

# Order & Violence (Political Economy of Development)



Week 8: State building without war making  
Chris Blattman

## Week 8 objectives

1. With the near end of international warfare and rise of internal wars, states no longer have the same selective survival mechanism pushing the state to become more capable and extend its reach
  - We must hope the technology of state building has advanced
2. Unfortunately, the way foreign assistance has been designed has undermined state capability in many ways:
  - Flows have exceeded states' capacity to absorb funds efficiently
  - Reduced incentives for tax collection
  - Weakened accountability downward to citizens
  - Encouraged superficial mimicry of state forms, unrealistic goals, and (in weak states) premature load bearing
3. It is important to remember that the capacity to implement is the scarcest resource in a state, especially weak states

## Week 8 objectives

- Still, foreign assistance has contributed to economically and politically free states in unappreciated ways, by tipping the balance to more open societies at critical junctures
- Future foreign assistance could (in theory) help make states more accountable to citizens
  - e.g. Cash on delivery aid, migration and remittances, etc.
- In trying to build states and reform public sectors, remember:
  - Institutions we think of as causes of development were consequences
  - State capacity takes a long, long time to develop
  - States should be strategic in how they spend their limited capacity
  - Some state capacities are easier to develop than others
  - Solutions to the hardest problems cannot be imported
  - Don't forget that elites have incentives to stymie or capture reforms

# What exactly is promoting "good governance"?

ADVERTISEMENT  
Ad closed by Google

**POLITICS** | Sun Jul 12, 2009 | 6:29am EDT

## Obama: Africa aid must be matched by good governance



U.S. President Barack Obama and first lady Michelle Obama wave from Air Force One at the airport in Accra, July 11, 2009. REUTERS/Jason Reed 1/19



By **Matt Spetalnick** and **Kwasi Kpodo** | ACCRA

U.S. President Barack Obama told Africans on Saturday that Western aid must be matched by good governance and urged them to take greater responsibility for stamping out war, corruption and disease plaguing the continent.

John Kerry Makes Plea at United Nations for Syria Cease-Fire | Main | Israeli PM Netanyahu to Sit Down with at UN General Assembly

### Obama Promotes Good Governance in Africa

Comments Off [Share Article](#)



Drew Angerer/Getty Images

(NEW YORK) -- Addressing his final U.S.-Africa Business Forum as commander-in-chief, President Obama said it's vital to promote good governance in Africa in order for businesses to thrive on the continent.

"Graft, cronyism, corruption -- it stifles growth, scares off investment. A business should begin with a handshake and not a shakedown," the president said in New York Wednesday.

Obama stressed that Africa is "on the move" and said young people are key to progress in the country.

"If you're over 30 there, you're basically over the hill," he joked.

He reflected on his trips to Africa as president -- pointing out that he was the first American president to visit Sub-Saharan Africa four times, Ethiopia and Kenya -- which he joked was "obligatory."

"I would have been in trouble if I hadn't of done that," he said.

Obama also vowed to continue his work with African business leaders during his post-presidency.

"You should anticipate that I will be continuing to work with all of you in the years to come," he said.

Copyright © 2016, ABC Radio. All rights reserved.

Wednesday, September 21, 2016 at 1:14PM by [Jeanette Torres](#) [Permalink](#)

# “Good governance”: So broad it’s almost meaningless

A vague term used in international development to talk about everything in this course:

- The efficiency and effectiveness of the state
  - The ability to implement policy
  - The degree of corruption and patrimonialism
- The process of decision making or “who decides” in society
  - The degree to which poor or minority groups are included in decision making
  - The degree to which civil society is organized and enfranchised
  - The degree to which the powerful are bound by the rule of law

# Why are development organizations talking about good governance and institutions at all?

- Failing to see seemingly sensible policies implemented, naturally people in international development ask why
  - e.g. van de Walle's diagnosis of failed structural adjustment in Africa
- Achieving “good governance” is seen as a precursor to good policies
- Slightly cynical view: It's a way for development actors to talk about political development without necessarily having to use the word “politics” or understand how politics works
  - Most UN agencies, including the World Bank and IMF, do not have the mandate to talk about politics
- Very cynical view: If I wanted to make a goal hard to achieve I would make it this vague

We have been talking about interventions to achieve  
“good governance” in three more specific ways

- Last week: ending violence and establishing basic order
- **This week: Building the capability of the state**
- Next week: Promoting democracy and egalitarian institutions

In week 3 we talked about historical forces that led to more rule-governed, depersonalized states that had the capability to implement

**“Stateless”**  
Chieftdoms,  
bands, and other  
small political  
units, often with  
informal systems  
of rule



**“Early states”**  
Larger, more  
hierarchical,  
patrimonial, often  
coercive political  
authority(ies) that  
may only loosely  
control the people



**“Modern state”**  
More centralized,  
rule-governed,  
bureaucratic,  
depersonalized,  
political organi-  
zations with more  
social and sovereign  
territorial control

Olson  
Herbst  
Mukhopadhyay

Tilly  
Weber  
Fukuyama

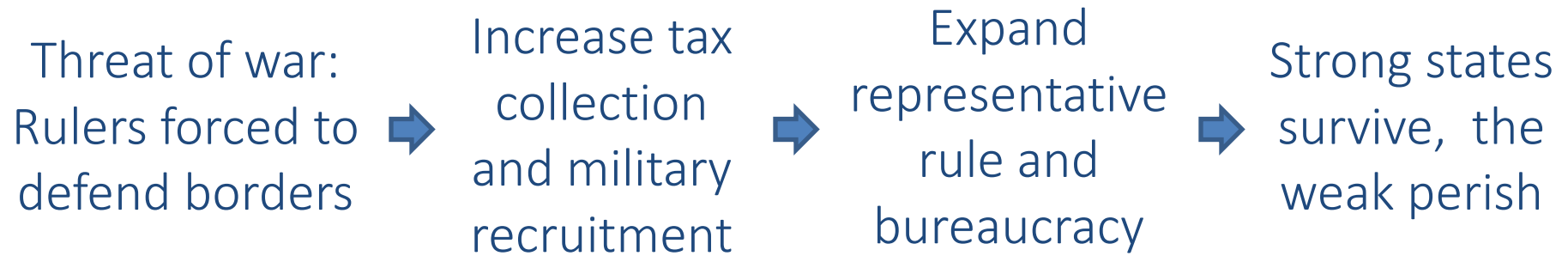


## Today: Some of the ideas that have shaped how I think about state building in the 21<sup>st</sup> century

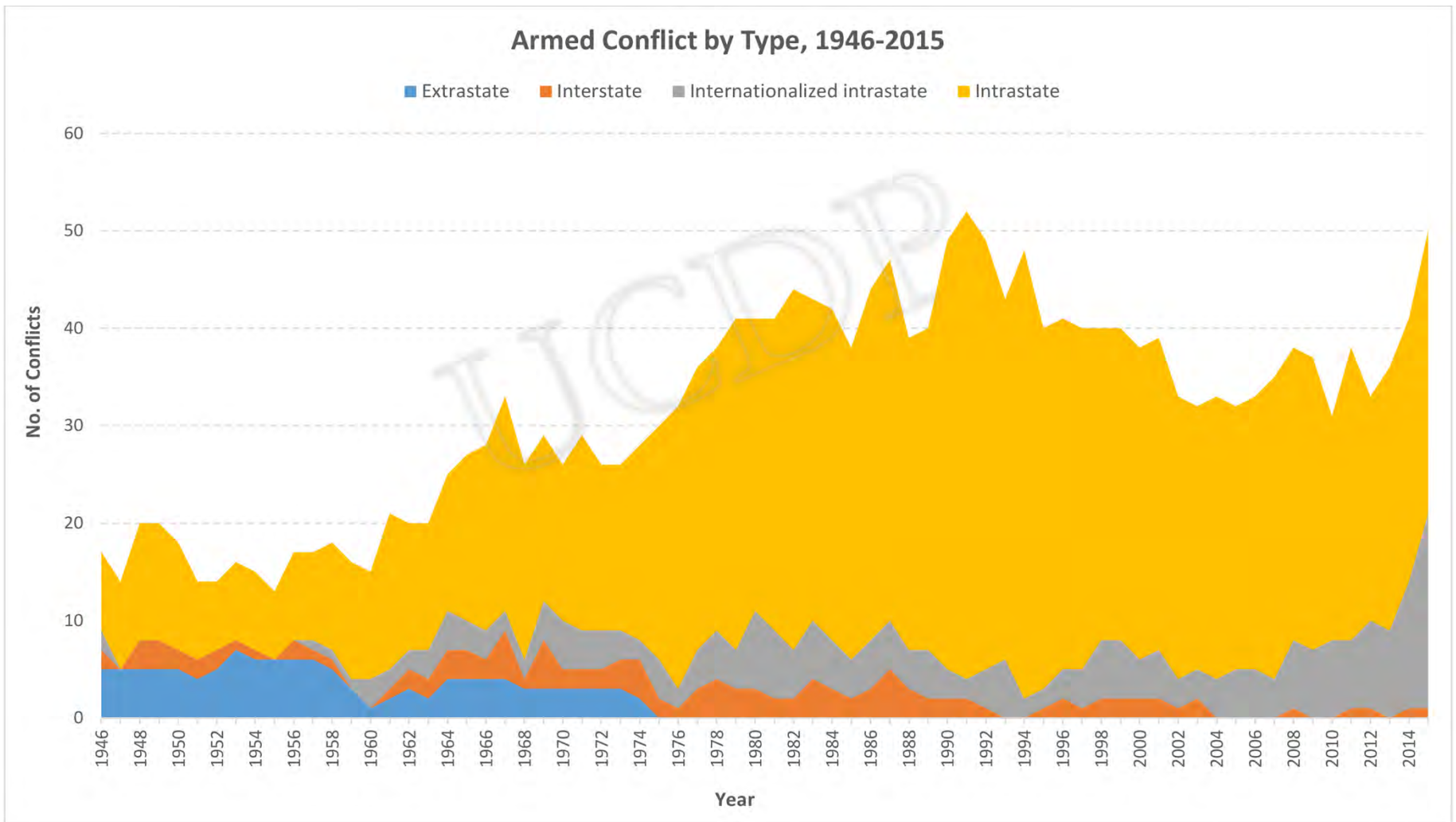
1. How has the changing nature of warfare changed state development? Are there peaceful ways to state build?
2. How foreign assistance could have undermined the development of more capable states
3. A more optimistic view of aid: Tipping the balance towards more open economies and politics
4. Principles for incremental state building

# I. War and state development in the 20<sup>th</sup> and 21<sup>st</sup> century

# Recall Tilly's explanation of historical state development from Week 2: International warfare as a selective survival mechanism



But since 1945 we live in a world of mostly low-scale internal conflicts that do not threaten survival of the state



## The pessimistic view

“

*While there is little reason to believe that war would have exactly the same domestic effects in Africa today as it did in Europe several centuries ago, it is important to ask if developing countries can accomplish in times of peace what war enabled European countries to do.*

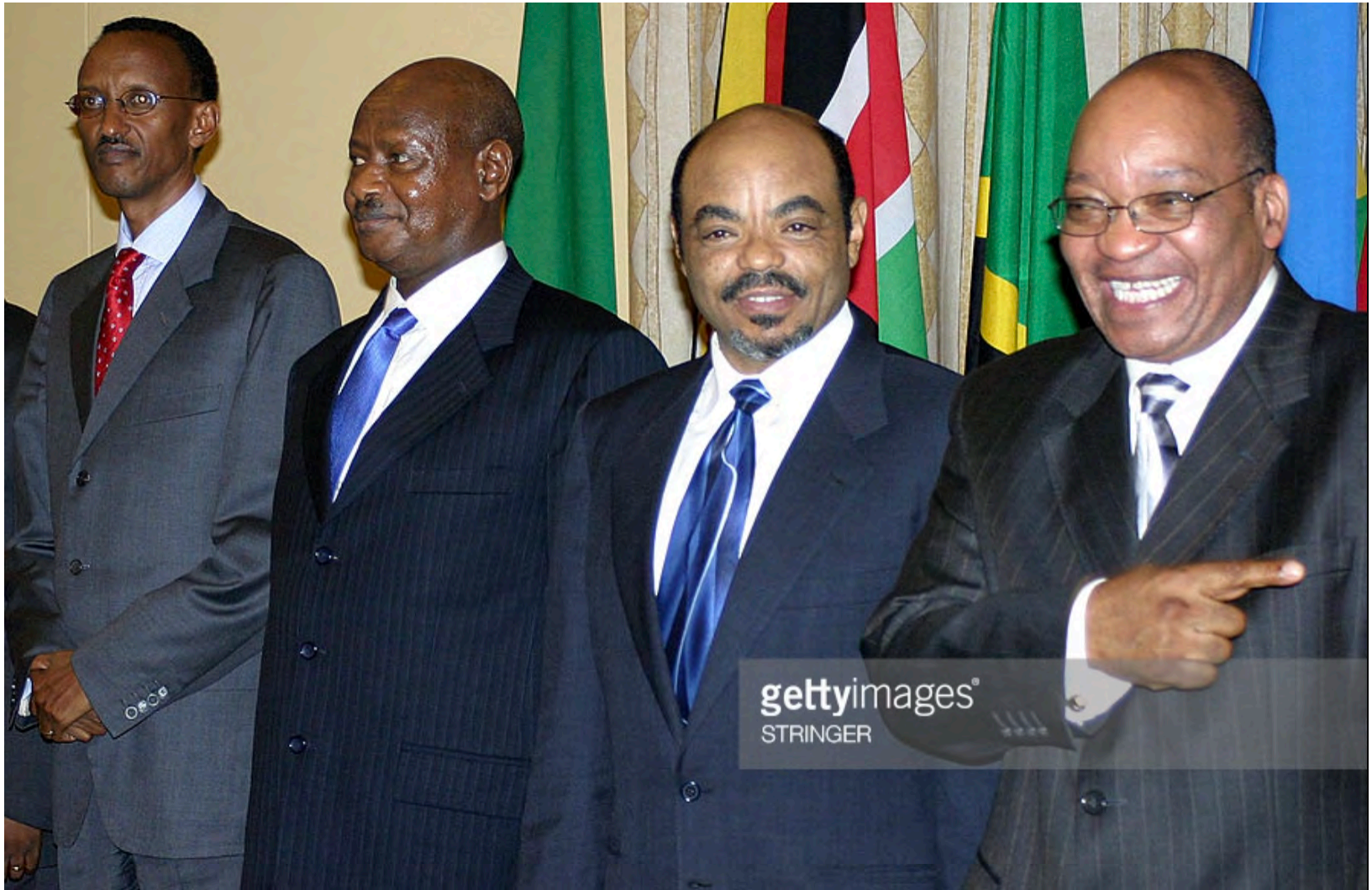
*I conclude that they probably cannot because fundamental changes in economic structures and societal beliefs are difficult, if not impossible, to bring about when countries are not being disrupted or under severe external threat .*

