



# WORLD DEVELOPMENT REPORT 2011

BACKGROUND PAPER

## FRAGILE STATES: STUCK IN A CAPABILITY TRAP?

Lant Pritchett  
Harvard Kennedy School

Frauke de Weijer  
Harvard Kennedy School

November 5, 2010

*The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the World Development Report 2011 team, the World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.*

## Introduction

This paper addresses some of the challenges facing fragile states. The paper has four sections, each of which introduces an odd phrase.

The first takes the odd phrase of *isomorphic mimicry* from evolutionary theory (that animals sometimes use deception to look more dangerous than they are to enhance survival) via sociologists of organizations to fragile states. It is much easier to create an organization that *looks like* a police force—with all the *de jure forms* organizational charts, ranks, uniforms, buildings, weapons—than it is to create an organization with the *de facto function* of enforcing the law. The danger of isomorphic mimicry is that it create a powerful dynamic in which what survive are not functional organizations and institutions but mimics, which can adopt the camouflage of capable organizations without any of the associated drive for performance.

The second section focuses on *wishful thinking*; in particular, distinguishing between *optimism*, which can be a powerful positive force, and *wishful thinking*, which is not. We examine the “time to build” *levels* of the functional capability of the state. Arithmetically, levels and growth rates are linked in the same way as place and speed. How long will it take to get from X to Y? The *most* optimistic travel time is if one travels from X to Y at the maximally feasible speed. “Planning” to get from X to Y any faster than that is not “planning”, it is wishful thinking. Unfortunately, much of the planning for fragile and conflict states is premised on assumptions about the speed at which state capability can be built that are not empirically grounded.

The third section describes a key danger of wishful thinking: *pre-mature load bearing*. If an athlete has been injured then there has to be a period in which he/she does not put stress onto the injury. Pre-mature loading of stress on an injury can reverse whatever healing has happened, and even perhaps worsen the original injury. Asking fragile states to move forward too quickly, even with very desirable steps, risks creating pressures that collapse what little capability has been created. Especially when external agents from high capability states are engaged there is a risk of “*asking too much of too little too soon too often*”<sup>1</sup>.

The fourth section examines whether there is a *middle way out of the big stuck*. The “big stuck” is the combination of unfavorable domestic conditions plus unhelpful external actors that can create an environment in which fragile states remain fragile, with low capability and at risk of recurrent conflict, for a very long time. Both “big” and “small” approaches to development have failed, in their own ways, and the question is whether there is another approach that is “just right.”

### I) Form Versus Function and the Dangers of Isomorphic Mimicry

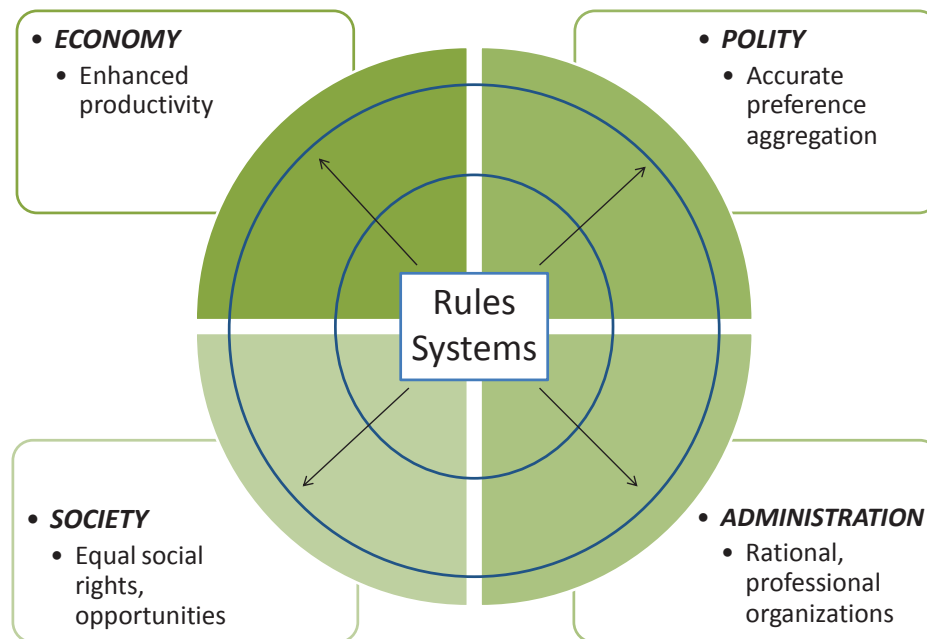
“Development” can be defined as a four-fold historical process of *economic, political, administrative and organizational*, and *social* transformations. *Economies* grow more

---

<sup>1</sup> This paper is closely related to Pritchett, Woolcock and Andrews (forthcoming), from which we sometimes borrow ideas and phrases.

productive, *polities* more justly aggregate the preferences of their citizens<sup>2</sup>, *socially* equal rights and opportunities are extended to all groups, and *administrations* become capable of carrying out more and more demanding tasks (see Figure 1). Note that in each case part of the transformation is a shift in the overall “rules systems”—the established patterns, norms of behavior, and expectations—in which individuals as agents are embedded. This means that during transitional periods individuals will be embedded in multiple, potentially conflicting rules systems, which creates stress and conflict and that the transition is far from painless or easy and “success” is not inevitable.

Figure 1: Development as a four-fold modernization process



In this note we are focused on the parts of development related to *administrative* transformation, which is a distinct, but intertwined component of development, and particularly the administrative capability of the state. Is the “state” as a distinct entity capable of affecting the course of events across a wide variety of domains (e.g. law and order, infrastructure, economic regulation and enforcement of contract, etc.)?

A ‘fragile’ state can be defined as a state that does not have the will and/or capability to carry out the core *functions* associated with being a “developed” state.

One of the key dangers in development discourse is to confuse the *functions* of capable states (in both polity and administration) with the institutional, legal, and organizational *forms* by which those functions are carried out in capable states. For instance, in the historical trajectory of many now “developed” states many administrative tasks of the state (such as policing, education, tax collection, settlement of legal disputes, regulation (financial, health, safety),

<sup>2</sup> Note that this may or may not manifest itself in a democracy. For our purposes, *modern* polities are polities that reflect the aggregate preferences of the population (whatever those preferences happen to be).

infrastructure provision, national security) came to be carried out by “modern” organizations that appeared to be structurally similar across many settings and could be described as Weberian civil service bureaucracies.

This apparent similarity of the *de jure* forms whereby *de facto* functions (including the core functions of the state) were carried out led naturally to the notion that “function follows form.” That is, development was a process of accelerating the four-fold transitions of modernization for the lagging (or newly independent) nation-states. A basic “theory of change” behind development efforts of both internal and external actors was “accelerated modernization through the transplantation of the forms of best practice.”

The notion of much of “official” development assistance (broadly taken) is that the fastest route to *functional* modernity is the adoption of the *forms* that now modern high functioning countries use. Table 1 presents a few heuristic examples of the historical transition to the “modern” form, illustrating that the *functional* goal can be articulated independently of the particular form.

<b>Table 1: Examples of distinctions between “pre-modern” and “modern” forms and between form and function</b>		
<i>Historical antecedents</i>	<i>Modern Form</i>	<i>Desired Functionality/Capability</i>
Volunteer, locally recruited, fighting units led by local notables in loose coalition	Centralized armies with chain of command and professionalized officer corps	Wage war
Private banks, loosely organized, multiple means of payment	Central Banks regulating unique national currency	Safe means of payment for depositors, stable price levels,
Private (e.g. religious, elite) and community run schools and educational institutions	Large scale formal schooling systems	Preparing children for their roles as adults.
Dispersed systems of revenue collection and private tax farming	Revenue agencies with consolidated scope	Raising revenues for public purposes with low administrative cost and economic disruption.

This notion of “accelerated modernization through transplantation of best practice” has powerful attractions. Unfortunately, by now (2010) it is obviously false as a *universally* applicable development strategy. There have been too many nation-states which *have* adopted the forms of Weberian civil service bureaucracies and yet *have not* seen the corresponding increase in state capability (more on the empirics of this below) to continue to believe that “form follows function” is a workable *general* theory of change. AMTTBP is not obviously a *universally* false theory of change as there have been successes in development that appear to have followed this strategy, but clearly is not *universally* true, in that it does not have a universal (across all countries and conditions) range of applicability.

“Function follows form” as a means of promoting development may not even meet the weak standard of “do no harm.” This is a controversial argument, as getting the form “right” might be a necessary but not sufficient condition in which case even where AMTTBP has not been successful (yet), neither is it particularly harmful. After all, if all countries will come to have functionality through the forms that the now high functionality countries currently possess, then pushing countries to adopt these forms might be pre-mature and may not lead to success immediately, but it will eventually pay off for the countries to have adopted the “correct” forms of armies, police, banks or education systems.

The idea that AMTTBP might do harm is based on the notion, well known in the domain of sociologists of organizations (Dimaggio and Powell), of *isomorphic mimicry*. The idea is that the transplantation of external organizational and institutional *forms* (that have proved successful “elsewhere” and hence in different conditions) may well create a dynamic that inhibits, rather than promotes, a trajectory in which sustained and dynamically evolving functionality emerges.

While in the constraints of this background paper we are not going to *prove* to anyone’s satisfaction that empirically AMTTBP has proved harmful, we just want to sketch out the argument of why it might be true (at least in certain conditions).

Imagine social (sub)systems as an “ecological” space comprising three constituent elements: *agents* (leaders, managers and front-line staff); *organizations* (firms, NGOs, line ministries); and ecosystem elements (the broader administrative and political apparatus under whose jurisdiction the organizational activity falls) (Figure 2)<sup>3</sup>.

In this schematic agents (leaders, managers, and front-line agents) are embedded within organizations and pursue their own objectives, but in ways that due to both extrinsic and intrinsic motivations can be aligned with the goals of the organizations. A fundamental goal of organizations is legitimacy, which is what, in this schematic representation, the continued thriving of the organization depends on.

Hence, two key questions in evaluating any (sub)system is whether the ecological system elements:

- a) provide space for organizational innovation, and

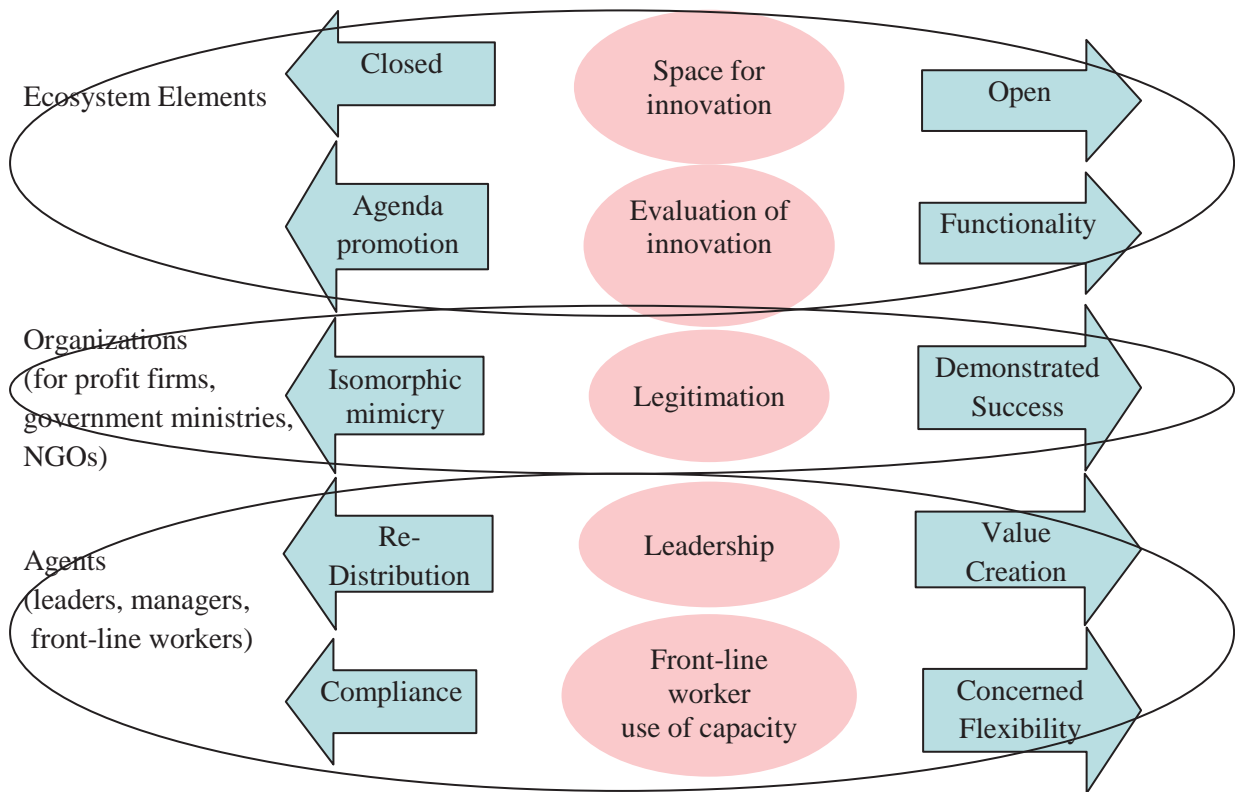
---

<sup>3</sup> More colloquially, one might distinguish between crew, ship and ocean. The common aphorism lamenting the futility of “rearranging the deckchairs on the Titanic” alludes to a broader intuitive recognition that an accurate assessment of the actions of agents needs to be understood within the context of the interaction between the immediate organizational setting and the idiosyncrasies of the prevailing environment. If that environment is actually or potentially hostile (imminent large icebergs in freezing waters) and the organization, despite grand appearances, is critically vulnerable (iceberg detection systems are weak; ship will sink rapidly if punctured in the wrong place; too few lifeboats are on board), then their interaction places severe limits on the efficacy of particular actors (crew). The analogy is imperfect, but to better understand and learn from the specific event itself it is crucial to give attention to, and integrate, all three elements – different decisions by the crew (perhaps as a product of enhanced “capacity building” and “leadership”), a structure with fewer vulnerabilities or a more comprehensive emergency evacuation plan (“better technical design”, “good governance”), and a friendlier environment may well have averted disaster. But focusing on one element to the exclusion of the others, just because one happens to have a “tool” for addressing it, is unlikely to generate *ecological-level* learning that generates, over time, incrementally safer, cheaper, faster and more enjoyable ways of transporting passengers across the waters.

