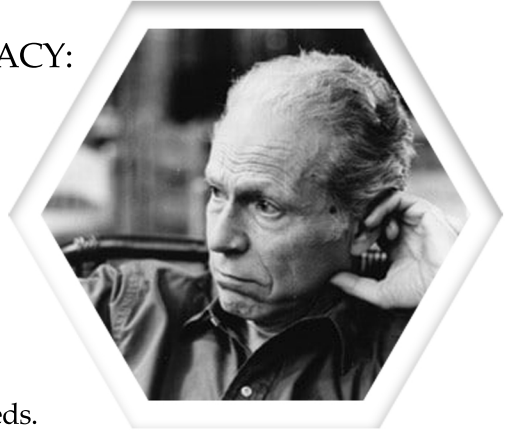


SECOND CONFERENCE ON  
ALBERT HIRSCHMAN'S LEGACY:

## A BIAS FOR HOPE



Luca Meldolesi and Nicoletta Stame, eds.

A COLORNI-HIRSCHMAN INTERNATIONAL INSTITUTE &  
INDEPENDENT EVALUATION GROUP - WORLD BANK GROUP

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Nicoletta Stame and Luca Meldolesi

## Preface

“A Bias for Hope”, the Second Conference on Albert Hirschman’s Legacy (Washington D.C., Oct. 25th-26th 2018), turned out to some extent to be a sort of follow-up to the First, but for the most part it was an entirely new foray. To repeat ourselves as little as possible (as Hirschman would have liked), we refer to “For a Better World”, the First Conference, only for the presentation of the initiatives and their rationale, and we will briefly focus instead on three differences.

First of all, we moved from the Pardee School of Global Studies of Boston University to the Independent Evaluation Group of the World Bank in Washington – that is to say, from an institute of a single country to an international institution representing (and serving) the whole world. And of course, we cannot forget that the World Bank has already had the opportunity on numerous occasions to discuss and put into practice (or dismiss) some of the many ideas of Albert Hirschman.

Inevitably, therefore, rather than presenting an overview of Hirschman’s work, the Second Conference had a prevailing theme – development – that came up again and again in different facets of the discussion and, in its turn, introduced and justified other significant pursuits.

Finally, while the Second Conference was gradually put together and took place in a way quite similar to that of the First, this time we requested (and fortunately, received)

greater collaboration from the participants in the laborious editing of this book.

Actually, the Second Conference confirmed our idea that a robust (and beneficial) “Hirschmanian diaspora” exists in the world today – though, inevitably, it tends to disperse with the passage of time. An aspiration, therefore, of the Conferences on Hirschman’s Legacy that we are convening around the planet is to give this spontaneous Hirschmanian network a chance to get together, confer, and (it is hoped) have its voices heard. From this point of view, our small Institute is simply a Colorni-Hirschman service, an organizer of the free expression of the “Hirschmanian diaspora”.

A participant in the Second Conference observed that one reason it worked was because nobody dominated it. And for people like us, whose dream is to contribute to the long-term abolition of every form of domination/subordination... there could be no better compliment.

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The organization of this Conference involved close collaboration between A Colorni-Hirschman International Institute and the Independent Evaluation Group (World Bank Group). Jos Vaessen of IEG was an invaluable partner, without whom the Conference could not have taken place. We would like also to express our gratitude to the IEG for hosting us so generously and providing a friendly environment for raising issues of common concern.

Sophie Sirtaine

## Welcome to participants

We at the Independent Evaluation Group (IEG) are very pleased to host you at the World Bank. The venue for this conference is not a coincidence. The fact that Albert Hirschman is regarded as one of the great social scientists and development thinkers of the 20th Century, that alone would be enough reason to dedicate an event to discussing his work. As it happens, and as most of you probably know, Albert Hirschman had a special connection with the World Bank.

The relationship between Hirschman and the World Bank was a both productive one but also a contentious one. Productive in the sense that one of Hirschman's seminal works *Development Projects Observed* was in fact based on a study of 11 World Bank projects. In the framework of this study, Albert Hirschman spent quite some time at the World Bank. It was contentious in the sense that at the time, many World Bank staff were not quite so enthusiastic about Hirschman's mode of inquiry and his findings. Toward the end of the 1960s when the book came out, the World Bank was firmly vested in the paradigm of Cost-Benefit Analysis and Hirschman's in-depth qualitative approach to assessing World Bank projects was something novel and quite outside of the reigning paradigm for project appraisal and assessment.

