

A light gray world map is visible in the background of the page.

# The Marketplace of Ideas for Policy Change

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*Who do developing world leaders listen to and why?*



## EXECUTIVE SUMMARY

Low- and middle-income countries face a daunting set of socio-economic, environmental, and governance challenges in the 21<sup>st</sup> century. The international community provides hundreds of billions of dollars each year to address these challenges, and 2015 will renew pressure for the mobilization of additional financial resources to support sustainable development efforts. However, there is also growing recognition among policymakers and scholars that “throwing more resources” at persistent development problems may be an insufficient or even counterproductive response. Many of the most deeply rooted problems in developing countries require challenging vested interests, changing deeply ingrained behaviors, or otherwise disrupting the status quo.

To this end, foreign governments, international organizations, and NGOs have created a variety of tools to influence reform efforts in low- and lower-middle income countries, including: conditional aid and debt relief programs, blacklists and watch lists, performance-based organizational accession procedures, cross-country benchmarking initiatives, and in-depth, country-specific diagnostics. All of these tools involve some type of *explicit or implicit assessment of government performance*, and they all seek in one way or another to change the ideas, interests, and incentives of senior-level government decision-makers. Some increase the financial or reputational benefits that policymakers can reasonably expect reforms to yield. Others socially sanction or impose financial penalties on those who postpone or rollback reforms. Still others seek to empower change agents with new sources of evidence, analysis and advice.

In 2010, we launched the *Making Reform Incentives Work for Developing Countries* project with a simple goal: to explain how the international community can more effectively support reform efforts in developing countries. Specifically, we sought to build a credible body of empirical evidence about whether, when, how, and why external assessments of government performance influence the reform decisions and actions of policymakers in the developing world.

Despite the considerable time, money, and effort that aid agencies, international organizations, and NGOs expend producing analysis and advice to inform or influence policymakers in developing countries, there is a remarkable lack of understanding about which of these instruments are most and least effective at spurring and sustaining reforms – and why. In this report, we draw upon the firsthand experiences and insights of nearly 6,750 policymakers and practitioners in 126 low- and middle-income countries to answer these questions.

Using information collected through the *2014 Reform Efforts Survey*, we examine the influence of over 100 external assessments of government performance on the policymaking process of low- and middle-income countries. Participants in the survey identified the specific sources of external analysis and advice that were used by key government decision-makers between 2004 and 2013.

Through analysis of the responses of survey participants, we have identified:

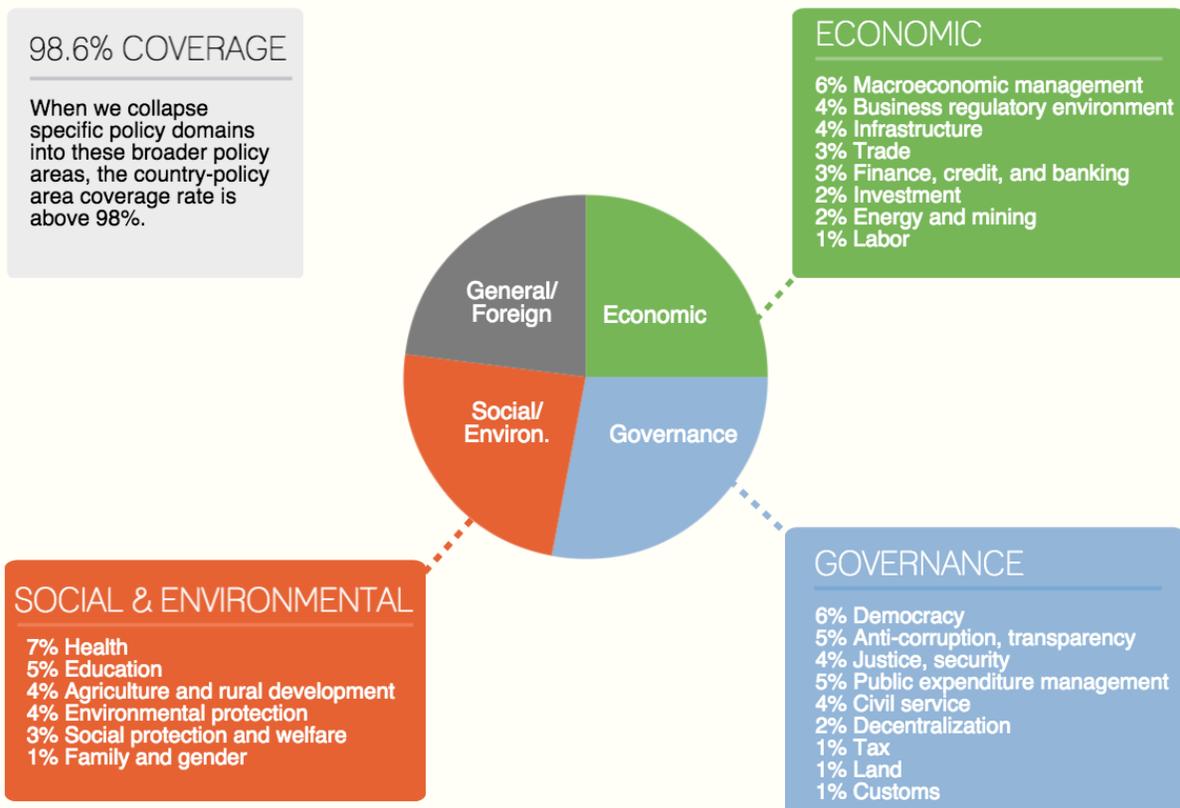
- 5 overall trends in external assessment influence;
- 12 attributes of more and less influential assessments;
- 6 factors that make countries more or less likely to draw upon external sources of analysis and advice; and
- 12 intended and unintended assessment effects.

