Patrick Cronin chairs a
Brown Bag Lunch Discussion

Solutions When *the* Solution is the Problem: Arraying the Disarray in Development

*A conversation with Lant Pritchett, PhD
of Harvard University, Kennedy School of Government
and guest discussant, Patrick Meagher, J.D. of the IRIS
Center*

Monday, December 9, 2002

A conversation at USAID on the working paper,
"Solutions When *the* Solution is the Problem: Arraying
the Disarray in Development"
December 9, 2002

Included in this document are the following:
- Original invitation to the meeting
- List of Participants
- Summary of the discussion
- Edited Transcript

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Dr. Patrick Cronin
Assistant Administrator for Policy and Program Coordination
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Invites you to an informal brown-bag with
Dr. Lant Pritchett (Harvard University, Kennedy School of Government)
to discuss his recent working paper for the Center for Global Development:

Solutions when *the* Solution is the Problem:
Arraying the Disarray in Development

Dr. Lant Pritchett, Lecturer in Public Policy at the Kennedy School of Government and Faculty Co-Chair of the MPA in International Development, has wide experience as a researcher and practitioner in developing countries. Dr. Pritchett worked for the World Bank for over a decade in Washington and the field, and continues an affiliation with that institution, as well as the Center for Global Development. His current research focuses on the design of poverty reduction strategies and the institutional conditions for effective provision of public services. His publications include: *Assessing Aid: What Works, What Doesn't and Why* (with David Dollar, 1998); *World Development Report 1994: Infrastructure for Development* (co-author, 1994); and journal articles and papers on a wide range of topics including poverty and vulnerability, social capital, health, safety net programs, economic growth, education, participatory project approaches, and trade. He holds a BS in economics from Brigham Young University and a PhD in economics from MIT.

Dr. Pritchett will be joined by **Dr. Patrick Meagher**, an institutional economist with the IRIS Center at the University of Maryland, who will serve as the discussant.

Monday, December 9, 2002 11:30 am -1:30 pm
USAID "Point Four" Conference Room, 6th Floor, RRB
1300 Pennsylvania Avenue (Reagan International Trade Center Building), NW
Washington, D.C. 20523

The Reagan Building offers a Food Court in the basement for those who would like to purchase a "brown-bag" lunch for the event. Please bring picture ID for entry to USAID security desk in the 14th Street lobby and arrive no later than 11:15 am to allow sufficient time for security clearance.

Kindly RSVP to Carolyn Miller (carolyn@iris.econ.umd.edu).

Arraying the Disarray List of Participants

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Summary of Brown Bag Lunch with Lant Pritchett
December 9, 2003 PPC Conference Room, USAID

Lant Pritchett presented his working paper "Solutions when the Solution is the Problem: Arraying the Disarray in Development." He gave a short summary of this work which was then commented on by the guest discussant, Patrick Meagher of the IRIS Center. This was followed by a Q&A session.

Summary of Lant Pritchett's Statements:
Pritchett's presentation addressed some of the problems involved with improving and assessing the level of services provided in developing countries. Pritchett proposes a triangular model of how service delivery and accountability operate in both developing and developed countries. This triangle consists of the State (politicians and policy makers) at the top of the triangle, organizational providers (government agencies, NGO's or other providers of services) as the right base of the triangle and Citizens/Clients as the left base of the triangle. A Compact Relationship connects the State, which transfers resources and legitimacy to the Organizational Providers. These providers transfer services to the Clients, who in turn provide client power. Lastly, the Clients make use of their political voice to communicate with the State.

<u>Triangular Model of Service Delivery and Accountability</u>
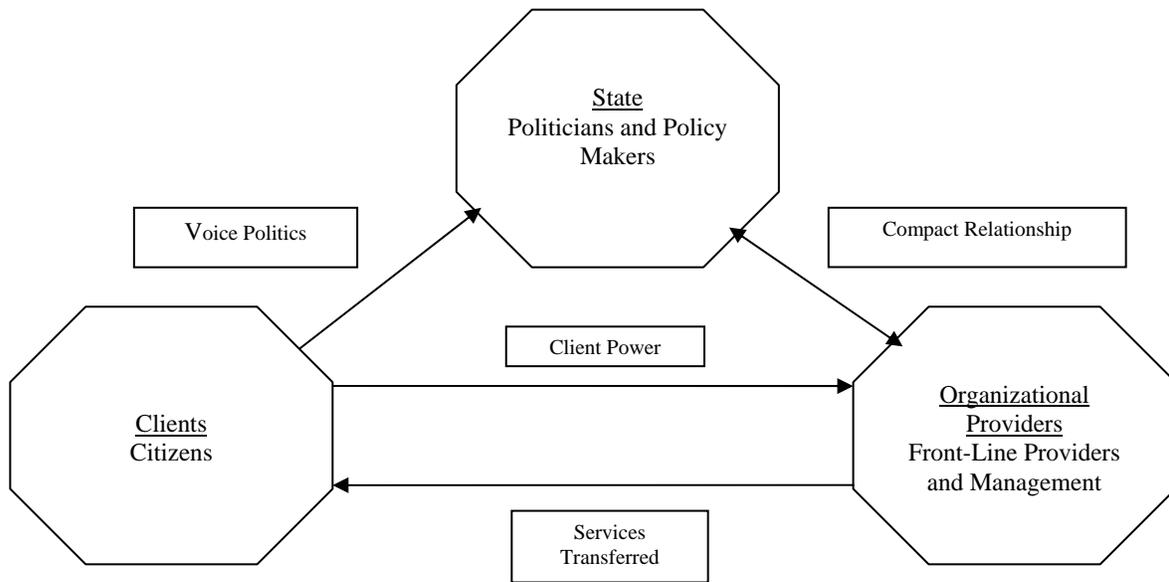
There is and can be some overlap between these points of the triangle, particularly between the policy makers and the organizational providers. For the whole system to work effectively in the provision of services, accountability must link the points to one another. Up to this point emphasis has been on improving the accountability front-line providers have to citizens/clients. The systems is vulnerable to a breakdown in any of its three components and therefore, in order add robustness, there must be development of

the lines of accountability. In many instances Official Development Assistance (ODA) blurs these lines and therefore weakens institutions by distorting how accountability is transferred in particular, the Voice Politics link from the citizens toward the state.

Statements by Patrick Meagher:
How can a state transform itself into a Weberian state or a "Little Denmark?" Unlike the model presented by Pritchett many countries' citizens have no voice or means to influence the state. This lack of accountability makes the triangle proposed by Pritchett irrelevant in these 2nd tier countries. These are countries where government spending is limited by soft budget constraints, large percentages coming from foreign aid or reliance on volatile commodities prices, and so they have little accountability over their budget. Development interventions assume that all states are Weberian and so therefore all problems are technical not political. However this is not always the case and requires development strategies to attempt to nudge the states in the directions they want. USAID is in a unique position to attempt to coordinate the various donor communities to move these 2nd tier countries in a desirable direction. This can be accomplished by incentivising aid thorough the introduction of reform incentives whereby well-performing countries are rewarded through entrance into the Millennium Challenge group or the European Union. Lastly, the role of foreign aid as a political actor in many countries needs to be considered as well as the implications of this role to accomplish goals.

