

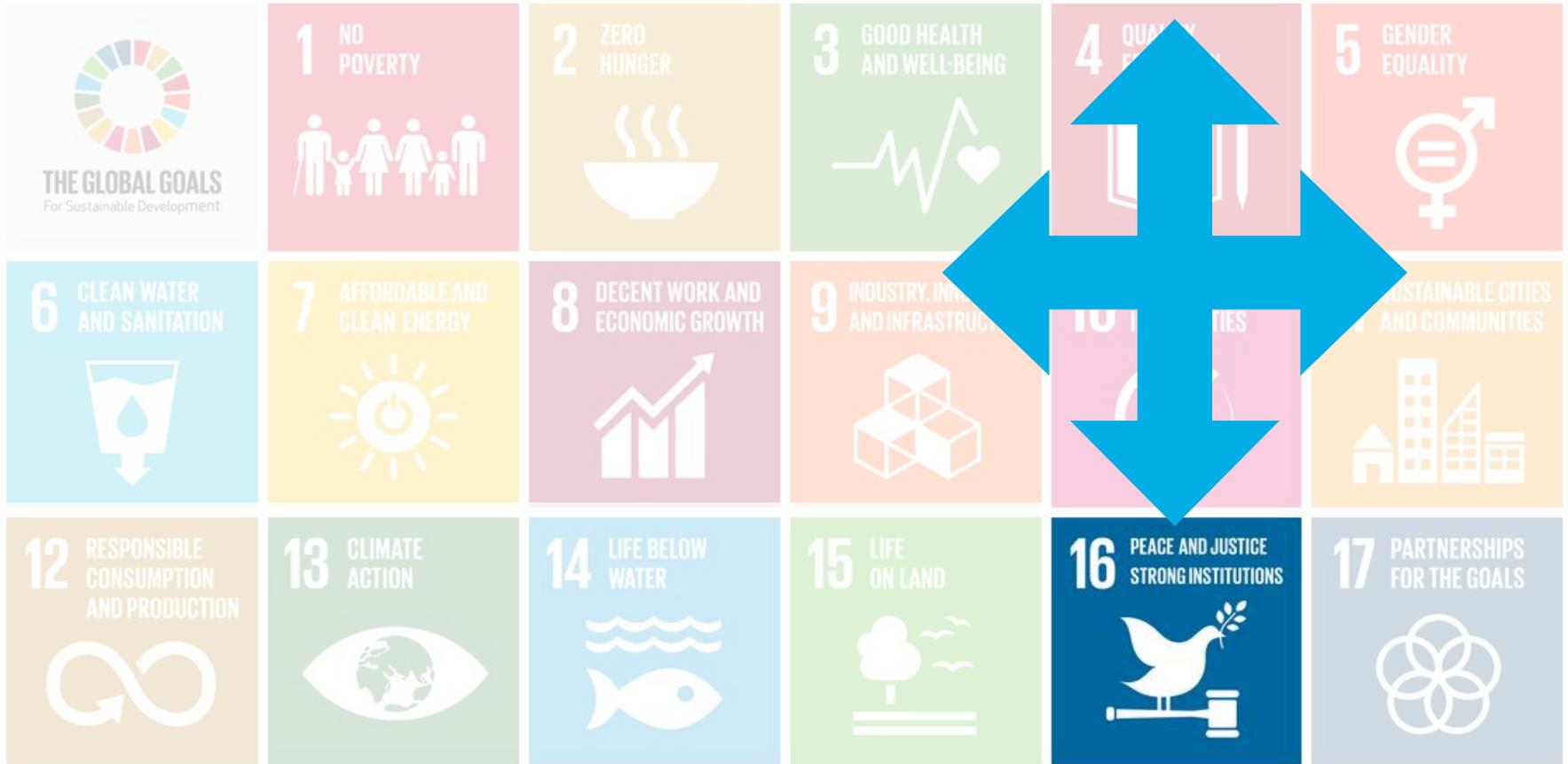
World Development Report 2017

Governance and the Law

This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

Yongmei Zhou
Co-Director
September 2016

Institutions matter for progress in *all* areas of development



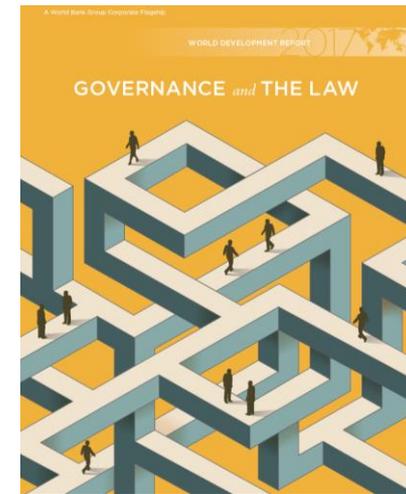
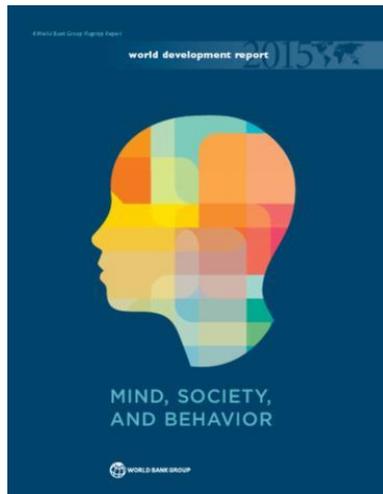
Focus on policy effectiveness – three WDRs

How can policymakers make fuller use of behavioral, technological, and institutional instruments to improve policy effectiveness?

2015

2016

2017



Main messages of WDR on Governance and the Law