—Jeffrey Herbst, “War and the State in Africa”

# Reasons why civil wars are state-undermining rather than state building

- Skilled leaders, bureaucrats and businessmen flee
- Cleavages between competing groups may widen and become more poisonous
  - More difficult to reach stable bargains?
- The opportunity cost of war could be enormous
  - e.g. Bates, Coatsworth & Williamson: What did war and autocracy do to 19th century Latin America?
    - War occupied most government spending and bankrupted nations
    - Missed out on an unprecedented boom in global trade and industrialization
    - Thus sacrificed modern economic transformation and growth

Nonetheless, there are some examples of strong states and leaders emerging out of civil war



Jeremy Weinstein: Uganda as an example of  
“autonomous recovery”



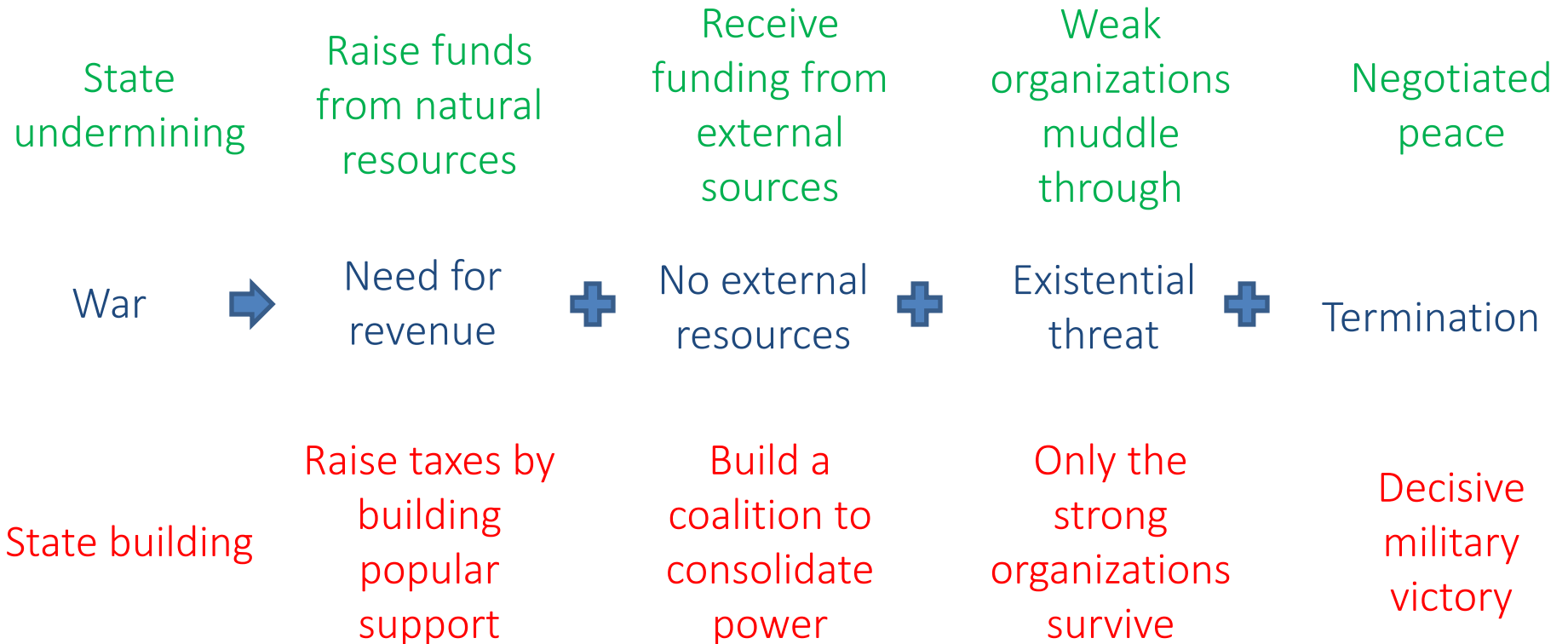
1962-86



1986-20??



# Special conditions underlying “Autonomous recovery”: A Tilly-like account of incidental institutions



If true, this implies that most of the interventions to create order (discussed last week) could thwart historical processes of state building

- Negotiated peace and distribution of rents
- Peacekeeping
- Trusteeship

# But “autonomous recovery” implies a slow, violent, and globally costly process of state building

- Implies we should expect repeated cycles of war and ineffective autocracy before strong groups can consolidate power and build a more effective state
- Because of international preservation of borders, this has to be an internal group
  - Strong neighbors cannot take over weakly governed territory
- Also, there could be large negative externalities for other countries
  - Forster insurgents, pirates, and terrorists
  - Scares away investors and tourists



For every Ethiopia, Uganda, or Rwanda there is a South Sudan, DRC, or Somalia

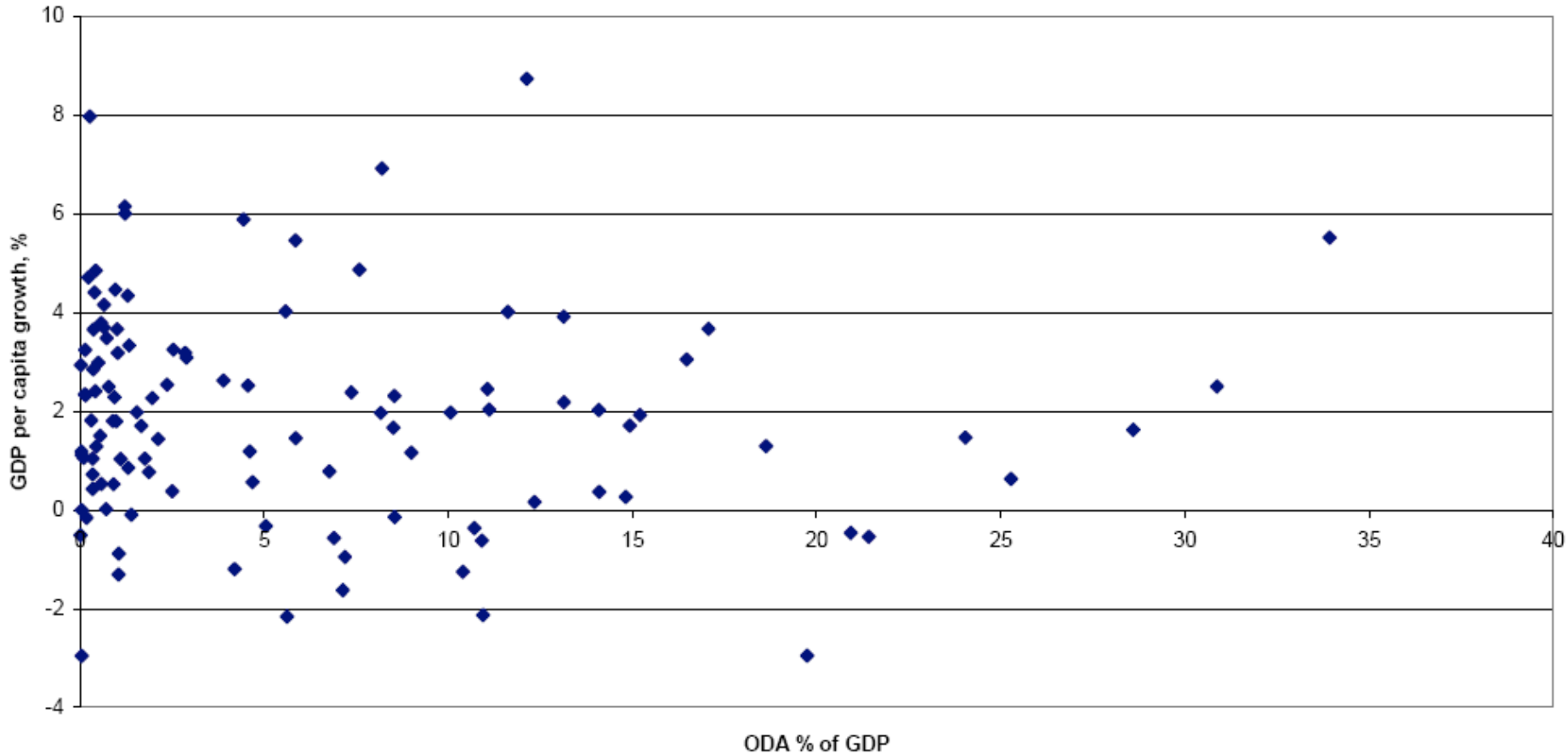
# Reasons to think there are peaceful paths to statebuilding

- The “only war develops states” view looks at too short a time
  - African states have made reasonable progress in just 50 years
  - Might they already have reached the levels of bureaucratic functioning or taxation of many 18-19<sup>th</sup> century European states?
- Being an imitator is different from being a leader
  - Today’s weak states have models, and citizen expectations are high
  - Their elites and populations seem to want to emulate developed states
- There are other incentives to modernize
  - Intense, non-spatial economic and political competition
  - Gains from industrialization and trade
  - Citizens who vote with their feet and migrate out (and return richer)
- Today: Do we have a better technology of state building?

II. How foreign assistance could  
undermine state capability

# Many people indict aid based on one correlation

## Foreign aid and growth 1994-2004



# As it happens, the balance of evidence suggests that aid is associated with growth

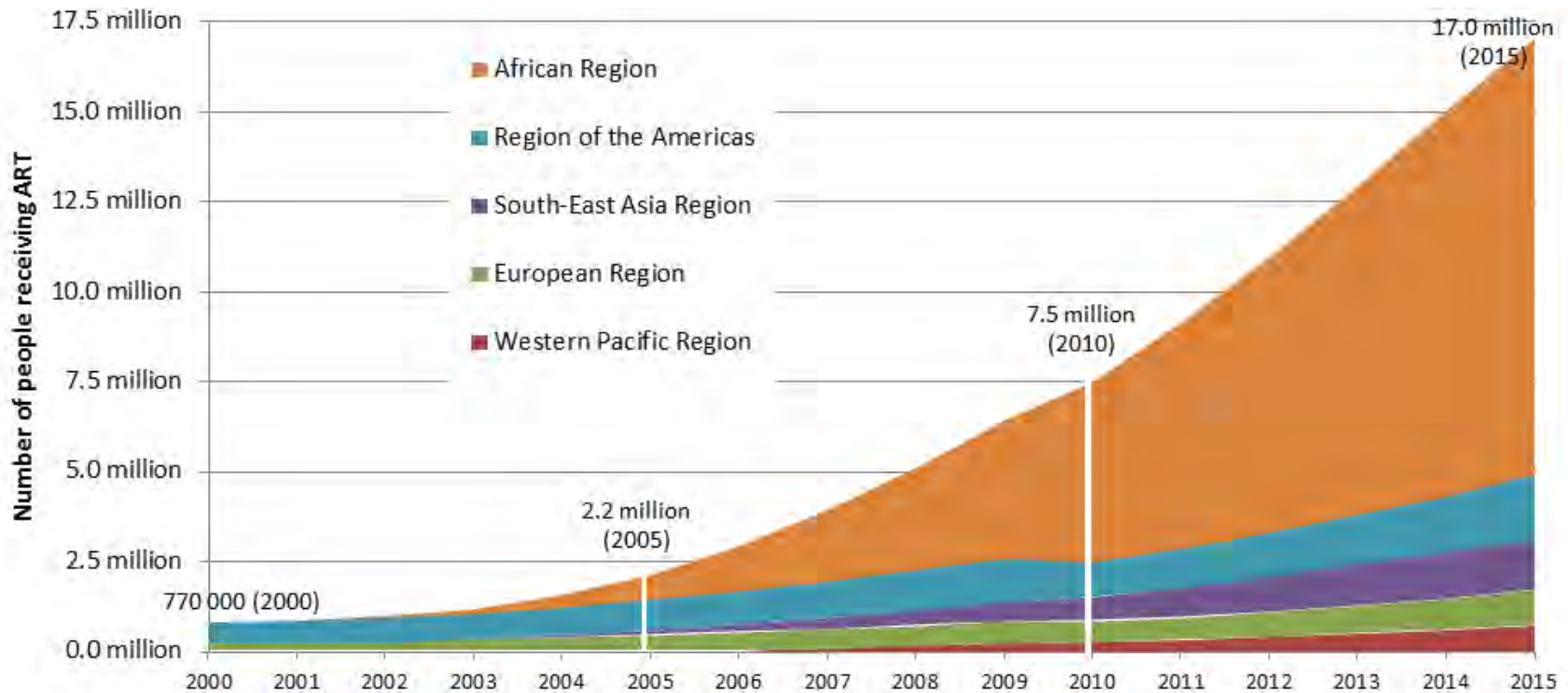
Table 1: Summary of recent aid-growth studies