Lant Pritchett's Response:
A countries' development strategy is composed of two parts: service delivery and growth orientation. A country is capable of changing its growth orientation into one that is easy to measure and popular with donor countries and foreign companies. Service delivery on the other hand is very difficult to measure and improve. Just a handful of people in government can change growth orientation: begin with a few good macroeconomists in the central bank to limit inflation. However, there is a need for people on the ground, who understand the specifics of a problem and the cultural context of the issues. This knowledge comes from projects. Real institutional capacity is built when aid projects deepen the degree of accountability between sectors. The real difficulty lies in how to design these projects. It is impossible to design an effective plan without on-the-ground knowledge of the particular situation. This is another area in which USAID can and should take a leading role.

Summary of Question and Answer Period
Questions:
- What are ways to provide aid while limiting the donor footprint?
- What should be done in countries with poor or failing states where resources can only effectively flow into front line providers as opposed to the central government?
- How can social capital be strengthened?
- How can the benefits of a positive growth orientation be linked to better service delivery?

Lant Pritchett's Response:
In failed states with humanitarian crises strategic thinking should not be considered. However in the top and middle tier countries strategic thinking is essential in order to build capacity and accountability. In countries which receive large amounts of aid more emphasis should be put on building institutional capacity in order to improve service delivery. So when MCA increases the amount of money flowing into countries, the number of staff should increase proportionally in order to spur innovation and supervise how the money is being spent. There is a danger that the opposite will happen, that when aid increases there will be an economies of scale temptation to decrease the relative number of staff people. This will not work because when the solution is the problem, multiple non-homogenous solutions must fit the situation and this can be determined only through strategic thinking on how to improve service delivery. In the long run the Weberian model is a good one, in the short run however, it is impossible to implement this is failing states, therefore some bridge must be created which is focused on moving towards a goal as opposed to merely maintaining the status quo. LDCs need donor help in improving service delivery systems; they don't just need to be made more accountable to donors. LDCs need to be made accountable to people, this is "bottom up" accountability. This can be the place for USAID, because field work is important and this is what USAID has a comparative advantage over MCA doing. Strategic incrementalism is the constant reappraisal of how much accountability is being created by projects and aid. Aid agencies must figure out what incentives they are giving ruling groups to increase social capital and accountability. The answer is not just pouring more money into projects that don't work. There must be people on the ground assessing how well services are being delivered so that the right projects and people are receiving the resources they need in order to function. In some situations service delivery is not accomplished most effectively by having a democratic system, authoritarian governments can also provide service, although with little accountability. USAID can not go into a country and attempt to change its social fabric, it must work incrementally to try to improve aspects of life and the best way to do so is to give people a voice.

Edited Transcript

Patrick Cronin: I want to welcome everybody to AID. I'm Patrick Cronin, the Assistant Administrator for Policy Program Coordination. Thanks to Lant Pritchett for coming over. His paper was mentioned, I think, by the Administrator and relates to a recent topic covered back in October. And to have Patrick Meagher over, from IRIS at the University of Maryland, is a tremendous asset for us as well, with Dennis Wood and the IRIS group. They did a wonderful job doing the DAC Review last week.

The topic of Lant Pritchett's paper is very much at the core of the question that comes up at every meeting, or should, which is, how are we building institutional capacity, lasting and enduring capacity. It really centers on the question of the mechanism for delivery. It is a question that we've been looking at both in respect to good performers and poor performers. There are countries committed to sound policies, such as those countries included in the Millennium Challenge Corporation concept that we've been trying to draft.

Lant Pritchett: I'm sure you've all heard thousands of speakers begin by saying I'll speak very briefly and leave plenty of time for discussion only to push right up against the time limit. I really am going to speak very briefly. I just want to put two things on the table – or, one thing on the table and one thing on the black board. The first thing to put on the table is that this paper very much grew out of my own personal experience. It's not an academic treatise; it's really my own attempt to try and make sense of my own experience, which had two particularly relevant elements.

One was working in the World Bank for a decade, helping to write the book Assessing Aid. Now, during the writing of Assessing Aid it basically broke down. We very much

wanted to stress the point that aid in all development assistance has to perceive itself as a

tactic. It's not a strategy, it's a tactic. It has to be successful as a tactic and it has to be

promoting a successful strategy. We were trying to encourage donors not to think of

themselves as the strategies but rather to think, okay there needs to be some successful

development strategy of which we are instruments, and our actions serve as a tactic of

promoting that strategy. Strategy included two large components of development. One

was a more or less successful economy. The second component, which we really thought

was the most important thing, was what we typically call policies. Good policies

assumed an enormous importance. But there's also another huge area called effective

public action. No state becomes developed without a police force that actually enforces

the law, without teachers that actually show up in classrooms and teach, without water in

the basic public utilities. Now, the way I think Assessing Aid has been widely

interpreted is that you give all your money to places with good policies, and it will pay

off because they have rapid growth anyway. So rather than try to mitigate for failure let's

just reinforce success. I don't think that's such a terrible message because I do think

there has been too much false optimism. All of us have been to meetings in which the

proposing country presents education sector reforms (say) loan six. Then you ask, what

happened to one to five? Well, they ran into problems. But what has fundamentally

changed about the world now such that you believe loan six will work? The answers are

always quite vague. So on that level I do think that we need to do more reinforcing

success, and we need a little more modesty about how much impact we can have on

changing conditions immediately. But the second half of Assessing Aid was the

question, what do you do in the environment in which there just aren't good institutions

and policies? I think that has maybe received relatively less emphasis, even though there

are lots of things being said about it. The second element of this paper was my experience

on the operational side. Immediately on finishing Assessing Aid, I moved to Indonesia

and was responsible for running a relatively large program that had to assume

responsibility for operational delivery of a social safety net in a very tumultuous

environment. At the same time I was working side by side with another large program

that was geared to implementing what we called community-driven development

program. This was basically block grants to small community groups to undertake a

menu of infrastructural investment items -- that whole series of processes that were built.

In the context of that, especially, there were huge debates about what does it mean to be

participatory? What does it mean to be top down? What does it mean to be vertical? Is

community driven development the answer or is decentralization the answer? How do

those fit together? Basically, in development strategy there's a lot of attention to what

constitutes good policies to promote economic growth. But the other half of the leg has to

be effective public services. I don't mean to prejudge the issue that those services have

to be delivered by a public sector bureaucracy -- but somebody has to do it. The phrase I

like to use is the state has a fundamental public responsibility for certain services. Now

whether and how it discharges and fulfills that fundamental public responsibility is a

really difficult question. It need not be that in order to discharge a fundamental public

responsibility one needs to have the state with civil servants deliver the service

themselves. I think that mode, which in fact has had wonderful successes, is in fact the

way in which we are used to working. You're civil servants, working at the World Bank.

It's a Weberian bureaucracy, a quintessential Weberian bureaucracy. There's nothing

wrong with the form per se, but it's come to be seen as the only mode of discharging a

public responsibility. If the public sector is responsible for schooling, what it must mean

to discharge that responsibility is for the public sector to produce schooling. The

difficulty that we're running up against is whether that institutional form and model fit

the circumstances. Precisely the circumstances we're most concerned about which is

countries in the second tier. They're not failed states, and we'll get back to that in a

second, but neither can they claim to have successful institutions. How does one improve

those institutions? That I think is a key issue underlying participation, social capital,

community driven development, and empowerment. The final stage of my personal

evolution is, again, working at the World Bank on the World Development Report that is

entitled, "Making Services Work for the Poor." So it's about precisely this question of

schools, help, roads, water, these fundamental local services. The government may

discharge that public responsibility in a variety of modes, including privatization and

private sector contracts, or any number of things. How does one make those things

work? We spent weeks on developing the picture that I'm about to draw. You'll see the

results of weeks of effort which has with it all of these sort of hokey diagrams. We start

here with citizens. We're concerned with the relationships among a set of actors. We

start with citizens and clients and what we're really concerned about is these

discretionary transaction-intensive services, these local services that require a face-to-

face contact with the citizen or client. We want services to flow effectively. The services

are provided by what we call the front line "providers." The front line of providers is

typically managed by what we call organizational providers. I'm thinking of teachers in

a school, being managed by a Ministry of Education, or midwives that are out delivering

prenatal care, being managed, by say, the Ministry of Health or a local government

agency. There's a relationship. The hardest box to label is what I want to call the state.