- For policies to be effective, institutions need to enable cooperation, coordination and commitment.
- Various manifestation of power imbalance (exclusion, capture unconstrained power, highly fragmented power) impedes cooperation, coordination and commitment.
- The agency of elites, citizens and international actors can expand the set of implementable policies by making the policy arena more contestable, shaping the preferences of policy bargaining actors, and enhancing their incentives for pursuing reforms.

Drivers of policy effectiveness

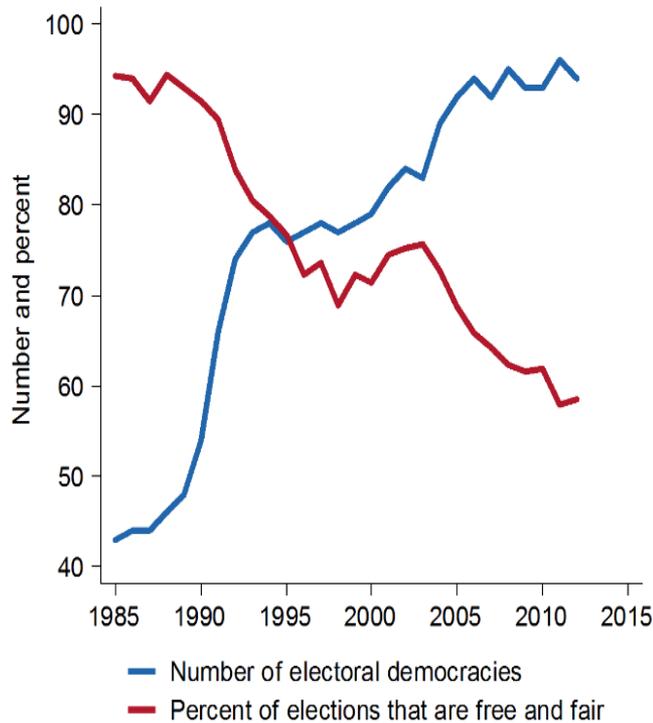
- Credible commitment
- Coordination
- Cooperation

