State-building and development: getting beyond capacity

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Introduction

The development community has a long, if somewhat unsuccessful, history of working on issues of capacity development, whereas the focus on state-building is more recent. This brief piece does not aim to add to the literature on capacity; rather, it suggests that focusing on capacity alone will, at best, be only partially effective, and at worst, could be positively harmful, particularly in the context of fragile and conflict-affected states. If the Commonwealth Secretariat, along with other development practitioners, wishes to address state-building questions more effectively, a more sophisticated approach embracing political legitimacy, functional authority *and* institutional capacity is required.

The currency of fragility

It is now commonplace to observe that the issues raised by fragile and conflict-affected states are among the most important faced by the international community. The World Bank's president recently noted that 'fragile states are the toughest development challenge of our era'[1]. Indeed, the Bank's 2011 World Development Report (WDR), 'Conflict, Security and Development', focuses on exploring the implications of fragility and conflict for development. Academics, too, have focused significant research attention on these issues. Robert Rotberg wrote in 2003 that 'how best to understand failed states, to strengthen those poised on the abyss of failure, and to restore the functionality of failed states, are among the urgent policy questions of the twenty-first century'[2].

Why should this be? Weak states have been a feature of the global landscape since the middle of the last century, and conflict is hardly new. So why is interest in these issues so current and so intense? Three broad reasons have been proposed[3].

- First, that the core problem lying behind the plethora of labels (collapsed states, failed states, fragile states, faltering states, weak states, shadow states, low-income countries [LICs] under stress) has almost certainly worsened. And that core problem is the absence of effective public authority; the inability of the state to control its territory and deliver public goods and services. This lack of effective public authority manifests itself in persistent and extreme poverty. According to the 2011 WDR, no fragile or conflict-affected country has yet achieved a single Millennium Development Goal (MDG)[4]. At the end of 2009, one-quarter of International Development Association (IDA)-eligible countries were experiencing conflict, and in those countries poverty rates exceeded 50 per cent as compared to below 24 per cent for LICs. While the nature of conflict may be changing – less inter-state conflict and more internal civil war strife and insurrection – its occurrence is increasing.
- Second, there is widespread acceptance today that in a globalised world, the problems in weak and fragile states are likely to have impacts on the populations of richer countries, through migration, crime, drug trafficking, human trafficking, piracy and, possibly, through terrorism.
- And third, because progress towards the resolution of current intra-state conflict is slower than history would suggest. Historically, following conflict, the drive to a political resolution has been evident, as political entities compete for power and some form of public authority re-emerges. 'A distinctive feature of the contemporary situation is that these processes of resolution… are often weak and slow'[5]. Indeed, Mick Moore et al. at the University of Sussex argue that this failure of public authority is becoming to some degree *normalised*, as the incentive framework within which elites operate in the global economy creates huge rent-seeking opportunities that have no historical precedent.

While the academic debate has moved forward – particularly with the publication of the 2011 WDR referred to above – practice lags severely behind. The classic response to fragility is 'to put in place more capacity'. Arguments put forward are frequently superficial and hollow. Discussions of 'capacity development' are – depressingly – frequently limited to calls for more individuals to be trained, or for more technical people from developed countries 'to help out'.

Capacity development remains one of the most 'slippery' and unsatisfactory concepts in development – 'a refuge for the scoundrel', as one colleague here in the Bank recently noted. There is no agreed definition, there is no formal academic body of knowledge discussing it and there are no university courses teaching it. In the private sector, it is usually called business management or change management. Because of the lack of conceptual clarity, the term 'capacity development' (or 'capacity-building' – some writers even like to argue over the distinction) is used loosely to cover a range of interventions.

Capacity development: a potted history

Figure 1 summarises the approaches to capacity development over the last few decades.

