g., improvements in the health sector, the agricultural sector, etc.), and they also have the best possible insights into their own capacities to handle a given development effort. Governments are in the driving seat with regard to what happens once funds are allocated, with supervision exercised by the Bank. At the same time, this model does not really foresee deep, continued engagement with stakeholders during implementation – and hence it also does not allocate resources for it. To some extent, therefore, up-front PEA that influences project design and other key decisions is somewhat easier to combine with existing operating models than a PDIA approach, for which continuous engagement is central.[6] In this regard, grant-financed technical assistance – or a combination of grant and lending funds – offers greater opportunity.

As noted on the application of PEA for Development Policy Operations (DPOs) (i.e., budget support rewarding reforms undertaken) in 2016, some DPO teams – notably in Afghanistan, Burkina Faso, and Mozambique – have used PEA effectively to better understand government ownership of reforms up front and target the operation accordingly. Additionally, more informal PEA considerations have influenced operations in the West Bank and Gaza and in Malawi. No comparable evaluation paper is currently available for the other main operational modality: investment project

6 Moreover, experience demonstrates that for various reasons, governments frequently overestimate or overstate their own capacity and sustained commitment to implementing development efforts – at least some of which could be addressed through a combination of good up-front analysis *and* continuous engagement during implementation.

financing. The overall finding is that for DPOs, PEA is still done relatively infrequently.[7]

Still, there are some important opportunities that teams have used to various degrees. Firstly, PEA has helped teams to gain insights into counterpart interests and incentives that otherwise might have taken a much longer time to acquire. It has helped to shift the policy dialogue away from reforms that had repeatedly been tried but failed, and moved them to areas that offered greater opportunity for traction. For DPOs, using a political economy perspective and analysis has allowed for identifying reforms that governments are not only committed to approving formally, but also to actually implement. It has also supported innovations in how country teams engage on challenging issues, including engaging on natural resource extraction in several countries (e.g., Burkina Faso, Mongolia), which entails the challenge to contain rent-seeking as well as opportunities to significantly improve fiscal revenues.

Furthermore, while continuous and more intensive engagement with stakeholders is not part of the standard operating and funding model, teams have often sought out additional resources to be able to do so. A number of teams – in Nigeria, the Philippines, the Dominican Republic, Mozambique, Mongolia, and elsewhere – have been able to raise Trust Fund resources to be able to engage in a more continuous and iterative way. Having innovative analysis in hand has often greatly facilitated such efforts. The following section turns to some of these specific applications.

Applications in country

As emphasized above, more intensive uptake and use of political economy drivers has happened in a subset of countries for which initial analysis was produced. In particular, uptake has rested on three main factors: significant interest by the Country Director, the presence of one or several team members able to deliver innovative engagement, and the ability to mobilize additional funding. As noted above, because a political economy perspective emerged in the World Bank Group more as a "bottom up" effort than

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7 In fiscal year 2015, the World Bank Group, that is the International Bank for Reconstruction and Development and International Development Association combined, approved 300 new operations, see http://www.worldbank.org/en/about/annual-report/fiscalyeardata

a "top down" one with (high-level) management endorsement, opportunities for deeper operational experimentation have been somewhat constrained.

One recent example is Nigeria – a country with the Bank's largest program in Africa, but also many unresolved governance and development challenges. In the early 2010s, the team began developing a set of political economy analytic studies that focused on several strategic as well as service-delivery sectors and policy areas. This included a country-level analysis as well as sectoral studies focused on natural resource management/the oil sector, fiscal transfers, water and irrigation management, agriculture, health, and the power sector.

The initial analytic effort was followed in 2014 by the introduction of a "Governance, Conflict, and Gender Filter," that is, a mandatory review of all other analytic and operational work from these perspectives.[8] For operational interventions, the main thrust of the filter has been to review whether operations take the governance context and dynamics into account in a way that is likely to work and be constructive; the likelihood and consequences of conflict (e.g., in the area of project implementation); and the likely impact of an intervention on men and women. For analytic work, similar questions have been applied, in particular at the concept note stages, that is, when defining the scope of work and assessing whether a greater emphasis on governance, conflict, or gender dimensions should be included. If needed, the governance team was also able to provide more in-depth involvement, analysis, and recommendations to sector teams.