Credible commitment through checks and balance

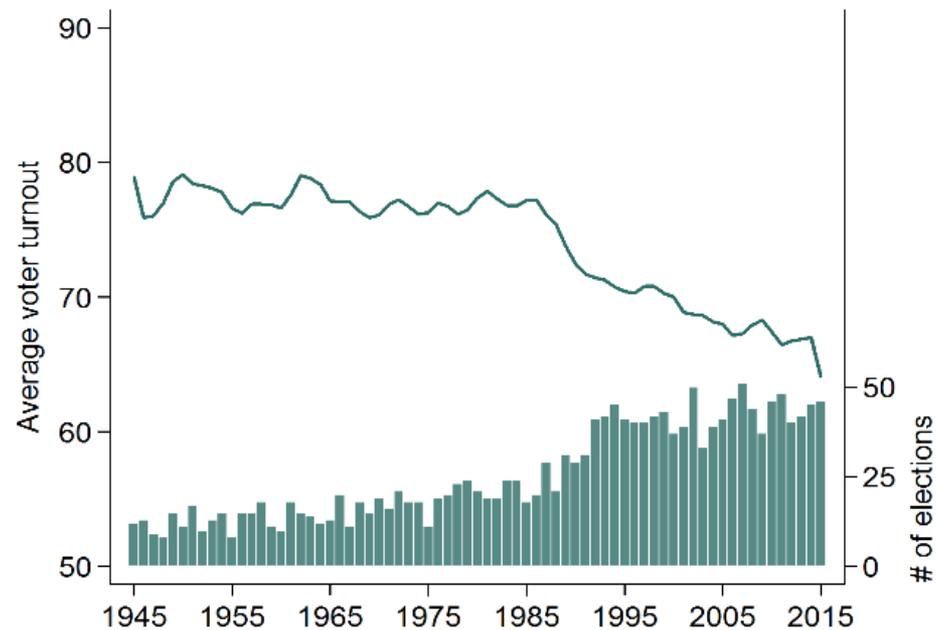


- Need to reduce incentive to renege on promises due to changing circumstances, political cycle, hold-up behavior
- Imperfect commitment mechanisms: laws, judicial and legislative oversight, citizen accountability, third party

Election: popular but imperfect commitment mechanism



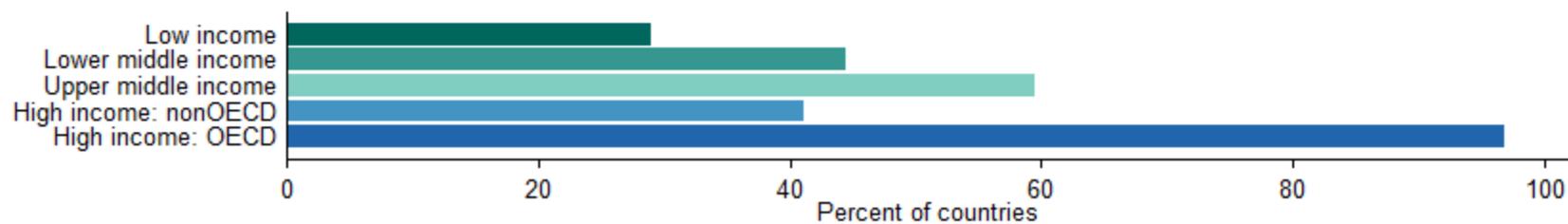
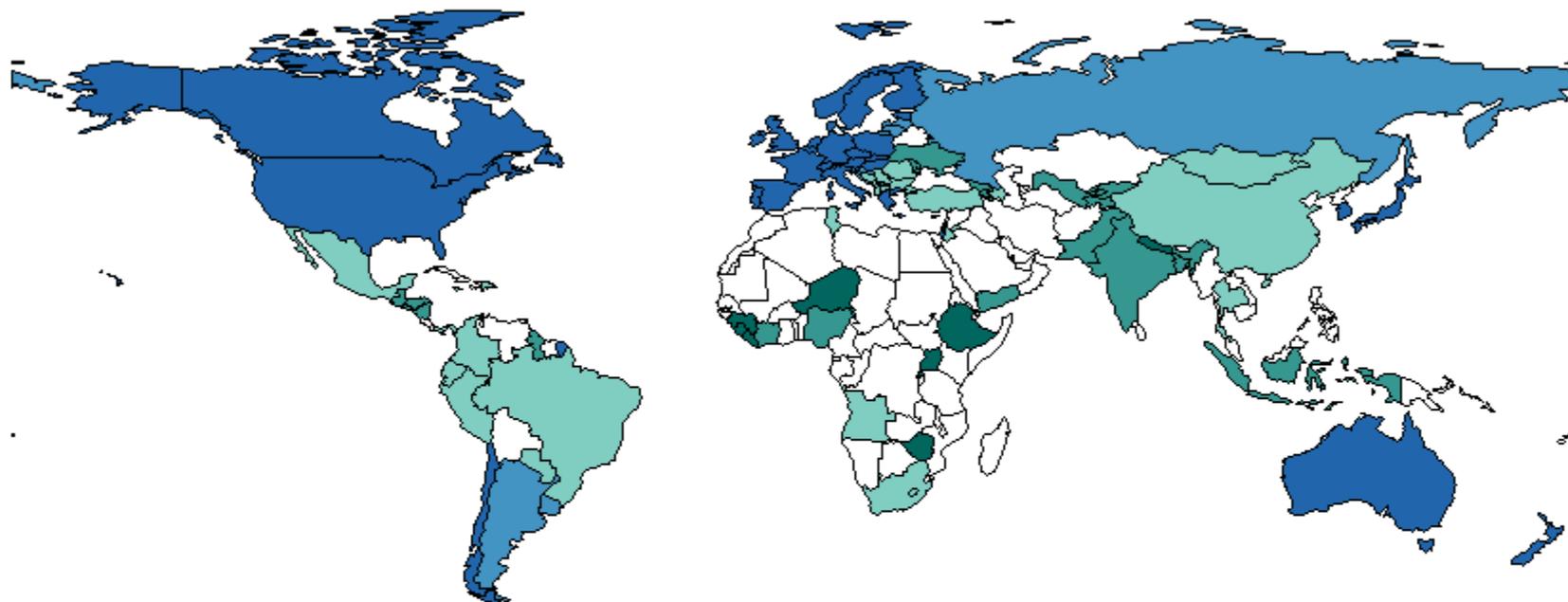
Source: WDR 2017 team based on Polity IV (number of democracies) and Bishop and Hoeffler 2014 (free and fair elections).



