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LANT PRITCHETT

Folk and the Formula

Fact and Fiction in Development



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Foreword

The 16th WIDER Annual Lecture was given by Professor Lant Pritchett at the impressive House of Nobility in Helsinki, in September 2012, under the enticing title 'Folk and the Formula: Pathways to Capable States'. The WIDER Annual Lectures are given once a year by distinguished scholars in the development field, and we were delighted when Lant Pritchett accepted our invitation to share his insightful work on state capability. His point of departure is that many developing countries continue to lack the capability to carry out even basic state functions – functions such as security, formulating effective policies, delivering the mail, educating children, enforcing the law, and collecting taxes. Indeed, enhancing state capability is a crucial long-term development challenge.

Lant Pritchett's key line of argument in this lecture is that if the current formula that development agencies rely on for building state capability was sound, it should have worked by now. Moreover, success in building state capability typically comes from a struggle to replace bad institutions with good ('folk') practices based on learning from experience – rather than from imposing a rigid formula unsuited to the local conditions.

Accordingly, the illuminating search light of Lant Pritchett is put on the practice of systemic isomorphic mimicry, wherein the outward forms (appearances, structures) of functional states and organizations elsewhere are adopted to camouflage a persistent lack of function; and on indigenous learning and knowledge, which are often undercut by the routine placement of highly unrealistic expectations on fledging systems. The result is a fascinating journey into complex issues at the heart of the continued struggle for socioeconomic transformation and development.

I wish to express my sincere thanks to Lant for coming to Helsinki to communicate in person his influential research. I am confident that researchers and policy makers, as well as development practitioners and interested laypersons more broadly, will find this lecture publication a most absorbing and illuminating read.

**Finn Tarp, Director
UNU-WIDER, Helsinki**



Author's acknowledgments

This publication is the write up of the 16th WIDER Annual Lecture which I delivered in Helsinki, Finland, on 27th September 2012. I would like to thank Finn Tarp, the Director of UNU-WIDER, for the invitation that provoked this provocation. This is a lecture, not a literature review, and so I apologise in advance for the otherwise unseemly degree of self-citation. As an economist, I would like to thank my various non-economist collaborators over the years: Scott Guggenheim, an anthropologist, Michael Woolcock, a sociologist, Matt Andrews, a public administration specialist, Deepa Narayan, a development psychologist, Diane Tueller Pritchett, a political scientist and music teacher. I would also like to thank seminar participants at Harvard Kennedy School, NYU, and IFMR for presentations that clarified more for me than for them, and Hunt Allcott, Owen Barder, and Bill Easterly for specific insights.

Lant Pritchett
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About the author

Lant Pritchett is Professor of the Practice of Economic Development at the Harvard Kennedy School at Harvard University (on leave). He graduated from Brigham Young University in 1983 with a BSc in Economics, and in 1988 from MIT with a PhD in Economics.

He has authored (either alone or with one of his twenty-two co-authors) articles in development-related fields from economic growth to education to population to social capital to health to migration. Not that he keeps close track, but according to Google Scholar as of November 2012 his 215 articles therein had over 16,000 citations.

Lant has worked at the World Bank in both research and in operations, living and working in Indonesia (1998-2000) and India (2004-07). He was part of the team on many World Bank reports, including: *World Development Report 1994: Infrastructure for Development*; *Assessing Aid: What Works, What Doesn't, and Why* (1998); *World Development Report 2004: Making Services Work for Poor People*; *Economic Growth in the 1990s: Learning from a Decade of Reforms* (2005).

In addition, he has engaged with development in a variety of ways: as co-editor of the *Journal of Development Economics*, as a consultant to Google.org's development efforts, and has been Faculty Chair of the MPA/ID programme.

He is currently living in Chennai, India, with his wife, Diane, and is a Fellow at the Center for Global Development.

1

Introduction

Thus we have sacrificed what was ours but have not gained in its place anything that might be considered its equivalent; we have lost our world, but we have not entered another
Dewantara (Indonesian educator)

Let me start by telling about a joke. I travelled together with my research collaborator and friend Chandra Bhan Prasad to the field to 'ground truth' the results of our survey on the conditions of Dalits in Uttar Pradesh India.¹ We were chatting with a group of Dalits in a village that included a respected member of the Dalit community, who had been a teacher in a government middle school for decades (one of the first of his community to get an education and government job). He told the group a joke: 'You are travelling alone on a path through the jungle. Suddenly you come upon a snake and a government school teacher, what do you do?' Pause. 'You grab a stick and beat the teacher.' Uproarious, side-splitting laughter ensued. In response to my puzzled look our host explained, 'The snake is just a brute and doesn't know the harm it does when it bites, but the teacher, he knows better.' What is going in this part of the world that a joke about beating teachers with a stick is thought hilariously funny?

Four quick stories motivate the development problem of state capability I want to puzzle over.

1.1 First story

The official formula for getting a driver's license in New Delhi looks pretty much like anywhere else: one goes to a government office, proves various facts about personal eligibility, such as identity, age, vision and then demonstrates driving ability through a practical test, and then an authorized agent of the state issues you a legal authorization to operate a motor vehicle. But a recent study documented that the actual folk practice is to hire a tout – which is what 70 per cent of those that successfully obtained a license did (Marianne Bertrand et al. 2007). Why? Only 12 per cent who hired a tout actually took the legally required driving examination while 94 per cent of those that did not hire a tout had to take the practical road test. Those with a license who had hired a tout mostly could not drive: they were 38 percentage points more likely to fail an independent driving exam than those who got a license without hiring a tout. The folk practice of hiring touts meant the facts reported about who had taken the driving examination were a complete fiction.

1.2 Second story

A recent field experiment documented an attempt to raise the attendance of auxiliary nurse midwives (ANMs) in government health clinics in Rajasthan, India² (Banerjee, Duflo, and Glennerster 2008). A 'treatment' group of nurses were subject to a new policy that included better new time machines to record attendance, engagement of civil society in double checking the administrative records, clarified responsibilities for attendance on designated clinic days, and pay incentives for those ANMs who met attendance goals. Eighteen months into the experiment only one-third of the ANMs were physical present at the clinics on the designated clinic days – exactly the same for the treatment and control groups. But in the official records absences were recorded for only about 5 per cent of the days.

1.3 Third story

My colleague Matt Andrews, who studies public financial management, visited a country that had recently spent years implementing a new integrated financial management system (IFMS) for handling the procurement and accounting which was being touted as huge success. However, the reality was that the people responsible for budget execution actually followed roughly their same procedures, keep paper records roughly in the same way they always had, and only used the IFMS to request funds and report. The actual folk practices of financial management had not changed at all. The formal system was very impressive and could generate all kinds of sophisticated reports, but these reports did not correspond to the reality of how funds were managed.

LIST OF ACRONYMS AND ABBREVIATIONS

ANMs	auxiliary nurse midwives
GPS	Global Positioning System
IFMS	integrated financial management system
IAS	Indian Administrative Service
IITs	Indian Institutes of Technology
LTfQ	less than fully qualified
MBBS	Bachelor of Medicine and Bachelor of Surgery
OECD	Organization for Economic Co-operation and Development
PDIA	problem-driven iterative adaptation
PFM	public financial management
QoG	Quality of Government index from Quality of Government Institute (Sweden)

1.4 Fourth story

A fourth narrative comes from my own experience working in Indonesia during the economic crisis in 1998. During the crisis the government launched a 'safety net' programme to sell a ration of subsidized rice to eligible households (this programme was supported financially by a loan from the World Bank for which I was working at the time). Each village received from the logistics agency an amount of rice each month determined by the number of households who were on the eligibility list in their village. The elected village head was then responsible for selling the rice to the eligible households at the subsidized price and paying the logistics agency. Since the programme was financially supported by the World Bank the government provided very detailed reports of the number of households receiving the rice, aggregated up from village, to district to state to the national level, and very quickly nearly all eligible households were reported as receiving the full ration of rice each month.³

I knew of course that these reports were a complete and total fiction so I went on a World Bank 'supervision' mission. I flew to one state of Indonesia and asked the programme officials, 'Are the reports accurate?' 'Yes, completely' was the response. From the map I chose a village whose rice allocation was in the report at random (of those a few hours from the state capital) and said 'Let's go there'. We climbed in our cars go from the state capital to the district capital, where we acquired another couple of carloads of district officials, again who reassure me the reports are completely accurate. We arrive with our impressive caravan in a cloud of dust in the middle of the chosen village and the village head is summoned. I show him the report for his village showing *N* eligible households getting the full ration of rice and ask, 'Is the report accurate?' and am assured that yes of course the report is accurate. All I do is then say to the village head, 'In other villages people feel it isn't fair that only certain households get all of the rice when in the past all have shared in the required work and they share the rice more equally, does that happen in your village?' The village head responds that of course the rice does not go only to the eligible households, that many households in the village that are not on the eligibility list are also suffering from the crisis and that the village would 'tear him to pieces' if he tried to give it only to those on the eligibility list (which was not particularly well regarded as an accurate reflection of who was poor or deserving). The village had worked out that the eligible (who were about a third of the village) would get half the amount they were entitled to by the programme and that the other half would go in equal shares to all other households in the village.

I asked the assembled group of state, district, and village officials why they had been assuring me the administrative reports were accurate when in fact what they were doing was perfectly reasonable (and probably, as we will see below, wiser than implementing the programme as designed). The answer, given with strikingly little chagrin at being caught out telling fiction, was simple, 'You are from the World Bank, you have never wanted to hear the truth before.'

This collection of anecdotes illuminates a deep and pervasive problem: most states in the developing world lack the capability to implement even the most basic functions of government. This lack of implementation capability creates a world in which policy formula have little to do with the folk reality – either the lived reality of those inside governmental organizations, or the lived reality of citizens interacting with the state. With weak implementation capability administrative facts – who took an exam, who was present at a clinic, how procurement happened, who got rice – are merely an elaborately maintained fiction.

The current question is not *what* governments should do – everyone agrees governments are responsible for delivering the mail and building infrastructure and education and enforcing the law – but *how* the state (whether directly through its own organizations or indirectly by encouraging others) can do what it sets out to do. How do states acquire the capability to implement the policies they adopt?

The current paradigm in building state capability is that success in the creation of the *forms* of capable organizations will create successful functions and that 'best practice' can be transplanted. I argue this is exactly backwards. Successful formal organizations and institutions are the result – not the cause – of success. Capability in formal organizations is, more often than not, the consolidation of successful folk practices, which are already the norm, into formal processes. If my view is correct, the challenge is not to create successful organizations but rather to create successes.

¹ The results of our study on the changes in social conditions for Dalits can be found in Kapur, Prasad, Pritchett, and Babu (2010).

² Many of these stories and evidence I use come from India. This is in part because I live there and in part because there is lots of detailed research going on there, but examples from India are fortuitously clarifying, in three ways. One, it makes it clear I am not talking about 'governance' as a lack of democracy as India has plenty of democracy – always has. Second, it makes it clear the development problems I am talking about are not the result of 'foreign aid'. Third, it makes it clear I am not talking about problems of the worst failed or conflict states as on cross-national comparisons of state capability India is usually in the top half of countries.

³ Much more description about the operation of this and other crisis 'safety net' programmes in Indonesia can be found in Pritchett, Sumarto, and Suryahadi (2002). Documentation of the deviation in allocations in the rice programme and its determinants are explored in Olken et al. (2001).

2

State capability for policy implementation: what it is

A recent paper (Chong et al. 2012) implemented a simple and ingenious objective measure of one concrete element of government capability – delivering the mail. All countries in their study are signatories to the Universal Postal Union convention which, among other things, stipulates that misaddressed international letters are to be returned to the sending country within 30 days. These researchers mailed ten different letters from the USA to fictitious addresses in 157 countries and then recorded how long it took for the misaddressed letters to come back. In well-functioning countries – like Finland, or Norway – all the letters came back eventually and 90 per cent had come back within 90 days. In contrast, in 25 countries no letters came back within 90 days and in 16 countries no letters came back at all. In the worst-performing half of countries less than 20 per cent of letters came back within 90 days. All countries have something that *looks like* a postal system with a bureaucratic organization that has an organizational chart with hierarchy and has buildings and offices and postal workers. But these organizations have wildly different capabilities to do what they propose to do. ⁴

Here, using Table 1, I lay out some definitions about what I want to talk about: *state capability for policy implementation*. ⁵

TABLE 1:
Illustrations of elements of policy formula from ‘facts’ to ‘actions by an agent’ using the five examples above

Example (above)	Relevant policy formula based on contingent ‘facts about the world’	Action specified by policy formula (maps from facts to actions)	Expressed policy objective(s)
Delhi drivers’ licenses	Can the license applicant safely operate a motor vehicle?	If yes, grant the license. If no, reject	Limit the number of unsafe drivers on the streets to promote traffic safety
Auxiliary nurse midwives in Rajasthan	Is it my shift time on a ‘clinic day’?	Be physically present at specified times	Promote the health (particular of women and children)
Subsidized rice programme (OPK) in Indonesia	Is the household on the eligibility list?	Sell the allotted ration of rice at the subsidized price to eligible households	Mitigate the consequences of the crisis on the poor
Computerized procurement procedures	Has expenditure followed the proscribed process of bidding?	Disburse against appropriate claims	Use public resources well
Postal service	Does the address on the envelope exist?	Return to sender	Reliable mail service

Source: Author’s compilation.

A public policy has a policy formula that maps from *facts* about the world into *actions* by an agent of the state. These fact-contingent actions by the agents of the state are intended to achieve a *declared policy objective*. The four stories above illustrate what the ‘facts of the world’ could be (e.g. ‘can a person drive?’), and what the ‘actions of the agent’ are (e.g., either reject the application if the person cannot drive or grant a license if they can) and what ‘declared policy objectives’ are (e.g., safer driving).

The state capability for service delivery is the aggregation of the capability of the organizations acting at the behest of the state (which themselves could be public or private) to provide the service.⁶

The capability of a given organization (e.g. education ministry, central bank, public hospital) is determined by the decisions of the agents within the organization and the resources the organization deploys. Conceptually I define five benchmark levels of capability for service provision and/or imposition of obligations: *ideal*, *policy compliant*, *actual*, *zero*, and *worse*.

