

Implications for Policy Actors

Overview

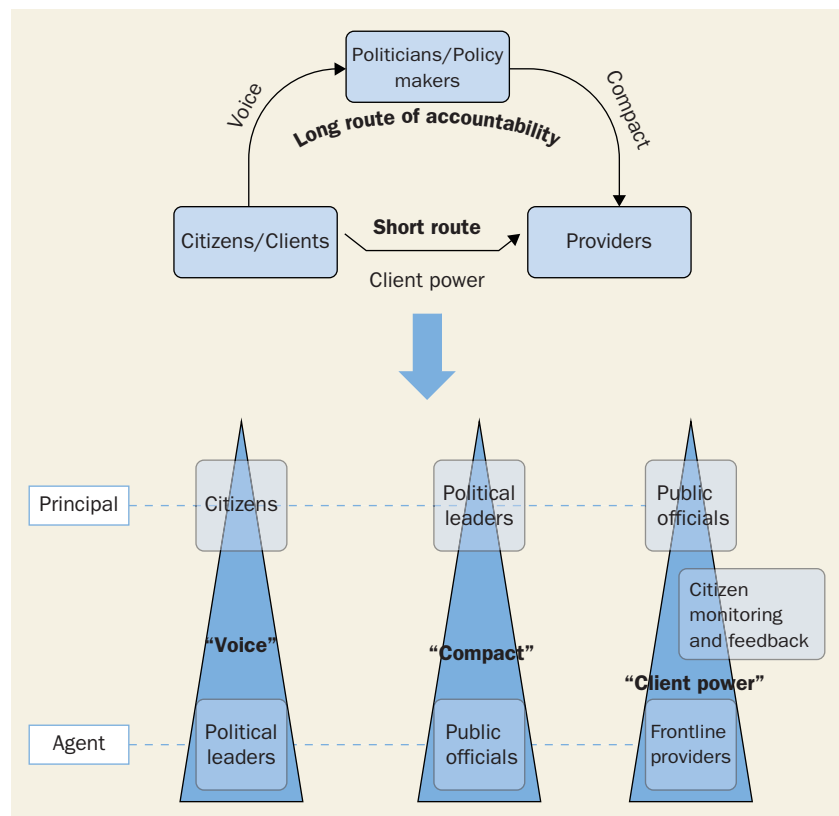
This report confronts the problem that leaders with the power to pursue policies that are good for economic development are often constrained from doing so because of politics. Treating such perverse political incentives as fixed constraints that have to be navigated rather than relaxed often leads to second-best solutions that do little to solve the fundamental problems of development. This chapter recommends a shift in approach toward tackling political constraints head-on, using transparency and citizen engagement to try to change political incentives so that these are aligned with development objectives.

The bulk of development work occurs in imperfect governance environments where things need to get done and get done quickly. The majority of practitioners may have little patience with political economy analysis, finding it a luxury or a distraction.¹ When politics impedes development, the easy response is to treat it as a largely insurmountable constraint. Perhaps more important than providing ideas for specific policy action, the report aims to shift how development practitioners think about politics. Practitioners may then be able to make greater contributions to incremental change by more effectively using the levers available to them to overcome political impediments to good policy. This approach includes not just getting governments to adopt good policies, but designing implementation arrangements that are more likely to succeed because they are based on a better understanding of political incentives and behavioral norms in the public sector.

The *World Development Report 2004, Making Services Work for Poor People* (WDR 2004) was one of the first major World Bank reports to include an analysis of political incentives. It spawned policy innovations

and a rich research agenda on accountability and governance, going beyond capacity building alone. Yet the bulk of the operational work on governance that followed chose to bypass the so-called “long route” of accountability, which goes through political institutions, in favor of a so-called “short-route” by which citizens might directly solve local problems of service delivery (figure 7.1). That is, at the same time as making the discussion of political incentives and accountability more prominent, the WDR 2004 appears to have inadvertently contributed to popularizing the idea that politics can be bypassed when it is a problem.² The idea of the short route continues to be popular as one of *social* accountability—whereby citizens can solve delivery problems in the public sector through local collective action to influence frontline providers directly—in contrast to *political* accountability—whereby citizens demand accountability from political leaders and public officials who lead government agencies.

Figure 7.1 How this report builds on the *World Development Report 2004*



The evidence in this report shows that effective citizen participation in the short route depends upon citizens' political incentives to act and providers' incentives to respond. Previous reports have shown that for community participation to be effective, institutions must be specifically designed to facilitate it, by giving communities "teeth" to hold providers accountable (Grandvoinet, Aslam, and Raha 2015; Mansuri and Rao 2013). Whether leaders select institutional arrangements that give communities this power depends upon their political incentives.

This report is about the fundamental importance of the "voice" or "politics" leg of the WDR 2004 triangle of accountability relations. Figure 7.1 depicts how this report builds on the WDR 2004. This report uses the advances in research since then to show how political engagement shapes each of the following three principal-agent relationships of government: (i) between citizens as the principals of political leaders; (ii) between political leaders as the principals of public officials who lead government agencies; and (iii) between public officials who manage frontline public providers. Non-political citizen engagement—to monitor frontline providers and public officials and provide feedback on their performance—can be used by leaders to enlist the help of citizens to address their principal-agent problems within government agencies.³ Unhealthy political engagement can "invert" these relationships leading to perverse accountability, such as when political leaders buy votes and hold citizens accountable for providing political support in exchange for targeted benefits.⁴

Citizens' political engagement shapes the incentives and characteristics of leaders who, in turn, determine the "compact" with public officials and providers and whether to provide citizens with any effective institutional arrangements for "client power" to exert direct pressure on providers. How citizens behave in the political realm is intertwined with the beliefs and behavioral norms that shape the functioning of the compact and client power in the public sector. For example, if political norms allow vote buying and patronage to flourish in elections, those same norms can impede effective organization outside of elections to hold teachers accountable in public schools. Leaders who can get away with poor service delivery during their term in office by purchasing votes at election time also tend to provide jobs to teachers as political patronage and not hold them accountable for teaching. This insight into the inseparable links between political behavior at election time and behavior in the public sector in between elections has implications for the design of governance arrangements for managing

a range of nonelected public sector officials—teachers, doctors, administrators, and so on—who perform in the shadow of flawed elections that generate weak political incentives and perverse behavioral norms.

It is also important to acknowledge examples of committed providers and galvanized communities that maintain high-quality public schools and health centers even within contexts of weak institutions and rent-seeking political leaders. The study by Brixi, Lust, and Woolcock (2015) is replete with shining examples of successful local delivery in a region of the world where political engagement by citizens is restricted and where elite capture of state institutions has been blamed for poor economic performance and mismanagement by public bureaucracies.

The diversity of successful experiences within and between countries tempts practitioners to find ways to bypass politics rather than improve it. At the macro level, this translates into a search for benevolent elite institutions such as technocratic bureaucracies that are insulated from political pressures. At the micro level, it translates into a search for local collective action between citizens and public providers, working together to improve outcomes in their communities. This approach runs into the problem of replicating successful experiences in places where local collective action and benevolent elites have not emerged naturally. Even successful communities can grapple with problems of sustaining their success in the face of poverty, lack of resources, and demoralization if the systems around them continue to be weak and captured. Furthermore, relying on communities to help themselves can let the corrupt leaders of government get away with capturing and wasting larger public resources, providing little to the communities who need services the most.

Efforts toward enhancing social accountability and citizen participation that provide powers to citizens to manage public funds (such as in community-driven development projects) may also have an impact on the principal-agent relationships in the larger public systems by shaping how citizens view the state and how they act toward powerful leaders. However, research reports few indications that public sector governance is changed by programs designed to induce participation in communities, even when participation improves service delivery and development outcomes (Casey et al. 2012; Mansuri and Rao 2013). Yet this may be an area in which evidence gathering is methodologically constrained. Qualitative studies suggest that participatory programs might contribute to strengthening citizen capacity for collective action for the public good (Ananthpur et al. 2014; Grandvoinet et al. 2014).

