



Report

Doing Development Differently at the World Bank

Updating the plumbing to fit the architecture

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Foreword

Leni Wild (Head of Programme, Politics and Governance, ODI) and **David Booth** (Senior Research Fellow, Politics and Governance, ODI).

Two years ago, a small group of development practitioners and researchers meeting in Cambridge, Massachusetts, agreed to issue a manifesto on Doing Development Differently (DDD). Drawing on case studies of success and failure, the group called for wider adoption of adaptive, locally owned, problem-solving approaches in tackling chronic development challenges. The manifesto reflected, and has helped to build, a growing global consensus on the need to set aside some of the standard practices of large development agencies that are incapable of dealing with the complexity of change processes in the real world.

The case for adaptive working is not new. What is new, perhaps, is the prospect of making real headway with complexity-sensitive ways of working within at least some large development organisations. Kathy Bain's report is a milestone in this respect. In it, a World Bank staffer reflects on a significant effort to change the Bank's engagement in Nigeria, drawing lessons for wider Bank reforms. The report goes further than many in formulating proposals that, if adopted, would create space for the needed improvement in practice.

As Bain explains, calls for more context-sensitive, responsive and flexible development assistance can be traced back to at least the 1980s. There have been periodic challenges to prevailing development paradigms, and, over the last two decades in particular, concerted efforts have been made to induce development support to 'get real' about the political contexts in which it operates. But much of this has happened outside the framework of the organisational rules and steering processes of the big agencies. It has relied on documenting instances of success or failure in research or evaluation mode, or on external critiques of an aid system seen as broken beyond repair. Rarely has it got 'beneath the skin' of the organisational contexts in which development practitioners work: the individual and collective performance incentives that shape decisions, behavioural responses to uncertainty, the pressure to disburse, imperatives around ensuring monies can be accounted for. A seminal exception was the 2000 evaluation study led by Elinor Ostrom, which investigated the incentives holding Sida back from a more context-sensitive and reflexive pursuit of its goal of sustainable assistance. But its findings were poorly followed through, and were not part of a wider internal reform effort.

In 2016, however, a number of large development agencies have begun to look in a concerted way at their internal systems and processes, and at how they could be made more 'fit for purpose' in view of today's big development and security challenges. This has been prompted by a range of factors: the perceived failure of budget-support modalities, external competition from alternative sources of development finance (philanthropic foundations, middle-income country governments etc.), external pressures from aid-sceptic media and parliamentarians, and feedback from the frontline, not to mention a measure of real intellectual ferment around some of the new ideas. While these efforts are still a mixed bag – and there are some strong countervailing tendencies – it is encouraging to see genuine efforts to shape reform within the aid agencies themselves.

These efforts are starting to coalesce around some common themes too. While much ire has been directed in the past against procurement rules and results monitoring systems as the key blockers of efforts to innovate and encourage adaptive working, the latest assessments – including Kathy Bain's report – raise a number of issues which might be seen as the 'human face' of the problem. Undoubtedly, there are still bottlenecks around some of the formal systems and compliance functions. This applies to some agencies more than others, although as the paper makes clear, there have been some helpful changes in the internal systems of the Bank. Yet the focus on formal systems should not lead to neglect of the role of leadership and management styles in shaping performance incentives, skills development and mind-sets at multiple levels. The answers to some current problems may not lie in changing the rulebook but in rebooting the cultures and networks within these organisations.

The report provides an informed and balanced discussion of how these issues play out within the World Bank. It is robust about the negatives. It highlights how reputational concerns lead to fluctuating attitudes to risk at leadership levels which dampens willingness to innovate at lower levels; how managers can lack incentives to deliver results (instead focusing on disbursing and accounting large sums); how the bulk of analytical and diagnostic work is front-loaded to support project approvals, rather than improving delivery and impact; and how frontline staff are too often not empowered to feed back into the system about what really works. There is also a positive message: it does not have to be this way. The experience in Nigeria that forms the core of the report shows that

with the right leadership from management and the commitment of a few experienced Task Team Managers, DDD principles can be operationalised in ways that potentially make a difference to the effectiveness of Bank-supported interventions. This can be done to some extent within the existing culture, processes and systems of the Bank. And it can be done in a highly sensitive and complex country environment that requires a nuanced approach.

It is refreshing to hear this story from an insider, not a bystander. Kathy Bain was one of the principal instigators of the initiative she describes – the piloting of two instruments to inject political smartness and learning-for-adaptation into some of the newer lending operations in the Bank’s Nigeria portfolio. She is well placed to inform us about the challenges faced in getting these measures applied, as well as the extent of their likely impact. Crucially, though, her report does not stop at an assessment of this particular experience. It makes actionable recommendations as to how to scale up the application of DDD principles in the Bank, taking advantage of the more permissive policy environment and the evolving architecture of projects and country programs that now exist thanks to a series of recent reforms.

For Bain, ‘updating the plumbing to match the architecture’ should entail three big but feasible changes:

1. Investing less analytical effort in the hope of perfect project preparation and more in high-quality (learning- and beneficiary-oriented) implementation;
2. Greater flexibility on how results are going to be achieved, with much less defined in advance; and
3. Getting real about incentives at all levels.

On incentives, moving away from loan approval and disbursement metrics as the measure of success and the basis for staff promotion is a crucial and overdue step. But this needs to be backed up with a package of human resource policies that reward effectiveness, develop the needed soft skills and strengthen both competencies and professional norms around risk taking and learning from experience.

Although tailored to the particularities of World Bank systems and policies, these recommendations start to chart a path towards a fundamental change in the way large development agencies conduct their affairs. They offer a vision of DDD influencing the core of what agencies do, rather than just tinkering around the edges. The emphasis placed on the human dimension – on incentives, norms and leadership, and the interactions among them, at different levels of the organisation – may be the most important message here, and one that will resonate widely.

1. Executive summary

When the World Bank was founded in 1944 it was an innovation, funding infrastructure development within Europe and, subsequently, poorer nations. Seventy-five years later, there continues to be a steady demand for its lending, as the World Bank evolves just enough without changing its core business model. Presently there are a number of initiatives underway to increase the efficiency and responsiveness of the Bank, as well as to support institutional reform. The next generation of development problems, focusing on institutional reform and changes in behaviours and incentives, are arguably more complex, concentrated in more challenging environments, and will require greater agility and innovation to ameliorate. This is therefore an opportune moment for the Bank, and other large development organisations, to reconsider their approach. This paper describes a recent pilot attempt in the World Bank's Nigeria country portfolio which deliberately tried to do just that. Lessons from this pilot highlight potential future reform entry points and opportunities.

Doing Development Differently

Calls for donor organisations like the World Bank to rethink their approach are not new. There have been periodic calls to change how aid is provided since the 1960s, with a common emphasis on giving more decision making power to beneficiaries and providing aid in ways that take better account of the local context. These reflect a tradition of constructive questioning of how to improve the impact of development initiatives by candidly recognizing the limitations of past approaches. More recently, these ideas have been brought together under a network for 'Doing Development Differently' (DDD). This network has identified a set of principles that underlie effective interventions: that approaches aim to address underlying problems in a given context, rather than importing external solutions; that the process of identifying problems is led by those impacted by them; and that any support is politically smart, with a focus on testing, learning and adaptation.

On the face of it, some of these principles seem to run counter to the systems and incentives that dominate in large agencies like the World Bank. Recognition of the need to provide political accountability over the use of official aid budgets can lead to efforts to quantify and measure in ways that presuppose that development is predictable, linear, controllable, and time-bound, when it is usually anything but. This has left many large agencies over-reliant on compliance functions to show that funds are being

well-managed, but unable to react and respond to complex and dynamic environments. This is true for the Bank too – for example, its focus on the rate of disbursement, and the achievement of results formally envisaged as part of the project design, can take some focus away from the broader impact of Bank interventions and their ability to solve development problems in complex institutional settings. So what scope is there to implement these principles at scale within the Bank, and when operating in challenging contexts?

The World Bank Nigeria country team

An attempt to grapple with this was rolled out within the Bank's Nigeria country team and provides some instructive lessons for efforts to systematically change the way large agencies work. It was structured around the needs of the team – namely, how to achieve lasting impact and effectiveness, despite being a relatively small actor within a large, challenging country. From the outset, the team acknowledged the challenges in supporting system-wide change to date and their own limitations in providing sufficiently tailored assistance, but also their desire to facilitate broader change within the country.

The office began by reflecting further on the operating environment in Nigeria and the incentives within Bank operations. This included commissioning three country-level pieces of political economy analysis – accessible introductions to the context, actors, and incentives for everyone working in Nigeria – and more problem-focused, sector level analysis. These in turn led to two new instruments: a Governance, Conflict, and Gender Filter, and a Program for Adaptive Learning. Both of these instruments helped teams understand not only what to do, but how to do it within the Nigerian context. These instruments recognized the importance of moving to results-based contracts: fostering country ownership, while providing space to find appropriate ways to achieve outcomes, and not specific pathways. The focus on learning also led to the publication of five case studies on how change happens in Nigeria. These look at how the Bank can improve its effectiveness, factoring in its own processes and systems – highlighting what works and which pressures play against such an approach. This led to a set of new pilot initiatives, from a large scale Payment By Results programme in health, to changed models of support in agriculture, social protection and more. In total,

it is estimated that Bank lending of over USD\$1 billion was shaped by these approaches.

Lessons learnt

In examining the Nigeria experiment, this paper summarizes a number of general reflections as well as potentials and constraints at the level of individuals, processes, and incentives – all of which have relevance for broader Bank reform efforts and for other large agencies committed to improving their effectiveness. For example, efforts across the country portfolio highlighted the importance of management behaviour, and of seasoned professionals who are able to innovate, and work to manage high levels of risk, while complying with important formal processes of reporting and safeguarding of official development assistance (ODA). They highlighted an appetite within the Bank to ‘do things differently’, especially when supported by rigorous evidence and an inclusive space to think outside the box. But the Nigeria experience suggests some limits too – workarounds were needed, parallel systems of reporting or delivery were often used, and a certain amount of luck was often involved too. The question is, then, if such approaches were to be scaled up, given their promising contribution to addressing core development bottlenecks, could the World Bank find the skills, organisational processes, and incentives it would need to make this kind of approach more rational and commonplace?

This paper proposes a number of ways to build such approaches more systematically into individual project and programme lending arrangements, and country portfolios more generally:

- **The project cycle: abandon the perfect in favour of the ‘good enough’.** Moving away from the assumption that any project can be perfectly designed at the start, and accepting that testing, learning, and the ability to adapt and change course need to be built into the project. In practice, this means lowering the bar for project approvals but increasing it for implementation and, within the Bank, providing exit options as needed. Instruments like Payment for Results could be used to this effect, along with more adaptive learning in the first part of the existing Investment Project Financing (IPF) project cycle.
- **Encouraging flexibility and transformational engagements across country portfolios.** Country Directors and Managers need to be able to balance innovation and flexibility across different projects, to provide space for learning, adaptation and scaling up



Abavo Market, Delta State, Nigeria 2008 (c Robert, Flickr)

or down. Within the Bank, Programmatic Learning Reviews are a step in the right direction, but access to resources that can better fund small scale innovations, are also needed, as well as better measured results (bringing together quantitative and qualitative data more effectively), developing options to achieve a ‘menu’ of results rather than relying on a fully pre-determined list. Assigning resources to multi-disciplinary approaches to problem solving in the medium term would also help.

- **Focusing squarely on HR incentives for management and staff.** Drawing from a growing body of evidence, including the Bank’s own internal evaluation group, there is a need to rethink existing human resourcing and performance incentives. Applying the new competencies for staff and management, finding space and incentives for management to lead by example and actively reward individuals and teams for behaviours that are

likely to lead to effectiveness such as problem solving, adaptation, and learning are key.

Going forward

It is clear that the next generation of development challenges will be more complex than the last. Many of these will involve institutional reforms that have previously proven elusive – both within developing countries and within the agencies that aim to support them. Examples like the pilot in Nigeria, and a growing body of experience in a range of development agencies, all point to the need to rethink how to set up the culture, processes and skill sets within development agencies to support positive

momentum to achieve these goals. This will likely require changes in how aid itself is communicated to the wider public too, and to change some of the prevailing perceptions of aid in many countries. These issues are certainly not unique to the World Bank – bilateral aid agencies in the UK, US and more, are actively engaged in efforts to change their internal systems and to review their staffing and management approaches. However, the Forward Look exercise under IDA 18 – a process by which funding to the Bank is replenished – and the broad set of initiatives underway to help the Bank evolve to meet these new challenges, all provide opportunities to try to improve its effectiveness. The learnings from the Nigeria pilot contribute ideas on how to operationalise this, and what the key building blocks might be.

2. Introduction

The World Bank is turning 75 at a time when much of the world is engulfed in the worst refugee crisis since the institution was founded at Bretton Woods in 1944. More than a million people have fled to Europe in the last year, and over 60 million people worldwide are displaced, half of them children – a sombre reminder of the institution’s genesis as the International Bank for Reconstruction and Development (IBRD).

With its original mandate of post-war reconstruction through infrastructure development, the Bank was considered an innovation: it was the first time that wealthy countries had borrowed money from markets on behalf of Europe and subsequently for poorer countries, providing the former with access to the necessary capital to rebuild their infrastructure in the wake of World War II. Since then, the World Bank has proved remarkably durable. With the exception of the addition of the International Finance Corporation (IFC) in 1956 and the International Development Association (IDA) in 1960, it has undergone few fundamental changes, and its primary instrument continues to be its lending – now combining five main functions (funding, guarantee, subsidy, policy advice and to some extent rating-agency services) (Klein 1998).

The institution has not been without scrutiny and criticism but its ability to respond to this has helped it to survive intact, with current lending at an all-time high. Both insiders and outsiders have engaged, often constructively, in debates about whether the institution has adapted enough to meet evolving global needs. External criticism reached a critical point in 1994 with the ‘50 Years is Enough’ campaign and, as the Bank nears its 75th year, questions continue to arise. Are the knowledge and lending roles sufficiently integrated (Ravallion 2016), the terms for IDA countries appropriate, and its instruments competitive enough (CGD 2016) to meet today’s needs? During the 2016 Spring Meetings, a former Chief Economist, Alan Gelb, noted that as the number of IDA-eligible countries falls from 77 to 50 in 2019, the Bank would do well to ask whether ‘it continues to be an accurate reflection of development needs rather than an institutional model that is declining in relevance’.

Time will tell. For now, there is a steady demand for the Bank’s lending and fears that it would be damaged by competition from new multilateral development banks (MDBs) have not so far materialised. Perhaps more importantly, as Gelb will remember, the Bank has always benefitted from reform-minded coalitions of senior managers and dedicated staff who excel at finding ways to

improve the added value of the Bank’s support. This has helped it to evolve just enough, it seems, without changing its core fundamentals. A healthy measure of critical introspection – which external critics sometimes regard as too much navel-gazing – and a capacity to walk a political tightrope between 190 member countries have somehow helped the institution to survive intact for three-quarters of a century. This is no mean achievement for an institution whose governance is itself a topic of much debate and whose Board of Directors often represents diverging interests.

Notwithstanding this debate at the top of the institution, the Bank continues to explore new ways to respond to changing contexts. The ‘From Billions to Trillions’ strategy, launched in April 2015, illustrates the MDBs’ recognition of their changing role in view of efforts to improve domestic resource mobilisation (DRM) and better leverage private funding as a means to finance development (AfDB et al. 2015). Other changes in the institution, including a review of its safeguard and procurement processes – away from a low-risk, transaction-based system towards one that depends incrementally on national systems – is also well underway. A recent review of collaboration across disciplines noted, however, that despite the move to improve knowledge flow through new Global Practices, this has not happened and budget incentives will have to be tackled. The introduction in 2012 of a new lending instrument known as the Program for Results (P4R) provides the opportunity to support country-owned reforms that achieve results, without dictating the means – an indication that lessons about conditionality and ownership have been internalised. Finally, the Global Delivery Initiative, coordinated by the Bank but involving many partner agencies, aims to create a collective and cumulative evidence base of knowledge to help practitioners make more informed decisions and produce consistent results. With its focus on what is missing to ensure delivery, bridging intent from policies and programmes to results for citizens, the Bank is proactively using its convening role to fill a critical hole in development knowledge.

As the Bank approaches its 75th anniversary, it is rightly emboldened by the progress made over the 15 years since the eight Millennium Development Goals (MDGs) were launched. Since then, economic growth has been rapid, assisted by strong commodity prices and generally improved macroeconomic policies. Poverty has also declined rapidly, particularly in East Asia and the Pacific.

Millions of children who were unlikely to survive to their fifth birthday have passed beyond these critical years and gone on to school in ever-greater numbers, including many more girls than was the case 15 years ago. But with these successes comes an acknowledgement that, in order to build on them, the new Sustainable Development Goals (SDGs) and other future challenges will be more complex, and require concerted efforts and different approaches. In a sense, it is the hard stuff that has yet to be achieved. More children than ever before have access to formal education, but the questions remain of how to ensure that qualified teachers are present in the classroom and that systems are in place to ensure learning outcomes and appropriate skills for employment? Many kilometres of water pipes have been laid, but until the institutions that govern the sector are reformed, poor institutional performance will prevent millions of people from having access to clean and safe water. The Bank has shown that, along with others, it can play an important role in mobilising development assistance to produce tangible results. Future challenges, outlined in the SDGs, demand absolute improvements in a broader range of issues in more difficult contexts.

Efforts to preserve the gains made over the last 15 years and to promote better outcomes and standards of living for future generations must contend with a difficult external environment. Traditionally generous donors such as Denmark, Norway and Sweden are considering reducing their official development assistance (ODA) budgets in order to deal with the immediate influx of immigrants. Religious extremism and conflict are on the rise. There is an increasing concentration of poverty in fragile states and middle-income countries (MICs), while IDA-eligible countries are shrinking and concentrated in the African continent. Interest rates are low, which affects returns on investments, including the Bank's, reducing the net income for IDA and the Bank's operations. The Bank is already making efforts to respond to this changing and increasingly complex environment. The Forward Look presented to IDA deputies at the 2016 Spring Meetings outlines five aspects of being a better bank, including the need to be a more flexible, faster, and agile development partner for its clients, or borrowing countries.

Against this background, this paper offers some early reflections on a recent pilot experience aiming to do things differently in the Bank's Nigeria country portfolio. It looks first at recent experience of traditional approaches to reforming the public sector and notes a mediocre track record in changing systems and behaviours. This is of concern given the need, under IDA 18 and in the context of the 'From Billions to Trillions' strategy, to focus on supporting capable local institutions. The paper then turns to new evidence emerging from case studies on a number of developing countries in which changes in systems, behaviours, and incentives have succeeded.

Box 1: Elements of an adaptive approach

Back in 1988, Therkildsen wrote, 'In contrast to the control-oriented approach, the adaptive one appears to be an argument for murky generalities. This is a misconception. Compared to the control-oriented approach, the adaptive approach emphasizes:

- the formulation of long-term policies and strategies rather than long-term targets;
- continuous planning linked to implementation, rather than extensive and detailed pre-implementation planning followed by implementations with limited monitoring;
- the regular monitoring and formative evaluation to detect and learn from errors on a continuous basis, rather than periodic external evaluations;
- continuous dialogue with intended beneficiaries to adjust activities to their needs, knowledge and resource commitments, rather than provision of services.'

Source: Booth 2015b, reviewing Therkildsen 1988: 208.

These cases, not all of them new, are summarised for readers who are less familiar with recent debates. They are loosely grouped under the catchphrase 'Doing Development Differently' (DDD), and seem promising since they have succeeded in fostering sufficient political will and effective strategies to address institutional bottlenecks otherwise thought to be intractable. The paper reviews and summarises the common characteristics of successful cases. It then examines how well a large development organisation like the World Bank might use such approaches, drawing on the literature on the institutional culture of such organisations as well as recent evaluations conducted by the Bank's own evaluation department. At the same time, it points to a number of constraints to sustaining this work at scale and ends by proposing ways to build such approaches more systematically into individual project and programme lending arrangements and country portfolios more generally. Addressing institutional incentives that might jeopardise such work would provide the necessary authorising environment to tackle elusive institutional reform in borrowing countries. The aim is to contribute to the internal and external debate on how the Bank might better fulfil its mandate to eradicate extreme poverty and boost shared prosperity in an increasingly challenging global context.