- *Ideal* means that the agents take the best possible action for service delivery outcomes available given the resources and responsive to the fact of the world (assuming perfect individual capacity to determine facts of the world and the possession of correct causal models about the relationship of action to output and outcome).
- *Policy compliant* means that agents do exactly and only what the policy formula dictates. Agents give drivers’ licenses when, and only when, the fact of the world meets the policy formula conditions for a driver’s license. Policy compliant organizational capability can be much less than ideal if either (a) the policy formula is less than *ideal* (or just plain wrong), or (b) the activity requires agents to take initiative as the right action cannot be stipulated. For instance, in education it is hard to believe that a policy could dictate exactly what teachers should do such that a ‘policy compliant’ outcome would actually be a desirable educational experience.
- *Actual* capability is what happens in practice when agents make their own decisions. Actual capability can be higher or lower than ‘policy compliant’. In most successful organizations actual capability is higher than ‘policy compliant’ and ‘work to rule’ is a threat whereas in low-capability environments ‘work to rule’ would be a massive improvement.
- *Zero* capability is what happens if there is no organization at all.
- *Worse* is a possibility because the state, in the very definition of being the state, has the ability to coerce. Organizations of the state can use power to exploit their own citizens and through imposition of obligations with no corresponding benefits make them absolutely worse off.⁷

⁴ The letter was just a letter – nothing valuable was inside – so this was not corruption in the usual sense, just malfeasance.

⁵ These definitions are in part to distinguish what I do want to talk about from three things that you might think I am talking about but which I don’t want to talk about (yet): (a) ‘governance’ which is a broader concept as it typically includes elements of the polity and how it is decided who decides what the state is going to try and do, (b) ‘institutions’ which is a broader concept as it includes norms and practices outside of the sphere of the public sector or government (e.g. marriage is an institution), and (c) ‘corruption’ which, I will argue below, is often just one symptom of weak capability.

⁶ Although I am talking about ‘state capability’ I am agnostic about whether the actual services are in the private sector or public sector. One can have a high capability for service delivery with private (for profit or not for profit) working with state financing – but this requires the capability for contracting out the service to those private providers. For instance, countries can have high capability for road construction when all the construction is actually done by private contractors – but only if the state has the capability for contracting.

⁷ Leeson (2007), for instance, argues that the typical Somali may well have been better off without any state than with the predatory state they had. Scott (2009) discusses how people in Southeast Asia have actively avoided being governed as anarchy was preferable to the predatory states that were available.

TABLE 2: Conceptual illustration of organizational capability for implementation

States of the world	Actions by agents of the state (service provider) inside an organization (agents $j=1,...,J$ inside organization M)	Outcome for affected citizens (with optimal influence on and optimal response to) actions of service providers (affected citizens $k=1,...,K$)
Ideal Capability		
Full facts of the world Ω	Optimal action chosen by service provider to pursue policy objective for affected citizens conditional on resources and all available information $SDO^{M,ideal}(A^{j,M*}(\Omega,R),R)$ $A^{j,M*} = \underset{A^j \in A(\Omega,R)}{\text{Max}} SDO^M()$	Citizens choose their ‘coping’ actions (C) to respond to the service delivery outcomes available from the official organizations—this may include private providers, doing without, etc. $SWF(WB^k(y^k, SDO^k(SDO^{M,ideal}, C^{k*})))$ $C^{k*} = \underset{C^k \in C(SDO^M, y^k)}{\text{Max}} WB^k()$
Policy Compliant Capability		
Policy relevant states of the world Ω_{PR} $\subset \Omega$	Action chosen by service provider is that dictated by policy formula (conditional on resources) $SDO^{M,PC}(A^{j,PC}(R))$ $A^{j,PC} \xleftarrow{\text{Policy Formula}} \Omega_{PR}$	$SWF(WB^k(y^k, SDO^k(SDO^{M,PC}, C^{k*})))$ $C^{k*} = \underset{C^k \in C(SDO^M, y^k)}{\text{Max}} WB^k()$
Actual Capability (given organization design)		
All states of the world Ω	Action chosen by service provider that maximizes their wellbeing based on organizational design $M(D)$, background institutions (B), and influence activities by citizens $SDO^{M,Actual}(A^{j,Actual}(\Omega, M(D), B, R, I(k)))$ $A^{j*} = \underset{A^j \in A(\Omega,R), M(D)}{\text{Max}} WB^j()$	$SWF(WB^k(y^k, I^{k*}, SDO^k(SDO^{M,Actual}, C^{k*})))$ $C^{k*} = \underset{C^k \in C(SDO^M, y^k)}{\text{Max}} WB^k()$ $I^k = \underset{I^k(SDO^M, y^k)}{\text{Max}} WB^k()$
Organization doesn't exist		
Nothing	Organization, and hence agents, don't exist at all	Citizens cope as best they can. $SWF(WB^k(y^k, SDO^k(SDO^M = 0, C^{k*})))$ $C^{k*} = \underset{C^k \in C(SDO^M=0, y^k)}{\text{Max}} WB^k()$

Source: Author's compilation.

Embedded into the formal expressions in Table 2 are assumptions that agents and citizens make choices. Agents decide what to do, which in the policy compliant case involves implementing the policy mapping. But in the ‘ideal’ case (which might be the ‘actual’ in some organizations) we assume agents are maximizing the development objective of the organization and hence are producing even better outcomes than would result from policy compliance. In the typical ‘actual’ case in the developing world they are choosing to maximize their own well-being, with the objective function that is inclusive of intrinsic and extrinsic motivations and with the incentives presented by their social and organizational context. Actual capability could be more than policy compliant capability and nearer ideal or could be, and often is, much less policy compliant and actually near zero.

TABLE 3:

State capability for policy implementation can be measured in three possible dimensions: actions of agents, service delivery outputs, citizen/client outcomes (satisfaction)

Three different dimensions of state capability				
Levels of capability		Actions by agents	Service delivery outputs	Client/citizen well-being (or satisfaction)
	Ideal	Agents do the best possible thing to advance the objectives	Best outcome, conditional on resources and individual capacity	Best possible
	Policy Compliant	Agents do what is dictated by policy formula	Output if formula is followed (given resources)	Outcomes with policy compliant outputs (plus supplementation)
	Actual in practice	Agents choose their actions based on their own calculus	Outputs determined by efforts	Citizens both (a) influence actions of agents (e.g. bribes) and (b) cope (e.g. buy services, evade)
	Zero	No agents	No state organization	Same as if no state organization existed
	Worse	Agents use force to predate on citizens and extract bribes/rents	Obligations imposed with no compensating services	Worse than statelessness
Possible empirical measures of organizational capability in each dimension				
		Direct observation of agent behavior versus proscribed or ideal behavior (e.g. absenteeism, corruption, performance, malfeasance, effort)	Observation of quantity and quality of outputs for the inputs (e.g. measures of outputs-roads, health care, law enforcement) compared to either ideal or achievable (given resources).	Observation of citizen satisfaction (subjective), coping mechanisms (e.g. paying for private substitutes), influence activities (e.g. paying bribes), waiting times.

Source: Author's compilation.

2.1 Capability for service delivery: curative health care in India

Health care as a service provided by government can illustrate all three dimensions: agent actions responding to contingent facts, outputs of useful services from those actions, and citizen outcomes and satisfaction (including revealed preference in the utilization of public clinics). Das and Hammer (2007) measured both the clinical competence and observed the actual behavior in practice of people providing medical care in Delhi. They used carefully prepared vignettes for specific disease conditions to assess the individual capacity of providers: did they know which diagnostic questions to ask based on the facts of the symptoms presented? They followed this up with direct clinical observation to see if the providers' behavior matched their knowledge, and constructed an indicator of the quality of care in actual practice: what did they do with actual patients? Figure 1 shows that MBBS (the standard medical degree in India) doctors with equal assessed clinical competence performed a full standard deviation worse when in a public clinic than in a private clinic. The effort-in-practice of even the most knowledgeable public clinic MBBS doctors (those with a competence score 2 standard deviations above the average provider) doctors barely reaches 'do no harm' in practice.

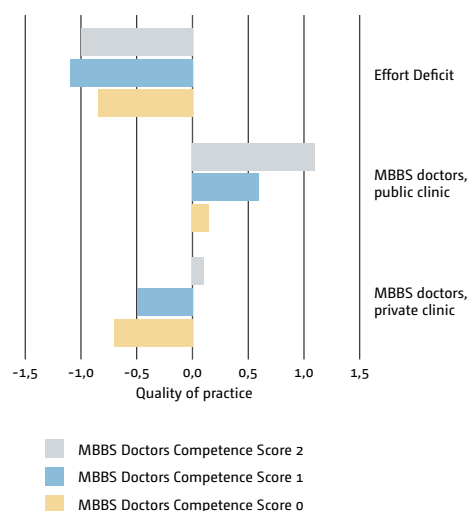
A more recent study examined provider behavior in rural Madhya Pradesh, India to compare with the Delhi study (Das et al. 2012). In this case they had research collaborators of the study actually present as patients and report specific symptoms. Some presented with symptoms of myocardial infarction (heart attack) who presented complaining of chest pains. Of the public providers very few asked even the most basic diagnostic questions – only 45 per cent asked about the location of the pain, only 19 per cent the severity, and only 10 per cent whether the pain was radiating. Maybe I am a biased sample (as a 53 year old male not in terrific physical condition) but even I know that location, severity and radiating are key symptoms for recognizing a heart attack. The 'policy formula' in the 'fact of the world' of a patient presenting with symptoms of myocardial infarction in rural settings is: (1) aspirin, (2) nitroglycerine, (3) ECG, and (4) referral to a hospital. Fifty eight per cent of public MBBS doctors in Madhya Pradesh did *none* of those four things.

In the Madhya Pradesh study some of the simulated patients presented with symptoms of asthma and Figure 2 compares the difference between the actions of the public and private providers (including the private LTFQ (less than fully qualified) providers). The likelihood that the public provider gave the patient the correct diagnosis was 2.6 percent – only 28 per cent as high as the average private provider. This lower diagnostic performance is not surprising as public sector doctors, in spite of, on average, much greater training, did less of everything – less examinations

FIGURE 1:
Quality of practice in private and public clinics in Delhi, India.

Story

In an assessment in Delhi, India, doctors working in public clinics did not do in practice what they knew in principle how to do



Item Response Theory constructed score of practice (mean=0, std dev =1 across all providers)

Source: Author's elaboration based on Das and Hammer (2007).

(36 per cent as many as private providers), less time in the visit (38 per cent as much time), less even giving of a diagnosis to the patient at all (32 per cent as often).

These examples of service delivery in ambulatory curative care illustrate the three dimensions of measurement of organizational capability for implementation. The *actions* of MBBS doctors posted to public clinics were not implementing the policy formula of mappings from facts about patient symptoms to medical actions. The public clinics as an implementing organization were delivering few useful outputs.

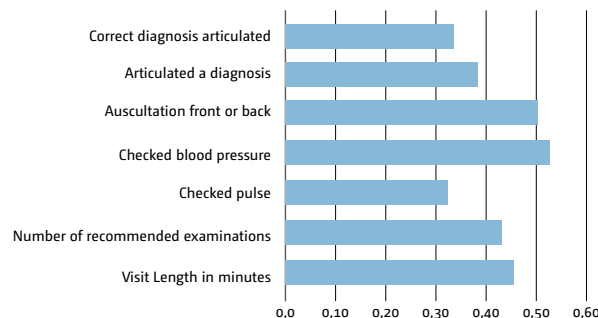
In the citizen outcomes and/or satisfaction space the study also traced how people sought health services and coped with the public sector organizational capability they experienced. The Madhya Pradesh study found 90 per cent of all visits went to a private provider, with those who could afford it going to good private facilities while others going to LFTQ providers. Stunningly, the trained MBBS doctor practicing in a public setting – envisioned as the backbone of a vertically integrated publicly provided health care system – accounted for only 3 per cent of all health-seeking visits (Das et al. 2012).

These examples also illustrates that measures of inputs – numbers of clinics, number of doctors, budgets for health care, wages of doctors, training of doctors (and other personnel), inputs purchased, even the potential knowledge of doctors – are roughly irrelevant to the *organizational capability* to provide health care. Whether measured in actions, outputs or outcomes the organizational capability for ambulatory curative care citizens appears very near zero as in actual implementation practices rarely reach ‘do no harm’ levels.⁸

FIGURE 2:

Comparing actions of public and private providers of health care in Madhya Pradesh India

Average public clinic doctor responses to study (test) patients presenting with symptoms of ashma, as proportion of responses by private providers (of all types). The study reveals much less effort and lower diagnostic outcomes for public than private providers



Source: Author's illustration based on Figure 3 in Das et al. (forthcoming).

2.2 Capability for imposition of obligations: taxes in Cameroon

Governments do two types of things: provide services (e.g. build roads, run schools, make transfers to individuals) and impose obligations (e.g. collect taxes, enforce regulations that mandate behaviors, enforce the law). While these both may be intended to improve the public weal and are intertwined – one cannot build roads with collecting some kind of revenue – the distinction for our purposes is whether those directly interacting with the public agent in the course of their functions does or does not want the agent to implement policy. A parent *does want* the services of a teacher and a sick person *does want* the services of a doctor in a way that the burglar *does not* want the services of the policeman and a property owner *does not* want the services of the property tax collector.⁹

The ‘imposition of obligations’ as a task of the state adds two complications to the conceptual frame in Table 2. First, rather than consider only the well-being of the ‘affected citizens’ where that roughly corresponded to those in contact with state agents, we need to add the impact of the service delivery outcome on all affected citizens. So for tax collection there is a conflict between the narrow self-interest of the potential tax evader and the rest of the citizens who benefit from higher levels of taxes. In measuring capability this is straight forward, however in the implications for reform this distinction is central as citizen/client pressure from the directly affected on service providers is not likely to improve the situation as the key problem is often collusion between taxpayers and tax collectors, business and regulators, criminals and police.

⁸ This phenomena of either bypassing physically closer lower level clinics for either the private sector or higher level public facilities where care is perceived to be better is common (Filmer, Hammer, and Pritchett 2000).

⁹ Surely some or many, or in a country of perfect people, perhaps even all property owners recognize that in their ‘enlightened’ interest (in the Kantian sense) to want the property tax collector to collect from them exactly what is appropriate as otherwise there would be negative consequences, but I am sure you know what I mean.

