GOVERNANCE EFFECTIVENESS IN ACHIEVING SUSTAINABILITY

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DECEMBER 2017

How can governments make policy more effective?

The World Development Report 2017 “Governance and the Law”.

examines the underlying determinants of policy effectiveness,

related to governance.

What do we mean by Governance?

Governance can be defined as:

“the process through which state and non-state actors interact to design and implement policies within a set of formal and informal rules that shape, and are shaped by power”.

Governance encompasses a set of complex relationships between citizens and the state, among different branches of the government (and within the government), and private sector.

Why is effective Governance key to achieving sustainability?

Desired outcomes of society: growth, security and shared prosperity.

Poor governance can distort expenditure, reduce economic efficiency, slow growth, and impact the quality of service delivery.

Countries can not achieve their goals/outcomes in a sustainable way without significant investment in improved governance.

When looking at the drivers of effectiveness, countries need to look beyond the usual “easy” answers!!.

Going Beyond the “Easy Answers”

The WDR 2017 report debunks three “easy answers” that analysts typically provide to justify policy failure

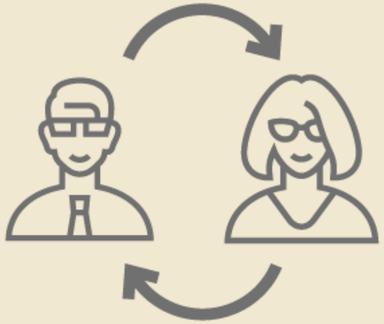
“Policies fail because they did not follow **best practice**”

“Policies fail because of **lack of capacity**”

“Policies fail because of **lack of political will**”

Determinants of Policy Effectiveness: the three Cs

Ensure credible
COMMITMENT
to policies in the face of changing circumstances



Enhance **COORDINATION**
to change expectations and elicit socially desirable actions by all

Encourage
COOPERATION
to prevent free riding and induce voluntary compliance

Drivers of effectiveness : Commitment

The importance of commitment	Commitment enables actors to rely on the credibility of policies so that they can calibrate their behavior accordingly
	Examples - During China`s take off in the 1980's, growth success depended on a pledge that enterprises could keep profits- a credible commitment. -Countries often waste natural resource windfalls, no credible commitment to safeguard resources for long term development.
	Consistency over time not easy to achieve (e.g. resources, political cycles) Long term sustainable growth is less about how fast one goes and more about not tripping up along the way.

Drivers of effectiveness: Coordination

The importance of coordination	
	Investment and innovation are induced when individuals believe others will also invest A failure to co-ordinate investment activity will lead to underdevelopment
	Example - In India lack of co-ordination among urban planners, real estate developers and politicians leads to inefficient design of urban areas
	Institutions can help solve market failures by coordinating both investment decisions and expectations of market participants

Drivers of effectiveness: Cooperation

The importance of cooperation	Policy effectiveness to achieve equitable/sustainable development requires cooperation
	Example - For a country to collect the taxes needed to fund investments in public goods , its citizens must be willing to comply and cooperate. - Some actors weakened by policies may be excluded from their design, which weakens compliance and leads to fragmentation
	Cooperation is enhanced by Commitment because credible and consistent enforcement of laws is needed to expand opportunities and level the playing field

Conclusions

Policy effectiveness cannot be understood only from a technical perspective. There are three important governance drivers of effectiveness.

1) The consistency and continuity of policies over time (commitment)

2) The alignment of beliefs and preferences (coordination)

3) Voluntary compliance and absence of free-riding (cooperation).

WORLD DEVELOPMENT REPORT 2017: GOVERNANCE AND THE LAW

HTTP://WWW.WORLDBANK.ORG/EN/PUBLICATION/WDR2017