

Democracy Support and Development Aid

THE CASE FOR PRINCIPLED AGNOSTICISM

Brian Levy

Brian Levy is head of the Governance and Anti-Corruption Secretariat at the World Bank Group. The views expressed in this essay are entirely his own and should not be attributed to the World Bank.

As Tom Carothers suggests in his exploration of “the elusive synthesis,” the theories and practices of both democracy support and development assistance are presently going through a period of profound change. Carothers argues, correctly, that underlying the change in both domains is a new willingness to take politics seriously. He also argues that the apparent convergence between the two domains is likely to amount to less than might at first seem to be the case. Among the reasons he cites are the conviction of “many developmentalists” that “a sustained dose of authoritarian rule was necessary to get a poor country on a developmental track”; the worries that these developmentalists harbor concerning the “harmful effects of attempted democratization in fragile states”; and the fear that vocal advocacy on behalf of democracy could limit developmentalists’ “overall position in the developing world.”

As a practitioner and scholar of development assistance, I agree with Carothers in his broad conclusion that convergence will turn out to have significant limits. The reasons, however, are more fundamental than he suggests. Their roots lie in development practitioners’ current rethinking of what drives changes in institutions, as well as in society more broadly. From this rethinking comes a set of policy prescriptions that will fall short, in the near term at least, of what democracy advocates would prefer. But the story does not end there. In the long run, the disconnect may not be as deep as it seems. For the new directions that development support is taking could turn out to be profoundly supportive of efforts to build the expectations of “citizenship” that underpin sustainable democratization.

The development and democracy domains alike recognize that both institutions and politics matter. Institutions provide the formal and informal “rules of the game” within which both democratization and de-

velopment efforts play out. Politics (stakeholders, and their power, incentives, skills, capacity to organize, and constraints) inevitably shapes the dynamics of reform. A decade ago, this understanding seemed to point toward a shared commitment to “good governance,” including democracy. The general idea was that institutional reform was akin to engineering, and that because the institutional characteristics of capable and accountable states are well known, the reform challenge was straightforward—to redesign the governance system in all its facets on the principle that the different parts would all reinforce one another. “A chain,” went the reigning metaphor, “is only as strong as its weakest link.” A decade later, however, the implications of the insight that politics and institutions matter seem considerably more complex.

Modernization theorists from Samuel P. Huntington to Douglass C. North have long recognized that development is multidimensional.¹ After reaching a zenith in the early 1970s, modernization theory fell out of favor, at least until very recently. But voluminous social-science research has carried on the task of empirically exploring a variety of partial relationships among different aspects of the development process. In a recent paper, Francis Fukuyama and I highlight four of the process’s dimensions—strengthening state capacity, growing the economy, building political institutions, and developing civil society and the private sector—and summarize what the scholarly literature tells us about the robustness of the empirical relationships among them.²

An Evolutionary Parallel?

Stepping back from the details of the individual relationships underscores that the development process follows the classic patterns of any evolutionary system:

- *Change is cumulative.* Because the different parts of the system are causally connected with one another, change in any one part will have knock-on effects on others. Following directly from this:
- *The trajectory of change varies according to the (country-) specific point of departure.* North’s classic 1990 book *Institutions, Institutional Change and Economic Performance* highlighted through the lens of economic history how this “path dependence” explained why some societies and economies thrived, while others stagnated. In a similar vein, Albert O. Hirschman’s lifelong body of work underscores the role of leads and lags in social change, and the consequent advantages for policy makers of seeking not to effect change simultaneously on all fronts, but rather to invest in fostering creative imbalances.³
- *Cumulative path dependence can generate a very wide dispersion of patterns, with no necessary convergence.* As the title of Richard Dawkins’s *The Blind Watchmaker* suggests, evolutionary biology

is not teleological; mutation proceeds indefinitely, and produces all kinds of weird and wonderful forms.⁴ This is perhaps where the metaphor of development as an evolutionary process akin to biology breaks down—some institutional convergence seems evident as countries move toward higher average income, although the extent of the convergence remains an open question. But the implication that, over long periods of time, as countries move from low to middling levels of income, their patterns of institutional change can diverge rather than converge, is an empirically valid and important insight.