The evidence uncovered in this report points to existing forms of political engagement by citizens that can be supported with transparency instruments, particularly mass media. The recommendations in this report are therefore complementary to efforts that seek to promote social accountability. The two approaches—social accountability and political accountability—share the goal of promoting norms of cooperative behavior in society to solve collective action problems for the greater public good.

Political engagement is a blunt accountability instrument. Various other institutions of checks and balances and internal accountability within government are needed to hold public officials accountable in between elections and across multiple dimensions of performance. The conundrum is how to foster such institutions in environments in which leaders are able to gain and remain in power by keeping institutions weak. Research suggests that transparency can work together with political engagement to improve political incentives and behavioral norms such that citizens and leaders gradually build those larger institutions that are crucial for good governance.

The typology of political incentives and behavior presented in the Overview is useful here to distill messages from the research (table 7.1). The typology can be used to craft a variety of policy options using available entry points and situational analyses in specific country and institutional contexts. When facing government failures and seeking to solve them, the types of questions that policy actors might ask are summarized in the top panel of table 7.1. The main answers to these questions—of what to do when politics impedes development—that the report offers as options for policy actors to consider are in the bottom panel of table 7.1. These policy options all involve strengthening transparency and citizen engagement to solve government failures.

The next section distills lessons for policies to strengthen transparency. These lessons take existing political institutions as given, and involve leveraging the instruments of transparency to improve the quality of political engagement. The following section distills lessons for policies to strengthen citizen engagement. It shows how citizen engagement policies can be designed to be more effective when they explicitly take citizens' and leaders' political behavior into account. In pursuing the engagement of citizens to hold local officials accountable, higher-tier policy makers may consider local elections to be the mechanism through which citizens are empowered to do so. Without such power of selecting and sanctioning local leaders, citizens are unlikely to have the capacity to exact accountability.

Table 7.1 Applying the typology of political behavior for policy lessons

Assessing the context to find entry points for solving government failures

	Individual action	Organized group action
<i>Actions for Private Benefits at the Expense of Public Goods (Unhealthy Actions)</i>	<ul style="list-style-type: none"> • Does political competition and voting revolve around the provision of targeted benefits (for example, vote buying and ethnic politics)? • Is there popular demand for costly policies, such as subsidies, without regard to the costs of those policies? • Is noncooperative behavior, such as asking for and giving bribes to avoid public interest rules and regulations, widely prevalent? 	<ul style="list-style-type: none"> • Are political parties organized around particularistic benefits, such as targeting using ethnic identity? • Is the state captured by a powerful elite who have weak incentives to provide public goods and who restrict political engagement by citizens at large? • Have special interest groups captured policies for their group benefit, at the expense of the larger public interest?
<i>Actions for Public Goods (Healthy Actions)</i>	<p>Policy questions:</p> <p>How can reform leaders within government and civil society and external partners use transparency to shift political behavior toward the broader public interest?</p> <ul style="list-style-type: none"> • By generating information on performance of leaders in delivering public goods • By strengthening media markets to serve the public interest • By tailoring information and support to media markets in those jurisdictions where citizens are active in selecting and sanctioning leaders <p>How can reform leaders within government design citizen engagement to solve service delivery problems?</p> <ul style="list-style-type: none"> • By designing beneficiary feedback to be credible and protected from elite capture • By complementing capacity building and new technologies for delivery with institutions for political engagement that enable leaders to be selected and sanctioned on the basis of performance • By designing local political jurisdictions whose leaders have clear responsibility for delivering public goods and that overlap with local media markets 	

The final section addresses the fundamental dilemma that motivates the report. The same problem—that leaders with the power to choose technically sound policies are constrained by politics—applies to the recommendations here aimed at harnessing transparency and citizen engagement. Nevertheless, different policy messages considered in the report may be feasible for a range of diverse policy actors—reform leaders within government, civil society, and international development partners. External agents can play potentially transformative roles in contexts in which they

are most needed to address political impediments to development. For example, research findings emphasize the importance of relevance, credibility, and impartiality of information about the performance of leaders and their policy actions. External agents might offer these attributes when they have technical capacity to generate meaningful information from large data and when they are regarded as politically independent and non-partisan.

Policies to strengthen transparency

The research in this report suggests that transparency has far-reaching impacts on institutions and implementation of policies across sectors. Transparency can help to build effective homegrown institutions that are capable of pursuing technically sound policies, through its interaction with forces of political engagement. Transparency can enable coordination among citizens in actions that they are already taking (voting, competing in elections, engaging politically) in ways that improve the selection of leaders and strengthen behavioral norms in the public sector. Mass media's role as a force for persuasion and as a coordinating device for solving collective action problems is likely to be important beyond information content alone.

Desirable attributes of transparency policies are described below, pertaining to the nature of data, evidence, and the characteristics of media markets that can be supported, and to the tailoring of this information and its communication to existing institutions of political engagement. Although the research conclusively shows that political engagement is responsive to transparency, it also shows that final impact on governance and development outcomes vary greatly within any institutional context and depend on the specific details of transparency. Powerful leaders and elites can also undo positive effects of transparency on citizens' political action. This suggests that experimentation and iterative adaptation are needed to exploit the potential of transparency (Andrews, Pritchett, and Woolcock 2013).

Information about leaders' performance and the consequences of their actions

Transparency is most effective when it supports the generation of specific, reliable, and impartial evidence on the performance of leaders tasked

with the delivery of public policies. The information provided through transparency must be specific about both policy actions and the resulting outcomes so that citizens can use this information to select and sanction leaders. For example, information only on budget allocations is of limited use without information on how these allocations were spent, what that spending accomplished, and what that means about the performance of leaders. In the absence of information about performance that is clearly attributable to leaders, there is more scope for leaders to deflect scrutiny away from themselves and blame other factors outside their control for poor outcomes.

Research on how voters and leaders respond to the availability of specific information about performance rather than to information about policy actions alone supports this recommendation.⁵ For example, regularized disclosure of audit reports on the financial management performance of elected governments has been shown to improve both voting behavior and leaders' responsiveness, resulting in the removal of corrupt leaders from office and a reduction in corruption among incumbents (Bobonis, Cámara Fuertes, and Schwabe forthcoming; Ferraz and Finan 2008).

Information on budget allocations without corresponding information on spending performance in providing public goods also runs the risk of fueling political incentives to pander to inefficient demands from citizens without considering the trade-offs between different allocations. Performance information about public goods is more likely to feed constructive public debate about how to allocate scarce resources. The data revolution (WDR 2016, 244) can be leveraged to provide more specific information about performance. Different government ministries and practices related to service delivery, such as health, education, agriculture, infrastructure, business regulation, and so on, can contribute to such performance measurement. Data from across sectors can be combined to assess the performance of leaders and of public policies in making appropriate intersectoral trade-offs in allocating scarce resources for public interest goals.

The research evidence also supports the importance of the credibility of the sources of data about and analysis of government performance.⁶ This need for credibility has implications for creating statistical agencies that are independent of political control and for leveraging data from any existing government agencies that have a reputation for independence, such as central banks and audit departments. Apart from any existing, credibly independent institutions within countries, there is also a particular role for external development partners and civil society organizations that are

nonpartisan and have the technical capacity to ensure the quality of the data and the analysis. Box 7.1 illustrates this point using the example of

Box 7.1 The experience of benchmark indicators of government performance and options for future directions

International development partners have used their technical capacity in data production and analysis to develop cross-country indicators that benchmark the performance of governments. The Doing Business project is a good example. Such indicators are useful first and foremost because they provide data and peer-learning platforms about development problems, and they contribute to evidence about what policies are technically sound and have merit. Even governments that are captured by political interests and exhibit failures in some dimensions can use such indicators to pursue policy reforms in other dimensions. This is consistent with the arguments of this report about the coexistence of healthy and unhealthy political incentives within the same country and institutional environment.