For a large country with a sizeable number of operations and analytic tasks being undertaken, implementing such a filter has required considerable staff and consultants' time. The purpose of the filter has been to identify what engagements are politically and institutionally feasible and likely to have an impact in a complex and challenging environment. The reviews were also based on ideas about "islands of effectiveness" (Therkildsen, 2008; Bain, 2016; Barma et al., 2014), which are one way of seeking out progress in contexts where overall governance improvements have proven to be difficult.

8 This section draws on Bain (2016, 26ff.), Thomas (2015), Van Heesewijk (2014). The filter still continues to be used as of 2017. A similar filter had been in use for some years in the Philippines (which later evolved into other innovative governance engagements).

As the team leading this effort found out in an initial review undertaken in 2015, the filter was particularly effective when proposing concrete and specific adjustments to projects being prepared. It was also particularly effective when initial comments were provided early and subsequently followed up through further review and exchanges as the plans for projects were concretized. Engagement was particularly intense with three projects: one in agriculture (staple crop processing zones), one in social protection, and a health sector "Program for Results" operation (i.e., an operation where funds are disbursed according to the progress measured by disbursement-linked indicators).

In each of these projects, adjustments were made to make the projects both more "politically savvy" in terms of developing greater buy-in from stakeholders – including elites, intended beneficiaries, and potential disrupters – and more "iterative" and learning-oriented through a process of piloting approaches and seeking feedback on what works, before broadening the scope. In particular for the health sector, the design that was developed sought to learn lessons from better-performing states and to integrate these into the approach in other states. Trust Fund resources enabled the contracting of a local network of delivery facilitators, whose contracts in turn are linked to the level of progress being achieved.

In addition to these up-front efforts and ongoing engagements with projects under implementations, the team also sought to learn lessons from completed projects through a series of "Delivery Case Studies." However, contrary to many ex post assessments that focus on identifying why political economy factors prevented progress, the studies were focused on identifying and explaining relatively successful operations.

One crucial factor for the Nigeria program was the deep engagement of the governance team for selected operations on specific operational processes and decisions – for example, on how to plan the disbursement schedule in a way to be consistent with initial piloting and lesson-learning focused on stakeholder reactions and choices, and subsequent scaling-up; on project implementation manuals to ensure that such manuals also reflect the different approach being pursued; on the specific design of "disbursement-linked indicators" and so on. Such continuous attention has been crucial to avoid having good up-front considerations falling by the wayside or making them much diminished when actually putting the operations into practice. Doing so also involved significant efforts at bringing on board a wide range of staff and consultants involved in these operations.

The Nigeria Governance Filter and Program for Adaptive Learning built on, and further developed, efforts at innovative governance engagements in the Philippines, Mongolia, Kenya, Burkina Faso, and elsewhere. A governance filter was used in the Philippines starting about 2009 to better identify what projects and specific project approaches might be feasible. There has also been recent innovative work on the roads sector, seeking to link technology, transparency, and changing incentives for politicians to be able to focus on actually delivering improvements in rural road construction and maintenance (Kaiser, 2016). In Mongolia, the team invested in better understanding government policy decisions, going against international advice in a number of areas – from better natural resource management to fiscal management, to the design of social protection programs.

The World Development Report 2017 and its potential influence

The *World Development Report 2017* focuses on governance and the law. It is the first such report in 20 years to be dedicated squarely to the role of institutions and of governance in development. Moreover, the report puts political economy drivers of development front and center. It outlines the need to rethink the approach to governance and emphasizes the importance of seeking functional improvements, rather than institutional forms, to emphasize the role of power asymmetries (and interests) relative to focusing on capacity constraints – and the *role* of law – rather than the rule of law. In its key chapters, the report focuses on the effects of governance and governance dynamics on three key development outcomes: security, growth, and equity.

In some ways, the report reflects the current state of thinking on governance: It is a sprawling agglomeration of ideas and evidence from a wide range of countries and sectors. The report is very clear in setting out why "first generation" governance interventions have often not worked, or not worked as intended. In a nutshell, the logical sequence that governance is critical to sustainable and equitable development – and that once this is recognized, governance can be improved rapidly – has been contradicted by events.