3. Doing Development Differently: origins, evolution, and principles

Doing Development Differently (DDD) is a community of development thinkers and practitioners who have been seeking new ways to achieve development, with a view to improving its impact in local contexts. This fluid community includes individuals from different backgrounds and disciplines. Many have been involved in the ‘Thinking and Working Politically’ community of practice in the development field. Others are from the private sector, where they have been involved in facilitating organisational change, applying systems learning, or leading innovations. These individuals share dissatisfaction with past attempts to provide assistance through public institutions and a passion to find better approaches.

DDD builds on a tradition of constructive questioning of how to improve the impact of development initiatives by candidly recognising the limitations of past approaches. There is an underlying belief in the importance of external aid and an acknowledgement of the crucial role of governance and institutions in fostering broad and inclusive economic development. At its core, however, is the recognition that past attempts at public-sector and institutional reform have been inadequate primarily because they have been overambitious and focused on technical solutions. Failure to recognise actors’ incentives and interests, as well as the positive diversity and capabilities that might exist in local processes and systems, has undermined the effectiveness of attempts to reform the public sector – and this is broadly acknowledged, including by the Bank, which is the largest funder of such reform worldwide.¹

Successive evaluations undertaken by the Independent Evaluation Group (IEG), as well as recent external publications, note that many ‘success stories’ of

public-sector institutions are in fact limited to improvements in forms – such as laws, systems, and processes but have had no ‘noticeable positive effect on the overall performance of the public sector’ (IEG 2011). Again, the limited success of reforms to bring about institutional change is not new, yet despite this the same approaches and content persist. An IEG evaluation of the Bank’s experience in civil service reform noted, for example, that retrenchments and salary adjustments were the characteristic response to cutting the wage bill, even though these interventions typically proved politically unrealistic (IEG 1999). A follow-up evaluation on public-sector reforms points out that, although this failure was noted back in 1999, little had changed in Bank practice since then: ‘Since then, the Bank had advocated the same approach, with similar lack of success in some countries, such as Cambodia, Honduras, and the Republic of Yemen’ (IEG 2008: xvi).

While evidence on the limitations of past approaches is not new, this discussion is very much in vogue again. Criticisms of development programmes financed by external agencies that propose blueprint approaches have a long history. Therkildsen (1988), Korten (1980), and Rondinelli (1983) were early advocates of a more adaptive approach that engaged local counterparts (Box 1), and to some extent donors responded by paying more attention to concepts of ownership, country systems, and local participation (Booth 2015b). As Booth (2015b) notes, it is relevant to revisit past limitations, and the growing evidence that more tailored, adaptive approaches are better suited to tackling such reforms offers hope and confidence in a new role for external aid, provided that it is appropriately managed.

1. For example, a 2008 evaluation of public sector reform approaches by the Bank’s Independent Evaluation Group (IEG) used Country Policy and Institutional Assessment (CPIA) ratings to assess the impact of reforms introduced between 1999 and 2006 and found that between 40 and 60 percent of countries did not see better post-reform scores in important areas targeted by public sector reforms, although public financial management projects fared better than others (IEG 2008). A 2011 study found even more disappointing results (IEG 2011). Fewer than 40 percent of the 80 countries receiving World Bank support for public sector reform between 2007 and 2009 registered improved governance scores in that period. One-quarter of these countries actually saw a decline. When analysing by theme, the report finds that lending for civil service reform was not correlated with any improvement in countries’ CPIA scores on that dimension. This track record poses significant challenges for an institution that deals primarily with public sector counterparts.

While these themes are not new, they are increasingly relevant and urgent as the share of portfolios dedicated to such projects grows (Andrews 2013). Before 1980, less than 1% of Bank projects tackled institutional reforms, but between 2000 and 2010, 65% of all Bank projects were likely to incorporate them.² It is now the ‘most common part of the organization’s agenda’, figuring in 25% of its spending between 2000 and 2010 and amounting to more than \$50 billion spent on World Bank-financed projects (Andrews 2013). Similar growth is reflected among other donors, such as the Department for International Development (DFID) in the United Kingdom (UK) and the portfolios of both the Asian Development Bank (ADB) and the African Development Bank (AfDB).³ In other words, institutional reforms have, in a fairly short space of time, become central to the work of the development community.

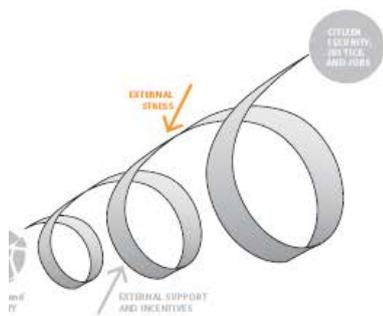
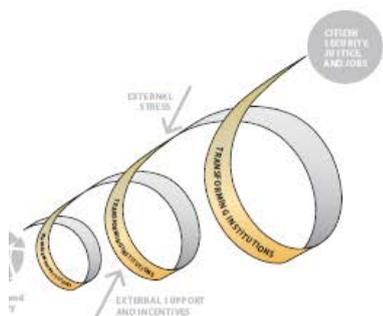
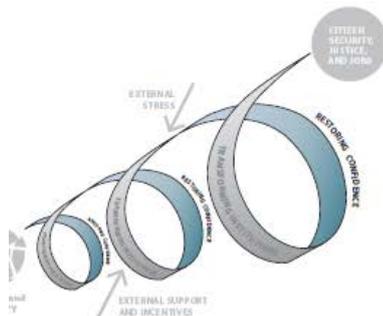
While institutional reforms comprise an increasingly significant share of development assistance, the literature notes that their content is remarkably similar, even in quite varied contexts. As Dani Rodrik writes, ‘Institutional reform promoted by multilateral organizations such as the World Bank, the International Monetary Fund, or the World Trade Organization (WTO) is heavily biased toward a best-practice model. It presumes it is possible

to determine a unique set of appropriate institutional arrangements *ex ante*, and views convergence toward those arrangements as inherently desirable’ (Rodrik 2008: 100). It is this belief in a one-size-fits-all approach that many argue renders support to institutional reform ineffective (Grindle 2004; Booth 2011).

The World Development Report 2011: Conflict, Security, and Development (World Bank 2011) marked a significant departure in the Bank’s rhetoric on best practice and best fit. It lays out a different way of thinking about approaches to violence prevention and recovery in fragile situations. It does not aim to be a ‘cookbook’ that prescribes recipes – each country’s political context is unique and there are no universal solutions. While the choice of confidence-building measures and institution-building approaches needs to be adapted to each country, a set of basic tools emerging from experience can be the basis for that adaptation. As such, the World Development Report 2011 (WDR) lays out an agenda for restoring confidence, transforming institutions, taking national actions to reduce stress, and monitoring progress through flexible results indicators in challenging contexts (Figure 1). Critical to this approach in fragile states is the need for coalition-building, deep contextual knowledge, and an iterative, non-linear approach.

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2. Although 65% of Bank projects were likely to incorporate institutional reform components, the dollar amount would be much less, making them frequent components but without much institutional visibility in a culture where the amount of approval and disbursement matters.
 3. Institutional reforms ‘can be identified in more than half of the operations carried out by [DFID] between 2004 and 2010. They are also evident in more than half of the Asian and African Development Banks’ project portfolios in the late 2000s, having comprised less than 10 percent of interventions prior to the 1990s’ (Andrews 2013: 6).

Figure 1: Core tools that build confidence and encourage collaboration



RESTORING CONFIDENCE			
Signals: Future policy and priorities	Signals: Immediate actions	Commitment mechanisms	Supporting actions
<ul style="list-style-type: none"> • Citizen security goals • Key principles and realistic timelines for political reform, decentralization, corruption, transitional justice • Mix of state, community, NGO, and international capacity 	<ul style="list-style-type: none"> • Participatory processes • Local security, justice, and development results • Credible appointments • Transparency in expenditures • Redeployment of security forces • Removal of discriminatory policies 	<ul style="list-style-type: none"> • Independence of executing agencies • Independent third-party monitoring • Dual-key national-international systems • International execution of one or more key functions 	<ul style="list-style-type: none"> • Risk and priority assessments • Communicating costs of inaction • Simple plans and progress measures on 2-3 early results • Strategic communication
TRANSFORMING INSTITUTIONS			
Citizen security	Justice	Jobs and associated services	
<i>Foundational reforms and "best-fit" approaches</i>			
<p>Security sector reform:</p> <ul style="list-style-type: none"> • Designed to deliver citizen security benefits • Capacity increases linked to repeated realistic performance outcomes and justice functions • Dismantling criminal networks through civilian oversight, vetting and budget expenditure transparency • Use of low-capital systems for rural and community policing 	<p>Justice sector reform:</p> <ul style="list-style-type: none"> • Independence and link to security reforms; strengthening basic caseload processing; extending justice services, drawing on traditional/community mechanisms <p>Phasing anti-corruption measures: demonstrate national resources can be used for public good before dismantling rent systems; control capture of rents and use social accountability mechanisms</p>	<p>Multisectoral community empowerment programs: combining citizen security, employment, justice, education, and infrastructure</p> <p>Employment programs: regulatory simplification and infrastructure recovery for private-sector job creation, long-term public programs, asset expansion, value chain programs, informal sector support, labor migration, women's economic empowerment, and asset expansion</p> <p>Humanitarian delivery and social protection: with planned transition from international provision</p> <p>Macroeconomic policy: focus on consumer price volatility and employment</p>	
<i>Gradual, systematic programs</i>			
<ul style="list-style-type: none"> • Phased capacity and accountability in specialized security functions 	<ul style="list-style-type: none"> • Political and electoral reform • Decentralization • Transitional justice • Comprehensive anti-corruption reforms 	<ul style="list-style-type: none"> • Structural economic reforms such as privatization • Education and health reforms • Inclusion of marginalized groups 	
NATIONAL ACTION TO ADDRESS EXTERNAL STRESS			
Citizen security	Justice	Jobs and associated services	
<ul style="list-style-type: none"> • Border cooperation • Military, police, and financial intelligence 	<ul style="list-style-type: none"> • Coordinate supply and demand-side responses • Joint investigations and prosecutions across jurisdictions • Building links between formal/informal systems 	<ul style="list-style-type: none"> • Pooled supplementary administrative capacity • Cross-border development programming 	
FEASIBLE RESULTS INDICATORS TO DEMONSTRATE OVERALL PROGRESS			
	Citizen security	Justice	Jobs and associated services
Short term	<ul style="list-style-type: none"> • Violent deaths • Perception survey data on increases/decreases in security 	<ul style="list-style-type: none"> • Perception surveys by groups (ethnic, geographical, religious, class) on whether their welfare is increasing over time and in relation to others • Perception survey on trust in national institutions and on corruption 	<ul style="list-style-type: none"> • Perceptions of whether employment opportunities are increasing • Price surveys (for real income implications)
Longer term	<ul style="list-style-type: none"> • Victim surveys 	<ul style="list-style-type: none"> • Governance indicators refocused on outcomes and degree of progress within historically realistic timeframes • Household survey data on vertical and horizontal inequalities and access to justice services 	<ul style="list-style-type: none"> • Household data on employment and labor force participation

Source: World Bank 2011

Since then, the Bank's publications and internal discussions increasingly acknowledge the difference between best practice and best fit, and this is no longer limited to fragile situations. What to do about it in operational terms, however, is not yet resolved. A paper produced by the Bank's Governance Practice in 2012 recognises that while 'there is significant uncertainty about the institutional forms that are suited for improving public sector performance in a given context', 'a number of factors persist that make "best practice" reform recommendations attractive' (World Bank 2012: 6) (Box 2). Fritz et al. (2014) have argued that the institutional incentives for public-sector reform programmes are particularly problematic, and a forthcoming paper by Raballand and Malmberg Calvo further examines the institutional incentives affecting task teams working in this area.

Based on previous performance, what do critics feel might work better? It is important to point out that criticisms do not suggest that standards of best practice in accounting or procurement should not exist. Rather, it is how they are applied as 'solutions' or pathways. Much of the debate fails to differentiate between standards as an 'end' and as a 'means'. Thus, standards of best practice exist and should be recognised – transparency and competition in procurement are as good for Nigeria as for countries in the Organisation for Economic Development and Co-operation (OECD). Where there is room for more discussion and changed practice is how best to pursue such ends – how to achieve them so that 'good fit' solutions (which take account of – rather than ignoring – the political, administrative and social context) are embedded and take root.

The recent case studies published under the broad DDD principles respond to the above criticisms and begin to offer some alternative principles for consideration. While DDD does not aim to be an alternative philosophy of assistance, and is wary of 'magic bullet' approaches, it works inductively, moving backwards from promising cases of institutional reform to understand the principles that define their successes. These cases – drawn from a range of countries and sectors – appear to share the following characteristics:

- An initial and continual understanding of the broad context and how it changes over time,
- Application of iterative problem-solving, often piloting approaches to test assumptions and fit, sometimes through parallel experiments, before moving to scale,
- Local leadership by fluid groups of influential actors (in 'reform coalitions'), whether through formal or more informal networks,
- Heavy investment in monitoring, feedback, and learning, and making corrections as needed, and
- Outside support, which is often helpful with an active but arm's-length role.

Box 2: The continuing attraction of 'best practices'

There are four reasons why 'best practice' continues to play a part in dialogue with governments concerning public sector management (PSM) reforms:

- Governments often ask for them as a source of legitimacy. Client governments recognise that they risk losing support, including sometimes from the World Bank, if they do not make their public administrations 'look like' broadly recognised 'best practice' standards. Meeting such standards can help ensure domestic and professional legitimacy for PSM reforms through 'isomorphism'.
- It is unrealistic to assume that advisers can start from scratch on every occasion. To the extent that 'best practices' are shorthand for some tacit knowledge conclusions supported within the field it is inevitable that they will be used, cautiously one hopes, as a starting point for many discussions.
- There are interests in creating 'best practices' for 'selling' them. An entire industry has developed around the packaging and transmission of New Public Management (NPM) ideas to developing countries, even though there is evidence that the ideas were not implemented consistently in many 'successful' Organisation for Economic Co-operation and Development (OECD) and middle-income countries, and that "effective" reform tends to refer to a situation enjoyed by countries after crises have passed, not what they used to get through them.
- The lack of a well-developed, explicit body of knowledge on 'what works' in PSM makes it hard to debunk 'best practice' claims.

DDD draws on practical cases to provide examples of how more politically savvy, adaptive approaches have worked in response to earlier criticisms of institutional reform. It also builds on the strengths, but takes into account the limitations (Box 3), of recent attempts to help the development community become more politically aware.

There is thus an emerging consensus that unless political economy work results in more politically savvy and adaptive learning in programming and implementation of projects, its value is undermined. As Booth, Harris, and Wild (2016) point out, there is a need to:

'move our thinking and priorities away from a belief in the independent contribution of well-focused and appropriately timed political economy studies, and towards a perspective that gives a more prominent place to alternative approaches to programme design and management. Awareness of political economy seems to be a natural component of development work that is problem-driven and adaptive, whereas adding better analysis to programmes that are pre-planned in detail and have limited room for manoeuvre has a weak impact. For this reason, those advocating politically smart aid need to get more seriously engaged with improving the internal procedures, practices and incentives of funding agencies and their implementing partners' (5).

A number of cases have been written up recently by Booth and Unsworth (2014), Mercy Corps (EWB Canada and Mercy Corps (2014)); Allana and Sparkman (2014), and Booth (2016b) which show how these principles are being put into practice.

Box 3: Recognising the limitations of political economy approaches

The long journey towards incorporating political economy analysis in development programming is well told by Carothers and de Gramont in *Development Aid Confronts Politics: The Almost Revolution* (2013). In response, more political economy work is being done and many development agencies are increasingly aware of its importance.

As Booth, Harris, and Wild (2016) have noted in a recent review of DFID's attempts to mainstream political economy thinking throughout its work, however, 'formal analysis [has] only play[ed] a minor role by nudging programming in the right direction'. Yanguas and Hulme (2015), Fisher and Marquette (2014), and most recently DFID (Piron et al. 2016) have provided candid overviews of the potential and limitations of political economy work over the last decade.

The limitations include the difficulty of balancing generalities with efforts to solve specific problems, problem-solving approaches that ignore local potential, and theoretical and communication differences between governance professionals who manage political economy analyses and sector colleagues – something that Booth has called the challenge of 'getting governance out of the ghetto'. Political economy studies are often undertaken as a one-off analysis and conducted by external consultants, making it hard to update them as contexts change and programme implementation begins.

They all provide hope that what were previously regarded as intractable 'governance bottlenecks' or 'barriers in the political economy' can be resolved. These include examples like the establishment of an investment board to boost foreign direct investment (FDI) in Nepal's hydropower potential, the creation of a facility to improve the governance of oil revenues in Nigeria, and the simplification of the land registry process and reform of excise taxes in the Philippines (Boxes 4 and 5).

These were significant problems, and previous attempts to offer support through traditional donor financing had not provided much traction. They are of interest not only because of their results, which are impressive, but because they suggest that there is an important role for external assistance in resolving institutional and political economy problems. The role of external actors has to be balanced carefully and is often one of active hands-off supervision of local processes, something that 'is more often an exception than the rule' in official agencies (Booth 2016b). Booth also notes that the value of external aid in supporting governance reforms should not be surprising, since the bottlenecks that result from elite pacts are unlikely to be self-correcting. Nevertheless, it is heartening to find cases in which breakthroughs in institutional reform, many of them home-grown and -managed, have enjoyed external support.

Recent publications make the case for adopting similar approaches in the security and justice sector (Denney and Domingo 2015), as well as more consistently in fragile states, with a view to improving the impact of aid.

A series of cases released by Mercy Corps and IRC in April 2016 illustrate the importance of locally informed adaptable approaches in times of crisis. In Sierra Leone, one education project was able to adapt and foster locally owned solutions, shifting the roles and responsibilities of education facilitators towards tracing supervisors, reaching over two million people in a short time to help control the fast-spreading Ebola virus with a community-information platform. Another project that was managed by a different consortium failed to adapt due to complicated decision-making chains, risk aversion, and lack of timely communication, rendering it useless as circumstances changed quickly on the ground (Mercy Corps/IRC 2016c). A case study on agricultural development in Uganda highlights the importance of managerial behaviour and culture in creating a collaborative, inquisitive, problem-solving approach, while underlining the risk that monitoring and evaluation (M&E) functions that are used solely for reporting and compliance increase the administrative burden at the expense of learning and reflection (Mercy Corps/IRC 2016a). Willingness to consider and adopt alternative compliance procedures, based on what has been feasible during the Syrian war, proved critical in ensuring the responsiveness of the field-based team, providing them with the knowledge and capability to reach new populations under siege (Mercy

Box 4: Case study - DFID programmes in Nepal and Nigeria

In Nepal, the DFID-funded Centre for Inclusive Growth (CIG; 2010-2015) has focused on the country's huge untapped hydropower potential. Developing this potential requires significant foreign investment, but political instability and other governance challenges have made attracting investors difficult. Vital potential deals have stalled, and investors have walked away. The CIG program seized the opportunity to build up a newly created Investment Board of Nepal to help it broker and negotiate hydro deals. In late 2014, this approach—led by a team of high-quality, mostly expatriate, Nepali professionals—helped achieve agreement on over \$2 billion of new foreign direct investment (FDI) in hydropower. Two major investments were agreed, either one of which would more than double Nepal's electricity production and generate large export revenues.

This result was possible for three reasons:

- The DFID funding was flexible and able to be scaled up quickly in response to a political opening.
- It was provided at arm's length, with limited programme 'branding,' which helped the Nepali players navigate the complex collective-action challenges created by Nepal's fragmented politics.
- DFID managers stayed committed and closely engaged, in the knowledge that UK aid was shouldering the risks associated with a large potential reward.