Global indicators can also be used to address accountability problems and government failures. Disaggregation of Doing Business to subnational levels, such as is being undertaken in Mexico, may allow these indicators to foster political competition at local levels on platforms of good governance. Improvements in local political competition may account for the observed growth of reforms in Mexican states, which outpaces the average performance of Latin American economies and many high-income Organisation for Economic Co-operation and Development countries.

A new World Bank initiative, Citizen Engagement in Rulemaking, tracks citizens' experience in learning about new regulations and engaging with the government on their content. Such citizen engagement can help governments to make better rules and formulate better regulations. These indicators of regulatory quality can also be

used to address a more fundamental problem of government incentives to pursue public interest regulation in the first place. Indicators of government performance can be further developed and more purposefully disseminated to make it more likely that citizens use them to demand healthy regulations and a level playing field. The Citizen Engagement in Rulemaking indicators show that outcomes are worse in low-income countries, and worse outcomes of citizen engagement in rulemaking are correlated with lower government effectiveness. Publicizing these indicators through local, pro-poor media, such as radio, that are used by smaller businesses and household enterprises run by poor people in large parts of the developing world, can play a crucial role in improving outcomes. This approach can be used to shift political engagement to demand public interest regulations. Household enterprises, for example, as has been documented in Africa (Fox and Sohnesen 2012), tend to involve poor people who are unlikely to be politically connected or organized into business groups for collective action, and who fall prey to rent-seeking local officials responsible for enforcing regulations. The trends uncovered in this report suggest that the owners of these enterprises may nevertheless be politically engaged through local electoral institutions that overlap with radio stations. Information provided through such pro-poor media is more likely to promote healthy political engagement and effectively empower citizens to hold leaders accountable.

Sources: Citizen Engagement in Rulemaking database (<http://rulemaking.worldbank.org>); Doing Business, World Bank Group.

benchmark indicators of government performance that are produced by the World Bank.

While policy advisors and technical experts are already aware of the importance of producing reliable and credible evidence, the new consideration here from the political economy perspective is even more focused investments in scientific methods to assess the performance of government leaders in providing *public goods*. Scientific credibility is needed to defend information about public goods against allegations of ideological and partisan bias. Investments in understanding how current public policies and spending programs are performing can bring down to earth the grand debates between the left and the right on the role of government, to find solutions to those problems the public sector may be uniquely positioned to address. Generating information that can attribute performance to leaders is needed to help citizens select and sanction leaders on the basis of performance.

Strengthening public interest programming in media markets to effectively communicate performance information

Policies to strengthen the functioning of media markets so that information about government policies and performance are effectively communicated can be a crucial part of governance strategies to foster healthy political engagement.⁷ Policies in this area can promote healthy competition in media markets and can be complemented by interventions to support public interest programming that provides impartial information to cultivate citizens' political engagement. Even when media are independent from state control and markets are competitive, citizens can choose to access primarily entertaining programs that do not sufficiently inform them about public interest issues. Sponsorship of appealing programs, or "infotainment," to communicate evidence on the actions of leaders and the effects of public policies, has the potential to persuade citizens to shift political beliefs in ways that strengthen demand for good leaders and good policies. This recommendation is supported by a body of research on characteristics of political engagement and the role of media that is discussed in chapters 4, 5, and 6.

By influencing political engagement, media markets have been shown to matter significantly for governance.⁸ Market forces and the diffusion of technology are resulting in the proliferation of different media outlets, contributing to plurality and independence of media. The strengthening of these markets, including by increasing the access of media outlets and journalists to credible sources of data and information, is a key policy

instrument. Media markets can be assessed on the basis of whether they provide sufficient coverage of public interest programming and effective access by citizens to such programming. This means targeting policies to the type of media and the type of programming to which citizens actually pay attention.

Following are some key issues to contend with:

- *Access:* Access to media by all citizens in all regions is often a major challenge. Access can be an infrastructure challenge, for instance, where technology-dependent media cannot reach remote regions. It can also be a question of media content and pluralism, where the interests, needs, and specific issues of certain sections of a national community are not served by the media. This last issue is often one of the justifications for community broadcasting in remote rural areas. Leading global technology companies are experimenting with ways of providing Internet access in remote regions. Wu (2010) shows how information technologies have historically had a democratizing effect—by being cheap and easily accessible—but have usually ended up being dominated by monopolies.
- *Media ownership and pluralism:* The question of who owns the media is a challenging one everywhere because of the strong link between media and power. If the government or a few firms control the preponderance of the media, the possibility of transparency to nourish political engagement becomes severely curtailed. One major issue is market censorship or the pressures on media independence emanating from powerful forces in society. These pressures take many forms, including bribery; the use of advertising to control media content; unreasonably harsh defamation and sedition laws; harassment, even murder, of journalists; and the general absence of the rule of law.
- *Broadcast regulation under digital convergence designed to create an informed citizenry:* Most countries have agreed to switch from analog to digital TV in 2015, while others will wait a few years more. The switch should, under many circumstances, lead to greater pluralism on the airwaves because digital technology makes more channels possible. However, the switch can also be used as an opportunity for governments to dominate the airwaves.

The trend toward technological convergence leads to regulatory powers being combined over both telecommunications and broadcasting. These regulators often have the difficult challenge of attempting to make

sure that the emerging system contains enough news and current affairs programming to meet the citizenship needs of consumers of media fare. In addition, these regulators themselves need to be protected from regulatory capture.

- *Public service and public interest content in the media:* Plural and independent media systems do not automatically generate good public interest or public service content. The media do not always prioritize the provision of information needed to educate citizens on the great issues of the day or encourage debate and discussion and the emergence of informed public opinion. The preponderance of donor interventions in media markets focus on this challenge. Policy responses include the promotion of public service broadcasting on the BBC model; training of journalists on specific issues, including mastery of data; the funding of popular entertainment-education programs around the world; and so on.

Untargeted, general availability of greater information in the public domain, without support to media markets to communicate that information, is unlikely to get information to citizens in a form that enhances their capacity to hold leaders accountable for delivery of public goods.⁹ Citizens can ignore information, especially in environments in which there is a lot of it, without persuasive and appealing media programming that brings it to their attention. Even when media are independent and competitive, citizens might choose to access only entertaining programming that does not inform them about public interest issues.

Media markets can be supported not only to ensure plurality and independence from state capture, but also to increase citizens' access to public interest information that competitive markets might not deliver without such support (Keefer and Khemani 2014; Prat and Strömberg 2011; Strömberg 2015). Sponsorship of appealing programs, or infotainment, that persuade citizens to shift their beliefs about public policies on the basis of technical evidence can potentially serve as a complement to competitive media markets. The design of such programming and its targeting through outlets that citizens access and find persuasive, requires investments in rigorous impact evaluation similar to that undertaken for other policy interventions. The research reviewed in this report shows that communication of scientific evidence to shift the beliefs of citizens also requires investment in scientific investigation.

The credibility of the sponsors of public interest programming is critical for such policy interventions to have the intended impact. Technical government agencies—such as audit departments or research departments within sector ministries—can be the source for such programming when they can back up the messages with rigorous data and analysis. International research organizations and development partners often work with government ministries to sponsor such programs. For example, the international Roll Back Malaria program sponsors community radio stations’ broadcasts of information in Africa about the value of public health policies. There is evidence that such programming affects citizens’ political attitudes, shifting them away from patronage politics toward increased demands for health and education services (Keefer and Khemani 2014).