Gauthier and Gersovitz (1997) is a classic study of tax collection because it provides information from businesses about the array of tax avoidance activities – complete evasion, exemptions, and erosion – and operations of tax authorities. Figure 3a illustrates that firms are paying only a fraction of the taxes they owe. The conventional interpretation of this is that small firms are in the ‘informal’ sector and avoid taxes by avoiding contact with tax authorities. However, while it is true of small firms, medium-sized firms are a completely different story – they are not ‘beneath the radar’ as even though 80 per cent were estimated to be evading taxes, over 70 per cent had been visited by tax authorities (Figure 3b). Moreover, 38 per cent had been audited by the tax authorities in the previous year. For a substantial fraction of the firms who were evading taxes in reality the administrative fact – as backed up by an official audit – was that they were not evading taxes.

Weak organizational capability for policy implementation results when the agents of the organization are not equipped with either the means or the motivation (or neither) to carry out the actions to promote the organization’s declared policy goals. Weak capability manifests in different ways. Agents do not do what they need to do – they are absent, they do not put in effort, they take bribes, they are ineffective and/or counter-productive in their actions. Weak capability results in low organizational outputs from policy implementation – regulations are not enforced, children are not taught, infrastructure is not maintained, mail is not delivered. Citizens cope with these weak organizations by seeking alternative providers for services and by undertaking actions of various types – from persuasion to facilitators to political favors – to influence regulatory outcomes. Given the attention that corruption has received, it is important to note that corruption is just one symptom of weak state capability. Moreover, eliminating corruption is never the ultimate goal – one could eliminate corruption in tax collection by collecting no taxes – the goal is getting some public purpose accomplished for which capability is needed. Bandiera, Prat and Valletti (2008) distinguish between ‘passive’ waste in procurement and ‘active’ waste that benefits the person procuring, and find that in their study of Italy 83 per cent of the excess costs in procurement from paying prices that were too high in public procurement was ‘passive’ and not the result of corruption.

FIGURE 3A:
Taxes and tax collection in
Cameroon: substantial under-
payment of business taxes

Ratio all tax payments for all four
business taxes (registration, profits,
sales, and tariffs) to sales

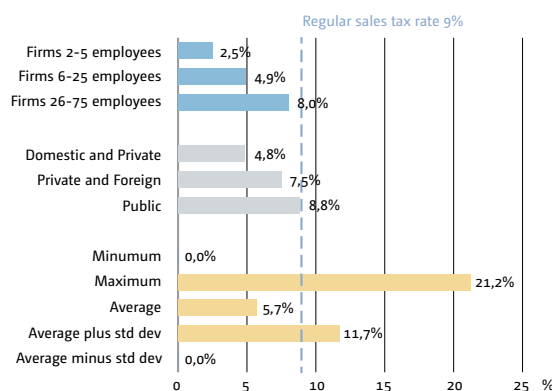
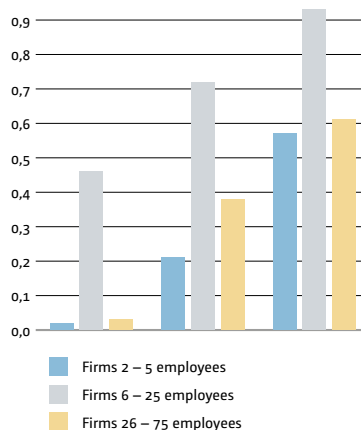


FIGURE 3B:
...but many firms paying few
taxes are in contact – even
audited by – tax authorities



Source: Author’s illustration based on results in Gauthier and Gersovitz (1997).

Accelerated modernization has failed to build state capability

Capability to implement at the organizational level (post offices, health, tax collection, drivers' licenses, targeted programmes) can be aggregated to country-level state capability. The capability of various organizations of the state can vary enormously within the same country. In India while doctors might give poor care in clinics some of the best care is in public hospitals. The primary schools in some states of India teach almost nothing, but the Indian Institutes of Technology (IITs) turn out some of the world's best (Pritchett 2009). Similarly, Kaufmann, Mehrez and Gurgur (2002) use surveys of public officials in Bolivia about other agencies (e.g. asking the police about the central bank, and vice versa) to get rankings of bribery and service delivery capability across organizations, and find that even within a country with low capability there are high capability organizations.

Moreover, I include in the notion of 'state capability' private organizations that are carrying out public purposes. For instance, Chile and the Netherlands both rely for basic education on choice-based systems in which public resources can flow to private schools. To the extent these private schools are receiving funds from the state under their guidance and regulation then one can have a high-capability state for *providing* schooling even when the state does not take responsibility for producing all of the schooling on its own account. I am not examining the public/private distinction as the capability of the combination of organizations and the outcomes. A strong regulatory or strong state at contracting with private providers can be a high-capability state. On the other hand, as I discuss below, if private providers arise as a coping mechanism due to the failure of the state and exist largely beyond the reach of the state (e.g. private security services, small-scale private generators, private water tankers) this is *social* capability, not *state* capability.

3.1 Quality of government

For country-level measures I start with a measure of 'quality of government' from the Quality of Government Institute (Teorell et al. 2012), which is an index from 1984 to 2008 based on the average of the three international country risk guide (ICRG) indicators of (a) rule of law, (b) bureaucratic quality and (c) corruption – all of which are plausible measures of state capability. I rescale the QoG index to a zero to ten scale: countries in complete chaos – e.g. Liberia in 1993 or Somalia in 2008 have scores less than 1, while Finland and Denmark have perfect 10s. I use this data to examine both the *level* of state capability and the *rate of change* over the last 10 years of the data.¹⁰ An annual rate of improvement in this measure of 0.05 per year implies that it would take 200 years to go from Somalia (roughly zero) to Finland (perfect 10) at that pace.

Based on their 2008 level and 1998–2008 rate of change of QoG (as a proxy for state capability) Table 4 creates three categories: 'successes', 'f-states', and 'stuck in the middle'.

Successes

These are countries that either (a) have QoG above 6.5 (which as the lowest OECD country, Portugal, in 1984 or the level of Greece in 2005, the OECD average QoG is 8.81¹¹); or (b) were making progress in 1998–2008 faster than 0.05 points per year. Only eight developing countries acquired high capability by 2008: Singapore, Chile, Israel, South Korea and Taiwan (and three very small places: Brunei, Malta and Bahamas). Only four countries (Colombia, Turkey, Indonesia and Tanzania) were growing faster than 0.05 points per year (and above the lower threshold). Thus, of the 98 developing countries with data there were only 12 capability successes.

TABLE 4:

The trifurcation of the developing country experience with developing state capability: success, muddle, failure

Classification by levels of Quality of Government in 2008		Classification by pace of change in Quality of Government, 1998-2008				Row totals
		F-states (failed, fragile): below -0.05 annual growth	Stuck in the middle (slow change, negative or positive)	Rising at or above 0 but below 0.05 annual growth	Success: rising fast. Above 0.05 annual growth	
High: (above 6.50)	Countries	BRN, MLT	SGP	BHS, CHL, ISR, KOR	TWN	
	Number	2	1	4	1	8
Medium: (above 4.00 but below 6.50)	Countries	ARG, BGR, BHR, BOL, CRI, GIN, GMB, GUY, HUN, IRN, JAM, LKA, MAR, MNG, MWI, NIC, PAN, PHL, POL, ROM, SUR, SYR, THA, TTO, TUN, ZAF	BGD, BRA, CUB, ECU, EGY, GHA, IND, JOR, MDG, MYS, OMN, PAK, PER, QAT, UGA, URY	AGO, ARE, BWA, CHN, CMR, DZA, ETH, KWT, LBN, MEX, SAU, VNM, ZMB	COL, IDN, TUR, TZA	
	Number	26	16	13	4	59
Low: (below 4.00)	Countries	CIV, COG, DOM, GAB, GTM, HTI, KEN, LBY, PNG, PRK, PRY, SLE, SLV, SOM, VEN, ZWE	BFA, HND, MLI, MOZ, SEN, TGO, ZAR	ALB, IRQ, MMR, NGA, SDN	GNB, LBR, NER	
	Number	16	7	5	3	31
Totals		44	24	22	8	98

F-states (failed, fragile)

There are 31 countries with a QoG score in 2008 below 4. The f-state countries include the obvious cases (Somalia, Haiti, Cote d'Ivoire, Zimbabwe, North Korea). A threshold QoG level of 4 for classifying an 'F-state' implies the 'best' F-states are: Honduras, Papua New Guinea, and Mozambique at 3.61, and Burkina Faso, Albania, El Salvador and Libya at 3.88. Countries like Pakistan, Bangladesh, Malawi and Guyana in 2008 were above this threshold. Of the 31 F-state countries, 23 were not only low but getting worse as they had negative growth over the last 10 years; 5 had positive, but very slow, growth, and only 3 had rapid improvement (but often recovering from a very low base, e.g. Liberia).

Abbreviation source:

World Development Indicators / World Bank

Stuck in the middle: not high and not progressing

Fifty-five of the 98 countries neither have high capability nor are they making rapid progress. Forty-two countries are measured to have retrogressed from 1998 to 2008. Of these, 26 were going backwards fast (more than 0.05 points per year) – including Philippines, Nicaragua, South Africa, and Bolivia while 16 others were estimated to be near but below zero – including India, Pakistan and Bangladesh. (Given the evidence about the weak implementation capability in India given above and below, it is worth noting that QoG regards India as one of the better developing countries at 6.11 in 2008.)

There are 13 countries in the middle that are showing some, but slow, progress.

Mexico was at 5.25 in 2008 but only making 0.011 points per progress. At that pace it would take 107 years to reach the threshold of 6.5. Ethiopia is at 4.86, but at its pace of progress from 1998 to 2008 it would take another 300 years to reach 6.5.

A central idea in development was that there could be 'accelerated modernization' as the lagging countries caught up on the leaders. Strikingly, as Table 5 shows, growth in state capability in the development era appears to be even slower than the now developed countries. If we extrapolate recent progress then *most* countries were going backwards in QoG (62 of 87), so obviously at that pace it would take forever. Even among the 25 of the 87 countries that have positive growth in state capability the typical country will have taken over 200 years to reach the OECD level of state capability in 1985 of 8.8. This calculation can be illustrated with Zambia. Its current level is 4.81, and it has taken the 44 years since independence from whichever point it was at then to reach this level. Now it needs to gain 4 more points to reach OECD levels. Its progress per year was 0.028 points, so in 100 years at that pace it would gain 2.8 points. To reach OECD levels it will take 144 years if it continues its current pace.¹² So by the time it reaches OECD levels it will have been a politically sovereign country for 188 years. These extrapolations are not predictions of what will happen, they are a way of illustrating what *has* happened, which is not 'accelerated modernization' in state capability.

¹⁰ Using 1998 to 2008 is intended to reflect recent progress but also avoids potential methodological breaks (as there appear to have been in some of the underlying indicators in 1997) and also 'drift' in the expert assessment so that standards change over time, which is more of problem when comparing over longer periods. There was a change in methodology in the 'corruption' indicators that goes into the QoG measure in 2001 (Kaufmann, Kraay and Mastruzzi 2006), but this reordered countries and it is not clear it causes shifts in trends.

¹¹ All references to the OECD are to the old definition of OECD before the accession of previously 'developing' countries into the OECD (e.g., Chile, Mexico, Korea).

¹² The simple calculation is (8.88-4.81) points/ (.0282 pts/year)=144 years.

Aggregate state capability is hard to measure. I have found that nearly everyone disputes the relative ranking of their own country – sometimes arguing it is higher, sometimes arguing it is lower. My conclusions about the failure of accelerated modernization in state capability do not rely on this particular measure but are robust to alternative measures, which I illustrate in two ways.

First, I repeat the exactly the same analysis with two measures of ‘government effectiveness and control of corruption’ from the World Governance Indicators using data from 1998 to 2010 with these measures rescaled on a zero to 10 scale.¹³ Table 6 shows that with ‘control of corruption’ as the measure of state capability there are only 13 succeeding, only 14 stuck in the middle (12 with negative trends), and 72 below 4 out of 10 (43 deteriorating). With ‘government effectiveness’ the results are more positive: 22 successful, 35 stuck in the middle (19 with negative growth rates), and 41 F-states (25 with negative growth).

The second way of validating the basic conclusions about the slow pace of increase in that state capability is to realize that estimates of the current level of state capability, even if once off measures, are nevertheless revealing the pace of change. Imagine walking into a forest with plants of very different heights, one might think that nothing could be inferred about which plants grow fast and which slowly. However, with three pieces of information: how tall the plant is now, how old the plant is, and how tall it was when it started growing (zero), then from a plant’s current height, age and starting point we actually know exactly a plant’s overall lifetime rate of growth (but not of course dynamics or patterns of growth). If we take political independence as the ‘age’ of a country and assume its capability at political independence was zero (which is, in the data, a level of absolute zero state capability as is the level of Somalia, which is roughly anarchy – or worse) then the *fastest* its capability could have possibly grown – and hence an upper bound on the actual rate of growth – over that entire period is the rate that takes it from zero to its current level.

