



# The Big Stuck in State Capability for Policy Implementation

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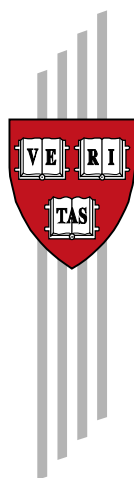
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# The Big Stuck in State Capability for Policy Implementation

Matt Andrews, Lant Pritchett and  
Michael Woolcock

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## Working Papers

Center for International Development  
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# The Big Stuck in State Capability for Policy Implementation<sup>1</sup>

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January 2016

## *Abstract*

We divide the 102 historically developing countries (HDCs) into those with ‘very weak’, ‘weak’, ‘middle’, and ‘strong’ state capability. Analyzing the levels and recent growth rates of the HDCs’ capability for policy implementation reveals how pervasively “stuck” most of them are. Only eight HDCs have attained strong capability, and since most of these are small (e.g., Singapore, UAE), less than 100 million (or 1.7%) of the roughly 5.8 billion people in HDCs currently live in high capability states. Almost half (49) of these countries have very weak or weak capability, and thus their long-run pace of acquiring capability is also very slow. Alarmingly, three quarters of these countries (36 of 49) have experienced *negative* growth in state capability in recent decades, while more than a third of all countries (36 of 102) have low and (in the medium run at least) *deteriorating* state capability. At current rates, the ‘time to high capability’ of the 49 currently weak capability states and the 36 with negative growth is obviously “forever”. But even for the 13 with positive growth, only three would reach strong capability by the end of the 21<sup>st</sup> century at their current medium run growth.

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<sup>1</sup> The views expressed in this paper are those of the authors alone, and should not be attributed to the organizations with which they are affiliated.

Lant once visited a rather desultory game park. He and a few other visitors were driven into the park seated on benches built onto the back of a flatbed truck. A guard carrying a vintage rifle was also in the back to protect them from any beasts they might encounter. As they drove along increasing bumpy and rutted roads, Lant became concerned that the driver often had his wheels directly in the ruts. He mentioned to the guard that perhaps the driver should stay out of the ruts. “Don’t worry”, the guard replied, “the driver knows what he is doing. Just look for animals.” Another 15 minutes later, there being no animals to observe, Lant mentioned again to the guard that driving in the ruts was a risk. “We do this every day”, said the guard. “We know what we are doing, just let us do our job.” Not ten minutes later—whump!—everyone was thrown forward as the truck, with wheels in the ruts, ground to a halt, completely high centered. The truck was stuck, with the rear wheels spinning uselessly in the air. As the visitors jumped down from the truck, the guard said: “Damn, same thing happened yesterday.”

Like the truck in this game park, many developing countries and organizations within them are mired in a “big stuck”, or what we will call a “capability trap”: they cannot perform the tasks asked of them, and doing the same thing day after day is not improving the situation; indeed, it is usually only making things worse. Even if everyone can agree in broad terms about the truck’s desired destination and the route needed to get there, an inability to actually implement the strategy for doing so means that there is often so little to show for it—despite all the time, money and effort expended, the truck never arrives. This paper is the opening chapter of a book which seeks to document the nature and extent of the capability for policy implementation in developing countries, to explain how low capability exists and persists, and—most importantly—to offer an approach for building a state’s capability to implement its core functions (i.e., for getting “unstuck”). Put more forcefully, we argue that countries are as

‘developed’—as economically prosperous, socially inclusive and politically well-governed—as their capability for implementation allows. Steadily acquiring this capability is the defining characteristic of what it means for a country to become and remain ‘developed’, but alas the track record of an array of strategies purporting to achieve this capability over the last sixty years is at best thin. What might be done? Where to begin?

An initial sense of the scale of the challenge can be gleaned from an examination of three different data sources that measure a country’s current level and growth of state capability for policy implementation. Based on their current (2012) level of capability on these measures we can divide the 102 historically developing countries<sup>2</sup> into those with very weak, weak, middle, and strong state capability. Analyzing the levels and recent growth rates of the countries reveals the pervasiveness of the “big stuck” in state capability:

- Only eight of the historically developing countries have attained strong capability. Moreover, as these eight are mostly quite small (e.g., Singapore, Bahamas, United Arab Emirates), less than 100 million (or 1.7%) of the roughly 5.8 billion people in historically developing countries currently live in high capability states.
- Almost half (49 of 102) of the historically developing countries have very weak or weak capability, and, as we show, these low levels of current capability themselves show that, for these countries, the long-run pace of acquiring capability is very slow.
- What is more worrisome, three quarters of these countries (36 of 49) have experienced *negative* growth in state capability in recent decades. More than a third of all countries (36 of 102) have low and (in the medium run at least) *deteriorating* state capability.

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<sup>2</sup> We take the UN’s World Economic Situation and Prospects classification as “developed” (not “high income”) which includes thirty-five countries; this is basically the old OECD (prior to accessions to historically developing countries like Mexico and Korea) plus a few of the more advanced countries in Eastern Europe (e.g. Hungary, Poland, Slovenia, Slovakia). Obviously if we are saying there are few “historically developing country” successes then re-classifications of successful countries like Korea or Singapore or Chile as “developed” would create bias.

- If we calculate the “business as usual” *time to high capability*—i.e., how long it would take to achieve high state capability at current rates of progress—then of the 49 currently weak capability states, the time frame for the 36 with negative growth for attaining high capability is obviously “forever”. But even for the 13 with positive growth, only three would reach strong capability in less than 90 years at their current medium run growth.
- The problem of the “big stuck” or capability trap is not limited to the weak capability (or “fragile” or “failing” states) but also applies to those in the middle. Of the 45 countries with middle levels of capability, 31 (more than two thirds) have experienced *negative* growth in capability since 1996.
- The *time to high capability* calculations for these 45 middle capability countries suggest that only eight will reach strong capability before the end of this century (and of those, four will take more than 50 years at current trends).

Once one is stuck, doing the same thing one did yesterday (and the year before and the decade before), or simply attempting to put more power into spinning the wheels, is not a wise course of action. Something different is needed.

