Folk and the Formula – pathways to capable states

15.00–17.00
27 September 2012
House of Nobility / Ritarihuone
Ritarikatu 1, Helsinki

www.wider.unu.edu
The Folk and the Formula: Fact and Fiction in Development

16th Annual WIDER Lecture
September 27th
Helsinki
Lant Pritchett
Senior Fellow, Center Global Development and Professor, Harvard Kennedy School (on leave)
Sometimes we all know what we are talking about...

Here is one horse

Here are two horses
Sometimes we don’t…

This is a “Behavioral Health Institute”

Is it what it says it is?

- What is “behavioral health”?
- What is an “institute”?
- (and if they really do care why do they feel they have to say so?)
State power creates administrative facts—it is what they say it is, even—and perhaps especially—when it isn’t

Fact and Fiction

- Why does it have barbed wire coiled on the top of a tall fence?
- Why is there a double fenced single entry locked gate?
- Why did a law enforcement officer threaten to arrest me—in New Mexico USA—for taking a picture just like this one?
- Oh, I get it,
Drivers’ licenses in Delhi
Attendance of ANMs in Rajasthan
Financial Management in Africa
Rice allocation in Indonesia

A joke and four stories
“State capability for policy implementation” measures the degree to which the state can systematically induce agents in organizations (public, quasi, or private) to implement state determine policy

Many countries in the world have extremely weak state capability—hence administrative fact is complete fiction

“Accelerated modernization through transplantation” has failed to deliver state capability

Strategies to build capability from failure are even harder than building from scratch

A new approach to building state capability—reconnecting the “folk” practices (inside and outside organizations) to the “formula” of government
• Capability is “can you get stuff done?”

• Most states in the world can’t do stuff, but say they do anyway, so fact is fiction

• If capability were really coming to the party it would be here by now

• The second jump across the chasm is much harder than the first jump because on the second jump you cannot jump because you are at the bottom and your legs are broken.

• Success builds capability (and not vice versa) so to build capability, solve problems.

A pithier roadmap to the presentation...
A roadmap to the presentation in a single metaphor (folk is the roots, formal is the tree)

- Trees are intended to produce fruit
- Some are not producing fruit
- Transplantation of trees with inadequate roots has not worked to create an orchard
- Once a tree is dead getting fruit is hard but it still takes up space in the orchard
- Trees have to have generate root systems to produce fruit
Section I: Capability is: Can you get stuff done?
A policy formula is a mapping from factual conditions about the world (domain) to actions by an authorized agent of the state (range) that has intended outputs leading to outcomes.
<table>
<thead>
<tr>
<th>Example</th>
<th>Relevant empirically contingent facts (Domain of policy formula)</th>
<th>Action specified by policy formula (Range of policy formula)</th>
<th>Expressed policy objective(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi Drivers Licenses</td>
<td>Can the license applicant safely operate a motor vehicle?</td>
<td>If yes, grant the license. If no, reject.</td>
<td>Limit the number of unsafe drivers on the streets to promote traffic safety.</td>
</tr>
<tr>
<td>Auxiliary Nurse Midwives in Rajasthan</td>
<td>Is it my shift time on a “clinic day”?</td>
<td>Be physically present at specified times</td>
<td>Promote the health (particular of women and children)</td>
</tr>
<tr>
<td>Subsidized rice program (OPK) in Indonesia</td>
<td>Is the household on the eligibility list?</td>
<td>Sell the allotted ration of rice at the subsidized price to eligible households</td>
<td>Mitigate the consequences of the crisis on the poor.</td>
</tr>
<tr>
<td>Computerized procurement procedures in M</td>
<td>Has expenditure followed the proscribed process of bidding?</td>
<td>Disburse against appropriate claims</td>
<td>Use public resources well.</td>
</tr>
</tbody>
</table>
Agents of organizations responsible for policy implementation are (usually) human beings and make choices influenced by lots of things besides the policy formula.
Three benefits of the abstraction of “policy formula” as mapping?

1. Measuring “state capability” in some spaces requires being able to match actions of agents to facts—which is precisely what organizations prevent.

2. Organizations with weak capability declare the facts to be what they want to rationalize the action they took—so administrative facts are a kind of fiction (section II).