Given the unevenness of any evolutionary process, some things inevitably work better than others. Bangladesh, for example, has been growing rapidly (averaging close to 6 percent a year over the past fifteen years), and in an inclusive way that has made it a world leader in making progress toward reaching the UN's millennium development goals. At the same time, its democratic polity has been highly volatile, having for instance spent 2006 to 2008 under *de facto* military rule.⁵ Repeated surveys, moreover, suggest that Bangladesh is one of the most corruption-riddled countries on the planet.

Fukuyama and I spell out a number of ways in which governance and growth can be linked. In one of these, a proactive state kickstarts the development process much as did the East Asian "tigers" and an array of other aspirants including Ethiopia and Tunisia. In a second, economic growth pulls the train, with policy makers striving to provide "just enough governance" to prevent derailment (Bangladesh fits into this category).

In a third, which may be of special interest to readers of this journal, it is a democratic transition that gets the development process going. About this, two cautionary notes might be struck. The first is the now-commonplace observation that while elections can be held quickly and may signal a renewal of political legitimacy that strongly boosts economic development, building the full panoply of liberal-democratic institutions takes time. The second and related note is one that Carothers himself sounded in these pages back in 2002.⁶ In announcing the "end of the transition paradigm," he observed that most democratic transitions seemed to settle into either "dominant-power politics" or "feckless pluralism." In the former there are elections but no turnovers of power, while in the latter there are frequent turnovers of power amid signs that democracy is weakly rooted and troubled.

Carothers suggested that either of these is a disappointing state of affairs, but perhaps he was being too bleak. From an evolutionary perspective that takes seriously the long-term nature of institution-building, to walk the path of development is to walk along a knife-edge. The combination in a low-income country of rapid growth plus a seeming excess of either order (as in the case of state-led development or dominant-power politics) or disorder (as in the case of just-enough governance or feckless pluralism) may be less an aberration that needs fixing than the medium-term nature of things.

I have chosen by conviction to live in a free society, and I am a South African who has taken part, and gloried, in my country's democratic revolution. My normative commitment to democracy is wholehearted. Yet my experience as a development practitioner has persuaded me that a country's economic, social, and political institutions cannot be re-engineered from scratch. At any moment, each country has a specific point of departure, and evolves through search and learning. Changes in one part of the system evoke adaptations in other parts, in an ongoing, cumulative process. Effective action will seek to work *with* rather than against a country's grain in order to nudge forward this interdependent, dynamic process.

The corollary of adopting an evolutionary approach to development is—over, say, a decade—a principled rather than a merely tactical agnosticism about what to do next. The aim is to nudge the system so that, ten years on, it performs better in at least some (not all) domains—with the opportunity set for the subsequent ten years more attractive than it was at the outset. In some settings, at some times, democratization and the strengthening of institutions that support democracy will be high priorities. In other settings, at other times, they will not.

The evolutionary approach sketched above deepens rather than retreats from the insight that institutions and politics matter for development, but it also points to a more nuanced approach than simply calling for “good governance.” Two kinds of distinctions are critical with respect to governance reform. One, as noted above and further explored below, relates to the specific development trajectory that a country is on. The second involves distinguishing between what I call “big-G” and “small-g” governance. Big-G governance reform refers to the strengthening of national-level institutions that hold government to account. These can include elected legislatures, the judiciary, centralized auditing authorities, ombudsmen, a free and vigorous media, and the like. Small-g governance reform refers to a focused effort to foster participation in and oversight of the provision of public services by stakeholders with strong, unambiguous incentives to achieve good results. Examples of this might include parental participation in schools; community oversight of local health clinics or road-maintenance projects; and the independent oversight of public procurement practices.

At first, governance reform was mainly a big-G affair aimed at the level where the overlap between the respective democracy and development agendas is at its largest. But opportunities for effective big-G reform have turned out to be rarer than expected, while small-g opportunities—which so far have barely shown up on the radar screens of democracy activists—seem to be everywhere, and with potentially far-reaching consequences.

To see why big-G items have been hard to find, consider the example of judicial reform. A well-functioning judiciary has long been recognized as a key underpinning of liberal democracy. An evolutionary approach asks what set of conditions (or what “ecology,” one might say) is

needed for an independent judiciary to thrive. Do political leaders have an incentive to let disputes be resolved by impartial third parties? To what extent has there emerged an independent private sector and a vibrant civil society with the desire to see justice effectively administered and the power to restrain politicians from preferring arbitrary discretion? These questions suggest that judicial strengthening, as desirable as it may be, is more likely to be feasible later, rather than earlier, in the development process. More broadly, the example of the judiciary suggests that the prospects for big-G governance reform vary according to how far a country has traveled along its specific development trajectory.