### **The implementation imperative**

Many engaged in development—elected and appointed politicians, government officials, Non-Governmental Organizations (NGOs), professionals of the United Nations, OECD, development banks and bilateral aid agencies, researchers, academics, and advocates—spend vast amounts of time and effort debating and acting on three Ps: policies, programs, and projects. But what if they don’t really matter? What if the policy as officially adopted, the program as approved and budgeted, or the project design as agreed upon are actually of secondary importance? If whether

a policy, program or project produces the desired outcomes hinges on how well it is implemented, then the real determinant of performance is not the three Ps but capability for implementation. We contend that today many states have skewed capabilities—the capability to routinely and repeatedly propose the three Ps, but not the capability to implement them.

A recent study illustrates that even when governments have adopted *the exact same policy*, outcomes across countries ranges from complete failure to perfection. In a recent experimental study<sup>3</sup>, researchers examined differences in how well countries handle international mail. For our purposes the results are interesting not because the post office is intrinsically fascinating or international mail a hugely important governmental function, but because all countries have exactly the same policy. The Universal Postal Union convention, to which 159 countries in the world are signatories (i.e., nearly all), specifies a common and detailed policy for the treatment of undeliverable international letters, including that they are to be returned to the sending country within 30 days. None of the observed difference in performance across countries in handling international mail can be attributed to differences in the *de jure* policy.

To examine governmental effectiveness, the researchers mailed 10 deliberately misaddressed letters to each of the 159 countries and then just waited and counted how long, if at all, each letter took to return. If measured by the number of letters which were returned within 90 days (already more than the official policy of 30 days), the performance ranged from zero to 100. In countries like Finland, Norway, and Uruguay, 100 percent of the letters came back within 90 days. In 25 of 157 countries *no* letters came back within 90 days (in 16 countries none of the letters came back ever). These zero performance countries included unsurprising places like Somalia, Myanmar and Liberia but also included Egypt, Fiji, Ghana and Honduras that are considered “middle income” countries. In the lowest quartile of countries by income, less than 1

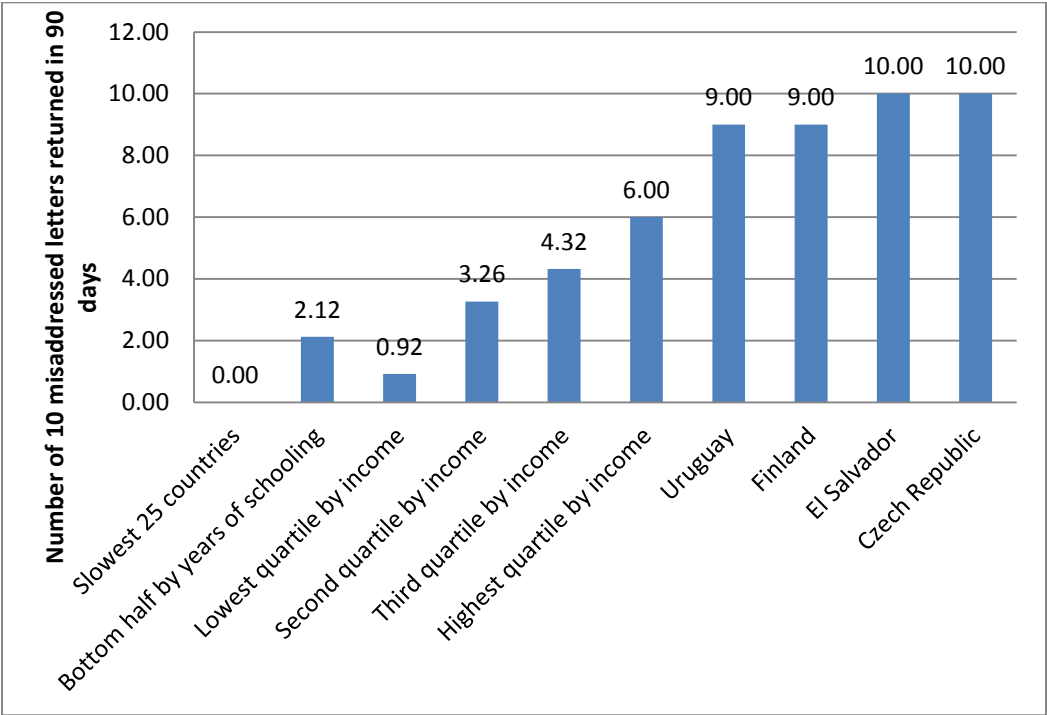
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<sup>3</sup> See Chong, La Porta, Lopez-de-Silanes and Shleifer (2014).

in 10 letters was returned (.92) and in the bottom half by schooling only 2.2 of 10 were returned (Figure 1.1). This range of outcomes is not because some countries had ‘good policies’ and others did not—all had exactly the same policy—but because some countries have post offices that implement the adopted policy while others do not.

**Figure 1.1: Lost in the mail? Policy versus performance on returning misaddressed envelopes**

*Even though all countries have the same adopted policy on returning misaddressed mail, performance ranges from zero to 100 percent*



Source: Based on Chong et al 2014, Table 2

In our own professional experience in fields as diverse as public finance, basic education, legal enforcement, and others we have encountered similar outcomes that convince us that many



states have poor outcomes not because they lack ‘good policies’ but because they lack implementation capability. For instance, governments across the developing world have now adopted similar “best practice” budgeting rules but many still fail miserably to execute their spending plans. Other governments have adopted common policies to increase the number of trained teachers in schools. They succeed in passing these teachers through training colleges but cannot ensure their active and effective presence in classrooms. Similarly, governments across the world have made great progress introducing policies aimed at increasing the procurement of vital medicines in their countries but struggle to get the medicines to health posts or to assure the medicines are being properly dispensed and used. Over twenty-five years after signing the global convention on the rights of the child, and committing to register all children at birth, countries such as Bangladesh, India, Mozambique, Nigeria, Pakistan and Uganda still register less than 40% of children. They have the policy ideas and commitments in place that other countries found sufficient for success, but just cannot implement these in a consistently effective manner.

We argue that building an organizational or governmental capability to implement is of primary importance for realizing development objectives. As noted above, building robust capability for implementation is itself a defining characteristic of being ‘developed’; moreover, it is a challenge that only intensifies as the tasks to be completed by the state in increasingly prosperous and open societies—taxing citizens, regulating business, providing health care and pensions—themselves become more complex and contentious. We believe that implementation failures hold many countries back from realizing their own stated development goals, and that, even worse, many governments lack the capability to overcome repeated implementation failures even after years of reforms designed to strengthen state capability.