Relevance and timeliness of information to the political process

Policies can encourage the provision of information and the access to media to be more relevant and timely to the political process. A key dimension of relevance is jurisdictional: information on the performance of public policies needs to be targeted to the jurisdictions in which citizens select leaders. Information on public goods provision at the local level is more relevant to voters’ decisions in local elections than is information at the national level. Chapter 2 has reported trends of increasing political engagement across and within countries through the spread of electoral institutions at multiple levels of government. It also reports evidence consistent with voting being regarded by citizens as a relatively low-cost action to influence governance. Chapter 6 reports evidence that the act of voting, compared with other forms of citizen engagement, is particularly sensitive to information. These findings suggest that the data and media policies described above can be tailored to the multiple levels of government where citizens engage through elections. Performance assessments of both current incumbents and challengers in these multiple jurisdictions can enable citizens to take more informed actions in selecting leaders.

Regular compilation and generation of such information, spanning times when different political parties or leaders are in office, is not only a nonpartisan approach but can also avoid a potential incumbency bias in transparency policies. Such information could enable citizens to assess the relative potential of political contenders, not just incumbents, to prevent an incumbency bias. If information only enables assessment of the incumbent, citizens could use it to punish incumbents despite their

best efforts under overly optimistic expectations of better performance from alternative candidates. This effect could reduce the incentives of all incoming leaders to exert greater effort—“why bother if people are not going to reward you for trying?” Another way of providing information about contenders, especially those who may not have previously held office, is through economic analysis of their proposed policy promises. Such an intervention was evaluated (Fujiwara and Wantchekon 2013) and found to reduce unhealthy forms of clientelist politics. Economic analysis of the performance of public policies at the level of disaggregated political jurisdictions can enable citizens to select leaders on the basis of technical evidence on performance. Such economic analysis is already being undertaken by multilateral development agencies. The recommendation here is to shape that analysis to the level of existing geographic and administrative units at which citizens are politically engaged.

Data and media policies can be combined to lower barriers to entry for contenders to compete on platforms of improving public policies and government performance. For example, policies that allow contenders access to mass media to debate the merits of public policies can improve the quality of political engagement (Fujiwara and Wantchekon 2013). Regulation that allows local media, such as radio or cellphone-based services, to thrive can enable communication between leaders and citizens and among citizens about public policy performance in specific jurisdictions. This intersection of media and political markets has been shown to be significant in explaining better governance outcomes (Campante and Do 2014; Campante and Hojman 2013; Snyder and Strömberg 2010).

Timeliness matters as well: the availability of performance assessments of incumbents and challengers is most relevant at the time of elections. Research has shown that information is more likely to have an impact when there is competition from political opponents and when the information is available at election time.¹⁰

The potential impact of more information at the time of elections extends beyond election season by shaping what leaders choose to do during their terms in office and the legitimacy of leaders to manage complex public bureaucracies. Legitimacy of leaders is at the frontier of theoretical developments that attempt to provide an understanding of how to improve the performance of public bureaucracies. Leaders that emerge from healthy political competition on the basis of good public performance could have greater legitimacy to effectively manage public bureaucracies.

This approach to the importance of leaders is different from having the “right people” as leaders, such as those who are regarded as reform champions and who have the personal will or personal commitment to reforms. Reform champions can lose public office if they try to implement reforms without political support for doing so. Furthermore, the “wrong people,” such as those with lower personal integrity, can try to masquerade as the “right people” by pandering to citizens’ ideological beliefs or by opportunistically exploiting divisions among citizens, without building common ground for public goods. Strengthening incentives for both the “right” and the “wrong” people is key by persuading citizens to be attentive to leaders’ performance in delivering public goods. At the same time, research suggests that improving the selection of better-quality leaders has consequences for economic development. That is, transparency is most likely to solve government failures when it improves both incentives and the selection of high-quality leaders. The attributes of transparency discussed here are geared toward accomplishing these goals.

Once again, credibility of information sources about incumbents and challengers is important. Government agencies, even those that are supposed to be independent of political control, are likely to be subject to conflicts of interest in providing objective assessments of the performance of political opponents. Other external policy actors, such as civil society organizations, the media, and international development partners, are also likely to be constrained by perceptions of their ideological biases. Agencies can be more effective in implementing the transparency policy strategies recommended here if they establish greater credibility for being nonpartisan, nonideological, and politically independent, by investing in the technical quality of the information they produce.

To highlight the overall message of the importance of targeting transparency policies to enable political markets to function better, box 7.2 contrasts case studies from Brazil and India.

Sensitivity to existing political institutions

What is different about the recommendation here is the importance of communicating to citizens and in ways that effectively shift citizens’ beliefs about public policies on the basis of technical evidence. The traditional policy approach has treated leaders as the only primary audience of expert analysis, and has treated communication to citizens as a matter not requiring scientific investigation. Communicating information to influence

Box 7.2 How the impact of transparency depends on political engagement: Contrast between Brazil and India

Brazil instituted a transparency policy that lent itself to nurturing political engagement in local jurisdictions. The national audit agency publicly discloses audit reports for directly elected municipal governments. Evidence shows that this policy works through competitive elections and media markets to improve governance. Local radio stations publicize information in the audit reports. Citizens use this information as voters in local elections to remove corrupt mayors from office. Citizens also use this information in conjunction with media platforms when they contend for public office to check incumbents and to provide alternative choices of leaders. Leaders, in turn, are in a position to implement far-reaching changes in governance through the powers they wield over state resources and institutions. For example, other evidence from this same context in Brazil shows that lower municipal corruption can lead to improvements in student learning outcomes through better management and greater resource availability in public schools.

India instituted a landmark Right to Information (RTI) Act for general transparency, but does not specifically generate information applicable to local jurisdictions where political engagement occurs. Several civil society organizations have used the RTI Act to uncover cases of corruption and then organized public protests that led to the successful recovery of stolen public resources. Related research shows that civil society organizations can assist citizens in using the RTI Act to get speedier responses from government bureaucracies to their requests for personal entitlements as a close substitute for bribes.

The unfolding experience in India shows that some civil society leaders who championed the cause of transparency and *social* accountability, outside the realm of elections, have now come to embrace elections. They have turned their civil

society organization into a political party to contest and win elections on anticorruption platforms. The research covered in this report suggests that these developments should be interpreted as reflective of changing political behaviors in India as in Brazil. These new political behaviors can improve governance by strengthening the incentives of *all* political parties to demonstrate competence in controlling corruption, regardless of the performance of any particular party in any particular election, that is, by making good governance the platform upon which citizens select and sanction leaders.

At the same time, even as leaders become more accountable and corruption falls, leaders will need to contend with populist beliefs that could bankrupt public utilities and impede the appropriate allocation of scarce public resources. For example, prominent among the policy promises of the new political party (and erstwhile civil society organization) in India are free electricity and free water. Reforms to professionalize bureaucracies may also face similar populist impediments when public sector workers' unions find common cause with citizens who think that governments should be providing secure jobs in the public sector. The potential for such beliefs and their consequences is why the report flags the targeting of transparency to shift not only incentives but also political beliefs and political behavioral norms, such that public sector institutions allow leaders to seek and implement effective technical solutions for public goods.

Sources: Ferraz and Finan 2008; Ferraz, Finan, and Moreira 2012; Peisakhin 2012; Roberts 2010; *Economist* December 14, 2013, "India's Left-Leaning, Anti-Graft Party Made a Stunning Debut" (<http://www.businessinsider.in/Indias-Left-Leaning-Anti-Graft-Party-Made-A-Stunning-Debut/article-show/27328073.cms>); *Hindu*, February 11, 2015, "Highlights of AAP's Manifesto" (<http://www.thehindu.com/elections/delhi2015/aam-aadmi-party-manifesto-for-delhi-2015-polls/article6842252.ece>).

beliefs and political behavioral norms requires an understanding of the institutions within and through which citizens form these beliefs. This report has offered a better understanding of how political engagement, and the leaders selected through it, shapes beliefs and behavior in the public sector. Transparency can be targeted at these political institutions to try to improve beliefs and behavior toward solving shared problems of public goods for economic development.