In Nigeria, the Facility for Oil Sector Transparency (FOSTER; 2010-2016) is a DFID-funded programme that promotes transparency and accountability in Nigeria's petroleum sector. Most staff are Nigerian and it combines technical expertise with a deep understanding of the political economy of the sector to identify how and when to intervene. Long-term partnerships to strengthen institutions, laws, and policies are pursued alongside more opportunistic short-term goals that take advantage of openings as and when they arise. Commitment to local ownership and building consensus among the government, private sector, and civil society are at the heart of FOSTER's approach. This £14 million programme has helped recoup over £300 million of Nigeria's public funds, influenced major legislation, and begun to tackle the problem of illegal gas flaring.

FOSTER is able to achieve results in an exceptionally difficult context for developmental reform for three reasons:

- It works adaptively, responding creatively to opportunities and lessons of experience without losing sight of the desired long-term outcome.
- The mode of intervention is politically 'smart', based on intensive networking and partnerships within and outside the state.
- The programme management keeps a low profile, not claiming credit for results on its own behalf or on behalf of DFID.

Corps/IRC 2016b). There are also several papers on DDD approaches in specific sectors. A recent study on the health sector, for example, suggests that DDD builds quite naturally on 'quality improvements' approaches in the sector (Tulloch 2015). The growing evidence base in the Global Delivery Initiative also makes the case for such an approach across a number of sectors and countries.

These recent cases underline what has long been known about the politics of reform. History is full of evidence of the power of well-designed reforms to influence economic performance in the medium term. In addition, sustained economic inclusion has been a reliable route to improving politics in the long term. The politics of reform literature suggests that reform involves taking account of the high level of unpredictability that is a feature of its 'everyday politics'. It rewards those who are capable of being opportunistic and flexible where 'learning by doing is the only realistic approach' (Booth 2016b). But development agencies clearly find this difficult and often cite obstacles of a political nature as reasons for poor progress. In

the Bank's culture, this is referred to as the Component 3 problem. Component 3 is generally the part of an investment project that deals with institutional reform, and completion reports show that work is plagued by problems of 'changing authorizing environment', 'lack of political will', and 'low ownership by local actors'.

While such an approach may be attractive for institutions that are struggling to find ways to address questions of institutional reform, it is not an easy road to travel. As Booth points out, 'to the development bureaucrat, the adaptive approach can seem less reliable, or more uncertain, and therefore harder to defend, than the conventional approach to planning and implementation' (Booth 2015b: 15). A key challenge is to show how adaptive support helps to better manage uncertainty, rather than creating further uncertainty, and to show how adaptive approaches can draw on knowledge of solutions and what is technically best to find the right 'fit' for a given context (rather than the perception that this knowledge is eschewed in favour of 'free for all' approaches).

4. The culture of large development agencies: how well do they lend themselves to such an approach?

The relevance of emerging case studies, including those cited above, for the World Bank and other large development agencies is clear. They suggest that progress can be made on the complex second-generation problems that make up a growing share of the global portfolio. The evidence is particularly pertinent given the focus on governance and institutions under IDA 18 and the emphasis on strong domestic institutions in the evolving development financing architecture. So, what would it take to try such approaches at scale in the culture of an organisation like the World Bank?

On the face of it, the literature on the institutional culture of development organisations suggests that Booth is probably correct: an approach that requires risk-taking, flexibility, and focus on non-quantitative measures is unlikely to be popular in the influential quarters of such institutions. This is due in large part to the systems and incentives that provide political accountability over the use of aid budgets. Given that accountability is important and the pressure for it is unlikely to be reduced in the present context, it is worth spending some time on this.

Defending the importance of aid budgets has always been a difficult task. Jessie Helms, the United States

Box 5: Case study - successful DDD approaches in the Philippines

The use of a DDD approach in reforming the law on residential property rights in the Philippines is particularly interesting, as the approach and its results can be compared to those of more traditional approaches to land reform, financed by the World Bank and others. In 2010, with careful, patient work by a multi-skilled reform team, a technically desirable and politically feasible solution was found to the problem of a slow and expensive legal process for issuing land titles. The passage and implementation of the Residential Free Patent Law has enabled a 1,400% increase in urban land-titling rates, without any staff increase in the responsible government agency. The reform team was supported with modest and discontinuous funding from USAID and AusAid, but it was largely self-motivated. It achieved a substantial result and was much cheaper than a large, comprehensive nine-year program (LAMP) funded by the World Bank and Australia.

In 2012, the same group, the Asia Foundation, achieved similar success by working politically and iteratively with a multi-stakeholder coalition of national reformers to solve the low and declining real value of excise taxes from tobacco and alcohol sales, combined with the need for more public subsidies to health insurance. The Asia Foundation, which provided a type of Secretariat to the Coalition, helped the team tweak the details of the law to buy off opponents, including the congressional representatives of tobacco-growing areas, working with the grain of the Philippines political system. The law was eventually passed by a narrow margin against fierce resistance from the tobacco lobby. It led to the collection of an additional \$1.8 billion in revenue in 2013, most of which has been earmarked for health insurance for poor families (Booth 2015a).

Box 6: A letter from the Duke of Wellington

Gentlemen,

Whilst marching from Portugal to a position which commands the approach to Madrid and the French forces, my officers have been diligently complying with your requests which have been sent by His Majesty's ship from London to Lisbon and thence by dispatch to our headquarters.

We have enumerated our saddles, bridles, tents and tent poles, and all manner of sundry items for which His Majesty's Government holds me accountable. I have dispatched reports on the character, wit and spleen of every officer. Each item and every farthing has been accounted for with two regrettable exceptions for which I beg your indulgence.

Unfortunately the sum of one shilling and nine pence remains unaccounted for in one infantry battalion's petty cash and there has been a hideous confusion as to the number of jars of raspberry jam issued to one cavalry regiment during a sandstorm in western Spain. This reprehensible carelessness may be related to the pressure of circumstance, since we are at war with France, a fact which may come as a bit of a surprise to you gentlemen in Whitehall.

This brings me to my present purpose, which is to request elucidation of my instructions from His Majesty's Government so that I may better understand why I am dragging an army over these barren plains. I construe that perforce it must be one of two alternative duties, as given below. I shall pursue either with the best of my ability, but I cannot do both:

- 1. To train an army of uniformed British clerks in Spain for the benefit of the accountants and copy-boys in London or, perchance...*
- 2. To see to it the forces of Napoleon are driven out of Spain.*

*Your most obedient servant,
Wellington*

—Attributed to the Duke of Wellington, during the Peninsular Campaign, in a message to the British

Senator, once said of aid, 'it is the equivalent of throwing taxpayers' money down a foreign rat hole'. This has led to a legitimate effort by aid agencies, and those who support them in political arenas around the world, to paint a simplified picture of how aid is used. In the desire to provide advocates of aid with what they need, they argue: if you trust us with your money, we can control it and account for it, and we will ensure that it is put to good

use. Of course, development practitioners acknowledge that this is a rather simplistic presentation of the reality. They often work in complex contexts, are not in charge – governments are – and thus do not have complete control, and nor should they. But this public image of how aid is delivered has shaped agencies' working practices, which are often left feeling like the Duke of Wellington in 1862 as he marched from Portugal to Spain, unsure of what he was being asked to do or why (Box 6).

The mismatch between the practice and culture of development

In an effort to prove the value of aid, and ensure that ODA budgets are maintained or raised, its proponents have, perhaps inadvertently, created a massive oversimplification of how aid works. The systems and incentives put in place to translate and monitor this notion have led to a mismatch between what is done and how it is managed. The imbalance between the institutional culture of large development agencies and the planning and implementation of development projects is beautifully captured in a seminal piece by the former head of the United States Agency for International Development (USAID). In 'The Clash of the Counter-bureaucracy and Development,' Natsios (2010) provides a colourful account of USAID's administrative development over time, noting how under successive administrations bureaucratic reporting and risk-management mechanisms have increasingly become mandates that run counter to good development practice. It is impossible for anyone who works in a large development agency to read the paper without a mixture of recognition and horror. It is a story that everyone would recognise, and while it is comforting to understand the root of the 'feeding the beast' activities that they perform, it is depressing to be reminded of the extent to which it detracts from the task at hand.

Understanding and managing risk

Natsios and many others before and since have pointed to three ways that this cultural mismatch manifests itself in development agencies. The first relates to how risk is understood and managed. Anxious to assure donors that their resources will be well used leads to the creation of a semblance of control and low risk. In the case of USAID, Natsios describes how this has led to a proliferation of compliance functions, often at the expense of good development decisions: 'When compliance becomes the primary mission of an aid agency and drives programming, rather than serving a subordinate, supplemental function to the overall development and humanitarian response mandate, then something is wrong with the system' (Natsios 2010: 41).

Box 7: IEG evaluation on learning and results

In *Learning and Results in World Bank Operations: How the Bank Learns* (July 2014), IEG aims to answer the following question: ‘how well has the World Bank generated, accessed, and used learning and knowledge in its lending operations, and what is the scope for improving how it does so?’ The report finds that, although staff perceive the Bank to be committed to learning and knowledge-sharing, the organisational culture and systems do not effectively encourage the use and creation of knowledge. Despite recent recognition of the importance of these ‘softer’ aspects of the Bank’s work, including new core competencies, **lending pressure and the lack of institutional incentives to invest in learning** are still seen by staff as crowding out time and resources for knowledge-based activities. Tacit knowledge passed from one staff member to another is the dominant form of learning. ‘A safe space’ for questioning and critical learning also seemed to be largely lacking, since less than one-third of IEG staff felt that they could openly discuss with their management what was ‘not working in a lending operation’ (IEG 2014: 74).

TTLs provided their perspectives on the institutional culture:

- ‘There is no incentive to go the extra mile during design. It is possible to prepare a project with less effort. It is up to me as a TTL whether I want to bring in best practices to the design or just deliver another project to the Board. I won’t get a better [Salary Review Increase] or [Overall Performance Evaluation] for going the extra mile.’
- ‘If you want to do something new, you have some freedom to do things, but you won’t get rewarded or go to the top because of it.’
- ‘Too many people bring bad projects to the board and are promoted. It’s not about whether the project can be implemented and gets results.’

According to the 2013 Employee Engagement Survey:

- 40% of task team leaders disagreed with the statement ‘the World Bank Group prioritizes development results over the number and volume of transactions’.
- 70% felt that the pressure to lend had crowded out learning at the Bank.

The IEG evaluation on learning and results suggests **shifting the focus from ‘lending versus learning’ to ‘learning from lending’** and striking a better balance between the two.

Source: IEG 2014

But managing risk is not easy for agencies that receive public funds, or even private donations. Many newer development agencies have tried an administrative ‘lite’ approach and felt the consequences. The Global Fund’s recent scandal⁴, as well as criticism of the Bill and Melinda Gates Foundation’s inability to spend its capital while reinventing the wheel, is another risk in such an approach (Barder 2010). Development is an inherently risky and complex business, requiring the right balance of informed risk-taking and risk-mitigation. How agencies do this, with the right skills and right balance, without creating a bureaucracy that paralyses timely and nimble action is a difficult balancing act.

The World Bank’s position on understanding and managing risk is, arguably, more nuanced than the picture presented by Natsios. There is a reputation to maintain, and the pressure exerted by interest groups to ensure that specific issues – environmental, fiduciary, or specific people – are properly managed is real. This pressure is well intentioned and meant to ensure that the Bank ‘does no harm’. But successive Bank presidents have quickly learnt that development involves taking risks, and that often the biggest transformations involve the biggest risks. As a result, the institution’s tolerance of risk is not static and tends to swing in response to signals from senior management.

Finding a way to hold teams accountable and to sanction negligence while promoting a healthy dose of curiosity about risks within teams and management, remains work in progress and a difficult balancing act. One high-profile, knee-jerk reaction has weighed heavily and for some time in staff’s perception of how much room exists for risk-taking. Staff still shudder as they recall the firing of a vice president, country director, country manager, and operations manager in response to a problem project in Albania in 2008, and the reasons for these dismissals have almost become irrelevant to staff who dislike taking risks. An India corruption case is also said to account for the low appetite for risk that still prevails among many financial management specialists in the institution today. But, in general, today’s Bank appears to have a more realistic tolerance of risk, commensurate with the context in which it works, recognising that understanding and managing risk is best and most sustainably done by borrowing countries.

At present, for example, the Bank’s safeguards and procurement policies have been updated moving from a transaction risk-intolerant approach to a more risk-informed approach through country systems. A high-level group of senior managers is attempting to find better ways to respond to risks when they arise by, in the first instance, giving staff a sort of ‘SWAT’ (Special Weapons and Tactics) team to help. Such an approach could help the Bank lower the transaction costs for taking measured risks, helping

4. In May, 2016 The Global Fund recently published an audit of its HIV grant to Nigeria which found extensive evidence of systematic embezzlement of program funds, fraudulent practices and collusion. See: <http://www.theglobalfund.org/en/oig/reports/>

more task team leaders (TTLs) to assume this as part of doing business.

Monitoring and measuring results

The second manifestation of a mismatch between agencies' institutional culture and the practice of development is what Natsios calls *Obsessive Measurement Disorder (OMD)*. He describes this as a desire to quantify and measure everything – even things that are not easily quantifiable. OMD has also taken root in the public sector in many developed countries, germinated by NPM theory. Measurement efforts in the public sector have come to presuppose that progress in development is predictable, linear, controllable and time-bound when the reality is usually the opposite.

While few would argue that results are not important, the unintended consequences of the reporting systems that are created to prove those results are problematic. These consequences include short-termism and a desire to fund quick wins over long-term institution-building and transformational engagement. Moreover, large back-office functions are created to deal with reporting functions, often with heavy implications for overhead budgets. Perverse incentives arise for staff to quantify and report progress at all costs and 'gaming' of the system can set in.

Field staff, whose primary responsibility should be to engage locally, often end up spending long hours reporting back to headquarters at the cost of fostering the local processes and partnerships that are critical to improving outcomes but are, of course, hard to quantify. In practice, this results in the creation of 'vanity metrics' rather than metrics that promote learning and improved action (Booth 2015a). Natsios notes that, in the case of USAID, this has led to distortions in contracting, giving preference to large contractors whose business models factor in dealing with bureaucratic hurdles, and excluding local think tanks and civil society organisations (CSOs). Rosalind Eyben (2013) provides a good overview of the contradictions in the discourse on evidence. Natsios summarises these well: 'When OMD shuts down transformational development programs that build institutions and encourage policy reform because they cannot produce quantitative results in some quarterly reporting system, the oversight system has become dysfunctional' (Natsios 2010: 41).

Much attention is paid to one key metric at the World Bank: the rate of disbursement. The disbursement ratio is used to show IDA deputies, among others, that the money they have provided is being used, and at a sufficient rate to merit a capital increase. Again, Natsios points out the problems with relying on this metric.

Using program spending or disbursement rates to judge the success of aid programs...undermines the ownership and sustainability principles that have long been central to good aid practice. The regulators' assumption that appropriated aid money is not being spent quickly

Box 8: IEG evaluation on transformational engagements

In *Supporting Transformational Change for Poverty Reduction and Shared Prosperity: Lessons from World Bank Group Experience* (February 2016), IEG explores the lessons learned from the Bank's experience with interventions that 'support deep, systemic, sustainable change with the potential for large-scale impact [on] a major development challenge' (xiv). IEG identified 20 such engagements between 2000 and 2014, including sector reforms and investments that helped substantially to increase access to electricity, innovative approaches to transform the provision of basic services, global benchmarking efforts, and country-level engagements that supported rapid and sustained development progress. These engagements – a very small share of the Bank's overall portfolio – were challenging and required sustained effort over a long period.

True transformations occurred when the Bank was **flexible and adaptable in response to opportunities, pointing to the continuing importance of understanding and tackling the political economy dimensions of complex reforms and of engaging early and fully with a wide range of stakeholders**. The impact of these engagements underlined the importance of good knowledge and analytical work, as well as local relationships, prior to lending.

While their heterogeneous approaches confirm that there is no 'magic bullet' for catalysing transformational change, they did share key characteristics that emphasise the need to support fundamental change in behaviours and systems. The report highlights four mechanisms that can support transformational change, individually or in combination:

- Identifying and addressing **binding constraints** to development.
- Adopting systemic, **cross-sectoral approaches** to address multiple constraints.
- **Scaling up innovations** and replicating effective approaches.
- Modifying incentives, introducing market forces, or increasing information to promote **behavioural change**.

enough, and thus is being poorly managed, misses the point of good development practice. This kind of work cannot be done easily or quickly, if it is to be effective. Moreover, it requires a much longer time line to achieve results when the institutions of the recipient countries are weak or non-existent. Disbursement rates should be used sparingly as a means for judging aid programs. (Natsios 2010: 43)

But of all the negative consequences of over-measurement noted in the literature, perhaps the most damaging is the loss of learning opportunities. If monitoring systems are used to control and punish those who ‘fail’ rather than to learn from mistakes and improve development, they risk becoming at best a charade, and at worst a deterrent to greater effectiveness.

The impact of well-intentioned monitoring systems, lack of clarity regarding risk management, and insufficient understanding of complex binding constraints in the World Bank’s culture has been highlighted in two recent reports produced by the IEG.

The first evaluation, on learning and results (Box 7), notes that the World Bank’s effectiveness is undermined by a disbursement culture that continues to crowd out time for learning, piloting, and innovation. This problem is not new. The Wapenhans report on the World Bank concluded that ‘something is not working because the problems we are encountering in today’s projects are the same problems encountered in projects many years ago. We keep making the same mistakes because we do not learn from earlier experience’ (1992).

The approval and disbursement culture seems to be alive and well in the Bank. Martin Ravallion (2016), in his recent critique of the Bank’s declining knowledge role, supports this. IEG also notes that only a small percentage of operational staff draw on knowledge work for lending, and when they do it is largely sector work produced in the regions. Few staff claim regularly to seek knowledge produced outside the institution, due largely to time constraints. Interesting work in the Development Economics vice presidency (DEC), including pioneering and relevant work done under the Social Observatory, for example, goes unread by operational staff, creating a startling disconnect between operational and research staff. IEG recommends determining the amount, nature, and basis for rewarding staff for learning and knowledge-sharing, as well as penalties for repeating mistakes and hoarding knowledge – a carrot-and-stick approach.

It also proposes indicating to staff how much risk is permissible and how much failure the Bank is willing to tolerate, and requiring evidence from task teams that they have consulted and used available evidence relevant to the lending operation at hand. Finally, IEG recommends adopting new management behaviours that ‘model openness, intellectual curiosity, and humility; acknowledge [the] lack of definitive answers to the problems the organization is dealing with; ...taking failure in stride’ (IEG 2014: 88).

A second evaluation on transformational engagements (Box 8) notes that only a small share of the World Bank’s portfolio supports these, due in part to its processes, systems, and one-size-fits-all approach (IEG 2016). IEG identifies only 20 such engagements and notes from these that ‘no single policy prescription for catalyzing transformational change exists.... It may therefore be



Netmapping, Fadama, Nigeria (c Claudio Santibanez)

difficult, even impossible, to identify transformational engagement ex-ante’ (IEG 2016: x). The evaluation points out the negative consequences of a disbursement culture, as well as strategies that are spread too thin. ‘Both the client and the Bank placed too much emphasis on lending volumes while spreading resources among numerous projects, covering (too) many areas and sectors... This may indicate internal incentives within the Bank Group...that were not well aligned with a rigorous focus on addressing the most binding constraints to [a] country’s development’ (IEG 2016: 38). The negative consequences of the Bank’s own metrics, systems, and incentives are crystal clear in these recent publications.

Producing appropriate evidence

A third and related mismatch in large aid agencies is often described as a narrowing of the definition of ‘evidence’. Evidence is reduced to mean ‘verifiable and

measurable facts' with a 'particular understanding of causality, efficiency and accountability' (Eyben 2013: 3). In bids to convince politicians and providers of budgets that development is a good investment, the tendency has been to focus on what works, not how it works, and to find ways of proving this. This has led to an explosion of certain types of evidence in the development field, and a new 'hierarchy of evidence' with randomised control at the top (Kleinfeld 2015). Impact evaluations, of course, including those undertaken using randomised controlled trials (RCTs) are undoubtedly useful and have provided important insights into key issues – for example, how to tackle child mortality and provide cash transfers.