In previous research (Pritchett, Woolcock, and Andrews 2010; Andrews, Pritchett, and Woolcock 2012; Pritchett and de Weijer 2010) we show that the current levels of various measures of state capability – including the ‘progressive deterioration of state services’ component from the Failed State Index, the Bertelsmann Transformation Index component of ‘resource efficiency’, and the World Governance Indicators for ‘government effectiveness’ or ‘control of corruption’ – are compatible only with very slow long-run rates of growth.¹⁴

Take the objective measure of the effectiveness of the post office for which we have only one current observation. In Figure 4 we see 16 countries no letters came back at all, ever, and in 25 (of 157) countries none of the 10 letters came back within 90 days – while Colombia returned 90 per cent within that time (Chong et al. 2012). The average for countries in the bottom half by education was only 21.2 per cent and the poorest quartile returned only 9.2 per cent while the 25th–50th percentile of countries by income returned only 30 percent. Assume that the typical country in the bottom half by education has had 50 years of political independence and assume their post office would have gotten zero at independence (not out of realism but because this makes the implied growth rate as fast as it can possible be, so overstates the rate of growth). The implied most optimistic rate of progress is 0.42 percentage points a year (21.2/50). At that rate it will take another 160 years of progress to reach 90 per cent (where Colombia or Uruguay are today). Hence, at that pace a country would have been politically independent for over 200 years before it had a fully functional post office. I am of course not original in pointing out the disappointing outcomes in state capability. In 1996 the African governors of the World Bank (themselves African political appointees) presented a report which said ‘Almost every African country has witnessed a systematic regression of capacity in the last 30 years; the majority had better capacity at independence than they now possess’ (p.5), and ‘This has led to ‘institutionalized corruption’, laxity and general lack of discipline in the civil service.’ (p.2). And this is hardly isolated to Africa – concerns about state capability and the resulting manifestations of poor services, ineffectiveness, corruption and general malaise are growing and have been pervasive in every region: South Asia (e.g. Afghanistan, Bangladesh, India, Pakistan), Southeast Asia (e.g. Myanmar, Cambodia, the Philippines, Papua New Guinea), Latin America (e.g. Bolivia, Honduras, Nicaragua, Venezuela), and the Middle East. The rise on the development agenda of issues of governance and corruption is due in large part to the recognition in the 1990s that in many countries state capability was in retrogress, if not collapse.¹⁵

¹³ Using the time trends in the WGI is not technically valid since the series are statistically re-normed from year to year so that technically one can compare countries over time only relative to other countries. There are two points. First, the underlying data sources from which the WGI are built suggest that the time trend over time is essentially zero so the ‘re-norming’ issue is not paramount. Second, the global averages are re-normed to zero in each year and one can still compare a country to another country or group of countries on a consistent basis. So we can still compare the developed countries to developing countries and ask about progress of the developing relative to the developed. The developed are roughly constant in levels over time, deteriorating only slightly from an average of 8.6 to 8.3 from 1998 to 2010, so the analysis could be done as the ‘gap relative to the developed average’ and it would again produce roughly similar results.

¹⁴ Interestingly, the recent exercise measuring the post office efficacy (Chong et al. 2012) finds roughly the same correlations of their measure as among these aggregate measures and claim all the indicators appear to measure roughly the same thing. Technically, they report that all the many indicators of government quality appear to have only one principal component.

¹⁵ Quotes from the World Bank report are taken from Klitgaard (1997). One of the World Bank’s leading civil service experts, Barbara Nunberg, in 1995 wrote ‘... basic personnel management in many developing and transitional country administrations is in a state of collapse’ and ‘Mechanisms of authority and often probity have broken down.’

TABLE 5:

The progress to state capability is slower not faster than that experienced by the now developed countries – for two-thirds of countries the pace is negative and even for those 25 countries with positive growth the median time to reach 1985 OECD levels of ‘quality of government’ is over 200 years

Selected countries with positive growth in QoG, 1998-2008

Country	Current level of QoG (0–10)	Growth rate of QoG (points per year)	Years to reach 1985 OECD average of 8.88 at recent (1998-2008) pace	Years since independence (or since 1800 if always independent)	Total time from independence to 1985 average OECD level	
IDN	5.32	0.113	31	59	90	
TZA	5.37	0.061	58	47	105	
ZMB	4.81	0.028	144	44	188	
BWA	5.56	0.023	148	42	190	
KWT	6.11	0.016	175	17	192	
SDN	2.78	0.035	173	52	225	
CHL	7.78	0.028	40	190	230	
LBR	2.78	0.076	80	161	241	
TUR	5.56	0.073	45	208	253	
COL	4.19	0.053	88	189	277	
MMR	3.33	0.020	275	60	335	
CHN	5.56	0.021	160	208	368	
MEX	5.25	0.012	313	187	500	
ETH	4.86	0.005	735	208	943	
NGA	2.78	0.004	1450	48	1498	
VNM	5.83	0.000	14482	54	14536	
Median	4.86	0.028	148	59	230	25

Source: Author’s calculations using QoG data.

Abbreviation source: World Development Indicators / World Bank

TABLE 6:

Robustness of lack of success in expanding state capability to alternative measure of governance

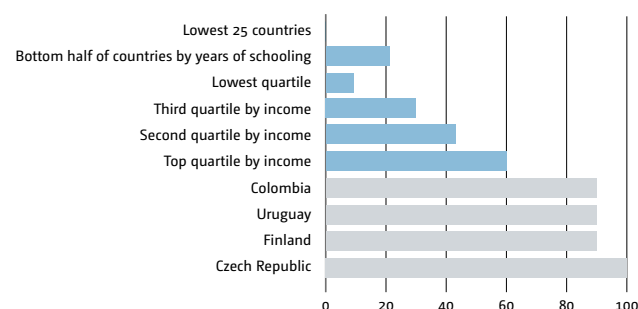
	Quality of Government (Rule of Law, Control of Corruption, Bureaucratic Quality from ICRG)	World Governance Indicators (scaled 0 to 10)	
		Control of Corruption	Government Effectiveness (2010)
Successful	12	13	22
Stuck in the Middle	55	14	35
F-states	31	72	41
Percentage of countries in either F-state, or Stuck in the Middle	87.8	86.9	77.6
	98	98	98

Source: Author’s calculations using both QoG and WGI data.

FIGURE 4:

A low current level of state capability after many years of sovereignty implies a slow rate of progress – illustrated with the post office

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



Category	Current level	Annual pace (assuming 50 years of progress from a level of zero)	Total years to reach high capacity (90 percent)
Lowest 25 countries	0	0	Infinity
Poorest quarter	9.2	0.18	489
Bottom half years of education	2.21	0.42	212
Second quartile of income	30	0.60	150

Source: based on Chong et al. (2012).

4

The folk versus the formula

There are two common adages: 'If at first you don't succeed, try and try again', and 'Insanity is doing the same thing and expecting different results'. Given the apparent contradiction, perhaps a more accurate clearer version of the first adage is: 'If at first you don't succeed, try something *different*'. Edison did not invent a commercially feasible light bulb by trying the same filament ten thousand times. Perhaps not just the tactics and strategies but the fundamental paradigm of how state capability is built is wrong and it is time to try again – with something different.

There are two conceptually distinct questions: ¹⁶

- Do I have a plausible, or even possibly persuasive, explanation of why the building of state capability has *generally* gone so badly?
- Given where we are now today, with the global order and national outcomes there are, do I have any idea what is to be done to build state capability?

In this section I address the first question and return to the second question in the next. Explanations of slow progress in building state capability in the development era need to be general. Across countries there are very few successes to explain (only about 1 per cent of developing country populations live in 'success' countries by any of the measures above) and many, many failures. Similarly across countries there are some successes but the failure is also quite general cutting across governmental functions as diverse as education, tax collection, policing, health services, and delivering the mail. Occam's razor is going to be hard on country-specific historical, social, or cultural explanations for failure¹⁷ or explanations specific to sectors.

Moreover, many broad ideas about building state capability that are attractive (either politically, normatively, or pragmatically) – like 'democracy' or 'education' or 'economic growth/higher incomes' – suffer empirically from one of two problems. First, very often the basic correlations or estimated impact are not present in the data, or not even are not in the 'right' direction. While nearly all good things – like state capability and GDP per capita or state capability and education or state capability and democracy – are associated across countries in *levels*, the correlations amongst these same variables in *changes* or rates of growth are much weaker. Economic growth over short to medium horizons is almost completely uncorrelated with improvements in state capability (and some argue that growth is associated with reductions in state capability).¹⁸ Moreover, establishing causation amongst aggregate variables is almost impossible – while Denmark or Finland is rich, democratic, highly educated and has high state capability and Nepal or Haiti or Mali are none of those things, it is hard to parse out which are horses and which carts.

A second problem is that, even if one had estimated positive causal impacts of state capability with democracy/education/income these would mostly work in the wrong direction for explaining changes over time in state capability. For instance, as I have shown elsewhere, in the development era the years of schooling of the adult population have increased massively (from 2 years to 7 years) quite uniformly across countries (Pritchett 2013). If more schooling causes better state capability then this massive expansion in education could explain why state capability had improved.

But the puzzle of why state capability *did not* improve, on average is made more, not less, puzzling by education or democracy or income or technology or global activism or support for state building – all of which have, on all standard measures, increased substantially.

In a nutshell, my argument is that the existence of very high capability Weberian bureaucracies in the developed countries during the development era has made building state capability harder, not easier, for the developing countries. My argument has five steps, each with a pithy summary.

First, *accounts over accounting.* High capability organizations require a strong folk culture of performance internal to the organization and that the organization be embedded in an external folk culture which demands organizational performance.

Second, *folk is the roots, formal is the tree.* Internal and external folk cultures of performance typically emerge from a struggle.¹⁹ Successful formal organizations – and especially state organizations – are typically the consolidation into formal structures and rules of already existing folk practices. Formal structures are the visible tree, but the tree grows and lives from folk roots.²⁰

Third, *transplantation was an intended dangerous short cut around the struggle, a short cut that proved a dead end.* The existence of high-performing Weberian bureaucracies in the developed world which, by the beginning of the development era appeared to and were claimed to operate on the basis of a successful formula, gave credence to the idea that ‘transplantation’ of the formula and rules of those organizations could replicate their functional successes. The idea and possibility of transplantation abetted the desire of new nation-states and their rulers and of the post-war global order generally to ‘skip the struggle’. Rather than growing out of folk roots of successful organizational practices and embeddedness in external folk relationships of accountability, the formal organizations were often used deliberately to undermine folk practices and to create autonomy of the formal apparatus from any of its societal roots. Drawing on the legitimating appeal of the obvious examples of high-functioning organizations these new organizations could draw on being the ‘modern’ thing and in line with global ‘best practice’. Hence new state organizations often were the continuation of colonial organizations (which were rooted in an entirely different internal and external logics of performance) or were created as trees with no roots.

Fourth, with weak roots state organizations were always therefore *balanced on a slippery slope to dysfunction.* Since these organizations were not rooted, either internally or externally, in legitimation through performance they were susceptible to three types of pressures. One, political patronage. Two, and often in response to patronage pressures, having their employees ‘protected’ by trade unions who then promoted an internal culture of policy compliance (at best) rather than organizational goal-driven performance. Three, corruption from powerful economic forces as the imposition of obligations through regulation, taxation and even judicial systems often became either politically: ‘for my friends, anything, for my enemies, the law’, or ‘fee for service’. Erosions of organizational performance could not be strongly resisted because their internal justifications were only as formal administration. They were never really teachers or doctors they were, first and foremost, bureaucrats. Bureaucrats *administer*. Moreover organizational deterioration met little external resistance because they had often deliberately avoided any local ownership. Since it was ‘the government’s school’ and not ‘our school’ the undermining of the government school was not ‘our’ business.

Fifth, the *second jump at the chasm* is harder. Once organizations were in a downward spiral that served powerful interests (of politicians and others) the appeal to appearances, isomorphic mimicry, and their formal authority allowed these organizations to perpetuate themselves and survive, even without functionality – or even when spiralling into worse and worse dysfunction. Unfortunately, low state capability is a low-level equilibrium trap.

Paradoxically, successful organizations in the developed world – armies, police forces, education ministries, revenue authorities, customs, hospitals – rather than creating accelerated modernization actually created an environment which was ultimately *worse* for the dynamics of building state capability.

¹⁶ I thank Hunt Allcott for this clarity.

¹⁷ Though perhaps Occam is wrong and Tolstoy is right that every unhappy family has its own story.

¹⁸ Kaufmann and Kraay (2002) for instance argue higher incomes lead to lower government effectiveness.

¹⁹ This notion of a good struggle draws on Adler, Sage, and Woolcock’s (2009) characterization of ‘development as good struggles’ from their accounts of reforms in Cambodia and Indonesia.

²⁰ In this, as many other things, I draw on Scott (1998: 310): ‘Formal order, to be more explicit, is always and by some considerable degree parasitic on informal processes, which the formal scheme does not recognize, without which it could not exist and which it alone cannot create or maintain.’

4.1 Folk versus formula: accounts over accounting, administrative fact as fiction

It is perhaps the conventional wisdom that good governance requires accountability (e.g. World Bank 2004). But within 'accountability' there are two distinct notions. One is of an 'account', in the sense of a justificatory narrative of my actions. There is the story of my actions I tell to those whose opinion of me is important to me (including most importantly, myself, but including family and kinsmen, friends, co-workers, co-religionists, people in my occupation and other people whose admiration I seek) that explains why my actions are in accord with, and deserving of, a positive view of myself.²¹ The other notion in accountability is 'accounting' which is that small part of the account about which objective facts can be established. Following the notion elaborated by Geertz (1973)²² of a 'thick description', I call the first 'thick accountability' and the second 'thin accountability'.²³ Thick accountability is inevitably a folk process while thin accountability can be (re)produced within formal sector organizations.

My argument is that successful organizations rely on a combination of thin and thick accountability, both internally and externally. Once agents have lost the sense that their account, either to their organization or to their fellow citizens, depends on their carrying out their formal duties, no amount of accounting can make a difference.

I visited a village in Uttar Pradesh India in which an NGO was testing child learning and then discussing the results at a public meeting that included the locally elected village head and the government school head. After hearing the dismal results, one of the parents complained bitterly that the schools had 'betrayed' him as they had promised that if he sent his child to school that his child would learn and hence have different life opportunities. 'Only now' he said 'I learn that after four years at your school my child has learned almost nothing and will have to labor like a donkey his whole life just like me'. In front of the village meeting of more than 100 parents, the elected village head, the NGO activists, and observers like me, the village headmaster's response was 'It is not my fault your child did not learn. You *are* a donkey and hence your child is a donkey and I cannot be blamed if your children are too stupid to learn'. That was the account that the school headmaster gave, and obviously felt he could give. Not at all surprisingly, the randomized study of the impact of this type of information and community participation on child learning found no impact (Banerjee et al. 2010). Since teachers and headmasters felt no obligation to account to those they taught (or their parents) attempts to increase their accountability merely through information were insufficient to change their behavior.

²¹ My views and description of an 'account' is strongly influenced by MacIntyre (2007) and his views on Aristotelian notions of virtue.

²² Geertz himself acknowledges the priority of Gilbert Ryle in the idea of 'thick' description but he popularized the notion as a methodological stance.

²³ I thought I had invented the term 'thick accountability' but actually discovered a paper by Dubnick (2003) that describes the idea 'thick accountability' – fortunately with many of the same meanings and implications.

²⁴ Previous extensive fieldwork by the researchers had revealed that the average absence in sub-centers and aid posts was 45 per cent so this was only a moderately ambitious target (Banerjee, Deaton and Duflo 2004).