Source: WDR 2017 team based on IDEA Voter Turnout Database 2016. The line refers to average voter turnout using locally weighted smoothing, while the bars indicate absolute number of elections in a given year. Voter turnout is based on the percentage of the voting-age population.

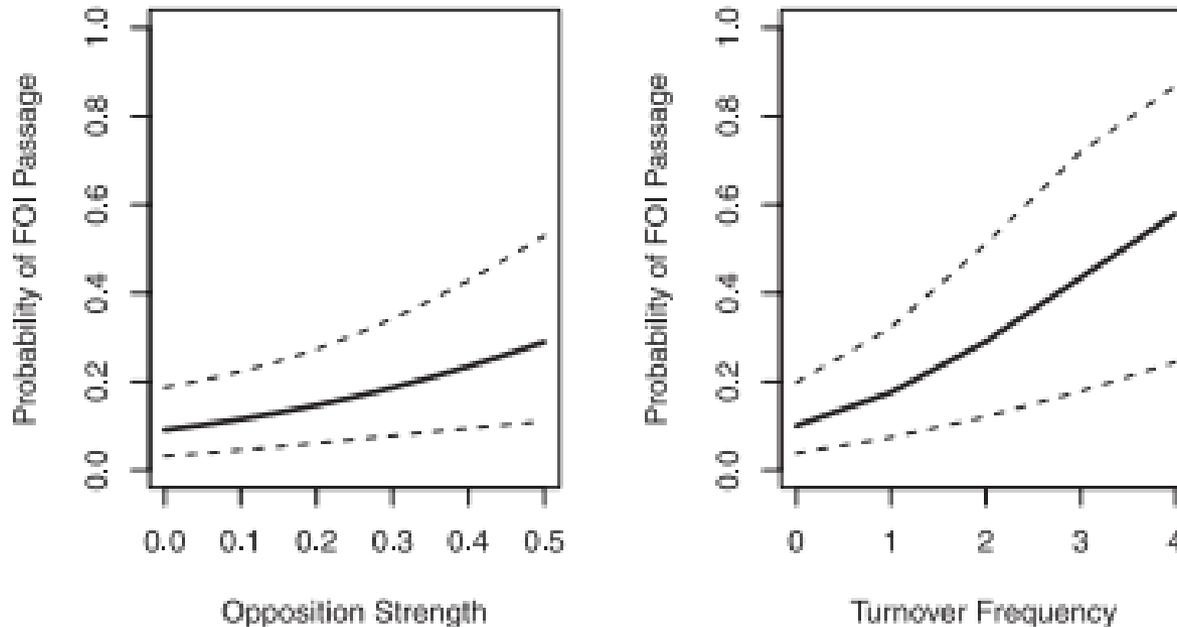
Global diffusion of rights to information