The state-led trajectory: Countries that follow the path of state-led development are typically run by dominant leaders or parties. Democracy, if present at all, will be largely cosmetic. The rulers base their claim to legitimacy on an implicit promise that their decisions will in the long run serve the broader interest. Even if all begins well, the lack of checks and balances poses multiple risks. A dominant party might increasingly focus only on its own narrow interests (as arguably happened in Zimbabwe); accountability within its ranks might weaken, and leadership become increasingly personalized (as in, say, Uganda); or personalized leadership might become increasingly self-seeking and predatory. How can these risks be mitigated?

An evolutionary approach suggests that over the longer run the political response necessary to address these risks will arise endogenously. Today, South Korea is a shining example of a country that has gone from poor to rich and from authoritarian to democratic. Was this success achieved *despite* the quarter-century of authoritarian rule that stretched from the early 1960s to the mid-1980s? Or were the economic and social transformations that came about during this period of high growth actually *crucial* in laying the foundations for a solid democratic order and all the supporting institutions thereby implied? The answer seems clear. Insofar as they are successful, developmental states lead to both an increasingly sophisticated economy and a wealthier, more empowered citizenry—with resultant rising pressure for institutions that can undergird enhanced economic and political competition. For these states to thrive over the long run, they will need to evolve toward greater institutional complexity—though, as the example of Singapore suggests, whether this will include political democracy may be less certain.

But what of the risk that institutionally weaker developmental states will never get to the “long run,” their progress short-circuited by governance shortfalls? As a way of mitigating this risk, advocacy of big-G reforms is unlikely to be effective. Big-G reforms constrain developmental states’ political rulers in ways that run directly counter to both their interests and their ideology. When a developmental state is governed by a dominant political party, a focus on strengthening accountability within that party may offer a way forward, yet this remains a challenge that only insiders can tackle.

Small-g reforms offer an alternative and potentially tractable entry point. Such initiatives take the government at its word that its goal is development. In some settings, moreover, small-g reform proposals may work “with the grain” of a bottom-up, participatory ideological discourse. Their gist is to make citizens better informed, more fully engaged, and firmer in their expectations when it comes to the government’s provision of vital public services. In the short run, the development benefits can be profound. To give just one example: A Ugandan community-based monitoring project that provided residents in each of fifty communities with comparative information on how their village fared in the area of child mortality—and that spelled out all the health services to which each village was entitled—brought about a 33 percent overall reduction in child deaths in the space of a single year.⁷ Viewed from a longer-run perspective, the potential impact may be broader still. Initiatives such as these give people “voice” in their dealings with government officials, thereby encouraging the shift from “subject” to “citizen.”⁸

The “just-enough-governance” trajectory: Patronage politics, clientelism, and related corruption are always and everywhere part of the underbelly of the political process. But they are especially likely to be prevalent in settings—commonly found among the “just-enough-governance” cases—where incomes are low, institutions are weak, and politics is competitive. No single elite dominates; decision making is always contested; narrow interest-seeking and even individual corruption are ubiquitous. Conflict continually threatens to spiral out of control, with the ever-present threat that fragile institutional gains will be reversed. The process seems to be teetering on the edge of chaos.

Though both development and democracy practitioners view clientelism as a problem, there is ample evidence that patronage can coexist with both democracy and rapid poverty reduction. The histories of the United States and many European countries provide such evidence, as do the more recent experiences of Bangladesh and others. But the risks of systemic reversal are large. If no one effectively champions the cause of moving forward, there can all too easily set in gradual institutional decay, a diminution of collective action, an increase in opportunistic behavior, and a rise in the level of conflict. How then can these risks be contained?

In the early stages of the “just-enough-governance” trajectory, in a way that parallels the “state-capacity” trajectory, the opportunities for strengthening big-G governance are likely to be limited. Such reforms show results only over the longer term—too long for the short time horizons and limited goals of “just-enough-governance” ruling elites. For similar reasons (but in this case against the logic of the developmental-state trajectory), there is likely to be limited interest in upgrading the public bureaucracy. In the early stages of the “just-enough-governance” trajectory, therefore, the opportunities for institutional improvement are

more likely to be incremental, and will take the form of creating islands of effective collective action within a wider sea of weak governance.