This problem has a long history. Since the beginning of the development era in the

aftermath of World War II and the accelerating creation of newly independent nation-states, there has been massive intellectual and ideological debate about *what* governments *should* do. However, there was less debate about *how* governments *could* do what they chose to do—that is, about how to build the capability of the state. The result is that more than half a century into the development era there are many states that lack the capability to carry out even simple functions, like delivering the mail, about which there is essentially no debate at all. How is it that countries like Ghana and Egypt and Honduras and Fiji (and most other developing countries) do not have a post office that implements simple policies that they have adopted? In seeking to identify answers to these questions, we begin by returning to the available cross-national data on state capability, the better to establish a broad empirical foundation regarding global trends. In subsequent work we will explain these trends, explore their manifestations within particular countries and sectors, and outline a practical strategy for responding to them.

### **Cross-national data on state capability**

A number of different organizations have created cross-national measures of “governance”, albeit with various objectives in mind. For our purposes, however, the concept of “governance” is too broad and includes many conceptual elements that are distinct from state capability. In particular we are *not* trying to measure four things often lumped together with “governance”. All of these are important, but nonetheless remain conceptually and empirically distinct.

First, we are not trying to measure politics, how the citizens choose (or not) who will exercise sovereign power, nor how that is procedurally constrained. So we do not rely on measures of “democracy” or “autocracy” (as in the Polity measures) or on indicators like “constraints on the executive.” A country can be a democracy with low state capability or an

autocracy with high capability. Second, we are also not trying to measure the protection of political rights or human rights or freedom (as in the Freedom House indicators) or direct citizen voice or participation in the operation of government. Countries with either high or low capability can engage in the suppression of human rights. Third, we are not trying to directly measure economic (e.g. GDP per capita, poverty) or human development (e.g. education, health, HDI) outcomes directly. That is, while we feel that state capability is an important determinant of these outcomes we do not want to conflate state capabilities and outcomes. For instance, with technological progress or increases in incomes human development outcomes could be improving even with stagnant levels of state capability. Fourth, we are not measuring whether a country has “good” or “bad” policies (on any criteria) but rather how well they implement what policies they have. A country could have a counter-productive policy but implement it very effectively, or have a terrific adopted policy but just not be able to implement it.

We use three different sources as reassurance that our broad characterizations of the current levels of state capability and its evolution are not artefacts of one measure or the biases of any one organization. The Quality of Government (QOG) Institute provides a measure derived from the International Country Risk Guide (ICRG) data that is the simple average of the three ICRG indicators: “Corruption” (range 0 to 6), “Law and Order” (range 0 to 6) and “Bureaucratic Quality” (range 0 to 4), then rescaled 0 to 1. This state capability measure has the advantage of being available from 1984 to 2012 for many countries and of being comparable over time. The Failed State Index (FSI) rates countries by 11 different indicators related to the likelihood of conflict (e.g., “group grievance”, “fractionalized elites”, “external intervention”) but we just use as the FSI state capability measure their indicator of “Public Services” which rates countries on carrying out core state functions like policing and criminality, infrastructure, roads, water and

sanitation, education and health. Finally, the World Governance Indicators (WGI) have six components, each of which is an index built up from underlying data sources in a statistically sophisticated manner (e.g., Kaufmann, Kraay and Mastruzzi 2009). For our state capability index we use from the WGI the simple average of “government effectiveness”, “control of corruption” and “rule of law.”<sup>4</sup> This data is available from 1996 to 2013 and it comparable across countries from year to year but is rescaled in each year so it is, strictly speaking, only comparable over time for a given country relative to all other countries.

In order to compare these three separate data sources (QOG, FSI, WGI) we rescale each of them to a zero to 10 range by assigning the lowest recorded country/year observation as zero (this was typically Somalia) and the highest recorded country/year observation as 10 (this was typically Singapore). This assumes each of the underlying variables are cardinal and linear. As this linear scale is arbitrary (it could be 0 to 1 or 0 to 100) the intuitive way to understand the results is that they are on a “Somalia to Singapore” scale—a movement of 1 point, say from 3 to 4, is a move of  $1/10^{\text{th}}$  the Somalia-to-Singapore difference in state capability.

Before presenting any analysis using these indicators there are three important empirical questions one should ask about this data on state capability. First, are they measuring roughly the same thing? The pairwise correlations of the three variables are all above .83. A slightly more sophisticated analysis, which accounts for the attenuation bias due to pure measurement, suggests that all of the variables have roughly a one-to-one linear relationship, as would be expected in rescaled data<sup>5</sup>. Even on the more demanding question of the correlation of growth,

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<sup>4</sup> We do not use “voice and accountability” (which we take as a measure of polity and politics), “political stability/violence” (which we regard as an outcome measure), or “regulatory quality” (as this measures the quality of the policies).

<sup>5</sup> Using either “reverse regressions” to bound the coefficient or instrumental variables regressions (using a third indicator as instrument for the “x” variable) to correct for measurement error (not as an attempt to establish

the medium-run (1996 to latest) growth rates of WGI and QOG have a correlation of .55.

Second, are these measures measuring something specific to a country's state capability or merely capturing broad cross-national differences in general governance and socio-economic conditions? That is, perhaps there are just generally "good" places like Denmark with high prosperity, good policies, high human development, human rights, democracy and state capability, and "bad" places like Somalia or Democratic Republic of Congo that lack all of those. Drumm (2015) addresses this question directly by taking all of the 45 measures from four sources—WGI (6 variables), ICRG (12 variables), FSI (12 variables) and Bertelsmann Transformation Index (15 variables)—and asking the technical question of whether all of them load on a single factor or whether the data suggest the various indicators are measuring identifiably different phenomena. His analysis of all 45 governance indicators identifies four underlying factors (not just one or two) that he calls "effectiveness", "political gumption", "absence of internal tensions" and "political support and absence of external pressures". As such, he argues that the governance indicators clearly distinguish between something like state capability (his "effectiveness") and something like "democracy" (his "political gumption"). The mapping of the variables to the factors looks a lot like our choices made before we saw his analysis. So, the WGI's "government effectiveness", "rule of law", and "control of corruption" indicators load onto "effectiveness" while the "voice and accountability" indicator loads onto "political gumption." The three ICRG indicators used in the QOG measure ("bureaucratic quality", "corruption", and "law and order") are among those that load onto the factor "effectiveness", while "democratic accountability" from the ICRG ratings loads onto "political gumption." The correlations between his estimated "effectiveness" factor and our variables are

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causality) show the linear relationship of each of the four on each other to have a relationship not statistically different from one.