- b) evaluate organizations and organizational innovation on the basis of demonstrated functionality.

For instance, in a sub-system of an overall economy that is a canonical open and competitive sector the “market” provides space for new firms to emerge and private firms are “evaluated” for their survival at least in part on their ability to attract paying clients, so that innovation is evaluated somewhat functionally (relative to the view of clients with purchasing power). These ecological elements then create an environment for organizations in which there can be *ecological learning* or, in Schumpeter’s phrase, *creative destruction*, in which overall productivity increases as more productive firms replace less productive firms. (Of course there are also many cases in which leading firms attempt to close off space for innovation and to prevent new entrants from gaining sales through means both fair and foul).

**Figure 2: An Ecology of Organizational/Administrative Innovation**



In the context of a system schematic like that of Figure 2 what is *isomorphic mimicry* as an organizational strategy? The term *isomorphic mimicry* is akin to mimicry in biological evolution in which animals gain survival value by *pretending* to have characteristics of other animals in a way that provides them survival value. For instance, some species of flies have developed coloration that makes them look like bees, and even have evolved with a buzz like a bee, but do not actually have stingers. Some species of snakes have evolved to have coloration that makes them appear to their predators as other snake species that are poisonous, even though

the snake is not poisonous. This helps prevent the snake from being eaten, even though it is not in fact poisonous.

DiMaggio and Powell (1983, 1991) described isomorphic mimicry as an organizational strategy in which organizations attempt to gain legitimacy by appearing to be like other organizations with legitimacy in the organizations domain. They identify three types of pressures for isomorphic mimicry, all of which are relevant: “coercive” (in which external agents force isomorphism on the organization), “normative” (in which organizations adopt mimicry because it is an acknowledged “best practice”) and “mimetic” (in which organizations simply copy other organizations’ practices).

The emphasis of organizational form over function can lead the “ecosystem” for organizational dynamics onto the left hand side of Figure 2, where the “space” for organizational innovation is *closed*—both because the organization claims a monopoly over the relevant activity—e.g. post offices claiming monopoly over moving letters, public school systems claiming a monopoly over using public funds for education, police forces claiming a monopoly on the provision of security, etc—and because since the organization is already in the correct form any significant organizational innovation is not needed.

But not only is the space for innovation closed, there is often simply no *functional* evaluation of innovation possible because organizations systematically eliminate the possibility of their being judged against anything other than their form and their compliance with “accepted” procedures. So for decades police forces *defined* their goals in terms of (a) compliance with accepted organizational structures of hiring, promotion, (b) compliance with norms of behavior (e.g. chain of command), and (c) inputs, like possession of attractive equipment. But if there is no externally accepted outcome goal against which police force effectiveness is to be judged then there is no way of assessing an innovation. Without systematic measurement of the actual *functional* performance of organizations it is only by chance that innovations would lead to higher levels of performance.

In an environment in which the space for innovation is closed and there is no functional evaluation of performance then it is plausibly the case that *isomorphic mimicry* is the *optimal* organizational strategy for existing organizations and new organizations are deterred from entering the space. If an organization—a schooling system, a police force, a revenue service, a procurement branch—has no means of securing its legitimacy through demonstrated performance and already occupies a monopoly position in a space then it can thrive simply by projecting an appearance of being a functional organization by adopting “best practice” reforms—whether or not these lead to functional improvements or, for that matter, even actually change the behavior of the front-line agents.

Once the ecosystem for organizational/administrative innovation gets established on the “left hand” of Figure 2 one can get into a “Big Stuck” in which low functionality and very slow progress of organizations can persist for very long periods because individual agents cannot single handedly push the system out of a low level capability trap. That is, take “leaders”—the potentially dynamic individuals with the skill set to be potential innovators. If a “leader” attempts to innovate to make an organization more functional when its optimal, legitimacy promoting strategy is isomorphic mimicry the organization will push back from above and below. Above, those to whom the organization is accountable will worry that, in the absence of

a well defined metric for functionality innovations will actually put the organization at risk. What if the innovations actually “look” worse and appear to have less organizational control (perhaps because front-line agents are given more autonomy) *and* even if they are leading to superior results there is no way to prove this. From below, organizational managers and front-line workers will resist innovation because without a clear metric of functionality their optimal strategy is compliance with internal processes and procedures that frees them of potentially negative accountability.

Moreover, even if a leader is able to start its own organization and even if that organization proves locally successful, if the space for organizational innovation is closed this may lead to a brief localized success with no scalable impact on the system. This can explain the existence of *effervescent innovation*. That is, at any given time it may seem as if there are many promising innovations at the “pilot” stage but the systemic functional performance never improves as these “pilots” never scale as there is no external space for innovation nor can the externally generated innovations be internally adopted.

Two points. First, in expressing deep concerns about the dangers of isomorphic mimicry (or “institutional monocropping” Evans 2004) and its associated quest for ‘global best practice’ solutions to development problems, we recognize that certain *types* of problems can and should be addressed in this manner. If a cure for cancer or a lost-cost procedure for desalinating water is ever invented, the more rapidly it can be made available to everyone, the better. Our concern, building on an earlier formulation (Pritchett and Woolcock 2004), is that for certain development problems the quest for *the* solution is itself the problem, and this is especially so in matters pertaining to political, legal and organizational reform, where combinations of high discretionary decision-making and numerous face-to-face transactions are required to craft supportable solutions (plural).

Second, in stressing the virtues of ecological learning and of encouraging multiple paths to high institutional performance, we are pushing back against – though not failing to appreciate the importance of – the Weberian ideal of a professionalized bureaucracy as the preferred mode of delivering core services. If Weberian organizations underpin modern economic and political life in high-income countries, isn’t this the goal to which low-income countries should aspire, and move as quickly as possible? If we know what effective organizations look like – if they constitute, in effect, a ‘global best practice’ – isn’t it just efficient, even ethically desirable, to introduce them as soon as possible? Has anyone actually ‘developed’ without them?

The danger in fragile conditions is that it is much easier to rapidly build the “forms” of a capable state—e.g. pass civil service legislation, create “new” police forces, pass budgets showing the “right” priorities, articulate “development plans”—than it is to create the conditions for assessing functional performance and allow an organic process in which the forms adapted emerge organically from functional success. But, as we show below, pushing for the rapid creation of the “forms” of a capable state without sufficient attention to function may do more harm than good.



## II) Time to Build Functional Capability: Separating Optimism from Wishful Thinking

Fragile states have low capability and are less “developed” in one or more of the dimensions of “stateness” in the development diagram Figure 1 —either they have weak polity, in that they have weak mechanisms for the aggregation of citizen needs/wants/desires/preferences into the objectives of the (nation)-state or they have weak administrative capability in that they have weak mechanisms for translating the objectives of the state into actions that affect the course of events in their state (or both). In this section we show (a) that fragile states must be in a “Big Stuck”—a situation of very slow progress in the development of state capability and (b) that even under very optimistic conditions it will take a very long time to build *functional* capability. This both provides empirical foundations for the previous section about the functionality and sets up the next section about the potential dangers of “wishful thinking” by either internal or external agents about the potential pace of change.

How can we assert that countries are caught in a “Big Stuck” or “capability trap”<sup>4</sup> without any historical data that measures the evolution of capability? How can we infer the *pace of change* with only *current* measurement? Suppose you walked into a forest and discovered trees of various heights. You might think there is no way to know which trees grow fast and which grow slowly. But you can turn a cross-section of trees into a defensible statement regarding long-run dynamics if you know a tree’s age and how tall it was as a seed (zero). Since current height is the result of growth from zero to the current height during its lifetime you actually do know a tree’s cumulative growth rate: its growth rate from seed to today is the growth that led it to have the height it has today. Of course you do not know if the tree grew fast when young and then slowed, or grew faster in wet years than dry years or anything about its future growth, but long-run average growth dynamics and current height are inextricably linked.

We are going to measure *long-run* progress using existing measures of current state functional capability in various dimensions by asserting a level of “zero” state capability and then calculating the *fastest* progress could have been since a country’s independence as the pace of change that would have taken the country from “zero” state capability to its current level. Again, this isn’t to say the evolution of state capability *was* linear, it could have been positive, then negative, it could have cycled, it could have had rapid improvements and then collapses, but the (maximal) *average* pace of change must be consistent with the current observed state.

We are then going to calculate various *possible scenarios* for the evolution of the future *level* of state functionality under various assumptions from “business as usual” (BAU) to very optimistic scenarios. The main point of these scenarios is that there is no reason in the data to expect *discontinuous* pace of change or discrete very large jumps in the state administrative capability. That is, while bean seeds can grow into bean stalks of various heights at faster or slower paces depending on the conditions created for bean stalk growth *there are no magic beans*.

---

<sup>4</sup> We use the term “trap” in a non-technical way, in that in economic parlance a “trap” usually implies a situation of a “multiple equilibrium” with the same fundamentals as opposed to simple a unique low level equilibrium. We use the word trap just to mean a low level equilibrium (which could be unique or a multiple equilibrium) with no temporal dynamics towards a more positive outcome.

We start with three indicators of state capability from the International Country Risk Guide (ICRG) which provides rankings for many countries in the world on a variety of dimensions. One big advantage of the ICRG data is that they have provided consistent rankings for many indicators over an extended period and we can use the data from 1985 to 2009. Of course with any empirical cross-national ranking we run the risk that the ranking itself is based on isomorphism as it is really just a ranking of how closely a country corresponds to notions of appropriate “forms” rather than as a measure of functionality, but we have what we have and we choose the rankings from ICRG that are most closely aligned with functional rankings of core responsibilities of the state.

We will illustrate the calculations using the ICRG rankings of Bureaucratic Quality that rank countries on a scale from 0 (e.g. Somalia) to 4 (e.g. Singapore, Israel). The current average bureaucratic quality for the 18 countries classified as in a “fragile” situation is 1 (a level shared by say, Yemen, Nigeria, Nicaragua).

Now suppose we want to ask how long it will take a “typical” fragile country to progress from its current low level of bureaucratic quality of on average a ranking of 1 to a “threshold” level that is consistent with stability and “good enough” governance. While there is some arbitrariness in picking such a threshold we use the level of 2.5 as the target for having achieved “good enough” administrative capability as proxied by this measure of bureaucratic quality. This is the level of say, Kenya or Malawi, in between countries at level 2 like Bolivia or Bangladesh but not at the level of 3 such as Malaysia or Mexico.

Of course how long it will take depends on the assumed pace of progress. We calculate five scenarios, none of which is meant as a prediction of future trajectories, but only to illustrate the range of possibilities.

*Business as Usual.* One calculation is that the future looks like the past from 1985 to 2009 and the fragile states continue their existing trajectory. This is a pessimistic scenario because in this case it would take them *infinite* time to reach the threshold of 2.5 because they are headed in the wrong direction. Of course, there is some obvious “selection bias” as countries that are currently ranked as in “fragile” situations are likely to have had recent deterioration in their conditions.

*Long-run (maximal) growth.* A second scenario is to assume that the typical fragile state has been independent for 50 years (roughly since 1960—some have been much longer (e.g. Haiti) some shorter). In that case, assuming that on independence these countries had an administrative capability of zero (which is the assumption that makes the growth rate since the *fastest*) then the maximum long run annual rate of growth is just the difference between the current ranking and zero (the total cumulative progress) divided by the number of years. At this pace since it has taken these countries fifty years to get from 0 to 1, to get from 1 to 2.5 will take another 75 years.

*Growth of the average (non-fragile) developing country.* A different scenario is to ask, “what if the current fragile countries in the future saw progress at the observed pace of the non-fragile countries?” This is a more optimistic scenario than BAU, but not much more optimistic. At the pace of improvement seen in all other countries it would take the fragile state 116 years just to reach the threshold of 2.5.

*Pace of the fastest 20.* When discussing potential accelerations in economic growth people often use the growth rate of the countries experiencing rapid growth to illustrate the potentially optimistic scenarios. We do this for bureaucratic quality by asking, what if the fragile countries were to accelerate their pace of progress in the acquisition of administrative capability to the level observed in the *fastest 20* countries. The result is that it would take the “typical” fragile state 20 years to reach even the threshold capability level of 2.5 even under the massively optimistic scenario that the fragile state could achieve and maintain the pace observed on average in the 20 countries with the *fastest* rate of progress.

*Pace of the single fastest performer.* The most optimistic scenario is that the “typical” fragile country would grow at the *fastest* pace in improvement in bureaucratic quality of any country that began below the threshold. This is almost certainly an *overly* optimistic scenario. One can hope one’s child is intelligent but hoping that one’s child is the *most intelligent child ever* is certainly the upper bound on optimism but not really even an optimistic scenario. In this case Guyana improved from a level of 0 to a level of 3 over the period for an average per annum increase of .125. At that pace a country could move from 1 to 2.5 in only 12 years.

These scenarios for bureaucratic quality are shown in Table 1. Now that we have illustrated the basic approach we can show that the same basic findings—that at current, past, or average paces of progress countries will take a very long time (if not forever) to reach a threshold and that even at optimistic scenarios reaching even a modest threshold will not be instantaneous (or even a feasible three to five year objective).