It's some entity that, as part of the fundamental responsibility of the government,

exercises coordinating, or has the ability to exercise coordinating. Inside the state, in our

current terms, are politicians. The hardest box to label is what we call policy makers. I'm

thinking of the principal secretary, the highest civil servant responsible. But we want to

disentangle the role of the principal secretary from his role as the head organizational

provider. The same minister of education may bloat the ministry of education and at the

same time be responsible for the largest chain of schools in his jurisdiction. But these are

separate roles. This is the person who sets the fundamental rules of the game for all

providers; then there's a person who worries about it. In order for services to work, there

has to be a sufficient level of accountability. But there are different institutional modes

of creating accountability. There are four relationships of accountability in this figure.

What we call a relationship of accountability is fundamentally someone delegates

authority to someone that acts. It's a principal-agent conception of a relationship of

accountability. You delegate authority to act. The person acts on your behalf. Then you

influence the payoff of the person that acts on your behalf. For each of these

relationships of accountability you can think of how this relationship works. The

relationship between citizens and the state we call a "voice" relationship (because at the

World Bank we don't want to call it politics, though that's what it is). Somehow the

citizens have to exercise accountability over those that exercise the power of the state.

The other relationship of accountability is that those that exercise the power of the state

have to control service providers. This is a compact relationship. (We call it compact

relationship because we don't want to use the term contract.) Resources of the state, in

one way or another whether through regulation or through budgetary transfer or through

contracts flow to these people (front-line providers). It calls for some accountability for

outcomes or output. Then within the area of service delivery, between the organizational

providers and the front line providers, there's a relationship of accountability that we just

call management. This is making sure that people on the street do what the objectives of

the organization require them to do. Then there's a direct relationship between a citizen

in his role as client and the service provider, the face-to-face interaction in which the

service is delivered. But when you show up at a school, or show up at a clinic, or the

water supply, or where irrigation is being delivered and you have to interact with

someone, that also can create a relationship with accountability. This is what we call

client power. This is the exercise directly of the citizens onto the front-lone providers.

 You can have a failure of services when almost any of these links break down, and when

we talk about institutional capacity within the developed community we have been

almost exclusively concerned with this. We take for granted who we're working with as

an organizational provider. We mostly worry about capacity, the capacity of the front

line provider. Do they know what to do in order to exercise the discretion? So capacity

building talks about methods for building the capacity of the front line provider; or, it

might talk about building the capacity of the organizational provider to manage the front

line provider. The discussion has almost exclusively been based on the assumption that a

Weberian bureaucracy controlled directly by the state would be the mechanism for the

delivery of the services. When we talk institutional capacity, are we talking about the

front-line providers? The teachers have to know arithmetic in order to teach arithmetic.

Or, are we concerned that the ministry of education actually has to know whether teachers are in the school. But what was largely ignored is the question of how to bring these other relationships of accountability to bear. In particular, the direct voice of the citizen is often cut out of the process. We were focused on existing technocratic providers; or, alternately, the direct use of market-like mechanisms, i.e., demand-side transfers to individuals who then through their own decisions directly discipline front line providers; or, again, on alternative ways for policy-makers to form a compact with organizational providers. One can think of, for example, contracting out to an NGO the provision of the services, as a way of changing the compact relationship between the state and the provider. One can think of demand-side subsidies in which the money flows directly to the clients. The progress in Mexico with direct transfers to the individuals can be seen as being a way of enhancing this. It's actually very difficult to distinguish what is, and is not, what I am calling "strategic incrementalism." Most countries don't exist in an institutional vacuum and they don't undergo institutional revolution; usually, progress is going to be at the margins. But often, donor work can undermine pressure for progress by delivering services through channels that create lines of accountability that don't reinforce, or may in fact cut across, these fundamental institutional lines of accountability. Donor-designed processes may reduce pressure on the fundamental lines of accountability, say, between the citizen and the state. Or between the policy maker and the provider, by creating a new accountability relationship between the provider and the donor that is independent of anything else. Then the question becomes, is this action, in the long run, building up the institutional structure I regard as present in every developed country. In every OECD country this works. It works about the same,

actually. The differences among those countries in the effectiveness of the police is trivial compared to the differences between how well the police work in France versus the U.S., which is trivial compared to how well the police in either the U.S. or France compared to Kenya or Indonesia. There's institutional accountability and the question is how you make this work.

Patrick Meagher: My reaction to the paper, having looked at the paper again, was that it was one-sided. I have a couple of concerns, some of which are acknowledged in the presentation and the paper, and some of which aren't. The first is the technocratic bias of the needs/supplies/civil service approach that's outlined in the paper. Lant referred to "voice" as being the World Bank's euphemism for politics. The second, and I think deeper, concern that I have, and one that I think is somewhat less acknowledged is an assumption of donors and other external parties, and I think to some extent, of the writers of the paper, intentionally or not. The assumptions are two-fold. First, governments should be responsible for the delivery of key services. Secondly, some are unwilling or unable to do so. What are we talking about? Even to begin asking questions about the way a country evolves into France, or the U.S. or Denmark, we need to assume some version of the Weberian trajectory. The state becoming more autonomous, more service oriented, a political order that's about addressing citizen preferences. I think we all work on the assumption, to some extent, that a state should be responsible for delivering services. Let's unpack what the state is, and what this responsibility is. If this Weberian track is superimposed on a country, Chad for example or you name it. Is that what it's about? Superimpose on this track our minister of education. Our minister of education is embedded in a, perhaps a clan, or class, or a particular structure, and is

engaged in all sorts of political activities within the political elite and including people

that are part of the private sector. Thinking about it in these terms, to me, in a situation of

a soft, potentially failing state gives me more of a perspective on what this is really about,

and why the service delivery might be failing. It's not so much a principal-agent issue. It

would be a little bit false to say that the citizens are the principal, because it's not a

political environment that actually runs according to the notions that we might bring to a

political order, of representation and addressing grievances and delivering services. The

citizens are diffused. They are not an effective principal vis-à-vis an agent in a situation

where their civil rights are limited and they're subject to abuse, etc. My point is simply

there is a category A where this kind of chart has a certain application, where the

underlying social and political exchanges and relationships don't intrude as much on the

autonomy of the state and there is some congruence of interests between the political elite

and the citizens in the delivery of services. These might be your Millennium Challenge

Account countries, or some smaller group. The Eastern European countries in the first-

wave of the EU Accession, for example. However, I would submit that the majority of

countries that we're concerned about in development aid are countries where the chart is

superimposed on something that has a totally different structure -- where the points made

in the paper about the applicability of Scotts (and also Sevan) high modernism, and so on,

apply with particular force because an agency may have a synoptic view of the matter

and have a grid like this that it imposes. The results are frequently disappointing. Let me

talk a little bit about that. In the World Bank report that Lant referred to in 1998, there's

a statement, "the safest assumption for donors is that they are more or less financing

whatever the government chooses to do." This is the aid fundability. We've had a lot of

studies suggesting that a soft budget constraint is something that tends to produce

governance disasters. A country with soft revenue sources, like mineral rents, or with a

very large component of foreign aid in its budget, tends to have a soft budget constraint.