2014



Political competition increases likelihood of FOI passage

Figure. Political competition increases likelihood of FOI passage



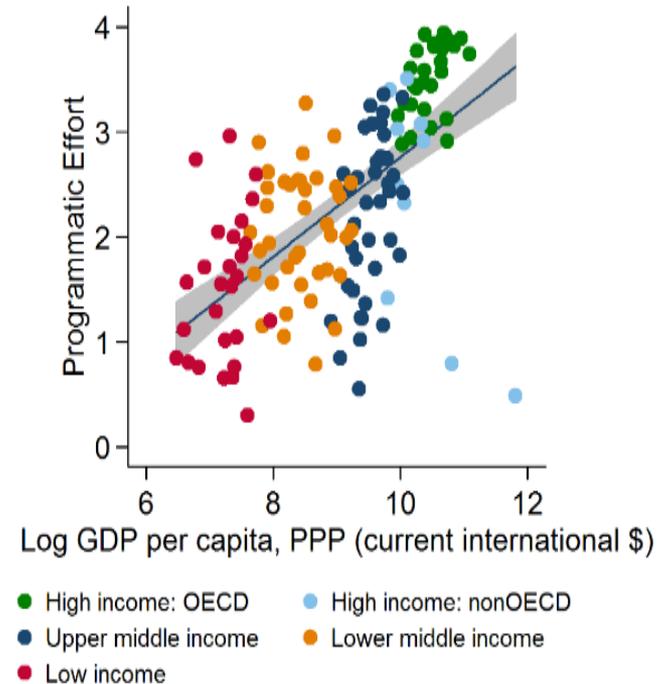
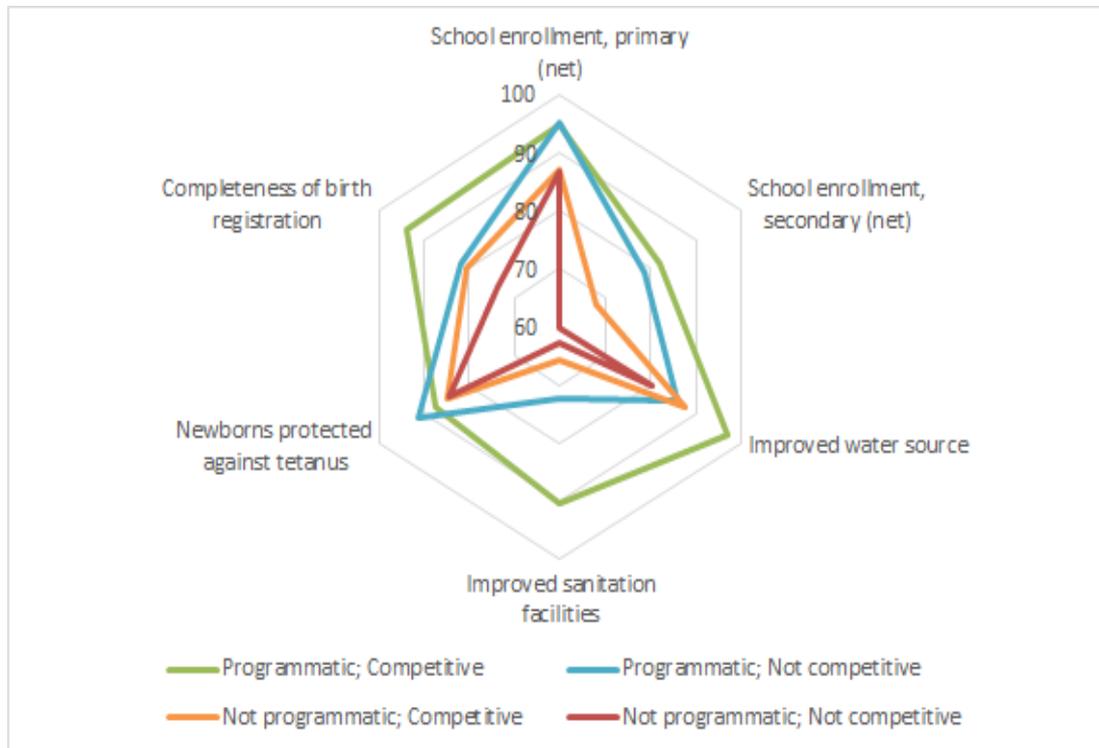
Black line shows simulation of predicted probability of FOI passage for a hypothetical country. Dashed lines are 90% confidence interval. Source: Berliner and Erlich (2015)