3. The analytical character of the “facts” on which policy implementation needs to act is key to organization design.
<table>
<thead>
<tr>
<th>Levels of capability</th>
<th>Actions by agents</th>
<th>Outputs (service delivery or imposition of obligations)</th>
<th>Outcome for Client/citizens (well-being and/or satisfaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideal</td>
<td>Agents do the best possible thing</td>
<td>Best outcome, conditional on resources</td>
<td>Best possible</td>
</tr>
<tr>
<td>Policy Compliant</td>
<td>Agents do what is dictated by formula</td>
<td>Output if formula is followed</td>
<td>Outcome conditional on output</td>
</tr>
<tr>
<td>Actual (can be above or below policy compliant)</td>
<td>Agents choose</td>
<td>Actual output when agents choose</td>
<td>Citizens both (a) influence and (b) cope with agent choices</td>
</tr>
<tr>
<td>Zero</td>
<td>No agents</td>
<td>No state organization</td>
<td>Same as if no state organization existed</td>
</tr>
<tr>
<td>Worse than nothing</td>
<td>Agents use power to extract</td>
<td>Coercion or rent extraction</td>
<td>Worse off than with no state</td>
</tr>
</tbody>
</table>
• The ideal action of the doctor depends on the facts about the patient—so one would not just need to observe what the doctor did but know whether what he did was the right thing, given the facts (including whether he/she generated the right facts)

• While some actions are not “contingent” (e.g. being in attendance, not taking a bribe) and some are pure process (e.g. were three bids solicited) others require expertise to know if the right action was taken to assess capability

What would you need to measure actual capability of a doctor in a curative care clinic?
The capability of the public clinics in Rural Madhya Pradesh (India) is much less than it appears because doctors don’t do what they should do and could do.
Section II: With Weak Implementation
Administrative Fact is Fiction
In the process of policy implementation very often the same organization both declares the “facts” (e.g. who passed the driver’s license exam, who is eligible for rice) and the “action” (who gets the rice)

This creates a powerful incentive to make the two match by changing the facts to fit the action (e.g. either reporting that those who got the license took the test or that those who were eligible got the rice)
Three examples of “administrative fact” as fiction

- Nurses in Rajasthan, India
- Taxation in Cameroon
- Comparing legal and reported compliance times for regulation across countries
During the course of the field experiment to motivate nurses to attend their clinics in Rajasthan...

But “presence” went down too

“Absence” went down

“Exemptions” went up—fiction replaced fact

Source: Banerjee et al 2008, *Putting Band-aids on a Corpse*, adapted from Figure 3

Trying to change the facts changed the fiction
Firms that don’t pay taxes do pay tax officials—they are in the tax net but pass through the holes.
With weak capability for enforcement the rules don’t really matter—it is a deals world

For my friends, anything...

<table>
<thead>
<tr>
<th></th>
<th>DB days</th>
<th>Days for fast firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>191</td>
<td>30</td>
</tr>
<tr>
<td>Guatemala</td>
<td>286</td>
<td>15</td>
</tr>
<tr>
<td>Brazil</td>
<td>411</td>
<td>20</td>
</tr>
</tbody>
</table>

With weak capability for enforcement the rules don’t really matter—it is a deals world.

For my enemies, the law.

<table>
<thead>
<tr>
<th>Country</th>
<th>DB days</th>
<th>Days for slow firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>191</td>
<td>303</td>
</tr>
<tr>
<td>Guatemala</td>
<td>286</td>
<td>150</td>
</tr>
<tr>
<td>Brazil</td>
<td>411</td>
<td>180</td>
</tr>
</tbody>
</table>

Section III: If state capability were coming to the party it would be here by now
The very word “development” implies a natural progression
Timeline

1870

First World

Four Fold Modernization of the then Leaders

Each Country in its own unique trajectory (economy, polity, state, society)—embedded in global system in distinct ways

Third World

Second World

(Extended)

Soviet Empire)

Cold War

WWII

1969

1989

Today

Consolidation of Modernization

Development as Accelerated Four Fold Modernization

Post Modern (post-materialist, Deeper democracy, post-Weberian, Deeper Equality)

Four Fold Success (e.g. S. Korea, Chile, Turkey)

Mixed Modernizations (see next)

Fourth Fold Failure (e.g. Somalia, Haiti, DRC, Myanmar)
The idea of “accelerated modernization”: it is easier to catch up than lead

- You don’t have to “reinvent the wheel”
- There are models of demonstrated success from which you can learn
- Adopting a proven idea is easier than having to innovate a new one
What is the real capability for implementation of your nation-state today?
Delivering the mail (literally)—tested effectiveness of post office in 157 countries

Percent of 10 misaddressed letters coming back to USA within 90 days

- Lowest 25 countries: Includes not just Somalia and Myanmar but Tanzania, Ghana, Nigeria, Egypt, Russia, Mongolia, Cambodia, Honduras, Fiji, etc.
- Lowest quartile: 9.2%
- Third quartile by income: 30%
- Second quartile by income: 43%
- Top quartile by income: 60%
- Colombia: 90%
- Uruguay: 90%
- Finland: 90%
- Czech Republic: 100%

At historical trajectories many countries would take millennia to reach Singapore’s capability.