WGI .95, QOG .87, FSI .92.

Third, are we asserting that country-level indicators of state capability are sufficient and capture all of the relevant information? No. There can be tremendous differences in capability across public sector organizations in the same country, and different tasks require very different types of capability. India illustrates these points. In 2014 India put a spaceship into orbit around Mars—a task requiring very high technical capability. India’s Institutes of Technology are world renowned. The Indian Election Commission carries out free and fair elections in the world’s largest democracy. At the same time, India’s capability for implementation-intensive activities of either service delivery (health, education, water) or imposition of obligations (taxation, regulation) is “flailing” (Pritchett 2009), at best. The gaps in capability between organizations in the same country is central to our book’s overall line of argument, as we maintain that strategies at the organization and sector level can produce progress in building capability even when country conditions are not propitious.

The indicator of state capability we use in the analysis in this presented here is the simple average of the scaled WGI, QOG, and FSI indices of state capability. We report here only these results for simplicity and as illustrative, but we have done similar analysis of the levels and rates of growth of state capability for each of the indicators separately (see Pritchett, Woolcock and Andrews 2010), other indicators such as the BTI, the Drumm (2015) government effectiveness factor, the World Bank’s internal indicators, and other indicators of state fragility (see Pritchett and de Weijer 2010). We also stress that the basic findings we report are robust using all these different indicators of state capability. We are not focused on the results for individual countries and their relative rankings or estimates of growth but on the big picture. With different indicators

countries might move up or down somewhat but the broad patterns across countries we report remain the same.

### *The big stuck: Level and growth in state capability*

Our results use two key estimates for each country's level of state capability in 2012 on our state capability index (the average of the three WGI, QOG and FSI) from 0 to 10, and the medium run growth of state capability as the average of the growth rates of the QOG and the WGI from 1996 to 2012 (QOG) or 2013 (WGI).<sup>6</sup> Table 1 presents the results of this analysis for the 102 historically developing countries for which all three indicators were available. The table has two dimensions: the classification of countries on the current (2012) level of capability, and the growth of capability since 1996.

We divide countries into four levels of capability based on the value of the 0 to 10 state capability (SC) scale: *very weak* (less than 2.5), *weak* (2.5 to 4), *middle* (4 to 6.5), and *strong* (above 6.5). These levels and categories are simply a convention we adopt for simplicity of discussion and do not imply that we think there are somehow important differences between a country at SC 2.4 versus 2.6 or at SC of 3.9 versus 4.1. Given the ranges of uncertainty of these indicators<sup>7</sup>, there are surely countries that could easily be in the category just above or just below but we doubt there are many countries misclassified by two or more categories (e.g., the strongest "very weak" country is Niger and the weakest "middle" country is Ghana, and it is implausible that the ordering of those two by capability is wrong).

We chose 6.5 as the threshold for "strong" state capability. This is not a high standard, as

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<sup>6</sup> The growth rates are calculated as the least squares growth rate over the entire period, not end-point to end-point, which smooths out underlying variability.

<sup>7</sup> See the confidence ranges in Kaufmann, Kraay and Mastruzzi (2010) for instance.

there are at least some countries at 10 (by construction) and the typical level of a developed country is 8. The countries just below the threshold are Uruguay and Croatia and just above is Bahrain. When we calculate “time to strong capability” we are not thinking of reaching OECD standards or “getting to Denmark” (at 9.5) (Pritchett and Woolcock 2004) but achieving 6.5, just above Uruguay.

The first striking point of Table 1 is that there are only 8 of the 102 countries that have “strong” state capability. Moreover, as noted above, these 8 include four small population oil rich states (United Arab Emirates, Bahrain, Brunei, Qatar), one city-state (Singapore), one tiny island (Bahamas) and only two large countries (Chile and South Korea). The total population of these countries is around 85 million—smaller than Ethiopia or Vietnam.

The lower threshold, below which state capability is “very weak”, we chose as 2.5. (Keep in mind that zero was the lowest of *any* country in *any* year.) In the WGI, for instance, Somalia was only 0 in 2008 and in 2013 its ranking was .58—even though it still effectively lacked a state. In the QOG data the only zero is Liberia in 1993 in the midst of a horrific civil war and on that scale Somalia, even in quasi-anarchy in 2003, was rated a 1.3. States at 2.5 or below are “fragile” or “failing” in that they are at significant risk of not being able to maintain even the Weberian definition of “stateness”, namely a “human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory.”<sup>8</sup> For instance, in the WGI in 2013 Yemen was rated as a 2.5 and has since collapsed as a state, while Iraq in 2013 was rated by WGI as 2.3 and yet could not hold territory against the incursion of a non-state actor in 2014. Tragically, there are twice as many (17 of 2012) countries in this “fragile” or essentially failed state category than successes and, since these have much larger populations there are half a billion people living in these “very weak” states. But we separate this lower category to

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<sup>8</sup> Weber (1919 [1965: 77]).



emphasize that while there are “fragile” states the problems of state capability are *not* limited to those places—low state capability is in fact pervasive. Hence we don’t really focus on these countries in the discussion below of positive and negative growth in capability of the weak and middle countries.<sup>9</sup>

The dividing line between “weak” and “middle” at a SC score of 4 is perhaps the most arbitrary, but we thought it worth separating out the serious and pressing challenges of improving state capability in the “middle”: large, mostly functional states at no immediate risk of collapse and which are often thriving economically like China, India, Brazil, and the Philippines from those of “weak”—but not (currently) failing—states like Uganda, Honduras, and Papua New Guinea. Referring to countries below 4 as “weak” makes sense because a country such as India has many concrete and well documented examples of weak capability for implementation in education, health, policing, and regulatory enforcement (e.g., licensing, environment, banking) yet India has a SC 4.61 rating; hence countries with an SC rating under 4 are plausibly called “weak.” Moreover, SC 4.0 separates the strongest of the “weak” (the Gambia, El Salvador, and Belarus) from the weakest of the “middle” (Ghana, Peru, Russia): while some might have qualms saying Ghana, Peru and Russia are not themselves weak capability states, few would dispute that Belarus, Gambia and El Salvador are. These thresholds produce 45 “middle” and 32 “weak” capability countries.