One of the difficulties that I see is that soft sources of revenue are a means of entrenching

the power of the given order, of diverting the revenue flow into a set of political

exchanges. They're not necessarily doing what they say they're doing; they may be

substituting. In other words, it's a problem and I think we're all more or less aware of

this. The aid is in effect provided in the context of diplomatic and strategic interests that

cut in different directions, and in many cases runs counter to what the given aid provider

might be wanting to do. Sketching out that situation I would suggest that what we need is

to kind of step back, at least with respect to the Category B, or the non-Millennium

Challenge Account, countries, the soft states or the potentially failing states, and take a

political/economic view of the matter. Use a framework that gives us an idea of how

autonomous service-oriented states might emerge. There are a few different ways of

thinking about it. The late head of IRIS, Mancur Olson, had a theory of stationary

bandits. Mancur said that as these bandits continued on they would develop an interest in

delivering services because that would be congruent with his interest in fame and power,

and would the regime would a developmental stance. There have been other studies that

look at a regime as an equilibrium that emerges over time. It has its functionality within

that context. Development interventions, to me, seem to assume for the most part this

kind of autonomous, the Weberian oriented states. That enables one to treat the dominant

problems as technical ones rather than political ones. I'm suggesting that USAID, in

particular, is in a position to have a different view of aid than the international financial

institutions which are members of these organizations which have a charter that says, in effect, "Waste, not politics." Can we come up with aid strategies that manage the system in a desirable direction? That's a tall order because it requires certain coordination among the donor country community, and among the donor agencies themselves. It requires a good bit of information on where our money is going, and what impact it's actually having. What are the implications? We might look at some of these; I think Lant has actually referred to, such as introducing greater competition and selectivity in aid tournaments. Reform incentives, where aid is linked to integration of prizes, such as admission to the Millennium Challenge group, or into an integration framework like the European Union. Selectivity is politically taboo in most circumstances, but I think AID has moved a good bit in that direction. I think a dispassionate view of the facts suggests that that's the right way to go. It faces an awful lot of constraints in a situation. Apart from the kind of incentive-based, politically economic view of the matter, a greater competition and selectivity. My last point, a kind of strategic foregrounding, or a great emphasis on the trade-offs that are involved in diplomatic, security, humanitarian, political precursors, developmental kinds of flows of money, manpower, and expertise. My plea is simply to think less in terms of activities and more in terms of how are you a catalyst in the big picture? I would be remiss if I suggested that people aren't struggling with that. I'm sure better minds than my own have come up with ideas. I read Lant's paper while I was working on a framework paper for Anti-corruption Strategies in the Europe and Eurasia Bureau. I was trying to fit the idea of AID anti-corruption themes, activities, crosscutting, strategy elements into this idea of the larger scale political economy and how AID can be essentially a political actor in some of these countries.

Think of Armenia where the AID budget is something on the order of $60 million in a country of only, what, three million people, I think it is. It's a difficult situation. The issue is what are the various conflicts and counter-building incentives that make it difficult to play that role? Of course, there's a sense in which it cannot be done too overtly. There's a rhetorical reality and a real reality, you might say, an on-the-ground reality. Those are my thoughts. I would just put to you that there are implications coming from this discussion for how we think about aid. Particularly how we think about the Millennium Challenge Account, which I think is, on its face, a terrific idea. Something that promises, potentially, the kind of incentive structure that I'm talking about. You have a category of countries that are sort of on this path and are receiving the benefits. Then another category of countries that are going to crave admission to that group. It's the use of that potential leverage that I think is going to be extremely important. Those are the lines along which I'm thinking, and along which have encouraged the discussion.

Patrick Cronin: Thomas?

Thomas Johnson: I'd like to open it up almost immediately to question and discussion but I have three things I want to say. First, I think, I had to step out of the room, but if you didn't discuss at some point I think you'd like to hear how this is of interest to the World Bank and it may be showing up in the World Development Corp. I think with about 20 minutes to go I'm only here to facilitate a discussion on what does this? What are the next steps? Sort of to wrap up, when I read the paper it really, this is sort of my personal editorial; it really connected with me based of my years overseas. It brought to mind the situation that we found through a lot of public opinion polling in

Mozambique where I was for six years. After five years of surveying there was absolutely no change in the percentage of the population who felt the state should be a father to ... rather than serve. There's a lot of other democracy in terms that were improving but that one was stuck. In the final assessment that I help conduct we characterized the country as an internalistic state. My question, which I'd like to throw out there, is what do you do with a government, the state structured with this sort of responding, in fact, to the interests or desire of the people. Just the given services for very little voice. With that who wants to be first?

Lant Pritchett: If we looked at the donor derelicts on this side and the donor darlings on this side, the MCA candidate. You're not going to jump beans to those derelicts. Can we characterize these by ID's or by sectors? Sort of stages of change. We know all behavior really happens in school. The goal is to move them here hope that it will not go back. I might even guide the type of assistance you give. Whether it be knowledge-based or grants, or loans, becoming an ideal way of dealing with the darlings. The other one question of application on this is it sort of reminded me of Tom Peters converted Ireland. If you get client power going the wrong way wouldn't some of those other arrows then have to have misdirection as well? You wouldn't want that. If clients tend to interact with the providers you don't mind if that happened because accountability would get back to the organization. Organizations have to go back to policy. You'd like to see that added perspective.

Thomas Johnson: Should we take - why don't we take a couple of questions?

New Speaker: You started with several statements about institutional accountability. It seems to me that there's a lesson of a decade or so ago on institution

building after the citizen level that could really help with, put some meat behind the diagram. You also spent a lot of time and attention on policy making. How are you on organization providers? But we spent very, very little time on this citizen. The examples I am thinking of are wider user associations, family planning, it's a simpler kind of delivery, I guess, a sort of democratic problem is a lack of attention to institutional building. Where is that lacking? I would argue one block to the left over here. What did we learn from the past? What should we be doing in the future to really create or strengthen organizational accountability?

New Speaker: The question I have is. I don't think this is in any category you have maybe it shouldn't be. When you were up at the board you launched into something very intriguing to me. The strategic incrementalism, I think that's where it didn't get finished. I'd like you to explain a little bit more about what your conflict is on strategic incrementalism, and how it fits in with where we're going in terms of MCA and funding. If you get more rapid achievement when you go through the larger organizations.

