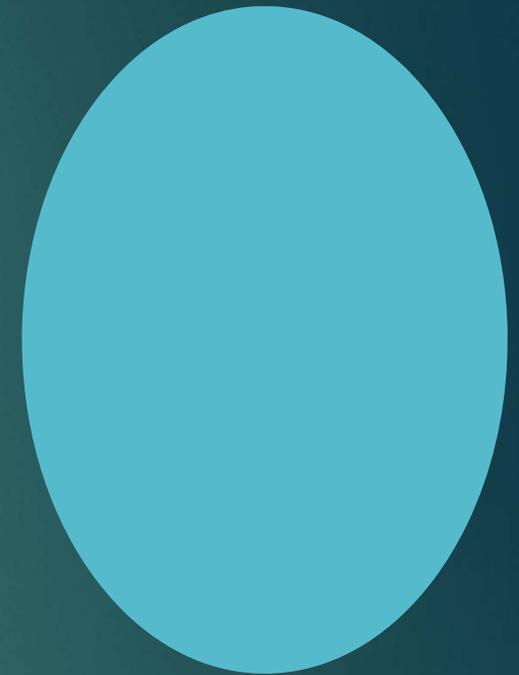




Governance, Governance Innovation, and Development



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My talk today, starting your discussion

- ▶ 4 simple messages:
 - ▶ Governance and development are related
 - ▶ The relationship is dynamic; change matters (in governance and development)
 - ▶ Development leaders (and wealthy countries) are governance innovators
 - ▶ Development laggards (and most poorer countries) are governance replicators
- ▶ 2 simple questions:
 - ▶ Are you here to learn how to be a governance innovator or replicator?
 - ▶ Do you have what it takes to be a governance innovators?

Governance and development are related

- ▶ More developed countries have better governance indicators
 - ▶ No matter the indicators or definitions of governance
- ▶ In the PFM realm as well; better PFM systems = better PFM results
 - ▶ Again, no matter which indicators we look at
- ▶ So, it is right to focus on improving governance and PFM in development

The relationship is dynamic, not static

- ▶ Change matters (in governance and development)
 - ▶ Wealthier countries with 'good' governance did not look that way in the past
 - ▶ Consider the USA in 1880 (patronage), 1920 (no central budget office or common accounting system), 1960 (limited internal control and audit), etc.
 - ▶ Consider Sweden in the 1930s (no real budget), and the 1960s (very limited budget processes), and the 1980s (no disciplined budget calendar or controls)
 - ▶ Changes to governance systems were key to improvements in state capability
 - ▶ USA civil service reforms from 1880s to 1970s; USA accounting and budgeting reforms (1920s through 1950s and beyond); USA inspector general reforms (1970s and beyond); etc.
 - ▶ Sweden budget and accounting reforms in the 1940s and 1960s; major reforms in the 1990s and 2000s (yielding fiscal rules, fiscal councils, multi-year budget mechanisms, etc.)
- ▶ It is how a governance system adapts to changing needs that determines whether governance fosters development or holds it back
 - ▶ This is much more important than what the system looks like at any particular point in time

Development leaders (and wealthy countries) are governance innovators

- ▶ Innovation is a type of change
 - ▶ Finding and fitting new ways to do things, that (when successful) solve old problems
- ▶ Emerging from specific processes
 - ▶ Problem driven (necessity is the mother of...)
 - ▶ Through trial and error, over time
 - ▶ Drawing on many ideas (old and existing practice, new ideas, external examples)
 - ▶ With lots of learning and even more grit
- ▶ Leading to greater capability and more effective practices
 - ▶ With governance systems changing to meet contextual demands
 - ▶ But also involving 'search' processes that take time and may look inefficient

Development laggards (and most poorer countries) are governance replicators

- ▶ Replication is a type of change
 - ▶ Copying ways of doing things that have proved successful in other places
- ▶ Emerging from specific processes
 - ▶ Solution driven: “what innovations should I copy?”
 - ▶ Through blueprint type projects, to ensure perfect replication
 - ▶ Drawing on one idea (the ‘innovation’ that has been identified’)
 - ▶ With limited learning and adaptation to context
- ▶ Leading to new forms that are seldom functional
 - ▶ Because they do not fit contextual demands and capabilities
 - ▶ And because many dimensions of the ‘innovation’ cannot be easily replicated
 - ▶ So they don’t facilitate leapfrogging, although they may appear to in the short-run

Are you here to learn how to be a governance replicator or innovator?

- ▶ You are probably a replicator if:
 - ▶ You are interested in PFM CHANGE PRODUCTS
 - ▶ You are here to learn simply about WHAT the new innovations are
 - ▶ You find yourself thinking about importing ideas you learn from here
 - ▶ To your own country or organization or to client
- ▶ You are probably an innovator if:
 - ▶ You are interested in PFM CHANGE PROCESSES
 - ▶ You are here to learn HOW the new innovations came about
 - ▶ Given that you are concerned about specific problems in your country or organization that past and current practices could not solve
 - ▶ But you are also aware of the contextual realities you face, and how these might affect the potential adoption of any outside idea
- ▶ My hope and bias is that all will be potential innovators

Do you have what it takes to be a governance innovator?

- ▶ As you engage in this conference, do you have a strategy:
 - ▶ To think about which innovative experiences are most relevant to your context?
 - ▶ What factors will make lessons more or less relevant?
 - ▶ To draw lessons about HOW the innovative practices you will hear about emerged?
 - ▶ To ensure you don't get distracted by the appeal of replication and leapfrogging?
- ▶ When you return to your country or organization, do you have a strategy:
 - ▶ To promote a focus on PFM problems faced by people in your context?
 - ▶ To create space for experimentation to find and fit solutions?
 - ▶ To encourage the identification of many potential solution sources?
 - ▶ not just external best practice
 - ▶ And to foster learning about the process of change: what works, why and when?

Thank you.

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For those who are interested,
my book is "The Limits of
Institutional Reform in
Development: Changing Rules
for Realistic Solutions"