## Who Participated in the 2014 Reform Efforts Survey?

# STAKEHOLDERS



# EXPERTISE



Note: The General/Foreign policy area is comprised both of participants who did not indicate a particular area of focus (17%) and of foreign policy experts (5%), who we treat as generalists. The percentage figure listed next to each specific policy domain indicates the share of all survey participants who selected that policy domain as their primary area of expertise.

## SEX



*Note: The predominance of male, as opposed to female, officials in both the sampling frame and participant sample is reflective of the male-dominated world of public sector staffing in developing countries. It is also important to note, as discussed in Section 2.5.1, that though there is a statistically significant difference between our male and female survey participation rates, this difference does not result in a substantially different male-to-female participant ratio vis-a-vis the sampling frame or the recipient sample.*

## COUNTRIES



### FEWEST PARTICIPANTS

- SMALL ISLANDS**  
E.G., KIRIBATI, SAO TOME AND PRINCIPE
- SEMI-AUTONOMOUS STATES**  
E.G., ZANZIBAR, PUNTLAND
- REPRESSIVE REGIMES**  
E.G., TURKMENISTAN, NORTH KOREA

*Note: The countries shown in left-hand "Most Participants" graph: Afghanistan, Georgia, Jordan, Haiti, and Liberia, represent the five countries with the largest shares of survey participants, out of all 126 sample countries.*

## 5 Global Trends in External Assessment Influence

To what extent do external assessments of government performance influence reform efforts in low- and middle-income countries?

We identified 5 global trends related to: the relative influence of 100+ assessments, the nature and level of assessment influence at different stages of the policymaking process, the relationship between in-country familiarity with specific assessments and the influence that assessments exert on the decisions and actions of government decision-makers, variation in which policy domains are most and least influenced by external analysis and advice, and patterns of external assessment uptake across regions and countries.

1. External assessments can influence reform efforts, but some are far more influential than others.

Aid agencies, international organizations, and NGOs are engaged in a rapidly expanding market of external assessments of government performance and they increasingly must compete for the time and attention of senior decision-makers in developing countries. We found significant variation in the average influence of assessments produced by different development partners; however, we also found significant variation across different assessments produced by *the same development partner*.

2. External assessment influence is strongest at the agenda-setting stage of the policymaking process.

If an assessment influences a government's decision to pursue reform in the first place, it also tends to shape downstream reform design decisions. This finding suggests that influence at an early stage of the policymaking process can translate into more influence at subsequent stages. However, we also found that the influence scores of external assessments at the reform design stage are, on average, 4% lower than at the agenda-setting stage and the overwhelming majority (81%) of assessments lose influence at the reform design stage.

3. In a crowded marketplace of policy ideas, assessment familiarity delivers an influence dividend.

While only 29% of survey participants were familiar with the average assessment, familiarity appears to deliver an "influence dividend." We found a positive and statistically significant relationship between familiarity with a given assessment and its agenda-setting influence, which suggests that this influence may, to some extent, be a function of the marketing resources that assessment sponsors bring to bear to disseminate their analysis and promote strong "brands."