The report then explores the roles of citizens, shifting elite bargains, the media, and international actors and networks as potential drivers of change. One of the major contributions of the report is exploring how change has eventually been galvanized in many countries that made the transitions from low- to middle-income and from middle- to high-income levels.

A central challenge for the World Bank and for the international community and those parts of it focused on strengthening governance is how to operationalize the findings from the report. Operationalization of ideas has typically been the easiest when the guidance is simple and clear-cut, whereas developing the next generation of governance interventions based on the evidence accumulated thus far needs to be flexible and adaptive, as different country contexts and dynamics offer varying opportunities.

As with regard to the initial emergence of attention to governance and to the importance of political economy drivers, DFID has been a frontrunner in terms of efforts at operationalizing some of these insights. It has sought to do so in a way that seeks to avoid condensing insights into complex dynamics of how governance evolves, and efforts at improvements can be made into simplified standard guidance. Interestingly, the Smart Rules – introduced in 2014[9] – flip the traditional perception of a good technical program design on its head. As the first test of technical quality of a proposed intervention, the rules guide teams to ask whether it is likely to be feasible and to work as intended, given the political economy context. This is followed by establishing the impact on poverty, the likelihood of sustainability, and avoiding to do harm in terms of reinforcing predatory institutions or exacerbating conflict. The rules also emphasize the need for programs to be evidence-based, that is, to develop interventions based on pertinent evidence prior to the operation as well as to make adjustments over time in response to evidence about what is working. These guiding principles for technical design are then embedded in a framework of operating procedures around how to develop a "business case" for a particular intervention, following procurement and other relevant guidance, and so on.

In general, development agencies could have a great deal to gain from greater deliberate experimentation with some of the core new ideas and approaches being proposed. For example, greater attention to political economy dynamics and adapted designs targeting feasible functional improvements could be deliberately built into selected projects while let-

9 See homepage at https://www.gov.uk/government/publications/dfid-smart-rules-better-programme-delivery

ting other but similar projects pursue a more traditional design – in countries with a roughly similar potential for improvements. This would allow for revisiting after two to three years whether there has been a noticeable difference in progress made. A key challenge for such an "evidence-based" operationalization is that it takes a considerable period of time – relative to an international development community that tends to be driven by much faster-changing fashions and areas of attention.

Still, as indicated by the follow-up process to the *World Development Report 2011* on fragility and conflict, and the new efforts being made with regard to fragile states for the forthcoming International Development Association 18 (covering the period of mid-2017 to mid-2020), when a *World Development Report* addresses issues that are widely felt to be pressing, the effects can be significant and long-lasting. At least somewhat similarly, the *World Development Report 2017: Governance and the Law* touches on aspects of development that have gained much greater attention from many quarters in recent years. This increases the likelihood that various institutions will seek to follow some of the ideas that the report proposes. One aspect that is already noticeable is a growing emphasis on political economy skills and experience in its utilization for project design and implementation in various job descriptions. Another important aspect is that, as a flagship document, the *World Development Report 2017: Governance and the Law* elevates the concern about second-generation approaches to strengthening governance – and the need to do things differently to the corporate level of a major international financial institution – and gives it substantial international visibility. As discussed above, such a higher-level endorsement has been a missing ingredient to date.

What are the emerging lessons from implementation and the outlook for cooperation?

When proposing to engage in full-fledged testing of proposed new approaches to strengthening governance, it is important to draw emerging lessons from implementation that have been made available thus far. Some of these lessons are set out in Fritz et al. (2014) and developed further here based on the most recent experiences.

A first, central lesson is that one-off, up-front analysis is rarely sufficient. The contexts in which we are seeking governance improvements are typically volatile, and conditions, stakeholders, and challenges evolve.

This does not imply that voluminous reports have to be produced on an annual or biannual basis. However, it means that initial information needs to be revisited and reanalyzed (possibly resulting in a PowerPoint or similar type of short summary), and that the implications for development interventions need to be discussed – within teams as well as between teams and authorizing managers, and with the country stakeholders involved – at least on a yearly basis.

The Nigeria team has followed such a model that very deliberately seeks to engage in repeated understanding of the evolving situation and in a continuous engagement of staff on addressing the calibration of specific operational steps.