Study\ <sup>a</sup>	Reference	Period	Spec.\ <sup>b</sup>	Beta	Std. Error	≈ Prob.
RS08	Table 4, col. 1	1960-2000	Linear	0.06	0.06	0.30
RS08	Table 4, col. 2	1970-2000	Linear	0.10	0.07	0.17
MR10	Table 4, col. 1	1960-2000	Linear	0.08	0.03	0.01
AJT10	Table 6, col. 2	1960-2000	Linear	0.09	0.04	0.02
AJT10	Table 4, col. 4	1970-2000	Linear	0.13	0.05	0.01
CRBB12	Table 7, col. 6	1970-2005	Non-linear	0.15	0.06	0.01
CRBB12	Table 7, col. 10	1970-2005	Non-linear	0.31	0.17	0.07
CRBB12	Table 9, col. 9	1971-2005	Non-linear	0.27	0.13	0.04
CRBB12	Table 9, col. 9	1971-2005	Non-linear	0.42	0.20	0.04
KSV12	Table 2, col. 5	1970-2000	Linear	0.05	0.05	0.32
LM12	Table 3, col. 4	1960-2001	Linear\ <sup>c</sup>	0.85	0.43	0.05
NDHKM12	Table 1, col. 4	1960-2006	Linear	-0.02	0.01	0.14
B13	Table 3, col. 1	1960-2000	Linear	0.12	0.04	0.00
B13	Table 3, col. 1	1970-2000	Linear	0.18	0.07	0.01
HM13	Table 2, row 1	1971-2003	Linear\ <sup>d</sup>	-0.01	0.00	0.00
AJT14	Table 1, col. 2	1970-2007	Linear\ <sup>e</sup>	0.30	0.18	0.09
Mean	Unweighted			0.19	0.05	0.00
	Weighted			0.12	0.02	0.00

Aid has also been generally good at delivering certain outcomes, such as better health or lower mortality

- Health gains could reduce the aid/per capita GDP correlation, if it increases the per capita faster than GDP (this doesn't mean aid is a bad idea)

Estimated # of people receiving Anti-Retroviral Treatment (ART) therapy







## Indeed few of the Millennium Development Goals (MDGs) were designed to be growth promoting

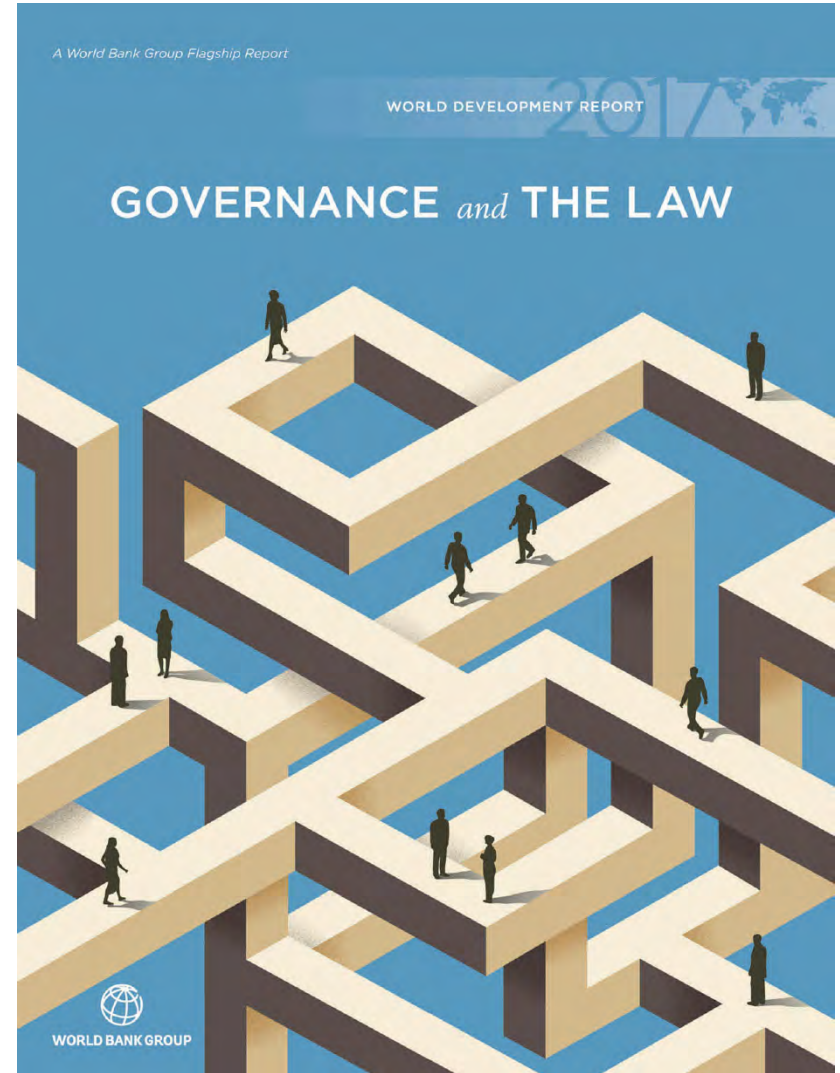
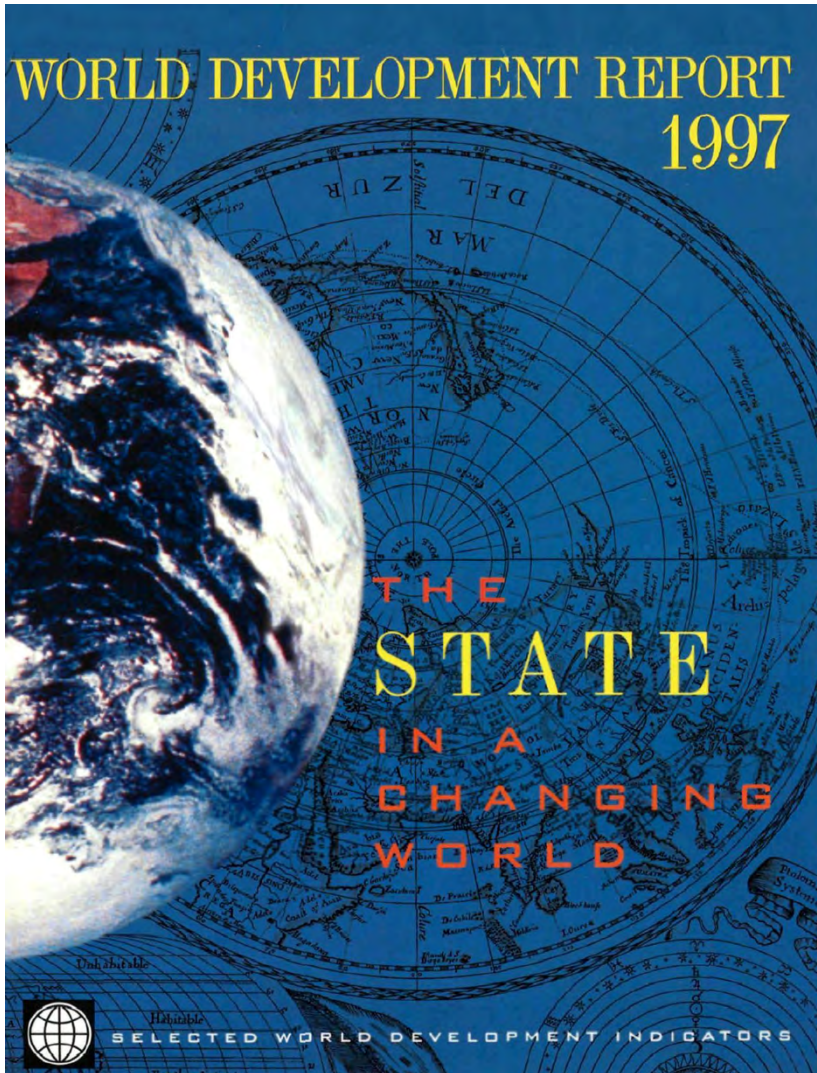
1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

Thus “Does aid work?” is only a sensible question if you evaluate it by its objectives

Most defenders and critics of aid fail to make their aims explicit

- Relief from natural and human disasters?
- Decrease worst forms of poverty and oppression?
- Redistribute?
- Spur economic growth?
- Promote security and stability?
- Promote national self-interest?

Only somewhat recently have aid donors started thinking about state capability as an objective



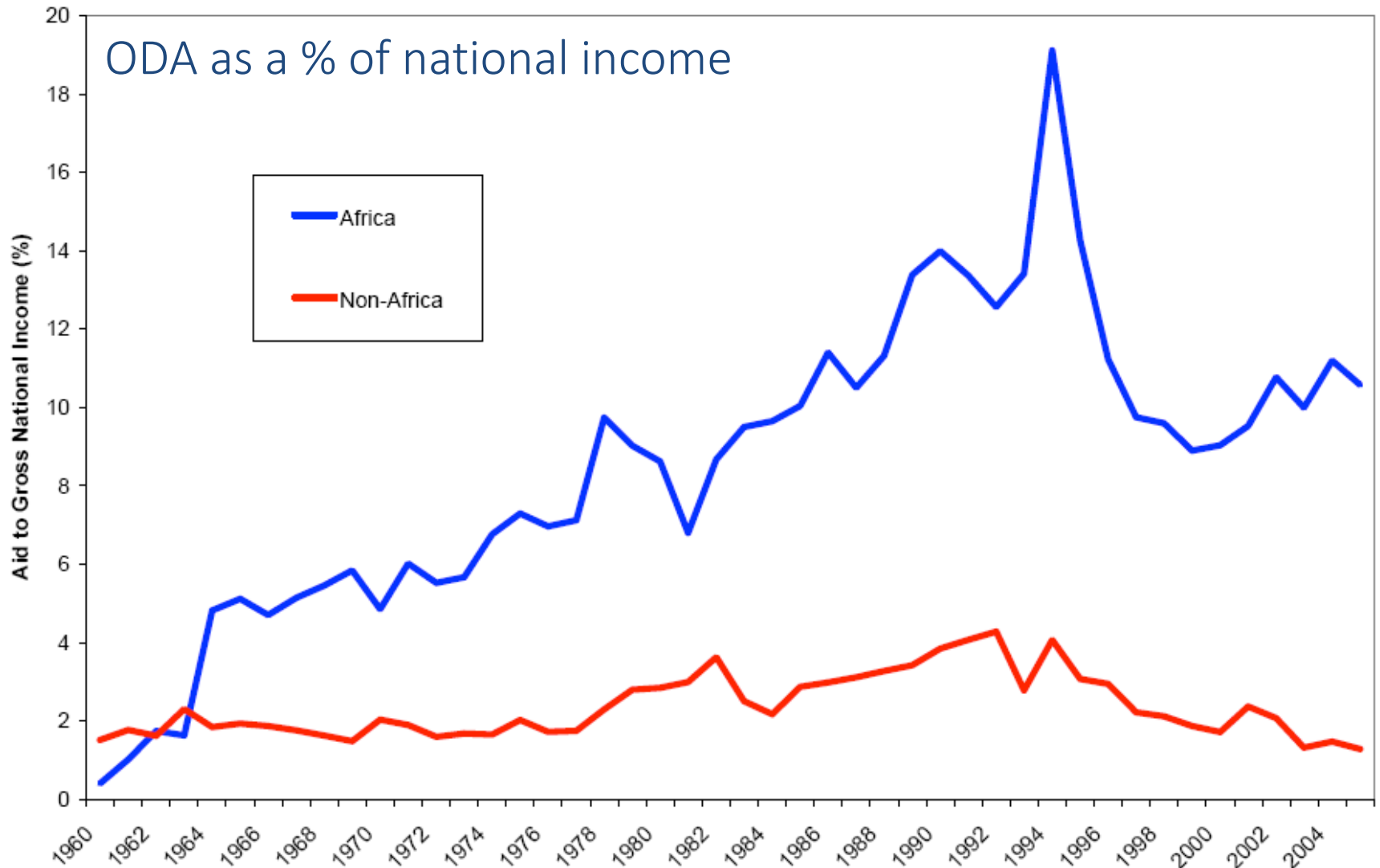
## In the meantime, poorly designed aid systems have helped to undermine political development