4. Influencing reform efforts from the outside is easier in some policy domains than in others.

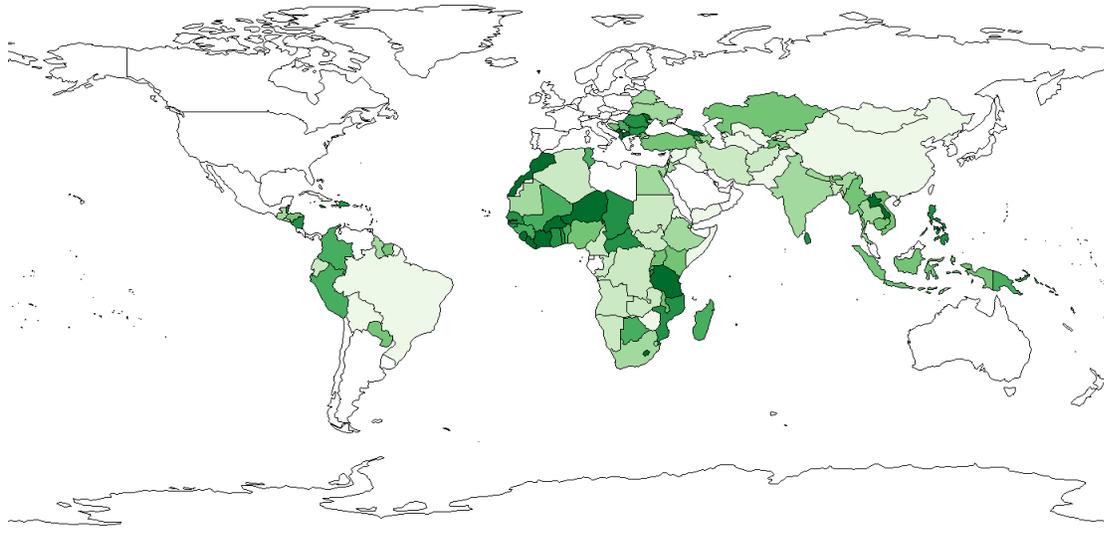
The democracy and decentralization policy domains appear to be least susceptible to external influence at the agenda-setting stage. This finding supports the notion that if external sources of analysis and advice threaten existing power structures (or they are perceived to do so), they will induce weaker policy responses. It also calls attention to the fact that the solubility of a given domestic policy problem conditions the extent to which outsiders can influence reform processes and outcomes.

5. Geography matters: assessments achieve widely varying levels of uptake across regions and countries.

Central and Eastern Europe have the highest average assessment influence scores, followed by Africa, Oceania, Latin America and the Caribbean, and Asia. We also found a strongly positive and statistically significant correlation between those countries influenced by external assessments at the agenda-setting

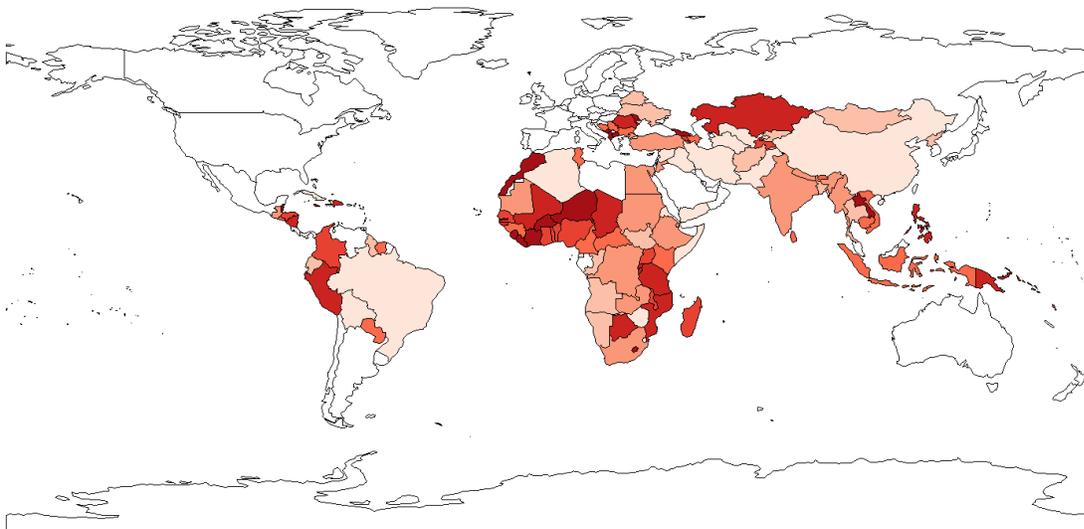
and reform design stages of the policymaking process, which suggests that the same attributes that make a government inclined to recalibrate its reform priorities in response to an external assessment also influence the extent to which it uses assessments to design specific reforms.

### The Influence of External Assessments on the Decision to Pursue Reforms, by Country



Assessment influence is measured on a scale of 0-5, where 0 means "No influence at all" and 5 means "Maximum influence."

### The Influence of External Assessments on the Design of Reforms, by Country



Assessment influence is measured on a scale of 0-5, where 0 means "No influence at all" and 5 means "Maximum influence."

## 12 Attributes of More and Less Influential External Assessments

Which types of external assessments are most and least likely to achieve uptake among in-country stakeholders and influence government policy priorities and decision-making?