Applying these policy lessons for transparency depends on the characteristics of existing government jurisdictions: which tasks are assigned to which leaders, and who are the citizens who select and sanction them. If government jurisdictions have clearly assigned responsibilities for public goods, then it is easier to generate performance data that can be attributed to the leaders of those jurisdictions and to communicate that information to enable citizens to hold those leaders accountable for public goods. Most places will have a complex set of political and bureaucratic institutions that share responsibilities for the provision of public goods. Higher-order transparency, such as civic education about the roles of different government jurisdictions and officials, can play a role in strengthening governance.

However, when citizens are not empowered to select and sanction leaders of government jurisdictions, then citizens are unlikely to have the capacity to use information to exact accountability. In environments that restrict or repress political engagement, both the scope for implementing these recommendations and expectations of impact will be more limited.

Policies to strengthen citizen engagement

The evidence in the report of how politics shapes the incentives and norms of public providers and of citizens can be used by policy actors when approaching governance reforms to engage citizens to improve outcomes.

Policies to strengthen non-political forms of citizen engagement

Policies have sought to engage citizens to solve local service delivery problems in non-political ways, such as by providing beneficiary feedback, monitoring local officials, directly managing public funds, and contributing to the maintenance of local public goods. These policies can be designed to be more effective based on a better understanding of citizens'

and leaders' political behavior. Their success depends on the political characteristics of the environment in which services are delivered.

When higher-tier policy makers with oversight powers over local public officials seek to hold these officials more accountable by enlisting the help of citizens in monitoring them, they would need to design policy initiatives to assure citizens that their feedback would be taken seriously and that citizens would be protected from retaliation. For example, if beneficiary feedback is solicited through local elites who are the ones capturing public resources, then citizens are unlikely to respond by providing reliable feedback to reduce local capture. Olken (2007) shows the impact of such attention to design, finding that anonymous comment forms distributed independently of village government leaders in Indonesia made a significant difference. Another example from Indonesia shows that when beneficiaries are informed with the purpose of strengthening their bargaining power vis-à-vis local elites, such as when they are provided with official letters from higher-tier authorities about their entitlement to subsidized rice, then they are more likely to demand their entitlements and complain about poor performance (Banerjee et al. 2015).

The research on these examples from Indonesia further shows that the success of policy initiatives depends on the incentives of higher-level leaders to get the design right and send credible signals that complaints about local officials will be taken seriously (Banerjee et al. 2015). This insight is consistent with the conclusions of Mansuri and Rao (2013) in their review of programs for local citizen engagement: success depends on effective design and local institutions of accountability that are established by higher-tier leaders. In the absence of healthy political engagement, both higher-tier and local leaders are unlikely to have the incentives or the credibility to engage citizens effectively to solve delivery problems. Non-political citizen engagement to solve last-mile delivery problems is embedded within political engagement, which shapes the incentives of leaders.

The effectiveness of other forms of non-political citizen engagement, such as getting citizens to contribute their time, labor, effort, and money to produce local public goods, also depends on political incentives and behavior. Prior reports have documented the risk of elite capture of public resources that are devolved to the local level (Mansuri and Rao 2013). Recent research suggests that in addition to the risk of capturing the benefits of resources coming from higher levels, elites may also capture local civil society (Acemoglu, Reed, and Robinson 2014; Anderson, Francois, and Kotwal 2015). This situation can result in citizens providing public

services for themselves while the leaders do little to fulfill their responsibilities and yet maintain their grip on power.

The design issues are likely to be technically detailed and to vary depending upon the type of service that is being delivered. For example, the type of citizen engagement that is likely to reduce corruption in local roads construction or distribution of private entitlements may be very different from what is needed in sectors like health and education. While sector-specific technical design issues are outside the scope of the report, the insights above may help to strengthen citizen engagement policies.

Policies to strengthen local political engagement within countries of different national political systems

Growing devolution of public resources in developing countries for local implementation of public programs has to deal with the lack of capacity for monitoring and enforcement at both local and national levels (Mansuri and Rao 2013). The exigencies of development have led to disbursement of public spending across millions of villages where poor people live but where there are few formal enforcement institutions. In one such environment in Indonesia, Sacks, Ensminger, and Clark (2014) document high rates of corruption among local officials. Widespread beliefs of and actual experience with corruption can contribute to a culture of poor performance in the public sector, stemming not from values or norms but rather from rational beliefs about how others are behaving and about the probability of detection and punishment in environments with scarce resources to combat corruption.

Innovative technologies for monitoring and managing funds, so that opportunities for graft are reduced and corruption is easier to detect, are being explored to address this problem (for example, Muralidharan, Niehaus, and Sukhtankar 2014; Sacks, Ensminger, and Clark 2014; World Bank 2016). Locally targeted transparency for healthy political engagement at the local level can complement innovative technological solutions and may together contribute to shifting the political beliefs that support a culture of poor performance in the public sector. Pursuit of this direction requires collaboration between policy actors and researchers to identify what specifically works, or does not work, in different contexts.

Higher-tier leaders who are pursuing citizen engagement to hold local officials accountable may find themselves in a position of considering local elections as the mechanism through which citizens are empowered to do

so. The research findings of the impact of local political engagement on local accountability and the responsiveness of political engagement to transparency, suggest that policy makers across different national political systems can craft policies for local political engagement suited to their contexts and make it healthy through transparency. Research shows how local audit disclosure interacts with local electoral competition to reduce corruption (Bobonis et al. Forthcoming; Ferraz and Finan 2011).

A number of social accountability initiatives that seek to work outside the political realm rely on catalyzing group action by citizens. They use transparency campaigns to trigger action by citizen committees charged with monitoring public schools, health clinics, or other public spending programs. However, there is little evidence that transparency alone encourages group action through such committees. Survey evidence that these committees are typically inactive suggests that organized group action of this type can be costly for citizens (reviewed in chapter 6). Theory suggests that this is because groups rarely organize to pursue broadly shared public goods. In contrast, individual actions of political engagement, such as voting, respond to transparency. More amorphous group-based political engagement, such as protests, are also facilitated by transparency and social media in particular. In local political markets, higher-tier authorities can use transparency to enable citizens to hold local leaders accountable by coordinating their individual actions as people who vote on the basis of performance.

Who will take up these recommendations?

This report confronts a fundamental challenge: the political incentives of those who have the power to implement technically sound policies may not be aligned with development objectives. An integral part of the policy recommendations of this report is highlighting how the relative comparative advantages, incentives, and goals of different policy actors matter in implementing these recommendations.

Sovereign governments

Governments have the power to adopt or facilitate all of the policy recommendations in this report, but might not have the incentives to do so. However, even in governments with significant political problems and

concomitantly weak incentives, leaders might nevertheless find it in their self-interest to use the lessons of this report. They might feel the need to respond to growing forces of citizen political engagement and disaffection with government performance, or to find ways to constructively channel these forces. Using transparency and political engagement along the lines recommended in this report can help governments build legitimacy in the eyes of citizens. In contrast, policy efforts that focus exclusively on direct citizen engagement to bypass governance problems, so that citizens step in to help themselves where the government fails, can leave these problems intact.

Furthermore, governments are not monolithic entities but exhibit substantial differences among leaders across multiple agencies and jurisdictions. Reform leaders within government who are struggling to overcome political constraints may be able to use instruments of transparency that are at their disposal and that are more tractable compared with other types of policies. Other policies may be outside their control—depending on the actions of more powerful colleagues—or encumbered by prevailing political beliefs among citizens. Transparency may be more easily pursued by these reform leaders than policy reforms that could cause them to lose office should they try to implement them. For example, it may be too politically costly to reform electricity subsidies, but leaders may nevertheless facilitate and support the types of transparency measures outlined here on the costs and benefits of these policies and target the information to the jurisdictions where political engagement occurs. This process can improve the selection of local leaders who build support for reforms, by making the case for reforms to citizens rather than to fan protests and exploit the issue for political gain.