The second dimension of the table is how rapidly the medium-run growth of state capability has been. For this we use the QOG and WGI data (the FSI dates only to 2006) from

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<sup>9</sup> There are three countries (Niger, Guinea-Bissau, and Liberia) whose very strong rebounds from very weak capability imply their “time to strong capability at BAU” will be short. It is worth pointing out that in two of the three the average short-run (since 2006) state capability progress has turned negative.

1996 (when the WGI begins) to the most recent data (2012 for QOG, 2013 for WGI)<sup>10</sup>. We divide the pace of growth into very negative, slow negative, slow positive, and rapid positive. The dividing line for “slow” is .05 points per year; at this pace it would take 200 years to move from zero state capability to the strongest (e.g.  $10/200=.05$ ).<sup>11</sup>

Using the 2012 level and the medium run growth rate we calculate for each country the *time to strong capability*; this is not a prediction or a forecast but just a arithmetic calculation of the hypothetical question, “if a country were to maintain its recent medium run pace of growth into the future, how long would it take to reach 6.5?” Obviously for the 70 countries with negative recent growth the answer is “forever” as they are headed backwards. But even for those with positive growth this extrapolation suggests very long time frames. As an illustration, Bangladesh’s current state capability is 3.26 and its annual growth is .013, so it will take 244 years<sup>12</sup> to reach strong capability.

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<sup>10</sup> One might object to the use of the WGI growth rates because the procedure for producing the WGI renormalizes the measures from year to year such that the cross country average is zero and hence the growth rate of the average is zero by construction. Hence tracking growth of a given country is only tracking their relative growth year to year relative to all other countries. However, we could renormalize the WGI growth rates by adding in a trend rate of growth of the average country and then the WGI estimates would capture cross-national variation and have an externally imposed trend. But the average trend in the “short run” (since 2006) is: QOG .0058 and FSI .011 and WGI -.0029. Hence the trend is so close to zero in the QOG data (in fact the median is zero) that little is lost in just using the raw WGI data. In fact, for the 1996-2012/2013 data the average growth of the QOG data is -.046 whereas for WGI is -.0023. Hence using the unadjusted WGI data to compute the average growth for each country gives a much more optimistic picture than if we use the QOG data alone.

<sup>11</sup> The crude analogy would be a growth of GDP per capita of about 2 percent per annum at pace that, if sustained to 200 years, would take a country from roughly Niger’s GDP per capita to that of the USA.

<sup>12</sup> That is,  $(6.5-3.26)/.013=244$

Table 1.1 The ‘Big Stuck’ in state capability: Low levels, stagnant growth

The “big stuck” in state capability of low levels and stagnant growth of state capability. Only the 13 ‘historically developing countries’ in green are on a plausible “business as usual” path to have strong capability by the end of the 21 <sup>st</sup> century.				
	Rapid negative ( $g < -.05$ )	Slow		Rapid positive ( $g > .05$ )
		Negative ( $-.05 < g < 0$ )	Positive ( $0 < g < .05$ )	
Strong ( $SC > 6.5$ )		BHR, BHS, BRN	CHL(0), SGP(0), KOR(0), QAT(0)	ARE(0)
8	0	3	4	1
Middle ( $4 < SC < 6.5$ )	MDA, GUY, IRN, PHL, LKA, MNG, ZAF, MAR, THA, NAM, TTO, ARG, CRI	PER, EGY, CHN, MEX, LBN, VNM, BRA, IND, JAM, SUR, PAN, CUB, TUN, JOR, OMN, MYS, KWT, ISR	KAZ(10820), GHA(4632), UKR(1216), ARM(1062), RUS(231), BWA(102), IDN(68), COL(56), TUR(55), DZA(55), ALB(42), SAU(28), URY(10), HRV(1)	
45	13	18	14	0
Weak ( $2.5 < SC < 4$ )	GIN, VEN, MDG, LBY, PNG, KEN, NIC, GTM, SYR, DOM, PRY, SEN, GMB, BLR	MLI, CMR, MOZ, BFA, HND, ECU, BOL, PAK, MWI, GAB, AZE, SLV	UGA(6001), AGO(2738), TZA(371), BGD(244), ETH(103), ZMB(96)	
32	14	12	6	0
Very weak ( $SC < 2.5$ )	YEM, ZWE, CIV	SOM, HTI, PRK, NGA, COG, TGO, MMR	SDN(7270), SLE(333), ZAR(230), IRQ(92)	NER(66), GNB(61), LBR(33)
17	3	7	4	3
102	30	40	28	4

*Source:* Authors’ calculations using the average of the rescaled indicators of state capability from *Quality of Government*, *Failed State Index*, and *World Governance* indicators (Data Appendix 1.1).

### *The Big Stuck: Weak capability states*

Explaining why so many states have stagnant or declining levels of capability for policy implementation requires a more detailed examination of the factors shaping the dynamics within both the states themselves and the broader ecosystem of development assistance in which they are embedded. To conduct such an examination we begin not with the very weak (or “F-states”) but rather the states between the very weak and middle—the weak capability states. There are three things we can learn.

First, the fact that there are a lot of weak capability states today, even after most nation-states have been politically sovereign for over 50 years (and some, like the nine Latin American countries, for centuries), tells us that long-run progress in state capability has been very slow. Don't we need measures of state capability over time in order to measure the rate of progress? Yes, of course, and in an important way, no. Imagine walking into a forest and encountering trees of very different heights. One might think you cannot say anything about how fast or slow the trees grow. But actually with three pieces of information the long-run rate of growth of each tree can be calculated. If we know the tree's current height, its starting height and its age then we know the average growth rate of the tree from seed to today exactly. This of course does not reveal anything about dynamics: 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 we actually do know long-run growth from current height and age because we know it started from zero.

Using the analogy of inferring long-run growth in state capability from height of trees in a forest, we know that if countries still have weak capability today and if we assume a lower bound of “stateness” of 2.5 then the overall trajectory of growth of state capability from that lower bound has to have been low. Take Guatemala, for instance. Its current state capability rating is

3.43. It has been politically sovereign since 1839. Hence the long-run rate of growth of state capability in Guatemala can have been at most .0054.<sup>13</sup> Even countries with less time since independence who are weak cannot have been improving too rapidly. Pakistan gained independence in 1947 and its upper bound growth rate is .017.<sup>14</sup> Again, this is not suggesting constant growth at this rate, just that the overall trajectory has to be consistent with very slow growth. Even without data on growth we can infer a “big stuck” (or at least very slow progress) just from the current low levels of capability.