1. Assistance exceeds absorption capacity
2. Lower incentives for taxation
3. Weakens accountability to citizens
4. Encourages mimicry, unrealistic goals, and premature load bearing

# Ways that poorly designed aid systems can undermine political development

1. Assistance exceeds absorption capacity
2. Lower incentives for taxation
3. Weakens accountability to citizens
4. Encourages mimicry, unrealistic goals, and premature load bearing

## How much aid can a state absorb?



## Some possible implications

- In many of the lowest-income countries, aid is more than half of all government expenditure
- Should we expect the marginal aid dollar to be effectively spent in this scenario?
- Such large aid flows could actually reduce the quality of government budgeting and spending, encouraging fiscal indiscipline in the full budget
- Especially if givers fail to recognize the state as a fragile limited access order
- Like oil, extremely high volumes of aid turn may those flows into a rent to be distributed
  - Encouraging the patrimonial state more than would be the case with other forms of revenue, such as taxation



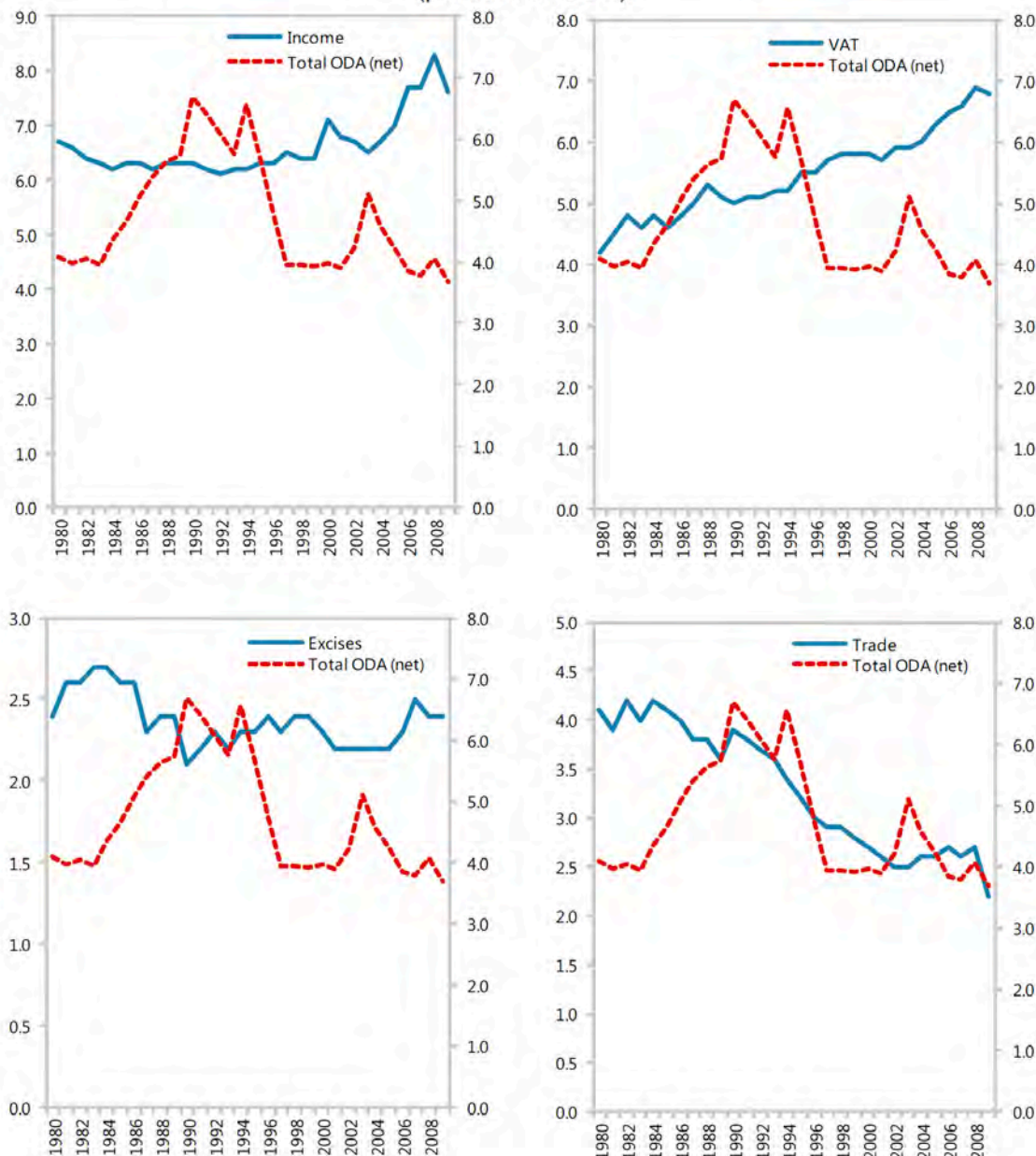
# Ways that poorly designed aid systems can undermine political development

1. Exceeds absorption capacity
2. Lower incentives for taxation
3. Weakens accountability to citizens
4. Encourages mimicry, unrealistic goals, and premature load bearing

## Aid and tax collection are slightly negatively correlated

- An extra \$1 in grants is associated with \$0.10 lower taxes
- We do not see this correlation with subsidized loans
- By no means is this necessarily causal
  - The evidence is scarce and surprisingly poor
- Nonetheless the correlation is consistent with a theoretical logic

Figure 2. Average Taxes and Total Net ODA, 1980–2009  
(percent of GDP)

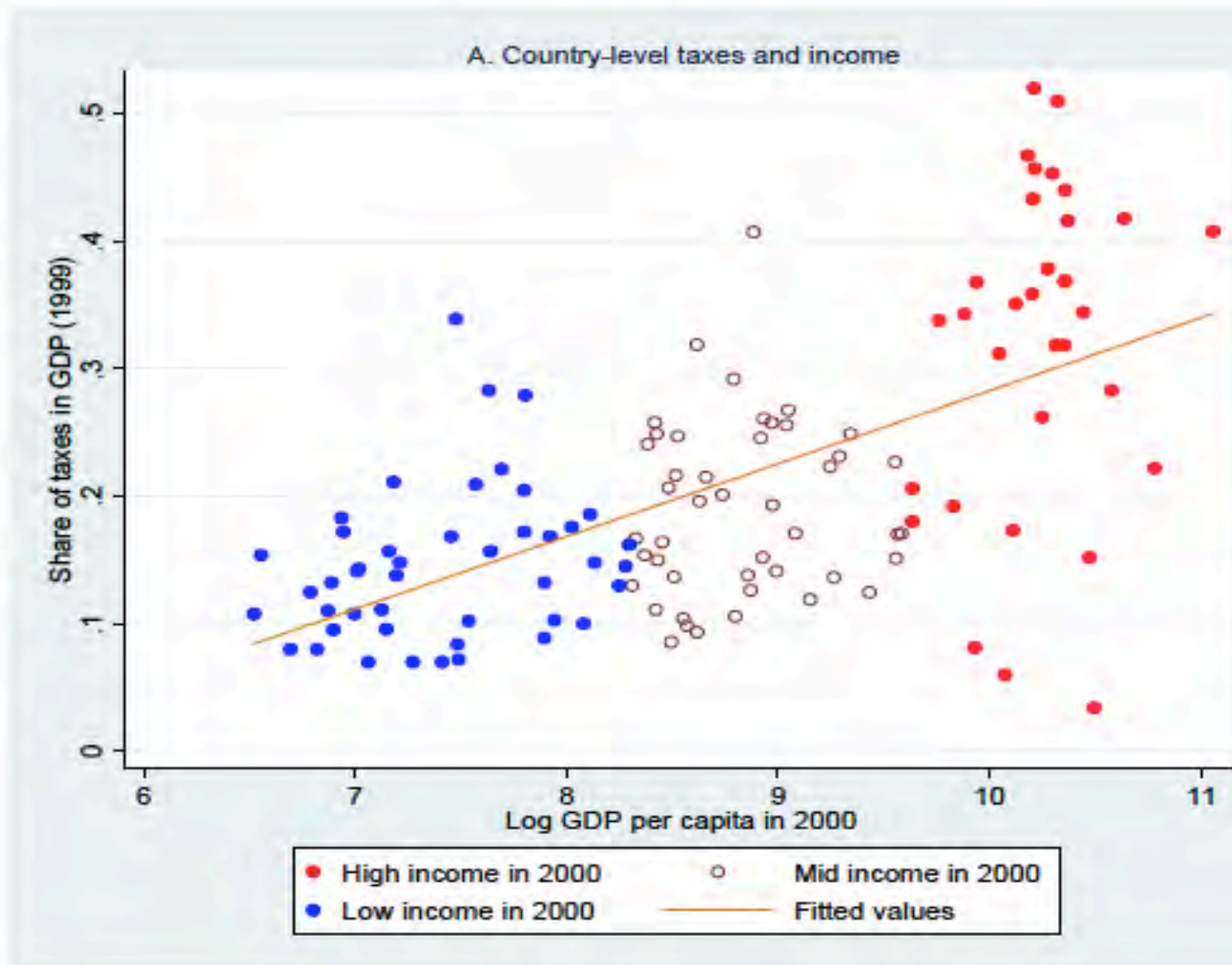


# A simple theoretical logic

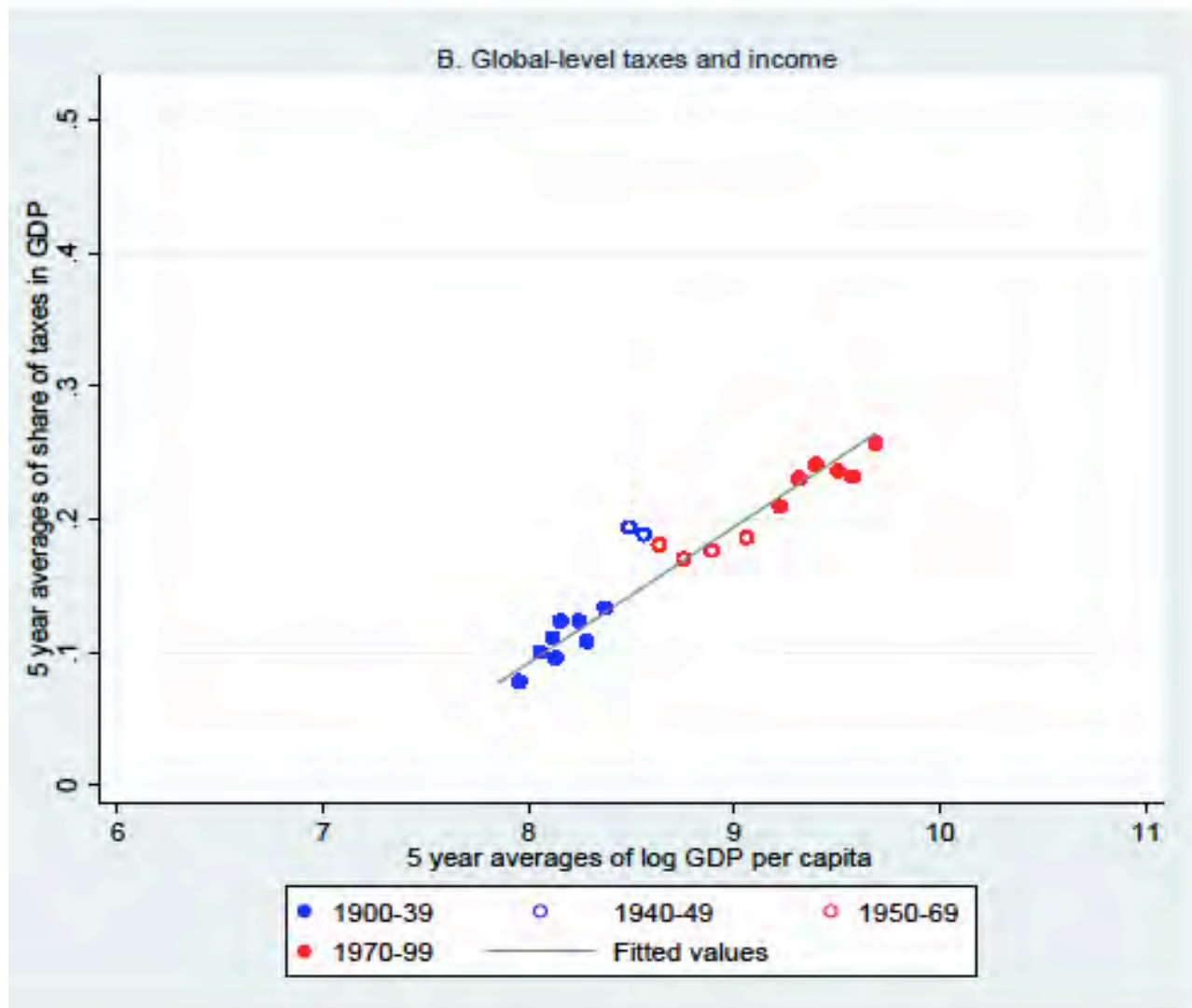
Besley and Persson (2013) “Taxation and Development”