But this may not provide the best way to understand complex institutional challenges that have multiple variables and develop unpredictably. As Kleinfeld notes, 'most evaluation systems are set to measure the equivalent of a train progressing down a track: a straight line that starts a little slowly and then gains speed, with clear checkpoints along the path that should be hit at specified times. Social and political reform looks like a sailboat tacking toward its destination, sometimes over the course of fifty years. Like Odysseus's famous journey home, it entails odd bedfellows, unexpected diversions, eddies of inaction, and moments of opportunity to surge forward' (Kleinfeld 2015: 14). The former director general of IEG notes the same limits to relying too extensively on one type of evaluation method: 'The reality of impact evaluations is that they are only appropriate for 'relatively simple interventions, the effects of which are realised in a short period of time and are large relative to other potential influences' (Picciotto 2012). In reality, what is likely needed is a 'sandwich' approach using mixed methods, carefully sequenced to address complex, multi-dimensional problems.

Others have noted that impact evaluations often come too late in the process to correct the problem at hand, can be expensive, and pose counterfactuals that are not always robust (Pritchett, Samji, and Hammer 2013). The World Bank's DIME program has effectively tried to address some of these concerns, building impact evaluation into the design of projects with results aimed to be available by mid-term review. However, the broader challenge of how to ex-ante build impact evaluations into processes of discovery of local solutions remains challenging. Eyben (2013) also points out that they can produce an 'anti-politics firewall' if they focus solely on what was done and what was produced, and ignore the questions of politics and context that are critical in order to tackle elusive institutional change.

In sum, based on the literature and IEG evaluations, the institutional culture and incentives in large development agencies have resulted in over-simplistic presentations of how development works, and systems that are not well aligned with the realities in which practitioners work. As currently conceptualised, monitoring, risk, and knowledge

systems, which were designed when development was primarily concerned with reconstruction of infrastructure, are not adequate for determining how best to support the complex institutional and behavioural changes that are required under the SDGs and other global development priorities.

Large aid agencies, then, are faced with a challenge: how can they improve their effectiveness as they shift to deal with more complex institutional issues, while continuing to be accountable for resources provided? This is not an easy question, and it is one that many agencies are grappling with, including DFID as part of the Smart Rules reform and USAID through a number of reforms of its competencies and process, as well as innovations led by the Lab Advisory Group. Section 5 suggests some practical ways that the World Bank might balance risk, complexity and the need for accountability at the project and institutional culture levels. But before that, the following section looks at what might be learnt from other fields that deal with complexity before moving on to the Nigeria case.

Adaptive management approaches to complexity

As large development organisations wrestle with this question, some are turning to other disciplines to learn about how to manage complexity and uncertainty. Large agencies like Mercy Corps, for example, which also have to account – quite directly – for money from taxpayers in the United Kingdom and United States, and which work in the same complex and high-risk environments as other development organisations, are also struggling to balance concerns for accountability with those of impact. Encouraged by the application of adaptive management principles to their operations, they endeavour to find ways to scale these up across country portfolios, and find themselves asking if they have the right individual skill sets, organisational processes, and incentives.

Adaptive management principles draw on complexity theory, systems thinking, and other sciences such as neuroscience, ecosystems, and medicine, which attempt to understand how interconnections between different elements affect each other and produce change. Rachel Kleinfeld describes two types of system: ordered systems that are predictable and linear, and complex systems that are not and can be better understood by the 'butterfly effect' – the idea that the flapping of a butterfly's wings in one part of the world can lead to a storm a continent away as that initial flap builds on itself across airwaves' (Kleinfeld 2015: 22).

In development lingo, she paraphrases this as systems with 'autonomous actors that have multiple interactions with each other. The actors are interdependent: the actions of one influence the other, which in turn, influences the first. And their actions together can influence the whole system [and] shape their environment... Complex systems

don't change in a linear way... because they have self-reinforcing... feedback loops that can cause reform [for example] to take off or make it move backward... These systems can be very sensitive to small changes... Variables interact...[and] small differences can magnify and alter historical trajectories' (Kleinfeld 2015: 18–22). And, she adds,

...everything about complex systems seems to make any process of design and measurement impossible. Change is nonlinear; it moves in non-incremental ways and tips and metastasizes quickly based on nothing out of the ordinary other than one more grain of sand dropping on too large a pile. Idiosyncratic, small variables matter. Luck can be more useful than effort. Each situation is path dependent and even a tactic that works during one's first of programming might begin to fail by the third year, as opponents wise up and change their approach. (Kleinfeld 2015: 23)

Borrowing from literature from other disciplines confirms that complex problems demand different approaches. The medical profession has long grappled with this. Complex problems demand approaches that are best characterised by having a clear understanding of problems in their context and a vision of where one is headed – with some level of buy-in that makes it a plausible route – and then, by taking small bets, securing feedback and learning by doing, purposefully muddling through to find good solutions. The private sector has long practised such approaches, avoiding taking things to production until they are fit for purpose. Unilever, as quoted by Pritchett, Samji, and Hammer (2013), made 45 iterations in attempting to make its soap dispensers more effective. Making some good guesses underpinned by good thinking, testing these, learning from trials, adapting to improve, and scaling up only when it makes sense is a process that yields success in many fields, from gene therapy and medical sciences, to innovation in the private sector, to the process of evolution itself. More recent examples from Silicon Valley abound, from Tesla to Google. While there are many models, the vision, the small steps with feedback, and the learning and adapting in moving towards the vision seem critical. So what is it about institutional culture, processes, and skill sets that allow such iterative processes to take place?

Increasingly, the literature on organisational theory and complex systems finds that three things are necessary. First, at the *individual level*, there is a need for modesty. Recruiting, retaining, and promoting critical thinkers who do not claim to know all the answers and can apply problem-solving skills across a range of products is critical. Such individuals are comfortable with not knowing all the answers ex-ante, avoiding what Tim Harford calls the God Complex: 'No matter how complicated the problem, you have an absolutely overwhelming belief that you are infallibly right in your solution... [There are some] people

who in the face of an incredibly complicated world, are nevertheless absolutely convinced that they understand the way that the world works' (Harford 2011).

Avoiding the God Complex means finding individuals who are happy to take a first step based on a good hypothesis and who expect, and can live with, a certain amount of failure. Failing, as Harford notes, is an irrational form of human behaviour and not something for the faint-hearted, so it is not easy to find such people. These individuals rarely work alone and have strong teamwork skills, working collectively to solve problems inside and outside their institutions. Carol Dweck and other neuroscientists find such individuals have 'growth mindsets' rather than 'fixed mindsets' and their neurons are strengthened by exerting themselves as they strive to improve their performance (Dweck 2014). Barry Schwartz suggests that individuals with 'practical wisdom' are the missing link in systems that fail, noting that in such systems, the traditional response is to rely on rules, and discretion and good judgement become undervalued. In addition, to respond to problems we create more rules (the stick) and new incentives (the carrot). But, he argues, 'there is no set of rules that will get us what we need. People are like water and, like water, they will find the cracks'. What is missing is the moral will to do the right thing and the skill to do it (Schwartz 2010).

The second critical ingredient is *organisational processes* that reward experimentation, innovation, and learning. Organisations that recognise the risky nature of innovation and transformation, and carefully select a range of big-bang and incremental approaches, tend to be those that have impact. Harford (2015) points out that innovation can happen through both marginal gains – small improvements on existing performance – as well as transformations that happen through long shots. Being explicit about which type of innovation is critical and, as he notes, it is safer and less risky to fund marginal gains, although major breakthroughs such as penicillin or the early internet came through long shots with a high potential for failure.

Recognising from the outset that they might not have all the answers also requires organisations to have instruments and metrics that facilitate taking small bets, maintaining a portfolio of options, failing at a scale that is survivable, and learning from it. Rodrigo Canales and a team of researchers at Yale University outline a number of characteristics in 'DIY Innovation: Creating an Innovation Capability within Your Organization' (2014), including embracing failure, collaborative learning, internal and external partnerships, and recognising secondary benefits.

Finally, *institutional culture* is important in nurturing and reinforcing the first two ingredients: critical-thinking, creative, and curious individuals; and adaptive, team-oriented, problem-solving organisations. While some are quick to point out the dangers of leaving everything to institutional culture, finding ways to encourage and

Box 9: The politics of policy reform in Nigeria

Although development in Nigeria has historically been tripped up by incentives and structures that favour the status quo, significant reforms have at times moved forward. A Structural Adjustment Programme in 1986 ushered in real changes in macroeconomic management. Telecommunications reforms in 1999 opened the door to a cellular revolution. The establishment of an Economic and Financial Crimes Commission in 2003 introduced a degree of transparency and accountability in a challenging context. These initiatives emerged in different ways, and demonstrate that reform efforts do happen and sometimes succeed.

Nigeria's reform experiences have not been linear, but have reflected inconsistencies and irregularities borne out of vacillating political commitment, resistance from vested interests, uneven institutional capabilities, and fiscal challenges. In reviewing six case studies of reform experiences in key sectors, Lewis and Watts (2015b) highlight the importance of four key factors in promoting successful development experiences:

- Sequencing reforms for initial gains, leaving some of the more complex or costly elements for later stages.
- Establishing credibility early on through 'quick wins' in the form of rapid, visible results or clear benefits for crucial groups.
- Creating a constituency for reform by cultivating coalitions of support and isolating opponents.
- Managing potential vetoes to build broader coalitions, while negotiating the costs of reform for groups that stand to lose out.

The implication for Nigeria's international donors is that a pragmatic, politically informed approach will support incremental change and, along the way, highlight the obstacles to, and opportunities for, reform. The case studies underscore the greater effectiveness of politically feasible, institutionally realistic reform options as opposed to optimal results.

Source: Lewis and Watts 2015b

reward experimentation, innovation, and learning is clearly part of the DNA of institutions that navigate complex systems. Organisations do this in different ways. Google, for example, allows programmers to spend one day a week innovating, failing, and learning. Readers who are old enough to remember the Innovation and Development Marketplace Fairs held by the World Bank in the late 1990s will recall an experiment in structured innovation. Sadly, while some of the ideas financed by the marketplace contributed to large-scale impact, the principles of innovation were not mainstreamed into the Bank's thinking.

Others recognise the importance of building a culture that holds people accountable without punishing those who take measured risks, as long as they learn from failure and understand their own role in it. As the IEG evaluations have noted, management behaviour is a critical ingredient in the institutional culture of institutions seeking good solutions to complex problems. 'Managers don't have all the answers and lead by example, providing space for staff to make decisions, encouraging critical debate and respectful dissent', and evaluating staff on whether they made good judgements and critical decisions with the right information at the right time (Mercy Corps 2016).

Having first established a rationale for trying a different approach to institutional reform and highlighted some encouraging new evidence from case studies that are experiencing better results, we identify some potential institutional constraints for piloting such an approach at scale. Large development organisations are not necessarily set up to deal with complexity given the simplified narrative that has developed around aid budgets. As a result, they may not have the right skill sets, processes, and incentives to champion such an approach. On the face of it, and given what we know, the World Bank would seem an unlikely place to conduct an experiment on taking the principles of DDD to scale. Yet, faced with a challenging country context and a mixed track record, the World Bank country team in Nigeria, albeit somewhat unwittingly, has done precisely that over the past three years.

Box 10: The Nigeria Governance, Conflict, and Gender Filter

Originally conceived as a pilot 2012, the Nigeria country team's Governance, Conflict, and Gender Filter was introduced in 2014 to all knowledge and lending activities to help task teams understand the context and key political economy factors that might have an impact on their effectiveness. Gender and conflict dimensions were also gauged. The goal of the Filter was to find technically desirable solutions that were also politically feasible and institutionally possible.

The Filter draws on a series of country-level PEAs. The first finds that traditional descriptions of Nigeria as a country hobbled by public institutions that are opaque, inefficient, lacking in capacity, and corrupt are incomplete and fail to provide a complete and dynamic picture of local realities. They focus on deficits rather than capabilities and encourage overambitious, best-practice blueprints that focus on form over function. A second piece, drawing on external literature on 'islands of excellence' (Therkildsen 2008) and 'pockets of effectiveness' (Roll 2012, 2015), provides six new case studies of reform in Nigeria, identifying common characteristics for positive change. The third piece looks at how often and when the World Bank is associated with pockets of effectiveness and identifies the need for strong local ownership, soft skills that promote relationships based on trust over long periods of time, and – then, and only then – best-practice technical skills.

Based on this analytical work, a set of guiding questions was developed and adapted to help task teams question assumptions about technical fixes upstream. The questions aim to probe understanding of the local context and conditions for reform; define the theory of change, incentives, and institutional arrangements behind the design of an intervention; unpack resource flows with attention to how World Bank financing could leverage existing capabilities and resources; understand risks; and ensure that information, learning, and monitoring arrangements can be embedded to track progress, learn, and adapt as needed to achieve impact. The Filter then provided comments at both concept and decision stages, which were often used by the country director to structure review meeting agendas. Subsidised support was offered to teams that wanted to engage in political economy, institutional, gender, or conflict analysis. Four project- or programme-level pieces of political economy analysis were carried out as a result, and one poverty and social impact assessment.

In October 2015, the country team assessed the Filter's effectiveness, concluding that it had influenced the governance elements of programme design when comments were provided early on in the project cycle, paired with consistent informal communication with the country team, and were concise, focused narrowly on project development objectives, and tied to actionable next steps for the task team. The Filter was less successful in guiding project teams on conflict and gender considerations. Five recommendations emerged: (i) engage early; (ii) communicate informally upstream and provide consistent support; (iii) provide timely and operationally relevant comments; (iv) follow a uniform structure for comments; and (v) be prepared to be part of the solution.

Box 11: Project-level PEA

The Nigeria country team has undertaken project-level PEA in key sectors such as irrigation management, agriculture, health, and social protection, to flag key issues and suggest ways in which project design or implementation could be strengthened in response.

Irrigation. Preparation of the Transforming Irrigation Management in Nigeria Project drew on analysis of formal institutions and informal practices shaping the operations and maintenance of irrigation systems in northeastern Nigeria. In highlighting the weak incentives for coordination among stakeholders, the analysis argued for decentralising responsibility for the water sector and raising user fees to improve financial sustainability. Although most stakeholders were not against the project, the analysis concluded that political elites who were diverting irrigation funding could mount considerable opposition. The project thus worked on consensus-building to create a coalition for reform and adopted implementation arrangements that made powerful regional river basin development authorities a part of the solution so that they did not block reform efforts.

Agriculture. Design of the Kogi State Staple Crop Processing Zone Project was informed by several pieces of PEA that identified conditions under which local support for the project could evaporate, flagged problems in site selection and land acquisition, and suggested ways to reduce the number of people affected by the project. It proposed options that could be more easily adopted by local farmers and offered ways to minimise the risk of sparking conflict. The task team redesigned the project in response, introducing it more slowly and piloting investments to manage risks, test hypotheses, and learn by doing. The team also included specific support for female farmers, invested more proactively in a land management unit, and incorporated dispute-resolution mechanisms.

Health. The Nigeria State Health Investment Project was designed on the basis of a project-level PEA that examined how changes in state- and local-level institutional arrangements might have supported locally led reforms that were contributing to promising early improvements in primary health outcomes. The study proposed ways in which Bank support could incorporate the experience of well-performing states that had consolidated the human resources function and addressed performance-based incentives to improve the motivation and accountability of health workers, as well as providing some financial autonomy to the state-level health authorities. The analysis led to the addition of disbursement-linked indicators to promote autonomy and transparency of financial flows.

Social Protection. PEA on social protection focused on where to house the new National Social Safety Net Program at the federal level. The analysis examined the institutional features of successful international experiences and identified key questions regarding the roles of various agencies, the best way to leverage high-level political commitment, and the best way to meet operational requirements. The key criteria set out by the analysis – convening ability, political visibility and clout, execution capabilities, the ability to coordinate with other social programmes, resilience, and transition capacity – helped to determine where it should be lodged to maximise its impact. Flexibility and learning leaps were also built into project design.

Table 1: Politically savvy and adaptable design characteristics of three pilots

Characteristic	Staple Crop Processing Zones Support Project	Social Safety Nets	Health P4R
Framed by politically savvy understanding of context and builds in on demand PEA work throughout implementation	Yes	Yes	Yes – able to contrast changes in context and approaches over 3–5 year period and identify positive deviants through multiple PEAs
Applied iterative problem-solving, usually piloting approaches to test assumptions and fit, often through parallel experiments before moving to scale	Yes – pilot to ensure inclusive approach to out-growers, with attention to gender, proposed; component 2 foresees development entrepreneurship approach, testing different methods before judging which best for context	Yes – livelihoods approaches will be piloted with technical assistance support under the project itself. The design of the pilots incorporates a careful assessment of how international experiences have already been adapted to local context as well as careful consideration of best practice institutional standards in different contexts	DLIs build on home-grown pilots to improve health outcomes at state level; P4R instrument allows for piloting of new approaches and careful scale-up at state level
Invests heavily in monitoring, feedback, and learning with course corrections, as needed	Yes – component 3.2 provides funding to do this using community oversight mechanisms	Yes – component 1 and 3 provide investments for feedback and learning and results matrix provides for flexibility	Yes – trust fund provided to support states with this, and flexible, results approach allows course corrections in approach
Led locally by fluid groups of influential actors who may not know each other	Somewhat – consultations led by government but had direct contact with traditional authorities and community groups	Yes – strong leadership from vice president’s office, along with state leadership but needs to be broadened going forward	Yes – based on national Saving One Million Lives strategy; federal and state leadership in driver’s seat. TA provided to build local coalitions of support for reform for results
Outside support often helpful with active but arms-length role	Not yet implemented	Locally embedded consultants have provided on-demand PEA and institutional guidance	Local network of delivery facilitators to support problem-driven iterative adaptation (PDIA) approach to technical assistance in coordination with government and with arm’s-length supervision by World Bank

5. The programmatic approach to governance in Nigeria: a politically savvy and adaptable learning pilot

Since 2013, and in parallel to much of the above emerging evidence on the rationale for more politically savvy and adaptable learning approaches to achieving impact, the World Bank's Nigeria country team has sought to make its support more effective. This effort started with an acknowledgement of the complex context, poor results to date, and the Bank's own limitations in providing sufficiently tailored assistance.

The World Bank provides less than 1% of Nigeria's budget and has struggled to show results in this large, diverse, and often fragile country. Notwithstanding the obvious complexities, however, staff in Nigeria found that the 'Dutch disease' explanation did not tell the whole story. They recognised the country's potential, as did the incoming World Bank country director in 2012. Frustrated by its aggregate performance, found to be only 'moderately satisfactory' by its own evaluation department, there was a push to adjust the business model.

The process in the Nigeria country team, led by the country director and facilitated by the governance team, was inclusive and iterative. It started with a problem – how to be more effective in this complex context. It looked carefully at lessons from the past, including knowledge from outside the institution and country on how reform happens, without presupposing any answers. The process was premised on the recognition that the World Bank is a small player in Nigeria and that in order to be more effective it needed to understand the broader context, how change happens, and how it relates to it. This process was facilitated by the Governance team and a number of seasoned TTLs who, by definition, were not risk averse and, importantly, by some modest, flexible funding from DFID. It was initiated in the early days

of the organisational reform process led by incoming President Kim and in line with some initial reform ideas from his team, including the need to become a 'solutions bank', promoting better knowledge flow under the Global Practices and creating new knowledge on the 'science' of delivery.

The process, originally termed the Programmatic Approach to Governance, was not in fact about governance but rather about development effectiveness. It began with a mix of analysis about context and process, through three country-level pieces of political economy analysis (PEA). These PEAs were designed to be accessible introductions to context, actors, and incentives for everyone working on Nigeria – what Kelsall (2016) would call 'a good starting point' on political settlements. A country-level overview, a series of reform case studies, and a final piece on the implications for the Bank's own strategy and operations were managed closely by the Bank's governance team but were commissioned from two internationally renowned experts who partnered with Nigerian reformers in their production. The close collaboration between the Bank team, who knew what was needed to influence internal debates, and international and local experts, who provided credibility, knowledge, and networks, promoted a candid discussion within the country team on the context, the possibilities, and the conditions for reform, as well as the institutional and operational implications.