ICRG indicator	Indicator level		Years to threshold at pace of:			
	Current actual, fragile situations	Threshold	Recent average, fragile situations	Average, non fragile all countries	Fastest 20	Fastest over the threshold
Bureaucratic Quality	1.0	2.5	Infinity	116.1	19.9	12.0
Corruption	1.8	3.5	Infinity	Infinity	27.4	14.3
Military in Politics	1.9	4.0	Infinity	103.4	16.6	10.3

Source: Authors’ calculations with ICRG data.

A second plausible *functional* indicator of administrative capability is the degree of corruption. This indicator is ranked from zero (worst) to 6 (best). The average of the countries in fragile situations is 1.8 on this scale. We do the scenarios to reach of level of 3.5, which is the level of Botswana or Vietnam.

In this indicator the time to reach the threshold at either the fragile states rate of progress or that of the average non-fragile country is infinity as, on average, there has been zero progress.

Even at the pace of the fastest 20 countries it would take a country 27 years to move from a corruption level of 1.8 to 3.5 and even at the pace of the fastest *ever* progress (which is in Indonesia and which is the *only* country in the sample to move from below the 1.8 to above 3.5 over the previous 25 years) it would take 14 years to reach a threshold level of the lack of corruption.

A third indicator, which is more an indicator of state capability in the “polity” dimension is the degree of military influence/control over politics. This indicator ranges from zero (Iraq, Sudan, Congo) to 6 (no influence). The currently fragile situations have an average ranking of 1.9. The threshold is 4 (e.g. Tanzania, Tunisia, Taiwan).

At the average pace of non-fragile countries (which is an average of improvements and some back-sliding) it would take 100 years for the “typical” fragile country to cross the threshold. But on this the fast countries do appear to achieve quite rapid change—the “fastest 20” pace would imply only 16 years and the “fastest ever” pace suggests only 10. But again, 10 years is not one year or three years or five years.

Table 2a does exactly the same type of calculation using the data from the World Governance Indicators (KKZ). These data are available only from 1996 to 2008 so there is less time dimension to calculate growth rates, but these can serve as a useful “cross check” on the speed with which countries typically, or even at their fastest, improve indicators of governance. Again, across an array of indicators the same basic messages emerge: (i) fragile states are far from any threshold of “good governance”, (ii) at their pace or average pace of progress it would take very (to infinitely) long to reach a threshold, (iii) even at very to extremely optimistic accelerations of the pace of progress (from improving at the pace of the fastest 20 to the very fastest country to cross the threshold) the time from fragile states to reach solid levels of governance is measured in decades, not years.

**Table 2a: Scenarios for improvements in state capability, using six indicators of governance from the World Bank Governance Indicators**

WGI indicator	Indicator level	Threshold	Years to threshold at pace of:			
	Actual, 2008, fragile situations (scale: -2.5 to 2.5)		Recent average, fragile situations	Average, non fragile all countries	Fastest 20	Fastest single country over the threshold
Regulatory Quality	-1.10	0.5	Infinity	908	22	25
Government Effectiveness	-1.18	0.5	Infinity	2646	36	13
Control of Corruption	-1.09	0.5	Infinity	4168	27	16
Voice and Accountability	-0.99	0.5	Infinity	1584	31	37
Political Stability	-1.09	0.5	84	3587	18	26
Rule of Law	-1.22	0.5	Infinity	Infinity	41	17

Source: Authors’ calculations with WGI data.

Interestingly, the “fastest over the threshold” times are sometimes slower than the “fastest 20.” This can happen if there are countries with rapid recovery from very poor outcomes, but which do not exceed the threshold. For instance, in Regulatory Quality” the average of the fragile states pass the threshold at the “fastest 20” pace in 22 years but at the pace of the “fastest country which also passed the threshold” it took 25 years. This might seem impossible, but the fastest progress was Iraq, which went from -2.94 in 1996 to -1.09 in 2008, an annual pace of .155 (at which pace the average fragile state would cross the threshold in only 10 years  $(=(-1.10-.5)/.155)$ ). But, that was a rapid recovery from a disastrous level to a very bad level. Of the countries in the “fastest” which also started below and then passed the threshold was Romania, who progressed from -.24 to .53 from 1996 to 2008, a pace of .065 per year (much slower than Iraq, but starting from a higher point)—which leads to a “fragile state” time to threshold of 25 years  $(=(-1.10-.5)/.065)$ . In the case of Regulatory Quality the average growth of the fastest 20, which includes many making rapid progress but not passing the threshold because they started at a very low point, is .072 (and a time of 22 years  $(=(-1.10-.5)/.072)$ ) and is actually faster than the time for the “fastest country over the threshold” (Romania, .065). This is also true of some indicators and which of these times is faster just depends on for a particular indicator the very fastest countries started from very low levels or not.

Other dimensions that are crucial to fragile states and conflict are also difficult to measure, but we want to illustrate the same phenomena of relatively slow progress, even among the rapid improvers. We use just three indicators of some limited dimensions of human rights (there are many and we are not arguing those we present are the only, or even the best). One is an indicator of “political terror” from Amnesty International. One is a different indicator of “political terror” from the US State Department. From the Cingranelli-Richards Human Rights Dataset (CIRI) we combine the indicators of Disappearances, Extra-judicial killing, political imprisonment and use of torture, each of which is scale zero to 2 into a single indicator, rescaled so that zero is the absence of any of these and an 8 if all four of those were common.

Table 2c presents the same calculations, with the change that the “starting value” is a hypothetical (not the actual current value of the fragile states). This illustrates the years it would take a country starting at that value to reach the specified threshold value, if it were to progress at the four scenario growth rates (average growth of fragile, average growth of non-fragile, pace of the fastest 20 improvers observed over this period, and the pace of the fastest improving country whose final value exceeds the threshold).

	<i>Indicator level</i>	<b>Threshold</b>	<b>Recent average, fragile situations</b>	<i>Years to threshold at pace of:</i>		
<b>Indicator</b>	<b>Starting value</b>			<b>Average, non fragile all countries</b>	<b>Fastest 20</b>	<b>Fastest single country over the threshold</b>
Political Terror, Amnesty International, 1976-2008, scaled 0 (worst) to 4 (best)	1	3	Infinity	552	28	16
Political Terror, State Department, 1976-2008, scaled 0 (worst) to 4 (best)	1	3	Infinity	Infinity	65	31
Four Indicators of Human Rights, CIRI, 1981-2008, scaled 0 (worst) to 8 (best)	2	5	Infinity	Infinity	23	14
Source: Authors’ calculations with data from CIRI ( <a href="http://www.humanrightsdata.org">http://www.humanrightsdata.org</a> ) and WDR 2011 Master dataset.						

Again, the “business as usual” scenarios are pessimistic as average progress is negative (among now fragile countries) and negative or slow even on average. Again, even if one looks at the optimistic scenario of moving at the average pace of the *fastest 20* improvers moving from a low value to a “threshold” value (not the highest, but one which usually indicates some modestly stable performance) takes between 2 and 6 *decades*. And, even if one looks at the fastest improver who ends over the threshold improving that their pace of progress takes at least a decade and a half.

One final indicator merits a table and discussion all its own. The POLITY data ranks countries on a scale of “autocracy” to “democracy” where autocracy is -10 and democracy is a 10. Whereas most of the other indicators of *de facto* capability or performance had very little volatility over time (and small trends) the POLITY data, as it responds to whether countries hold an election or not exhibits extraordinary volatility over time. For instances, Mozambique is rated a negative 6 in 1993 and a positive 6 in 1994. Bangladesh is an even more spectacular example of volatility in this indicator, it went from positive 8 in 1973 (near independence from Pakistan) to *negative 7* by 1975 (a 15 point fall in two years), it improved from *negative 5* in 1990 to *positive 6* in 1991 (an eleven point jump in one year), it then deteriorated from *positive 6* in 2006 to *negative 6* in 2007 (a twelve point fall in one year). Clearly this indicator is not solely tracking long-term social or political capabilities but is also influenced by short-run events, like holding national elections. However, as Goldstone and Kocornik-Mina (2010) and others have shown, among the poorer countries this volatility is associated with much less sustained progress as countries cycle in and out of high “democracy” ratings.

In table 2d are the calculations using the (transformed) POLITY indicator, emphasizing that for “growth rates” we are using only end-point to end-point growth rates which smooth away all of the temporal volatility. So these calculations are smoothing and hence abstracting away from the possibility of very rapid improvements in the score and focusing only on the “sustained” improvements from the start (around 1960 or independence) to latest rating comparisons. So, while Bangladesh has been intermittently rated high in the “democracy” scale in this data their overall change is from 8 in 1972 to negative 6 in 2009.

<b>Table 2d Scenarios for long-run improvements in the POLITY score of autocracy to democracy</b>						
	<i>Indicator level</i>	<b>Threshold</b>		<i>Years to threshold at pace of (all trends measured end-point to end-point):</i>		
<b>Indicator</b>	<b>Starting value</b>		<b>Recent average, fragile situations</b>	<b>Average, non fragile all countries</b>	<b>Fastest 20</b>	<b>Fastest single country over the threshold</b>
Polity Indicator, 1960 to 2008, autocracy -10, democracy +10	-0.05	5	132	42	15	12
Source: Authors' calculations with POLITY data from Master dataset.						

The average of the fragile states is right around zero (a mix of countries with positive and negative values). Unlike many of the other indicators of *de jure* capability or performance, there has been a positive trend over time in the “democracy” ratings and hence just moving at the BAU pace of either fragile or non-fragile states would move towards the chosen threshold of 5 on the POLITY rankings. Also, there have been countries move at a rapid pace and sustain their gains, so that even at the long-run averaged pace of change it is possible to reach from zero to a “consolidated” democracy in a little over a decade. However, again we emphasize that whereas the other indicators, particularly of state capability, showed both small and smooth trends, in this case the *data* on ranking democracy shows very large episodic changes. The question is about whether the observed rapid changes represent a fundamental shift or a temporary blip. In particular, the question is whether rapid changes in just the *de facto* practice of holding elections, when not associated with other longer changes in capabilities and performance are sustainable.

### III) The Dangers of Wishful Thinking: Pre-mature load bearing

To better understand and respond to this “capability trap” – countries progressing at a very slow pace in the expansion of state capability even in the modern world – we need better conceptual models. That is, it is obvious that the development of high levels of state capability we observe today in the rich countries took millennia to evolve, and there are major debates about the factors that initiated this sustained rise (e.g., Tilly 1990, Bayly 2004). But development thinking believed that modernization, once initiated and demonstrated as a possibility, would inevitably diffuse to all countries. Moreover, many countries are in the Big Stuck of low state

capability in spite of both self-conscious efforts to accelerate modernization by domestic actors and wide scale (if not large) external assistance promoting development.

Fragile states, or states recently emerged from conflict, are particularly susceptible to the dangers of isomorphic mimicry and prone to heightened expectations about the timeframe of progress. Aid dollars flow in, accompanied by technical expertise from all over the world. All factors seem to be in place for a rapid rise to better living standards, an effective and reliable state, and a convergence with the rest of the world. Unfortunately reality has proven more stubborn than hoped for, and this section hopes to elucidate some of the underlying dynamics of these disappointing patterns.

When the international community and the fragile states interact stresses get created, which, if not managed well, actually undermine state capability rather than build it. Organizational imperatives on both sides of the equation interfere with one another in a way that deepens isomorphic mimicry, and leads to the existence of two parallel universes that no longer communicate with each other, and where changes in one universe (the notional, or *de jure*, policy universe) has little to no effect on the parallel universe (the *de facto* reality, actual performance on the ground).

Any description of the “typical” development effort in a post-conflict country loses specificity, but there are common features to these efforts as they are often premised on three main notions. Firstly there is an implicit assumption that the country is a “blank slate” with no pre-existing state capability, or such weak capability that can be easily replaced. Secondly there is the expectation that function will follow form, quickly. Thirdly the international development community works a theory of change that is based on the transplantation of best practices with little regard to the actual effectiveness of implementation.

These assumptions can lead to an overly optimistic expectation of the rate of change of state capability which - coupled with institutional incentives that focus on form rather than function - lead to persistent implementation failure. State capability is built only on the surface, but underneath the surface the gap widens between the form and the function; e.g. the *de jure* and the *de facto*. The legitimacy of the system to *external* actors is increasingly derived from isomorphic mimicry but without the internal legitimacy of either accommodation with pre-existing rule patterns or superior performance.

The danger is not just that reform or the building of state capability may take longer than expected. Deepening isomorphic mimicry produces a loss of institutional integrity and coherence, which presents itself in a widening gap between the *de jure* and the *de facto*. When these incipient institutions and organizations are then put under the stress of implementation they can collapse, leading to a worse situation than before.