Lant Pritchett: Sure, sure. If you look at the two legs of the triangle, this is the fund development strategy. Right? There is this service delivery and there is orientation. The real problem with this, and I don't come with a lot of solutions. I come with a lot of having thought it through these problems, both kind of academically. Part of the problem is that the jump from being donor darlings has a lot to do with this. This can be done overnight. You go from having an overvalued exchange rate, hyper inflation, and bad trade policy to having a good map or framework actually quite quickly. The World Bank has had a whole series of African darling countries, based more or less on how well this is working. The real problem is if all the MCA attention gets focused on this

(macroeconomic and growth orientation), because this (service delivery) is very hard to measure. Is this country on a path for improving its schools? Is this country on a path for improving the quality of its local water infrastructure? It's very difficult to measure that at the micro level. Whereas this (macroeconomic and growth orientation) gets a lot of attention, not least because U.S. firms care a lot about this. They care a lot about whether the government of the country is stealing their assets. They care a lot about whether they're able to sell their goods. A lot of leverage gets put on this. This can change overnight. MCA can put a lot of emphasis on this and accomplish it. Then you can easily get into bang, bang where a lot of money comes in if you adopt growth-oriented policies, i.e., policies we like. A lot of money goes away if you don't. Whereas getting the leverage of the MCA behind improving this (service delivery) is going to be very difficult. That's where I really worry about the modality question in the sense of one way that people have read Assessing Aid is that you should just get rid of projects. All these people out in the field, they're just expensive, and costly, and after all what matters is whether the country is growing at five percent or six percent. That's something that can be influenced by six people sitting around the table in the Central Bank at the Ministry of Finance, and hence, we should just get rid of projects. The modality of aid delivery should be pump more or less untrammeled budget support. Maybe sector investment projects. Maybe pure adjustment again I'm using World Bank jargon. Let's just move away from projects. I strongly disagree with that way of reading Assessing Aid. What we need projects for is we need projects to be the modality of working on this. If we don't have any projects and we're not engaged in the field and sort of schooling then if there are institutional reforms that might say through community schools improved client

power over the providers of schooling. If you're strictly limited to sort of budget form

analogies or even financing the education sector as a whole you're just not there on the

ground with the local knowledge to understand even what the debates are. You continue

to pretend, well the money is coming. The education budget is where the action is.

Whereas, if you look on the ground the education budget might only be 40 percent, or 50

percent of the operational cost of the schooling. Yet the clients aren't getting any

leverage out of the fee that they put in. They're putting in the money and getting no

leverage out of it. What I worry about MCA, (right?) is it's moving, it might move too

much into exclusively a more dramatic flow within either a sector or overall macro

orientation so as to exclusively focus on this (compact relationship) leg of the

development strategy. Kind of is the budget allocated correctly, and do they have some

civil liberties? And not too much on do you get anything for your educational budget.

And if getting anything for your educational budget requires attention to this (services

transferred). Then we get back to the question. There have been some lessons from.

You can't say that the donor hasn't worried about institutional capacity building. As I get

older I get more cranky about people saying things are new. I'm sure you can go back

into the 60s and find quotes from people designing aid programs saying institutional

capacity is the key to our future success. What I worry is that capacity is getting

narrowly drawn around this box (front-line providers). Or even, perhaps, around this box

(policy makers). Capacity hasn't been drawn around how we strengthen communities to

demand better performance out of the teachers that are in villages. That's where we get

to arraying disarray. There are lots of experiences but, frankly, they're confusing as hell

to read. Is social capital the key in the sense that if you have this, is it the characteristics

of the organization of the citizens among themselves at the local level? So if you have

this romantic village where everyone loves each other, then they'll be able to bring

pressure on frontline providers? What we really need to do is build social capital, which

is some capacity of the citizens to organize themselves to demand stronger

accountability. Or is it just pure, what I call, single sector participation? We're going to

build water projects. In order to do water effectively we're going to come and ask you

what kind of water you want. But then that very much slices up the relationship in the

sense of it doesn't necessarily deepen any local governance capability. It's still keeps the

local government out of the loop. You can have single sector, top down participatory.

The minister of water in the center decides every project has to have a rapid appraisal, or

some participatory assessment, then a choice from the menu by the local community and

local contribution. No question that those kinds of design changes will lead to

improvement in the project performance. There's no question in my mind. But then it's

not clear that those are strategic in the sense are those purely instrumental to improve

project performance or is this actually deepening the relationships between citizens and

government, and between citizens and the providers. There are debates between single

sector participatory which if we design a water project what's the role for the citizens?

The difficulty with that is that can get counter-productive. It can easily become that.

That merely recreates some channel of influence which gets dominated either narrowly at

this level in the sense that the clients dominate it. Or it gets dominated very easily at this

level in the sense that. I just did some empirical in Indonesia that really just makes me

think this is an even trickier issue than I thought it was. I thought it was pretty tricky. In

Indonesia, for instance, they had set up, at the village level, a variety of local

organizations that, on paper, were perfect, the rhetoric behind this was as good as you

could want. This is bottom up. This was eliciting from people with preferences. There

was, on paper, a budget process in which the villagers got together and held a meeting.

They gave their budget priorities, which fed up through successive channels. Two things

however, first of all this as a whole was perceived as completely dysfunctional. Because

in the end the central ministries controlled the budget and it came to the village already

canalized into the particular sector. What was interesting is we looked at the correlation

between whether or not more people in the village participated in these local government

organizations and some basic characteristics of good governance. Did people, whom we

characterized as the knowledge base participate, was there responsiveness? So did

people know about the village budget? Did people participate in anything about the

village budget? What was really fascinating is that villages in which there was greater

participation in these government organizations that were set up to be bottom up channel.

Higher average participation in these organizations was associated with less knowledge

in the village about the budget. With less likelihood that people knew about the project.

He's worked in Indonesia. He knows exactly what's going on. Right? Less likelihood

that if there was a problem in the village people had engaged in any sort of protests. We

had a whole variety of indicators. Less voice, less knowledge, less perceived

responsiveness of the local government. It doesn't take someone who's worked in

Indonesia very long to say these supposedly bottom up institutions were just completely

top down. They were controlled from the center, at the local level. The village head was

appointed by the local government authority. He knew his job was to keep a lid on

trouble. People knew that this wasn't really an honest forum for open exchange.

Precisely the mechanisms of decentralization, and local governance, and bottom up planning came to be used as mechanisms of suppression of voice, channeling of information to narrow groups of users, by broad groups of users, and actually discouraged individuals in these villages from participating in their government.

    Thomas Johnson*:* Could I just respond here? We did a study that was financed by the DAC, actually, where we looked at three-odd districts in Uganda and the Philippines. Your arrow, the voice arrow, was actually much more robustly established in most of them by the evidence of the officials' knowledge of local preferences and the match between what officials identified, and what constituents identified. There are a lot of questions of how we appraised it and all that. The arrow in the reverse direction of information about the local government and higher levels of government was much less firmly established. There the interesting find is about the influence of where people got their information. Not surprisingly, the knowledge of the budget or of the policy came from an authority figure. There was a pattern of that in your district. The level of reported corruption tended to be higher and services were less satisfactory. The sources of information would tend to be an official or something other local authority figure versus the radio or the printing press. In the Philippines, for example, there was a correlation between the extent to which people got their information from independent or media sources, on the one hand versus the local authority figures with a district. There is a correlation between that, let's say a reverse correlation between that and levels of corruption reported by the same population. A reverse correlation between that and the quality of, particularly, health services. In other words, another aspect of this, obviously, is the reverse flow of information to stakeholders in the provision of services, and the

closing of the accountability between the people who have beneficiaries, and the

provision of budgets and services. That certainly is one avenue where people have

explored. Its worth following up even further in your non-MCA, or non-modeling

approach to development. Then you get into a lot of questions like is it the same sector,

is it this, is it that, is it run by external consultants, is it a free standing project, what is its

connection, if any, to the local administration? How do you encourage the breakout of a

particular project modality of accountability into public policy? I looked at some projects

in the fall where the success of a particular mode of accountability and increasing the

amount of local infrastructure by cutting out corruption and some other factors that were,

in fact, reducing the amount of infrastructure being produced for each dollar. What

became sort of a political agenda of people who were elected to newly constituted local

legislatures that project modality was then adopted into the policy of some districts and

then it became subject to higher-level discussion. The strongest correlation is with the

presence of guerillas cause they tended to whack people who were stealing money from

the peasants.

   Patrick Cronin: I hope we're going to be moving into sort of the implications of

this. Unfortunately I have to get on an airplane in a few hours so I'll have to leave.