Analyzing over 100 external assessments of government performance, we considered the role of various assessment-level characteristics, including: their suppliers/sponsors, longevity, policy domain focus, cross-country or country-specific approach, and data sourcing practices. We identified 12 attributes of more and less influential assessments.

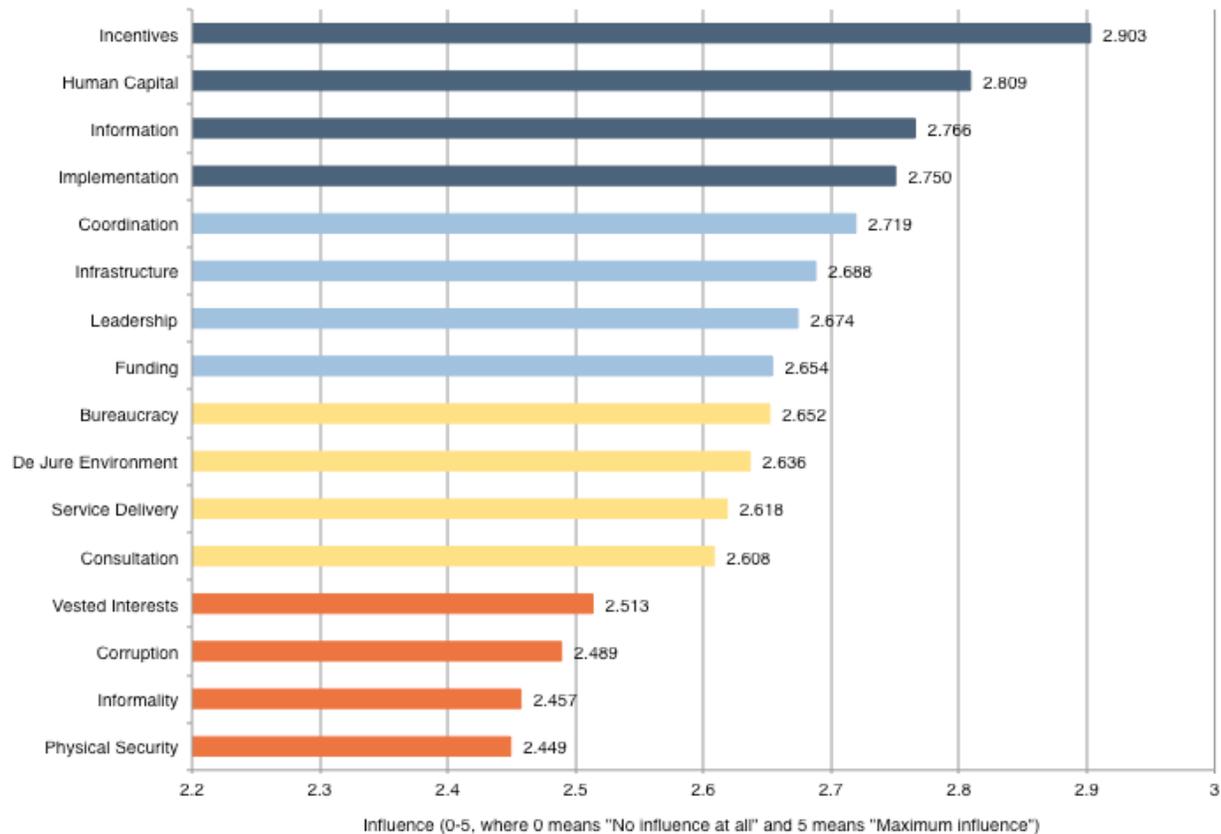
1. Paying attention to “nuts and bolts of government” may result in greater assessment influence.

External assessments seem to have relatively more agenda-setting influence when they seek to place issues on the policy agenda that relate to the “nuts and bolts of government” (e.g., ensuring that personnel are sufficiently well-trained to discharge basic public sector functions, creating modern data collection and information management systems).

2. Getting the incentives right is easier for some policy problems than others.

It seems to be easier for an external assessment to influence a government’s policy agenda when its diagnostic or advisory content focuses on the behaviors and incentives of private firms and individuals. This may be the case because information provision and other interventions geared towards influencing the behavior of individuals and firms are not necessarily too costly, complex, or time-consuming for developing country governments to pursue. Conversely, external assessments appear to be less effective at persuading decision-makers to confront issues of power, corruption, and institutional dysfunction.

## Substantive Focus of Reforms Influenced by External Assessments



Note: Shading is by quartile. The position of a given problem type within a given quartile reflects the relative influence of external assessments on the decision of an average government (in our sample) to undertake at least one reform effort focused on solving that particular type of problem. In question 31 of the survey questionnaire, participants were asked to evaluate -- on a scale of 0-5, where 0 means "No influence at all" and 5 means "Maximum influence" -- the amount of influence that specific external assessments had on a government's decision to pursue reforms focused on three specific problems. These three problems were identified by the survey participants themselves in a prior, open-ended question (question 20). After the survey field period, we coded each problem by problem type. This graph shows the weighted average influence score of all external assessments of government performance on reforms that tried to solve each type of problem.