²⁵ Other elements of the programme such as the new date-time stamp machines and spot checks by the NGOs made the previous practices of pretending to not be absent by falsifying the paper trail more difficult.

²⁶ Some of the same authors (Duflo and Hanna 2007) had shown that using cameras in classrooms to record attendance had increased teacher attendance – and thereby student learning – in NGO-controlled schools in the same state (Rajasthan) and collaborating with the same NGO (Seva Mandir) – so the main 'contextual' factor was ability to subvert the administratively relevant 'fact of the world'.

What is the account of the ANMs who do not show up in Rajasthan? What is the account of the doctors in Madhya Pradesh who dismiss patients presenting with symptoms of a heart attack in a visit lasting about 45 seconds in which they never hang up their cell phone? What is the account of policemen in Rajasthan such that 62 per cent of people in Rajasthan say 'law abiding citizens fear the police' (Banerjee et al. 2012)? What is the account of teachers such that teachers hired into the civil service earn four times as much (but children learn only half as much) as teachers hired on contract (Atherton and Kingdon 2012)? What is the account of teachers when, in response to having additional teachers in the school they *reduce* their attendance (Duflo et al. 2007)?

The problem is that when accounts and accounting diverge, organizations can often fix the accounting, in the process making 'administrative facts' a complete fiction. Policy implementation consists of two conceptually distinct steps: (1) the declaration by the designated authority of what the administratively relevant facts are, and (2) some agent taking an action contingent on those declared facts. If the same organization or unit is given authority for those two steps then this is effectively the same as having granted complete discretion to the implementing authority. If the same tax collecting agent declares both the fact of what a businesses' sales are for the administrative purpose of taxation and also collects the sales tax then essentially that agent has enormous folk (or *de facto* or informal) authority or discretion over tax collection even though formally s/he appears to have no discretion as s/he does not control tax rates.

Let us return to the stories from the introduction. In the study of drivers' licenses in Delhi there were three interesting features. One, what was completely subverted by hiring a tout was the practical driving examination as people who hired an agent were effectively exempted. Interestingly, however, hiring a tout did not mean people did not have to present the appropriate documentation, say of their identity. This kind of information is 'thin' and hence it is easily verifiable by an outside observer that someone got a driver's license without having the right documents. The 'thick'

facts – ‘can this person drive’ – were therefore the most completely subverted while there was largely compliance with the ‘thin’ requirements. Two, there was almost no piecemeal corruption. That is, without hiring an agent one could not, on the spot, bribe the official to not administer the examination. One plausible conjecture is that the rents from the *de facto* fees collected are shared across the organization and between the organization and political actors. If retail corruption were allowed this would undermine those at the top of the organization and outside it from knowing if they were getting their fair share. Therefore mediating the payments through agents was itself a response to the economics of information. Third, once the agency declared the state of the world was that you could drive and gave you a driving license that became the administratively relevant fact. You were, in fact, legally authorized to drive whether you followed the legal process or not because the authorized agents declared that you were authorized to drive and they had the formal authority to do so. They created only the facts that mattered.

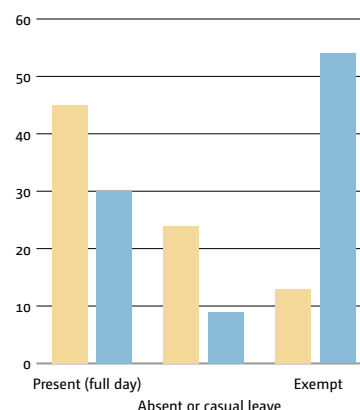
Let’s return to the story in the introduction of the attempt to improve the attendance of auxiliary nurse midwives (ANMs) at sub-center clinics in Rajasthan, India. Among elements of the reform, ANMs would have their pay docked if they were absent for more than half of the days.²⁴ This ‘high-powered’ incentive on ANMs to not be *administratively* absent created a backdoor channel whereby the health officials with authority over the ANMs were willing to declare nurses ‘exempt’ from duty.²⁵ The result, shown in Figure 5, was that over the period of the field experiment the fraction of ANMs *physically* present (the fact relevant for quality of care) *fell* by more than 10 percentage points and the fraction recorded as *absent* (the administrative fact relevant for paying wages) also *fell* by more than 10 percentage points. Fewer ANMs are there to treat patients and fewer are absent. What rose – dramatically – were ‘exempt days’.

The attempt to create performance pressure through high-powered incentives on a thin accountability like attendance did not actually change the thick accountability reality at all. Rather, the pressure just drove the ‘thin’ and ‘thick’ realities further apart, increasing the disillusionment and cynicism of both the citizens – who had no better care – and the nurses – who felt trapped in a dysfunctional system. The lesson is not ‘incentives don’t work’²⁶ but that the creation of incentives requires the contingent facts in the incentive formula to be judicable. But in the environment of Rajasthan effectively even attendance was not a fact that could be brought to bear on incentives. Moreover, this was done in a way that followed the letter of the law which granted to authority to the health officials to declare nurses exempt. As the authors point out, ‘Because the rules were respected, it gave the district head no means of taking disciplinary action against anybody’. Notice that the ‘rules were respected’ in the narrow sense that an administrative fiction was created such that there was not an incompatibility between the administrative fact and agent behavior, even though the intent of the rules was completely disrespected by creating this administrative fact of ‘exemption’ as a convenient fiction.

This wholesale divergence of the ‘law’ from the ‘practices’ can be seen at the cross-national level as well. There are two different ways in which the ‘investment climate’ has been measured. The Doing Business survey measures, among many other things, how long it would take the typical firm to get a typical construction permit in practice *if they followed the law*. This is intended to measure not the worst it could possibly be, but they use local researchers and consultants to estimate typical times if firms followed the existing regulatory procedures – and did not, for instance, hire an agent. The Enterprise Surveys asked firms who received construction permits recently how long it took to get them. For 63 countries there is enough data (both a Doing Business measure, and more than 20 firms answering the survey question about a construction permit) to compare the two. Figure 6 shows the results comparing countries with different formal measures of regulatory stringency, those with less than 200 days, those with 200 to 300 days, and those with more than 300 days as reported in Doing Business.

There are two striking things in Figure 6. First, the quarter of the firms who report the fastest *actual* times report it takes about 10–15 days *no matter what* the Doing Business survey data says the law says. All that grows as the legal compliance times grow is the gap between the legal compliance times and the fast firms reported times – no matter whether the DB reported days is 100, 200, 300, or 400, there is a set of firms that report no trouble at all getting a permit. Second, the actual reported times – at all points of the distribution of firm responses – to get a permit are *lowest* in the countries with the *most stringent* regulations. In countries where Doing Business data

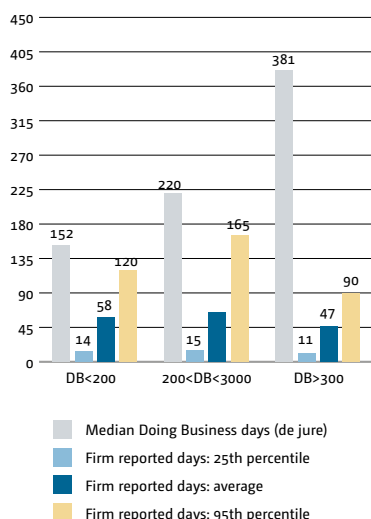
FIGURE 5:
Administrative fact as convenient fiction: pressure to increase ANM attendance in Rajasthan decreased both presence and absence – and increased ‘exemption from duty’



Source: data interpolated from Figure 3 in Banerjee et al. (2008).

FIGURE 6:
Disconnection of reported and actual times for obtaining a construction permit.

No connection between *de jure* reports of time to get a construction permit and actual firm-reported times – countries with the highest legal times have the *lowest* firm reported actual times



Source: based on data from Hallward-Driemeier and Pritchett (2011).

says it takes more than 300 days the *average* reported time was 47 days – lower than the average of 58 days in countries where the regulations were less than 200 days. In Hallward-Driemeier and Pritchett (2011) we argue that once regulations pass the threshold that the country can enforce, the legal and actual compliance times become completely unlinked. Asking about the ‘investment climate’ for firms in countries with weak implementation is like asking what the temperature a person is experiencing when everyone has air conditioning – does not matter what the outdoor thermometer says, it is what the indoor thermostat is set at.

My argument is that successful organizations are built on internal and external accounts for which accounting provides some support and plays some role. Think of any organization with a long track record of (internally defined) success: Oxford University, the Catholic Church, the Red Cross, the US Marine Corps, Exxon. These organizations survive and thrive because key agents believe it is important that their account of what they do (indeed perhaps who they are) accords with the purposes of the organization. Believe me, I can tell you from experience that high capability universities do not thrive because professors do *accounting* for their behavior, but professors at thriving universities do have an *account* of what they do *because* they are professors and this *account* is important to them.

Moreover, to some external audience the organization has to justify itself for legitimacy and ultimately resources. This external accountability is not driven by accounting or detailed measures of cost effectiveness or proven impact or reducible to precise figures, but they have to continually prove to key constituencies that they work because there are competitors for their support base (students and faculty for universities, adherents for religions, donors and volunteers for philanthropic organizations, funding among other public uses for marines, capital markets and customers for Exxon) and if these external actors no longer believe the organization’s account then they lose traction with their internal agents and external constituencies no matter what the accounting says.

The central issue in the economics of information is the costliness of the adjudication of information. The economics of information as an explanation of institutions and organizational behaviors starts with Williamson (1975) builds through principal–agent theory to organizational compensation schemes (Lazear 1995), organizational strategies (Milgrom and Roberts 1992), allocation of authority (Aghion and Tirole 1997) and the theory of the boundaries of the firm itself as a problem of contracting (e.g. Hart and Holmstrom 2010). The economics of information approach that approach has also been applied to delegation, contracting, and the scope of public sector organizations (e.g. Laffont and Tirole 1993; Hart, Shleifer, Vishny 1997).

‘Thin’ information is that which is easily amenable to being reduced to ‘information’ in the Shannon (1948) sense of information as messages encoded in bits and bytes. ‘Is it Tuesday (right here, right now)?’ is a ‘thin’ question on which we all can readily agree and, if necessary, have third-party adjudicators agree to what the fact of the matter is. It is easy to create high-powered incentives on thin information: ‘I will pay you 10 dollars if it arrives on Tuesday and only 5 dollars if it arrives on Wednesday’ is an enforceable contract because the fact of Tuesday here is, in any reasonable conditions, easily judicable and hence Tuesday is a contractible.

The world is, however, immensely thick. Only a tiny fraction of our everyday existence can be reduced to thin information. Was Tuesday a nice day? Was the bus driver rude to you on Tuesday? Was the Starbucks clerk friendly to you on Tuesday? Were you in a good mood on Tuesday? Was your lunch delicious on Tuesday? Were you inattentive to your wife on Tuesday? Did you do your best at work on Tuesday? All of these are potentially important determinants of our well-being, but none of these are easily contractible. They are not judicable because the difficulty of establishing third-party inter-subjective agreement on just what the facts on Tuesday really were about ... nice, rude, friendly, delicious, inattentive, best effort ...

How does this ‘thick’ versus ‘thin’ distinction relate to the capability of the state for policy implementation?

One of the key insights of principal–agent theory is that the less precisely the desirability of the actions of the agent can be measured, the less high-powered the incentives should optimally be (e.g. Holstrom and Milgrom (1991), and for an application to civil service Klitgaard 1997). When attempts at thin accountability

– making agent rewards depend on judicable ‘facts’ (like attendance, like were actual taxes owed) – are impossible because the overall institutional environment is weak, then even using incentives will not work. Besley and McLaren (1993) used a model of tax collection and tax inspection to note that when punishment based on observed actions was sufficiently difficult (the probability of an effective audit with punishment was low) there was no advantage of paying a fixed wage high enough to deter corruption or encourage honest inspectors. In their model when actions cannot be contracted then a ‘capitulation wage’ – paying low wages and admitting all tax inspectors who were not monitored would be corrupt, which results in a cynical and entirely dishonest set of tax inspectors – was the net revenue generating strategy.

Besley and Ghatak (2005) explore this issue referring to organizations with ‘mission’ (what I call internal folk culture of performance) and show that if organizations can be matched to mission then this non-pecuniary form of motivation reduces the need for (if not desirability) of high-powered pecuniary incentives. The better organizations are able to recruit individuals motivated by mission (individuals whose personal thick accountability is strong) the less the organization needs to rely on thin accountability.

In previous work I have created a taxonomy of tasks based on the analytical nature of the information required to successfully implement those tasks (Pritchett and Woolcock 2004; Pritchett and Pande 2006). The classification is at the level of tasks because these do not correspond to sectors (like ‘health’ or ‘finance’ or ‘infrastructure’) as every sector has a variety of tasks. Table 7 presents these five analytical types of tasks based on four questions about the requirements for implementation.

Think of any task you may want a government organization to carry out (or contract out): setting the discount rate, building bridges, teaching 3rd grade, prudential regulation of banks, producing urban water, giving vaccinations, to industrial policy, to collecting property taxes, to enforcing laws against rape, to settling private contractual disputes, paying old-age pensions. With a task in mind ask, does the successful accomplishment of the public purpose goals of that task require:

Transaction intensive?

Many agents or few agents? Policy-making can be done by a very few individuals, but some policies are roughly ‘self-enforcing’ whereas others require the active actions of thousands of agents.

Discretionary?

Does successful implementation require agents to use judgment over difficult to adjudicate facts? Agents to act on local, costly to externally monitor, information? Some tasks can be completely routine so that only simple local conditions matter (e.g. with inoculations every child gets roughly the same vaccinations) whereas others, like ambulatory curative care, the right treatment is different for every patient depending on their symptoms.

High stakes?

Will agents pay high sums to influence decisions of implementers? Agents act against high stakes? Do the people most directly affected want the agent to do the right thing or not? Parents want teachers to show up and teach in a way that criminals do not want policemen to, or tax payers do not want the auditor.

TABLE 7:
Five types of tasks that face organizations

	Transaction Intensive?	Discretionary?	High Stakes?		Require innovation?	
Concentrated (policy-making, elite)	No	Yes	No	Yes	No	Yes
Logistics	Yes	No	No		No	
Implementation intensive service delivery	Yes	Yes	No		No	
Implementation-intensive imposition of obligations	Yes	Yes	Yes		No	
Wicked hard	Yes	Yes	No	Yes	Yes	

Source: Author’s illustration.