- **In the 1970s**, the focus was on the **individual**; providing training and skills, tools and equipment for individuals in key positions. Donors funded expatriate staff to fill capacity gaps, awarded scholarships, undertook 'manpower' audits and provided 'on-the-job' training. By the late 1970s, it was recognised that this had not improved capacity very much at all.
- **In the 1980s**, the focus shifted to the role of **organisations**. Understanding capacity development moved from a focus on individual skills and competences to a focus on getting organisations restructured and sometimes redesigned – 'business process re-engineering', in management speak. Changes were made to systems for policy-making, to systems for human resources and financial management, and to the way in which services were delivered. Donors focused on organisational audits, job evaluation and grading, and provided advisers rather than officers in line position.

But public sector organisations in most parts of the developing world remained stubbornly unreformed – change and improved performance remained distant objectives. A decade later, it was realised that while a focus on the individual and the organisation were still necessary, by themselves they were insufficient. Developing capacity requires more than staff to be trained and the organisation to be well structured. In most cases, it also requires institutional change and reform.

- **In the early 1990s**, the importance of the role of **institutions** finally began to be acknowledged. It was accepted that even directed organisational change processes may not succeed if the wider 'institutional framework' was not supportive – if the 'rules of the game' were not supportive. These rules, or institutions, are both formal and informal. Formal institutions include the legal system, property rights, the relationship of the executive to the legislature etc. Informal institutions are the norms and values that influence individual and collective behaviour. Thus, in the 1990s, there emerged the realisation that it is only when these three sets of elements (the individual, the organisation and the institutional environment) are aligned, that capacity is developed – and improved performance achieved – on a sustained basis.

However, in many developing countries, these three elements are not in alignment. Where staff are trained, organisational structures may inhibit performance through top-heavy or ineffective management, for example. And where organisations are well structured and well managed, performance may still be weak due to poor incentive regimes

Figure 1 Capacity development, 1970–today

Period	Focus	Mode of capacity development intervention	Motif (dominant ideas)	Capacity development / technical assistance paradigm
1970s	The Individual	Degree-level training Skills acquisition Tools and equipment	Counterparts Gap-filling	Scholarships Developed country training Manpower *(sic)* reviews Line positions On-the-job training
1980s–mid-1990s	The Organisation	Reconfiguring organisational structures ('moving the chairs around') Reforming and/or Strengthening: • *systems for policy-making and analysis* (deciding what it is that should be done, and how) • *systems for managing people, information, cash and assets* • *processes and activities that produce goods and/or deliver services*	Business Management Business Process Re-engineering	Organisational audits Organisational restructuring Organisational counterparting Job evaluation and grading Job descriptions Technical co-operation advisers Consultants
Late 1990s	The Institutional Environment	Incentive structures within formal organisations: • human resources management (pay, discipline, performance management) The wider institutional environment: • the accountability of the executive to the legislature and to citizens • accessible and responsive government • the legal and judicial framework	New Institutional Economics ('The Rules of the Game'): • exit • voice • loyalty and compliance	Sector or 'whole' budget support (setting the incentive framework) Public expenditure management Performance management Pooled technical assistance (TA)

No fragile or conflict-affected state has achieved a single MDG (WDR, 2011)

(low pay, nepotism in promotions, the absence of effective discipline, no commitment to the objective and culture of the organisation, etc). We now know that turning individual competence into organisational capacity requires institutional change.

It seems, too, that we have difficulty remembering what we have learned. One of the most powerful lessons about capacity development over the last 30 years was identified in 1987 by Arturo Israel, an economist working at the World Bank[6]. He argued that the more specific, the more monitorable, and the more limited the task to be performed, the easier it will be to develop organisational capacity to do it. The key idea is 'specificity' – the ability to monitor an output. The more an output can be monitored, the greater the likelihood of ensuring its quality and timeliness. The classic case is a jet engine maintenance engineer for an airline. The work to be done can be easily and quickly monitored, and will have major (visible, immediate) consequences if not done properly. The opposite case is a career's guidance counsellor. Here, the 'quality' of guidance provided can hardly be measured at all. It will be years before the impact is known, and probably not even then.