The PEAs confirmed that Nigeria, while diverse and complex, is a country full of potential. Reform can and does happen, although it is rarely linear, predictable, or complete (Box 9). As a result, and as the third publication in the series of political economy assessments points out,

Box 12: Doing Development Differently cases in Nigeria

In addition to applying the Filter upstream to support teams in understanding the how change happens in Nigeria, the country team developed a series of case studies providing a downstream, retrospective attempt to learn from doing. The Delivery Case Studies series complement Implementation Completion Reports that tend to focus on what was achieved by distilling ‘success factors’ on the how. In doing so, they aim to support the country team’s ongoing effort to improve its effectiveness. While there is no clear blueprint for how reform happens in Nigeria, a common set of principles is emerging.

Political factors: High-level political interest and reform management increases the likelihood of enabling pockets of effectiveness. In the Lagos Eko case, the Lagos State governor’s political clout, combined with his experience in the education sector, enabled him to influence the project’s successful implementation. The governor set up a delivery unit inside the state education ministry and established a clear reporting structure in which he himself was involved, thus emphasising performance and leaving behind a sustainable institutional footprint. In the agriculture sector, the move to CDD approaches was facilitated by the president’s interest in more participatory approaches. The rapid and efficient Ebola response was motivated in part by the fact that the index case was a senior diplomat with whom the country’s elite could easily identify.

Institutional factors: Implementation units and stakeholder groups have performed better when given autonomy and accountability. The project coordinator in Lagos Eko was appointed from a donor agency, and was able to function as both an ‘outsider’ and an ‘insider,’ making the project management unit more nimble and flexible. Meaningful administrative autonomy – at both managerial and operational levels – allowed the Ebola Emergency Operations Center to carry out its tasks quickly and without red tape, while remaining accountable. The Fadama case describes how the federal agriculture ministry’s delegation of day-to-day implementation coordination, with considerable autonomy, enabled effective implementation on the ground. Within guiding principles, Local Development Plans gave communities the freedom to decide what they needed and how to obtain it, which created local buy-in. Placing Fadama offices inside local governments helped build the capacity of local administrations and improve sustainability.

Managerial factors: Merit-based recruitment has been critical to project performance. The Lagos Eko project management unit was contracted on the basis of experience with other World Bank projects, and it was made clear that poor performance would lead to dismissal. The project coordinator held staff accountable and delegated authority, and staffing remained consistent. The project also motivated teachers by giving them access to high-quality training opportunities. The Ebola response also highlighted the importance of well-designed incentives, as per-shift payment premiums and hazard pay provided compensation for risks taken on by health workers. In both the Lagos Eko and Fadama cases, inclusive leadership and a conscious investment in local ownership yielded close working relationships and enhanced sustainability. The Fadama project’s requirement that local farmer groups contribute cash, materials, or labour helped create a culture of contribution, joint ownership, and commitment – essential elements for sustainability. By contrast, under the urban water project, inadequate communication and coordination among the World Bank, state water agencies, and federal officials undermined accountability.

Other factors:

- **Adaptability over the long term.** The Fadama series provided consistent support towards the same overall objective, while working continuously to adapt in response to emerging challenges. The adoption, early in Nigeria’s Ebola response, of smartphones allowed for real-time reporting and data tracking, thus producing high-quality, well-organised data that could be analysed quickly. The Lagos Eko project’s flexible approach, adopted by the project team and embedded during the participatory design process, allowed the team to opportunities as well as react quickly to – and learn from – setbacks in results.
- **Invest in Data and Feedback.** The Lagos Eko project’s data-driven approach helped link incentives to performance, motivate better performance, and strengthen the project’s credibility. Yet problems with data collection, estimation, and analysis have motivated the project team to think about how to strengthen monitoring and evaluation.
- **Soft and technical skills, continuity and proximity to the client.** The Lagos Eko case shows that a team leader who is in country and consistently available over the long term can help establish trust with the project management unit, facilitating better responses to obstacles and opportunities. By contrast, high turnover under the urban water project eroded trust, detracted from historical memory, and led to frequent tweaks in project design as new leaders sought to put their own stamp on the project.

the World Bank is not always well equipped to identify and support ‘pockets of effectiveness’ or leverage locally owned system-wide change. When it does, it has required an in-depth understanding of context, implying an often

prolonged process with many pitfalls along the way but which has resulted in relationships with a variety of actors characterised by trust and mutual appreciation of the

context. Only then is it possible for the Bank to bring to bear the technical skills for which it is known.

Based on the PEAs and enriched by intense discussions in the country, senior managers and technical staff agreed that ‘business as usual’ was not working. Armed with a better understanding of the potential, as well as the problems, the country team set out to develop two new instruments to try to influence design, implementation, and management practices.

From analysis to action: the Governance, Conflict, and Gender Filter

The first instrument, the Nigeria Governance, Conflict, and Gender Filter was developed as an upstream mechanism to check whether new lending and knowledge activities were appropriate to the context (Box 10). It was piloted in March 2014, drawing on earlier political economy work on what works in Nigeria and why. The Filter offered management and teams the opportunity to ‘screen’ new interventions for development effectiveness in Nigeria by asking if they were ‘fit for context’, thus helping task teams find politically feasible, institutionally possible, and technically desirable responses. In doing so, task teams could benefit from additional, subsidised support through matching trust funds to prepare products that had factored in relevant considerations.

The Filter was scaled up in November 2014, with some adjustments. Its principles formed a central part of the Country Partnership Strategy for Nigeria (for fiscal years 2014–17). It has also provided timely support to a number of task teams preparing lending operations and has supported the development of four additional pieces of political economy work at the project and programme level, as well as an ongoing piece on the poverty and social impacts of reform in the power sector.

The Filter, along with the political economy work provided to task teams during the preparation of projects and programmes, faced the same questions that had often hampered early attempts to make operational work more politically savvy. Would other professions accept our offer of support, or would we be seen as invading their turf? Would we have enough of the right skills to respond? How ‘out of the ghetto’ were we? Would our work be factored into operations or would it remain as an annex, as the IEG 2011 review noted had been the result of earlier funding around the Governance and Anticorruption (GAC) programme?

The pilot in Nigeria suggests that political economy work, when done well and in a way that is accessible to other professions with clear operational implications, can have impact on large externally financed aid programmes. This impact necessarily means changing the design of operations, helping them to become more politically savvy during design and throughout implementation,

and building in room for experimentation, learning, and adaptation.

The project-level PEA work undertaken in Nigeria since 2013 has provided substantive input and led to new approaches in a number of investment operations and one Program for Results (P4R) operation (Box 11). A P4R operation, in contrast to investment operations, releases money based on the achievement of results, rather than financing inputs. In particular, two investment operations that benefited from additional project-level support are worth mentioning. First, in a high-profile commercial agriculture project, the PEA not only improved the understanding of risks and how to mitigate them, but also directed more attention towards the institutional capacity needed to manage safeguards related to land. In addition, the PEA fostered a learning-by-doing approach through which the team proposed to experiment with different ways to ensure equity in out-grower models through trial and error – also known as *development entrepreneurship*.

Second, a recently negotiated social safety net project will provide financing for a hybrid operation that aims to build the institutional and systems building blocks for social protection in Nigeria, while implementing a programme of cash transfers for poor and vulnerable people. The latter has been designed to be flexible, allowing it to provide benefits to the poor in a short time period, while evolving to include and scale up additional longer-term complementary investments and livelihoods support over time. This project has made a significant investment in data systems and learning by doing through real-time feedback and has successfully managed the pressure to pin down linear implementation paths through straightjacket approaches to results matrices at the output level. The introduction of framework contracts for procurement of, for example, payment to service providers for the cash transfer system, enables the flexible roll out of a national payment system at the state level. The project has also foreseen the potential negative consequences of ambitious disbursement projections and proposes to spend the first couple of years with low disbursements and heavy experiential learning around the new livelihoods approach.

The P4R instrument seems to lend itself well to a locally owned process of achieving results through problem-solving coalitions that experiment, learn, and scale new approaches to achieving specific outcomes. P4R instruments are designed around results from nationally owned sector strategies, providing an additional incentive to achieve them by providing resources once they are achieved. This fosters country ownership, while also providing the space to find appropriate ways to achieve these results, allowing the Bank to play a more arm’s-length role.

During the design of a P4R operation, it is important to conduct political economy and institutional work to understand the governance bottlenecks in the sector. It can provide additional incentives for coalitions of actors

to unblock these by shedding light on them, generating a discussion about what it would take to change them, and adding appropriate governance-related disbursement-linked indicators (DLIs) that can serve as a roadmap in discovering local solutions.

In Nigeria, building on an earlier PEA in the health sector, the P4R supported the design of a results-based operation that learnt from state-level reforms that appeared to be producing positive results in an otherwise underperforming sector. The P4R, rooted in the country's own strategy for Saving a Million Lives, provides financial support when results are achieved over a period of five years and thus allows for flexibility as to the precise timing. It rewards transparency in the reporting of results and the financial management of the sector through DLIs, which incentivise outcomes at a level that does not dictate specific pathways. In doing so, the DLIs provide an incentive for states to work closely with federal counterparts to find new ways to achieve results.

However, there are limitations to the P4R instrument when it is not accompanied by institutional analysis or technical assistance that can support local processes of discovery (CGD 2015). The project team is therefore experimenting with a programme of technical assistance (TA) that offers flexible support to states to pilot different instruments in order to achieve long-term results. This TA is being delivered through a performance contract to ensure that the incentives of the consultant firm are aligned with those of the states – the delivery of changes in tangible sector outcomes. Table 1 summarises the politically savvy and adaptable design features in each of the three operations.

The Program for Adaptive Learning

At the same time that the Filter was launched, a second instrument – the Program for Adaptive Learning (PAL) – was developed to help the Nigeria country team develop a system for continually learning by doing. PAL was designed to help task teams understand not only what to do, but how to do it in the Nigerian context. As such, it was a downstream instrument which complemented but did not replace the role of implementation completion reports (ICRs), which evaluate progress in World Bank projects. The instrument contributed to an ongoing organisational effort to better understand how delivery happens around the world (see the Global Delivery Initiative). Finally, PAL aimed to offer non-monetary incentives to task teams that innovate, learn, and adapt through co-authoring and participation in high-level programmes at prestigious academic institutions.

Under PAL, the Nigeria country team has published five DDD case studies on how change happens in Nigeria, all of which emphasise the need for politically smart, adaptive approaches. For example, the Fadama project series, which takes a community-driven development (CDD) approach

to agriculture, builds on a local innovation and scales up slowly to find context-appropriate ways to improve farmers' livelihoods through local planning processes. The state-level approach to secondary education reform in Lagos State uses strong political leadership, a coalition of reform-minded actors working within and alongside the formal system, and an interactive approach to test out global best-practice approaches to increased accountability in the sector. The Nigerians' management of the Ebola crisis points to home-grown elements of politically savvy adaptive learning. They defied international predictions and brought a highly contagious epidemic under control through strong leadership, coalitions that built on existing systems while working around them, and by using real-time feedback loops to track cases, detect errors, and make course corrections.

While two of these cases highlight ways in which such approaches can help the Bank to improve its effectiveness within its existing institutional culture, processes, and skills mix, the urban water case calls attention to the pressures that frequently play against such an approach. The urban water projects have struggled to find ways to work effectively in different state contexts in Nigeria, and their supervision and completion reports emphasise problems of 'ownership and political economy dynamics'. They have been plagued by the turnover of TTLs, disbursement pressures, and the need to favour quantifiable, quick results over medium-term institutional reform outcomes. Even the rather successful Lagos Eko project has been haunted by poor ratings on M&E, suggesting that, even for good projects, there is plenty of room for improvement in designing good feedback and learning loops at project inception. Doing so in countries with poor administrative data systems is key. The failure to do so can result not only in lost opportunities to catch emerging problems but a heavy administrative burden given that results matrixes are primarily used for accountability. Retrofitting indicators and baselines on the fly to ensure a satisfactory rating by IEG, rather than use monitoring to learn and adapt is time consuming but necessary in the prevailing culture. Box 12 provides a summary of the political, institutional, and managerial characteristics of each of the cases.

A related piece of analysis on the political economy of financial management in Edo State provides an interesting example of how diagnostic work could better inform the financing of institutional reform (Bain, Porter, and Watts 2015). The Edo piece looks at the asymmetric capabilities that exist even in contexts otherwise condemned as 'basket cases of the resource curse' in the Niger Delta. It explores the conditions under which a reformist governor emerged in 2008 and the implications for the institutional choices available to him and his new administration. It looks at the kinds of institutional modalities and political pacts that were required and made possible by pursuing reforms in particular areas.



Community meeting, Nigeria (c Claudio Santibanez)

While many of the choices and institutional processes resonated with the literature on the politics of reform cited above, the particular forms they took were substantially at odds with conventions about how public institutions should manage finances. This made it difficult for the World Bank to respond through knowledge and lending instruments to support emerging local capabilities while meeting best-practice forms or actions, suitable for budget support operations. The paper spells out the implications for reform of public financial management and procurement systems, as well as the attempt in Nigeria to bring more tailored approaches to a diversity of contexts through understanding local political economies and following iterative, adaptive approaches. Interestingly, although this piece provided a deep analysis of context and implications, it had only limited influence on a technical assistance project in public financial management and a subsequent development policy loan (budget support).

The case studies provide convincing confirmation of the relevance of DDD principles in Nigeria. They have promoted a better understanding in the country team of how change happens, and this is beginning to influence new operations. The new social safety nets operation, for example, includes an annex on the politics of delivery and reform in Nigeria and embeds a number of DDD principles in its design. Finally, PAL's secondary objective of providing complementary incentives to reward teams that

championed politically savvy and adaptable approaches was not really tested. Finding academic partners to provide incentives to teams through co-publication and study leaves proved more difficult than expected, partly due to the challenging country context as well as the difficulty for such institutions themselves to work adaptively. The IEG evaluation on results and learning points out, however, that staff view formal recognition by management and promotion as the most important incentive, making informal incentives such as these less powerful.

Early reflections on the DDD experience in Nigeria

The two instruments – the Governance, Conflict, and Gender Filter and the PAL – are relatively new to the Nigeria pilot, and it is too early to claim victory. It is clear, however, that it is possible to carry out political economy work that influences large-scale development projects and that this can be done, to some extent, within the existing culture, processes, and systems in a large development agency like the World Bank. While it is early days, the experience gives rise to three general reflections to explore before pondering the implications for undertaking such pilots at scale in other large country portfolios.

The first general reflection, *you win some, you lose some*, is fairly obvious to anyone who has been involved in

institutional reform. Many teams quickly championed and owned a more politically savvy design process. They sought (and paid for with own-managed resources) support for additional work to help them understand political and institutional bottlenecks for reform, and partnered with the governance team to find workable ‘good guesses’ at how to address these in local contexts. This required some ‘good enough’ governance work, some level of purposeful muddling through and some level of failure in bringing everyone along. Supporters of this different way of doing things were often sector colleagues from service-delivery practices.

Influencing the products managed by the governance cadre in the Bank, known as the Governance Practice, has been slower. This is perhaps due to the fact that legal, financial management or procurement reforms are driven by best practice standards. In the area of financial management, for example, international standards are embedded in diagnostic tools (PEFA, CPAR), and where these become more than a diagnostic tool used to define reform agendas, there has been much criticism as noted above. But, letting go of these, at least during the design and muddling-through stages, is difficult and requires a large leap of faith for such professions, and perhaps a higher level of bravery. International standards can look different in complex systems and different contexts and this can be disconcerting. The Governance Practice is well aware of the gap between recent evidence and the current design and implementation of public-sector projects and is addressing this, for example through training in the Governance Boot Camps.⁵

Managers play a critical role in providing space for such debates. Now that colleagues from financial management, procurement, and public sector reform are housed under one organisational roof at the Bank, there is the potential to bring the evidence on politics of reform to bear on public financial management and public-sector reform projects. To do this, however, managers will need to do more than manage ‘integrated’ units. They will need to make time to promote debates about context, sequencing of instruments, and appropriate metrics. This requires a commitment in terms of time, nurturing of the right environment, and a willingness to promote debate, breaking with the pervasive ‘no noise’ culture that is embedded in the institution’s delivery culture.

Ultimately, however, it is unrealistic to expect to convince everyone. In the case of the Nigeria pilot – a portfolio of \$5.5 billion when it started, now \$7.2 billion – it was helpful to have some limits on the demand from teams that wanted to try different approaches to tailoring development projects to context. Interestingly, there has

been little uptake of opportunities to pilot new approaches to knowledge work, although the Filter has encouraged a number of teams to draw more meaningfully on existing knowledge work, including that from outside the Bank, to find ways of using it to influence local debates, and to forge stronger links to the lending side of the portfolio.

A second general observation is that *flexibility can be supported while risk mitigated, including through procurement processes*. The Bank’s General Services Department (GSD) oversees procurement and budget systems for all Bank-managed activities. Its staff are systems people whose incentives have been to support the Bank in managing its resources efficiently and without too much risk. Other agencies which have wanted to move towards more flexible approaches have found procurement colleagues to be a difficult crowd to win over, precisely because they have been trained and are incentivised to minimise and manage risk as discussed above. One might therefore have expected some resistance when they were approached by a team that wanted to innovate and take risks in a country like Nigeria.

Yet procurement colleagues in GSD have proved to be the type of critical thinkers and problem-solving collaborators that are crucial to institutions that work in complex environments. Armed with a clear understanding of the problem and ultimate goal, they have patiently helped to tailor bidding packages to find the right balance of skills, while safeguarding risks for the Bank. This has required taking time to discuss with procurement staff the details of desired skills, corresponding metrics to measure tricky soft skills such as influence, strength of relationships, and innovation in evaluating firms and ways to hold firms accountable for results. Most recently, they have helped pioneer a results-based contract for a large DDD technical assistance initiative around the health sector P4R. Procurement staff have also provided space for a more flexible approach to contracting around the Social Protection loan through Framework Agreements, as described above. This experience contrasts with that of other agencies whose procurement cadres have found it difficult to make the transition to a more adaptable approach.

Finally, a third reflection, which is in fact more of a recognition. To date, *this approach has been primarily tested by World Bank teams, although this is now shifting and the client is increasingly in the driver’s seat*. This is not a small caveat and a clarification is needed. The process started as an internal one that questioned how effective the Bank was in Nigeria. The Programmatic Approach to Governance described in Section 3 focused on the development effectiveness of the World Bank team working

5. The Governance Bootcamps are interactive training sessions offered by the Practice to foster a shared identity and enable staff to better articulate the value proposition of the Practice working as one integrated governance team. It also is designed to introduce staff to the concepts of Doing Development Differently and the need to design projects more flexibly and adaptively.

on Nigeria and the first priority was to ‘put our own house in order’. However, in October 2015, when a second phase of the approach was reviewed, the weakness of an approach that does not put the client or borrowing country in the driver’s seat was noted and discussed at length.

It was agreed that the client should play a much more prominent lead role and that the Filter should be extended beyond design to support teams during implementation. However, the change of administration in Nigeria, or what is often called the ‘political economy’, got in the way of plans for client-led DDD work. Flexibility was required as the country navigated its first political handover of power between two political parties in its democratic history. As a result, engagement with the new administration in these new approaches is still in its early stages.

Clearly, scale-up and sustainability depend on the client’s willingness to assume such an approach and early signs from the new administration are encouraging. The Social Protection project which was strongly led by a team from the Vice President’s office has not only fully embraced an adaptive learning approach, but insisted on and led it. It has repeatedly asked the Bank for advice on international best practice but then been at pains to find local solutions, building on the evidence of how reform works in Nigeria and what does not. It has allocated significant domestic resources for both technical assistance and evidence gathering on this and made preparation a problem solving and learning process. Indeed, the design of the hybrid approach which carefully straddles the federal–state government levels, which are often contentious in the Nigerian setting, and the piloting of the livelihoods support would not have been possible without government

leadership, and a strong commitment to investments in systems, piloting and learning.