Second, we do have some data on growth of state capability from 1996 to 2012, a period of 16 years which we call “medium-run” progress. Strikingly, of the 32 weak capability states 26 have negative medium-run growth in capability. This is partly mechanical, as countries with negative growth will have lower current levels, but this does mean that if we calculated a “business as usual” extrapolation of “time to strong capability” the answer for most weak capability countries is “forever.” In the short run growth (average of growth since 2006 of all three indicators) only 13 countries have positive recent growth and only 5 with “rapid” progress. Even for those 6 weak capability states with positive capability progress the pace is slow. The range of “time to strong capability” ranges from 96 years in Zambia to 6000 in Uganda. These are obviously not meant as “forecasts” as no one knows what the world might look like in a 100, much less 6000, years but this does illustrate that weak capability countries are not on a promising path.

Third, even the most rapidly progressing countries in the medium run do not show very rapid progress. The 90<sup>th</sup> percentile of state capability growth is only .032 points per year. At that pace even the strongest weak capability country at a level of 4 would take another 78 years

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<sup>13</sup> Since  $(3.43-2.5) / (2012-1839) = .0054$

<sup>14</sup> Since  $(3.62-2.5) / (2012-1947) = .017$

(almost to the next century) to reach strong capability.<sup>15</sup> (In subsequent work, we show that attempts to tackle state capability that presume that a 3 or 5 year plan can build state capability are not “plans” but just wishful thinking—and wishful thinking that can be damaging.)

All three points about capability can be illustrated in a single figure that calculates the time to strong capability under various scenarios. Take Guatemala, illustrated in Figure 1.2.<sup>16</sup> Its medium-run growth has been -.051. Obviously if this pace were maintained Guatemala never achieves strong capability. To calculate the upper bound of long-run growth we start with the fact that Guatemala has been politically independent since 1839. Its 2012 average SCPI was 3.43. Assuming 2.5 as a lower-bound of state capability, then if it was 2.5 in 1839 and arrived at only 3.43 in 2012 this implies the overall historical growth rate (again which could be periods of advance and decline or long periods of absolute stagnation) was only .005 points per year.<sup>17</sup> At that pace it would take 100 years to add just .5 units of capability. At the very long-run pace Guatemala would only reach strong capability in the year 2584. We repeat that this is obviously not meant as forecast but rather as a simple way of pointing out that the very low level today implies very slow long run growth. Finally, even if Guatemala were to attain and sustain the optimistic scenario of the 90<sup>th</sup> percentile of growth of .032 points per year, it would still take until 2108 to reach high capability.

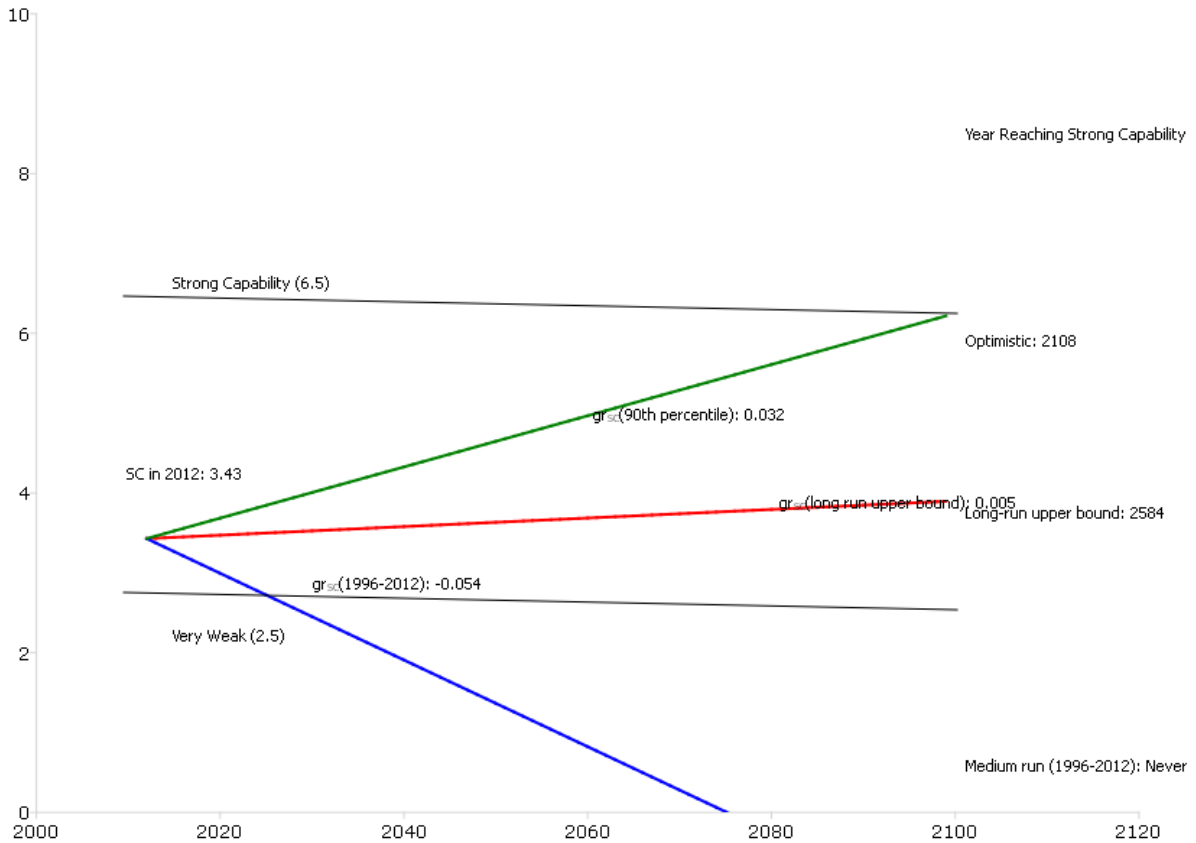
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<sup>15</sup> Since  $(6.5-4) / (.032) = 78$

<sup>16</sup> This same graph is available for all countries with weak capability on the book website.