3. There are limits to what external assessment suppliers can reasonably expect to influence.

Assessment sponsors appear to be more successful in persuading policymakers to pursue capacity building measures (e.g., issues related to personnel, funding, equipment, and information and data collection systems) in low-income countries. However, in middle-income countries, they seem to have more success in convincing policymakers to address issues related to the effective functioning of public sector institutions (e.g. corruption, political interference).

4. Country-specific diagnostics generally exert greater influence than cross-country benchmarking exercises.

We found that country-specific diagnostic and advisory tools generally have more influence than cross-country benchmarking exercises in shaping the reform priorities and decisions of government officials. This finding poses a significant challenge to those who celebrate the competition-inducing effects of

cross-country benchmarking but downplay or altogether ignore the outsized influence of country-specific assessments.

At the same, we found that when policymakers confront more deeply rooted and complex problems in their societies (i.e., the decoupling of informal practices and norms from formal policies and institutions), they seem to favor cross-country benchmarking assessments – in particular, the World Bank and IFC’s Doing Business Report, the UN’s Millennium Development Goals, and the Millennium Challenge Corporation’s Eligibility Criteria and Country Scorecards. These cross-country benchmarking assessments usually lack detailed, country-specific content; however, they may preserve the “policy space” that reformers need to search for difficult-to-identify solutions that fit the local context.

#### 5. External assessments that rely on host government data are more influential.

Contrary to the conventional wisdom, we found that the most influential external assessments are those that rely on *host government data*. This finding suggests that external assessment sponsors may be able to increase the local resonance of their analysis and advice by drawing on data that the domestic authorities are already generating and using to inform their policy decisions and actions.

#### 6. Governance assessments face the greatest obstacles to in-country uptake and influence.

External assessments that address issues of governance appear to wield less policy influence than those seeking to address economic, social or environmental performance issues. While disappointing, this result is not too surprising as theory and common sense suggest that any assessment encouraging reforms which threaten to remove public officials from office or otherwise disrupt existing power structures will likely instigate a weak response.

#### 7. Intergovernmental organizations with a global reach produce more influential assessments.

External assessments supplied by global intergovernmental organizations (e.g., the World Bank and International Monetary Fund) appear to be more influential than others. This distinction may reflect the fact that most competitive players in the marketplace of policy ideas are those organizations that invest in marketing, communications, and branding. These inter-governmental organizations also field a strong “ground game” in low- and lower-middle income countries and have substantial in-house technical expertise.

#### 8. The longer an assessment’s track record of publication, the more influential it becomes vis-à-vis others.

One might expect policymakers with limited time, money, and political capital to pay greater attention to assessments that they expect to be regularly updated in the future. We found preliminary support for this hypothesis: the longer an assessment has been active—and is expected to remain active—the more influence it seems to achieve with government policymakers.

#### 9. Neither incentives nor penalties seem to easily explain assessment influence.

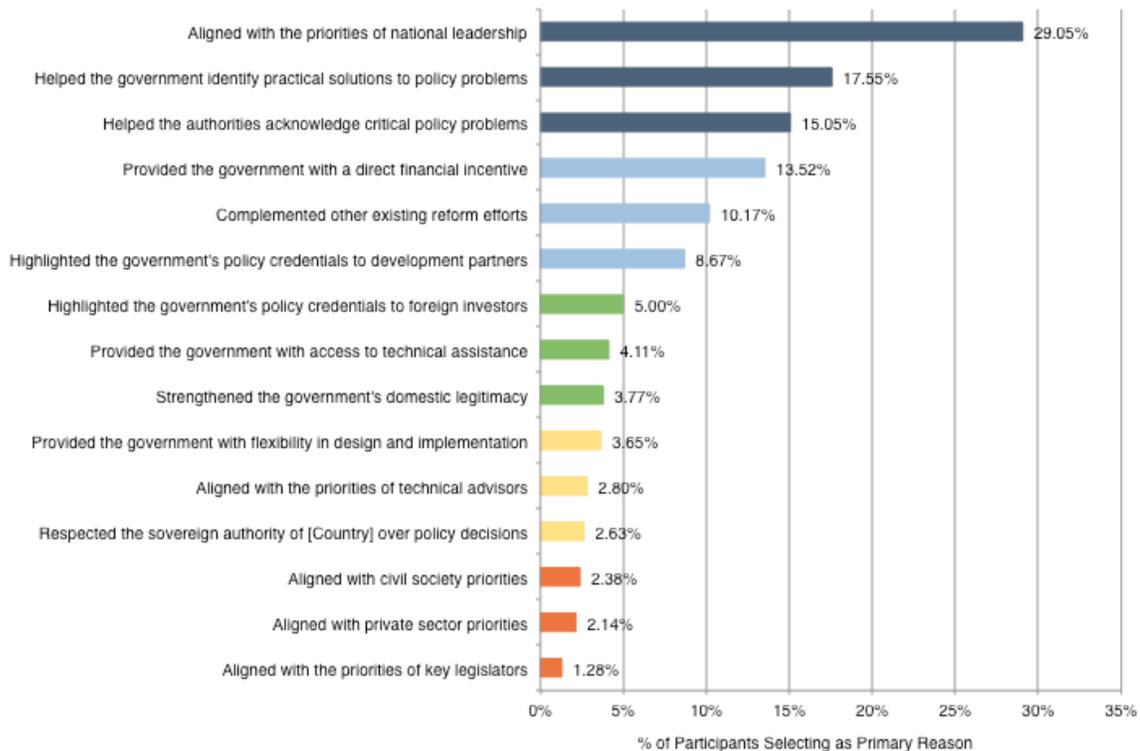
Few hypotheses have received more attention than the notion that external assessments will exert greater influence when they are tied to material and reputational benefits and penalties. However, we did not find that external assessment influence systematically depends upon the provision of material or reputational rewards. Nor did we find that assessments wield more influence when non-performance could result in material or reputational penalties.