At the pace Haiti has progressed since its independence in 1806 (not far) it would take over 2,000 years to reach Singapore’s level of capability (not a prediction, a mechanical extension).
## Growth in state capability in last 10 years

<table>
<thead>
<tr>
<th>Level of State Capability (0 to 10 scale)</th>
<th>Falling</th>
<th>Stagnating</th>
<th>Rising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 0.00 annual growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 0.00 but below 0.05 annual growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 0.05 annual growth</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### High (above 6.5)

- **Codes**: BRN, MLT, SGP
- **Muddle in the Middle**: BHS, CHL, ISR, KOR, TWN

### Medium (above 4, below 6.5)

- **Codes**: ARG, BGD, BGR, BHR, BOL, BRA, CRI, CUB, ECU, EGY, GHA, GIN, GMB, GUY, HUN, INDIA, IRN, JAM, JOR, LKA, MAR, MDG, MNG, MWI, MYS, NIC, OMN, PAK, PAN, PER, PHL, POL, QAT, ROM, SUR, SYR, THA, TTO, TUN, UGA, URY, ZAF
- **Capability Successes (high or rising)**: AGO, ARE, BWA, CHN, CMR, DZA, ETH, KWT, LBN, MEX, SAU, VNM, ZMB
- **F-states (failed, failing, fractured, fragile)**: COL, IDN, TUR, TZA

### Low (Below 4)

- **Codes**: BFA, CIV, COG, DOM, GAB, GTM, HND, HTI, KEN, LBY, MLI, MOZ, PNG, PRK, PRY, SEN, SLE, SLV, SOM, TGO, VEN, ZAR, ZWE
- **Capability Successes (high or rising)**: ALB, IRQ, MMR, NGA, SDN
- **F-states (failed, failing, fractured, fragile)**: GNB, LBR, MMR

### Source:
Folk versus Forumla calculations based on Quality of Government ratings.
The part of development that has gotten the least attention because it seemed the easiest and most obvious—turns out to be hard

- Building state capability was just taking successful organizations (post offices, police forces, education systems, finance ministries) and transplanting them (or continuing the ones that were there)

- Why ‘reinvent the wheel’?

- But now we have many countries, like India, which are economically growing, politically democratic—but experiencing reversals in state capability
My hypothesis is that organizational capability requires:

<table>
<thead>
<tr>
<th>Strong internal folk culture of performance</th>
<th>Strong external folk culture of accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Successful formal organizations are <em>consolidations</em> of successful <em>practices</em> which grow organically out of a drive for performance and experiences</td>
<td>• Successful formal organizations grow out of roots grounded in folk practices of accountability (even if only limited in scope or to elites) and institutions are “scenes of conflict”</td>
</tr>
<tr>
<td>Theory/Paradigm</td>
<td>Strategy</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Institutions and organizations produce success and result in high state capability</td>
<td>Build successful institutions and organizations by transplanting the forms and structures of existing successful institutions (or continuation of colonial/adopted forms)</td>
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<tr>
<td>Institutions and organizations and state capability are the result of success and are the consolidation and reification of successful practices</td>
<td>Produce success at solving pressing problems the society faces in ways that can be consolidated into organizations and institutions</td>
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<td></td>
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</tr>
<tr>
<td>Is your activity...</td>
<td>Does producing successful outcomes from your policy...</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td><strong>TI</strong>: Transaction Intensive?</td>
<td>Require many agents to act or few?</td>
</tr>
<tr>
<td><strong>LD</strong>: Locally Discretionary?</td>
<td>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?</td>
</tr>
<tr>
<td><strong>KT</strong>: Based on Known Technology?</td>
<td>Require that agents innovate to achieve desired outcomes?</td>
</tr>
<tr>
<td><strong>HS</strong>: High Stakes?</td>
<td>Require that the agents resist large temptations to something besides implement the policy that would produce the desired outcome?</td>
</tr>
</tbody>
</table>
Summary of Classification of “activities” Using our Taxonomy

Implementation Light: Policy or Concentrated elite services
- TI
- LD
- HS
- KT

Logistics
- TI
- LD
- HS
- KT

Implementation Intensive Service Delivery Policy
- TI
- LD
- HS
- KT

Implementation Intensive Imposition of Obligation
- TI
- LD
- HS
- KT

Wicked Hard
- TI
- LD
- HS
- KT
When the private sector delivers the post, it does it exactly like a Weberian bureaucracy—large, top-down hierarchical, thin accountability controlled organizations.