We've sort of wavered between two different groups of countries. The MCA countries,

or potential MCA countries, versus what Joan was talking about, that middle group or the

failed states, the failing or poor performers of the south countries. How does the MCA

identify potential candidate countries. The question if it is indeed, if this model is right,

and the countries define power relationship, the orientation may take you away from that.

What are the other ways to abide, sort of deliberate in a way that still minimizes the

footprint of the donor country and gets it done rather expeditiously? That is, maybe

allows the sustainable process within the country, but doesn't require us to just have lots

of projects. The second question is on the core of the performer countries. Isn't that just

a statement of reality that you have to focus on this box down here? Because the

government may not be corrupt and performing poorly. It's not necessarily focused on

the delivery of services, so we're working with NGOs, we're working with other

providers because they're not willing to do it, or they're not able to do it. Because it's in

that category of mocking our donor darling where enough resources are doing more than

provide more humanitarian social services. We end up doing triage, social service

delivery, and not enough capacity building by definition because there's just not enough

to go around. We're just locked in that dilemma. How do we still fit reform into that

box, if you're dealing with that in that environment? Anyway, that's just two big broad

questions. I apologize for making it so general. I think the important thing is to begin to

have the debate in the sense of asking in the design of the project.

    Lant Pritchett: Getting back to strategic incrementalism, what about your project

as strategic? I think in the LICUS countries we should forget strategy. If you're delivery

food aid into Sudan, institutional capacity shouldn't be a priority. You should just say

we're admitting that this is not development assistance. This is humanitarian assistance.

Cost effectiveness is our main goal. If we achieve cost effectiveness by using externally

run NGOs. That's fine. That's our bottom line. Then there are the top tier countries.

What I would say about the top tier countries is, and again I've thought about this much

more in terms of World Bank existing potentials from modality. But let me say what I

think is. In the top tier countries you're gong to be expanding the flow of financial

resources. Then there's a spectrum from project to program. What I'm saying is what I would do is strengthen your innovation capacity by allowing larger and larger fractions of the administrative budget to be devoted to smaller and smaller factions of the total flow. If a country is getting $150 million. I should illustrate that. (Laughter)

New Speaker: What model is the center-point. You have client power going over there at something that has been most recently ignored. Is there something, in terms of the dynamics of this model, that represents a modality or mechanism that would bring those various lines of accountability together? In other words. How do you address, in a given sector, make sure that you have a relative balance between the various relationships in the design of your intervention, your project? I think that's where we haven't figured it out. We tried integrated world development in the 70s. That was putting together in one geographic locale a bunch of attention to special services, all at once. It was on one piece of that.

New Speaker: We have coordinating problems.

New Speaker: Integrating means integrating across these guys.

New Speaker (Female): I'm asking. I'm challenging you to come up with an answer.

Lant Pritchett: Dear, dear, dear. (Laughter) I think you had the answer, right? He was raising his hand anyway.

New Speaker: I don't know. In the sense that.

New Speaker (Female): What is it? Where are the sports? What is it that brings the politicians and policy makers, the providers and the clients together? What mechanisms do that?

New Speaker: If the state doesn't do it, it's not going to get done.

Discussion

Lant Pritchett: I think we should be more willing than we have been in the past to say the conditions for Weberian bureaucracy delivered services don't exist in this country. If you look back 150 years ago in our country you see that they didn't used to exist. Then they came to exist. A lot of, what are now public services in the United States were actually entirely privately or community delivered then. There was a transition of an increasing rationalization, modernization, and bureaucratization of what were already effective service delivery mechanisms. There was incredibly widespread schooling in the United States before the states, or even municipalities, got involved.   I think in a lot of countries getting the community level to where there's a lot more service delivery. I think in a lot of sectors this, in a collective sense, is the right thing.   I think the user associations, the community engagement in the provision of schools, community help organizations, I think are the right way to go. I worry that they're being seen as a strategy rather than a tactic, in the sense that you don't want to just have community health insurance. Community health insurance isn't able to smooth across the large health shocks that we worry about. We don't want just community schools. In the long run some centralized authority imposing standards and qualifications on the system I think is necessary for high quality. I think we're building on the right base. I just want to end the project design. In the project design we want to build on a base of what builds in client power over the service providers. One of the confusing things about this diagram is when we talk about building client power I like to talk about choice and voice. We can build in client power just by making sure people have more of the money, so more of the

resources that are flowing, people have control over. But there are a lot of services for

which it's a local public good. We don't want to just empower clients. We want to

empower citizens. We want to empower collectivities of people. In which case voice

mechanisms are - actually I think voice is better used down here (between clients and

front-line providers) than things like participation, or associations, irrigation association.

I'm struggling hard not to answer your question. (Laughter) Because if I knew the

answer, right, A. I would be famous. But B. if I knew the answer it would undermine my

own position, which is heterogeneity of solutions. Heterogeneity solutions when that

solution is the problem. What I worry is we've got people saying project participation is

the key to good services. Well, yeah, kind of, in some circumstances, and some sectors.

If you can make it work in some way. But I think what we're trying to say is be able to

create high capacity providers. That is people who have the technical skills that are

disciplined in some way. That are either disciplined, what for shorthand for home, long-

route accountability and short-route accountability. Some of the most effective public

service providers in the world are bureaucratic civil servants. But they're disciplined

through a long-route of accountability. That is, the political system disciplines the state

to be responsive to citizens. The state disciplines the writers to be responsive to citizens.

Without a lot of individual client power directly coming in there. We don't want to walk

into a situation where the state is very weak and say, well what we need to do is reinforce

long-route accountability in the short-route. This just isn't going to work. What we want

to focus on is short-route accountability which is consistent with long-route.

     New Speaker: I think you may have just answered the question. Most of the time

you spoke to the bottom of the pyramid (clients and front-line providers). Would it be

possible to achieve delivery in a setting where the top of the pyramid (the state) is absent?

   Lant Pritchett: To some extent I think it's just where my instincts are. What I worry is how much can I influence. Would the design of USAID change? You guys can have a lot to do with this. You can design the way the money flows in your projects. You have control over this. Right? This is going to be incredibly conflictual. For USAID to come in and say we think the fundamental problem in your country is that the citizens don't discipline you. That's going to be a pretty fractious dialogue. Right? What I think is a lot more doable. This is just a judgment for any given area there are a number of situations where I think this is missing. I might focus on this more in the short-to-medium run. But I worry in the short-to-medium run the pressure to get things done is going to lead to a modality of hazard designs in which USAID assumes the role of the client in discipline power over the provider. So USAID floats off here (leg between the state and front-line providers) and they create the compact. Right? They go to the NGOs. Then you say, well since it's an NGO, that's social development, cause they're an NGO. NGOs can be just as money oriented as anybody else. They're not necessarily any more accountable in the long run to citizens and clients than any other provider. So if you substitute the long-run accountability that flows through the capital, long-route accountability that flows through Washington, D.C. in your project design you could easily end up undermining the creation of short-route accountability. I'm making all these words up - short-route accountability. In particular, though. One thing I don't want to perceive as or seem like I am saying is that clientization is the answer. Right? In the long run I like public sector bureaucracies. I like them a lot. I don't want my police privatized. I'm actually pretty happy with public sector schools. Single payer health

insurance doesn't strike me as an obvious terrible idea. I'm happy with a large degree of

public sector engagement in the provision of these services as long as it's well disciplined

in some way.

Thomas Johnson: I just want to say one thing. You disappointed me a little bit

just now.

Lant Pritchett: Sorry.