In the main, these islands will consist of improvements to small-g governance that take advantage of “win-win” collaborations among elite groups. Examples might include:

- Industrial zones, which offer a more streamlined and less corrupt business environment than is available in the general economy, and which private exporters can help to run, given their stake in producing competitively for the global market.
- Public-service improvements that offer widespread gains, not least to business and members of the middle classes. Efforts in this area might include public-health campaigns to limit infectious diseases as well as upgrades to urban sanitation, roads, electricity, water supplies, and other forms of local infrastructure. Businesses and community residents can become involved to help ensure that resources are not misused. In settings where rampant patronage and feeble institutions are the order of the day, participation by elite beneficiaries outside the government is key to hopes for reining in opportunism and maintaining focus on the collective goal.
- Streamlined alternative dispute-resolution arrangements that can help to settle conflicts among private parties with a comparatively high degree of both speed and impartiality, thereby also perhaps taking some of the pressure off a faltering, overburdened legal system.
- More participatory local governance, which may in turn promote greater accountability for the quality of local service provision and lay the basis for competition in at least some localities.

That initiatives such as these take place at small-g rather than big-G levels need not imply that their impacts on governance will be small. They can, for one thing, show a society the benefits that come from choosing collaboration over conflict. As such, small-g programs may serve as steppingstones to a politics that centers on programs and the public interest rather than the jockeyings of cliques and clienteles. Nor should we under-rate the degree to which progress at the small-g level can help to sustain the forward momentum of inclusive, labor-demanding economic growth. Sustaining such growth is one of the few policy goals in which contending elites are likely to feel they have a common stake. As long as that momentum is sustained, deeper currents will continue to reshape interests, incentives, and alliances, thereby feeding a groundswell of demand for further rounds of institutional improvement over time.

The end of innocence is a difficult destination to reach. For development practitioners, the journey has been long and circuitous. There have been repeated moments where the foundations of the dominant development paradigm have been revealed as faulty. But, until now, each

recognition of limits has led to a doubling of the stakes. Recognition of the limitations of investment finance as a path to poverty reduction led to a focus on reforming underlying policies. Recognition of the limits of policy reform led to a focus on institutional reforms to foster good governance. But now that we recognize the limits of institutional reform, no further doubling seems to be in the cards.

Instead, the frontier challenge facing development-promotion practitioners is the more difficult one of acknowledging, with humility, the limited ability of external intervention to force the pace of endogenous evolutionary processes. This is not a call to cynicism or inaction. Experimentation and change are in the nature of evolution; the right “with-the-grain” initiative can set off virtuous spirals of cascading change. The task for development practitioners is to move away from *a priori* prescription, and to become more empirical, learning and adopting what works best as the ways to move forward, with the lessons certain to vary from country to country. What this approach lacks in grandiosity, it may more than make up for in feasibility, and as such prove more effective. Could something similar also be true of democracy promotion? If that is the case, perhaps the frontier challenges confronting the development and democracy domains are, all things considered, not so different after all.

NOTES

1. Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968); Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990); Douglass C. North, John Wallis, and Barry Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (New York: Cambridge University Press, 2009).

2. Brian Levy and Francis Fukuyama, “Development Strategies: Integrating Governance and Growth,” World Bank Policy Research Working Paper No. 5196, January 2010.

3. Albert O. Hirschman, *A Strategy of Economic Development* (New Haven: Yale University Press, 1958); see also his *A Bias for Hope: Essays on Development and Latin America* (New Haven: Yale University Press, 1971).

4. Richard Dawkins, *The Blind Watchmaker: Why the Evidence of Evolution Reveals a Universe Without Design* (Essex: Longman, 1986).

5. Jalal Alamgir, “Bangladesh’s Fresh Start,” *Journal of Democracy* 20 (July 2009): 41–55.

6. Thomas Carothers, “The End of the Transition Paradigm,” *Journal of Democracy* 13 (January 2002): 5–21.

7. Martina Björkman and Jakob Svensson, “Power to the People: Evidence from a Randomized Field Experiment on Community-Based Monitoring in Uganda,” *Quarterly Journal of Economics* 124 (May 2009): 735–69.

8. Mahmood Mamdani’s classic *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton: Princeton University Press, 1996) highlights this distinction and its relevance for sustained development in the context of postcolonial African states.