Technical institutions within countries often function as islands of good governance in environments in which the executive and legislative branches of government might be plagued by perverse political incentives. For example, supreme audit institutions and supreme courts are prominent in many examples for curbing political transgressions and enabling citizens and civil society to demand accountability. The historical trajectory of when and how developing countries were born as nation-states may explain the simultaneous emergence of political incentives that were inimical to the adoption of good public policies in some countries (because the conditions were ripe for clientelist politics)¹¹ but nevertheless allowed certain technical institutions to flourish, build a reputation over time, and attract technically competent and public-spirited leaders to serve on them.

The research covered in this report suggests that such technically reputed institutions, where they exist, can be systematically leveraged to improve political incentives and political behaviors by bringing credible information to the forefront.

The existence of multiple layers of government within a country can provide an opportunity to implement some recommendations of the report. Even if there is no space for political engagement by citizens at the national level and if policy makers are wary of greater transparency at that level, they may want to enlist the help of citizens to promote local accountability to improve service delivery. Local institutions of political engagement, supported by local-level information and communication, can enable citizens to hold local leaders accountable. Furthermore, one way for national leaders to constructively channel demands from citizens for political engagement may be by applying the lessons of this report at the local level. These two objectives have significant complementarities. The available research highlights the importance of local electoral institutions in enabling local communities to hold officials accountable, with correspondingly little evidence that transparency can galvanize other forms of local participation to improve accountability.¹²

Civil society organizations

Civil society organizations might be hesitant to address the political impediments to achieving development goals because doing so might affect their ability to function in a country and receive support from external funders. The bulk of their effort therefore may go toward social accountability and citizen participation efforts so that citizens can directly solve local problems. However, if these efforts bypass the problems of malfeasance and mismanagement in government, the public sector would continue to fail in using its powers and resources to achieve the goals of development.

Although international donors and development partners have been providing significant financial support to growing numbers of civil society organizations, there is little evidence on and understanding of the impact of these organizations in contexts in which elections are marred by unhealthy practices such as vote buying, allowing power to be sustained without delivering public goods. Although bypassing elections and providing funding to civil society organizations may be a convenient and feasible way for international organizations to support citizens' roles in improving

governance, there is little understanding and evidence on how citizens can play these roles in the shadow of flawed electoral institutions without altering or interacting with those institutions.

Whether civil society action has an impact depends upon the institutional environment. It is more likely to work in places with strong internal checks and balances and the rule of law, but less likely to work in weak institutional contexts in which the law can be bent at the will of powerful leaders. In places with strong institutions and the rule of law, internal checks and balances within government are of primary importance in checking malfeasance. Civil society organizations may use transparency regimes to serve as watchdogs to complement formal government institutions, and sniff out the stray transgressions that formal institutions might miss. Civil society organizations would be effective in this role because once they bring the transgressions to light, the formal checks and balances and laws would kick in. Political engagement in such cases would support the functioning of internal checks and balances by making corruption prohibitively costly—leaders would face a high likelihood of losing office if they tried to interfere and protect the perpetrators.

However, in institutional contexts such as those in large parts of the world where a majority of poor people live, leaders of and agents within government bureaucracies might not fear public pressure, even when it is applied. The political processes, such as elections, that get them to their positions of power are tolerant of corruption, revolving as they do around the use of vote buying, violence, and ethnic favoritism.

If the political incentives that support corruption are unchanged, even a successful example of diminished corruption might mask the displacement of corruption to another time and place, when it is out of the limelight. Relying on civil society organizations to prevent such displacement and shine a light everywhere, across vast numbers of complex bureaucratic transactions, is asking for them to take on the burden of internal checks and balances that should emanate from within government. This process comes full circle to beg the question of how civil society organizations will provide these institutions and overcome the problems that plague the formal institutions in the first place, without some form of political engagement. Civil society may need to rely on healthy political engagement that would give leaders the incentives to fear and respond to public protests against corruption.

Because of the lack of research evidence on how civil society organizations form, and with what incentives,¹³ the report is not able to make any specific policy recommendations in the area of generalized support

to civil society organizations. Instead, it highlights specific activities that civil society organizations could undertake to improve governance, such as generating the data or providing the persuasive media programming that nurtures political engagement by individual citizens. As noted in the recommendations above, to be effective, these organizations would need to build credibility on the basis of political and ideological independence, relying on technical capacity to use data-based evidence.

International development partners

External agents, such as international development partners, can play an important role in overcoming political impediments to development when their incentives are aligned with development goals. Yet external agents are constrained by their limited powers to bring about change from the outside. International development partners, such as bilateral agencies that directly engage in supporting political institutions, sometimes seek to advocate for democracy and for elections as its key institution. The report shows that elections alone will not solve governance problems—platforms of competition, whether on the basis of public good programs or not, or the characteristics of political engagement, matter. Although this is not likely to be news, the report serves these organizations by bringing current research to bear upon their endeavors and highlighting the design issues that surround the use of transparency to improve political engagement to serve the goals of economic development. For partners such as the World Bank that are prohibited from engaging in political affairs, the research covered in this report provides evidence that can support non-partisan and non-ideological transparency initiatives to improve economic outcomes (box 7.3).

The recommendations of the report are particularly relevant to operations and technical policy dialogue on decentralization to locally elected governments and community-based groups. Sovereign national governments invite international experts, including those at the World Bank, to give technical policy advice on the design of these subnational, local institutions of governance. Research on citizens' political behavior, as voters and contenders for leadership positions at local levels, has implications for this advice. Targeting information to improve local political behavior in elections can strengthen local institutions so that they can effectively deliver public policies for development.

Some of the findings of the report may be particularly applicable at the local level in contexts in which the legitimacy of national political

Box 7.3 Implications for the World Bank

The World Bank (henceforth “the Bank”) is founded on Articles of Agreement that prohibit interference in the political affairs of its member states:

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.^a

This political prohibition has been analyzed and interpreted extensively over the years. The most current thinking on the meaning of the political prohibition is set out in the 2012 Legal Note on Bank Engagement in the Criminal Justice Sector.^b Acknowledging that politics and economics are often two sides of the same coin, the Note takes the view that it is appropriate for the Bank to consider political issues that have implications for economic development, so long as this is done in a nonpartisan, neutral manner. In addition, recommendations or activities that have a political aspect must satisfy two criteria: *first*, they must be grounded in an appropriate and objective economic rationale; and *second*, they must be examined closely to ensure that they do not involve the Bank in political affairs of a member or appear to endorse a political party, ideology, or particular form of government.

While constraining the Bank’s mandate in some respects, this prohibition also provides the Bank with an important comparative advantage. The Bank’s nonpartisan, nonideological business model, together with its technical capacity to manage and analyze vast amounts of data, lends

it a special credibility with stakeholders. The analysis of the report, showing mounting research evidence on how citizens’ political engagement matters for governance and development outcomes, suggests opportunities for creating a policy space to leverage this comparative advantage of the Bank.^c

The economic rationale for the recommendations in this report rests on the research evidence that political engagement by citizens significantly influences economic development outcomes. Research also shows the specific channels through which political engagement affects economic outcomes—by shaping the quality and incentives of leaders to pursue public policies on the basis of technical merit. And finally, research shows that transparency’s impact in overcoming governance impediments depends upon political engagement. The evidence specifically points to the role of information to improve the quality of political engagement within existing institutions, for greater accountability for better development results. Thus, the analysis in this report can constructively inform the Bank’s work in pursuit of its core mandate to provide financing for economic development, by enhancing the effectiveness with which this financing is used to deliver results.

