IEG Insights

Transformational Engagements: Accelerating Progress to Achieve Development Goals

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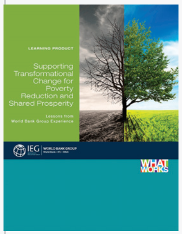
How these insights can help you



Transformational engagements are a critical pillar of the 2013 World Bank Group's strategy for achieving its twin goals of extreme poverty elimination and shared prosperity. In *Supporting Transformational Change for Poverty Reduction and Shared Prosperity*, the Independent Evaluation Group reviews evaluative evidence for a purposeful and diverse group of Bank Group interventions to understand the mechanisms and conditions for transformational change. Its analysis distills lessons and implications for the Bank Group as it aims to increase its reliance on transformational engagements to enhance the impact of its interventions. This issue of *IEG Insights* presents a summary.

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WHAT WORKS

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IEG is an independent unit within the World Bank Group, evaluating its activities to find out what works, what doesn't work, and the reasons why. Its recommendations aim to help improve the contributions of the Bank Group to development results.

Background

Successful transformational engagements have the potential to accelerate progress toward development objectives, which is why they are a critical component of the World Bank Group's strategy to end extreme poverty and promote shared prosperity in sustainable ways. Using evaluative evidence, the Independent Evaluation Group (IEG) extracts lessons from the Bank Group's experience with transformational engagements to inform the design and implementation of interventions with the potential to improve fundamentally the lives of poor and disadvantaged people.

Designing for transformation is difficult, and there is no single policy prescription, but IEG's analysis reveals mechanisms and factors that can increase the likelihood for Bank Group clients to achieve transformational change. Economic and social development is not a mechanistic, linear process. It involves complex and multidimensional socioeconomic and political processes and interventions in systems that require contextualized and tailored solutions, adaptation, and active management of change processes.

Faster development progress requires a strategic and programmatic approach based on sound diagnosis of binding constraints. This need not mean more complexity of individual interventions, but it does mean thoroughly understanding the main constraints and issues to induce, for example, required systemic and behavioral change. Working through such a programmatic approach can also facilitate the identification of more selective and sequenced interventions to address the constraints to a country's or sector's development.

What Is a Transformational Engagement?

Transformation means different things to different people. In its review of Bank Group efforts, IEG defines a transformational engagement as **an intervention or a series of interventions that helps achieve deep, systemic, and sustainable change with large-scale impact in an area of a major development challenge**. These engagements help clients remove critical constraints to development; cause or support fundamental change in a system; have large-scale national or global impact; and are economically, financially, and environmentally sustainable.

IEG's definition involves four dimensions (see table 1). Through a comparative process, IEG identified a sample of 20 transformational engagements varying in form, size, the development challenges they address, sector, and region as well as country context. In addition, IEG reviewed a purposeful and selective sample of country-level engagements. Over the past 15 years, for example, successful transformational engagements supported by the World Bank Group contributed to 6 million Kenyans accessing electric power for the very first time, more than 1.3 million poor Argentinians obtaining health coverage and services, and 40 million Vietnamese being lifted out of extreme poverty. At the country

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level, figure 1 presents the performance of a sample of transformational and comparator countries.

Table 1. The Four Dimensions Defining Transformational Engagements

Dimension	Description	Criteria
Relevance	Addresses a major developmental challenge such as poverty, equity, or climate change	The constraint or problem addressed is of critical importance to development
Depth of change	Causes or supports fundamental change in a system or market; addresses a root cause; supports a change in trajectory	Market change, systemic change, or behavioral change
Scale of change	Causes large-scale impact at a national or global level	Scale-up of approaches and innovations and of replication; catalytic effects; demonstration effects; positive spillovers and externalities; acceleration or discontinuity in a development indicator
Sustainability	Impact is economically, financially, and environmentally sustainable in the long term	Financial, economic, and environmental sustainability of results after engagement ends

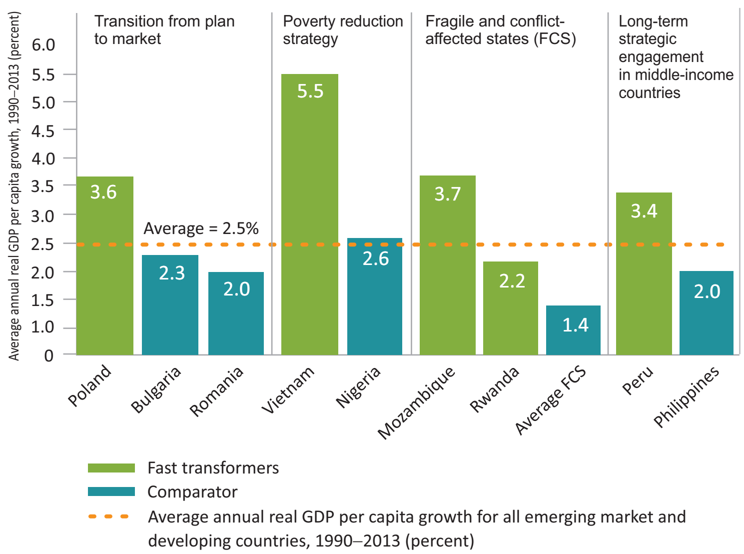
Insights

Which Mechanisms Can Enable Transformational Change?