### **III.A) High Expectations, even at low levels of income**

The international aid community steps into a country in the immediate post-conflict stage with high expectations for “reform.” The Washington Consensus was not abandoned in favor of a *shorter*, more prioritized and realistic list, but rather in favor of the notion that *even more* should be done. In addition to macroeconomic stability, the state is expected to deliver a wide array of services, administer safety nets, produce not just growth but “inclusive” growth,



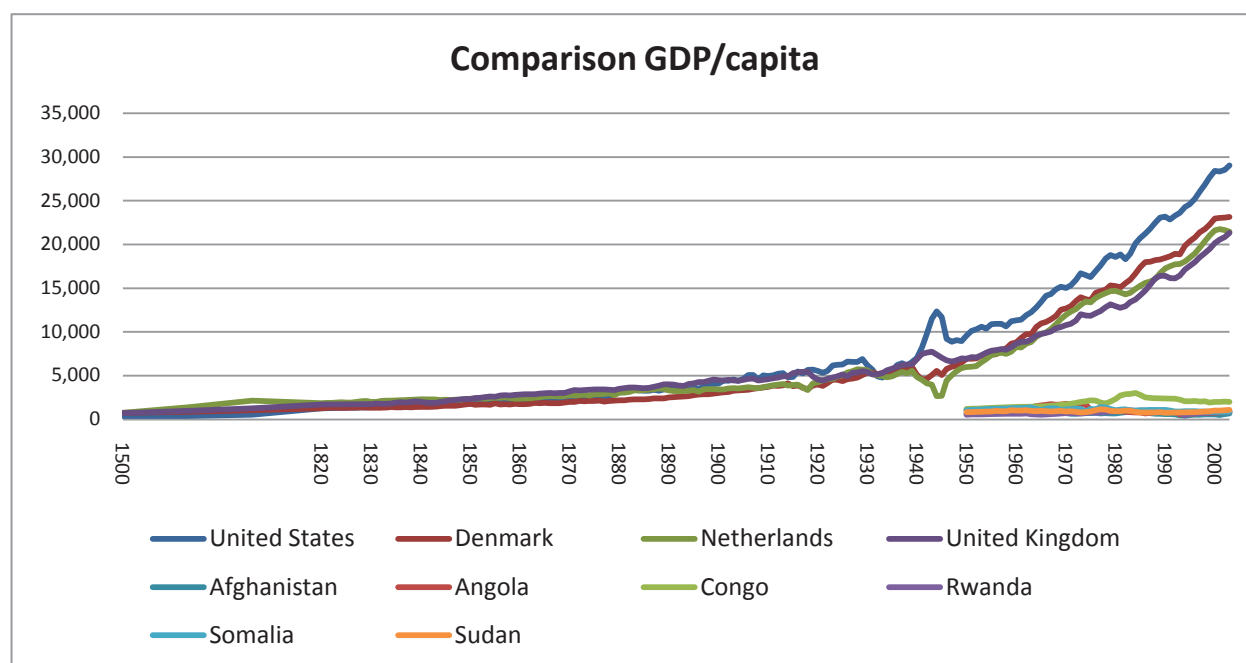
promote gender equality, provide an attractive investment climate, ensure environmental sustainability, and the state should all of this with democracy and good governance (transparency, accountability, lack of corruption) and promote strong institutions.

The expectations made on the state, even, if not especially weak states, are raised significantly, and the number, type and quality of functions the government is expected to perform is very high. These often encompass areas in which the state did not engage before conflict and areas in which, even pre-conflict, the government never attained the desired quality, scope or depth.

Issues related to gender equality, affirmative action, social safety nets, and the Millennium Development Goals are relatively modern domains of state responsibility and intervention for which considerable state capability is required. Justice or conflict mediation has often traditionally been delivered through non-state actors, perhaps through customary practice or religious laws, but these functions are now expected to be performed solely through government. Other functions the state may have attempted to perform earlier, but has never managed to do adequately (the case of land registration in Afghanistan, discussed below is an example of the latter).

Are these high expectations placed on a nascent and relatively weak government realistic? We start with a simple, but we feel revealing exercise. We ask, “in what year of their history did the now industrialized countries have the current (2003) level of income of the fragile states?” Even a glance at Figure 3 shows that in 2003 most post-conflict countries were at income levels below those of the developed countries in 1820.

**Figure 3: GDP / capita (in 1990 Geary Khamis dollars)**



Source: Maddison (2010)

In fact, to find the period in which the now developed countries had these income levels one has to push far back beyond 1820—which obviously takes us into very rough and ready estimates of GDP. Maddison’s estimates are that the UK had reached income of 714 GK\$ by 1500—higher than Afghanistan in 2003. The levels of GDP per capita of many conflict states are equivalent to those of the UK 200 years before the Glorious Revolution of 1688 and of the US prior to the American Revolution.

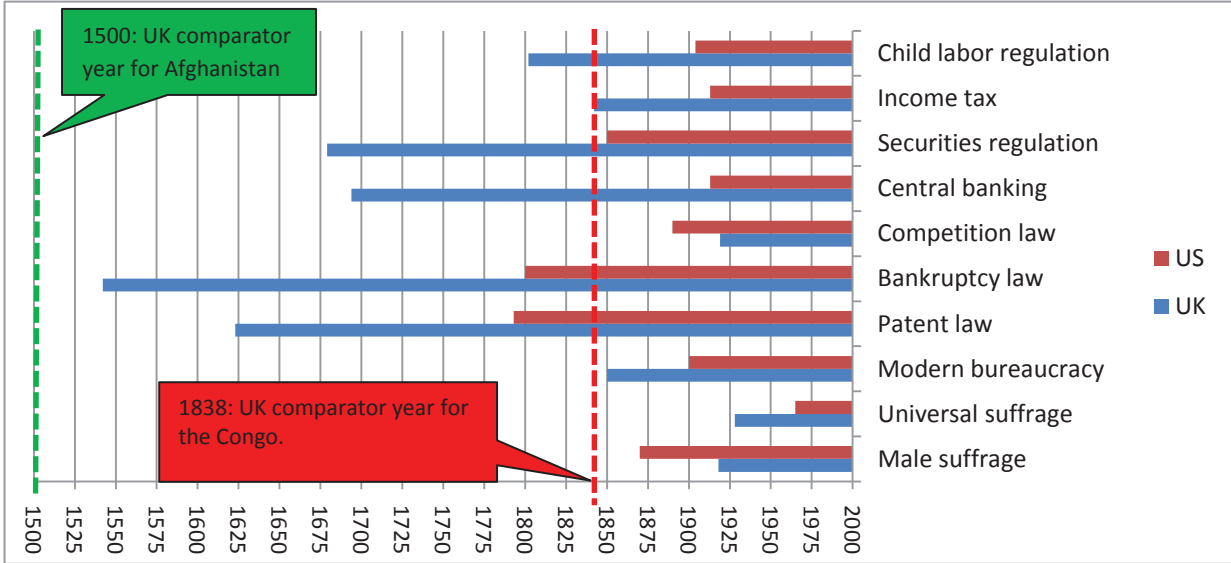
	<b>GDP/capita 2003</b>	<b>Comparator year – UK</b>	<b>Comparator year - US</b>
<b>Afghanistan</b>	668	around 1500	early 1700s
<b>Angola</b>	871	mid 1500s	early 1700s
<b>Somalia</b>	877	mid 1500s	early 1700s
<b>Rwanda</b>	900	late 1500s	mid 1700s
<b>Sudan</b>	1,088	Late 1600s	late 1700s
<b>Congo</b>	2,006	1838	1855

Source: Authors’ calculations with Maddison data. Historical GDP per capita PPP comparisons in 1990 GK\$.

What kind of institutions did the UK or the Netherlands have in the 1500s? Or the US in the 1700s? Did they have well-functioning institutions the way we now expect a country like

Sudan or Congo to establish? A look at the evidence shows that many of these institutions did not develop in the western world until a much *much* more advanced stage of economic development was reached. If one looks at many of the very fundamental features associated with economic development, social development and state capacity, they only appear in the USA in the late 19<sup>th</sup>/early 20<sup>th</sup> century. The USA at late as 1900 had no income tax, no central banking, and lacked universal suffrage (women could not vote legally and African-Americans were effectively banned); child labor was not regulated, and only the rudiments of a modern bureaucracy existed. In 1900 US GDP per capita was six times higher than Afghanistan, 4 to 5 times higher than any of the other conflict countries (besides Congo). If we take the Congo as an example, its comparator year for the UK is 1838. At this point the UK did have some child labor regulation, securities regulation, central banking, bankruptcy law, and a patent law, but it did not yet have income tax, competition law, a modern bureaucracy, nor male suffrage. Afghanistan has a UK comparator year of around 1500, at which point none of these institutions were present in the UK.

**Figure 4: Many economic and political features of “development” appeared at quite high levels of economic development in the UK and US**



Source: Adapted from Chang 2003

Of course, one could take the view that, once these institutions were “discovered” during the historical evolution in the West all other countries needn’t wait to acquire them, they can be simply transplanted into any economic, political, or social circumstances. When faced with fragile states, particularly in immediate post-conflict or transitional situations the international community tends to derive its formulas from global best practice; solutions proven effective elsewhere. This is not entirely unreasonable, but there is no guarantee that they can successfully be transplanted into a specific context as “best practice” solutions often unconsciously rely on adherence of individuals to broader rules of which the narrow practice is unaware. In spite of the recent rhetoric about ‘home-grown solutions’ and ‘contextualized policies’ on *economic* policy

the reality on the ground in post-conflict situations still reeks of rapid adoption of existing policies, organizations, and institutions.

A partial explanation for the reliance on global best practice is the fact that it is often the same set of people that are involved with similar issues in many countries, and have acquired tremendous comparative knowledge in their field. By contrast, they have little understanding of the particularities of each country, are often on short-term assignments with prescriptive terms of reference, and face the pressure of having to design comprehensive programs in short time spans. They are often well aware of the importance of context, but their caveats and small print are often not read by donors and policy makers.

As a result, almost without exception all sectors in the government need to undergo serious reform to meet these international best practice standards, in terms of its policies, regulatory capability, service delivery mechanisms and other operating standards. One of the formulas recommended by the international community, and of particular importance in the context of government capability, is a public sector reform agenda based on a Weberian-type bureaucracy, with its emphasis on meritocratic standards and its performance of task regardless of the person. The assumption is that countries, irrespective of their current political, social, and economic conditions can “skip straight to Weber.”

Without aiming to diminish the value of internationally acquired knowledge and technological breakthroughs, the ways these solutions need to become embedded in the broader ecosystem is always an adaptive challenge, and not a technical one. The contexts into which these solutions are imported are multi-dimensional, and the political, social, cultural, and normative dynamics create an environment which strongly affects the way a policy gets implemented on the ground. Any change, and in particular contentious ones, needs to address the political dynamics, the effects of losses and gains, and the likely resistance of organizational behavioral culture to rapid change. In such an environment change is always an outcome of balancing and rebalancing of individual and group interests, and there is always room for discretion, which makes a linear translation from notional policy to policy outcomes impossible.

As long as this multidimensional nature of the context is not sufficiently recognized, this linear translation from notional policy to expected outcomes will remain the basis for the mental models used by the development community.

### **III.B) Organizational capability and stress**

The overambitious agendas and rapid timetables of the international aid community might be unrealistic, but what harm can be done by having stretched targets? The problem may be that if the organizational stress induced by the attempt to implement agendas exceeds the organizational capability then the stress itself may cause organizational loss of coherence and even functional collapse. This argument has several elements.

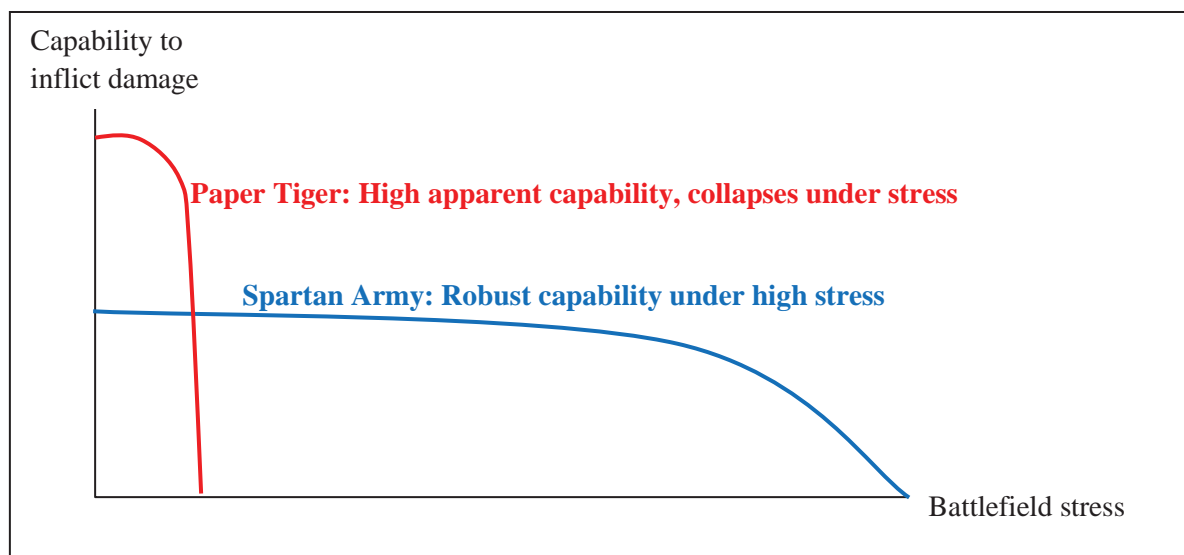
First, one needs a definition of organizational capability that includes a notion of organizational robustness to stress. Organizational capability for policy implementation, which is the mapping from states of the world to policy actions, can be conceived in two dimensions. One is how much the organization could do in ideal conditions if each individual carried out their

roles to the best of their technical capacity. For instance, a hospital’s maximum capability might be limited by the technical knowledge of its nurses and doctors.

A second dimension to organizational capability is how well the organization actually performs in “real world” conditions—including conditions in which people do not want the organization to be effective. One can think of organizational “stress” as the gap between the ideal actions the organization’s agents should take to further the organization’s goals and the actions that would be in the agents private best interest.

An intuitive example of these two dimensions of organizational capability and stress is to think of armies as an organization. One measure of their organizational capability is their ability to inflict damage. Under ideal conditions under no actual battlefield stress one can imagine the total capability to be determined by the equipment and soldier capacity. But, as every general knows the question is not what an army can do on the training field but how they will react under pressure—the “fog of war” and actual danger. The term “Paper Tiger” refers to an army that appears impressive on the parade ground but is not robust to stress and collapses under even modest battlefield stress. Other armies, illustrated by the Spartans for instance, may have low total capability but are capable of performing under conditions in which each individual member continues to perform, even when in great personal danger. Figure 5 illustrates this, with the sharp non-linearity of collapse—which can be modeled as a variety of interactive organizational dynamics—at various points of stress indicated.