Cooperation

- Need to prevent opportunistic behavior such as tax evasion, regulatory non-compliance, corruption
- Strengthening monitoring and enforcement
- Induce quasi-voluntary compliance with law through building trust and legitimacy (substantive legitimacy and procedural justice)

Coordination

- Need to coordinate complementary actions of multiple actors
- Common knowledge of everybody's action
- Cabinet coordination
- Coordinating through party and bureaucracy



When power imbalance gets in the way

- Exclusion can lead to violence and non-compliance
- Capture distorts policies
- Unconstrained power cannot credibly commit
- Highly fragmented power fails to coordinate

Entry points for change

- Incentives
- Preferences
- Contestability

Changing incentives

Curbing corruption and reducing violence in Guatemala: The International Commission against Impunity (CICIG), changed society's perception about its capacity to hold powerful actors accountable and prevented the escalation of political instability in Guatemala



Reshaping preferences

Addiopizzo and the business community in Italy: a grassroots movement in Sicily to end extortion by promoting patronage of those businesses who displayed a sticker that they were not willing to pay the mafia (“I pay those who don’t pay”) shifted expectations and created a new dynamic in the business community.



Enhancing contestability

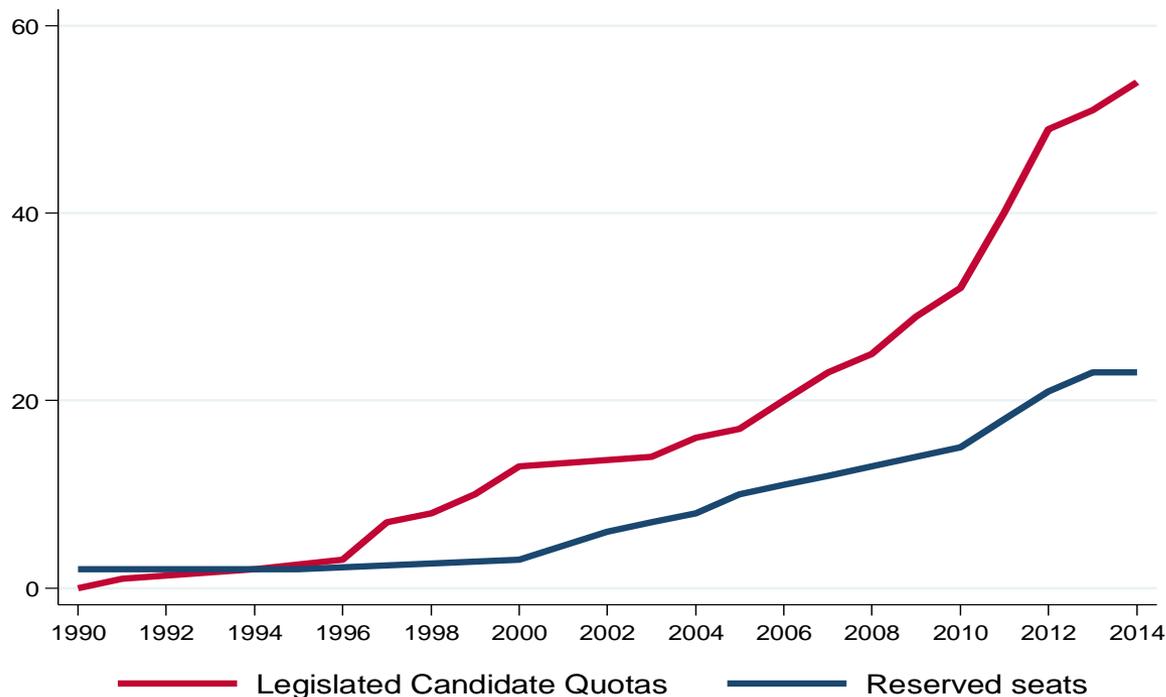
De facto enfranchisement and public spending in Brazil: an electronic ballot in Brazil made it much easier for those with little or no education to cast their vote than the paper ballot- 'de facto' enfranchising more than 10 percent of the Brazilian electorate –ultimately affecting spending in public health care.