- Fiscal capacity—the ability of a state to enforce compliance with taxes—requires costly investments
  - Requires up-front investment in a bureaucracy and collection capacity
  - Increased taxation will also face steep political resistance
- An alternative source of revenue in future (aid or resource rents) will reduce the marginal value of tax revenue in future, reducing the incentives to invest in state capacity
- Some forms of assistance will not have the same disincentive
  - Loans and the requirement to repay
  - Short term aid
- Sadly, we have yet to see very strong evidence one way or the other, and are left to work with provocative correlations

Poorer countries today tend to collect a lower share of national income in taxes



Although levels of taxation in low- and middle income countries today may not be so different from high-income nations a century ago



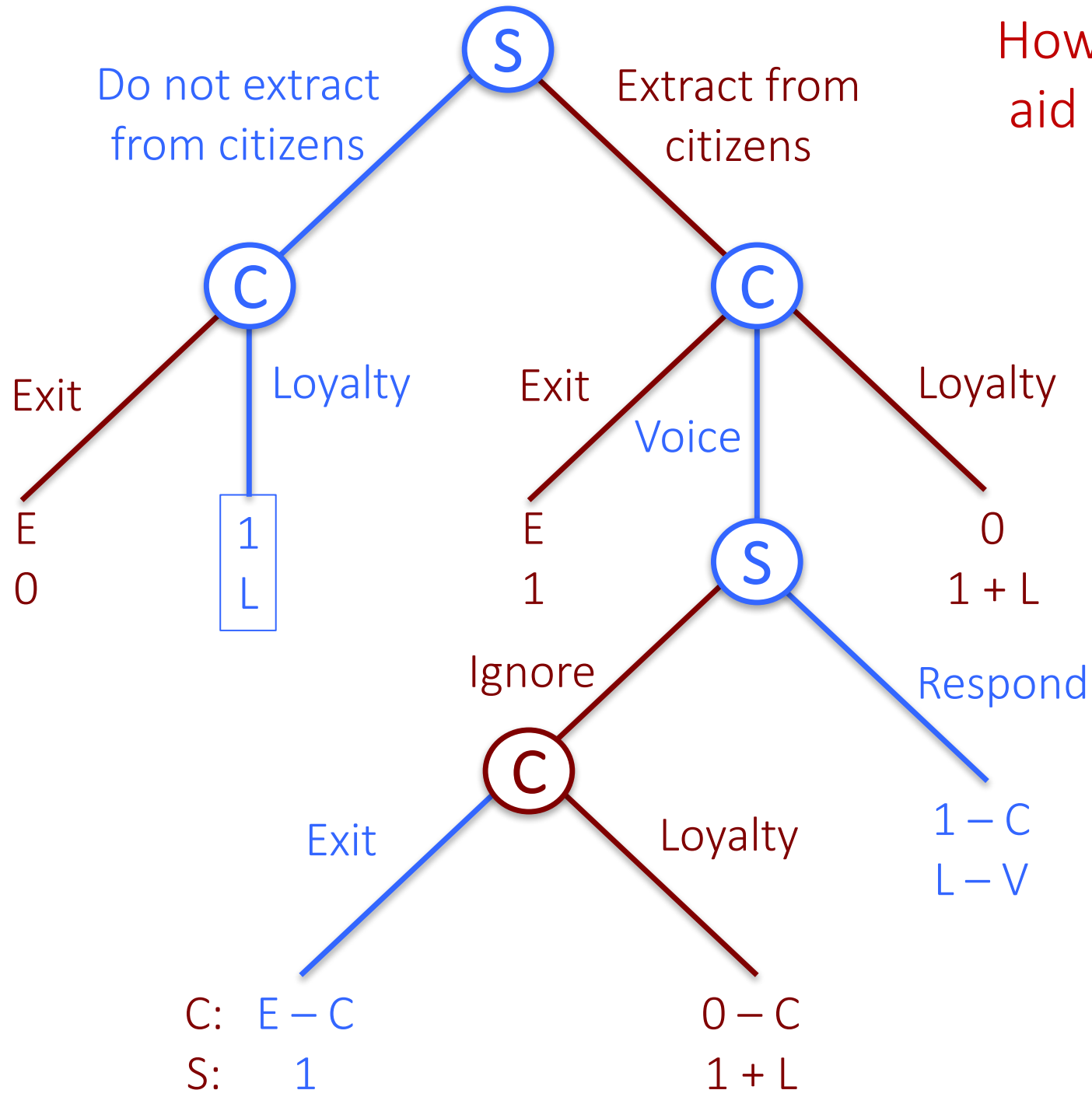
# Ways that poorly designed aid systems can undermine political development

1. Exceeds absorption capacity
2. Lower incentives for taxation
3. Weakens accountability to citizens
4. Encourages mimicry, unrealistic goals, and premature load bearing

# Aid could make states accountable upwards to donors not downwards to society

- In some economies, aid has become the biggest sector in the economy and the prime source of revenue
- One of the scarcest things in a developing state can be the time and attention of qualified, high-level public officials
- The proliferation of donors and projects is a major burden for the small number of qualified public officials, who can spend much of their time attending to donor concerns and managing aid activities
- These officials have incentives to get money from donors rather than focus on their core developmental functions, including the development of state capacity

How would massive aid flows affect this equilibrium?





## What types of policies in the West would...

- Reduce  $C$ ?
- Increase  $E$ ?
- Increase  $V$ ?
- Increase  $L$ ?

# What if aid behaves like oil?

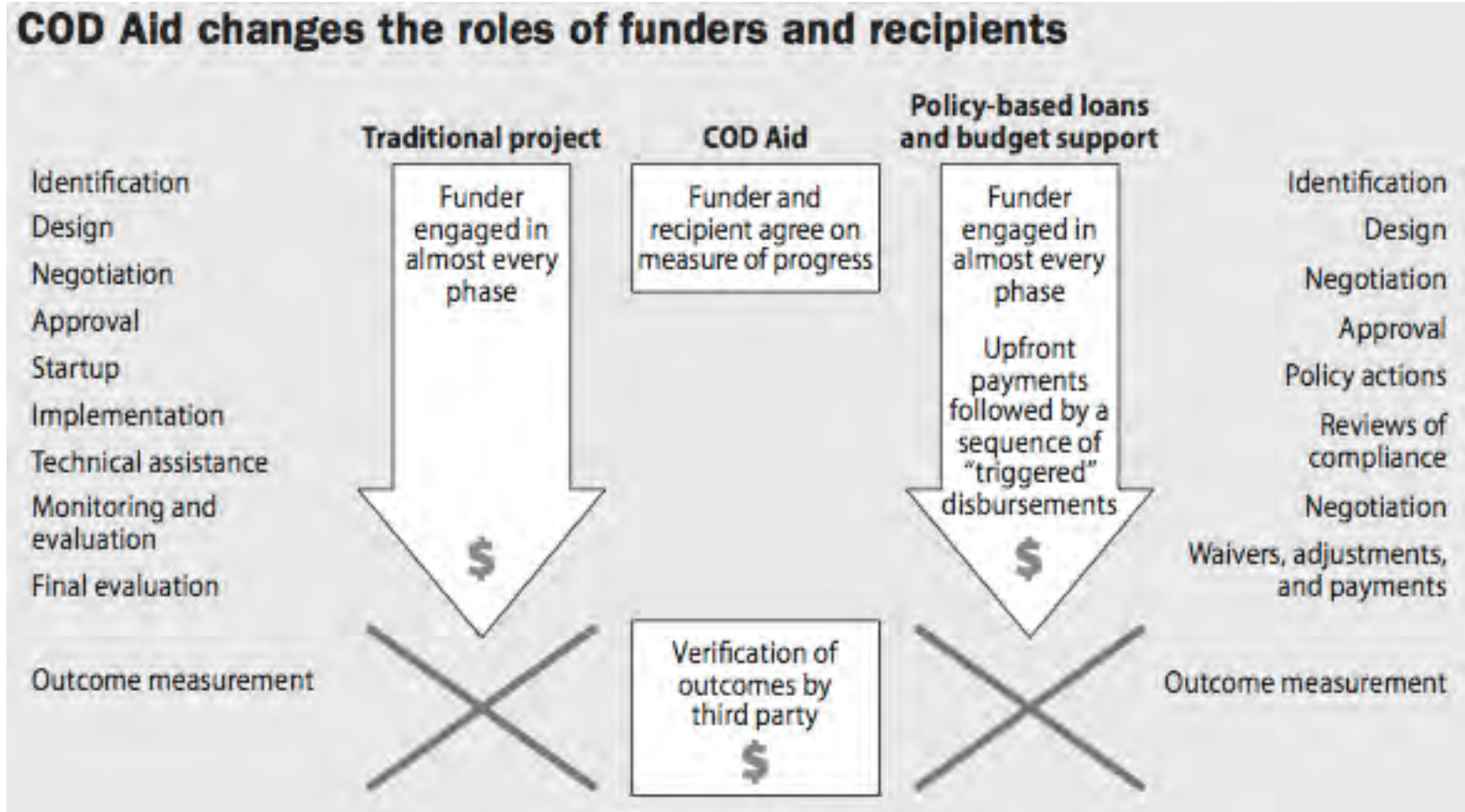
Some aid makes states more autonomous

- Not tied to size or need of population or to policies
- Not affected by exit
  - From the formal economy
  - From out migration
  - From tax evasion
- Impervious to voice
  - Support for client regimes
  - Support for anti-Communist or anti-terror efforts
  - Support for UN votes

Other aid could make states more dependent on citizens

- Making voice cheaper
  - Supporting electoral processes,
  - Training of legislators and judiciaries
  - Support for civil society organizations
  - Support for free press
- Making L dependent on citizens
  - Assistance to firms
  - Cash transfers
  - Cash on delivery aid
- Emigration?

e.g. “Cash on delivery” aid  
 Accountable to outcomes, even if not citizens



# Ways that poorly designed aid systems can undermine political development

1. Exceeds absorption capacity
2. Lower incentives for taxation
3. Weakens accountability to citizens
4. Encourages mimicry, unrealistic goals, and premature load bearing

# Mimicry

- Mimicry or “isomorphism”: the process by which one organism mimics another to gain an evolutionary advantage
- Sociologists have applied this to organizations like businesses, which might begin to imitate form rather than function
- e.g. Imagine you were a startup seeking venture capital in Silicon Valley



The deadly Texas coral snake, *Micrurus tener* (the mimic)



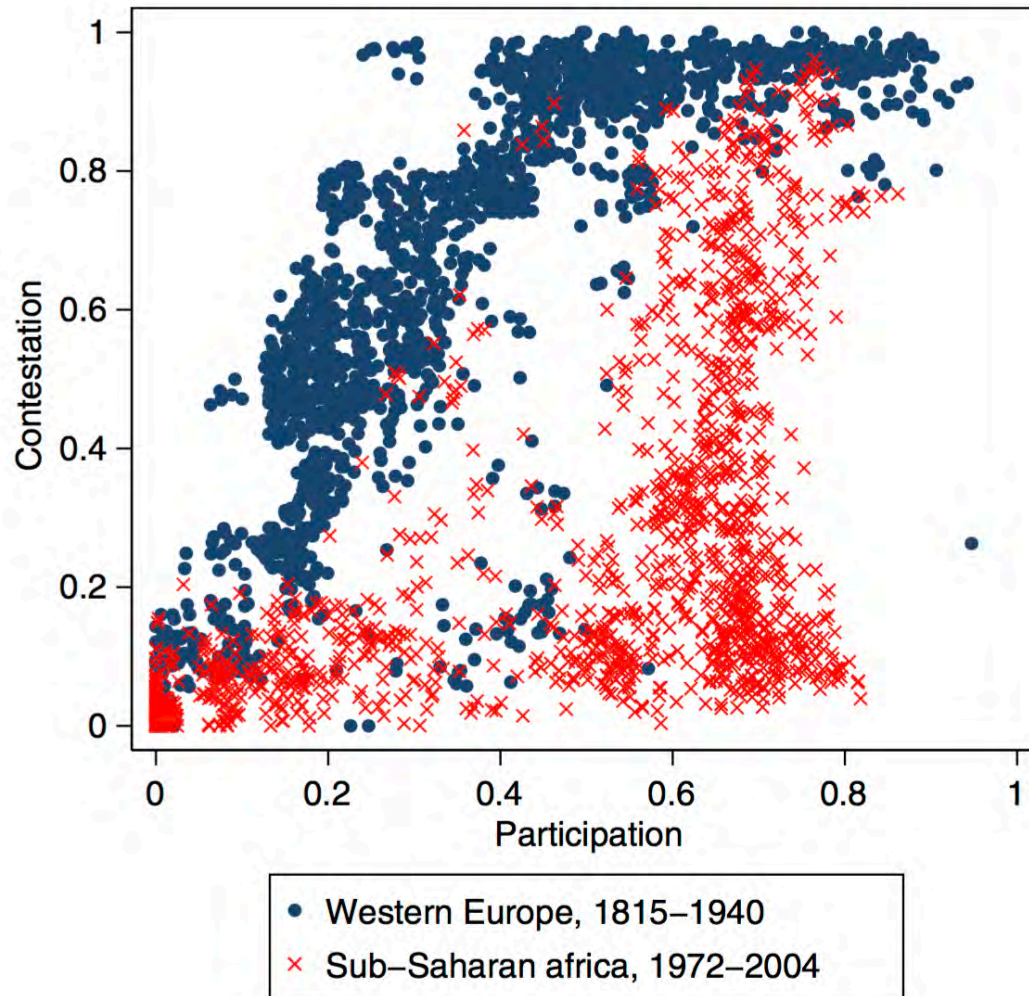
The harmless Mexican milk snake, *Lampropeltis triangulum annulata* (the model)

