



PREFACE

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In the business of making policies, decisions are based on experience and guided by political concerns. However, in the business of delivering policies, the machinery of government is often taxed by delays and inefficiencies, and constrained by insufficient resources, management tools, and just-in-time information. The result is that governments operate well below the efficiency frontier.

For most of our history, research has been disconnected from policy and has moved slowly to build knowledge relevant to designing policies. Evaluation focused on whether (not how) policies succeed and missed the opportunity to inform the number one cause of failure: implementation. Today, we embrace that opportunity.

I have thought hard for at least two decades about how to bridge the distance between economic theory and practice, between what researchers do and what practitioners need, and how to increase the efficiency, volume, and quality of knowledge generation to make evidence relevant and timely for everyday decisions. I founded DIME to drive research into development practice. I will introduce some of the principles that govern this young institution in the chapters that follow, each designed to exemplify the value of doing better research for doing better development. In these chapters, we present four overarching ideas that we have worked into development practice.

We use three economic principles to do better research at DIME:

1. Placing capacity in the hands of policy makers to increase demand for contextually relevant and actionable knowledge;

2. Implementing global and country research programs to achieve economies of scale and scope in knowledge generation and dissemination; and
3. Instituting strict procedures for technical research standards, ethics, transparency, reproducibility, and data privacy and security, to further the credibility and actionability of research.

Overall, **DIME's approach is to inform the path of development through a capacities-based and iterative process of evidence-informed adaptive policy change.**

To do so, we have reorganized the production function of research from the microentrepreneurial to a "firm" model. We have attracted top-quality research economists, data scientists, analysts, software engineers, field coordinators, administrators, and program managers to professionalize every aspect of the production function of research. We have managed large consultations and collaborations with governments and development partners. Our aim is to release financial and technical constraints and build capacities; to unleash governments' ability to articulate needs, participate in generating evidence, and use it to manage and negotiate their own policies. In doing so, we leverage and help shape billions in development finance to learn how to create more efficient governments and more effective policies.

Further, we have taken advantage of the explosion in data and advanced AI analytics to deepen our model and deploy spatially integrated city, country, and global data systems and research programs that generate just-in-time policy advice. This has enhanced our ability to make substantive contributions at all stages of the policy cycle and support our clients in augmenting sectoral synergies.

In the chapters that follow, we use four areas of our research to help drive four, separate points:

1. Infrastructure investments represent more than half of total expenditures in national budgets or development finance and can be critical in providing access to economic opportunities or managing climate change risks. Yet the returns on these investments can come up short. We use the example of water infrastructure to investigate how returns can be optimized. We demonstrate that **relatively low-cost, complementary interventions and reforms can double or triple economic returns.**
2. The losses experienced during the COVID-19 pandemic pushed social protection systems to expand exactly when fiscal resources were at their lowest. We leverage a deep literature on cash transfers, economic inclusion, and community-driven development to show that the **choices we make in addressing the pleas of the most vulnerable can have dramatic consequences on their ability to extricate themselves from poverty,** increase their productive capacity, and secure sustainable improvements to their livelihoods.
3. The huge inequalities in access to quality education and health take decades to address. **Access to mobile technologies, social media, and streaming revolutionizes access to information, services and markets.** Phones load the hands of the poor with information and market opportunities. At US\$50 each, including a solar charger, smartphones are an affordable solution to calling for help, learning to read, obtaining healthcare, holding a bank account, using digital payments, and having access to diversified economic activity. Streaming edutainment can reach global populations and help develop norms and behaviors consistent with a fair and just society.

4. We expect government to deliver. Yet bureaucracies are constrained by administrative burden, low autonomy, and low morale; civil servants might be poorly resourced, and have inadequate management tools. In this chapter we show how research works hand in hand with digitalization to enable digital transformation that enhances public sector productivity.

By improving the efficiency and quality of public functions, digital transformation can have large, downstream impacts on the economy.

Overall, my message is that by using data, advanced analytics, and impact evaluation, governments and development institutions like the World Bank can achieve radically different levels of productivity and effectiveness of development

policy. We demonstrate in example after example that investing in data, advanced analytics, and impact evaluation has a transformational impact on the ability of governments to function, deliver services to their citizens, and ensure high returns on their investments.

However, the current resources in data, advanced analytics, and impact evaluation are inadequate to support shifts and much-needed support to the recovery process across our client countries, and to help address long-standing inequalities in opportunity and access to better lives.

I propose a plan for action in the conclusion of this report to help inform a conversation around how the World Bank and other development partners must rethink the balance between knowledge and investment financing.

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