Require innovation?

Does successful implementation require innovation from agents (as opposed to a reasonably well-known and agreed upon technology)? While some actions are ‘discretionary’ (and hence complicated) there is at least some set of prescribed standard for agents to follow, whereas some tasks actually require agents to act in ways that cannot be completely captured in a handbook.

The five types are: ‘concentrated/elite’, ‘logistics’, ‘implementation-intensive service delivery’, and ‘wicked hard’.²⁷

Table 8 gives examples within various sectors of the types of tasks to illustrate that the usual discussion of ‘sector’ will very rarely be the appropriate level to consider organizational/institutional design. In some cases, like in a post office, nearly all of the tasks to be accomplished are logistical. In other cases, some essential parts of providing a service are logistical while others are ‘implementation intensive’ – so primary schools require buildings and equipment, the provision of which is essentially logistical, but learning requires teaching and teaching needs to respond day-by-day, if not minute-by-minute, to what students know, need to know, are doing, and could be doing. In nearly every domain there is a separation between ‘policy-making’ which can be done as a ‘concentrated’ task and ‘policy implementation’ which requires greater or less amounts of capability. So passing a tax code for property taxation is not an easy task, but *collecting* property taxes is implementation intensive because each property has to be assigned a tax valuation.

TABLE 8:
Tasks of all different types are in each broad sector of government engagement

	Basic education	Health	Legal	Financial Sector	Postal
Concentrated (policy-making, elite)	Setting a curriculum	Tertiary hospitals	Appellate courts	Central Bank policy	Policy of setting rates, services
Logistics	Building school buildings	Vaccinations of childhood diseases	Notary services	Inter-bank payments	Delivering the post
Implementation-intensive service delivery	Classroom teachers	Ambulatory curative care	Licensing	Lending to SMEs	?
Implementation intensive imposition of obligations	Supervision of teachers	Regulation of drug retailing	Policing	Regulation of private banks	?
Wicked hard	Raising performance	Promoting behavioral change (e.g. weight loss)	Dispute resolution	Financing entrepreneurship	?

Source: Author’s illustration.

These analytic distinctions are key for the types of accountability – accounts and accounting – that sustain organizations with high capability. The accountability framework of the *World Development Report 2004* that has four design elements of accountability that structure agents’ choice of performance: ‘finance’, ‘delegation’, ‘information’ and ‘enforceability’. Each of those four design elements exists in each of four relationships of accountability: ‘politics’ (politicians accountable to citizens); ‘compact’ (administrative organizations accountable to executive apparatus of the state); ‘management’ (front-line agents accountable to organizations); and ‘client power’ (front-line agents and organizations accountable to service recipients). I will draw on this framework to discuss the match of analytical type of task to type of accountability.

The classic bureaucracy is appropriate for logistical tasks for which thin accountability is sufficient for performance as ‘delegation’ – what it is the agent should do – and ‘information’ – measurement of the agent’s performance – are completely reducible to easily judicable facts. The post office is the classic example as everything about what each agent should do to each parcel is easily contained in a few bytes (the address and the class of service). This creates compatible internal (management) and external (politics, compact, client power) formal and folk cultures of performance. What the postal clerk is expected to do by his managers (did he deliver the mail?) is measurable in exactly the same terms that clients can measure it (did *my* mail arrive?), the overall organization can be measured (what percentage of parcels were delivered

TABLE 9:
Match between type of task and the folk (account) and formal (accounting) in organizations

	Internal folk culture of accountability	External culture of accountability (politics, compact, client power)
Concentrated (policy-making elite)	Thick account elite professionalism (e.g. central bankers, surgeons, judges, university professors, elite civil services)	Thick account political
Logistics	Thin account compliance (e.g. postmen, crossing guards, paying social security checks, driver's licenses)	Thick account political
Implementation-intensive service delivery	Thick account professional practice (e.g. teachers, doctors, engineers)	Thin accountability compact
Implementation-intensive imposition of obligations	Thick account organization identity (e.g. policemen, soldiers, tax collectors)	Thick account client power
Wicked hard	Thick account innovators	Thick account political and compact

Source: Author's illustration.

on time?), and the political system can talk about it (is the post office doing its job at a reasonable cost?). Note that this is a characteristic of task not sector, and not whether it is in the public or private sphere. In the USA the internal mechanics and size and structure of organizations that deliver packages in the private sector (FedEx, UPS, DHL) look organizationally nearly identical to the post office – same trucks, similar uniforms, similar thin accountability tracked with thin information).

But in organizations that perform tasks that are predominantly of other types (e.g. concentrated, implementation-intensive service delivery, implementation-intensive imposition of obligations, wicked hard) the internal folk culture required for performance is at odds with a formal culture of thin accountability (see Table 9). A high performing university or hospital (either in the public or private sector) requires a culture of accountability for performance. But this does not translate into professors being tracked minute-by-minute by GPS. You cannot reduce the delegation of what a professor should do to be a high quality professor to a sequence of bytes. The same is true of nurses. The same is true of policemen.

While there might be some *minimal* performance criteria that are thin (like attendance), what has been learned from decades of studies of schools, for instance, is that the thin accountability parts of schooling do not affect education very much. While good teachers – as measured by their performance – matter a lot to student learning what being a 'good teacher' means is not reducible to thin criteria like degrees or age or years of service (Rivkin et al. 2005; Chetty et al. 2011) – or even, I would argue, student learning alone. Similarly, inputs alone, the kinds of things that education management information systems can measure and track, just do not have a very strong connection with the education a child receives – or the inequality in outcomes across schools (Pritchett and Viarengo 2008). As 'implementation-intensive service delivery' good schools require thick accountability as well as thin accountability, internally and externally.

4.2 Successful organizations as consolidations of a struggle

The Australian philosopher John Anderson suggests 'not to ask of a social institution: 'what end or purpose does it serve?' but rather 'of what conflicts is it the scene?' (Passmore 1962). If one looks at the actual historical process by which functional organizations and formal institutions emerge in the now developed countries, they were often the result of a long struggle which was settled by the consolidation into formal procedures of a set of practices that gained legitimacy through the struggle. Let me illustrate the idea of institutions as a 'scene of conflict' in three areas: property rights, basic education, and natural resource use.

Property rights: de Soto's (2000) *The Mystery of Capital* tackles the fundamental question of why property rights work well in developed economies and yet only exist for a few and exclude the rest in developing countries (which is a subset of the generalized question about state capability I am addressing here). His historical examination of the USA illustrates the tension between folk and formula perfectly.

First, the current practitioners who run the organizations that enforce property rights have no idea of the historical origins of property rights or the actual roots of the formal practices they implement. They are like taxi drivers who can operate a taxi but have no notion of how to design an internal combustion engine. This is not a criticism, this is fantastic progress for the countries for which this works as it means, once consolidated into bureaucratic procedures, the system can work without anyone thinking and with a minimum of active conflict. But it does mean that people who 'do' property rights in places where property rights work formally have no more idea of how to recreate the struggle that actually resulted in workable formal property rights than you or I – and perhaps much less as they may believe myths about the intrinsic desirability of the rules that you or I are probably less susceptible to.

Second, de Soto narrates that at each stage of the eastward expansion of the USA there were two fundamental processes at work. One was the formal *de jure* legal process of how land was to be allocated, and the other were the folk practices of how actual usufruct rights and claims were made and *de facto* adjudicated on the ground. These two processes often had very little to do with each other and were often in more or less complete contradiction. The folk practices were worked out by facts on the ground and in each instance there were established norms of who controlled what. The key finding is that the current legal system resulted from the political vindication of the folk practices and the ultimate writing into legislation of the facts on the ground which wiped away the formal legal claims that the *de jure* process had tried to create (with obvious exceptions and compromises for the largest and most powerful claimants).

Basic education: Developed countries span the range of possible arrangements for basic schooling. In France it is highly centralized, in the Netherlands 'money follows the student' and the public sector accounts for only a third of enrolments, in Germany schooling is federal, while in the USA schooling is locally controlled (in a heterogeneous fashion across states) but with little public support to private schooling. How did these countries come to have such very different institutions to govern schooling? Since basic education is about the socialization of the young it is not surprising that who is to control schooling is hotly contested. Each developed country came to its own system through a long and conflict-ridden process with a contest of ideologies among the population, especially religious affiliation, playing a key role (Pritchett and Viarengo 2008). In France the system was centralized in part as an attempt to eliminate Catholicism's role in school. In the Netherlands the stand-off between the secularists and two dominant religious groups (Catholics and Protestants) led to an inability to create a state-dominated system and hence a truce in the form of 'money follows the student'.²⁸ In Germany the religious differences across regions precluded central control of basic schooling and fiercely protected federalism. In the USA local heterogeneity demanded local control – but at the same time anti-Catholic bias precluded resources flowing to Catholic schools. In Japan the modernizing plans that, among other things, consolidated the existing patchwork of schools into national schools led to popular resistance under the slogan: 'Down with conscription. Down with the public schools. Down with the solar calendar'.

Folk modes of education predated and predominated before the advent of bureaucratic modes of the production of schooling. The new formal systems had to struggle to supplant the folk modes of schooling. The formal could only prevail in this struggle to the extent they could claim both instrumental superiority (whether or not it was true) but also had to compromise and allow sufficient continuity and compatibility with the folk. The roots of the formal in the folk left powerful folk claims on actors in the system long after the formal had fully established itself.

Natural resource management. Ostrom's *Governing the Commons* (1990) reveals much in the subtitle: *The Evolution of Institutions of Collective Action*. Her detailed case studies reveal that the risk of the 'tragedy of the commons' is often avoided as people work out, through a gradual and historical process, a set of arrangements for co-operation and sharing. These are not institutions or organizations imposed from above, but rather folk arrangements worked out from below through common sense and adaptation to circumstances. These arrangements often take decades to work out (as in her history of water in Los Angeles suggests) but then, once worked out, co-operative arrangements can be sustained for hundreds of years (as in her example of

irrigation in a region of Spain) because they are robust and adaptive. Hays (1959) classic study of the conservation movement details the struggle between the desire of the 'progressive era' conservationists for centralized, top-down, multi-purpose control over the use of resources by technical experts in the name of modern 'rationality' and 'efficiency' and the grass roots resistance of local users of resources to the usurpation of their claims. He shows the standard conservationist histories portrayal of this as a struggle between public and private interests is largely mythic. He shows how this struggle played out between the new formal bureaucracies (like Pinchot's US Forest Service) and local communities and resource users. His concluding paragraph, written in 1959 on the verge of the 'development era' argues that the century-long struggle within the USA for control over use of natural resources raises the fundamental question: 'How can large scale economic development be effective and at the same time fulfil the desire for grass-roots participation?'

Even the seemingly most boring of bureaucracies, the US post office had to struggle its way into its modern form. Carpenter's (2001) history of the US post office shows the complex and contingent ways an autonomous bureaucracy emerged from the established folk practices of Jacksonian democracy, which involved forming an internal network of middle managers, forming powerful (and unexpected alliances),²⁹ and demonstrating superior productivity.

Of course, I am omitting the most obvious case of the relationship between taxation and state capacity as the most obvious case in which the establishment of state capacity to impose the obligation of paying taxes is a struggle between the state and those with the means to pay taxes. Some theories of early state formation in early modern Europe point to the need to raise centralized revenue to fight external wars as a driver of state capability as it required compromises between the sovereign and elites, which set them on a path of strong but politically constrained states (e.g. Ertman 1997). There are three key points.

First, a 'good struggle' implies some degree of 'contestability' – which can be either be modes of contestability within jurisdictions, such as modes of deliberation and open decision-making within, or contestability across jurisdictions (as with open borders or federations so that people and resources can move within the country).³⁰

Second, that organizations and institutions emerge from a struggle implies that they often end up with very different *forms* all of which achieve nearly equal *functionality* in their key purposes – while accommodating the uniqueness of the tinkering and compromises needed to get there. So while the developed countries settled on very different structures of basic education systems, they produced with those very different patterns of organization and institutions and nearly equal outcomes of high and universal enrollment rates in and – perhaps surprisingly – nearly identical levels of learning. The relationship between banks and firms, a fundamental element of financial systems, is completely different between German systems, Japanese systems, and Anglo systems, and yet they all have managed to produce nearly identical levels of economic productivity. While much has been made of the distinction between the countries with common law and civil law traditions, there is obviously the rule of law and the required degree of legal predictability for sophisticated economies and societies in both types of systems. As with many systems with evolutionary pressures, when forms emerge from functional pressures the forms of achieving adequate functionality vary. What is the best way to swim? Well, fish swim very well, but mammals (dolphins) swim, birds (penguins) swim, amphibians swim, reptiles swim, and some of them swim like a typical fish, but many do not. Of course all ways of swimming have to be compatible with fundamental laws of biology and physics, but this leads to massive diversity in forms all achieving adequate functionality – in combination with other features like armour (turtles) or camouflage or group behavior – to survive.

A third, and much more conjectural point at this stage, is that successful organizations are also likely to be those who have a successfully internalized and externally projected *vision* and *mission* which includes a mythologizing of their organizations' own origins and history. As a faculty member for some years, I can reassure you that Harvard University rarely emphasizes its historical roots as a finishing school for the local (if not parochial) elite. If this is true, then successful people within successful

²⁸ As opposed to in Belgium where overreach of the 'liberals' (e.g. secularists) on banning religious schools led to a political backlash which destroyed the then ruling party forever and weakened the impetus for government schooling.

²⁹ I did not know the key role the anti-pornography movement played in the professionalization of the US postal service.

³⁰ DeLong and Shleifer 1994 contend that the existence of many small states, which enhanced the contestability among states, as a reason why strong but constrained states emerged in Europe and, hence, why the industrial revolution first happened in Europe and not the technologically more advanced China.

organizations may be not only not the most helpful people, but might be positively unhelpful in helping to create the struggle out of which new organizations are born as they are the least likely to have a clear view of the actual origins of their organization. If I were looking to create a new religion then the Pope would not be on my short-list of technical advisors.