A further important lesson is that there can be different interpretations in terms of "what to make of" specific political economy drivers. For example, when a key government official is replaced or if government proceeds with politicizing a certain policy area – whether it is public financial management, agricultural extension services, or land administration – what is the best way to react?

Dynamics perceived to be worsening can be particularly challenging to address. For example, if a major corruption scandal emerges, highlighting the power of elite interests opposed to using public funds in the interest of citizens and overall development, should ongoing efforts at strengthening governance be reinforced, continue as before, or rather be scaled back? Should a project seek increased dialogue with elites in response, or rather focus more strongly on working with "untainted" stakeholders? But who might have less leverage to actually influence the situation?

In many such situations, PEA suggests that an approach that is neither too normative nor too naïve – nor too cynical – is best. Elite capture and weaknesses in accountability need to be expected rather than come as a surprise, and a good response can be to "speak truth to power" in various forms as well as to continue to work on strengthening accountability and state capabilities to make the abuse of funds more difficult, and more likely to be detected. At the same time, agreeing and pursuing a balanced response among teams – and more broadly among development partners – can be challenging, as some are likely to want to "punish more" and others to just continue as before.

Potential windows of opportunities can also pose a puzzle in terms of how best to capitalize on them and how far to seek to accelerate progress without overstretching. Teams have to confront such questions when working with new governments that are genuinely seeking to move their country's development onto a better and more equitable path, but which also often face entrenched interests – whether in Ukraine in 2004, in the Philippines in 2010, or in Nigeria in 2015 – as well as the problem of trying to generate change, starting with deep institutional dysfunctions.

Given the challenges with interpretation and drawing implications that are actionable for a particular project or program, it seems crucial to establish processes for discussion among team members with different backgrounds as well as with country stakeholders and authorizing managers. Such discussions are most likely to bring out different options as well as risks and can help teams to identify what adjustments are most likely to have the intended effects. The choices can then also be documented for subsequent continuous learning of what works. Where there are other development partners present in a country who are similarly seeking to take more flexible and political economy-informed approaches, this can also be an important asset in terms of exchanging insights as well as options.

A further important point is that there can be challenging normative judgments. Poverty and poor governance go together – because governance is crucial to development, countries that are poor today tend to have a history of poor governance and frequently have entrenched governance problems. As a consequence, there is a strong likelihood of the presence of "dirty politics," a privileging of loyalty over merit in managing the civil service, fluctuating political commitment to reforms and service-delivery improvements, and so on. Implementing a project seeking to strengthen governance in such contexts can be daunting and can pose challenging normative questions. In particular, it is for these types of challenging contexts with limited opportunities that it is important to consider what it means to seek Doing Development Differently.

To date, efforts at PEA and DDD have mainly been applied to two types of country contexts: (i) those that are somewhat or largely open politically (i.e., in democratic or semi-democratic environments), and (ii) those that appear as particularly difficult and intractable, and for which management feels that standard technical approaches have failed, such as those evidenced by cancelled operations as well as limited uptake and disbursements. In politically more open countries, governments are typically less sensitive to external analysis. At the same time, there can be more opportunities for engagement, in particular in terms of building broader support for a particular reform effort, working with civil society on monitoring actual policy implementation, and hence closing the gap between "laws on the books" and their actual application, and so on. Integrating "political economy smart approaches" and efforts at iterative engagement can be more challenging in contexts where many previous efforts at strengthening institutions and improving governance – whether at the core or in particular sectors – have previously failed. Doing so can still result in some useful adjustments to how an intervention is designed and implemented – with regard to the likely acceptance by stakeholders, feasibility, and possibly targeting islands of excellence – but it is inherently difficult to have a transformative impact in the short to medium term.

A key challenge for evidencing whether political economy-informed and iterative approaches can actually move the needle on development effectiveness relative to a context's degree of difficulty is that it requires comprehensive coverage: from initial project design to the design of specific implementation processes and decisions about adjustments, and so on. Achieving such a coherent approach has proven very hard, in practice. Firstly, doing so is not part of standard guidance, staff incentives, and budget allocations. Secondly, among the three to four key stakeholders committed to such an approach, at least one will move on within one or two years, given typical rotation patterns. "Doing things differently" and not being well-aligned with standard staff incentives – which may center more on disbursements, timeliness of reporting, and so on – increase the likelihood that the staff and managers replacing an original team are less likely to follow through with such an effort. It is in this regard that the *World Development Report 2017: Governance and the Law* and its operationalization are crucial: By giving considerations about political economy drivers, incentives, and interests greater prominence, it may lead to stronger and more widespread emphasis as well as the greater demand by managers that project teams seek to operate accordingly. Such nascent mainstreaming will be essential to allow more "experiments" to mature over a full project cycle rather than being concentrated primarily in the design stages but not followed through on subsequently.