JUSTIÇA ELEITORAL	
<p>PARA DEPUTADO FEDERAL</p> <div style="border: 1px solid black; height: 60px; margin: 10px auto;"></div> <p style="font-size: small;">NOME OU NÚMERO DO CANDIDATO OU SIGLA OU NÚMERO DO PARTIDO</p>	<p>PARA DEPUTADO ESTADUAL</p> <div style="border: 1px solid black; height: 60px; margin: 10px auto;"></div> <p style="font-size: small;">NOME OU NÚMERO DO CANDIDATO OU SIGLA OU NÚMERO DO PARTIDO</p>



Enhancing contestability

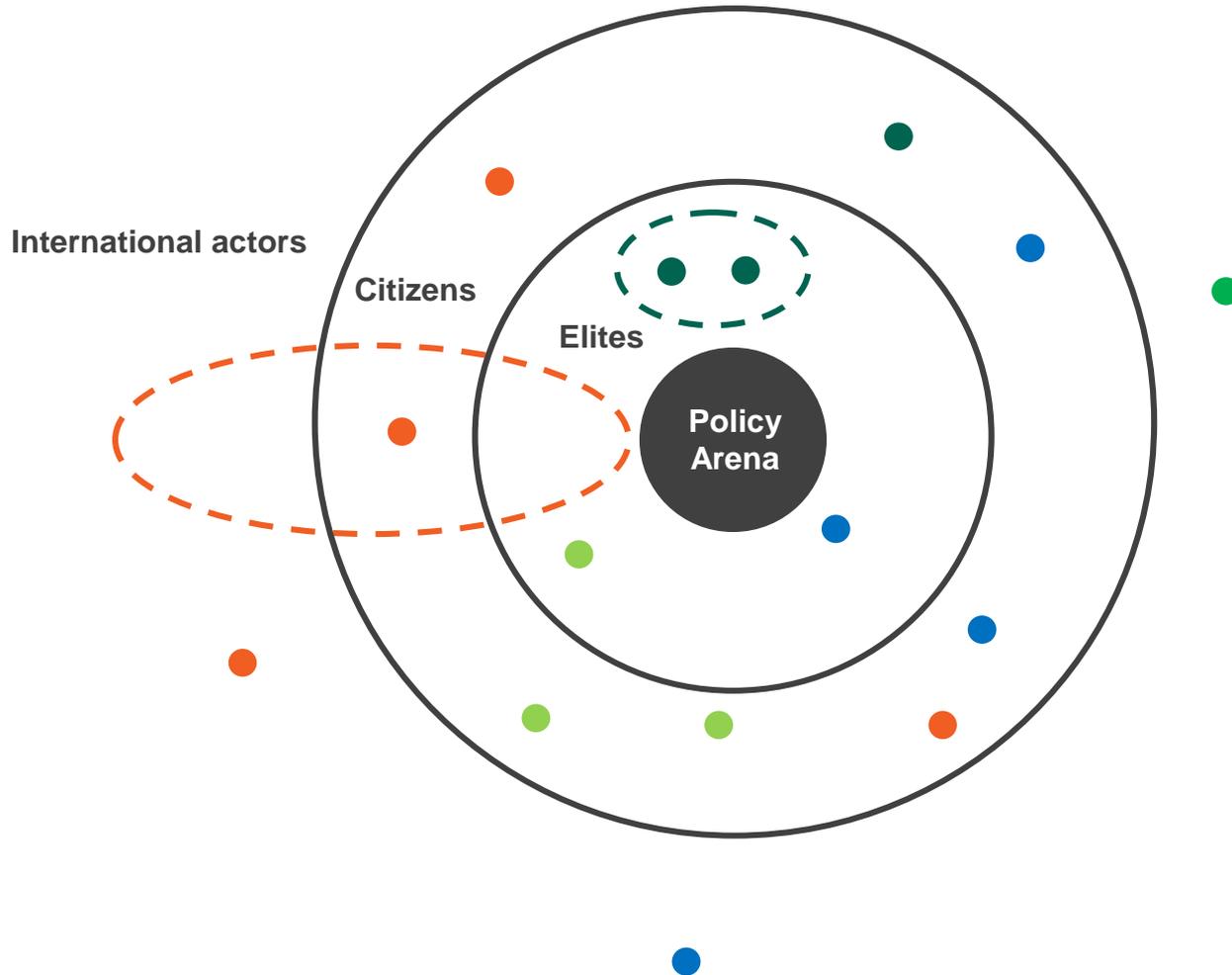
Growing political representation of women around the world and the policy impact



Sources: WDR 2017 team based on Polity IV data, Norris and Dahlerup 2015, and gender quota project <http://www.quotaproject.org>.