<sup>17</sup> Since  $(3.43-2.5) / (2012-1839) = .005$

Figure 1.2: Alternative Scenarios for Evolution of State Capability: GTM



*The Big Stuck and the muddle in the middle*

There are 45 countries that are in the middle range of state capability—neither weak nor strong. One might argue that the existence of this middle shows that all is well with state capability, at least in many countries, and hence suggest that “development” problems are mostly behind us. Such suggestions are the result of a particularly confused but nevertheless pernicious logic that reasons that since economic prosperity depends on “institutions” then the existence of rapid growth in countries like India and China proves that state capability is getting better. But all is not well: over two thirds of countries in the middle also have negative medium-run growth and hence, although they have had sufficient progress in the past are not now on the right track. Even

those with positive growth, few are demonstrating growth that puts them on a foreseeable path to strong capability. Let's clarify the muddle in the middle with four categories (or trajectories) of growth.

In the first category are those countries with *rapid deterioration* in state capability. This includes 13 countries including many middle income countries like South Africa, Argentina, Morocco, the Philippines, Thailand, and Iran. For instance, Argentina's QOG rating was 6.8 in 2000 and had fallen to 4.8 by 2012. Clearly in these falling capability countries there has been nothing to be complacent about.

A second category includes 18 countries that had *negative growth* in state capability. This includes both India (with -.022 per year) and China (with -.015 per year). Again, while it may seem anomalous that the rapidly economically growing Asian giants had deterioration in state capability, this makes the mistake of inferring state capability from growth. Indeed, many observers feel that economic growth, while providing more resources to the state, has also created pressures and expectations that have weakened the state apparatus. This group also includes countries that have had prominent difficulties—e.g., the Arab Spring countries of Egypt and Tunisia where citizen dissatisfaction with the state and arbitrary enforcement (as well as high-level nepotism and crony capitalism) played at least some role in the uprising. The two largest Latin American countries, Brazil and Mexico, are also in this category, both with moderate capability but under pressure as capability stagnates and threats increase from non-state actors (e.g., criminality in Mexico) or corruption (the massive scandals in Brazil in 2015).

The third and fourth categories both had positive growth, but we divide these into those that, if current trends persist, would reach strong capability by 2100 and those that would not. The third group are the six middle countries in 2012 with positive, but very slow, progress since



1996: Kazakhstan, Ghana, Ukraine, Armenia, Russia, and Botswana. The time to strong capability for these countries are all over 100 years, so while perhaps not retrogressing or in a completely stagnant “big stuck” they are nevertheless vulnerable. (And positive sentiment about medium-run progress in either Ukraine or Russia as of 2012 might be revisited in light of their conflict and of declining oil prices, which created a massive fiscal cushion in Russia).

The final group in the middle are those eight countries for which “business as usual” would produce high capability by the next century. These are (with their “years to strong capability”): Indonesia (68), Colombia (56), Turkey (55), Algeria (55), Albania (42), Saudi Arabia (28), Uruguay (10) and Croatia (1).

### **Where does the evidence on building state capability leave us?**

The “development era” was ushered in by the end of the World War II, which effectively began an era in which explicit colonialism ended and countries made their way into political sovereignty (always with the exception that most of Latin America had been politically independent since the early 19<sup>th</sup> century). This “development era” began with high expectations that these new nation-states could experience accelerated modernization. They needn’t “reinvent the wheel” but could produce effective state organizations by transplanting success. While many recognized that this component of nation-building would be a long-term undertaking, certainly 50 or 60 years would be enough to realize a vision of a capable state.

On this score, the results in Table 1.1 and discussed in this paper are sobering. There are few unambiguous successes in building state capability. Examples like South Korea, Chile, and Singapore prove building state capability is not impossible but that there are so few successes (and that so many of the measured successes are oil rich) is worrisome. Moreover, only another

eight countries are, if current trends were to persist, are on a path to reach strong capability within this century. Put most starkly, *at current rates less than 10% of today's developing world population will have descendants who by the end of this century are living in a high capability country.*<sup>18</sup> The “business as usual” scenario would end the 21<sup>st</sup> century with only 13 of 102 historically developing countries having attained strong state capability.

At the other extreme, 17 countries as of this writing are at such a low level of capability that even “stateness” itself is at constant risk—in Somalia, Yemen, and DRC (and more recently joining them Syria) there is no Weberian state (and it is worth noting the data did not include other F-states like South Sudan and Afghanistan). Among those countries with minimally viable states, 57 of the 77 (three quarters) of the weak and middle capability countries have experienced a trend deterioration in state capability since 1996. Twelve of the 16 largest developing countries—including China, India, Pakistan, Brazil, Mexico, Egypt, Vietnam, the Philippines, Thailand, and South Africa—had negative trends in state capability.

What do these broad facts imply about the conceptual models we use to understand, and even to act on, building state capability?

First, if state capability were coming to the party it would be here by now. Many of the early ideas about accelerated modernization suggested a “naturalness” of the process of development. Just as the “natural” course of affairs is for a baby to crawl then walk then run and the “natural” course of affairs is for natural systems to tend towards entropy, the “natural” course of affairs was for nation-states to become “modern” and acquire Weberian organizations capable of ordering, administering and implementing. On this score, countries or sectors or organizations that failed to acquire capability were treated as anomalous pathologies that required explanation.

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<sup>18</sup>  $\sim 0.8\% = (\text{Population of these 8 countries}) / (\text{Total population of today's developing world}) = (\sim 470\text{M}) / (\sim 5.9\text{B})$ . And this number is only that high largely because of Indonesia, which accounts for over half the total.

But the pervasiveness of slow and uneven progress suggests that explanations of slow progress in building state capability in the development era need to be general, both across countries and sectors. That is, the appropriate question to ask is: what are the common features affecting public finance, the post offices, police forces, education systems, health ministries, and regulatory mechanisms in many countries that can account for slow progress?