4.3 Transplantation to skip the struggle

The consensus there behind transplantation as the paradigm for accelerated modernization of state capability was overwhelming. While there was vigorous debate about economic strategy (among and between variants of communism(s), socialism(s) and capitalism(s)) and while democracy was celebrated but authoritarian governments tolerated, *everyone* who mattered agreed that governmental functions should be carried out via 'modern' civil service bureaucracy. One could debate economic strategy but everyone knew what a post office looked like, and how to build one. The celebration of the 'modern' large formal organization, the 'Weberian' bureaucracy as a mode of organizing activity – in both the private and the public sectors³¹ – was at its zenith in precisely the period (1945-69) that was the intellectual birth of 'development' as a directed and supported activity for the new nation-states.³² The idea that the 'developing' countries, as new political sovereigns,³³ would build from the existing, mostly transplanted, administrative apparatus of government to construct their own capability, though not completely unchallenged, was widely accepted. Existing armies, schools, post offices, revenue services, police forces, central banks would continue in their basic organizational structures but now be extended to include all citizens and be controlled by the newly independent sovereign states. 'Institutional monocropping' (Evans 2004) in the domain of state capability did not begin with the Washington Consensus or 'The End of History', as in Fukuyama's 1989 essay, but with the very idea 'development'.

The ideal of the civil service as the mode of administration gave legitimacy to newly consolidating nation-states to centralize power in 'modern' forms under the control of emerging political elites. In many ways the objective of these formal systems was to displace existing folk systems. One of the virtues of transplantation from the view of elite leadership of both newly developing nation-states and also the global order was precisely that one could skip the struggle. Ferguson's (1994) characterization of development as the 'anti-politics machine' is based on his thick description of development and development discourse in Lesotho. He argues that although many development projects fail at their ostensible purposes because they are based on fiction not fact: 'They do, however, succeed in expanding the field of bureaucratic power in people's everyday lives.' As Scott (1998) has described, the modern state attempts to 'see' the world in ways to reduce thick realities to thin representations and then act only on that thin representation. The modernizing state *purposely* and *purposively* undermines the ability of people to hold the administration of the state accountable except on terms the state sets.

Explaining the rapid spread of the forms of civil service bureaucracy and other elements of modern nationhood the idea of 'isomorphism' is important. Sociologists of organizations have suggested that in many eco-systems organizations adopt 'isomorphism' – looking like successful organizations – to enhance their legitimacy and hence their survival (DiMaggio and Powell 1983). In a world in which there are successful police forces, education systems and tax agencies the adoption of the appearances of these organizations – their organizational charts, their uniforms – and the selective adoption of some 'best practices' of these organizations – particularly ones that do not affect the core of the organization – can be used to legitimate the adoption of practices that have no demonstrated functional value in new contexts.³⁴

The legitimacy gained by being 'modern' allowed new forms to not struggle to displace existing modes based on superior performance, but simply to pretend they were not there at all. Ostrom (1995) tells of a World Bank financed irrigation scheme for which the loan documents claimed the project would bring benefits because there was no irrigation in that valley. However, when the project was delayed and there was time to do additional surveying there were in fact 32 existing and fully operational irrigation schemes. But since these were farmer-managed schemes not controlled by the government they were invisible to the 'high modernist' reality of the World Bank and the Nepali government. Importantly, these schemes might not

³¹ It is worth noting, if only in a footnote, like this one perhaps, that many of the features of Weberian bureaucracy were first developed and perfected in the growth of large private sector firms like the railroads in the rise of 'managerial capitalism' (Chandler 1977, 1990), and that part of the impetus of the modernizing movement in government in early twentieth century USA at least was to copy the effective hierarchical bureaucracy of the private sector into the then localized and 'chaotic' public sector.

³² I have been accused of over-using quotation marks, but I mostly use them to indicate when terms are 'reference' and not uncritical 'use.' So in this sentence 'Weberian' and 'modern' are obviously contested terms in use as they imply things about history that may or may not be accurate, even if widely used as shorthand (Woodside 2006) and 'development'—well, who knows what that means these days.

³³ In Latin America this process of political independence had obviously come much sooner, but the idea of building state capability as the perfection of Weberian bureaucracy was equally strong.

³⁴ In a recent empirical example of isomorphism, Andrews (2010) has studied the adoption of the reforms of public financial management (PFM) recommend by mainstream development organizations by African countries. As recounted in the introduction he finds powerful effect of isomorphism in which the countries adopt most widely those reforms that have the highest visibility, are controlled by a few at the top, and have least impact on core organizational practices. For instance, the adoption of budgeting practices have wide penetration as a PFM reform but there is less reform in budget execution, and less still in procurement. Countries get credit (literally and figuratively) for having adopted reforms which in practice have little influence over how or how effectively resources are actually spent.

have been 'modern' but they were not inferior. Detailed studies of the operation and productivity of the irrigation schemes with modern head-works found that they were actually *less* productive in delivering water to system tail-enders than were farmer-managed irrigation schemes without modern infrastructure. The supposed trade-off was between the technical benefits of the modern infrastructure versus the erosion (or shift) in social capital needed to underpin the modern infrastructure but when informal was not replaced with effective formal administration the new schemes could be 'lose-lose' – worse at social capital and worse at irrigation.

The leaders and political elites of countries were the driving forces behind the attempt at accelerating modernization through transplantation (and of course the military was nearly everywhere and always a leading and important example of modernizing bureaucracies) as it furthered international and national interests. This was consistent with an overall approach to development based on top-down planning and centralized control that pervaded the opening decades of the development era.³⁵ Transplantation was driven by a common conception of national and international elites. To the extent that where 'development assistance' *per se* played any role it was the vector, not the virus.

4.4 The slippery slope to dysfunction

There are two distinct, but not mutually exclusive, reasons why you perhaps cannot skip the struggle.³⁶ One possibility is that 'one size doesn't fit all' and solutions are highly contextual and hence have to be worked out roughly from scratch in each instance. The other is that form really does not matter that much one way or the other (the same form could work in lots of contexts and many different forms could work in the same context) but it is the *process* that matters for sustained success, even if that success is consolidated into forms that look very much like others. It may well be that all successful post offices have many very similar features which are driven by the nature of the task, but that transplantation of that form without the struggle that creates the internal folk culture and the external performance pressure will not mean anything.

An analogy from tennis illustrates the conceptual distinction. While much is made of the different playing styles of top tennis professionals their underlying stroke mechanics of service, forehand, and backhand are nearly identical. The underlying biophysics pretty much demand a very narrow range of ball-striking behavior to generate the velocity and direction desired. One size pretty much does fit all. But nevertheless (and alas) Federer's forehand cannot be transplanted to me. Without my own personal struggle of hitting the ball under pressure in competitive situations I cannot develop a high-performing forehand (believe me).³⁷

When this modernization succeeds – and as I argue above, it mostly historically succeeded when this was a strongly contested and gradual process that left modern systems organically grounded in folk roots – one can complain about the long queues to get your driver's license, or about surly postal workers, or about the 'red tape' of government bureaucracy, but the bureaucracies (roughly) work in implementing policy formula and mostly work the same for all. The contribution of Putnam et al. (1993) on the role of social capital in the effectiveness of the Italian state was so powerful because it emphasized that even in modern states which are formally Weberian, and social ties play no explicit role, the informal strongly affects the functionality of the formal. The top-down accountability works reasonably well often because the norms of folk accountability survive in practice. That sustained success is grounded in some phenomena like 'social capital' or 'trust' or 'collective efficacy' has been demonstrated again and again in different domains. One review of the responses to the HIV/AIDS crisis in Africa concludes that what differentiates successful programmes was mainly whether the programme tapped into the available 'collective efficacy' (Epstein 2007).³⁸ The difficulty with transplantation is that the resulting organizations of the state are not grounded in either a solid internal folk culture of performance nor are they grounded in 'ownership' (an external folk culture of performance) at a local level (for local services), or even at times at a elite level. They are like a living creature without an immune system – they have no resistance to disease. Therefore eventually they will fall prey to one or some of the many diseases that affect governmental organizations. This is an important distinction, as while there are many proximate causes of death in a person without a functioning immune system it would be misleading to say that

³⁵ There is a deep and fundamental divide on approaches, so deep and fundamental that it runs across nearly every social science discipline and has been discovered and rediscovered in many contexts that can be roughly characterized as 'top down' versus 'bottom up'; but Easterly calls this 'planners' versus 'searchers', Ostrom calls this 'hierarchy' versus 'polyarchy', and more broadly this is related to Weber's 'legal/rational' versus 'charismatic/value' authority, or Habermas's 'instrumental rationality' versus 'communicative rationality', or what Scott calls 'high modernism' versus '*metis*'. These are not all the same distinction but all share similarities.

³⁶ I owe this insight to Owen Barder.

³⁷ If I am wrong about this and I can in fact get Federer's forehand without the struggle of practice, please let me know immediately.

³⁸ 'The key to their success resided in something for which the public health field currently has no name or programme. It is best described as a sense of solidarity, compassion and mutual aid that bring people together to solve a common problem that individuals can't solve on their own.' ...'Where missionaries and aid workers have, intentionally or not, suppressed this spirit, the results have been disappointing. Where they have built on these qualities, their efforts have often succeeded remarkably well.'

the cause of death was pneumonia as pneumonia in the absence of the compromised immune system would not have caused death, so the true cause was the lack of a functioning immune system that could fight off the ubiquitous threats to survival.

A primary proximate killer of the functionality of state organizations has been patronage. Once politicians realize that they can reward their supporters with government jobs the pressure on organizations is powerful. One way of resisting this is convincingly insisting that the organization simply cannot tolerate the politicization of hiring (or assignment, or posting, or promotion). A strong performance-based culture in a key task provides a formidable foe to an incipient patronage politician (possibly one reason, besides the obvious, why militaries are often able to resist). But if the defence of 'merit-based' hiring/assignment/promotion was simply transplantation ungrounded in struggle and performance validation then there was little resistance.

But my point is that 'patronage' is not what really killed civil service organizations, in two senses. One, while it may have been the proximate cause the deeper, more pervasive cause, was weakness of the organization as had it not succumbed to patronage it would have died of something else. Patronage as a motivation of politics and politicians exists everywhere, the question is how did and do successful organizations resist those pressures while others do not? Two, there are many other causes of eventual organizational dysfunction, such as the organization of employees to defend their interests over those of the intended beneficiaries of the organization or just natural decay not offset.

4.5 The second jump at the chasm is harder

In the debate over the transition in the post-Soviet era there was a saying used to justify 'shock therapy' approaches: 'You cannot cross a chasm in two small jumps'.³⁹ If your first jump fails the second jump is from the bottom of the chasm and your legs are broken. Hence, whatever the explanation for why the first jump failed, a second jump is different. Causal models that may have been correct strategies towards first jumps are not applicable to second jumps. To the extent that state capability completely (or nearly) collapsed (as in Liberia or Afghanistan or DRC or Somalia or Haiti) or had been sharply retrogressing from moderate levels (as the data on QoG suggest of Pakistan or Kenya or Venezuela) or is merely stuck at low rate of either retrogression or progression (or a mix) a moderate level of capacity (as appears to be the case in say, India) these are all 'second jump' situations.

The difficulty of the second jump at the chasm in building state capability is that with failure on the first jump one can end up in a situation in which 'things fall apart' in Achebe's resonant phrase (Bates 2008), and while the previous systems of folk accountability and folk norms are eroded they are not replaced with strong systems of external thin accountability or strong internal performance norms in formal state organizations. Rather one has to contend with ingrained, indeed 'capitalized', cynicism inside organizations and alienation and cynicism about state organizations from without.

Internal folk culture of cynicism

Inside the elite Indian Administrative Service (IAS) – arguably one of the more functional parts of the Indian state – there is a saying: 'There are four types of IAS officers: the glad, who take the money and do the work; the bad, who take the money and don't do the work; the mad, who don't take the money and do the work; and the sad, those who don't either take the money or do the work.' That the internal folk culture of the most elite civil service in a high-capability country like India characterizes those in the service that do their job without taking a bribe as 'mad' says volumes.

Wade's (1982) classic field study observed the practice of government-run irrigation schemes in south India. While the government irrigation schemes appeared to be a Weberian bureaucracy administering services on the surface, underneath there was a market for everything. If as a farmer you wanted water, you had to pay for it. Since there was a market for selling the irrigation water there was also a market within the government for the posts that controlled the water, and the prices of various governmental postings depended on how lucrative the water was that the position

controlled. The system of corruption therefore was entrenched in the personnel system (hence violating the very definition of a Weberian bureaucracy) and the revenues were shared with politicians and hence entrenched in the political system.

Detailed and highly bureaucratic processes intended to implement policy formula for hiring, postings, and transfers are in many states and services driven *de facto* by political connections and bribes. The formula for teacher transfers has specific criteria for transfer preference (e.g. seniority, marks on examinations). A survey of teachers in Karnataka found that over three-quarters of teachers believed that obtaining a transfer from one school to another required *both* political connections *and* paying a series of bribes to the various officials who controlled the flow of the paperwork (and this was the same for teachers who had been successful or unsuccessful in actually getting a transfer).

A recent field experiment (Banerjee et al. 2012) evaluated different methods of improving both the perception and the performance of the police in Rajasthan India. People actively fear the police – 62 per cent of people surveyed in the control group believed that ‘law abiding citizens fear the police’. Their main findings of interest – and hence their title ‘Can Institutions be Reformed from Within?’ – was perhaps not so much what did or did not work when implemented but what was impossible to implement, even as an experiment. In spite of the presence of the team of an Indian Policy Service officer and the full co-operation of the head of the police the station chiefs just did not implement key parts of the reform – in spite of producing ‘administrative facts’ claiming they were being implemented.⁴⁰

Once non-compliance has become an accepted organizational norm then compliance with the ‘formula’ is no longer an essential part of people’s accounts of their behavior. When the building of capability has failed then the ‘folk’ culture within state organizations has diverged from the ‘formula’ culture and an essential part of the folk culture is acknowledging the camouflage of the formula as legitimization while acknowledging that the formula is in practice a fiction.

External folk culture of coping, cynicism, and hopelessness


The second difficulty with a second jump at the chasm is that one has to reconstitute external accountability (either through politics, compact or client power). Each of those faces three problems. First, when states fall into dysfunction elites protect themselves from this, through either preferential treatment by the state (e.g. in regulation) or by buying services outside of the state (e.g. private hospitals, private schools, bottled water, generators, etc.). The less the elite feel a functional state is essential the less they are part of the coalition for reform. For instance, in the current Indian context there is widespread concern that elites have *de facto* ‘seceded’ from the country they live in. Second, as dysfunction augurs into deep levels then the ordinary citizen ceases to believe the system can be made to work or that the system, as system, has any fundamental legitimacy. At this stage one risks not reforms that improve the capability of the state but political movements which take advantage of the system having lost legitimacy to replace it – often with something much worse.