IEG identifies four mechanisms with potential to support deep and large-scale transformational change, which can be present in interventions either individually or in combination.

- ***Addressing binding constraints:*** Identifying and addressing the binding constraints to progress toward a development objective. In Kenya, implementing deep policy reforms unlocked the electricity sector and created opportunities for enhancing access. The country added 6 million people to the power grid.
- ***Cross-sectoral approaches:*** Adopting systemic approaches that address multiple constraints among interrelated parts, including through cross-sectoral linkages. A project on rural access to renewable energy in Mongolia was linked to energy, rural education, sustainable livelihood, and rural information and communication technology projects. Together they dramatically improved living standards for a majority of herders and integrated their nomadic way of life into a modern, growing economy.
- ***Scaled-up innovations:*** Scaling up and replicating effective approaches and innovations, including new development finance instruments. Some innovative solutions to entrenched issues of inequitable service delivery involved the reduction of costs by using new service delivery platforms and improving the flow of information to beneficiary groups. For example, 750,000 girls in Bangladesh gained access to secondary education through a first-ever stipend program, and results-based health financing reforms in Argentina brought coverage and services to 1.3 million poor people. In Kenya, scale-up of an innovative program enabled 1.5 million people to tap into off-grid solar power.
- ***Behavioral change:*** Changing behaviors by modifying beneficiary incentives, introducing market forces, or increasing the flow of information. Successful transformations introduced commercially viable approaches, using market mechanisms and private enterprises as vehicles to extend services to the poor and underserved. Other mechanisms to create incentives included empowering beneficiaries or removing affordability constraints. Brazil's Bolsa Familia made clear its expectations for behavioral change. Cash payment conditions were publicized through information campaigns, raising awareness among beneficiaries about their responsibilities.

Figure 1. Performance of Transformational and Comparator Countries



Note: *IEG differentiated transformational from comparator cases based on countries' performance in achieving inclusive and sustainable growth, poverty reduction, and social progress using several indicators (see appendix B in the IEG review). To facilitate comparisons across countries, IEG identified four country groupings that reflected major Bank Group strategic initiatives implemented between 1990 and 2013. Mozambique and Rwanda overcame aspects of conflict and fragility and are used for comparison with current FCS countries.*

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Which Operational Factors Distinguish Transformational Engagements?

So which factors were present in Bank Group interventions that helped clients achieve sustainable transformational change?

Two types of factors can facilitate or restrict the likelihood of effective transformational engagements—the enabling context and the quality of program design and implementation. Regarding the external context, transformational change can be motivated by political transitions, crises, or recognition by the government or client of an urgent need to act, providing windows of opportunity. In many cases, the interests of a committed and competent client counterpart were aligned with a program's transformational objectives. In cases where clients wished to undertake difficult reforms, the Bank Group showed adaptability and readiness to support them.

The following factors related to design and implementation were found to increase the likelihood of transformational impact.