Logistics is logistics:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>USPS</td>
<td>671,687</td>
</tr>
<tr>
<td>UPS</td>
<td>400,600</td>
</tr>
<tr>
<td>FedEx</td>
<td>245,109</td>
</tr>
</tbody>
</table>

In performance pressured eco-systems, organizational form is endogenous.
<table>
<thead>
<tr>
<th>Thin accountability</th>
<th>Accounting—objectively verifiable facts about actions and compliance with processes</th>
<th>Works for logistics—the “ideal” Weberian bureaucracy (e.g. delivering the mail)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thick accountability</td>
<td>The <em>account</em>—what is the justificatory narrative the agent tells that reconciles their actions with their identities—are you fulfilling your duties?</td>
<td>Is needed for “implementation intensive” (service delivery and imposition of obligations) and “Policy” and especially “wicked hard”</td>
</tr>
</tbody>
</table>

**Folk and the Formula: Thin and Thick Accountability**
<table>
<thead>
<tr>
<th>Activity</th>
<th>Internal folk culture of accountability</th>
<th>Embeddedness</th>
<th>External folk culture of accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy or concentrated elite</td>
<td>Elite status, duty as elites</td>
<td>Professional networks inside and outside public</td>
<td>Little pressure (too complex)</td>
</tr>
<tr>
<td>Logistics</td>
<td>Hierarchy, compliance culture—just doing our job</td>
<td>Respect for “officials” (e.g. post men)</td>
<td>Complaint if not process compliant (service delivery standards)</td>
</tr>
<tr>
<td>Implement Intensive SD</td>
<td>Professionalism</td>
<td>Professional networks</td>
<td>Thick—in proactive way</td>
</tr>
<tr>
<td>Implement Intensive IO</td>
<td>Professionalism</td>
<td>Professional networks</td>
<td>Thin—in defensive way</td>
</tr>
<tr>
<td>Wicked Hard</td>
<td>Innovators, pioneers, visionaries</td>
<td></td>
<td>Social Movement</td>
</tr>
</tbody>
</table>
Section IV:
The second jump at the chasm is harder
• Defensive camouflage of isomorphic mimicry provides survival value to dysfunctional organizations

• Internal Folk is the Organization of Cynicism

• External Folk is Coping

What to do when your first jump didn’t get you there?
Isomorphic Mimicry in Snakes

(Remember: Red and black, friend of Jack, Red and Yellow, Kill a Fellow)

Isomorphie mimicry in flies and in schools: When is a school just a building and not an education?

Camouflage of looking like a bee and not a fly is a survival strategy for a fly—without the bother of being poisonous.

Camouflage of looking like a school—buildings, teachers, kids in uniform—allows public schools to survive without all the bother of educating children.
• What is the *account* of....
  ◦ A doctor who doesn’t get off the phone when dealing with a patient presenting with chest pains (from rural MP study)
  ◦ A teacher who doesn’t smile at the students (much less laugh, joke, talk to them)
  ◦ A policeman who takes bribes from motorists?
  ◦ The bureaucrat who issues licenses without the compliance?

• Fixing the *accounting* cannot fix the *account*

**Organized cynicism**
Individuals cope with dysfunction in three ways:

a. Opting into alternative providers (rich good ones, the poor bad ones)

b. “Influence actions” (e.g. bribes, accommodations)

c. Opting out of services (and impositions) altogether
Who really wants “reform” once “fact is fiction and fiction is fact”? 

- Bureaucrats themselves? 
- Touts? 
- The rich? 
- The “middle class”? 
- The politicians?
Section V: A new approach to building capability
Problems cannot be solved by the same level of thinking that created them.

Albert Einstein
Four Principles of PDIA

1. Local Solutions for Local Problems
2. Pushing Problem Driven Positive Deviance
3. Try, Learn, Iterate, Adapt
4. Scale through Diffusion

This section is based on Andrews, Pritchett, Woolcock, 2012
Local Solutions for Local Problems

- What gets onto the agenda for action?