# Mimicry of form rather than function in developing countries is common



- Politicians and agencies can symbolically mimic a state or institutional form for many reasons:
  - Aspirationally
  - To attract donor dollars
  - To avoid international condemnation or penalties
  - To fool complacent citizens

# The phenomenon of autocratic elections: High rates of voter participation with no meaningful contestation



# Why might mimicry be problematic?

1. What if rich-country “best practices” are suboptimal
  - Mimicry suppresses innovation and experimentation
2. Form could begin to distort function
  - E.g. Moss et al (2004) describing the growing gap between the official Ghanaian budget (to satisfy donors) and actual patterns of spending
3. Encourages premature loadbearing
  - Set overly ambitious goals
  - “Fail” even if you achieve relative success
  - Maybe state fails for real because took on too much
  - Or crowds out core functions of the state



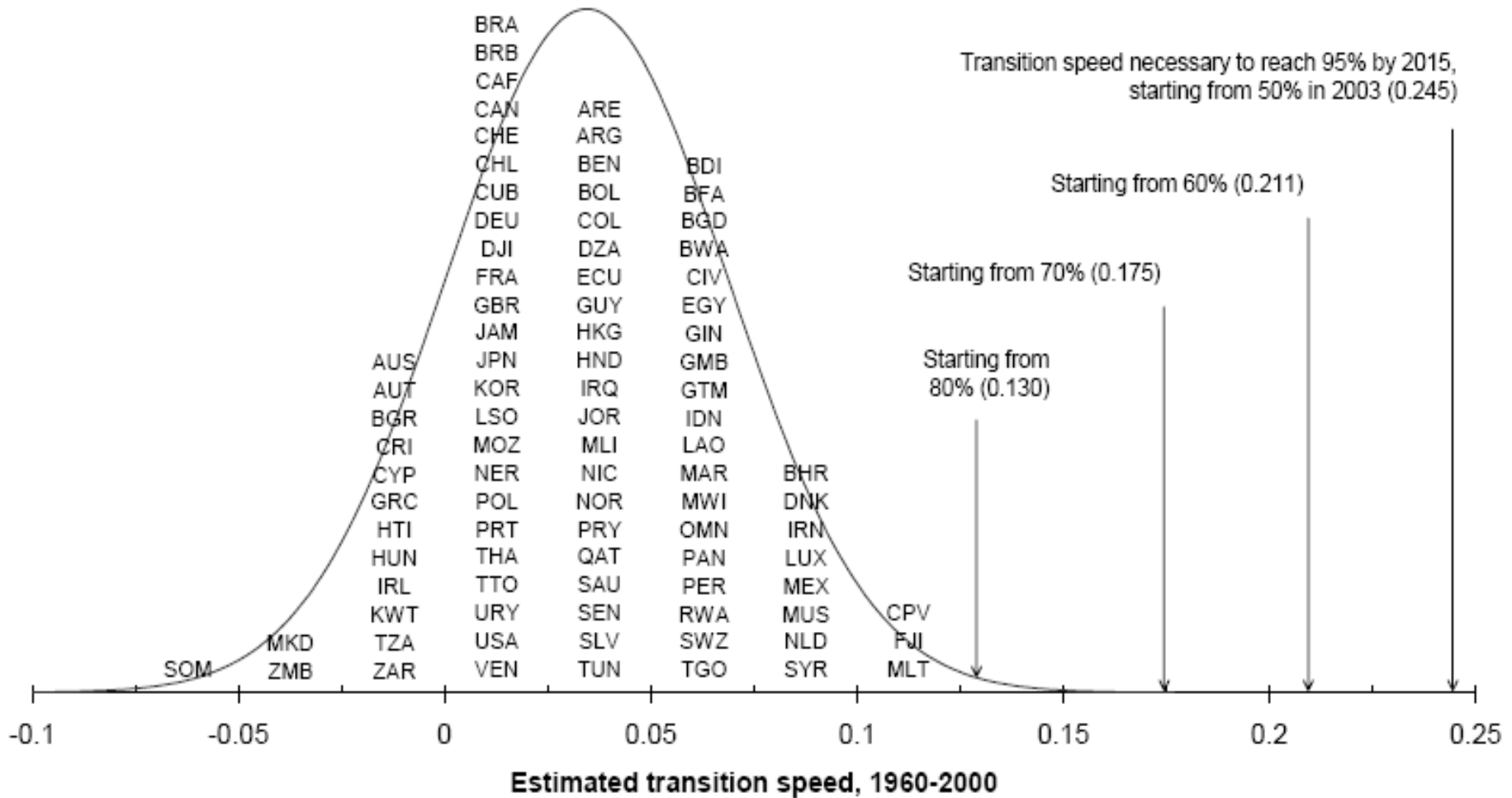
Donor nations also tend to underestimate how long changes in state and institutional development can take

- Even huge improvements in reducing corruption or state patrimonialism are set up to fail with zero tolerance expectations and programs





# What it takes to meet MDG 2: Universal primary education



These are all important goals, but even if realistic goals are set, what is the consequence of having a weak state pursue all of them?

### Millennium Development Goals:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

# Capacity to implement is the scarcest resource in a weak state

- The proliferation of donors and projects strains the capacity of the small number of qualified public officials
- Many donor objectives—free education, primary health care, etc—are huge leaps for states that can barely provide basic order
- These programs and funds are often run by or through the state because of concerns about setting up parallel systems
- What about concerns about NOT setting up parallel systems?
- What business does a state that cannot run the police have running a school system?

What is striking is what is not an MDG: Protection from crime and violence, or access to dispute resolution, property rights and justice

### Millennium Development Goals:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

# Seldom do you see prioritization of things only a state can do: like policing or justice system



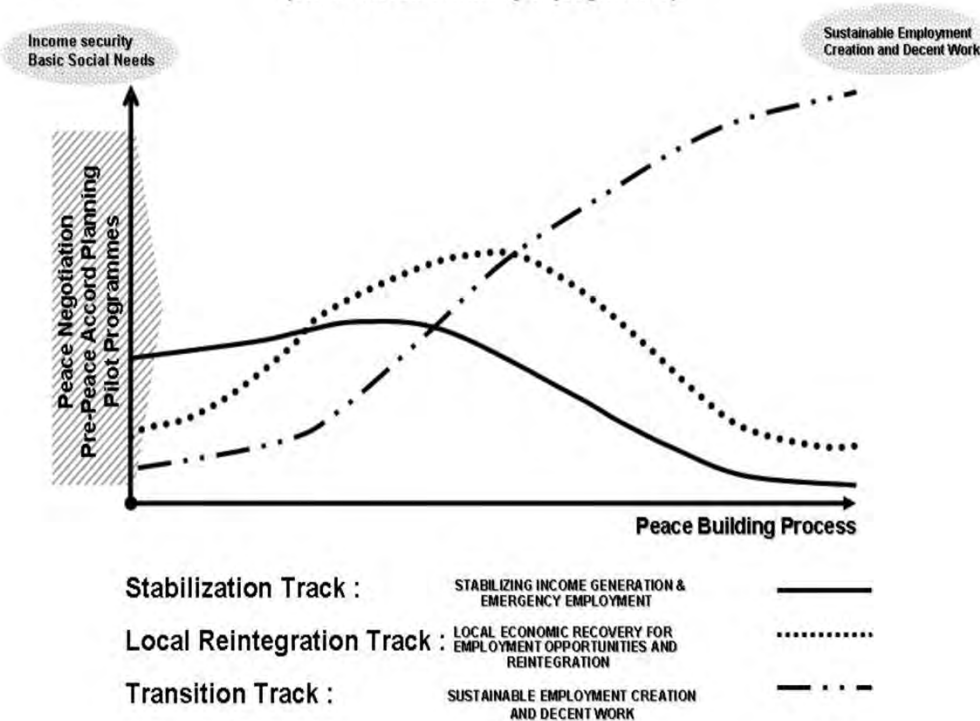
- Many social services can be outsourced or left up to civil society
  - Education
  - Health services
  - Poverty relief
- Certain public goods can only be provided by the center
  - National defense
  - Criminal justice
  - Policing

# A simpler example: Cash for work programs after conflict



Figure # 1

One Programme on three concurrent Tracks  
(curves measure intensity of programmes)



- Imagine a grant for \$5 million to put young men to work building roads for 6 months after a war
- Big enough to involve donor and finance and planning ministry staff
  - A special bureaucracy may be set up to deal with this
- In the end maybe 5000 men get \$600 in wages
- But how much political time and bureaucratic attention did this take
  - What was the opportunity cost in terms of other reforms not taken?
  - There are dozens or hundreds of these programs at any time
  - Why not bypass the government?



III. A more optimistic view of aid: Tipping the balance towards more open economies and politics

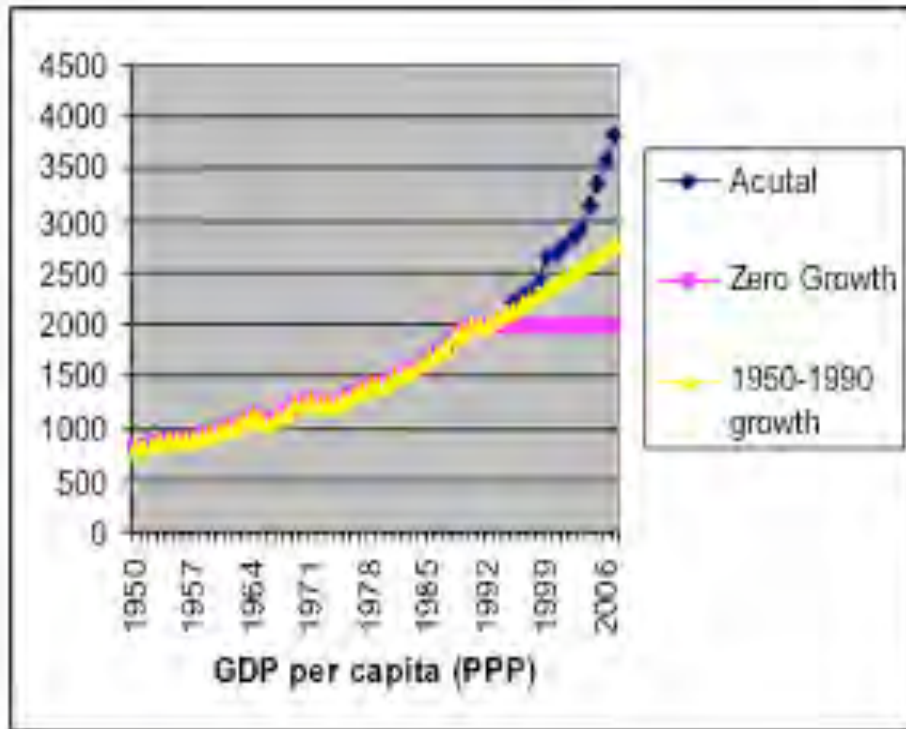
Lant Pritchett: Think of the international aid apparatus as really bad ballet, being done all over the world badly every day



But all this bad  
ballet is necessary  
to produce the  
virtuoso  
performance



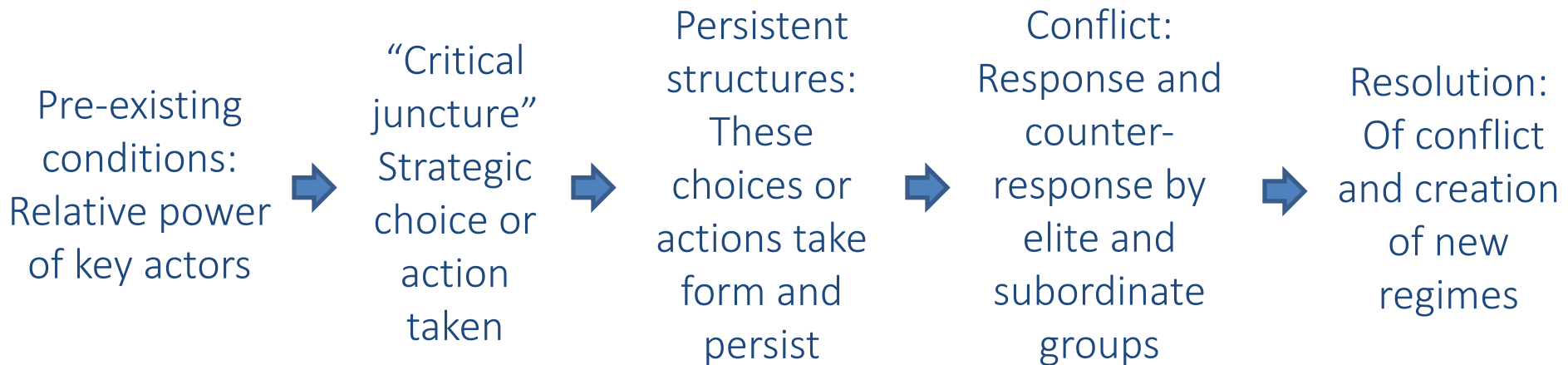
## A virtuoso performance: India in 1992



- Crisis in 1992 (a critical juncture)
- Government undertook a liberalization of the economy influenced by international aid/finance practice and research
- The gains from these reforms arguably exceed the previous 20 years of aid, plausibly by an order of magnitude
- Lesson: aid can work even if it mostly fails

# Many examples of aid improving governance feature path dependence and critical junctures

Recall Mahoney's explanation of these concepts:



# Example: The Marshall Plan 1948-51

“History’s most successful structural adjustment program”?