- **Rigorous diagnosis and analytical work** underpins the design of programs and interventions with the potential to address constraints or opportunities, overcome traditional barriers to access by the poor, and deploy instruments that can deliver assistance more effectively and efficiently.
- **Aligning the client's interests with transformational objectives** significantly enhances the chance of success for deep changes and difficult reforms. A key step is to assess and manage the political economy dimensions of difficult and complex reforms necessary to help remove binding constraints.
- **Early and broad engagement** with all stakeholders forges agreement on common objectives. Building broad coalitions and political consensus—beyond the immediate client counterparts—around reforms was effective in broadening support and maintaining momentum. Successful efforts often were implemented in partnership with other donors, underlining the importance of the Bank Group's convening role.
- **Adapting interventions to local context, capabilities, and social norms**. Appropriate analytical and diagnostic work can help adapt and tailor program design to local context and identify the need for complementary capacity building.
- **Continuing, sustained engagements and programmatic approaches** contribute to attaining real change. One-off projects are less likely to be transformational. Ongoing support to clients facilitated the deep reforms associated with transformational change by helping build capacity and address several parts of a system through sequential interventions.
- **Striking the right balance** between fostering a strategic vision and focused interventions. The combination of developing a strategic understanding of key constraints and pursuing reforms through a set of sequenced and focused interventions limits complexity of individual projects, but maintains a focus on systemic issues.
- **Improving institutions** is at the core of transformational engagements. Building and strengthening local institutions contributed to the sustainability of impacts.
- **Raising awareness among key stakeholders and policy makers** is crucial. Conveying program benefits, eligibility, and requirements is essential for achieving program efficacy and buy-in from beneficiaries as well as fostering behavioral change.
- **Paying attention to the quality of Bank Group staff, institutional incentives to undertake transformational engagements, and appropriate blending of different Bank Group roles and instruments**. The quality and technical skills and, in some cases, entrepreneurial attitude of staff were important to developing and implementing transformational engagements. Institutional incentives—and related policies and processes—need to align with transformational objectives, empowering staff to innovate, experiment, and focus on addressing the most binding constraints.
- **Correctly assessing and managing risks**. Despite a perception that transformational interventions are riskier and require additional resources, the review shows they can generate high returns in development impact. Careful scaling up and adaptation of approaches informed by rigorous evidence and learning from implementation can mitigate risks.
- **Capturing transformational objectives and programmatic approaches through robust monitoring and reporting systems** to ensure proper targeting of beneficiaries as well as facilitate learning and adjustments to the project or program during implementation.

Rapid and sustained transformations are possible. Deep changes, the potential to scale up solutions, and sustainability of impact of transformational engagements are apparent prerequisites for developing countries to attain ambitious goals for eliminating extreme poverty and promoting shared prosperity.

But transformational change requires selectivity in interventions and strong and sustained political commitment to deep and broad-based reforms. This dedication works best when coupled with a firm commitment by Bank Group management and development partners to apply its services effectively and selectively and to


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provide high-quality, customized advice. The range of challenges faced by developing countries—persistent poverty, rising inequality and exclusion, governance and institutional decay, lack of access to basic services, and environmental degradation and climate change—requires nuanced and customized development strategies.

Key Takeaways

IEG's review offers useful advice to both policy makers and development practitioners who seek innovative ways to achieve transformational change.

1 - Identify the most binding constraints

Identify the most binding constraints to development in a country, sector, or area by consistently implementing rigorous diagnostic work. The new Systematic Country Diagnostic tool can facilitate a more rigorous understanding of binding constraints at the country level if complemented by analyses of the most constraining factors for sectors and interventions as well as adequate risk assessment and mitigation.

2 - Enhance selectivity of assistance programs

Enhance the selectivity of assistance programs. Based on its analytical work, the Bank Group can develop a strategic plan to address constraints through multiple interventions in the same or different sectors. It can select the most promising interventions that reflect its comparative advantage and have the best chance of effecting deep, fundamental, and sustainable change in partnership with a committed client counterpart.

3 - Build on mechanisms of transformation

Build on mechanisms of transformation in program and project design. This includes shaping incentives to effect sustained behavioral change and strengthening institutions to support transformational impact. It also involves harnessing competitive market mechanisms and the private sector as vehicles for deep change and long-term sustainability. And it requires improving the capacity to identify and scale up innovations with the potential to overcome traditional barriers to service delivery to the poor.

4 - Form broad coalitions

Form broad coalitions through early and wide-ranging interactions with stakeholders. For example, targeted beneficiaries can be involved in an intervention's design and implementation. An increased focus on transformation will also involve exploring new partnerships and managing them effectively and efficiently to ensure interests align.

5 - Stay the course

Stay the course by undertaking more selective, longer-term, sustained, and programmatic engagements. This involves engaging in fewer, but more focused and long-term engagements.

More Resources

Supporting Transformational Change for Poverty Reduction and Shared Prosperity reviews evaluative evidence for a diverse group of Bank Group interventions to understand the mechanisms and conditions for transformational change.

World Bank Group Strategy (October 2013) outlines how the Bank Group will work in partnership to help countries end extreme poverty and promote shared prosperity in a sustainable manner.

The African Development Bank's Strategy for 2013–2022 is designed to place the Bank at the center of Africa's transformation and to improve the quality of Africa's growth.

The Least Developed Countries Report 2013 by the United Nations Conference on Trade and Development examines the links between investment, growth, and employment and how these countries can reduce poverty and promote inclusive growth and sustainable development.

Industrial Development Report 2013, by the United Nations Industrial Development Organization, provides a solid foundation to frame the debate on jobs in the world today as well as a detailed account of how structural change has taken place during the past 40 years.