At the same time, developing country leaders are not entirely unconcerned with external rewards or their credibility with donors, investors, and creditors. Nearly 50% of participants said that the government’s desire to signal its policy credentials to the donor community contributed to the influence of an external assessment, while 42% of participants indicated that assessment influence was at least partly attributable to a direct financial incentive. However, these factors appear to be secondary considerations.

10. Assessment influence might depend upon the flexibility and specificity of policy advice. Prescriptive assessments appear to be slightly more influential than descriptive assessments, and decision-makers in the developing world seem to want more, not less, specific policy guidance. These results suggest that development scholars are more concerned about external sources of analysis and advice limiting the policy autonomy and maneuverability of governments than are in-country policymakers and practitioners.

11. Alignment with local priorities is a key determinant of external assessment influence. We asked survey participants to identify the *primary* reason why a given external assessment of government performance exerted significant policy influence: the most frequently selected explanation was that an assessment was influential because it promoted reforms that aligned with the priorities of national leadership. Respondents also reported that external assessments were more influential when they helped the government understand the nature of critical policy problems, provided practical approaches for addressing difficult policy problems, and complemented existing reform efforts. Together, these findings suggest that senior-level government decision-makers are selective and strategic about the assessments they use, paying more attention to assessments that align with pre-existing government interests, policies, and programs. The picture that emerges is not one of governments being cajoled or coerced into pursuing reforms that align with donor priorities, but rather that governments pick and choose assessments based on whether they advance domestic priorities.

### The Primary Reason for External Assessment Influence



Note: Shading is by quintile and reflects the relative percentage of survey participants selecting one explanation of assessment influence versus another.

12. Senior government leaders and their deputies engage with external assessments in different ways.

Heads of state and heads of government are less likely than any other type of public sector official to accept the idea that external financial incentives encouraged the government to undertake specific reforms. Yet, their deputies are *more* likely than any of the other public sector officials to accept that external financial incentives encouraged the government to undertake specific reforms. One potential interpretation of this finding is that leaders, mindful of their domestic audiences, project strength in the face of external pressure, while their deputies work behind the scenes to secure material rewards from donor agencies and international organizations.

## 6 Factors that Make Countries More or Less Responsive to External Assessments

What makes some governments more responsive to external sources of policy analysis and advice than others?

We analyzed many potential determinants of external assessment influence at the country-level, including: country size, per capita income, regime type, press freedom, the quality of a country's public sector policies and institutions, the strength of a government's track record of successfully implementing reforms, bargaining power vis-à-vis external actors, and the development policy values and beliefs of the government's senior policymaking team. We ultimately identified 6 factors that seem to make countries more or less likely to draw upon external sources of policy analysis and advice.

1. External assessments are more influential in small countries than in large countries.

There are several reasons why the size of a country's population or economy might correlate negatively with the ability of external assessment suppliers to influence the decision-making of another government. Limited internal administrative and technical capabilities may lead small states to rely more heavily on external diagnostics of performance. Small states might also lack the bargaining power needed to pushback on reform pressures from external actors.

2. External assessments are more influential in countries with democratically elected leaders and a free press.

These findings suggest that electoral incentives and levels of press freedom have a significant impact on how governments respond to external pressures for reform. While a country's regime type and its level of press freedom are closely correlated and difficult to disentangle, there is good reason to believe that the inability of domestic media to pressure the government for reform may contribute to lower levels of assessment influence.