- US transferred \$13 billion in aid to Europe
- Folk wisdom attribute Europe’s recovery to this aid
- But this amount was tiny compared to the cost of recovery and size of economies
- Rather, “conditionality” encouraged skeptical countries to orient themselves towards the market
- It was an incentive and cushion to make reform possible



## Another example: Uganda 1986

- A strong rebel group and leader come to power
- The new President Museveni is deeply skeptical of a market oriented economy
- He is persuaded both by aid but also economic expertise to pursue a relatively free and one economy
- Uganda has since sustained almost 30 years of continuous economic growth



We could also view peacekeeping interventions as seeking to tip the balance at critical junctures





# Indeed, this is the most charitable way to view post conflict state and democratic institution building

- There is now a fairly standard menu of post-conflict interventions (in weak states)
  - Demobilization, disarmament and reintegration (DDR)
  - Reconciliation / transitional justice process
  - Restore the central state bureaucracy
  - Organizing elections with multiparty competition and universal suffrage
  - Make commitments to combat corruption



Congolese youth with their voting cards ahead of the first free elections held in the DRC in over 40 years, Kinshasa, June 2006

# One hypothesis: Support for post-conflict elections tip the balance towards political freedom in the long run

- A legitimate worry is that fragile post-conflict countries are pushed too soon to democratize
- Or, cynically, this creates only a “ritual of democracy”
  - “Giving aid donors an election barely clean enough to receive a low passing grade, but dirty enough to make it difficult for the opposition to win.” — Marina Ottaway
- But conceivably these tip the balance towards open politics



## However, relatively seldom does this state reconstruction effort consider the formal decentralization of power

- Sometimes there are power-sharing agreements that lead to opposing groups controlling different arms of the government
- And there is typically some support for a free press and civil society organizations
- But more seldom is there an effort to strengthen the independent power and resources of local governments, bureaucracies, legislative and judicial branches of government
- Such a decentralization of power is, in part, an invitation to corruption, which donors detest
- Decentralized decision-making will also interfere with rapid reforms and planned reconstruction, or donor ability to work with a central actor such as a President

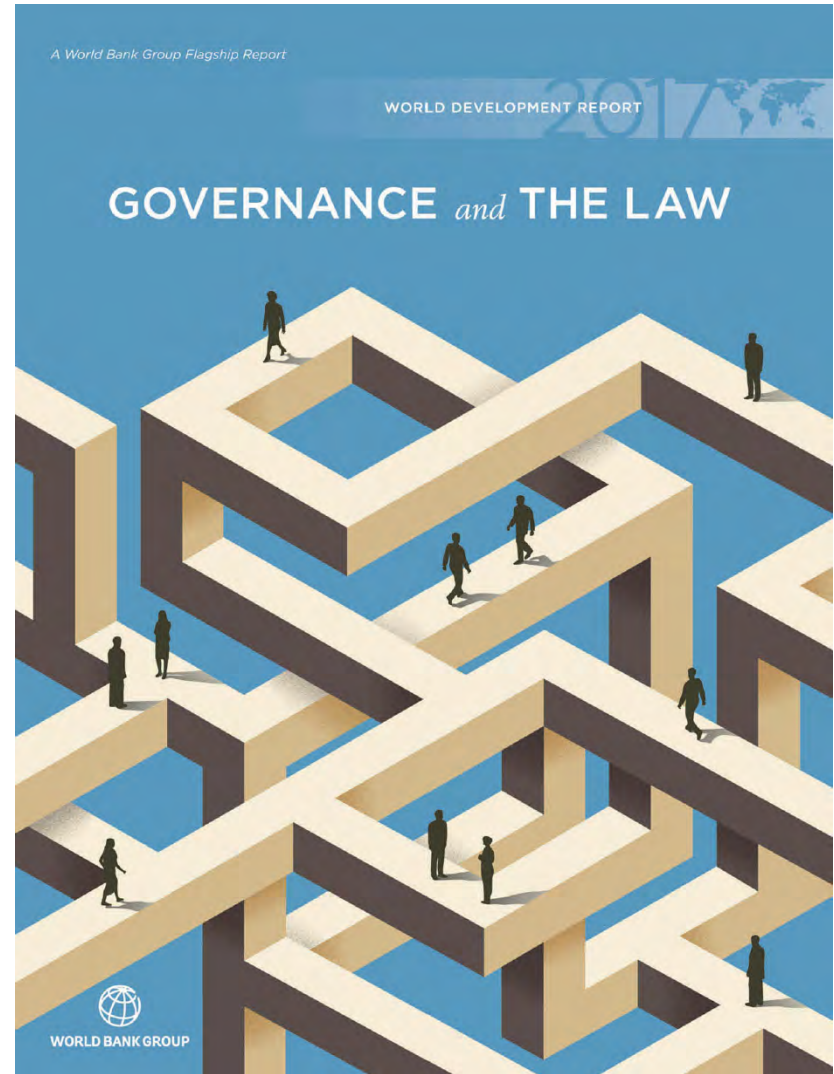
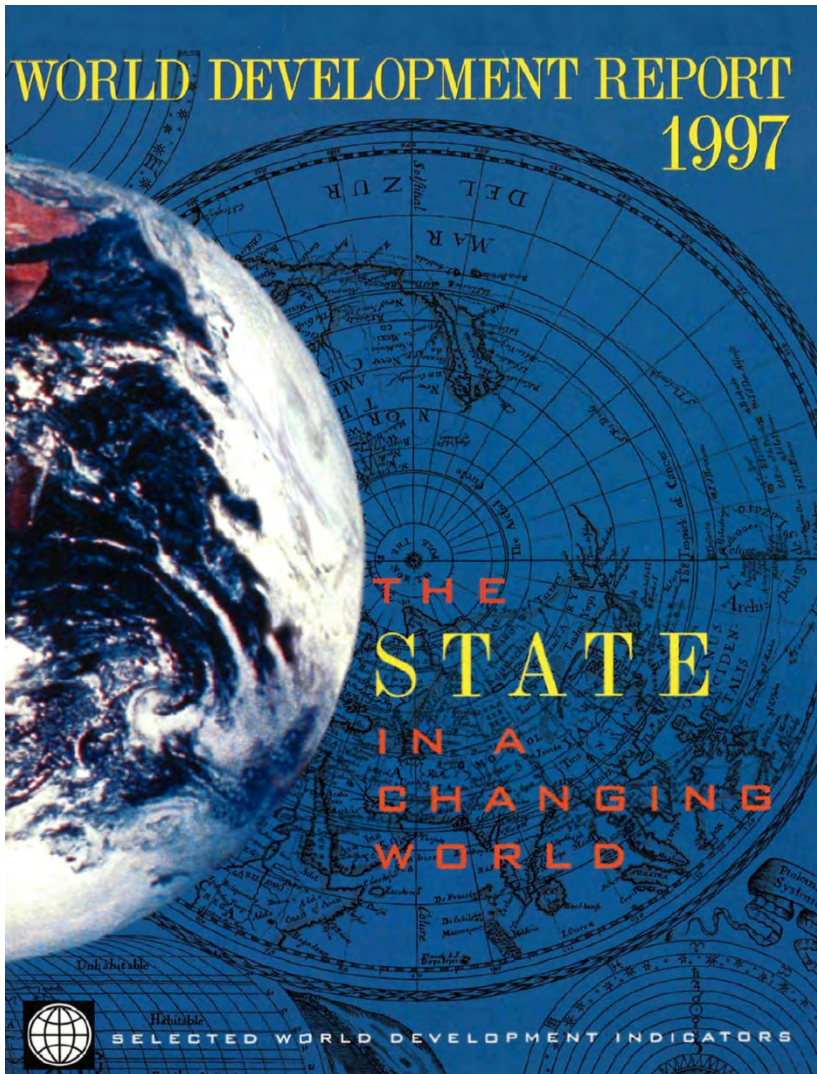
# One interesting experiment currently underway: Kenya's devolution

- Election violence in 2007/08 helped led to a new power sharing agreement
- A Constitutional convention led to a new set of formal rules providing for:
  - More checks and balances within the government
  - Larger role of Parliament
  - Independent judiciary
  - A progressive Bill of Rights
  - Devolution of some tax and spending to regions



IV. State building one step at a time

Recall that only recently have aid donors started thinking about “governance” reforms



The list of reforms became unhelpfully long and broad

Just another form of premature load bearing?

TABLE 1  
The Good Governance Agenda (Based on Items Referred to in *World Development Reports*)

	1997	1998	1999/2000	2000/2001	2001/2002	2002/2003
Characteristics of good governance <sup>a</sup>	18	17	16	19	21	25
Institutions for good governance <sup>b</sup>	8	11	10	17	21	21
Specific laws <sup>c</sup>	4	14	6	9	16	9
Specific policies <sup>d</sup>	6	10	13	20	22	20
Specific services <sup>e</sup>	7	17	12	22	11	20
Broad strategies for achieving specific goals <sup>f</sup>	2	9	9	19	9	21
Total	45	78	66	106	100	116

Examples of items listed:

<sup>a</sup>Good governance means: checks and balances in government, decentralization, efficient/equitable/independent judiciary, free press, sound regulatory system, etc.

<sup>b</sup>Institutions for: bank and finance regulation, civil service, market efficiency, managing decentralization, participation, transparent budgeting, etc.

<sup>c</sup>Laws for: trademark protection, enforcement of contracts, biodiversity, foreign investment, labor standards, intellectual property rights, etc.

<sup>d</sup>Policies about: land reform, land policy, capital markets, community development, downsizing bureaucracy, fisheries, insurance, social safety nets, etc.

<sup>e</sup>Services for: HIV/AIDS, communications, public transportation, safe water, legal aid for the poor, microcredit, targeted transfers, etc.

<sup>f</sup>Strategies for: asset creation for the poor, capacity building in the public sector, empowering the poor, engaging the poor, environmental protection, knowledge development, private sector development, etc.

Grindle, Merilee S. "Good enough governance: poverty reduction and reform in developing countries." *Governance* 17.4 (2004): 525-548.