**Figure 5: Organizational capability and robustness of capability illustrated**

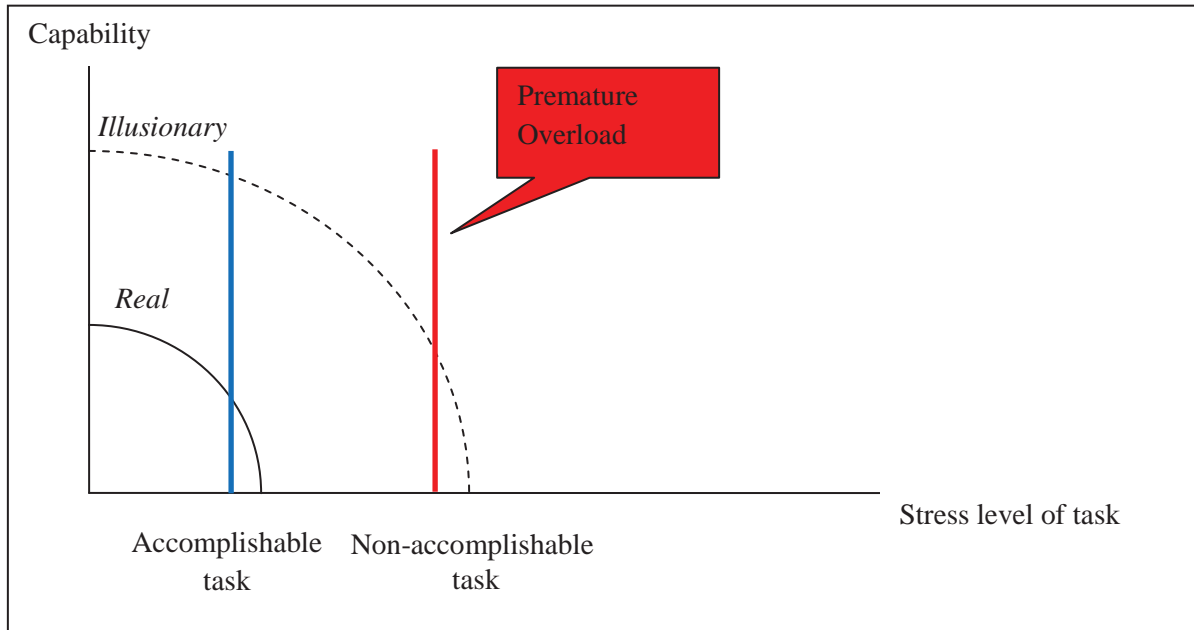


Source: Pritchett (2010)

As described earlier in this paper, the international community has unrealistic expectations of the rate of change in governance and state capability. Setting one’s expectations too high is a high-risk endeavor in itself, setting oneself up for failure. However, we will argue that these unrealistic expectations are not merely creating a dynamic of perpetual disappointment, but that there are genuine dangers involved which go way beyond simply not reaching one’s goal.

Organizational *forms* can be created much faster than organizational *functionality*. The danger comes when the organizational forms create a false illusion of organizational capability—and in particular a false illusion about the *robustness* of the organizational capability to stress. When a task is within its “capability possibility frontier” the organization can accomplish it. But, when the stress imposed on the organization from implementation is too high, the organization is unable to respond effectively and this may lead to (non-linear) collapse.

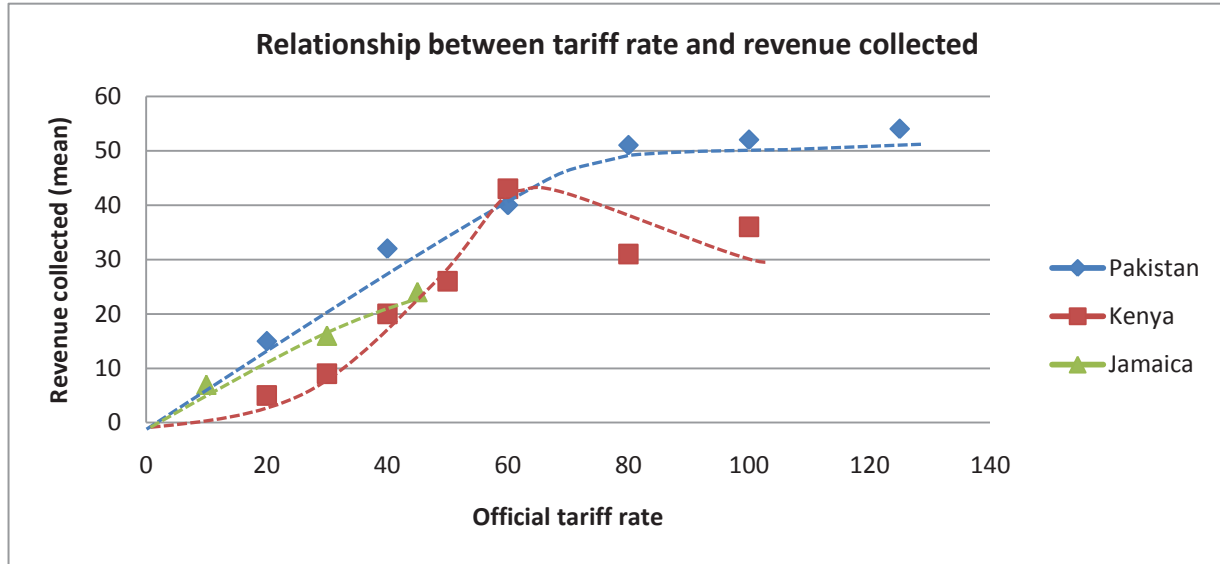
**Figure 6: Pushing an organization beyond its capability through pre-mature load bearing can lead to (non-linear) reduction in realized organizational capability**



Let us give two examples from the economic realm of what we mean by the deterioration in organizational capability as stress increases.

One is an old example in which customs data allowed the tariff line item comparison of the *ad valorem* official tariff rate and the actual collected rate—the ratio of tariff collected to reported import value. In both Kenya and Pakistan the collected rate increased with the official tariff (not one for one, but did increase) up to a point around 60 percent, after which the collected rate stopped increasing. After that point further increases in the tariff just increased the discrepancy between the official rate and collected rate—even in the officially reported data—certainly including the categories of mis-declaration, under-invoicing, and outright smuggling would lead to even more dramatic deterioration in the collected rate. In this case the stress is obvious, as the tariff rate increases the amount an importer will pay to evade the tariff increases and hence the potential temptations for customs officials to deviate increases. (Of course, eventually these considerations, among others, eventually led countries to reduce tariffs as in many countries as they were uncollectible).

**Figure 7: Relation between *ad valorem* tariff and *ad valorem* collected rate**



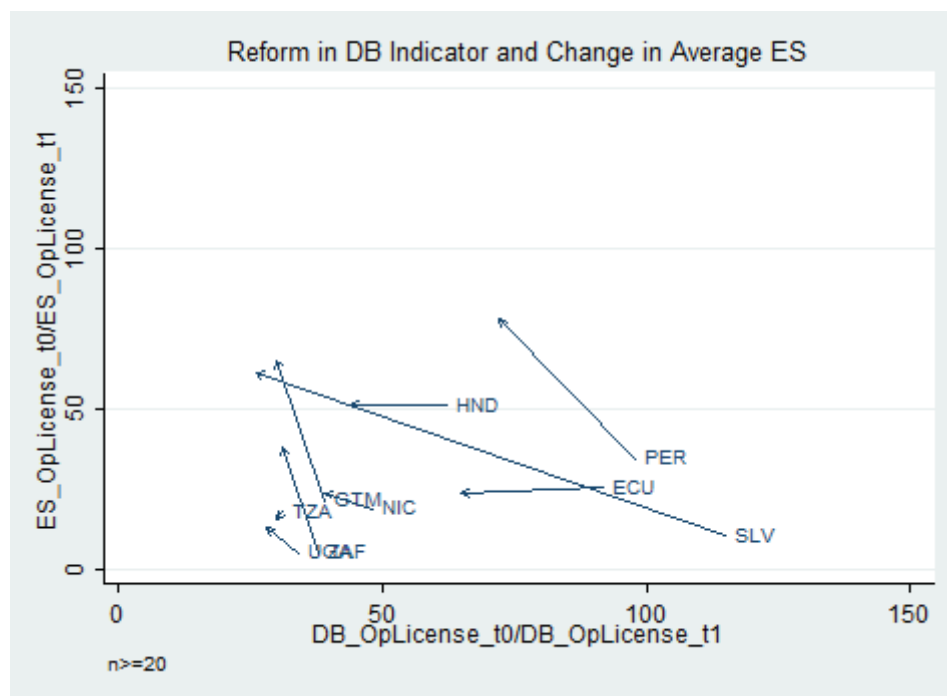
Source: adapted from Pritchett and Sethi, 1993.

A second example is the comparison of the reports from the Doing Business data on how long it would take to comply with various regulations—such as getting a license to operate a business, or to get goods through clear customs, or get a construction permit—with how long firms themselves say these procedures take. Figure 8 gives the cross-national scatter-plot of the Doing Business *de jure* days against the average reported time firms reported for the days to get a construction permit. As can be seen, as the *de jure* days increases then *de facto* days increase at the lower ranges, but once the *de jure* requirements reach a certain level (roughly the lowest third) further increases in the Doing Business reported days to get a construction permit are completely uncorrelated with the average time firms report that getting a construction permit actually took them.





**Figure 8a: Relationship between the changes in the Doing Business reported days to get an operating license and the changes in the firms average reported days (arrows indicate direction of time)**



Source: Hallward-Driemeier et al (2010).

There are various sources of the pre-mature load bearing of asking organizations to do too much, too soon, for instance the complexity of the task demanded and the recurrent budgetary implications.

**Complexity of the task.** Certain tasks require a complex interplay of many moving parts, which are all necessary to carry out a function effectively. Collecting tax is one such example, which requires both a capability of the state and an acceptance of this role of the state by the population. The Western countries built this capability slowly. As stated earlier, the number, scope, scale and expected quality of the tasks a government is expected to perform has increased tremendously over time, and post-conflict countries have not managed to keep up. To start conducting all these complex tasks all at once, and in particular in a post-conflict setting suffering from asymmetrical power dynamics and insecurity is not easy. The case of land registration in Afghanistan— just one of the many tasks expected of the government —is a case in point.

### **Case: Land registration in Afghanistan**

The Afghanistan National Development Strategy has two expected outcomes for land registration under the “governance, rule of law & human rights” pillar:

- 1) Mapping of villages and gozars (neighborhoods) and reviewing their boundaries.

*Target: by Jaddi 1388 (end-2009, the government will carry out political and administrative mapping of the country with villages and gozars as the basic units and the political and administrative maps will be made available at all levels for the purpose of the elections, socio-economic planning and implementation of sub-national governance policy.*

- 2) Modern land administration system established.

*Target: a community-based process for registration of land in all administrative units and the registration of titles will be started for all urban areas and rural areas by Jaddi 1397 (end-2008).*

A quick retrospective shows that the establishment of a land registration system has been attempted before. In 1963 a Department for Cadastral Survey was established in Kabul with USAID funds, and a cadastral survey was initiated in 1966. The process leaned heavily on US support, and its costs were enormous. By 1977 around 45% of landowners had been surveyed, and only one-fifth of total arable land had been covered. Not a single title deed was issued. Eventually, in 1977, the process was disrupted by the onset of the revolution.

Before this survey, and ever since, the issuance of documents related to land ownership was commonplace and unregulated. A multitude of documents, including land grant deeds issued by kings, certificates documenting evidence of land transactions, and land tax receipts are all being used to prove land ownership. Oftentimes these documents were not issued as an attempt to *record* reality, but rather to *change* reality for political purposes. As such, land documents are not viewed as legitimate by all. It is in particular the powerful that aim to acquire such documents to ascertain their claims to the land, thereby overruling customary claims made by the traditional owners of the land. The situation at the moment is confusing at best, and – in a less optimistic light - a source of continuing conflict.

Creating order in this chaos is likely to drive up costs, and demands of government capability, to a considerable extent. Designing and implementing a land registration process under these conditions, while simultaneously maintaining a minimal standard of social justice, is a daunting task even for the strongest government.

Sources: ANDS (2008), Wily, L (2003), AGCHO (2010), AREU (2010)

**Budgetary constraint.** Poor country governments, almost by definition, have far lower government revenue per capita than industrialized countries do. This creates limitations for what a poor country government can realistically be expected to do. Yet, as Thomas (2009) shows, the external actors expectations of the range and magnitude of what governments can do seems to be based on a role of the state in which the state is capable of massive revenue mobilization. A country like Afghanistan has only 9US\$ per year to spend on its citizens, as compared to the 17,554 US\$ the US has available. Including aid flows this number increases to 105 US\$, but this

is obviously not a “sustainable” source of revenue. And even if Afghanistan would manage to obtain 105 US\$ from domestic sources, this would still only bring it up to the level of India, which is still a factor of 175 lower than the US—and a factor of 5 lower than the USA at the turn of the century. Thomas (2009) argues that in light of these figures it is impossible to expect Afghanistan to build effective and universal access institutions across the range of domains that it is currently expected to do in the various plans and strategy documents. A similar argument will hold up for many, if not all, post-conflict countries.