As for avoiding involvement in the political affairs of a member or endorsing a particular political party, the report has argued that information about government performance in delivering public goods should be based strictly on technical data and analysis, produced by credible, nonpartisan sources. The implications of such technical data and information for the electoral fortunes of different political parties, or the policies they choose, is a matter of how citizens and leaders themselves choose to respond to this information. The report’s recommendations to provide such information

(continued)

Box 7.3 Continued

widely, and to focus its content on the technical performance of both incumbents and challengers in delivering economic development, apply across a wide range of institutional settings.

Specific practical applications of the general lessons in the report are expected to vary considerably across countries and projects. Teams within the Bank should use this research report as they deem appropriate for their context within the parameters of the Bank's mandate, recognizing that there are some activities that would present a risk of political interference in one context but not another.

a. See IBRD Articles of Agreement, Article IV, Section 10 and IDA Articles of Agreement, Article V, Section 6.

b. See <http://siteresources.worldbank.org/INTLAW-JUSTINST/Resources/CriminalJusticeLegalNote.pdf>.

c. For a similar model, see World Bank (2009) "Guidance Note on Bank Multi-Stakeholder Engagement." Footnote 22 of this document provides an example of how certain activities that would be typically included in a list of political activities would nevertheless be consistent with the mandate prescribed under the Articles: "With respect to participation and consultation requirements in the preparation of environmental assessments, former General Counsel Ibrahim Shihata previously noted the following: 'Such participation and consultation, to be useful at all, require a reasonable measure of free expression and assembly. The Bank would, in my view, be acting within proper limits if it asked that this freedom be insured when needed for the above purposes. Its denial of lending for a given project in the absence of this requirement where it applies cannot be reasonably described as an illegitimate interference in the political affairs of the country concerned, just because the rights to free expression and assembly in general are normally listed among political rights.' I. Shihata, *Prohibition of Political Activities in the Bank's Work* (July 12, 1995) at 12-3."

leaders may be eroded or unsustainable. For example, public financial management reforms advocated by national reform leaders may not be implemented in practice by local leaders. Complementing such reforms with transparency targeted at improving the functioning of local electoral institutions may make it more likely that local leaders have the incentives and motivation to comply with the reforms.

The recommendations of this report on the topic of transparency apply to participatory local development programs and to initiatives for social accountability. For starters, an audit of media markets could be a useful routine part of these interventions. It is important to know how the population that is the focus of participatory interventions receives information, what media they have access to, what media they consume, what media they find credible, and so on. Surprises may abound in this area once such analysis is conducted. For instance, the villager in India or Malawi or rural Algeria actually lives in an information-rich environment that needs to be understood.

Improving the functioning of local electoral institutions can be an important area of work to which this report applies across a variety of national political systems. Not only are local governments at the last mile of service

delivery, which national leaders across the spectrum may want to improve, but they are also at the “first mile” at which citizens determine the platforms on which leaders are selected and sanctioned. These platforms, whether they are the healthy ones of good public performance or the unhealthy ones of vote buying and ethnic favoritism, for example, not only determine the incentives and quality of selected local leaders but can also shape the behavioral norms in the public sector as a whole. This first mile can matter for building legitimacy and capacity of state institutions in fragile contexts. It can matter for building capable and accountable local governments in rapidly urbanizing environments that plan well for urban development and mobilize the domestic resources needed for sustainable development. The local level can matter for improving political attitudes and behavior of citizens in rich country contexts as well, where the national stage appears to be hopelessly mired by political polarization among citizens. Targeting transparency to improve the functioning of local institutions of political engagement along the lines recommended in this report can therefore address some of the growing areas of economic concern throughout the world.

Technocratic reforms alone are not enough

Building effective state capacity for development requires changes in political behavior—investments in formal capacity and innovative technologies are not enough. Transparency can be targeted to bring about the needed changes in political behavior. International development partners’ data and analytical capacity yields rich information about the performance of public policies and of governments. This data and evidence can be shaped to be more timely and relevant to the processes through which citizens hold leaders accountable.

For example, country diagnostics could invest more in generating data and evidence at disaggregated levels on what different government jurisdictions deliver in implementing public policies. This process entails an expansion of the analysis that focuses on using household surveys to describe characteristics of poverty as the main “diagnostic” to inform country strategies. It involves investing in more data to examine the performance of existing public policies and public spending programs at disaggregated jurisdictions within a country. That is, country diagnostic products could not only analyze countries’ poverty profiles and describe the characteristics of the poor and of drivers of growth, but could also invest similarly in hard data and empirical evidence to assess what the

government has been doing, with international support, through the policy levers and spending programs at its disposal, and shape that data to the level of existing geographic and administrative units at which citizens are politically engaged.

If governance problems are identified, the diagnostic would serve the purpose of providing a better understanding of these problems by extending to examine existing institutions of political engagement in the country and assessing the media environment. The diagnostic would answer the following questions: Given existing institutions or jurisdictions of political engagement in the country, what information on public goods performance of those jurisdictions is available? What new data are needed? What is the state of media markets—what forms of communication do citizens use for public debate?

This recommendation follows from the research evidence provided in the report that moving out of a situation of systemic and persistent governance problems is likely to require the disciplining effects of political engagement and the use of transparency policies to make engagement healthy. This approach would be a departure from practices that might have focused exclusively on high-level policy dialogue to persuade leaders to adopt changes, with no role for political engagement by citizens.

Analysis of media markets can go beyond supporting a particular donor project. Once the sector analysis is complete, different partners can pick up aspects of the work that their circumstances make them particularly suited to address. Bilateral donors are freer to engage more directly with these issues. Multilateral donors can support research and provide technical evidence on the consequences of different characteristics of media markets for economic development. In any event, the heavy lifting in securing media sector reform in any particular context is the work of coalitions of local players: the existing media, civil society organizations, reformers in government and the legislature, and so on. The task of international actors is to support and empower those whose country it is. Despite the oft-repeated objection that intervening in the media sector is too political, the “Guidance Note on Bank Multi-Stakeholder Engagement” (World Bank 2009) has provided clear guidance on how the Bank can work in the media sector and still keep within its non-political mandate under the Articles. In addition to the general considerations relating to political interference outlined above, it states,

In this context, good practice in dealing with media can be broken into two stages. The first involves diagnostic work to assess

country conditions and, in particular, to determine whether in light of the country context and country relationship it would be productive to engage in supporting development of the media sector. This assessment in turn will have a bearing on the second stage, which involves managing potential political and reputational risks of media work and promoting good practice in media development, through specific types of activities the Bank may choose to support or undertake in a given country context. (World Bank 2009, 12)

The report suggests that policies to support independent and plural mass media can be a central plank of work in transparency. In contrast to a focus on media strengthening, exclusive support to generalized transparency policies, such as enacting freedom of information (FOI) or disclosure laws, although useful and probably necessary, may be insufficient and lacking the potential of other steps policy actors could take. General transparency legislation can have intrinsic value as a practice of good governance, as well as being necessary for creating an enabling environment for accountability. However, it is unlikely to be sufficient to solve governance problems. The evidence covered in this report on how political incentives matter for governance suggests that in places with weak institutions and perverse political incentives, general policies toward legislating transparency are subject to the same governance problems they seek to fix. Leaders within the political institutions that sustain governance problems might not want to improve governance so that they can preserve their political rents. Transparency for transparency's sake can help them implement cosmetic changes that have no real impact on governance, but still win them accolades.

Evidence on the role of mass media indirectly suggests that incremental changes toward an independent and plural media environment, including through technological and market forces that are difficult for policy makers to control, might have a larger impact on governance than FOI legislation alone. For example, research has shown that some authoritarian regimes allow greater media freedoms as a way to monitor and manage local public officials (Egorov, Guriev, and Sonin 2009). Authoritarian leaders may have incentives to adopt those transparency policies (independent media) that generate new and credible information that the leaders lack—on the local performance of their public officials—rather than to disclose the information that they already possess.