The implication of this is that capacity development will be easier to achieve in organisations where there are a few specific (and clearly monitorable) decisions to make. Conversely, it is much more difficult to achieve in organisations where there are many thousands of unspecific decisions. This explains why it is relatively straightforward to improve the capacity of a central bank whose responsibility it is to manage the exchange rate, and why it is much harder to improve the nationwide quality of primary school education: the former relies on the judgement of a handful of highly trained economists (who could be parachuted in on temporary contracts for two or three months), while the latter relies on the performance of thousands of (probably) partially trained teachers whose performance is rarely monitored or assessed. By the time any assessment is made, it is too late for the children concerned.

This concept of 'specificity' indicates just how ambitious and difficult it is to achieve the primary health and education MDGs. System-wide improvements in education will require the consistent application of higher standards of teaching, marking, reporting, recording and examining by thousands of individuals, mainly working in systems that have few incentives for performance and quality.

Yet even on those rare occasions when a relatively sophisticated approach to capacity development is taken, it is taken in isolation. The broader context in which 'capacity' is being developed is usually ignored.

State-building: legitimacy, capacity and authority

There has been a significant increase in the last seven or eight years in the state-building literature. The shorthand for this is 'getting to Denmark'. This phrase was first used by Lant Pritchett and Michael Woolcock in a CGD paper in 2002[7] and was popularised by Francis Fukuyama in his high profile book, *State-building in the 21st Century*[8]. There are many different understandings of, and approaches to, state-building, but it is agreed that fragility and conflict will be overcome only when states mature and acquire resilience. Equally, it is recognised that state-building is a domestic – and lengthy – process and is historically contingent.

But while donors are increasingly recognising 'state-building' as critical – rhetorically, at least – the focus of action, including by the Commonwealth Secretariat, remains building capacity and delivering outputs, usually downstream public services. This paper would argue that capacity issues must be considered in this wider framework of state-building.

The literature on state-building identifies three critical elements. Different authors refer to them in different ways, but in short, the three dimensions are: political legitimacy; institutional capacity; and functional authority.

The historical process of state-building is about the development of these three sets of political goods. It is what Mick Moore et al. refer to when discussing effective public authority: 'i.e. the construction of institutions that successfully undertake three main functions: providing protection from external threats and managing external relationships; the peaceful resolution of internal conflicts; and providing and encouraging the provision of collective goods and services'[9]. Jack Goldstone et al. emphasise state effectiveness (the ability of a regime to get things done) and state legitimacy[10].

Stewart and Brown identified that states can 'fail' in three ways: there are authority failures, there are service failures and there are legitimacy failures[11]. A Canadian study developed a fragility index based on exactly these three categories[12]. Derick Brinkerhoff commented that 'theories of the modern state posit that political and administrative institutions arose to address state–society relations in three broad functional areas: safety and security, provision of

public services, and the legitimate exercise of authority'[13]. And finally, the Department for International Development (DFID)'s recent approach to state-building, which although uses the language of 'survival functions, expected functions and the political settlement'[14], translates directly into authority, capacity and legitimacy.

Political legitimacy: Legitimacy has a central place in political science, but it has been only recently claimed by development writers and practitioners. The Organisation for Economic Co-operation and Development (OECD) placed legitimacy at the centre of the development discourse in 2010[15]. While legitimacy can be generated by both processes and by outcomes, the central issue for the state is the extent of *domestic political legitimacy*: the extent of agreement among citizens that both the current system of government and the incumbent regime has the 'right' to rule. A recent influential report for the OECD/DAC Fragile States Group noted that: 'donors have not always paid attention to understanding how social groups may prioritise legitimacy. In insecure environments, insecurity emerged as the most important basis for legitimacy of both state and non-state contenders for power'[16]. One of the few authors to address this issue head-on is Seth Kaplan, who says bluntly: 'the key to fixing fragile states is thus to legitimize the state by deeply enmeshing it within society'[17].