**Table 4: Revenue per capita for various governments, in US\$ (not PPP)**

<b>Government revenue / capita (2006 dollars)</b>	<b>Year</b>	<b>revenue / capita</b>	<b>including aid (if applicable)</b>
US	1902	526	
US	2006	17,554	
Nicaragua	2006	204	
India	2006	102	
Uganda	2006	65	120
Tajikistan	2006	60	
Niger	2006	26	67
Congo	2006	11	
Afghanistan	2006	9	105

Source: Thomas (2009)

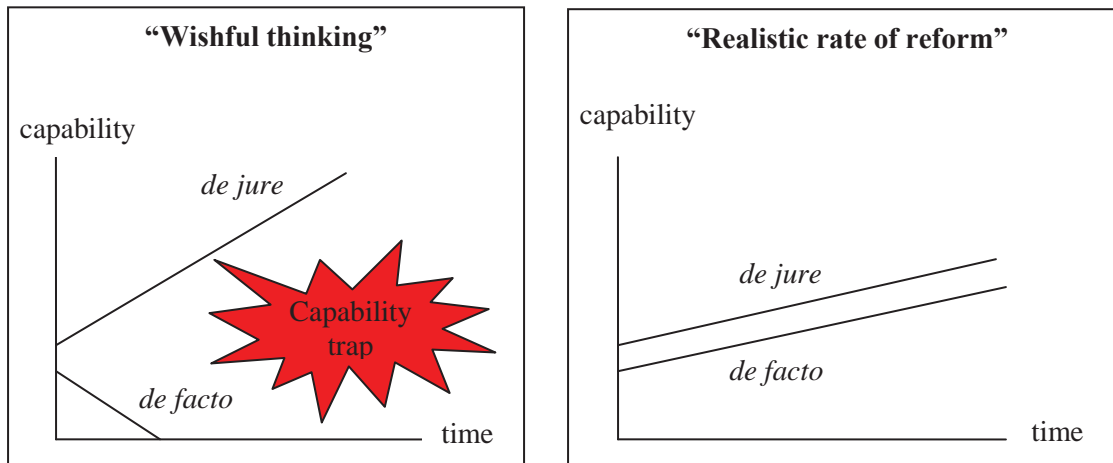
### III.C) The Dangers of Wishful Thinking

By starting off with unrealistic expectations of the range, complexity, scale of actions fragile states can accomplish and the speed with which organizational capability can be built, external actors set both themselves and, more importantly, the governments they are attempting to assist, up to fail. This failure relative to expectations (even when there is positive progress) can lead to erosion of legitimacy and trust, both externally and internally. We will argue that these unrealistic expectations are not merely creating a dynamic of perpetual disappointment, but that there are genuine dangers involved which go way beyond simply not reaching one's goal.

Wishful thinking, an overly optimistic perspective on level and possible pace of creation of state capability, can lead to a recurrent dynamic of failure and a *capability trap*. When an organization is overloaded with tasks it cannot perform the temptation is strong to retreat behind a façade of isomorphic mimicry.

We will see a thin layer of compliance with international standards on the surface, but merely scratching the surface will expose the real characteristics of the organization, which is based on different values and is in possession of its own internal logic. With increasing stress on the system, the gap between *de facto* and *de jure* capability widens, and the organization loses its institutional integrity. As a result the real capability and robustness of the organization deteriorates. Eventually this will reach a point where the *de jure* no longer has any traction on the *de facto*. Any changes made in notional policy will no longer have any real effect on the ground, because the connection between the two realms is completely severed. This is the *capability trap*, or 'the big stuck'.

**Figure 9: Excessively rapid pace of *de jure* reform creates a widening gap of *de jure* and *de facto*, which can further worsen *de facto* capability**



The difficulty is that the *de jure* can be created with the stroke of a pen—countries can adopt policies, create organizations, announce “plans” easily. These *de jure* changes can create the appearance of a positive dynamic and please external actors, but the creation of *de jure* without ability to deliver creates parallel universes within the administration.

One universe is inhabited by a small number of well-educated, often English speaking individuals, those that *'have capacity'*, who engage actively with a large number of foreign consultants and other forms of technical assistance, and know how to tick donor boxes. The other universe is inhabited by the remaining civil servants, which constitute the vast majority and in particular the front line agents; those who are in direct contact with the citizens who are continually making demands for real solutions to their real problems. This group, stigmatized as *'lacking capacity'*, is becoming increasingly disgruntled and disengaged from the international community, and increasingly disassociate themselves from the efforts conducted by the upper layers. They become ever less inclined to carry out the tasks assigned to them by the upper layer – if these tasks were assigned to them in a comprehensible manner in the first place -- or to follow the organizational behavioral norms underpinning them. The temptation for these agents to pursue one's own interests increases, and the gap widens.

The organization has now come under increasing stress and in a downward spiral towards a severe loss of institutional integrity. Since the organization needs legitimacy for its survival it will need to pretend that it is still functioning. Coercive, normative and mimetic forms of isomorphic mimicry all become engaged; the organization will continue to create the illusion of being a capable organization through adopting the outward forms of a capable organization, without little regard for the actual functionality of the organization. The organization survives, but the price it pays is a severe loss in organizational coherence and a subsequent fall in real capability.

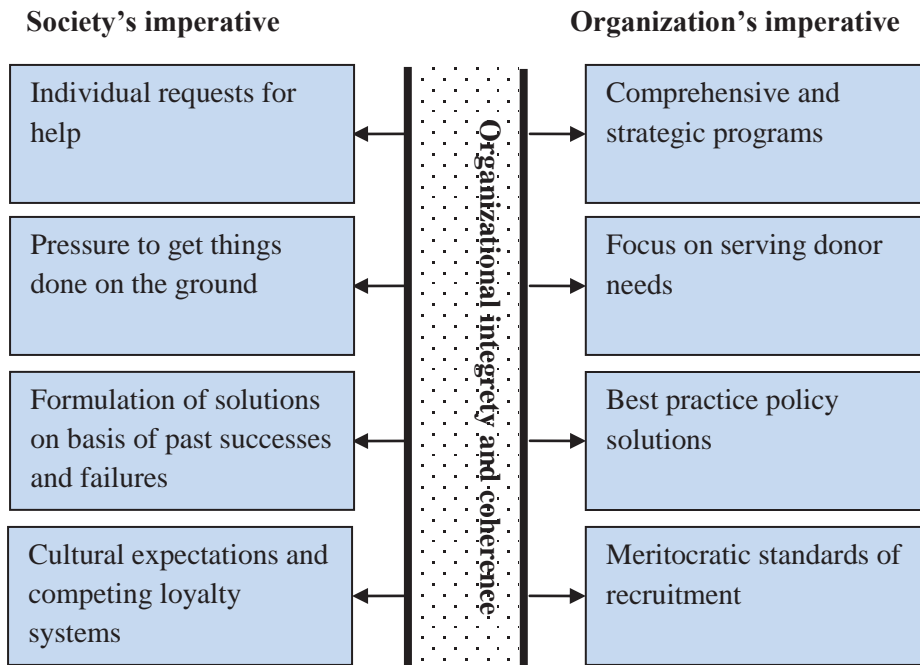
The institutional imperatives in many large development institutions continue reflect high-modernist mental models, in spite of a changing rhetoric on paper. As a logical extension of this way of thinking, performance tends to be measures in terms of inputs or output indicators - often reflecting form - rather than outcomes – reflecting function. There is an automatic assumption that when the inputs have been entered, the outputs achieved and the 'form' has been obtained, the end results will follow automatically. Has the strategy document been written, has the organization been restructured, have the consultation workshops been held? This perspective is heavily biased against implementation, as there are few checks and balances in place to assure that the policy change has actually been implemented on the ground. In other words, it is quite possible to get away with ticking the donor boxes without the policy change ever reaching the ground. As such, the international aid community itself suffers from—and reinforces-- isomorphic mimicry, where ticking the boxes fulfills its need for legitimacy. Its legitimacy is derived from form—appearing to be a successful modern organization in the rules systems in which it is embedded--rather than its actual function—of helping societies and states make the transition to rules systems with higher levels of functionality.

There is therefore a genuine risk that the engagement of the international community creates a deepening of the pattern of isomorphic mimicry, and a further loss of institutional integrity. Rather than strengthening the capability of the state – the goal the policies clearly aim to achieve – these well-intended efforts may actually backfire and reduce the capability of the administration. It may be that the more rapidly the appearances presented must conform entirely with the “modern” rules system – in order to garner legitimacy from external actors - the more quickly it will diverge from reality.

The *de jure - de facto* gap is reinforced by the very different demands generated by the internal logic of the domestic society and that of the external actors. Governmental organizations

and the people in them become embedded in two different value systems and logics simultaneously. Some of the tensions between the different value systems are illustrated in Figure 10.

**Figure 10: Organizational tensions between internal and external actors**



One particularly painful example of this tension can be found in the “meritocratic” standards of recruitment that are the foundation of Public Sector Reform. Meritocracy is premised on the notion that all individuals should have equal opportunity and that preferential treatment of individuals is unjustifiable. But these are a particular set of values, acquired gradually over time through an organic political and social process. For agents within organizations with a different internal logic to apply meritocratic principles is not easy as it is incompatible with the existing normative underpinnings of many societies, particularly when the stakes are high as government jobs are at a premium. Afghanistan, again is a case in point.

### **Case: Applying meritocratic standards in Afghanistan**

The Ministry of Public Health in Afghanistan is generally seen as a poster child for public sector reform and capacity building. However, problems remain and are related to the political economy of change, and its lack of social fit with individuals' and society's expectations. The following concerns were identified:

- The overall lack of political commitment to the reform process
- The corruption of the Lateral Entry Programme. Some individuals have allegedly been hiring their friends and relatives through this programme.
- The continued patronage networks. Effects of this have included the resignation of a qualified staff member brought in through the PRR process who did not have the necessary support from powerful people within the ministry.
- The continued training and "capacity building" of individuals who are never going to have the capacity to carry out their jobs adequately.
- The growth of some departments as a result of PRR beyond the extent planned. This is caused by continued pressures to hire unqualified staff, or, in the absence of a severance package, by the need to accommodate those who did not successfully compete for a PRR post.

Source: Lister, S. (2006)

Again, the difficult point is that meritocratic standards are a worthy goal, just not one that can be achieved immediately by declaring it so. And we have no road map on how to get from a system based on patronage and kin-based loyalty systems to a system premised on universal rules and equal access.

The even more worrisome problem with pre-mature load bearing is that it may be more difficult to fix an organization once broken than to build from scratch. Isomorphic mimicry may do serious harm, rather than merely not arriving at its goal.

As organizations slip out of *de jure* control agents consolidate around a new set of norms and practices. Society's expectations of the behavior of the administration will alter as new behavioral patterns are created. There are a variety of possible scenarios, and different states, and even different ministries within states, take on different characteristics. State functionality could collapse fully; the state could remain present nominally but simply not perform any tasks; the state could turn into an extractive state where rent-seeking and state capture by individuals is the order of the day; or the agents of the state could respond to the demands of the society as a whole and base its actions on the normative underpinnings of the society as a whole. We conjecture Somalia exemplifies the first scenario; Haiti perhaps the second, many sub-Saharan African countries the third scenario.

Each failure makes success the next time around that much more difficult, as it breeds distrust between internal and external actors, cynicism among citizens, and a "wait and see" attitude among existing public sector agents when the next round of "solutions" are announced. Moreover, dysfunction often comes with corruption and this creates powerful private interests for the continuation of the status quo.

Does the risk of Premature Overload and collapse of state capability mean that the state should take on fewer functions? Does this mean that less aid should be channeled through the state? This is not a conclusion that we would automatically draw. By contrast, the role of the state is crucial for effective development assistance, and therefore we have to treat state capability as a scarce resource, or perhaps even the binding constraint of development. We argue that state capacity should be used in those spheres where it is most crucial and strategic, and that tasks should remain within the limits of what can genuinely be accomplished.

At the moment the international community is squandering this precious resource by making tremendous demands on state capacity for non-productive purposes, such as reporting requirements and continuous organizational restructuring. Non-strategic functions can be outsourced, and a strategic plan can be put in place for a slow and gradual transfer of responsibility back to the state.

However, there is the need for a genuine debate about the tasks a government can realistically perform. When tasks can equally well be carried out by other actors, and the government role in this sphere can be limited, then perhaps this is worth exploring. As Thomas (2009), aiming for a much less ambitious role for the state, states: “*this is not about ideology, this is pragmatism*” that is, in states with high levels of capability much of the debate is about what the state ideally *should* do, which sometimes breaks into the recognizable left-right spectrum. But in fragile states the main problem is whether the state *can* do even those very limited tasks it *must* do. Adding roles and responsibilities, however attractive those may be in the long-run, can actually be worse than useless.

The dilemma faced by the international community in fragile states and/or conflict situations is a catch-22. State capability is low and clearly needs to be strengthened and reform is necessary to increase capability. At the same time pushing too hard for reform may put too much strain on the system leading to retrogression rather than progress. This is particularly true for those reforms that are contentious and cause the highest stress on the system. This is the capability trap that many fragile states find themselves stuck in, and to which the presence of the international community unwittingly contributes, in spite of good intentions.

#### **IV) Is there a Middle Way out of the Capability Trap?**

So what is then the realistic rate of reform that will allow the de jure and the de facto to grow in tandem? What principles should be followed by the international community to reduce the risk of isomorphic mimicry? And what are the ethical implications of this way of thinking about state capability?

If wishful thinking is harmful but change is necessary, is there an optimal rate of reform? It is conceivable that such an optimal rate exists, though it will differ per country and per type of reform, and second-best interactions between reforms are likely to be enormous. Cross-country analyses of the optimal rate of stress a system can cope with without disintegrating will not be a worthwhile endeavor, considering the high contextuality of both the organization’s characteristics and the normative environment in which it is embedded.

The only way forward is to allow for a more organic process of change, thus ensuring that institutions are embedded in the local context from which they obtain the necessary



robustness to cope with stresses. More policy space is required for contextual solutions that may diverge from international best practice. At the same time the international community will need to maintain a certain amount of pressure to ensure that meaningful reform does unfold, that localized solutions do not become a free pass to state capture by powerful elites, and that the direction of reform does lead to a more equitable distribution of outcomes. Development conceptualized in this manner becomes a more gradual, perhaps non-linear process, with at its core a tension between realism and idealism. The current systems of international engagement do not have the conceptual tools to deal with such trade-offs in a meaningful way.

