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 innovator?
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 that 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 a 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”