3. Countries with effective public sector institutions are more amenable to external analysis and advice.

We found that external assessments are more influential in countries with high-quality institutions and policies and less influential in countries with low-quality institutions and policies. This result suggests that well-governed countries with strong public sector management policies and institutions are more mindful of—and responsive to—external assessments than other countries.

4. Reform-minded governments are more likely to draw upon external sources of analysis and advice.

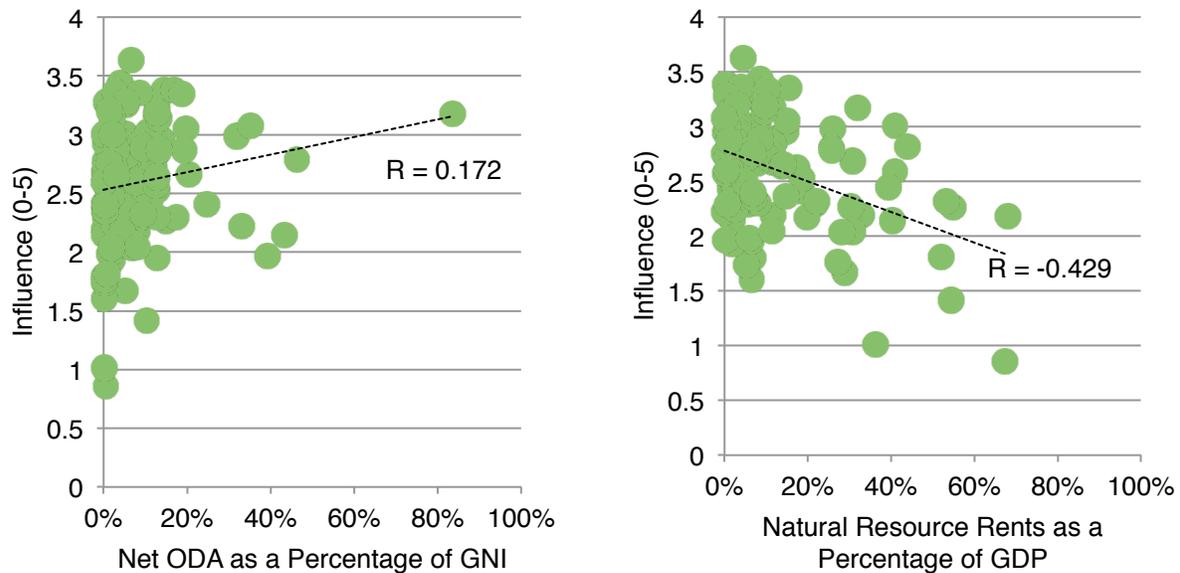
We found a positive correlation between a government's domestic reform credentials (i.e., the pace and extent of previous reform implementation efforts) and its propensity to use external sources of policy analysis and advice in setting their reform priorities and designing specific reforms. This finding could

either indicate that reform-minded governments are more open to external input, or that reform is more likely when external assessment influence is high.

#### 5. Aid-dependent countries are more influenced by external assessments.

We considered two different country-level measures of bargaining power vis-à-vis external assessment providers: net official development assistance as a percentage of gross national income and natural resource rent revenue as a percentage of national income. While a government's level of aid dependence is positively correlated with its responsiveness to external assessments of government performance, governments with significant alternative sources of revenue are significantly less likely to rely upon external sources of analysis and advice.

## The Importance of Bargaining Power on the Agenda-Setting Influence of External Assessments



Note: Influence is on a scale of 0-5, where 0 means "No influence at all" and 5 means "Maximum influence". For the purposes of this report, AidData employs the standard definition of ODA provided by the OECD-DAC. Natural Resource Rents refers to the sum of rents from 14 fuel and nonfuel mineral resources: oil, gas, hard coal, gold, silver, iron, lead, nickel, phosphate, tin, zinc, lignite, bauxite, and copper. The R-value of 0.172 indicates a positive, though weak, relationship between an average country's Net ODA and the agenda-setting influence of external assessments in that country. The R-value of -0.429, on the other hand, indicates a negative relationship between a country's natural resource rents and the agenda-setting influence of external assessments.

### 6. External assessment influence may depend upon the training and experience of political leaders.

We examined the relationship between external assessment influence and the educational training and professional socialization of political leaders using two proxy measures: (1) the percentage of a government's senior policymaking team who received their graduate degrees from OECD countries, and (2) the percentage of a government's senior policymaking team who have previously worked for multilateral development banks and international financial institutions. Our findings suggest that there is a positive correlation between educational training and assessment influence, as well as professional socialization and assessment influence.