At the same time, given that one of the rationales for more politically savvy and adaptive approaches has been the need to factor in the unpredictable nature of politics, taking a flexible and iterative approach to the DDD programme in Nigeria has been a good reminder to practise what we preach. Fortunately, the process is financed by a trust fund and so immune to the disbursement pressures that other teams are keenly feeling at the end of an IDA cycle (monies have to be released by 30 June 2016 and systems closed for the year). The recent stakeholder survey – which collects feedback from government officials as well as opinion leaders, think tanks, and others – suggests that government and non-government stakeholders are beginning to perceive the Bank as more responsive and flexible, but it is too early to attribute this to any individual approach.

The scope for adaptive management approaches at the World Bank

Beyond these general reflections, what does the Nigeria case tell us about the appetite and culture of the World Bank to build, sustain, and replicate similar attempts? To explore this question, we return to the framework laid out on pages 21-22 on the three factors that can help foster effectiveness within complex systems: individual skills, organisational processes, and institutional culture.

At the *individual level*, several conclusions support the hypothesis of what it takes to help institutions innovate. The first is that, at least in the Bank context, leadership and management behaviour really matter. The country

Table 2: Three characteristics of organizations that deal with complexity

Individual skills	<ul style="list-style-type: none"> – Problem-solving skills across a range of products – Comfortable with not knowing all the answers – Able to use wisdom and judgement – Seasoned enough to take first steps based on good contextual as well as technical knowledge – Strong teamwork skills and experience in working collectively to solve problems inside and outside their comfort zone – Growth rather than fixed mindsets – Good understanding of context and space for innovation – Team players, as well as leaders, with an ability to bring different stakeholders together
Organisational processes	<ul style="list-style-type: none"> – Reward experimentation, innovation, and learning – Recognise the risky nature of innovation and transformation – Processes to select good mix of big-bang or incremental approaches/marginal improvements – Instruments and metrics that facilitate taking small bets and maintaining a portfolio of options – Processes to encourage collaborative learning and get feedback – Strong internal and external partnerships – Recognition of secondary benefits of innovation
Institutional culture	<ul style="list-style-type: none"> – Structured time for innovation and reflection – Culture that rewards, rather than punishing, innovation and smart risk-taking – Management behaviour – managers don’t have all the answers and lead by example, providing space for staff to make decisions, encouraging critical debate and respectful dissent, and evaluating staff on whether they made good judgements and critical decisions with the right information at the right time – Individuals are held accountable for effectiveness and impact

director who initiated the change process in the Nigeria country team describes herself as a ‘relentlessly boring’ individual and notes that other key actors in the process share this trait. Motivated by a desire to improve impact and convinced of the potential in Nigeria, she provided consistent signals, was not afraid to send teams back to the drawing board, and given the incentives in the Bank where teams needed her clearance to move forward, she had the clout to do this. She was keen to challenge teams and facilitate debates when tensions arose. It is fair to say that the process of debate in the country team required time and some level of discomfort.

In a large organisation with a heavy bureaucratic burden, this additional investment in a change process did not go unnoticed. The investment in time also made it hard for managers based in the head office to attend many of the meetings, given heavy workloads that often include managing 50 or more staff in multiple offices. Yet the process, the buy-in, and the iteration as the team has moved from analysis to practice to reflection have been important. Despite evidence that, in organisations like the Bank, innovations are often championed by lone rangers and do not survive leadership transitions (Yanguas and Hulme 2015) the country team’s change process has survived intact through the transition to a new country director. A pragmatic individual with a long career of working in difficult contexts, the latter is well aware of the need to tackle seemingly intractable governance problems and continues to provide strong signals, giving prominence and weight to the work of the DDD agenda.

Individual TTLs who combine strong soft skills with deep technical skills and care deeply about impact have been critical to the process in Nigeria. The TTLs who engaged were creative enough to want to innovate, problem solvers by nature, happy to be team players and leaders, and experienced enough to innovate within existing systems and processes. Earlier work by Geli, Kraay, and Nobakht (2014) finds that, along with a country’s CPIA rating (which is weighted heavily towards institutional strength), the characteristics of the TTL is the biggest determinant of a project’s quality, as ultimately rated by IEG. Other IEG evaluations confirm this finding. In Nigeria, there are a number of seasoned TTLs who have a strong desire to make a difference, particularly in challenging contexts, and are experienced movers and operators within the Bank. These individuals are technically strong but, perhaps more importantly, they also have good ‘soft’ skills. They have not been afraid to try new ways of working and to partner with the governance team to find operationally viable alternatives to making their work fit for context while continuing to comply with the institution’s bureaucratic requirements.

The third set of individual skills that seems to have been important is the existence of governance specialists who are prepared to work outside their comfort zone, as well as the Bank’s incentive system. Under the Filter,

the governance team needed to provide quick, accessible feedback to multiple teams in real time and in a way that was seen as adding value, rather than derailing the preparation of an operation. Modesty about one’s own technical skills, mixed with operational credibility and the flexibility needed to work across sectors on other people’s turf, was key. Incentive-blindness has also been necessary as, although the core competencies for staff (and management) have changed recently, institutional incentives continue to recognise those who manage their own lending projects. Finally, a thick-skinned ability to absorb resistance from teams, particularly when management is unable to promote a debate on differences, has also been important.

These skills have been hard to find during the start-up phase of the change process, due in large part to the mismatch between the Bank’s incentives and its core competencies as now stated. To fill this skills gap on the political economy side, the governance team designed

Box 13: What scaling up DDD is not

Development is frequently characterised by new fads and fashions, and there is a danger that the buzz around politically savvy and adaptive approaches will be just another. As Denney and Domingo (2015) note in their excellent piece on such approaches in law and judicial reform projects, ‘the challenge is to provide sufficient guidance to encourage behaviour change without stifling the very creativity and critical engagement that the change seeks to achieve’. Without this, lip service will be paid, box-ticking solutions will be found, and the fundamental practice of development will remain largely unchanged. There is no one-size-fits-all solution here, and finding different ways to apply these principles to different instruments in different contexts is likely to be part of the solution.

The risks these approaches entail are worth pointing out. First, while focusing on the how is important, and more attention to this long overdue, the what remains important, too. We need both. Second, this is not an invitation for ad hoc guesswork. We take our use of public resources seriously and, for that reason, we are seeking better ways to tackle increasingly complex problems. As such, what is being sought is not a carte blanche, but rather ways in which to test assumptions on the ground and make calculated, strategic shifts as needed. Finally, we should be modest about what can be achieved. Even as we find better ways to support institutional reform and behaviour change, implementing new regulations in the water sector or changing performance rewards for civil servants will remain profoundly political in nature and will thus promote resistance and require patience and evidence-based debate with local actors.

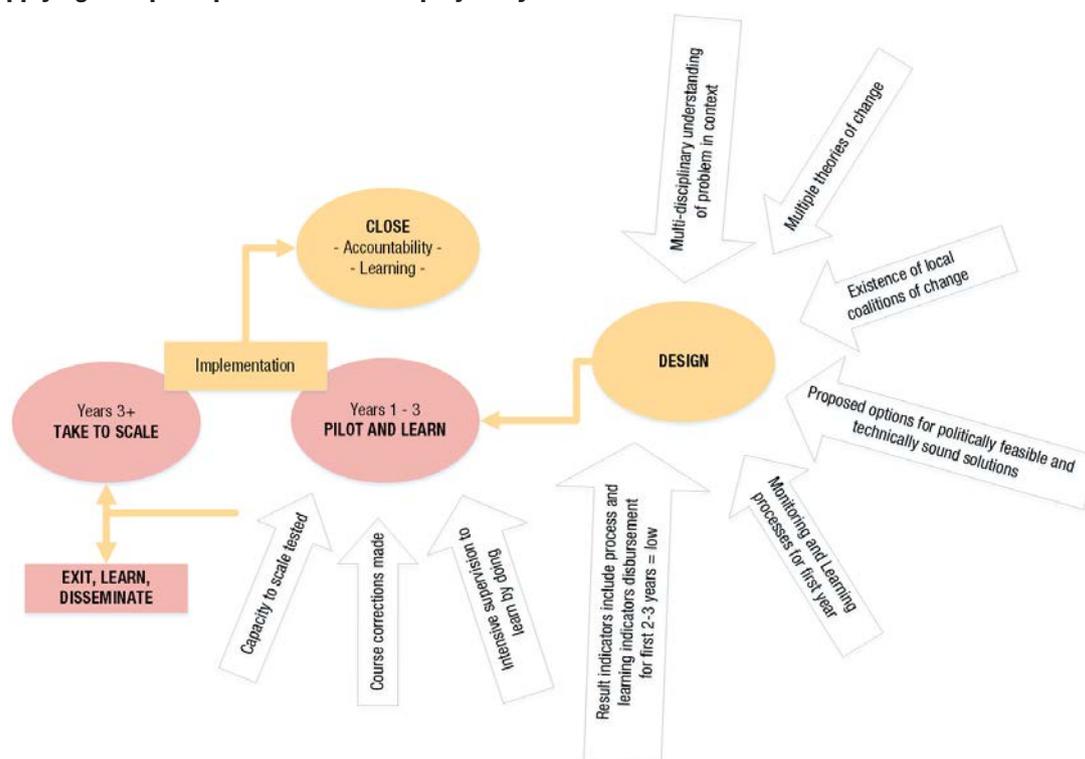
a drawdown contract with a consulting firm and found that, when carefully selected – including with thoughtful design and weighting of the Request for Proposals in the contracting system – experienced, but closely managed, consultants can play a key role.

Bank staff need to be prepared to manage consultants to bridge the analytical–operational gap in political economy work; where this was not done, the analysis had far less impact on operational discussions. Finding the right blend of international and local skills in a firm and designing a contract to pay for high-quality, timely work that influenced operations, were also important. It has been harder, however, to find the right blend of international and local skills to provide support on the ground during implementation of the DDD pilots. The Edo experience highlighted the need to have teams that understood the context and also provide high-level technical advice. Context is not everything. Different models of international and local consultants are now being piloted under the Health P4R, drawing on the earlier lessons from Edo. Finally, finding M&E specialists who can be embedded early on as learning facilitators to project teams is also work in progress.

In terms of *Bank processes*, the conclusions are somewhat positive. This pilot suggests that there is plenty of room to influence politically savvy and adaptive learning approaches at both the country portfolio level and the individual project/programme level, where there is high-quality work and the right skills mix. The mainstreaming of new operating principles in the Country Partnership Strategy, together with the principles of politically savvy, adaptable approaches in large Bank operations, suggests that there is room for more of this. At the project level, there has been as much demand as a small team can respond to. As one colleague engaged in the health sector pilots urged the governance team early on, ‘if there is an open door – run, don’t walk’. There have been a number of open doors, and all of them have been used.

Maximising this room for manoeuvre has been made possible by generous support provided through a flexible funding mechanism, together with a growing body of evidence – including from outside the Bank – on the need for a different approach to reform in complex environments. The provision of, in this case, trust fund monies from DFID was vital in launching this pilot.⁶ The Governance Partnership Facility trust

Figure 2: Applying new principles to a modified project cycle



Source: Author's own diagram

6. Trust funds and the partnerships they support have become important tools to help the World Bank Group (WBG) adapt to the fast-changing landscape of development finance. Trust funds are a partnership around a programme and are increasingly used to ‘crowd in’ non-governmental and private-sector partners and link their knowledge and financing to the WBG’s capacity to offer solutions in client countries. In the last five years, the volume of the trust fund portfolio has almost doubled, while the WBG’s engagement in various types of programme has multiplied through diverse arrangements. These trends mirror the growing importance of partnerships and their financing instruments for multilateral organisations: from 2007 to 2011, the total volume of ODA grew from \$11 billion to almost \$20 billion.

fund in Nigeria helped to ensure that the opportunity to do things differently ‘got a seat at the table’, and that task teams found it attractive to try something new. It was instrumental in providing space for teams, in a time-constrained environment, to experiment with new approaches and innovate. Designing trust funds and principles within them that ensure that they are used to leverage – rather than replace – larger bank preparation budgets, while ensuring TTL ownership of subsidised goods, is critical. This was done through cost-sharing and active co-management of all work, from the PEA project work to the PAL case studies and DDD pilots.

Trust funds are not without their transaction costs, and managing them within Bank systems is not seamless. Trust funds have often been criticised for allowing the Bank to underfund core activities or small-scale innovations. Much innovation does indeed happen with the support of trust funds and, in a shrinking budget environment, they are increasingly competitive and the incentive to spread them thin is real. At the same time, donors are either reluctant, or successfully fought off by the corporate guardians of trust funds within the Bank, to get involved and be more selective in what they fund and ensure strategic leveraging of the Bank’s own resources. As a result, colleagues are forced to compete with each other, and constantly to advocate the impact of their own work and defend innovative approaches.

As the Bank moves towards the consolidation of templates for Bank-managed trust funds, it is hoped that these will result not only in fewer transaction costs, since these are hardly excessive if well managed, but more importantly in better strategic use of trust funds in leveraging broader innovation across Bank portfolios. It is essential to ensure that they do not lead to underfunding of core activities by the Bank and that promising, innovative work is scaled up. Given the tight preparation and supervision budgets within the Bank, the availability and use of trust funds for innovation will determine how much more of this type of work can happen. Finding ways to use trust funds to leverage the Bank’s own resources, including through scale-up and replication of successful experiences, needs further thought.

Finally, what does the Nigeria experience tell us about the World Bank’s *institutional culture*? First, it suggests that having evidence is critical in the Bank context and that it helps teams who want to innovate and take risks. In the case of the commercial agriculture project, having strong evidence was important in helping the team and senior management to think through the risks and rewards involved in the proposed approach. The PEA for the agriculture project contributed to a measured management

decision to slow down project preparation, despite being at the end of an IDA cycle, and to find ways to improve both its inclusiveness through pilots for out-growers and its accountability mechanisms at all levels. This result contradicts work by Yanguas and others who suggest that political economy work is often unpopular as it slows down institutions that are keen to disburse (Yanguas and Hulme 2015). Evidence from Nigeria shows that there is clearly more appetite in the institution for risk than might be apparent from the outside.

Timely, ‘good enough’ analysis from the governance team, rather than perfect and ‘cleared by management’ political economy work, was important in finding ways to influence large-scale projects within acceptable timeframes. Evidence also helped successive teams to push back, with some level of success, an institutional desire for faster disbursement in the early years and more attributable results matrices. When it was argued that this did not make sense given what we now know about how development happens in the Nigerian context, there was little fight, although such arguments had to be repeatedly made.

The above journey has, of course, required a politically savvy and adaptable approach of its own. It has depended on a keen understanding of Bank incentives, systems, and processes, and how to manage within them to improve development impact along with an acknowledgement that the organisation’s own incentives were not designed to recognise the value of such work. A strong political antenna has been needed to maintain the interest and support of management while developing enough trust with a range of task teams to innovate within ‘their’ projects. It was also necessary to understand that one’s job – and one’s impact – was to help others to shine. Finding problems with others’ work is easy, and political economy work has long been good at this. Finding ways to help others to fix problems and being attuned to potential, as well as identified, problems is a refreshing side of the practice of governance.

Finally, understanding the need for political accountability for aid and the larger picture at play has helped to find creative, hybrid solutions to internal monitoring and disbursement pressures. But the Nigeria experience suggests that there was an element of luck, workarounds were needed, and parallel systems of reporting or delivery were often used. The question is, then, if such approaches were to be scaled up, given their promising contribution to addressing core development bottlenecks, could the institution find the skills, organisational processes, and incentives it would need to make this kind of approach more rational and commonplace?

6. What are the implications for scaling up DDD as a way to improve the Bank's development effectiveness?

It is clear that the next generation of development challenges will be more complex than the last. Many of these will involve institutional reforms that have previously proven elusive. As a result, there is a need to rethink how to set up the culture, processes, and skill sets to continue the positive momentum towards achieving these twin goals. Complex problems require a 'sailing boat' approach that tacks from one destination to the next as it catches favourable winds and moves in a non-linear fashion in the right general direction. Approaches that 'can only work like trains that barrel down tracks in one direction are likely to be insufficient' (Kleinfeld 2015).

The Forward Look exercise under IDA 18, and the broad set of initiatives underway to help it evolve to meet these new challenges, provide an opportunity to try to improve the Bank's effectiveness, as well as its efficiency, through a more politically savvy, adaptive approach to its lending. In seeking a capital increase under IDA 18, it is important to continue to commit to accountability for results, but there is also an opportunity here to find ways to address the negative consequences of accountability systems to date. The IDA theme of governance and institutions, accompanied by the WDR 2016, offers a chance to think 'outside the box' about institutions and growth and to find new ways to support clients as a more flexible, faster, and agile development partner. The commitments made in Addis Ababa in July 2015 regarding new forms of development financing also require the Bank to combine these with incentives that facilitate and reward institutional reform. The evidence that such an approach will be of particular value in fragile states was put forward in WDR 2011 and continues to be developed by teams working in challenging contexts (Williamson 2015).

Development organisations have been designed, with good intentions, to provide accountability for aid budgets, but are increasingly faced with complex problems in uncertain contexts. There is an urgent need to find ways, with partners, to shift the oversimplified aid narrative to a more accurate version of the complicated realities in which development organisations work. It is easy to think that the community of official development assistance is not good at public communication, and of course there are risks in talking about the complexities of aid. Some of the tabloid press in the UK seem to need little help in discouraging the general public of the importance of aid. But difficult times call for brave measures, and a recent piece by the Europe Director of Mercy Corps is a good example of what can be done (O'Connell 2016).

Bilateral donors point out that it is easier for a multilateral agency to embrace complexity and manage risk since it does not report back to a single domestic constituency. There is a pressing need for leadership on this, and all proponents of aid have a role to play in better communicating what development organisations do and how they support, but do not control, transformational change in partner countries. Explaining such nuances to those who hold the purse strings is rarely considered a core part of development work. Yet the failure to find appropriate ways to address the need for political accountability is not addressed, the lessons of adaptation and more tailored approaches – which have been proposed before – will once again be sidestepped.

At the World Bank, several things could be done in testing its fitness for context at its 75th anniversary. To recap, institutions that deal effectively with complexity share the characteristics summarised in Table 2.

Updating the plumbing to match the architecture

Nigeria's experience suggests that there is room, at least within investment projects, P4R lending, and in country strategies, to apply flexible, adaptive approaches to address political and institutional challenges more effectively. In that sense, the Bank's evolving architecture now allows for such an approach and the IEG, as well as the Operations Policy and Country Services departments increasingly encourage adaptability in design.

The space for doing more of this within the existing architecture could be further magnified by allowing for more adaptive approaches to the management of country portfolios. A number of proposals of how to do this are discussed below. However, ultimately institutional reform and real change requires more than new architecture: it requires a change in the plumbing too – the internal systems, processes and behaviours within agencies. The absence of more large-scale innovations and the slow uptake by new task managers to use, for example, the new simplification processes, suggests that informal, behavioural change will take time and will likely need re-enforcement through strong management signalling and a change to the institutional incentives.

Change happens not only through formal rules and processes, but also through informal norms and behaviour that lead to changes in function. The IEG evaluation on Results and Learning notes that the inability of the institution to adjust their incentives to the high rate of failure of reform initiatives. It adds that without changing internal incentives, the 'plumbing' is unlikely to keep up with the evolving architecture: 'while reorganizations have been relatively common at the Bank, serious reforms of the Bank's internal incentives have lagged. The ongoing change process provides an opportunity to finally redress this long-standing gap' (IEG 2014:84)

Addressing this is as important, if not more critical, than getting the perfect institutional design. This is not easy to do. DFID's recent experience with simplification of rules and empowerment of programme managers suggests that, even when permissive space is given, without strong management signals, encouragement and rewards, staff are unlikely to take advantage of their space. It will also take time for staff to see that, even when risks materialize, management behaviour supports new behaviours and that individual heads don't roll when principles are followed.