Against this background, Merilee Grindle (2004, 2010) has promoted the notion of “good enough” governance that has many of the same fundamental notions we present here—that governments simply cannot get to perfection in one fell swoop and that progress must rely on incremental steps. A fundamental question is the willingness of an international system with states at very different stages (and perhaps on different paths to the same functionality) to accept - for a relatively long period of time – different looking types of governance and governance that is far from perfect. Such a state may have a stronger real capability, but it will display characteristics that are likely to be at odds with the “modern” rules systems in many of the powerful external actors. To what extent is the international community willing to accept rules systems that deviate from theirs? What are the minimal conditions that we place on a system of good-enough governance?<sup>5</sup> The easiest thing to do is to allow the disjuncture in rules systems between those of the external actors and fragile states by focusing on the *de jure* and pretending the *de facto* is an aberration or pathology and exists only as a short term temporary phenomena. But, as many fragile states are 50 to 60 (or in Haiti’s case, hundreds) or years into existence as sovereign states, this view is increasingly untenable.

Clearly states can remain for very long periods in a condition of fragility, often cycling in and out of conflict and violence. Yet equally clearly, some countries do emerge from conflict and fragility into extended periods of rapid growth, strengthening of state capability, and increased well-being for their citizens.

The question for the external actors who intend to contribute to development is how they can be part of the solutions, solutions that we argue depend on adaptation to local conditions and context. Being part of the solutions is difficult as the international aid architecture and the core incentives faced by staff of the major development organizations are firmly grounded in modernist (if not “high modernist” (Scott 2004)) accountability mechanisms of their host countries or of the multi-lateral agencies. This creates a conflict between the need to acknowledge the specificity of local conditions, need to face the reality of limited ability to move forward agendas with modest capability, the complex political settlements in transitional phases, and the desire for well articulated “programmatically” actions to advance pre-set development agendas (as in the PRSP or MDG agendas). These largely conspire against local innovation and context-specific engagement and can easily push countries into “isomorphic mimicry” and “pre-

---

<sup>5</sup> In Merilee Grindle’s words. (Grindle 2004, 2010)

mature load bearing” as outside actors, due to their own internal organizational logics and domestic political pressures, push for too much, too fast.<sup>6</sup>

Timing, sequencing and prioritization of reform and the development of a basis of trust between national government and international donors and between national government and its citizens becomes essential. Equipped with better conceptual tools, development experts and local civil servants will be able to co-develop policies and programs with a high degree of social fitness and which have the highest potential of placing the country on a track towards long-term sustainable development.

The large development institutions will have to change their own institutional incentives and create more space for indigenous and organic growth of policy solutions, embedded in the ecology of the country. The institutions’ performance measurement systems need to focus on de facto outcomes rather than de jure outputs, and need to include mechanisms that detect a divergence between de jure and de facto. Outcome monitoring should be used as a tool for continuous learning and improvements of program design and policy solutions. This implies that programs must be designed with a greater degree of flexibility in order to create the space for continuous adaptation and fine-tuning.

#### **V) A Middle Way**

There has always been a counter-narrative to “Big Development” which has argued against rapid adoption of modernism. In principle, “Small Development”—allowing bottom up, sustainable, solutions to emerge from local processes has much to commend it, but if small development remains small then it remains small. Too few of the many local successes that have emerged from Small Development have scaled up to systemic change. So while micro-credit has led to success, it has not altered the financial *systems*, even in countries where it has been the most successful. While there have been many “community development” schemes that allow local control of funds, these have rarely altered local governance. While there have been many projects or programs that allow “participation” or “empowerment” these often remain as project specific features and do not change business as usual in the sector.

The risk is of promoting “small” development is of “effervescent innovation.” That is, in any country, no matter how fragile the state or chaotic the conditions, one can point to successes: projects that are working, individuals who are making a difference, progress in some dimensions. However, if you visit the same country a year later you find another set of successes as many of the previous successes have faded. A year later, a new set of successes. The metaphor of “effervescence” is that a freshly poured soft drink will have many bubbles popping up off the surface and hence will look very “dynamic”: but the bubbles shooting up off are not harbingers of the future level of the fluid but just transitory aberrations. “Small” development often relies on a committed source of funding, or a visionary leader, or a small committed group of people, features which can create success but which cannot necessarily be replicated to scale. Hence the systemic or transformational effects of small development are often, well, small.

---

<sup>6</sup> Indeed, our current international aid architecture is a direct creation of the high moment of modernization theory in the mid-twentieth century.

Both Big and Small Development do certain things well, but can also be complicit in long-run development stagnation<sup>7</sup>. Is there a “Middle Way” that combines the needed elements of the Big (scale, scope, speed) with the virtues of the Small (flexibility, innovation, adaptation)? Clearly in the penultimate section of an already very long paper we can only sketch the broad outlines.

We go back to figure 2 that illustrates the danger of isomorphic mimicry in which a system can get stuck onto the “left hand side” in which the elements of the system reinforce one another and make it difficult for any actor to shift the dynamic unilaterally. So the system goals are:

- *Open systems that allow for ecological, not just organizational, learning.*
- *Pressure for performance, with novelty evaluated on functionality.*
- *Organizations legitimated through demonstrated success.*
- *Leaders focused on the creation of public value.*
- *Front-line agents empowered to respond with concerned flexibility.*

The difficulty with mainstream development external actors is that their actions are typically organized programmatically or into discrete (large) projects. The intrinsic difficulty with designing engagement by external actors in a fragile state is that the activities need to be able to “plug into” both the (hyper) modern systems of the external actor and into the local context in a fragile state. Two analogies might help. Any international traveler has to cope with electricity on different voltages. Plugging 110V device directly into 220V power blows the device so there needs to be an intermediating device that can accept 220V power but deliver to a 110V device. Another analogy is gears that can teeth of very different fineness (teeth per inch), putting two gears of very different fineness together directly can cause all kinds of terrible noises, not to mention not actually transmit and power. Again, one needs a gear that is capable of intermediating—both engaging with the fine and coarse gearing.

Tables 5 a, b, and c illustrate the logics of program/project design in Big, Small or Middle mode taken across all of the elements of an activity. That is, any activity must have both a “theory of change” and an “implementation plan.” A theory of change is just a statement of the causal relationships between actions and outcomes that lead from project/program activities to the desired outcomes. This answers the question “*why?*”: why these particular activities? But a project/program must also have a “what” and “how”: how will these activities be supported. Often in organizations it is the “what” and “how” which are predetermined by the constraints of the organizations’ own institutional and political context and then the “why” is reversed engineered. That is, it would be nice if “what” an external actor is most easily capable of doing

---

<sup>7</sup> Our approach throughout this paper is in the spirit of several recent papers stressing the importance of local innovation and context specificity in the design of effective organizations for development. See, among others, Rondinelli (1993) on ‘projects as policy experiments’, Grindle (2004, 2010) on ‘good enough governance’, van de Walle (2007) on ‘paths from neo-patrimonialism’, Rodrik (2008) on ‘second-best institutions’, Adler, Sage and Woolcock (2009) on the importance of ‘good struggles’ for political and legal reform, and Levy and Fukuyama (2010) on ‘just enough governance’.

(e.g. providing financing to governments, building stuff, training people) fits precisely into a plausible theory of change of how to help a fragile state exit from fragility.

For instance, Table 5a starts with fiduciary accountability: if the organization is going to disburse resources (either money or staff or goods (e.g. food, medicines)) then it is imperative that the resources be accounted for strictly. This objective then, if not dictates, creates forces to influence how the activity is structured. For instance, this is easier if the design of the project can specify exactly what is to be procured over the entirely life of the project. This means the project design has to be largely fixed *ex ante*. This in turn influences how the project thinks of “innovation”—how does one reconcile innovation with a procurement and disbursement plan finalized years in advance? If “innovations” are technical and logistically replicable then the only role in project implementation is scaling the known innovation. The end of the process is overall project accountability. If one has begun with accounting then accountability must be primarily accounting. That is, a person with responsibility for program/project implementation cannot be simultaneously accountable for delivering on a fixed project design (and procurement plan) *and* outcomes. If, conditions changed during the implementation period (which, almost by definition they will in a fragile state context) then the project/program manager cannot be held accountable that the project’s “theory of change” turned out to be wrong—but can be held accountable for fiduciary compliance.

**Table 5a: Risks of Big Development: Disbursement success with no (or perverse) impact on capability of fragile states**

Project/program/activity design elements	Big Development (e.g. World Bank projects)
Scale	Large
Fiduciary Accountability	Strict tracking of resources inside modern systems, down to individual transactions
Design	All plans laid out in advance at time of project initiation
Ideal Innovation	Technical, cost-effective, logistically replicable
Leadership	Clear, hierarchical, personalized
Learning of the system, systemic diffusion of innovations	Top down learning mandated by organization “experts learn, front-line workers implement”
Training and capacity building	Implementation oriented (how to fill out forms) or technical (individual capacity)
Learning mode for organizations	Monitoring and, rarely, Big E evaluation, long feedback loops (lessons learned)
Overall performance accountability	Hierarchical, the “leaders” of the project are responsible for success: disbursement with compliance

The risks of “small” development are different. The driving idea is the primacy of allowing the local to be the local, with the sustainability and efficacy of the effort guaranteed by the lack of outside resources and/or imposition of design. This puts the ideal innovation as a locally created and/or adapted idea or desire at the top. With this as the priority, many other elements of the design of activities flow naturally. This does make two things very difficult. One is performance evaluation. If the goal is to do what some small locality most wants done, judging whether it got done—and whether it was truly the most important thing—becomes difficult as the process itself was meant to do that<sup>8</sup>. The second, is scaling, as even if one has success in a local space it is not clear which element of what was done is replicable—and often times it is the local drive or available leaderships or non-replicable social features that were themselves the reason for success and those cannot be replicated.

---

<sup>8</sup> But often “community” participation in decision making is easier for local elite interests to manipulate. For instance, Rao and Ibanez (2005) review of “participatory” and “community driven” social investment funds in Jamaica shows that the actual investments were much more aligned with priorities of local elites than the problems commonly identified by citizens.

<b>Table 5b: Risks of Small Development: Local success without scaling</b>	
Project/program/activity design elements	Small Development
Ideal Innovation	Localized, ad hoc, specific to context
Scale	Small
Design	Long process, repeated each time, no provision for scaling
Leadership	Facilitation of “bottom up” action
Training and capacity building	Focused on individual participants
Learning mode for organizations	Monitoring of processes
Fiduciary Accountability	Process all the way down
Learning of the system, systemic diffusion of innovations	Learning in place, in each place, only diffusion of process intensity
Overall performance accountability	Diffuse as both inputs and “objectives” cannot be decided in advance (or overall)

Sometimes “small development” when promoted at large scale creates alternative channels for accomplishing key local tasks (such as water supply, health care). Some types of assistance create a “top-down and bottom-up” approach by “stove piping” aid past all governmental structures, without any government control over its usage. While this is an attractive expedient, it does not necessarily build state capability.

The question is, and it is an open question, whether there is a “middle way” that has the benefits of systemic impact and scale but the virtues of flexibility. The challenge is to find a program/project/activity design that has one “plug” that can fit both into a fully modern public sector organization and one “plug” that can adapt and be useful in the fluid conditions of a fragile state. The recent track record of external agents, even with massive resources available, in fragile state environments such as Afghanistan, Timor-Leste, Somalia, Nepal, Iraq, Haiti—both security and developmental—should give pause. If this were easy, why have all of the extremely committed, talented and capable people who have been devoted to success in these places working in so many different organizations had such mixed success?

The starting point of a “middle way” approach might be to refine accountability around outcomes, where outcomes include the capability of the system. A danger of moving the “outcome” accountability where outcomes are defined as children in school or health care delivered or wells drilled is that in a fragile environment the easiest, if not only, way to deliver outcomes quickly is to cocoon the activity from existing systems and import capability (either

from abroad or from other parts of the government). So, one needs a combination of outcome targets that includes measures of both immediate outputs and outcomes but also how equipped the system is to continue to deliver those into the future.

One approach to this is to define performance norms and standards, that would include both concrete outcomes but also indicators of system capability. This is easier said than done, as any articulation of “standards” risks reinforcing isomorphic mimicry. Even standards that are *meant* and *intended* to be flexible to guide a domestically driven process of reform can easily become an isolated target to achieve.

The essence of a middle way is to measure system performance and set realistic goals for achieving that performance and then allowing enormously greater scope for local autonomy and flexibility in meeting those goals. This has at least three key differences from the implicit “theory of change” that are worth pointing out.

First, the notion of “leadership” has often revolved around identifying a “reform champion.” However, whereas this is perhaps an adequate notion of the initial impetus, it is much more difficult for a single leader to drive implementation, and often impossible to drive the institutionalization of capability (as the notion of leadership and institutionalization conflict). A “middle way” approach emphasizes that leaderships are plural—it often takes many people, situated in many different positions and with impartial agreement and commitment—to drive reform. A recent study of reforms found that when people engaged in the implementation of reform were asked who was the “leader” of the reform an enormous variety of different individuals were identified (Andrews 2010). Activities have to be flexible enough that many different people are committed to success and feel they are “leaders” of at least some component of the overall endeavor.

Second, the notions of both “learning” and “training” are different. Training is about building systemic or organizational capability, which is not necessarily about the capacities of individual agents. “Learning” has to be able to scale laterally through diffuse networks rather than being first centralized and then “disseminated.” Ultimately, usable knowledge is co-produced within the organization, as people learn how to achieve objectives.