Second, many broad ideas about how to build state capability that are attractive (either politically, normatively, or pragmatically)—like ‘democracy will build capability’ or ‘more schooled populations will build state capability’ or ‘new information technologies will build state capability’ or ‘economic growth/higher incomes will build state capability’—are in fact very difficult to sustain. The basic correlations or estimated impact, for example, are not present in the data, or are not even in the ‘right’ direction. While nearly all good things—like state capability and GDP per capita, or state capability and education, or state capability and democracy—are associated across countries in levels (for a variety of causally entangled reasons), the correlations amongst these same variables in changes or rates of growth are much weaker. Economic growth over short to medium horizons is almost completely uncorrelated with improvements in state capability (and some argue that growth is associated with reductions in state capability).<sup>19</sup> Moreover, establishing causation amongst aggregate variables is almost impossible—while Denmark or Finland are rich, democratic, highly educated and have high state capability and Nepal or Haiti or Mali are none of those things, it is hard to parse out which are horses and which are carts.

Similarly, even though more countries are democratic, schooling has expanded massively, technological progress (particularly in information technology) has been revolutionary, and economic growth (while highly variable) has been mostly positive, it is hard to conclude that this

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<sup>19</sup> Kaufmann and Kraay (2002) for instance argue higher incomes lead to lower government effectiveness.

is a result of or contributor to enhanced state capability. For instance, the schooling of the adult population has increased massively (from 2 years to 7 years) quite uniformly across countries (Pritchett 2013). If more schooling causes better state capability then this massive expansion in schooling could be part of explaining why state capability had improved, if it had. But it hasn't. The puzzle of why state capability did not improve on average is made more, not less, puzzling by education or democracy or income or technology or global activism or support for state building—all of which have, on all standard measures, increased substantially.

This slow progress in state capability is not for want of trying (or at least efforts that look like trying). For decades the development enterprise at global, regional and national levels has endeavored to build state capability. The orthodox strategy stresses “getting institutions right” because it relies on a theory of change that believes institutions and organizations produce success and result in high state capability. The orthodox approach thus aimed to build successful institutions and organizations by transplanting the forms and structures of existing successful institutions (or continuations of colonial/adopted forms). This is manifest in tactics such as passing laws to create institutions and organizations, creating organizational structures, funding organizations, training management and workers of organizations to implement policies, or policy reform of the formulas the organizations are meant to implement. None of these are particularly bad ideas in and of themselves, but together they represent an orthodox theory of change—“accelerated modernization through transplantation of best practice”—that, as we have shown, has seen widespread failure and, at best, tepid progress.

We are hardly the first to point to disappointing outcomes in efforts to build state capability. These are, at least within the development community, well known and widely acknowledged. Twenty years ago a 1996 assessment of national capacities in Africa, conducted

on behalf of African governors of the World Bank, concluded: “Almost every African country has witnessed a systematic regression of capacity in the last 30 years; the majority had better capacity at independence than they now possess” (World Bank 1996: 5) and this “has led to institutionalized corruption, laxity and general lack of discipline in the civil service” (p.2). African governments seemed to be getting weaker, but not for lack of effort. Between \$40 and \$50 billion was spent during the 1980s on building government capability.<sup>20</sup> The rise on the development agenda of issues of governance and corruption is due in large part to the recognition in the 1990s that in many countries state capability was in retrogress, if not collapse.<sup>21</sup>

## **The way forward**

There are two common adages: “If at first you don’t succeed, try and try again”; and “Insanity is doing the same thing and expecting different results.” Given the apparent contradiction, perhaps a more accurate and clearer version of the first adage is: “If at first you don’t succeed, try something different.” This book attempts to show that the orthodox strategy for building state capability in developing countries has failed, and we offer a new hypothesis for how to do things differently. Just as Edison did not invent a commercially feasible light bulb by trying the same filament ten thousand times, perhaps not just the tactics and strategies but the fundamental paradigm of how state capability is built is wrong and it is time to try again—with a different paradigm. In that case, we come to two conceptually distinct questions:<sup>22</sup>

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<sup>20</sup> Cited in Lancaster (1999, pp. 57).

<sup>21</sup> Quotes from the World Bank report are taken from Klitgaard (1997). One of the World Bank’s leading civil service experts, Barbara Nunberg, in 1995 wrote “basic personnel management in many developing and transitional country administrations is in a state of collapse” and that “[m]echanisms of authority and often probity have broken down.”

<sup>22</sup> We thank Hunt Allcott for this clarity.

- Is there a persuasive, or even plausible, explanation of why the building of state capability has generically gone so badly?
- Given where we are now today, with the global order and national outcomes as they are, do we have any idea what countries or those in public agencies or their citizens or external agents can do to help build state capability?

Our current work grapples with these two questions. Our hypothesis is founded in the belief that in order to build capability, we should focus on solving problems rather than importing (or selling) solutions. Our theory of capability is, in effect: “You cannot juggle without the struggle”—capability cannot simply be imported; the contextually workable wheel has to be reinvented by those who will use it. In this sense, building capability to implement is the organizational equivalent of learning a language, a sport or a musical instrument: it is acquired by doing, by persistent practice, not by imitating others.<sup>23</sup>

Our approach stems from our belief that success builds capability, and not vice versa. Institutions and organizations and state capability are the result of success—they are the consolidation and reification of successful practices. Our approach aims to produce success by solving pressing problems the society faces in ways that can be consolidated into organizations and institutions. This begins with what we call Problem-Driven Iterative Adaptation (PDIA): a process of nominating local problems, authorizing and pushing positive deviations and innovation to solve problems, iterating with feedback to identify solutions, and the eventual diffusion of solutions through horizontal and inter-linked non-organizational networks (see Andrews, Pritchett and Woolcock 2013).

For present purposes, however, our goal here has been to demonstrate empirically, at least

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<sup>23</sup> The popular adage that one should ‘fake it until you make it’ may work in the short-run for individuals performing certain tasks, but is far from a viable strategy for building long-run capability in organizations undertaking complex and contentious tasks.

at the cross-national level, the precarious state of state capability for policy implementation in all but a few of the 102 historically developing countries. Very few such countries have “graduated” from low to high levels of capability, and enough time has now elapsed since the end of the colonial period to safely assume that, on the basis of current trajectories of change, only a handful of others will do so even by the end of the 21<sup>st</sup> century. Even as impressive welfare gains continue to be observed at the micro/individual level (longevity, years of schooling, nutrition) across the developing world, it is hard to see how any serious progress on attaining the macro/institutional foundations of a modern economy, polity, society and public administration – i.e., what the “historically developing countries” themselves explicitly aspired to, and defined as “development”, as they exited the colonial period – will be attained in the foreseeable future without the adoption of a radically different approach to building capability than that which has prevailed for the past six decades.

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