The following section outlines some possible ways to scale up DDD principles within the existing architecture of projects and country programme strategies. It ends with some suggestions of how the much more difficult but critical challenges might start to be fixed. The list is not exhaustive, of course, but provides the basis for some initial discussions.

Recommendation 1. The project cycle: abandon the perfect in favour of the 'good enough'

The first challenge is, as many have noted, to break down the culture of overdesign and under-supervision, to dispense with the idea that doing enough analysis will surely come up with the perfect design, and to move away from perfectly planned interventions that claim to be able to produce predictable results in three- to five-year timeframes.

Making this shift is perhaps easiest within the P4R instrument. As noted in Nigeria, results-based approaches seem to lend themselves well to savvy and flexible mechanisms for local problem-solving, and there seems to be a strong case for using more results-based instruments. If outcomes are well defined and locally owned, along with shared clarity on the institutional bottlenecks holding back improved performance, the instrument allows flexibility to experiment with different ways to get there. Also important is the availability of flexible TA, enabling counterparts and local communities to experiment with appropriate pathways. Development policy loans, on the other hand, seem to continue to promote best-practice solutions that, as a number of reviews have pointed out, have limited impact in certain contexts. These loans have long been criticised for promoting isomorphic mimicry (Andrews 2013) and changes in form rather than function. At the same time, they are an important source of support for macro stabilisation in many contexts and serve to lessen the disbursement pressure on teams. One way to make development policy loans more effective would be to put more weight on implementation indicators for policy actions, avoiding to some extent the potential for policy signalling rather than reform. Where development policy loans are programmatic, they also offer a way to build in learning and piloting if they are well sequenced with technical assistance instruments. The forthcoming IEG evaluation on development policy lending, due to be released in 2016, is likely to make further suggestions. But what can be done to promote the use of such principles within the project cycle and traditional investment operations, and when should such an approach be used?

Applying the principles from Table 2 to the Bank's processes suggest that we need a better understanding of local problems, to test different theories of change and assumptions, to learn from small-scale pilots before scaling up to larger sizes and greater amounts of financing. We also need to accept when an approach does not work, and to learn from it and exit. This is not an invitation to use carte blanche and apply an ad hoc approach with little thought in the hope of better results. There are risks to taking such an approach too far (Box 13). Rather, it is an invitation to use more sophisticated applied learning to tackle challenging problems and find good-fit solutions using creativity and entrepreneurship.

The rationale for better linking knowledge and lending, for better understanding the environments in which the

Bank works, and for applying adaptive approaches to problem solving are supported by recent IEG evaluations that have sought to improve results and engagement in transformations in partner countries.

But could more be done within the existing project cycle for investment lending? Certainly, for problems that lend themselves to discovery – either because we have no experience in the area in that context or because past attempts have proved unsuccessful – such an approach seems relevant. Here the question is: is it possible to lower the bar for preparation and raise the bar for implementation, dividing the latter into an initial period of experiential learning before exiting, adapting, and/or carefully moving to scale?

There are two alternatives. The first is to work within the present project cycle under the investment project-processing rules, but to take the pressure off teams to come up with the perfect solution during design – realising that there is little likelihood of this, allowing them to adopt a more iterative, experimental learning approach during at least the first part of implementation. Doing so would allow teams to use the first half of implementation to test theories and experiment with different approaches to see how globally acceptable results can best be achieved in local contexts, without spending large amounts of money – what Pritchett, Samji, and Hammer (2013) call ‘crawling the design space’. Exit strategies are difficult and pressure to achieve results and disburse early in the project cycle can thwart attempts. Figure 2 illustrates one alternative which requires some ‘tweaks’ to the project cycle.

Figure 2 suggests that, while the project cycle would remain intact, preparation and review would focus on understanding root problems, finding consensus among local reformers with sufficient clout, and laying out multiple ways in which the problem might be addressed in context. Implementation would be split into two phases, with the first two to three years used for intensive piloting, feedback and learning. Given the comparative advantage of the World Bank, piloting should be based on the initial premise that ultimately, and if promising, small-scale initiatives need to be taken to scale to achieve real impact. Projects need to be designed for scale but to start with scale-up from pilots iteratively, based on innovation with clear and testable designs and theories of change, strong M&E to track whether innovations are being implemented as predicted and producing the results expected from the theory of change and ensure that the prerequisites for the transition from pilot to scale-up are in place. A recent publication on how to achieve impact in fragile situations, published by the African Development Bank (2016) with support from the Brookings Institution, offers a number of relevant suggestions.

Results indicators for this period should be aimed at testing assumptions and theories about how specific results can be delivered on an initial small scale with inbuilt, learning, and testing of the potential for taking them to

scale. A recent paper published by the Legal Assistance for Economic Reform programme on Delivering Institutional Reform at Scale provides a summary of results matrices that agencies have recently used to do this (Manuel 2016). Since failure is likely, it is better to fail fast and exit. Intensive implementation support will be required, particularly in the first half of the project, along with an assumption that continuous adaptation will be needed (and is allowed for under the new simplification process). Exiting and learning should be rewarded (see the section below on ‘Getting Incentives Right’). The new tool, being developed by the Global Delivery Initiative, using historical project data to predict the occurrence of delivery challenges in future projects using a Bayesian approach, could go some way in helping practitioners to identify delivery challenges in related contexts from the outset.

The second phase of project implementation can then test how apparently fit-for-context approaches can be taken to scale. Learning and adaptation will also be needed at this stage, as scaling up even apparently successful strategies is not without its challenges. In this phase, however, results indicators should be used to monitor how to scale up outcome indicators without over-determining the pathway. More can be done to find quantitative ways to track the progress of qualitative institutional capacity and governance processes through numerical indices, such as the approach used by the State Accountability and Voice Initiative (SAVI) in Nigeria (Derbyshire, Barr, and Fraser 2016). A menu approach to the results matrix for the project – offering ten results and agreeing to achieve seven, for example – would allow for enough flexibility as scaling is attempted.

Such an approach would maximise the opportunity for experiential learning and allow for testing of assumptions before large amounts of money are disbursed, while still maintaining accountability. This would require greater supervision during the first half of the project and a shift to proactive supervision and true implementation support. This would require an assumption that there will be many reappraisals during the first half of the project cycle. This would increase supervision costs upfront, as implementation support becomes more than technical supervision, but this is arguably a better use of resources than allowing struggling projects to continue for five years until they are closed down, or even be prolonged in the hope that their performance will magically turn around. It also demands a new role for M&E staff, embedding them early in the project design to test assumptions, build appropriate feedback and learning loops, and facilitate experiential learning for teams.

Finally, given recent feedback from task teams on IEG’s role in learning, it is likely that accountability and learning functions will need to be better clarified or separated. Staff spend much time trying to second guess the indicators that IEG might prefer and fearing that their project will not pass muster. It is not, therefore, surprising, that they do

not look to IEG as a source of knowledge and learning. One way to better clarify the accountability and learning function in IEG would be develop a separate learning-by-doing product and maintaining ICRs as the accountability tool. The platform being created by the Global Delivery Initiative to provide practitioners access to knowledge on how teams deal with different delivery challenges, through historical data and qualitative tools, is certainly worth more attention. In addition, a discussion with IEG on evaluation and learning methods at the project level is needed to provide better guidance to staff on what can be done within the existing parameters in terms of metrics and learning.

The second alternative to reforming the present project cycle by lowering the bar for preparation and increasing it for supervision would be to reduce the bureaucratic burden for small pilot projects or create a customised learning and piloting instrument. The latter was tried in the 1990s in the form of Learning and Innovation Loans (LILs). The instrument has since been phased out, and the IEG review notes that ‘reference to analytical work that underpin[ed] project design was often sketchy....Moreover, although LILs were intended to pay particular attention to M&E in order to facilitate learning, on average IEG ratings of M&E were not higher for LILs than ratings for other lending instruments’ (IEG 2014: 79–80). Finally, LILs failed to thrive with clients and staff because ‘although they were supposed to be cheaper to prepare and quicker to implement than [investment loans], they ended up costing just as much to administer, require[d] the same approval processes in client countries, and [had a ceiling of] \$5 million’ (IEG 2014: 80).

Clearly, inventing a new instrument for innovation without increasing knowledge and feedback loops, and without reducing the administrative burden, is not a recipe for success. But, finding efficient ways to use a venture capitalist-type approach whereby, as clients pilot and innovate their way to better outcomes we increase the amount of funding to reward their success, is worth more thought. The ongoing discussion in the Bank’s Operational and Country Services unit and among some Board members in the context of the Forward Look, proposing management approval up to a certain amount for small pilot projects, is one option. Internalising the lessons on upstream knowledge work and feedback loops from the LILs would be critical.

Canales et al. (2014) underline the positive, secondary effects of innovation. Building in politically savvy and adaptive approaches to the project cycle for a certain types of investment projects and P4Rs would have a number of these effects, including:

- *Reducing the preparation time of projects*, helping to address clients’ concerns about responsiveness and agility in responding to their requests. Increased supervision would allow for more proactive implementation support, and teams would be

encouraged to use mission debriefs as ‘after-action reviews’ to evaluate assumptions, brainstorm on changes, and give feedback on new behaviours (IEG 2014:58). There is a need for care to ensure that supervision coefficients are used primarily for learning by doing, building the right local networks of support during early years of implementation, and improving feedback loops for monitoring. Costs of learning work could be kept down through partnerships, including with local networks and consultants, that might be better placed to do this in coordination with Bank teams.

- *Reducing the candour gap between ISRs and ICRs*, as the culture would allow for piloting, learning, and not having all the answers from the outset.
- *Using ICRs for accountability and developing learning products*, encouraging staff to spend more time on the later, without minimizing the importance of the former (see section on ‘Getting the Incentives Right’ below).
- *Better linking the preparation of operations to non-lending technical assistance and analytical work*, which produce applied knowledge and local networks that understand reform options, putting them ‘ahead of the curve’ when opportunities arise.
- *Beneficiary feedback is critical to course corrections, feedback loops and learning make M&E a learning tool as well as one of reporting and accountability*. The recent compliance in 100% of projects approved with the new requirement for beneficiary feedback provides an opportunity to ensure that feedback supports adaption. For this not to become another box-ticking exercise, there may be a need for new guidance on metrics, with development-effectiveness staff playing a key role shifting from last-thought contributors to results matrixes to upstream learning facilitators within teams. Institutional guidance on how to provide high-level results matrices and appropriate disbursement projections for the early years of an intervention, combining flexibility and learning by doing with accountability, might be helpful. The need for frequent restructuring would be assumed and rewarded through incentives.

Recommendation 2. Encouraging flexibility to achieve both results and transformational engagements across Country Portfolios

The second challenge worth further discussion is how to improve effectiveness by allowing for more flexibility and adaptation in managing country programmes. This challenge is, of course, related to the first and would maximise the potential for improving effectiveness through different approaches at the level of individual projects or programmes. The recent AfdB paper, published with support from the Brookings Institute, notes that improving

effectiveness is seldom about increasing financial resources but rather finding creative and context-appropriate ways of being ready to support scale-up of promising small-scale initiatives. Providing country teams with the flexibility to be more politically savvy, to better align lending incentives with in-country political incentives, and to combine a range of tools to achieve impact will require rethinking the rules governing both resources and results. The Programmatic Learning Reviews, which have replaced the mid-term review of the Country Portfolio Frameworks, are a step in the right direction and provide a space to adjust objectives and focus. What is now needed is to make this space an enabling one by addressing the issues of resources and results.

On the resource side, allowing country teams to be opportunistic but consequential in the face of elusive results would, in IDA countries at least, require a fundamental change in the ‘use it or lose it’ rules governing IDA resources. It would also require the Bank’s budgeting system to allow for multi-year processes, something that has been under discussion for some time. Doing so would address two perverse incentives. First, governments understand that, if resources remain at their disposal despite poor performance, then there is little need for proactive management of problematic portfolios. Second, country directors, knowing that flexibility is hard to come by and often needed, are loath to be selective since having a broader base of instruments to draw from allows them to be more responsive when faced with unforeseen needs. Trust funds are an increasingly important form of partnership with and financing to the Bank. Ensuring that they are used primarily to fund small-scale innovation and learning that can be scaled up by the Bank’s own resources through traditional instruments would ensure that they are leveraged for maximum impact.

In terms of results, there is a need to find ways to better explain strategic plans that allow for flexibility during the implementation of country strategies. At present, country teams agree to a series of outputs based on their projections of how existing projects are performing, and are keen to limit themselves to results that can be attributed directly to Bank support. But everyone is aware that, in implementing a country strategy, contexts change, opportunities arise, counterpart support can decline – and there is little that external actors can do about it. At the same time, country programmes need to remain

Box 14: Thoughts on how to recognise and reward the best development professionals

In exploring how to shape the incentives of development organisations’ managers and staff so that they can transcend bureaucratic requirements in favour of achieving a sustainable development impact, Over and Ravallion (2012) lay out a framework for giving development professionals a direct stake in the success of the projects and initiatives on which they work.

Their approach centers on the idea that all professional staff members in a development agency would build a ‘development portfolio’ made up of ‘shares’ of the projects and policies to which they have devoted time and effort over the course of their career. Managers could lay out their staffing needs and designate a number of ‘shares’ per staff week spent on each task. Then, as staff members allocated their time among these tasks, they would acquire the associated shares.

The value of each staff member’s portfolio – the ‘Development Impact Wealth’ – would be determined on the basis of a ‘value’ assigned to different shares by an outside party. The development impact of a given task could be scored initially on the basis of process evaluations (such as those performed by IEG). Scores could be updated as new information became available (through later impact evaluations, for example).

In practice, this approach could help honor long-serving professionals whose contributions have had lasting impact in client countries and motivate staff to allocate their time to projects that are likely to grow in value. But to counteract the tendency to choose tasks that offer the promise of easy gains, shares in tougher contexts or more complex projects could be bought more cheaply (in terms of work weeks). As Over and Ravallion argue, ‘the initial value of project shares per staff week could be set by the development agency to achieve this goal, but in a large enough agency (like the World Bank) it might be possible to establish an internal marketplace. The “time price” of a share of an easy project would rise (in terms of weeks of the staff member’s time), while the share price for difficult countries or projects would be driven down’. In cases where country risk factors intervene to hasten the demise of an otherwise sound project, Over and Ravallion suggest that staff members could be allowed to exempt their worst-performing shares from their portfolio each year.

Source: Over and Ravallion 2012

Table 3: Summary of recommendations

Process	Resources	Metrics	Incentives
Contribute to a public awareness campaign on the importance but complexity of achieving development in challenging contexts.			
<p>Lending Instruments</p>	<ul style="list-style-type: none"> – P4R: Huge step forward but needs to be embedded in understanding of institutional bottlenecks and accompanied by flexible TA to address these. – Investment Lending: Simplification policy is a major step forward, helping break down the divide between preparation and implementation. Need to improve understanding of context and ensure right skills in teams. Divide project cycle in two and offer an exit option for new projects in new contexts, as failure should be an option. Promote entrepreneurial approach, testing best fit through iterative pilots before scale-up. Use intensive, continual supervision to learn what works and assume reappraisal needed during every supervision mission during first half of project. – Budget Support: Recognize importance of instrument for clients to balance macro crisis and for Bank to manage resources. Avoid changes in form not function, including through better design of policy actions and indicators. 	<ul style="list-style-type: none"> – Flexible, context-savvy TA support needed for P4Rs. – Encourage low disbursement in early years for new projects in new contexts. – Provide larger supervision co-efficient in early years to enable learning by doing or merging preparation and supervision budgets. Consider subcontracting local groups to support as needed. Could be synergies for feedback and learning loops around multiple projects in given localities. – Provide rewards and formal recognition to teams and individuals that display new core competencies that will help to leverage Bank's technical skills. – Review the strategic use of TFs as instruments of innovation for possible scale-up by the WBG. – Facilitate access to lessons on how change happens, including through DeCODE being piloted by GDI. 	<ul style="list-style-type: none"> – Shift M&E staff to work upstream as learning facilitators, using feedback mechanisms and a range of methods to embed learning in project cycle. – Results indicators for years 1 and 2 should specifically test the <u>how</u> to achieve results in local contexts. PDO should be at high/outcome level and avoid over-determining ex ante output indicators. Better guidance to staff needed, based on discussion with IEG. – Give more weight to implementation actions and indicators in DPLs. – Use two types of independent verification around P4Rs for learning, as well as accountability. – ISR to be discussed systematically in Mid Term Reviews with accountability for highlighting and incorporating lessons from early years. – Metrics to measure introduction of simplification processes as well as quality and effectiveness.

	Process	Resources	Metrics	Incentives
Country Portfolio Level	<ul style="list-style-type: none"> – Performance and Learning Reviews are a step forward, but incentives need to align better with resource and results constraints. – Encourage/insist on larger share of Non-lending Technical Assistance (NLTA) before lending to better understand binding constraints and build necessary relationships to promote change. – Continue to deepen Strategic Country Diagnosis (SCDs) with focus on binding constraints in priority problem areas. – Strengthen links to indicative knowledge and lending portfolio. 	<ul style="list-style-type: none"> – Allow for multi-year budgeting. – Budgets provided to address problems. – Enable shifting of resources from one instrument to another. – Provide incentives for cross-collaboration and programmatic approaches to problem-solving through multiple instruments. 	<ul style="list-style-type: none"> – Combine indicators on process that might lead to transformation, on learning and piloting, and on quantitative progress in scale-up of existing portfolio. – Allow a menu approach, expecting some, but not all, indicators to be achieved. – Develop additional learning products that focus on the <u>how</u> to complement accountability reviews of the <u>what</u> in CPFs. 	<ul style="list-style-type: none"> – Better use recognition of country office staff to provide local knowledge and networks. – Encourage field postings for key staff. – Encourage debate and adaptability within country teams. Do not discourage measured risk-taking or exiting if progress impossible. – Make space for reflection-action, collective problem-solving, and external partnerships around key issues.
Skills and competencies	<ul style="list-style-type: none"> – New core competencies for management staff are welcome but need to be linked to operational impact and used in recruitment and promotion decisions. – Deepen testing of new core competencies at recruitment, promotion, and evaluation stages. 	<ul style="list-style-type: none"> – Fund staff learning, providing sufficient training budget through PMs. – Provide a learning-by-doing bonus for staff. 	<ul style="list-style-type: none"> – Hold staff accountable for learning and applying new knowledge. – Hold management responsible for funding learning. – OPE evaluation criteria linked to overall goals of country or corporate strategies. 	<ul style="list-style-type: none"> – Evaluate staff and management based on impact or effectiveness, emphasising soft skills to rebalance with technical skills Bank-wide. – Deepen recruitment, evaluation, and promotion to test core competencies. – Promote managers who prioritise learning, adaptation, critical thinking, partnership and debate, once workflows are management again. – Publish promotion index to show use of core

accountable for funds, so how can they achieve flexibility with accountability at the country strategy level?

The first point of departure is perhaps to acknowledge that the Bank does not achieve change or provide services – the in-country counterparts do. As a result, the monitoring and reporting to those to whom the Bank is accountable needs to be more nuanced. There are things for which the Bank can be held accountable directly through its financing, but a large – and perhaps more important – part of what it does is ‘nudging’ and supporting local change. Translating aggregate results into meaningful target at the local level is, in many contexts, challenging in itself. Nudging change to achieve results is frequently unpredictable, depends on local actors, does not fit neatly into five-year cycles, and does not always lend itself well to quantifiable metrics. The association of large development organisations with local change can be enough to spoil it, so it is also necessary to guard against ‘planting the flag’ in everything they do. Measuring how well positioned an organisation such as the Bank is to support change when it arises locally is as important as the quantifiable indicators of what the portfolio delivers. The Bank and others need to get better at telling both stories.