Thomas Johnson: You moved away from what I thought was a very provocative

statement earlier. Which was that maybe the attention should be focused on the

technocratic sort of side things that is the bottom of the triangle? Maybe it was because

you focus on more contingence political aspects.

Lant Pritchett: I 100 percent agree that if anyone over here on this

New Speaker: It is going be the USAID as Patrick, you know.

Lant Pritchett: The World Bank. You can't call them (the poorly performing

countries) crooks. Right? Even if they're crooks. Cause they got to vote on your board.

You (USAID) have the advantage. The crooks don't have a vote on your board and you

can be a lot more frank and engage a lot more directly. Moreover, you can be a lot

clearer about having a political agenda. We think an important part of development is

governance. We think we're a well-governed country and would like to help you

improve your governance. I didn't mean to back off. But, then again. Right? Not all

USAID engagement in the country can be conflictual. You want to match this and that.

Frankly, the people who are out there in the field have to be thinking strategically and

working operationally.

Thomas Johnson: We have to learn two worlds. Some others don't.

Lant Pritchett: Oh, yeah. I didn't mean to suggest by this that USAID should back off this and only focus on that. I think USAID, and places like USAID are the ones that can be out on the cutting edge of this. They're saying, look services aren't going to work in this country because frankly the government doesn't give a damn. The government of this country just doesn't care about its citizens receiving effective services. Until they do, we can talk ourselves blue in the face about teacher training.

New Speaker (Female): You actually said "The long-run accountability is also the long run in the sense it's a long-term strategic objective to get the state to be effectively involved in the delivered services." We need to be careful about defining the timeframe and about acknowledging tradeoffs. There's obviously a tradeoff between working down here and working up there. Being conflictual versus cooperative. Having some near-term interventions that may have a negative effect on the upper versus the lower level. There are a variety of tradeoffs that need to be acknowledged. This idea of a heterogeneity of responses. I think it would make sense to be extremely open about that and focus on the governance.

Lant Pritchett: I interpreted Patrick's initial comments as saying there's other boxes and other legs.

New Speaker: I think that it is possible that dynamics of strengthening what you've got there is weakened.

Lant Pritchett: I want to go link to the point that I'm a little disturbed by the dark clouding in the community when is comes to service delivery. It seems to me there are important issues having to do with the financial sector, trade, tax system, social services and so on. Those are important in themselves. But that diagram. You can use that

diagram in those areas, then when you start asking what are the opportunities to weaken

arrows that aren't on the board, thereby strengthen, those opportunities linking waver, it

seems to me, possibly. On the growth based issues. Particularly because resources are

finite, if successful on growth side resources will increase in making it easier in

weakening, diverting that accountability.

Ann : You mentioned the Weberian bureaucracy and patron-client relationships

and you mentioned that you were interested in the capital structure. How can we focus on

client-provider relationships to try to strengthen social capital? Do you have good

example of how this can be done or is being accomplished. That they are sort of

congruing more elements to social capital structures it can be modified on the periphery

but if you are basically longitudinal donors are going to be more likely to provide capital.

Thomas Johnson: Let's get a couple more questions.

Joan Atherton: You were talking about breaking this down. Is this the stuff that

is going on in the whole system at the same time we're going to reach the point and take

all the responsibility?

New Speaker: We started with at some point you mentioned that you were

working on the draft side rhetoric. Try to demonstrate that is when we talk about clients

you don't really give them full weight in terms of strategies. 2000, 2001 attacking talk

about a third way, it does seem to me that if you match your triangle here by putting a

third leg up there then this disarray that you see on the citizen-client side. I think you

begin to make more sense of it. The importance of information. The importance of

strong organization. The importance of voice. I'd like to see WTO take better advantage

of these things.

Thomas Johnson: Let's get one more and then we're going respond...

New Speaker: I'm going to suggest that the Weberian state which we talked

around is actually non-existent in many states. I was struck, for example, what I see as a

strong parallel between what the GA is recommending about reforming practices and

what IRIS is recommending to USAID with regard to what we're doing. To give an

example of that, which makes sense, going from the working number 16 global

development. This is a "Do as I say, not do as I do." It's a critique of the G7 proposal ...

like what IRIS is saying. What he is saying sounds straight to me what IRIS is saying and

that has to do with a Weberian state, which doesn't exist in these countries. Therefore,

we don't have this triangle working. This is advice to us coming from inside the bank.

What he says is "importance of development and the means to give it greater parity can

not be an end in itself. That priority should fundamentally be held by clients

themselves." Interesting how he says we'd be much better served if they prepare the

strategic combat. The states themselves will undertake to provide their citizens the

frameworks that do not discriminate against citizens. He said virtually all of human

development and social capital regrettably we have confused development with what the

people should do. I very much regard that the very issues that LDCs have forced to

confront, which is a comparative advantage and a responsibility of public expenditures,

which is what we were talking about before, in the absence of a Weberian state what does

it mean to say that the world development reports emphasize delivery of services in an

area where the state doesn't exist. So, 200 years of development produced a heterodoxy

approach to delivering this triangle. What he is saying here which is advice, is that it's

your god damned responsibility. That's much what IRIS seems to be saying to USAID.

As far as USAID working on the lower end of it we're presidential initiative agency. We are going to be doing GA and Presidential initiative stuff. It's going to be running up through the state. There's no two ways about it. The President's going to the LCDs and saying the advice is it's their responsibility.

Lant Pritchett: I think this is wrong. This is wrong. This is disingenuous about what we've done in the middle tier, and the bottom tier, and even up into the upper tier of countries in the sense that this compact (between the state and front-line providers). Cause now I'm going to controversial. Up to now we've all been sort of nice. First of all, I think the resource flow based, the PSRPs and compact between donors and countries are just off on the wrong tract. Because what they're worried about is adequate flows going into a pipe that's just completely clogged. No education is coming out of the other end of the thing called the educational budget. Right? No health services are coming out of the thing that at the top is labeled the health budget. All these countries come with plans. They'll say here's our PSRP, and because help is important we're going to discharge a public responsibility to improve health by spending more public resources on health. That's precisely what I want to say is not the right approach because in most of the countries that I've ever worked in these pipes are just so incredibly clogged that when you think of pouring in the top it's just watering everything but what's on the other end of the pipe. To say it's up to the country to unclog that pipe and create effective channels for delivering services I think is disingenuous in the sense that that's precisely where they could use some donor assistance. A lot of times there are reformed champions within the sectors. Right? Champions that see the problem exactly like we do. If the money, if all the policy dialogue is about the budget and the magnitude of the

budget they get no, they're not even at the table, they get no support. They get nothing.

What we need to do is give them some leverage with us behind them. To give them

leverage we have to be there. We have to be there to get them leverage. Because if we

disengage from the field, saying oh pumping basic education, that's your responsibility,

we have given them no leverage. Even in India the public schooling system's falling

apart at the seams. There's huge flight into private schools in India going on today in

most of the states. It's in part because increasingly the delivery mechanism is creaky.