## The Intended and Unintended Effects of External Assessments: 12 Insights

How might the "upstream" influence of external assessments on agenda-setting and reform design affect "downstream" reform outcomes?

We asked survey participants to identify the factors they thought best *explain* the influence of individual assessments. We also asked them to identify the overall *effects* of those same assessments on the policymaking process. This analysis yielded 12 insights related to the intended and unintended effects of external assessments.

- Government decision-makers and non-governmental stakeholders broadly agree on the effects that external assessments have.
- External assessments, first and foremost, help focus the attention of governments on critical policy problems.
- External sources of analysis and advice also help governments monitor their own performance and strengthen internal reform resolve.
- Another key function that external assessments seem to play is that they help establish a shared diagnosis of policy problems and bridge the gap between the policy priorities of host governments and those of development partners.
- External assessments have a limited impact on the most basic elements of political economy (i.e., who opposes and supports reform). Survey respondents reported that external sources of analysis and advice rarely help to neutralize opposition to reform or build coalitions in support of policy change.
- In general, domestic authorities do not appear to be unduly constrained or distracted by external sources of analysis and advice. However, in countries where external assessment influence is high, both positive and negative effects are more likely.
- External assessments of government performance have significantly more influence when reform efforts *are* focused on the most critical problems within a policy domain.
- There is a moderately positive correlation between external assessment influence and reform success. Yet, some of the countries most influenced by external assessments are *not* the same countries that were most successful in implementing reforms. This empirical pattern suggests that there are very different paths to successful reform implementation. Some of the most successful reformers “go-it-alone” and shield the domestic policy formulation and execution from external pressure (e.g., Rwanda and Ethiopia), while others rely more heavily on external sources of analysis and advice (e.g., Liberia and Georgia).
- External assessment sponsors should be more mindful of the fact that a key determinant of downstream success in reform implementation is the relative level of support for—and opposition to—change within a given country and policy domain. The family and gender policy domain is one characterized by relatively high levels of external assessment influence, relatively low levels of (net) domestic opposition to reform, and reasonably good odds of success in reform implementation. This finding suggests that external efforts to encourage and support family and gender reforms may be particularly fruitful.
- Anti-corruption stands apart as the policy domain with highest level of (net) domestic opposition to reform and the worst track record of reform implementation. However, external assessments play a non-trivial role in shaping the anti-corruption policy priorities and decisions of government officials. Anti-corruption assessment sponsors should therefore take care to ensure that they are not inadvertently encouraging governments to pursue cosmetic changes that satisfy external actors, but leave the underlying drivers of corruption untouched.
- Some influential assessments correspond closely with reform success. Others do not. The World Bank’s Bulletin Board on Statistical Capacity stands out among other external assessments in that it has particularly strong influence on government reform efforts that are ultimately successful. This finding is particularly noteworthy in light of recent calls for a “data revolution” to support the post-2015 sustainable development goals. By contrast, some assessments

produced by the WTO, IMF, ILO, and the World Bank have as much, if not more, influence on unsuccessful reform efforts as they do on successful reform efforts.

- Three assessment attributes are associated with significant increases or decreases in the probability of reform success: whether the underlying performance data is sourced from the host government (more successful), sponsorship by inter-governmental organizations with a global reach (more successful), and a focus on governance reform (less successful).

## Closing Thoughts and Future Directions

There is substantial debate about whether external assessments of government performance have negative, unintended consequences, such as diverting a government's attention away from higher priority policy issues, limiting domestic policy autonomy, or creating incentives to "game the system." We found relatively little evidence to support these concerns. Our results suggest that policymakers in low- and middle-income countries are thoughtful and purposeful about which external sources of analysis and advice they use and choose not to use. Therefore, as the marketplace of policy ideas becomes more crowded and competitive, assessment suppliers and sponsors need to be more mindful of and responsive to their end-users.

If we achieve nothing else with this report, we hope to demonstrate that it is possible to collect and respond to feedback from the target audiences and users of external assessments of government performance. In particular, we hope that suppliers and sponsors of external assessments will use the findings from this report to better understand the needs, desires, capacities, and limitations of their target country partners in pursuing reform efforts.

How do money, ideas and reform efforts come together to produce better development outcomes? This first report begins to shed light on some facets of this question, but more data and further research is needed. With access to data that are anchored in the experiences of real-world decision-makers, we believe scholars and policymakers can make major advances in their collective understanding of the causes and consequences of reform. To this end, we will release a series of publications in 2015 and 2016 that further leverage the data from the *2014 Reform Efforts Survey*. We also hope to administer future survey waves in order to give voice to those who are actually making and shaping policy in the developing world, and provide important feedback to the aid agencies, international organizations, and NGOs seeking to facilitate deep and durable reforms that will improve development outcomes.