It should be possible to provide quantitative metrics for indicators on repeater projects that do not depend on large amounts of political clout – say, kilometres of roads paved or number of textbooks circulated. But for big, potentially transformative, engagements that require the aligning of stars, along with more flexibility under unpredictable timeframes, the monitoring approach should look more like a menu than a matrix. It would:

- Set out intermediate indicators of what progress towards transformation would look like.
- Describe how the proposed activities could credibly contribute to them.
- Provide a baseline (a description of the current state of affairs) and a description of what setbacks or changes in the wrong direction would look like, which would add rigour and help ensure that Bank financing would do no harm.
- Recognise that the timing of these intermediate changes is unpredictable.
- Use indicators as indicative starting points rather than targets or milestones, thus describing, after the event, what changes happened and how the projects contributed to them.
- Include learning indicators to ensure feedback and adaptation.
- NOT claim attribution, as it is seldom possible to prove that a change would not have happened without Bank funding; being part of it, in whatever small way, should be satisfying enough.

If the latter makes monitoring and evaluation colleagues nervous, baseline information for transformation indicators could be used.

A menu approach would make it possible to agree to achieve a certain percentage – but not all – of the indicators, providing for additional flexibility with accountability. It would help to differentiate between two types of indicator: those that tell a quantifiable results story, and those that tell a story of actions and processes to support transformation. Combining these two types of indicator would allow country teams to present strategies that balance high-risk, but potentially transformational, projects with incremental change through safe bets and well-performing repeater projects. Having a regionally held pot of funds that could be used to deal with unforeseen crisis would free up country directors to deal with the ‘here and now’ of country dynamics while remaining able to respond as necessary to natural disasters and other such unexpected events. If results indicators remain at a high level of outcomes and care is taken to aggregate the sum of the Bank’s efforts – including lending, knowledge work, and non-lending technical assistance across sectors – this may allow more room for manoeuvre as pathways change during the implementation of a country strategy. A possible matrix for Country X is provided in Annex 1.

Once country teams are able to use resources and results more flexibly, indicative portfolios can become precisely what they are intended to be – indicative. This opens up space to align incentives across the portfolio towards performance and impact. Financing could be allocated based on a team’s knowledge of binding constraints in the country context, understanding of the relevant actors and their readiness for change, and ability to mobilise the right instrument. Country teams would have budgets to solve problems, rather than sectors or projects, to better encourage cross-practice work, with performance bonuses considered for those who show flexibility and savviness in responding to binding constraints and evolving contexts. This would in turn allow for the programmatic use of a better blend of instruments over the long term and fewer but better products. The share of non-lending technical assistance in country portfolios would increase significantly, as teams would need to work first to acquire the right knowledge and relationships prior to preparing an operation.

As one former Country Director noted, once you shift the pressure from lending to solving problems and delivering results, knowledge work becomes a critical starting point for future lending opportunities. ‘It can help create ownership, a shared understanding of a well-defined problem and a number of theories of how best to solve it while testing some of them. Without this, lending makes little sense.’ Portfolio reviews could become more closely linked to performance, holding teams accountable for learning, adjustments, and delivery, and allowing them to exit or change course when needed. Budget support operations and scale-up of existing, effective projects could help to manage disbursement pressures.

Again, there are positive externalities to such an approach, which support ongoing changes in the Bank. These include:

- *Enhancing selectivity and focus in country portfolios*, since country teams will be able to adjust as necessary, and country directors will not need to diversify their risks with ‘Christmas tree’ approaches to country strategies.
- *Promoting a better understanding of context and deeper diagnosis of binding constraints*, including through Systematic Country Diagnostics, which are beginning to unpack these constraints in key sectors of transformation.
- *Strengthening in-country partnerships* with others who are well placed to support knowledge coalitions in a given country, as well as networks of reform-minded leaders across issues, which should be a precursor for lending.
- *Ensuring a clear link between analytical and advisory work and lending* across the lending portfolio.
- *Implementing programmatic approaches* that allow for multi-year processing and cross-practice problem-solving.

To move towards such an approach, clients, too, will need to become more agile within their own contexts. At present, delays in negotiations and borrowing plans can add years to the bureaucratic burden of projects and portfolio management. In response, some working on the Forward Look exercise have suggested one way around this: use of Framework Agreements that allow for the approval of a number of projects up to a certain threshold, without engaging in a long process of legal to and fro.

While a number of these proposals fit well with the simplification process underway in the Bank, as well as the thrust of the Forward Look presented at the 2016 Spring Meetings, focusing largely on efficiency and letting go of the effectiveness part of the equation could result in yet more metrics and systems that constrain, rather than provide the space needed by, management and staff to improve the effectiveness of support. Over quantifying metrics and focusing on the short term are likely to contribute to an even worse simplification of the aid narrative, compounding the institutional mismatch between what the Bank does and what it says it does. Remember the Duke of Wellington, standing confused between Spain and Portugal and trying to interpret his orders and report back on the minutiae? This is what we want to avoid. If shortening the preparation time means failing to address the need to better understand problems in their context, pilot appropriate responses, and learn by doing, then the Bank will be doing its clients a disservice. If by providing the space for teams to use simplified processes the Bank fails to improve the applied knowledge base for what it does, it will have missed an opportunity.

If the focus is solely on speed and quick disbursement, the Bank will continue to pressure teams away from tackling the long-term institutional challenges that may not require a lot of money but that are critical to meeting new commitments under IDA 18.

Recommendation 3: Getting the plumbing right – getting real about incentives

The introduction of ‘good enough’ approaches and enhanced flexibility in project- and country-level processes, as discussed above, is possible and – this paper has argued – necessary for the Bank to continue to deepen its effectiveness on more complex issues in more challenging contexts. It can be done, albeit in an ad hoc or small scale way to a certain extent within the existing architecture of investment lending and program for results operations. A more flexible approach to resources and metrics would help provide more space for such approaches across country portfolios. However, for scale up to be mainstreamed and sustained, addressing approval and disbursement incentives as well as HR incentives will be necessary. It will also require dealing with what has been described the institution’s ‘learning disability’ and nudging change to prevailing social norms through incentives. The next generation of challenges cannot be addressed without this rebalancing of lending with learning and a fundamental review of the dominant incentives.

The good news is that, on paper at least, the human resource competencies are fit for purpose. The new core competencies for staff and management, published by the Bank’s human resources department in 2015, are not dissimilar to the skills sought by institutions that deal with complexity. If adopted, they would go a long way towards achieving the culture, skills, and incentives sought by organisations that are moving to practise adaptable management to address complexity (Table 2). The new core competencies suggest that problem-solving, critical thinking, measured risk-taking, and adaptation will all be key attributes of new managers and those who are promoted to management positions within the organisation. Important to note is the shift towards ‘soft’ rather than technical skills (see Annex 2). It has been proposed that up to 60% of a person’s performance will depend on the exercise of these soft skills. While it is early days, it is promising. But management and staff in the institution are increasingly stretched, and a combination of the comforts of the status quo and time constraints risk derailing these good intentions. Having critical competencies decided on paper might be described as an important change in form but it is unlikely to lead to a change in function until they are used for hiring and career decisions. Recently, the Bank has launched a new Career Management Framework which provides a process through which these competencies could now come to life.

At present, most staff see little relationship between those who do good work and those who get promoted

(IEG 2014). At the same time, it appears that a few people carry an unfair share of lending work. A recent McKinsey report found that 20% of TTLs manage 80% of projects. Given this, it is not surprising that there is little space for thinking or innovation in the lion's share of the portfolio. It is essential to find a better balance in work programmes so that the burden is shared and those who prepare lending can also engage in learning, innovation, and sharing of experiences. At the same time, reform requires commitment by staff too, including a willingness to try new things and to be held accountable for results.

Fewer than 10% of TTLs use the new simplified, track 1 preparation process for investment lending, despite its dealing with many of the bureaucratic hurdles that have been cited in the past. There are large regional variations to this, with East Asia already using it for almost a third of its projects. Changing behaviour clearly takes time and requires managers who are prepared to lead by example. Staff also need to be encouraged to use the spaces that are available to them. It is rational, of course, that staff in large organisations that have or have had cycles of low risk tolerance over-interpret requirements or insist on doing a perfect rather than a 'good enough' job in order to cover themselves. But, as the context for risk-management improves in the institution and the processes and policies are simplified, staff must be held accountable for using them to make a difference.

So what concrete measures could be taken to move these commitments on paper into practice? The first step is to continue the dialogue to build trust within the organisation. This trust has taken a serious blow, as often happens during change processes. But Bank staff and management are dedicated, hardworking people, and with the strategic staffing exercise behind them, now is a good time to think about moving from intentions to specifics.

HR Process:

- **Strengthen testing of soft skills and new competencies for key HR decisions.** While competencies have been helpfully rethought on paper, the vetting process for management (and staff) positions also likely needs updating. Other agencies are in the midst of rethinking how best to do this, including USAID and Mercy Corps. USAID's new human resources strategy, for example, demands that candidates undergo one week of being tested through a variety of methodologies and sources to find whether candidates for Program Officer Positions have the right blend of collaborative, learning, and adaptive skills. Ensuring that these skills are again tested more thoroughly in performance reviews and rewarded appropriately is also vital. If the performance evaluation process continues as usual, there is little sense in having new competencies and frameworks. Here, private sector experience could be drawn on. Finally, it will be important

to demonstrate that the people with the core competencies are recognised and promoted.

Managers:

- **Free up managers to manage.** At present some practice managers have 50 to 60 reporting staff, allowing them about six to seven minutes per week to spend with each TTL. Best practice in lean organisations is not more than ten reporting staff for frontline managers. How can a better balance be found? Ensuring that management have time to engage with staff, not just on process but also on substance and ideas, it will be critical to find 'best fit' solutions.
- **Hold managers accountable for awarding time and budget for critical competencies,** including learning from failure and exiting when appropriate, managing transitions and staff turnover, encouraging debate and respectful dissent as part of a solutions culture.
- **Use transparency to shift and communicate a change in management culture.** As noted in the IEG evaluations, there is some mistrust among staff about whether reform will lead to a real change by changing the incentive structure. They also suggest that staff care most about formal recognition and promotion. Being transparent, for example, regarding promotions at an aggregate level that does not enable attribution to individuals would go a significant way in proving a shift and building trust around HR decisions.

Staff:

Once there is a better balance of work programmes and a 'good enough' understanding of the organisation's new, lighter bureaucratic burden, it should be possible have a candid discussion about performance and accountability, in light of the weight being given to new soft skills through the new core competencies.

- **The Profile of TTLs.** There is, perhaps, a case for rethinking the profile of TTLs and those who lead the early face-to-face work with clients. For this role, it may be that the institution needs more 'development entrepreneurs' – those who operate on good hunches, are political operatives, engage instinctively with a range of key players, build trust with them, and are prepared to take well-measured risks and fail and then try again. They are problem-solvers who can apply their skills to a range of issues. This is not to say that there is no longer a need for strong technical skills. There clearly is and, as trust grows in any country dialogue, clients are likely to demand and seek technical skills. But putting those with only these technical skills in initial relation-building and client-facing leadership roles might be doing them – and the Bank's clients – a disservice.

- *A better division of labour between country office and international staff* would also help to ensure that the local knowledge and partnerships that are critical for improving the Bank's performance in addressing complex challenges are recognised and rewarded. The 'one Bank, one staff' rhetoric has led to a discourse that does not match the reality. While career paths for country office staff have improved through the years, the continued emphasis on best-practice technical skills for everyone still favours international staff. Formally recognising the importance of local knowledge and networks of key actors in HR processes would, perhaps, at last allow country office staff with the right skills to exercise this comparative advantage and for the Bank's operations to benefit from it.
- *Holding staff accountable for the effectiveness of their work*, either by measuring influence or correlates of impact, such as the new core competencies. While questions of attribution and what level (results, outputs, or outcomes) of indicator are appropriate have haunted debates about staff accountability in the development field for decades, there is ultimately a need to be accountable for supporting change. Ensuring that performance indicators for individuals are closely related to the priority outcomes in country strategies, that the 'soft' skills that are critical in ensuring that technical skills are leveraged, appropriately evaluated and recognised, and that performance reviews result in recognising those who make a difference in a complex and challenging business, is crucial. Holding staff accountable for learning and applying new knowledge to operations is critical. Conversely, penalising staff who do not write up and share knowledge should be considered.

To be clear: the vast majority of development professionals chose this career out of a desire to make a difference, and Bank staff are passionate about this. It seems obvious, then, that development professionals should be prepared to be judged on whether they did in fact make a positive difference. Suggestions for how to do this have

been made in the past. Over and Ravallion (2012) suggest that the measurement of staff performance should move to collecting a 'development portfolio' consisting of 'shares' of the development work to which the staff member has contributed, each of which could be associated with a 'value' depending on how influential different pieces of work have been. Together, these would result in a measure of each staff member's 'development impact wealth' (Box 14). Staff who work in fragile contexts and who agree to take on riskier projects could be given additional shares to add to their portfolio. There are surely other ways to achieve a similar goal, and USAID is exploring similar questions.

Ultimately, the Bank gives advice and financial support to countries in order to have impact. While staff do not, nor should they, call the shots, if over their professional careers they cannot influence change for the better, then they have probably chosen the wrong career path. It should be possible to build up a human resources file to measure how effective a staff member has been at promoting change in different environments over time, understanding that in complex and risky situations one needs an adaptable approach to achieving results. Seeking feedback from local partners and clients and undertaking more 360° evaluations of staff might also be valuable, avoiding the temptation for staff to self-select kind reviewers.

Rebalancing of Disbursement Incentives

Finally, as long as the disbursement and approval culture in the Bank continues to perceive to be the dominant incentive by staff, ensuring that lending is rooted in knowledge and learning, that small scale approaches are first tried and tested for scale before large amounts are committed or disbursed and performance flags candidly raised with adaption or exit options applied, is likely to be a difficult sell. As the negotiations around IDA 18 initiate, finding ways to balance approval and disbursement metrics with appropriate reporting mechanisms to capture DDD and even effectiveness principles might provide a way to start to fix a part of accountability challenge that drives internal incentives.

A summary of these tentative recommendations is provided in Table 3 for ease of reference.

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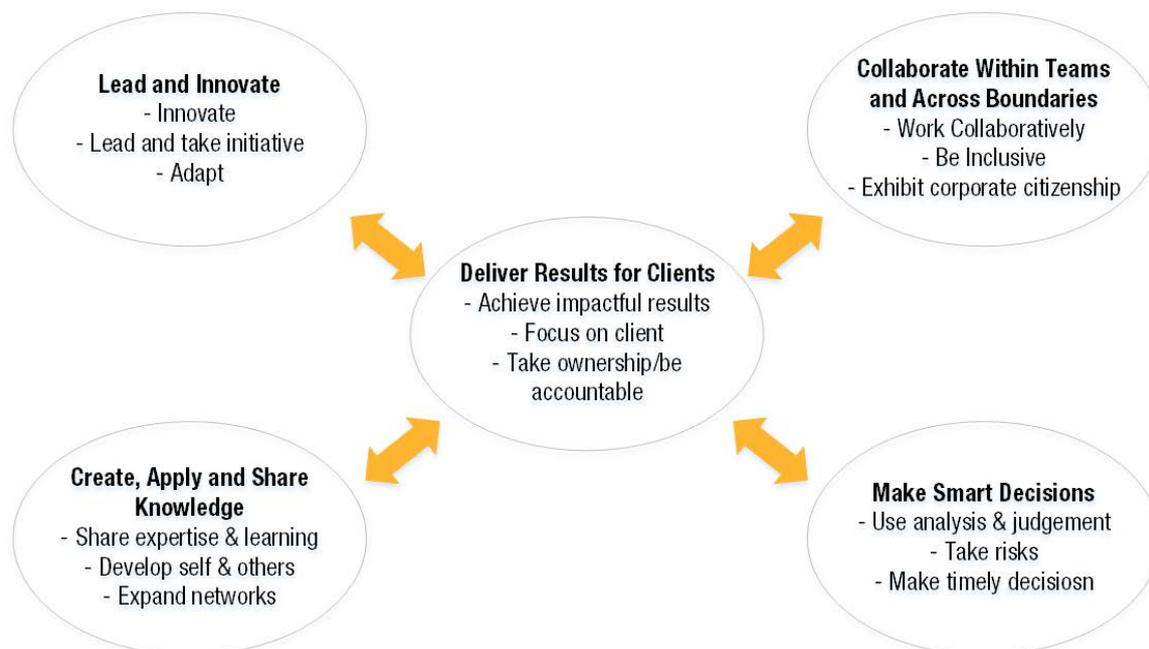
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Annex 1: Proposed accountability framework for a country strategy

The Results Story	The Big Change Story
Objective 1: Create Job and Inclusive Growth	
<ul style="list-style-type: none"> – # of people receiving skills training tailored to market needs – # of them obtaining jobs afterwards 	<ul style="list-style-type: none"> – Support improvements in the legal and regulatory environment – Support macroeconomic management/stability – Diversify the main economic/export sectors, product basket, and markets – Support pilots at private sector participation in vocational system – Enable bodies such as ... to support increased tax revenue – Encourage investments in infrastructure, including regional connectivity – Manage urbanisation so that cities are productive growth centres
Objective 2: Improve the quality of basic services and access for the poor.	
<ul style="list-style-type: none"> – We expect to deliver results from new programmes in basic services, especially health and education – We will make major contributions to manifesto commitments in nutrition 	<ul style="list-style-type: none"> – Increase the delivery focus of targeted services – Improve systems for basic service delivery, including public financial management, performance agreements and statistics – Undertake more joint government/private-sector work to address nutrition
Objective 3: Reduce extreme poverty and reduce regional disparities	
<ul style="list-style-type: none"> – # of people lifted out of extreme poverty 	<ul style="list-style-type: none"> – Improve the health, of people – especially women – in x regions – Support transformational changes in how cities are governed – Support evidence-based debates on behaviours and norms that promote exclusion
Objective 4: Improve Governance and Transparency	
<ul style="list-style-type: none"> – We could report against outcomes in our PSR and FM investment projects 	<ul style="list-style-type: none"> – Support pre-reform coalitions for change in parliament, with AG, aimed at improving quality and efficiency of public expenditure – Strengthen voices for dialogue, inclusiveness, and the use of evidence regarding freedom of information – Aid and donor expertise contribute to changes in the justice system that reduce case backlog and delays, and start to restore public confidence in system – Technical assistance programmes to government create new spaces for a dialogue among key ministers, as well as external stakeholders, on inclusive growth

Annex 2: staff and managerial core competencies

Staff core competencies



Managerial core competencies

Courage of your Convictions

Outstanding WBG managers demonstrate the confidence in their convictions and the integrity to express themselves to peers and superiors even if it is easier or more comfortable to refrain from speaking up. They have the confidence, balanced with humility and judgment, to operate with the intent of doing what is right for the WBG and its clients. Key themes include: confidence, resilience, agility, judgment and adaptability.

Leading the Team for Impact

Outstanding WBG managers focus on the WBG purpose and mission to provide on-going clarity and vision to their teams. They align capabilities and resources around the WBG mission. They create an energizing and empowering work environment where people are engaged and have the resources necessary to do their jobs, while holding team members accountable for results and improvement. Key themes include: building, focusing, constructing, empowering and aligning teams through clarity and resources.

Influencing Across Boundaries

Outstanding WBG managers persuade, convince and create buy-in for ideas and initiatives in order to advance their own goals and strategies, consistent with the WBG mission and vision. Key themes include: having a positive impact on others through varying sophistication of influence techniques, scope of impact and effective navigation through the culture.

Fostering Openness to New Ideas

Outstanding WBG managers create open and innovative climates for the people around them. They are transparent, open to divergent views and encouraging of these attributes in others. They promote broad thinking and frank discussion, welcoming others' input into the decision-making process, and they build on others' ideas. Key themes include: openness, humility, true two-way communication, strategic thinking and the space to be innovative without negative repercussions.

Building Talent for the Future

Outstanding WBG managers build people's capabilities for the future by supporting and leveraging the diversity of staff in terms of their race, gender, nationality, culture, educational and professional backgrounds. They create growth opportunities for others, encouraging them to stretch beyond their current experience or comfort zone. They provide ongoing feedback and development, including long term career development and mentoring, as well as hold their team members accountable for developing others.



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