Whether they spend enough, or have enough commitment, without really the ability to

help the Indian government in the individual Indian states experiment with whatever

service delivery mechanism that's going to improve basic education in India. It's just not

going to work. I agree that this is where the strategy is going. You countries tell us what

you're going to do and we'll ratify it. But the level at which the dialogue is happening is

all at the level of the ministry of finance and strategy documents. Here are the budget

allocations and we spend 20 percent of our budget on the education sector. Therefore

we're discharging our public responsibility without any innovative thinking from the

bottom up. Second controversial, I want to say. I think the field component of USAID

would be incredibly nervous about this. About the MCA and all of this. Right? Yeah,

the whole agency. I would think the justification for having field-based staff and

engagement in projects has to well articulated. I would think I would articulate it in this

way. This is what you guys can talk about. This is the part that requires detailed field

and engagement. You have to understand a particular country at a micro on the ground

level. It isn't about a commitment to education. You can have all the commitment to

education you want. But if you can't get teachers to show up in the classroom, ready to

teach, it doesn't make any difference. But, here's where the second thing, though. I'll

probably disagree with Patrick and a lot of other people is that I am just a 100 percent

comfortable with dictatorship being able to delivery the conditions for rapid economic

growth. No question about it. Indonesia have rapid. What? Chile, Korea, Taiwan,

Singapore, Indonesia. You start naming the top performing growth countries in the

world. China, Viet Nam, now. They're all dictatorships of one kind or another. Why?

Because I actually think that the extent to which this applies to growth isn't as strong. I

think if the policy maker wants to have rapid growth he can produce a lot of growth

without a lot of bottom up feedback. Do you have a central bank that manages the macro

environment, right? You cannot have rapid inflation. You don't need to have any rapid

appraisal. You don't need to have any. You don't need to ask any opinion survey. You

don't need to talk to a single citizen. Three smart macroeconomists can do that. In fact

protecting those three smart economists from populace pressures might be a good thing,

as a matter of fact. So it's actually a very tricky institutional dichotomy between these.

It's not obvious that it's always the same thing. What you would call voice client power

on macro policies might be just called popular policies. By and large I'm against

populism, because I'm an economist. So what I'm saying is, that in my particular area,

what I want to say is to the family planning expert, you should be a lot more responsive

to the clients and listen to them, and don't tell them what's technically right. They know

what their own choices are. But when it comes to macro policy, good heavens, get the

hell out of here, you know. We'll tell you what's right and that's that. It'll be good for

you in the long run. I'm perfectly aware that this is schizophrenic, but I actually think the

historical record show that services can be delivered by some pretty awful people. And

*New Speaker***:** You know that I disagree with that.

Lant Pritchett: And the service delivery can also pretty delivered fairly effectively. After working for a couple of years in Indonesia, anything an army can do the Indonesia bureaucracy can do. Not coincidentally. There are things armies can't do. Armies aren't very comfortable with community control. They're not very comfortable with heterogeneity. They're good at logistics. If it's a matter of getting a needle in a kid's arm once a year, those kinds of logistical tasks. That also an area in which institutional capacity can exist. Schools should focus on the growth orientation stuff. It's without hammering this necessary lagging, long-term lag of service delivery is going to take everybody's attention. They're not necessarily. My instinct is on this side. You can sneak up on power. You can build innovations into projects that can leverage into systemic changes. The kind of systemic changes you can leverage into are not the kind of systemic changes you could have sold outright to the existing policy makers. Once it's been a demonstrated success they have a lot harder time resisting it. You can build into project democratic processes at the village level for using money, but if you propose as a democratizing the forum. The powers that be say, are you kidding - we don't want that kind of system but if you say this is the design of the project. That's what I keep coming back to, sort of strategic incrementalism. This is where the debate is. Is this strategic or not? Do we see this as fading? On the other hand, if all it is, is a design requirement of a project, and it stays just a design part of the project, and it can insulate it from having any broader repercussions on the chain. Then it's incremental, but not strategic.   Finally, I'm socialopathical. I'm just honest to goodness confused as heck. I've written empirical papers about socialopath order and about participation and project success. It's very

difficult to produce any conclusions. There are so many examples of success and failures. This is why I cited the evidence from Indonesia. Here was a case where if I were selling this inside the agency what Indonesia government has done with the village council, I'd say that this is social capital, building from the ground up. I could've sold it in every way possible on the rhetoric. But it just wasn't the case in reality. On the other hand, people who undertake to systemically transform the social institutional context of their country are madmen. Right? This is what Lenin does. This is what Mao does. We're going to undertake historic changes in your social structure as a way of including the schools. This makes them nervous. Which, again, is why I like being incremental. Let's work with what's there. I actually think that if in the design of service delivery there's more opportunities for citizens to engage then you can build up spontaneous engagement in that rather than a first deliberate effort to: Look, India, you're not going to have good schools for your women at the caste. Until you eliminate the caste we're not going to fund schools. I'd be pretty nervous about that kind of direct meddling in the social thing. How well an individual citizen forms coalitions which stress their voice is going to be an important determinate of success. I don't see any strong evidence of success in that. My instincts are stick to the straight thing. The potential of this challenge, and not, geez if we could do no harm we would just be so far ahead of the game.

   Thomas Johnson: And on that note. Comments on this round of questions?

   Patrick Meagher: Yes. Some of this dictatorship versus democracy is one of these institutional heterogeneity matters that is a little hard to deal with because it is really unwise to decide it in the abstract. Obviously we have an effect on world democracy but if you have a developmental elite that's running a country and they're

delivering the goods that is something that is likely to go in other directions. You have to look at it in the long term. I don't have too much of a difficulty with that either. The point that I wanted to make is simply this gets to the social capital, which is a kind of a grab bag of stuff. A lot of it has to do with conflict, and experience, and history. In a lot of cases we're dealing with sort of interest groups that have grabbed this thing called the state and running it in a way that isn't really responsive to any constituency outside a very narrow group. What does it take to both get the services delivered and to move the state along the path of being more responsive? There are tradeoffs involved, as I said. I think one of the interesting things that I see is aid to communities strategic. If you use the interest of the government and the governing elites. An example, since there aren't examples of international competition for aid. I'll go further on that. That intra-national cross districts in Rumania, for example, where we set up this experimental project where municipalities would commit to taking five simple red tape reduction steps. Whoever actually implemented them successfully would get the top award. All it really amounted to was lunch with the ambassadors. Some of them realized what went along with that was the ability to have bilateral relationships with UNUP and some others. To throw in some foreign investment into the district and so that some of the worth, that we consider astute anyway, took the reins of this and ran with it and got three, four, five stars. They got the recognition and some of them actually goodies on top of that. Is that sustainable? I think that they committed themselves. If you're going to continue to reap the benefits of that you're going to have to sustain the reforms. The reforms are ones that help in development, especially small/medium enterprises. That kind of logic is drawing on the developmental instincts of the desired prestige, or the desire to increase, to make the pie

bigger. Even if the leadership is taking more than its fair share and doing so illicitly

that's not necessarily incompatible with the greater good of the people in the district.

That kind of logic suggests that there are ways in which the country, where the

jurisdiction itself, is responsible for deciding whether there is going to be performance.

You look within that and see their heterogeneity within the ruling group, and the state,

and so on. My message is simply that it's, I think one needs to sort out what the

incentives of the agency is providing. What are the incentives that it is providing to a

ruling? Are they consistent with this long-term interest and service delivery?

    Thomas Johnson: Thanks. We only have a few minutes. Is there anyone out

there right now that has any suggestions for future research thinking along this area? If

not keep that fresh and open and send it to us. PPC is looking for ideas with IRIS to

continue. This was just sort of an opening opportunity to think about some of these

issues. I think we all agree that it's important. If I took anything, and it's hard to distill it

all down at this moment, it is that Lant feels that USAID has a special ability and perhaps

a responsibility to focus in that big box there with ideas and innovation, and I would add,

with some political arm-twisting or persuasion. Because that's what we can do. That's

what we're set up to do. We need ideas. We need a box like this to help arm us. I thank

Lant for coming. Patrick, thank you for adding to the discussion. Thank you, IRIS, for

organizing it. Thank you all.