<b>Table 5c: A Middle Way for externally supported activities in low capability and fragile states</b>	
Overall performance accountability	Accountable for outcomes and capability--not inputs or outputs, which are allowed to be endogenously determined
Design	Systemic and modular, open, but with key trigger points for scaling up, down, validation of struggle
Scale	Large, modally
Leadership	Networked, multi-poles, creating undirected “movement”
Ideal Innovation	Disruptive, scalable with embedded processes
Learning mode for organizations	MeE—continuous feedback loops, knowledge is co-produced
Training/capacity building	Building commitment to the movement, experience sharing
Learning of the system, systemic diffusion of innovations	Different providers or project components expand or contract based on functional evaluation of their success
Fiduciary Accountability	Fiduciary accountability is intermediated, strictly modern to one level, process below

Third, perhaps the single most difficult issue with reaching a “middle way” is addressing fiduciary accountability. Since fragile states with low capability often have very weak accounting systems the perceived risks of “corruption” create pressures to devise disbursement and payment mechanisms that use procedures dictated by the external agent (e.g. World Bank). This has two dangers: preventing adequate flexibility and confusing accounting and accountability. If the goal is to create institutions in fragile states that are domestically legitimate and accountable, this can be frustrated by insisting on external accounting that makes the primary objective of accounting the accountability for inputs to external agents. One major challenge of a “middle way” approach is to intermediate fundamentally opposing notions of accountability. There is a need for an ‘adaptor plug’, that can connect these two systems of accountability.

One program that comes to mind when considering a “middle way” approach is the National Solidarity Program in Afghanistan, which has some of the desired features.



### Case: The National Solidarity Program in Afghanistan

The National Solidarity Program (NSP) was launched in 2003 by the Ministry of Rural Rehabilitation and Development (MRRD), with the objective of reducing rural poverty through community-driven development. To this aim, communities elected inclusive community development councils (CDCs) that prioritize and plan projects, for which they obtain block grants. These processes are supported by capacity building efforts, enhancing the competencies of the CDC members in planning and management. Soon after its inception NSP gained popularity and in 2004 it was recognized as the flag-ship program of the Afghan government. In mid-2010, NSP had established approximately 22,300 Community Development Councils (CDCs) in 361 out of 264 districts, and had provided US\$ 703 million in block grants for over 50,000 reconstruction projects. A mid-term evaluation report heralded the NSP as highly successful and in addition to the direct beneficial effects of the projects it pointed to increased public faith in the system of government, improved community relations, improved state-civil society relations, and empowerment of the CDCs.

Part of the success of the NSP can be explained through its ‘adaptor-plug’ function. Through its design, the NSP connects two different notions of accountability. Fiduciary accountability, by its very nature, flows upward to the source of the funds. Disbursement of funds is restricted by the rigidity of international standards of financial management, procurement and performance management controls, for which governmental capacity is often limited, particularly at sub-national levels. Community-driven development, on the other hand, is premised on a downward accountability, where prioritization, planning, management and performance control is conducted by local communities, which procedures will not reach international standards. The NSP circumvents this dilemma by following strict international procedures up to the block grant level. Below this level, communities are responsible and forms of social auditing complement the transparency achieved through management and procurement processes outlined in the operation manuals, which have been adopted to match grassroots level capabilities. The NSP acts as an interface between two fundamentally opposed notions of accountability and different levels of capacity, and as such becomes a highly effective conduit of development funds down to the community level.

The operational implementation of the Program is outsourced to Facilitating Partners, overseen by an Oversight Consultant, while overall strategic direction comes from MRRD and an inter-ministerial steering committee. This warrants the questions whether the NSP is a ‘stovepiped program’ or whether it is gradually becoming embedded into government systems? This question touches the tension that has always been at the heart of the NSP. Is this a reconstruction program or is it the starting point of a system of local governance? NSP’s main objectives explicitly state that it aims ‘to lay the foundations for a strengthening of community-level governance’. Furthermore, the CDC by-Law, which recognizes the CDCs as the constitutionally based, democratically elected development body at community level, was officially approved in 2006. In practice however, the role of CDCs has remained restricted to project management. This reflects a battle over mandate between different ministries, as well as a fundamental debate about the desired level of citizen empowerment. This inherently political struggle will take time to be resolved, but it is a constructive one, and an essential part of institutional transformation in Afghanistan. In the mean time MRRD has started to embed the CDCs in broader strategic planning processes through its National Area Based Development Program (NABDP). Unfortunately NABDP operates through separate operating procedures which leads to wastage. Therefore the main weakness of the NSP may be that, in spite of its stated objective, it did not itself make provisions to become gradually embedded into governmental systems even though it clearly lends itself to it.

Sources: World Bank (2010), Barakat, S. (2006)

## Conclusion

Although we use lots of funny words, metaphors, and abstractions, this is fundamentally intended to be deeply pragmatic and was written by, and aimed at, practitioners of development who are working in fragile, failed, (and flailing) states.

One approach to failure is that the fundamental “model” or “theory of change” was right but that the problem was it just was done quite right—the “devil was in the details.” In this view more effort, with modest tinkering at modality, will ultimately pay off. In this approach there can be operations like “Basic Education Reform Six”—following on five previous, largely unsuccessful projects, with the premise that this time things are just different enough that reforms will work. In this approach, failure is treated as localized and causes analysis to go *down* levels of abstraction.

But sooner or later one has to consider that a model or theory of change, even one that has had massive successes in some countries and on some activities (after all, “development” as a movement has had massive success in East Asia overall and in some aspects of health (e.g. vaccinations) and some aspects of education (e.g. enrollment)) may just not have universal applicability. This means that to find the sources of failure of individual projects one has to move *up* in levels of abstraction, perhaps several levels up. Perhaps the individual governance, or road construction, or policy reform, or health care projects are not working, not because the projects themselves are not well-designed within a given paradigm but *because* they are well-designed but the fundamental approach is (contextually) wrong.

We try and give voice to four generic features of how the standard approach to development interacts with fragile and “post-conflict” states in ways that are conducive to failure: emphasizing form over function and allowing *de jure* changes to be counted as success, not acknowledging the very long time to build capability (as it involves a transition across rules systems), promoting pre-mature load bearing in the scope and intensity of actions expected. This can lead to cycles of failure.

We outline a “middle way”—between “big” development that does not scale down to change actual practice and “small” development that does not scale up to affect rules systems.

## References

Adler, Daniel, Caroline Sage and Michael Woolcock (2009) 'Interim Institutions and the Development Process: Opening Spaces for Reform in Cambodia and Indonesia' Working Paper No. 86, Brooks World Poverty Institute, University of Manchester

Afghanistan Geodesy and Cartography Head Office (2010), [www.agcho.org/cadastral.html](http://www.agcho.org/cadastral.html);

Afghanistan National Development Strategy 1387 – 1391 (2008 – 2013), [www.ands.gov.af](http://www.ands.gov.af).

Andrews, Matthew (2008) "The Good Governance Agenda: Beyond Indicators without Theory" *Oxford Development Studies* 36(4): 379-407

Andrews, Matthew, Lant Pritchett and Michael Woolcock (2010) 'The Middle Way out of the Big Stuck' Mimeo

Andrews, Matt, Anne-Louise Grinstead, Antonio Nucifora and Renaud Saligmann (2010) 'Mozambique's PFM Reform Lessons' Mimeo, World Bank Africa Region, PREM

AREU (2010), Afghanistan Research Newsletter, April/May 2010, Afghanistan Research and Evaluation Unit, Kabul.

Banerjee, Abjit, Esther Duflo and Rachael Glennerster (2008) 'Putting a Band-Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System' *Journal of the European Economic Association* 6(2-3): 487-500

Barakat, S., (2006) *Mid-term Evaluation Report of the National Solidarity Program*, [www.nspafghanistan.gov.af](http://www.nspafghanistan.gov.af)

Bayly, C.A. (2004) *The Birth of the Modern World, 1780-1914: Global Connections and Comparisons* Malden, MA: Blackwell

Bourguignon, Francois, Francisco H.G. Ferreira and Michael Walton (2007) 'Equity, Efficiency and Inequality Traps: A Research Agenda' *Journal of Economic Inequality* 5(2): 235-256

Bowles, Samuel, Karla Hoff and Steven Durlauf (eds.) (2006) *Poverty Traps* Princeton, NJ: Princeton University Press

Chang, Ha-Joon (2003), *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press.

Clemens, Michael (2004) 'The Long Walk to School: International Education Goals in Historical Perspective' Working Paper No. 37, Washington, DC: Center for Global Development

Collier, Paul et al (2003) *Breaking the Conflict Trap* New York: Oxford University Press

- Cowen, M.P. and R.W. Shenton (1996) *Doctrines of Development* London: Routledge
- DiMaggio, Paul and Walter W. Powell (1983) 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields' *American Sociological Review* 48(April): 137-160
- Easterly, William, Michael Kremer, Lant Pritchett and Lawrence Summers (1993) 'Good Policy or Good Luck? Country Growth Performance and Temporary Shocks' *Journal of Monetary Economics* 32(3): 459-83
- Evans, Peter (2004) 'Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation' *Studies in Comparative International Development* 38(4): 30-52
- Grindle, Merilee (2004) 'Good Enough Governance: Poverty Reduction and Reform in Developing Countries', *Governance: An International Journal of Policy, Administration and Institutions* 17: 525-48.
- Grindle, Merilee (2010) 'Social Policy in Development: Coherence and Cooperation in the Real World' Background paper prepared for the The World Economic and Social Survey 2010
- Haggard, Stephan, Andrew MacIntyre and Lydia Tiede (2008) 'The Rule of Law and Economic Development' *Annual Review of Political Science* 11: 205-34
- Hallward-Driemeier, Mary, Khun-Jush, Gita, and Lant Pritchett (2010) Deals versus Rules: Policy Implementation Uncertainty and Why Firms Hate It, NBER Working Paper No. 16001, NBER, Cambridge.
- Hausmann, Ricardo, Lant Pritchett and Dani Rodrik (2005) 'Growth Accelerations' *Journal of Economic Growth* 10(4): 303-29
- Johnson, Chalmers (1982) *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* Palo Alto, CA: Stanford University Press
- Kaufmann, Daniel, Aart Kraay and Mastruzzi (2009) 'Governance Matters VIII: Aggregate and Individual Governance Indicators for 1996-2008' Policy Research Working Paper No. 4978, Washington, DC: The World Bank
- Kraay, Aart and Claudio Raddatz (2007) 'Poverty Traps, Aid and Growth' *Journal of Development Economics* 82(2): 315-47
- Kuznets, Simon (1966) *Modern Economic Growth: Rate, Structure and Spread*, New Haven: Yale University Press
- Levy, Brian and Francis Fukuyama (2010) 'Development Strategies: Integrating Governance and Growth' Policy Research Working Paper No. 5196, Washington, World Bank

- Lister, S. (2006) *Moving forward? Assessing Public Administration Reform in Afghanistan*, Afghanistan Research and Evaluation Unit, Kabul.
- Maddison, Angus (2010), 'Statistics on World Population, GDP and Per Capita GDP, 1-2008 AD', Groningen Growth & Development Centre, Groningen.
- Polanyi, Karl (1944) *The Great Transformation* Boston: Beacon Press
- Pressman, Jeffrey L. and Aaron Wildavsky (1984) *Implementation* (3<sup>rd</sup> edition, expanded) Berkeley, CA: University of California Press
- Pritchett, Lant (2002) 'It Pays to be Ignorant: A Simple Political Economy of Rigorous Program Evaluation' *Policy Reform* 5(4): 251–269
- Pritchett, Lant and Michael Woolcock (2004) 'Solutions when the Solution is the Problem: Arraying the Disarray in Development' *World Development* 32(2): 191-212
- Pritchett, Lant (2010) 'The Problem with Paper Tigers: Development Lessons from the Financial Crisis of 2008', in Nancy Birdsall and Francis Fukuyama (eds.) *New Ideas in Development after the Financial Crisis*
- Pritchett, L., Woolcock, M., and Andrews, M. (forthcoming), 'Capability Traps? The Mechanisms of Persistent Implementation Failure'.
- Rodrik, Dani (2008) 'Second-Best Institutions' *American Economic Review: Papers and Proceedings* 98(2): 100-104
- Rondinelli, Dennis (1993) *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration* New York: Routledge
- van de Walle, Nicholas (2007) 'The paths from neo-patrimonialism: democracy and clientelism in Africa today' Cornell University, Center for International Studies, Working Paper No. 3-07
- Sage, Caroline and Michael Woolcock (2008) 'Breaking Legal Inequality Traps: New Approaches to Building Justice Systems for the Poor in Developing Countries', in Anis Dani and Arjan de Han (eds.) *Inclusive States: Social Policy and Structural Inequalities* Washington, DC: The World Bank, pp. 369-393
- Scott, James (1998) *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* New Haven: Yale University Press
- Sparrow, Malcolm K. (2008) *The Character of Harms: Operational Challenges in Control* New York: Cambridge University Press
- Swidler, Ann and Susan Watkins (2009) "'Teach a Man to Fish': The Sustainability Doctrine and its Social Consequences' *World Development* 37(7): 1182-96

Thomas, M.A. (2009), *Great Expectations: Rich Donors and Poor Country Governments*, unpublished draft for comment, John Hopkins University.

Tilly, Charles (1990) *Coercion, Capital and European States, AD 90 -1992* London: Paradigm Publishers

Wily, L.A. (2003), *Land rights in crisis*, Afghanistan Research and Evaluation Unit, Kabul.

Woolcock, Michael (2009) 'Toward a Plurality of Methods in Project Evaluation: A Contextualized Approach to Understanding Impact Trajectories and Efficacy' *Journal of Development Effectiveness* 1(1): 1-14

World Bank (2003) *World Development Report 2004: Making Services Work for Poor People* New York: Oxford University Press

World Bank (2010) *Emergency Project Report NSP Phase III*. World Bank, Washington DC.