# One approach taken by donors: Focus aid on on states with high quality public institutions and other demonstrated ability to use resources well

- e.g. The MCC
  - New US aid agency started in 2004 independent from State Dept and USAID
  - Countries must meet a set of policy indicators
  - Then in principle set their own plans and lead implementation
- In principle, gets incentives right
- But by definition this is not a solution for the world's fragile and slowest growing states



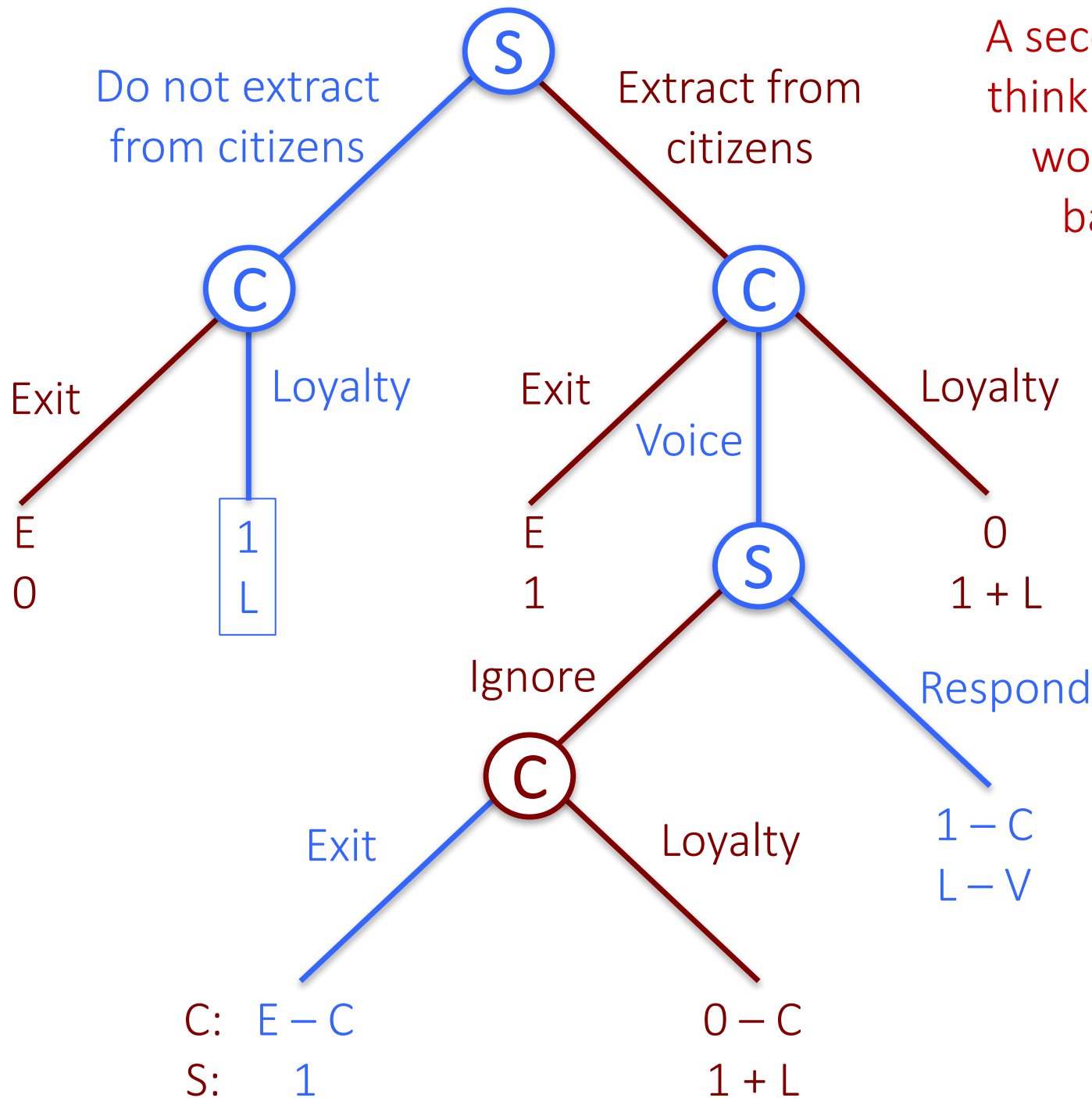
**MILLENNIUM**  
CHALLENGE CORPORATION  

---

**UNITED STATES OF AMERICA**



A second approach is to think about what forces would strengthen the bargaining power of citizens



# What measures might strengthen exit and voice among the citizenry?

## Some possible examples

- Support for tertiary education
- Encouraging (temporary?) migration
  - New ideas
  - Remittances
- Encouraging local tax collection and public goods provision
  - This is rare
  - Closest we see are “community driven development” or CDD programs that have local communities determine how to spend aid grants
  - Randomized trials suggest that these have little persistent effect on local capacity, but a one-time grant decision is different than ongoing taxation/spending authority

# A final approach is to try to directly reform states

Blum & Rogger 2016

- The World Bank has supported many hundreds of large projects aimed at public sector reform in poor and fragile states, e.g.
  - Centralized systems of public employment and payroll control
  - Promoting merit-based civil services through pay and grading reforms
  - Developing procurement and payment systems
  - Capacity building through training
- It's difficult to say how effective these efforts are, especially in poorer and more fragile states
- So how to do this well?

## Some principles for building state capability, incrementally

1. Many of the institutions we think of as precursors for order and development emerged relatively late
2. State capacity takes a very, very long time to develop
3. States should be strategic in how they spend their limited capacity
4. Some state functions are amenable to best practices, but solutions to the hardest problems cannot be imported
5. Don't forget that elites have incentives to stymie or capture reforms

# 1. Many of the institutions we think of as precursors for order and development emerged relatively late

- Centralized municipal police departments do not emerge in US and UK until the mid and late 19<sup>th</sup> century
  - Prior to this police were largely community volunteers
  - In the US South, police had their origins in slave patrols
- These bureaucratic structures appeared once they were demanded by citizens and cities could form and support them

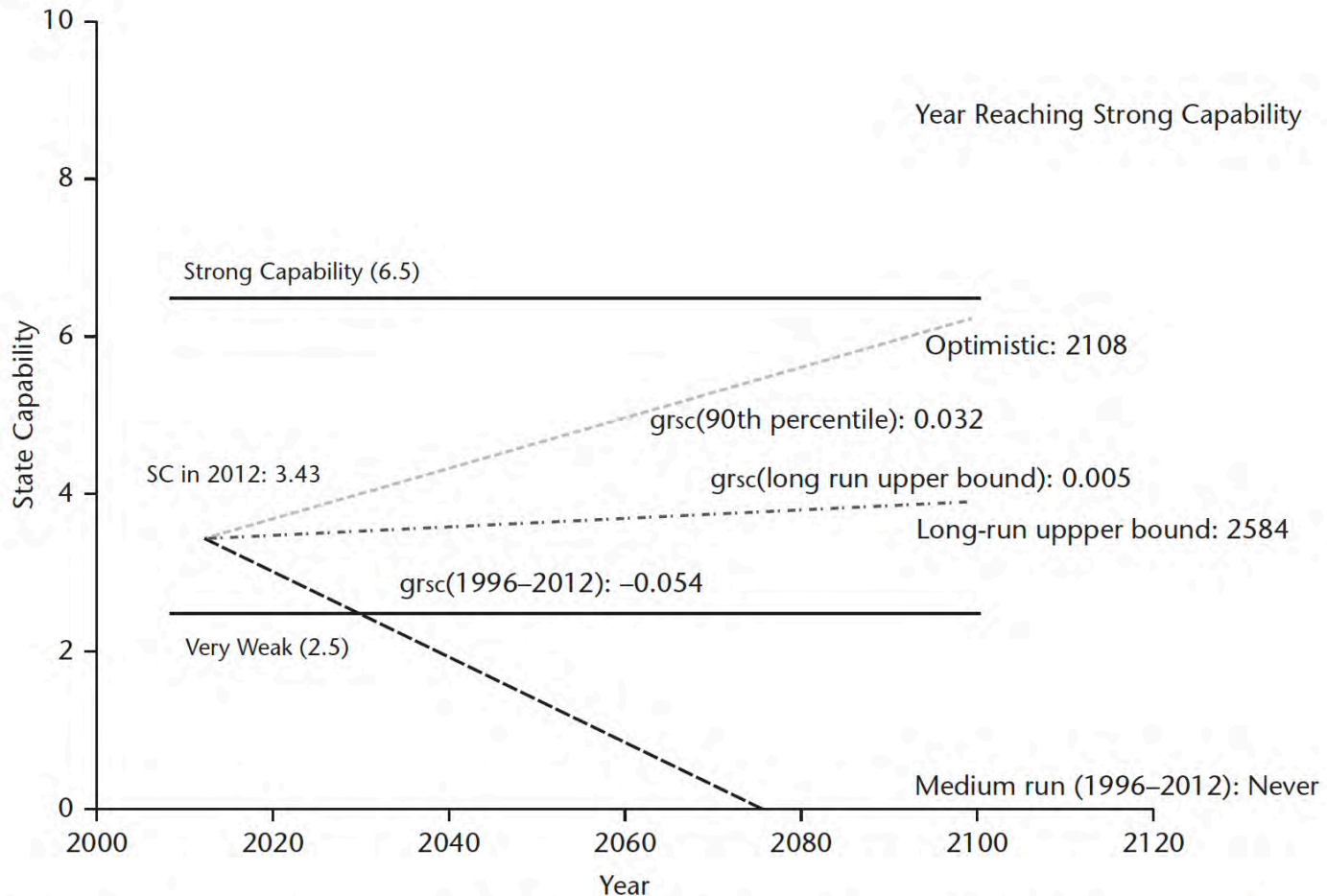


Manchester police, 1840s

# In today's rich countries, many state capabilities arose as a consequence of development

- “Good governance” emerged slowly and haltingly in today's developed countries and was often the work of generations
- Some examples:
  - Universal male suffrage did not emerge until the 20th century
  - Bureaucracies were corrupt and for sale
  - Judges didn't necessarily know the law
  - In 1820, the UK was slightly more developed than India today but it did not have many of the things India has: universal suffrage, a central bank, income tax, corporate law, etc
- In general we don't know much about timing and sequencing

## 2. Historically, state capacity has taken a very, very long time to develop



**Figure 1.2.** Alternative scenarios for the evolution of state capacity in Guatemala

Donor nations tend to underestimate how long changes in state and institutional development can take





### 3. Never forget these are limited access orders

- Blum and Rogger (2016) review attempts to reform the civil service in post-conflict countries
- They note how in Afghanistan, South Sudan, and other places, ministries and the ability to appoint public servants were given as spoils to armed factions as part of a peace bargain
- Public employment is a powerful patrimonial tool commonly used in even fairly sophisticated states
- As a result, reforms that try to professionalize the bureaucracy or promote merit-based appointments and pay will encounter resistance from elites
- Reforms that ignore this bargaining and patrimonial incentives will be less likely to succeed
- The real question of reforms should be: how to improve professionalism and meritocracy on the margin?

## 4. States need to be strategic in how they spend their limited capacity

- What would happen if governments and donors began to treat state capability as the scarce resource and the binding constraint on development?
- One answer might be to focus on function only the state can perform, such as order, justice, taxation and some public goods
- Another would be to provoke a discussion about outsourcing non-strategic, non-essential functions
  - What can be provided by NGOs? The private sector?
  - What reforms can wait a decade and which are urgent
- This is a wholly different motivation for “privatization”
  - Based on capacity of a very weak state, not any inherent inefficiency
- Currently the opposite is true: donors worry about building parallel systems for running social services through NGOs

# A highly controversial example: Bridge International Academies in Kenya, Liberia

- Hyper low cost private schooling where teachers teach by rote/tablet
- In theory, intended to give parents an alternative choice
- In Liberia, government has decided to run some public schools via this model
- To some the idea is abhorrent, but this assumes the Liberian state is capable of delivering public schooling
- In Liberia, this might be undermined if Bridge gets a de facto local monopoly—a big problem
- But this kind of experimentation with private and non-profit channels seems like a good idea for a weak state



5. Some state functions are amenable to best practices,  
but solutions to the hardest problems cannot be imported

e.g. The “2017 problem”

Andres, Pritchett & Woolcock (2015)



**Figure 6.1.** How would you get from St Louis to Los Angeles in 2015?




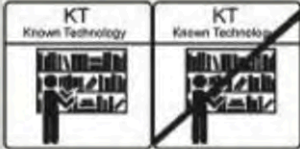
Source: Google Maps

## The “1804 problem”



**Figure 6.2.** How would you get to the west coast from St Louis in 1804?

# What characteristics of a task make it more like a 2017 versus an 1804 problem?

Is your activity...		Does producing successful outcomes from your activity....
Transaction intensive?		Require many agents to act or few
Locally discretionary?		Require that the implementing agents make finely based distinctions about the "state of the world"? Are these distinctions difficult for a third party to assess?
Service or imposition of obligation		Do the people in direct contact with your agents want or not want the agent to succeed?
Based on a known technology		Is there an accepted handbook or body of knowledge for doing what you are trying to do or will this require innovation (not just context)

**Figure 5.1.** Four key analytic questions about an activity to classify the capability needed

# What kind of state capabilities are demanded by different types of tasks?

Complexity and degree of capability required ↓

		Examples	
		Health	Finance
Policy making/elite services		Iodization of salt	Monetary policy
Logistics		Vaccinations	Payment systems
Implementation intensive service delivery		Curative care	Loans
Implementation intensive imposition of obligations		Regulation of private providers	Regulation of private providers
Wicked hard		Preventative health	Equity financing of start-ups

**Figure 5.2.** The five types of activities that have different capability needs in implementation

## Andrews et al: Most reforms and policies have a mix of 2017 problems and 1804 problems

- The well mapped, predictable, routine 2017 problems are more easily solved and more amenable to best practices
- The less certain, idiosyncratic, and difficult 1804 problems are not amenable to importing best practices
  - Indeed, importing best practices could make the situation worse
- These require persistent experimentation (in the general sense, not randomized control trials!)