- Not “solution” driven (e.g. “raise qualifications of teacher”)

- Tackle a feasible (but important enough) problem

- Rigorous about goals in the output/outcome space (e.g. cleaner streets, numbers of new exports, growth of exports)
Examples of “problem driven”

- Malcolm Sparrow’s work on “policing” (a circularly defined input agenda of responding to calls and closing cases) versus “reducing crime” or “stopping open air drug sales”

- Matt Andrews work on PFM—countries did easy “budgeting” (a circularly defined input agenda) and badly on “expenditures” as it never affected the core of the organization and hence “solutions” could be implemented without touching problems

- Michael Woolcock on land titling—programs tore through the easy ones that did not matter (e.g. no disputes hence no uncertainty) but the system built for logistics foundered on the hard ones—which were the ones that mattered

- Pires (2009) on Brazilian Labor Department inspectors

- Chris Stone on handling rape reports in South Africa
Pushing Problem Driven Positive Deviation

- Authorize at least some agents to move from process to flexible and autonomous control to seek better results

- An “autonomy” for “performance accountability” swap (versus “process accountability”)

- Only works if the authorization is problem driven and measured and measurable...increase the ratio of “gale of creative destruction” to “idiot wind”
Design policy based on global “best practice”

Organizations & Agencies

Implement according to local constraints

Rent Seekers
Bureaucrats
Innovators

Policies include process barriers to prevent malfeasance

Process controls also prevent positive deviations

Space for Achievable Practice

Lower Outcome
Outcome
Higher Outcome
Design street cleaning program to allow local “Best Fit”

Internal authorization of positive deviation

Rent Seekers  Bureaucrats  Designated Innovators

Process Controls  Process Controls

Space for Achievable Practice

Policy Deviation

Feedback on Outcomes

Dirty Streets  Less-Dirty Streets  Cleaner Streets
Try, Learn, Iterate, Adapt: Only Learning is Learning

- Monitoring: mainly internal, about inputs and process controls (e.g. was budget spent against acceptable items in acceptable ways)

- Evaluation (of the Big E type): mainly ex post, able to focus on outcomes and outputs and tell “with and without” project...with a longish time lag for a specific element of the design space

- Experiential learning: Using the process of implementation itself to provide as tight as possible feedback loops on implementation

Pritchett and Samji 2012 (forthcoming)
## Only learning is learning

<table>
<thead>
<tr>
<th>Classifications</th>
<th>Learning model diffusion scale whatever</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation light policy (including elite concentrated services)</td>
<td>Professionalized best practice</td>
</tr>
<tr>
<td>Logistics</td>
<td>Top down (technologically imbedded)</td>
</tr>
<tr>
<td>Implementation Intensive Service Delivery</td>
<td>Horizontal diffusion in a community of practice</td>
</tr>
<tr>
<td>Implementation Intensive Imposition of Obligation</td>
<td>Horizontal diffusion in a community of practice</td>
</tr>
<tr>
<td>Wicked Hard</td>
<td>Leadership followed by move into IISD or IIIO above</td>
</tr>
<tr>
<td>Elements of approach</td>
<td>Mainstream Development Projects/Policies/Programs</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>What drives action?</td>
<td>Externally nominated problems or “solutions” in which deviation from “best practice” forms is itself defined as the problem</td>
</tr>
<tr>
<td>Planning for action</td>
<td>Lots of advance planning, articulating a plan of action, with implementation regarded as following the planned script.</td>
</tr>
<tr>
<td>Feedback loops</td>
<td>Monitoring (short loops, focused on disbursement and process compliance) and Evaluation (long feedback loop on outputs, maybe outcomes)</td>
</tr>
<tr>
<td>Plans for scaling up and diffusion of learning</td>
<td>Top-down—the head learns and leads, the rest follow and listen.</td>
</tr>
</tbody>
</table>
“Democracy”—no guarantee of success
“Transparency”—can work for logistics but cannot go beyond that
“Better evidence about what works”—sigh
“Training”—who is it that doesn’t know when it’s Tuesday?
“Capacity building”—from fiction you cannot build facts

The solutions people want to work, won’t work (especially form the bottom of the chasm)
A solution people don’t want—unleash the power of folk solutions (internal and external) at the local scale to create a virtuous circle the *culminates* in strong organizations

(solutions they do want are more inputs, more training, more solutions (“next generation”, more externally defined problems, more cocooning)

For a problem they won’t admit they have (creating administrative fictions to avoid admitting the capability isn’t there)

**Conclusion:** Incrementally strategic bottom-up approach
THANK YOU

For more examples and papers, please visit our Building State Capability Program Center for International Development at Harvard University

http://www.hks.harvard.edu/centers/cid/programs/building_state_capability