Within development agencies, a key challenge in particular of adopting flexibility in implementation is how to allocate decision-making powers and accountability. Although some problem-driven adaptation happens continuously in any development project, there is also a strong emphasis on compliance with rules and processes as well as on pursuing pre-defined goals and targets based on which successes will be assessed. Although it is possible to change goals and targets during implementation, this often involves significant bureaucratic transaction costs and extensive justifications from project teams to authorizing managers, and hence it is typically done, at most, once or twice over the lifetime of an intervention of five years, for example.

At its core, PDIA and DDD would devolve decision-making authority over adjustments from high-level decision-makers in aid agencies to country and project teams working on continuous problem-solving with the stakeholders concerned. The open-endedness in terms of what the reform efforts would achieve is a difficult fit for systems in which several layers of donor-agency managers seek to authorize clearly ex ante specified sets of changes that are formally agreed with country governments, which teams and contracted consultants are then expected to pursue and deliver on.

With more flexible processes, many stakeholders will be able to find more adapted and effective approaches, and potentially significant time and costs can be saved. A risk is that flexibility can also be poorly used or abused – for example, if flexibility results in too many initiatives going in different directions, if those meant to work on implementing an intervention use flexibility to reduce their level of effort, or if certain stakeholders seek to pull away from initial reform commitments, as they de facto prefer the status quo. Guarding against such risks is likely to require new efforts at documentation and at measuring progress. Such efforts could be quite substantial and complex, but they could potentially also be more meaningful in terms of focusing on impacts rather than ex ante statements and justifications, and of being able to contribute to ongoing adjustments.

Going forward, a crucial opportunity is to build on what has been done so far and to engage in systematic, deliberate, and well-monitored piloting, implementation, and selective mainstreaming. As all the different approaches and strands of thought discussed in this chapter indicate, there is a widely shared sense that existing approaches to development have not delivered as much, or as consistently, as has been hoped for. This fundamental problem-diagnostic is shared by political economy perspectives as well as by PDIA, DDD, and the GDI. Further exchanges between these perspectives would also be helpful.

The new approaches outlined here have a potential to reduce the number of failed interventions and to increase the development effectiveness of interventions in a range of contexts and sectors. Development interventions that are designed with incentives and interests in mind are more likely to successfully address the problem of post-intervention sustainability than projects that run counter to incentives.

In addition, there is greater scope for dialogue with stakeholders in developing countries. The default mode often is to engage in a polite dialogue around what development efforts are to be financed rather than to go more deeply into questions of why past interventions may not have been fully successful and how to approach similar efforts differently going forward. Bringing innovation into this dialogue is possible but requires some calibration. Being confronted with a wide range of new ideas – from leadership development to the science of delivery to PDIA – can be confusing for country partners, so putting these ideas into tangible, everyday terms that relate to specific development problems matters. At the same time, counterparts often appreciate efforts at taking country contexts more seriously and trying to understand in greater detail what the problems are and how they can be resolved. Such in-depth discussions can also help to identify what solutions – regarding land tenure or strengthening a civil service, and others – might actually work in contexts in which fiscal resources remain scarce, and institutional constraints such as a slow or corrupt judiciary are unlikely to improve significantly in the short to medium term.

There continues to be an urgent need to further increase development effectiveness of reform efforts and the external interventions to support these. The great opportunity is to begin a period of innovation in implementation and of much more systematic exchange and learning on "what works," both within individual agencies and institutions and across them. This could also result in better insights into what efforts can be transferred from one situation to another, and which ones are less transferrable, and why. There are also risks: One is that innovation runs on too many separate tracks; a second is that ideas keep running ahead of implementation and are not systematically translated into finding – and more broadly applying – better practices.

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