Technical governance work, such as public sector and financial management reforms, could be complemented by transparency targeted at improving political incentives, rather than bypassing or ignoring politics. For example, some research suggests that instituting anticorruption agencies and building capacity may not make a dent in corruption in the absence of political incentives to use these agencies and the built capacity to reduce corruption. These agencies can even be deliberately designed to be ineffective, or can face political resistance when trying to fulfill their mandate. Although evidence to test this hypothesis, or indeed the effectiveness of such anticorruption policies, is unavailable, the evidence across countries that does exist finds little correlation between the existence of anticorruption agencies and the control of corruption. Some case studies suggest that anticorruption agencies do not address systemic corruption and, in badly governed contexts, can be ineffective and in some cases harmful.

Since 2000, donor support for public financial management increased more than aid for any other subsector. This greater focus on public financial management, particularly support to supreme audit institutions, has led to stronger public financial management results. The World Bank Independent Evaluation Group's report on public sector reform states that about two-thirds of all countries that borrowed for financial management showed improvement, and it was the most consistent area of improvement in the case studies (World Bank 2008). This finding should not be taken at face value, however, given that the Independent Evaluation Group's report on the Bank's Governance and Anticorruption Strategy (World Bank 2011) states that although standardization of assessments and operational support for public financial management systems improved, the implications for frontline service delivery are unclear. Does strengthening public financial management systems, or the building of institutional capacity, lead to improved results in contexts in which political incentives are weak? The examples presented in this report suggest that institutional capacity building on its own, without complementary investments in strengthening incentives and behavioral norms, can be undermined by politics.

This report provides evidence that policy actors can use their instruments to align political incentives with development objectives. One such instrument is transparency, which can be targeted to improve political engagement. Another is citizen engagement through which leaders can

hold a number of lower level public officials in government agencies more accountable. An overarching recommendation is that practitioners shift their approach from seeking to bypass politics, or lowering expectations when it is a problem, to confronting it and incorporating it into the technical solutions to development problems. This does *not* mean prioritizing attention to political incentives or “waiting” until political problems are solved. Instead, the suggested approach opens up avenues for development practitioners to do what they do a little bit differently to take advantage of the growing forces of political engagement and transparency.

The scope of the report does not allow for a detailed examination of how technical governance arrangements should be designed within specific sectors or agencies. It focuses on examining governance as a cross-cutting issue. Many of its implications are therefore pertinent to those who are engaged in cross-cutting governance work rather than in specific sectors. We invite development practitioners within sectors, in addition to in governance, to test whether the paradigm offered by the report yields new ideas for how to do their work differently. This includes not just getting governments to adopt good policies, but designing implementation arrangements that are more likely to succeed because they are based on a better understanding of political incentives and behavioral norms in the public sector. Our hope is that such future work, combining political economy with sector-specific technical expertise, will yield better ideas to make politics work for rather than against development, such that public sector institutions around the world will be capable of tackling global problems of public goods.

Notes

1. After studying actual practice within the United Kingdom’s Department for International Development and the World Bank, Yanguas and Hume (2015) come to the following conclusion: “An emerging community of aid practitioners and scholars is promoting the use of political or political-economy analysis (PEA) as a new tool for improving aid effectiveness. Its institutionalization into actual aid practice, however, is likely to encounter entrenched organizational procedures, incentives and sub-cultures.” Carothers and de Gramont (2013) describe the situation thus: “Major donors have made significant progress in adopting politically smart methods. The growing use of tools such as political analysis has helped aid practitioners navigate complex local realities. Yet these methods struggle against inflexible aid delivery mechanisms and entrenched technocratic preferences within aid organizations.”

2. One of the authors of the WDR 2004 subsequently clarified his thinking that the short route pertains to market-based transactions and the long route applies every time there is a government intervention to solve a market failure (Devarajan 2014; Devarajan, Khemani, and Walton 2014).
3. The conceptual framework in chapter 4 discusses these three principal-agent relationships, and how political engagement influences all of them.
4. Stokes (2005) has examined such perverse accountability.
5. Chapter 4 provides support from the theory on the channels of transparency's impact and risks of unintended consequences when information on the consequences of policy actions is not available. Chapter 6 on the empirical evidence of transparency's impact also shows that performance information is crucial. For example, Kendall, Nannicini, and Trebbi (2015) provide detailed evidence about how voters update their beliefs in response to greater availability of information. They find that information on "valence issues," which most voters find desirable, such as the competence and effort of politicians and their performance in service delivery, has greater impact than information about ideological policy positions that divide voters. In contrast, studies of interventions that provide information about politicians' specific actions, such as in legislative debate, find little impact and suggest the leaders can obfuscate the information (Humphreys and Weinstein 2012).
6. Alt, Lassen, and Marshall (2014) find that the effects of information vary with the source of information within the same strong institutional context (Denmark): an unemployment projection from the Danish Central Bank, which is highly credible among citizens, caused voters to update their beliefs more than did information received from government or opposition political parties. Results from Brazil, Mexico, and Puerto Rico on how official audit disclosure contributes to reducing corruption contrasts with an information experiment in Mexico in which corruption information was provided by a nongovernmental organization (reviews in chapter 6).
7. Several recommendations here are consistent with previous work in the *World Development Report 2002: Building Institutions for Markets* (WDR 2002). The strengthening of mass media for economic development was highlighted in the WDR 2002 in a chapter devoted to the topic. A companion volume expanded the analysis of the role of media (World Bank 2002). This report builds on the previous work by reviewing new research since 2002 in chapter 6 and the implication for policy of the interaction between media and political markets uncovered in recent research.
8. Chapter 6 discusses how media markets matter not just for accountability and corruption, but also for ideological polarization and shaping citizens' political beliefs.
9. Several papers show that in the absence of concerted information campaigns, citizens can be unaware of information they could use or of the institutions through which they might exact accountability. For example, Banerjee et al. (2010) find at baseline that citizens were unaware of the existence of a village education committee that could provide powers to citizens, even when they are supposed to be members of it. Humphreys and Weinstein's (2012) and Malesky, Schuler, and Tran's (2012) research designs are predicated on problems of information flows from the national to local levels.

10. For example, Ferraz and Finan (2008) in Brazil; Bobonis, Cámara Fuertes, and Schwabe (forthcoming) in Puerto Rico; and Larreguy, Marshall, and Snyder (2014) in Mexico, where the disclosure of audit information has a bearing, particularly when it happens close to elections.
11. Chapter 5 links different strands of literature on the persistence of historical institutions to make such an argument.
12. Various meta-evaluations of social accountability and the Bank's reports on this topic (Grandvoinnet, Aslam, and Raha 2015; Mansuri and Rao, 2013), have concluded that simply setting up local institutions for collective action by citizens outside of elections (such as village-level education and health committees) does not guarantee that citizens will, in fact, take actions through these institutions. The evidence shows that transparency plays little role in activating these committees when they are in reality defunct (Banerjee et al. 2010). Keefer and Khemani (2015) provide another example from Benin where greater information among citizens about the value of antimalaria bednets that were supposed to be distributed free of charge by the government, enabled local health workers to charge a price for these nets. Although the welfare consequences of this are uncertain and depend upon the incentives of health workers to use the fees charged to improve health services, the result shows that transparency can have the opposite effect, resulting in "leakage" from free to paid bednets. If the goal of national policy makers is to have local officials adhere to nationally set policy guidelines, then this study shows that transparency alone will not guarantee it and could, in some contexts, have the opposite effect.
13. Although there is plenty of case study evidence on civil society organizations, and even some cross-country correlations that use data on numbers of organizations, the evidence on the causal effect of civil society organizations is not of comparable quality to that available on political engagement through electoral institutions.

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