³⁹ My internet search attributes this to David Lloyd George. As Dani Rodrik has wryly noted, when policy arguments are made with pithy aphorisms one knows the contribution of economic science is limited.

⁴⁰ The authors conclude: ‘Therefore, while the senior police leadership consistently supported the reforms and gave orders for their implementation, the long term, system-wide benefits perceived by the leadership were not internalized by the police station chiefs. As a result, police station staff gradually ceased to carry out the programme elements, perhaps even going so far as to falsify the community observer records, and the project stopped functioning over 18 months.’

5

Creating settings for good struggles



A good part of my motivation for thinking about this question of state capability is motivated by the fact that I have a former student and now good friend who is South Sudanese. He, not unreasonably, as I am a 'Professor of the Practice of Development' at a prestigious university, expects that I might have something useful to say about how the world's newest state should build state capability (or at the very least, refer him to someone who I believe can say something useful). But I don't and can't. I am pretty sure that the advice the 'international community' will give him about building the administrative capability of the state will be based on the same fundamental paradigm of state capability as the advice given both to South Sudan's neighbors when they were new nations (and does South Sudan really want Kenya's or Somalia's or even Uganda's 50 year trajectory of state capability?), and the advice given recently about state building in 'fragile' countries to Afghanistan or Haiti or DRC (and does South Sudan want their recent outcomes?).

The difficulty is that nearly all implementation resides in the domain of tactics. One key difference between an academic and a practitioner is that when a practitioner observes failure they usually move one level of abstraction *down* – "the devil is in the details". This is often true, and tinkering with the details is an underrated and underappreciated skill (Denzier, Kraay and Kaufmann 2011). The reaction of an academic is to move a level of abstraction *up* – perhaps the theory on which the tactics are based is wrong and hence no amount of tinkering with tactics will produce success. Failure has been general enough and tinkering gone on long enough to suggest that in this case the devil is not in the details, the devil is in the fundamental theories of change which need to be stood on their head, as in Table 10.

What is to be done? I am definitely not saying what you think I am saying. At least I think not because I do not (yet) know exactly what I am saying. Although there is some chance you are already ahead of me and do know what I (will be) saying. But I want to avoid a common reaction to what I have said which is: 'ah, well, you are just saying [blank]', where [blank] is that the speaker happens to now believe in or, if they want to reject the critique, do not believe in (e.g. 'aren't you just saying 'bottom-up' versus 'top-down' and we already know that', or 'aren't you just saying *decentralization*, which we know doesn't work'). Common blanks are 'democracy', 'empowerment', 'bottom up', 'decentralization', 'demand-side', 'rigorous experimentation', 'transparency', 'accountability'. To all [blanks] I say emphatically no, that is *not* what I am saying and yes, that *is* kind of, or *a* kind of, what I am saying.

Democracy as a means to state capability has worked and failed. Decentralization as a means to state capability has both worked and failed. Bottom-up has both worked and failed. External existential threats have both worked and failed. It should not be too surprising, given the complexity of human beings and the complexity of all human rules systems (cultures, polities, societies, institutions, organizations) that any one-word description is bound to be inadequate.

But yes, I am saying that *to the extent* that democracy works to enhance the environment for good struggles then democracy is part of the solution – but to the extent it doesn't, it isn't. Yes, *to the extent* that decentralization works to enhance the environment for good struggles then democracy is part of the solution – but to the extent it doesn't it isn't. Yes, *to the extent* demand-side transfers work to enhance the environment for good struggles then demand-side transfers are part of the solution – but to the extent they don't, they aren't. Yes, *to the extent* that transparency enhances the environment for good struggles then transparency is part of the solution – but to the extent it doesn't it isn't. And so on.

So then all I am saying is that the [blank] is 'struggles'. No, what I am saying is that *to the extent* struggles enhance the environment for *good* struggles then struggles are part of the solution – but to the extent they don't, they aren't.

There cannot be a one-word description, as all those words have been tried and have mixed success and failure. So it is really all in the modifier 'good' – which is either vacuous or has to be fleshed out. The statement: 'Reforms should be appropriately sequenced' is vacuous unless 'appropriate' is fleshed out. 'Appropriate' could be a short-hand for codifiable, if complicated, knowledge: 'Patients with tuberculosis should be medicated appropriately' or 'Highways should be appropriately graded' or 'Steel should be appropriately tempered' or 'Living spaces should be appropriately heated' points one a fleshing out of appropriate in handbooks (medical texts, highway engineering, materials science handbooks, construction codes) and professional 'standards of care' of a community of practice that detail how the factual conditions affect the right action (e.g. age or size of patient affects dosages) and hence flesh out 'appropriate' in context.

But the 'good' in 'good struggles' is never going to be fleshed out in a handbook. All engagements with transformations of rules systems (either inside organizations or more broadly) will – and should – remain, as an intrinsically human and humane endeavor, an art, a skill, a practice. This is a practice in the sense of a medical practice or the practice of law or the practice of architecture or the practice of politics or the practice doing original academic research is practice. There are parts of it that are science based, parts of it that are disciplinary or professional conventions, and parts of it that require, in Scott's term *metis*, judgment, wisdom, creativity, skill. The promotion of state capability through good struggles, if it works, will work as a community of practice in creating, applying and refining principles as a result of applying principles to contexts and learning from the ongoing experimentation, experience (and some experiments). The problem of how to create effective rules systems of thick accountability for the implementation of intensive service delivery (e.g. create the eco-system conditions from which high-performing schools or tax collection are the emergent outcome) is a meta-problem. It is a 'wicked hard' problem.

TABLE 10:
Fundamental reorientation of theory of building state capability changes strategy and tactics

Theory/Paradigm	Strategy	Tactics
Institutions and organizations produce success and result in high state capability	Build successful institutions and organizations by transplanting the forms and structures of existing successful institutions (or continuation of colonial/adopted forms)	Passing laws to create institutions and organizations Creating organizational structures Funding organizations Training management and workers of organizations to implement policies Policy reform of the formulas the organizations are meant to implement
Institutions, organizations and state capability are the result of success and are the consolidation and reification of successful practices	Build successful institutions and organizations by transplanting the forms and structures of existing successful institutions (or continuation of colonial/adopted forms) Produce success at solving pressing problems the society faces in ways that can be consolidated into organizations and institutions	Nominating local problems for solution Authorizing and pushing positive deviations and innovation to solve problems Iterating with feedback to identify solutions Diffusion of solutions through horizontal and inter-linked non-organizational networks

Source: Author's elaboration.

All of that said, here are my current conjectures as to what these principles are (which I have fleshed out elsewhere; Andrews et al. 2012). The fundamental idea is to reorient from building successful organizations by building the *forms* of successful organizations (e.g. authorizing laws, formal policies, organizational charts, HR position descriptions) to building successful organizations by creating success and then building on those practices that prove to be successful. We think this will involve four elements, to which, to make the development world comfortable, we give an acronym, PDIA (problem-driven iterative adaptation). Here I give these in telegraphic form.

Local solutions for local problems

Transition from defining the problem as the lack of a *solution* (e.g. the ‘problem’ with procurement is the lack of competitive bidding) to allowing the local nomination and articulation of concrete problems to be solved (e.g. the problem is we are paying too much). Sparrow (2008) discusses how getting the right grip on the characterization of the problem can allow efforts to be unleashed in solving it. This is difficult because often organizational practices have ossified around thin accountability measures and (re)defined their *missions* to be ‘solution’ implementation oriented whether that solution still solves a real problem or not. For instance, there has been a revolution in policing from defining the output of police forces from ‘responding to calls and clearing cases’ to ‘reducing the harm of crime.’

Pushing problem-driven positive deviance

Create environments within and across organizations that encourage experimentation and positive deviance, accompanied by enhanced *performance* accountability (around the locally nominated problems). The difficulty in dysfunctional organizations is the process controls that do not deter rent seeking (since administrative facts are fiction) can serve as an impediment to performance-minded innovators to whom the red tape of process controls is a positive obstacle since ignoring the process controls – even in the interest of innovation or better performance – opens them up (personally and organizationally) to attacks. Once problems are defined in concrete and specific terms then there is the possibility of allowing people to try new things to fix the problems. As my last animal analogy, existing public sector organizations are like turtles. They have developed a survival strategy, that of a hard external shell that repels external attack. To get a turtle to move you have to convince the key parts of the turtle – head and legs – to come out and move.

Try, learn, iterate, adapt

Promote active experiential (and experimental) learning with evidence-driven feedback built into regular management and project decision making, in ways that allow for real-time adaptation. Once problems are defined then they can be measured and tracked in ways that allows feedback into operational practices not just through rigorous impact evaluation but also through structured experiential learning (Pritchett, Samji and Hammer 2012).

Scale through diffusion

Consistent with the view that ‘thick accountability’ matters internally and externally, we expect that positive change will be first driven by changes in norms and practices among the like-minded in the community of practice, and only much later followed up by changes in thin accountability to change the behavior of the remainder. Particularly for organizations working on anything but logistics, behavior will change when people’s beliefs change, not when change is dictated from above.

My excuse for the length of this present study is that it that I am doing an unwise and difficult thing. I am promoting a solution the formal world does not want for a problem the formal world does not want to admit that it has.⁴¹

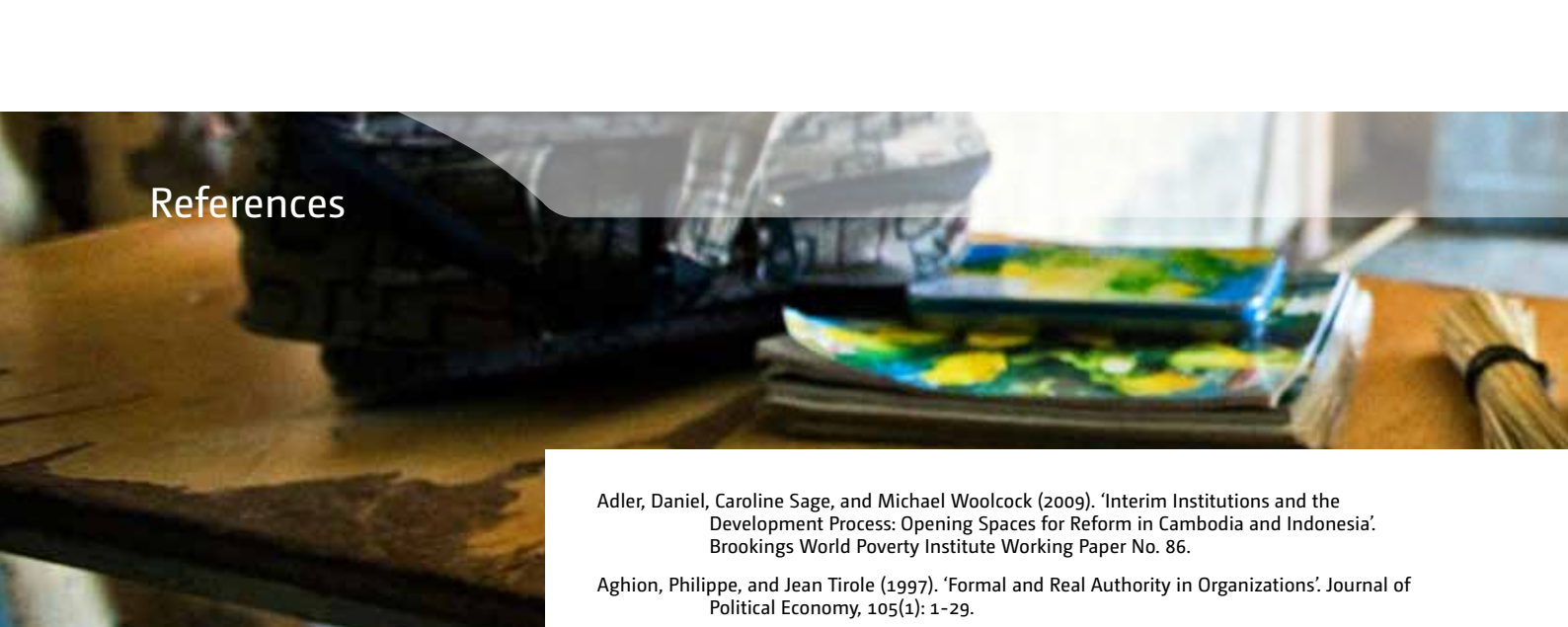
The problem the formal world does not want to admit to is that 'accelerated modernization of state capability for policy implementation' has failed. In many (by no means all, but many) contexts the Weberian bureaucracies responsible for implementation are engaged in some function and some fiction. Unsupported in internal or external folk norms they have been weakened, corrupted, and delegitimated. They set out to 'see like a state' and now they just 'look like a state' (Pierce 2006; Andrews et al. 2012). Nevertheless, these organizations remain in control of administrative facts and hence these fictions are facts that citizens of the globe – and especially the poor and powerless – must confront every day.

The solution the formal world wants is for national and international technocrats to tinker some more to fix the Weberian bureaucracies *in situ*. Do some more 'training' to build individual capacity, do more 'policy formula reform', do more 'rigorous impact evaluation', introduce some more compartmentalized programmes that end-run the existing state, implement some more projects with better 'results' frameworks. All of these are enormously popular precisely because they do not solve and may even *contribute* to the problem by allowing the camouflage of isomorphic mimicry to persist.

The solution the world definitely does not want is to unleash the power of the folk by actually ceding power from and within existing formal organizations. What could be more 'backward' than taking power from formal Weberian bureaucracies and breaking it into bits to be given to small groups of people (communities, associations, groups)? What could be crazier than to solve organizational dysfunction with less process controls?

The way forward from the bottom of the chasm is to first admit where we are. The facts say we are walking in mid-air, which is a fiction. The way forward will be to create, where possible, the conditions for a good struggle to start the hard slog of an upward climb for states to reach the capabilities to meet the needs and demands of their citizens.

⁴¹ The more pragmatic thing to do, which takes much less time and effort, is to propose solutions that people want to problems people already think they have.



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