



## **Can development build effective states?**

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### **Introduction**

To start to think through this question, first take a step back and consider the contexts in which ‘aid works’.

One way it can do so is through providing ‘wholesale’ finance on grant or concessional terms to countries with effective states that are already on successful development paths – countries like Vietnam, for instance. Here, aid is a “rocket booster”, that essentially just accelerates a process that is already underway.

Right at the other end of the spectrum, where there are *no* prospects of development any time soon, money is spent on meeting basic human needs in a purely palliative care model – as support to NGOs, as humanitarian relief, or in some cases as direct cash transfers to poor people.

Between those two clear-cut poles, in the in-between space, lie the vast majority of developing countries: the ones that are neither superstars nor basket cases. Here, instead of accepting the status quo (either as ‘on course’ or as ‘beyond hope’), the central challenge is essentially one of *transformation*. And it is this area that is the most contested, least consensual ground in international development.

Many of the so-called ‘progressive’ European donors more or less duck the question of how transformation takes place, preferring instead to concentrate on ‘less political’ agendas like supporting service delivery in health and education. Where they undertake governance work at all, it is likely to be relatively technical, focused on the executive branch of government, and geared towards ‘safe’ areas like public service reform or budgetary processes.

The language of this agenda is explicitly realistic and modest in its aims: one of the buzz-phrases in European donor circles is ‘good enough governance’, an agenda that “directs attention to the *minimal* conditions of governance necessary to allow political and economic development to occur” [emphasis original].<sup>1</sup>

The United States, by contrast, has a far more assertive and ambitious agenda of “transformational diplomacy” aimed at spreading democracy. Condoleezza Rice has defined the objective of the agenda as being “to work with our many partners around the world, to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system”.<sup>2</sup>

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<sup>1</sup> Merilee Grindle

<sup>2</sup> Speech at Georgetown University, 18 January 2006

Here, the emphasis is more political, more focused on the legislative branch, parties and elections, more emphatic about the need to root out corruption, and above all *much* more optimistic about how much external actors can achieve.

### What the US has right

There is much to admire in the American approach, in particular its willingness to take an explicitly **political** approach to development, and its implicit recognition that external actors are, inevitably, always political actors themselves. European donors often seem to promote the idea that they can somehow be apolitical players, and achieve results by limiting themselves to technical areas. Such ideas are either naïve, or dangerously deluded.

For donors are *inevitably* political, whatever they do. If they overlook this, it is all too easy for them to be a force for the worse. Far too many donors are willing to believe the ‘theatre’ played out for their benefit in World Bank-mandated Poverty Reduction Strategy processes, and overlook the real political machinations in the ruling party’s backrooms. As a result, donors can all too easily find themselves propping up systems of patronage that can seed future instability, ethnic discontent or even state failure. Accordingly, the most important tenet of development – one currently honoured more in the breach than in the observance, and not just by European donors – is **first do no harm**.

Another welcome element of the US approach is Condi Rice’s emphasis on the importance on **localising** the US’s diplomatic posture:

“Transformational diplomacy requires us to move our diplomatic presence out of foreign capitals and to spread it more widely across countries... There are nearly 200 cities worldwide with over one million people in which the United States has no formal diplomatic presence. This is where the action is today and this is where we must be.”<sup>3</sup>

Too many European donors, by contrast, are willing to limit their engagement with partner countries to a few ‘reformers’ – i.e. people who think like them – in capitals, and especially in Finance Ministries.

Finally, the US is also right to think (though Rice does not quite say so explicitly) that **skills matter more than money**, at least when the objective is influence as opposed to simply financing service delivery. Spending can be important, yes, but less in a ‘wholesale’ sense (as when donors channel large amounts of money direct to states’ budgets to pay for services) than in a ‘venture capital’ sense where small amounts of money are spent on riskier projects that could, if successful, play a catalytic or demonstration role.

But either way, the skills and incentives that underpin the performance of donor agency staff are far more important than the money. In many ‘progressive’ donors, including the World Bank, what gets staff promoted is the ability to manage programmes and get money out of the door. But when transformation is the aim, the key skills instead become **political analysis** and what might be termed **‘development diplomacy’**: influencing, messaging, agenda-setting, prodding, catalysing.

With that in mind, the announcement of the US of its intention to bring the US Agency for International Development back under direct State Department control is potentially a welcome step, in that practitioners of development and diplomacy both have much to gain from closer integration.

But – *crucially* – such closer integration should not imply that development becomes merely another foreign policy tool with which to pursue the donor’s national interest, rather than the interests of the partner country and its poor. And this is in many ways the Achilles heel of the US approach.

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<sup>3</sup>Rice *ibid*

## What 'progressive' donors have right

While American 'transformational diplomats' will cheerfully roll up their sleeves and plunge into the complexities of politics in developing countries, many European donors fear – rightly – that the US can sometimes not know when to stop.

For the US has never stated clearly where it believes that the limits lie in engagement with other countries' politics; as a result, many countries (including some major powers like China and Russia) are hugely suspicious of the part played by the US in 'colour revolutions' in states like Ukraine, Georgia or Kyrgyzstan. In other words, the US has yet to set out its **theory of sovereignty**. 'Progressive' European donors, on the other hand, have: they say that they will respect "country ownership" in development, and seek to support countries' own policy decisions and development strategies, even if donors still reserve the right not to support plans they think won't work.

More fundamentally, European donors are also more adept at building **trust** because they make it clear that the objectives of their development presence in countries is purely about poverty reduction. The US, by contrast, is perfectly candid that aid is about the national interest; indeed, its last White Paper is actually *entitled* "Foreign Aid in the National Interest".<sup>4</sup> This kind of messaging serves only to increase local suspicions that aid is a tool for pursuing US objectives rather than acting as a real partner, and is not intelligent public diplomacy even if it is good politics at home.

Europeans are right to take a more **realist** approach to development, with a more modest appraisal of how much external actors can achieve. In the last five years, it might fairly be said, Washington has been prone to underestimate the complexities or time-spans involved in the process of statebuilding. The lesson of UN peacekeeping missions over the last two decades is that peacebuilding and state formation take a *long* time, and that perhaps the best that external actors can hope for is creating the conditions in which endogenous change can happen safely.

Can there be an effective synthesis of these two views? Yes. Both agendas have part of the puzzle, but neither is sufficient on its own. External actors *can* help developing countries to 'transform', but offering such assistance is inevitably a highly political process, and the central tenet of such an approach must be to **work with the grain of change** in countries rather than seek to impose it from outside.

This approach can already be seen in some of the best-performing offices of DFID, the UK's international development agency, which has successfully pioneered a system for analysing the "drivers of change" in countries and then seeking to work with that process.

It is also essential to recognise – as the US often seems not to – that there will be **no one-size-fits-all** solutions, including with respect to political systems and economic policies. What works in one country may well not work elsewhere. Democracy may be the endpoint, but it is certainly not the right starting point for many developing countries. The same applies to economic liberalisation. And many of the greatest development success stories of the last 20 years – China, India, the Asian 'tiger economies' – clearly show that in fact, development success depends on no orthodoxy.

Above all, the single most important component of a successful transformation-oriented approach by international actors will be emphasis on **grassroots political culture**. Of course effective institutions are crucial. But on their own, they are not enough. Instead of staying in the comfort zone of institutional capability, donors need also to emphasise the need for such institutions to be accountable and responsive, as the recent DFID White Paper emphasised. And in the longer term, donors need to ask – *far* more thoroughly than they have done to date – how it is that political cultures develop over time, and how they can work with that process.

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<sup>4</sup> USAID, "Foreign Aid in the National Interest"