Note: The figure does not include voluntary party quotas (adopted in 32 countries) as the adoption year varies across parties in a given country.

Building coalition for change



Elites may choose to constrain their own power

- To strengthen their authority in the long term
 - Broaden coalition to improve stability when the potential for conflict rises
 - Strengthen accountability to citizens in response to mounting social pressures

- To provide insurance against a future loss of power
 - Introduce rules to bind potential successors
 - Increases with the likelihood that the incumbent will be replaced (i.e. level of competition, relative power of opposition party)

Multiple mechanisms of citizen collective action

Voting

Political
organizations

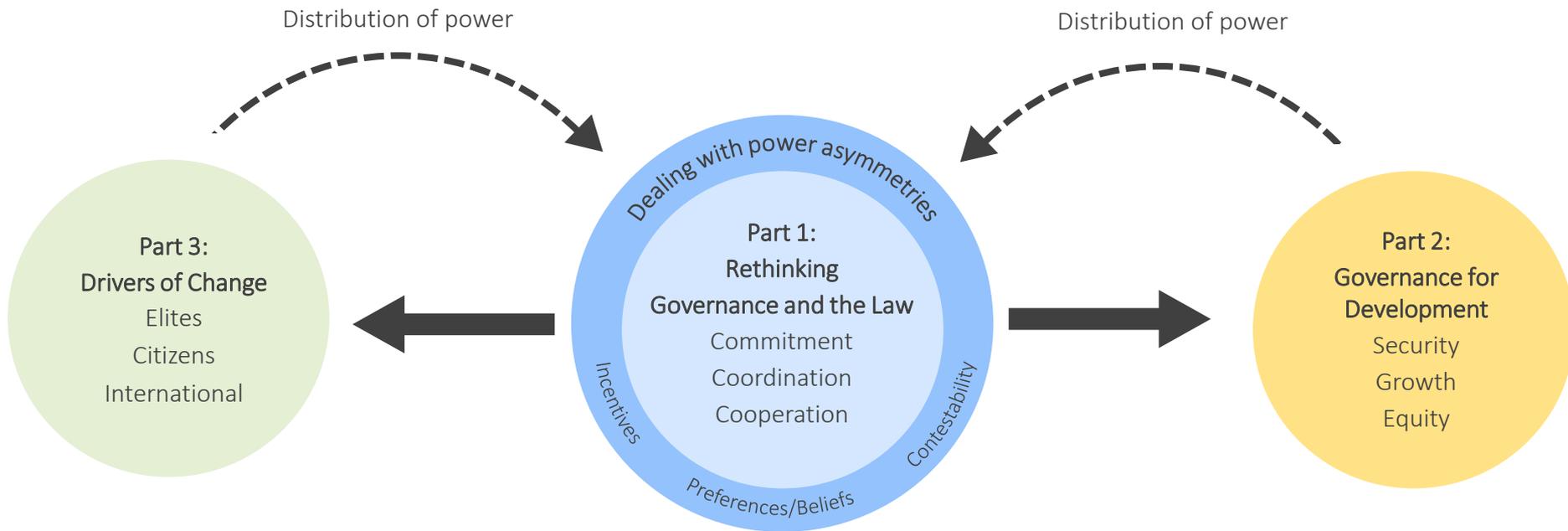
Social
organizations

Public
deliberation

International influences

- The world has become far more globalized: flow of capital, trade, ideas, technology, and people
- Transnational rules
 - Enhance cooperation for global goods - such as preventing races to the bottom
 - Induce commitment to domestic reform through incentives—such as trade and regional integration
 - Serve as focal points to improve coordination by changing ideas and diffusing norms – such as human rights
- Aid can strengthen or weaken local coalitions for reform

Roadmap to the Report



What does the Report mean for action?

Successful reforms are not just about “best practice.” They require adopting and adjusting institutional forms in ways that solve the specific commitment, coordination, and cooperation problems. The operationalization phase of the Report will bring these insights to development programming in an effort to move beyond policy prescriptions.

The Policy Effectiveness Chain