In similar vein, a team from the IRIS Centre at the University of Maryland, undertaking work for USAID, concluded: 'We believe it is the preoccupation of donors with state effectiveness – balancing the budget, training judges, upgrading telecoms – and the reticence to address legitimacy – the perception of the various groups in society that the state acts with a sufficient encompassing interest – which constitute the principal reasons for the lack of past success'[18].

Institutional capacity: As outlined above, this element has long dominated the development agenda, and if external partners do indeed want to assist with state-building, institutional capacity needs to be balanced by adding a focus on legitimacy and authority. Institutional capacity by itself will not be enough.

Functional authority: This refers to the extent to which the rules and values of the state trump other value systems. It is the pre-eminent rule that enables a state to project its power over all the territory (this is not the same thing, of course, as using it for the public good).

Figure 2 What makes effective public authority?

EFFECTIVE PUBLIC AUTHORITY

Three core dimensions of the state: what is it that 'builds the state'?

Functional authority:
The extent to which the regime projects its power over all the territory – and uses it for the public good

- Secure borders
- Absence of significant organised political violence
- No civil war
- No ungoverned spaces
- Limited communal or ethnic violence and strife
- Low levels of criminality
- No serious 'organised' crime
- Effective systems of dispute resolution
- A disciplined security force
- Effective police service

Institutional capacity:
The extent to which the regime gets things done

- Effective and respected institutions generally – whether 'modern' or traditional
- Government 'promises' carry credibility
- Prevalence of the rule of law
- Basic services delivered: education, health, water, transport
- Reasonable public infrastructure
- Functioning banking system
- Reasonable fiscal and policy environment for entrepreneurship

Domestic political legitimacy:
The extent to which citizens feel that their system of government is somehow appropriate and the ruling regime has the right to rule

- A broadly agreed 'political settlement'
- Freedom of opposition to oppose
- Relatively free media
- Citizens enjoy a modicum of civil and political liberties
- Trade unions can form and agitate
- No exclusion of significant minorities from power and the political process
- Reasonably 'free and fair' elections
- Freedom to compete for public office
- Respect for political and legal institutions
- Tolerance of dissent
- Civil society has voice and organising ability

There is broad agreement that these three analytical categories constitute the critical dimensions – the essential core – of what it takes to build a state. Figure 2 provides an indicative list of the recognisable governance goods and services within each of these three fundamental state-building dimensions. It is illustrative rather than exhaustive, but the bottom line is clear: where states have functional authority, institutional capacity and political legitimacy, then they are likely to possess effective public authority.

Clearly, there are interdependencies among the three. Failures in one will accentuate failures in another. It is possible – but trickier – to imagine situations where increases in one of the three pillars may act adversely on another (possible strengthened functional authority in a dictatorship may further erode legitimacy, for example).

Work is now going on in the World Bank, using this analytical framework, the objective of which is to develop an operational tool to identify priorities for 'investment programming' in – especially – post-conflict and fragile states. It will address the issues of sequencing and trade-offs among different options. This has been given insufficient detailed attention in the literature and within donors. One of the few authors to consider these questions is Merilee Grindle of the Kennedy School, Harvard. She notes in the third of three articles over several years that 'the gap between a long agenda and general advice on how (the good governance agenda) can be cut down, and what is actually chosen as a governance intervention is particularly noticeable to those who have to address the conflict-ridden and often illegitimate status of fragile states'[19]. It is one thing to call for greater priority to the 'constitutive' domain of the state; it is another thing altogether to know the right balance within and between the two domains in different contexts. This is one of the issues that we are now addressing. I hope the Commonwealth Secretariat will reflect this evolving thinking in its own work.

Endnotes

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19 Merilee Grindle (2007), 'Good Enough Governance Revisited', in *Development Policy Review*, Vol. 25(5), p.554.