As it turns out, Hirschman proved himself to be a skilled evaluator *avant la lettre*. In his assessment of World Bank projects, he combined empirical observation and in-

quiry with masterful inductive reasoning. While on the one hand he acknowledged and richly described the complexity of development projects in their specific environments, he also identified in a grounded theory sort of approach, many principles of regularity (or in Hirschman's terms, structural characteristics) regarding how projects work (or not). According to Hirschman, understanding the structural characteristics of projects and how these interact among themselves and with society, constitutes the basis for explaining and anticipating success and failure in projects. This modality of case-based theory-driven analysis is closely in line with the work of another Giant, the sociologist Robert Merton, whose work on middle range theories strongly influenced a particular branch of evaluative inquiry called Realist Evaluation, as developed by Ray Pawson and others. At IEG, having outlasted the cost-benefit paradigm (though not completely rejected it), we have learned a lot from Hirschman, Merton and others in developing our approaches to do empirical case-based evaluative analysis to better understand how WBG interventions work.

The title of the Conference "A Bias for Hope", is a typical Hirschmanian expression. It epitomizes an essential feature of Hirschman's perspective on the world: despite many obstacles to development or life in general, there is always cause for hope. *A Bias for Hope* is also the title of the book of essays that follows the three main books by Hirschman on development: *The Strategy of Economic Development*, *Journeys toward Progress*, and *Development Projects Observed*. It concludes 18 years of work by Hirschman on Latin America and development in general.

“A Bias for Hope” is also implicit in “the Principle of the Hiding Hand”, a mechanism Hirschman identifies in *Development Projects Observed*. There are two sides to the Hiding Hand. On the one hand, there is the notion that project planners tend to underestimate the costs and uncertainties regarding a future project. On the other hand, planners also tend to underestimate the human creativity that is likely to emerge when faced with unexpected challenges or obstacles in project implementation. Paradoxically, Hirschman argues, if the full extent of potential obstacles or costs would have been known beforehand, many projects which in the end turned out to be very successful due to human tenacity and creativity, would never have been approved in the first place.

Of course, while *Development Projects Observed* is probably one of the works that is most relevant for the evaluation community, Hirschman’s work goes far beyond the development project perspective. In this regard, it is wonderful to see how his work brings together such a diverse and distinguished group of academics and practitioners. Several of you have been colleagues, friends, or students of Albert Hirschman. In the two days to come you will not only discuss the implications and lessons from Hirschman’s work for the practice of evaluation, or for the practice of designing and implementing policy interventions to the betterment of society, but more broadly, on how to tackle some of the small and big challenges of the turbulent times we live in. With this in mind, the title of the Conference, “A Bias for Hope”, seems to capture rather adequately the spirit in which these discussions should be conducted.

Luca Meldolesi

## ***The Strategy of Economic Development* by Albert Hirschman at its 60th Anniversary**

It is a great honor for me to be here – for at least three reasons:

- because I am received by a section of the UN – the embryo of a world government many people (including Eugenio Coloni and Albert Hirschman) have fought for. Actually, the participants to our Conference and I highly respect the UN, and would like to see it further strengthened;
- because I have the honor of opening up the Second Conference on Albert Hirschman Legacy in this prestigious location;
- and because I will do so after Sixty years from the publication of *The Strategy of Economic Development* by Albert Hirschman (1958) – a land-mark book for all of us.

As you know, in the Thirty Years Anniversary of that book, at a Conference in his honor, early in November 1989 in Buenos Aires, Hirschman came around with a text – “Against one thing at a time” – that was correcting a central theme of *The Strategy*; and, ipso facto, was inaugurating officially a line of thinking that brought him eventually to “A Propensity for Self-Subversion” (1995). Contemporaneously, the Berlin Wall did fall. I was in the panel for an additional Laurea Honoris Causa to Hirschman at the



University of Buenos Aires just the day in which the news of that surprising collapse shocked instantaneously the world over. Inevitably I opened my “laudatio” by saying that that day was a very special one for our “Laureandum” ...

That is to say that, after other thirty years we cannot expect to live today, at this Conference, nothing comparable. Objectively and subjectively, we have to look for more modest outcomes. True, the world has had a significant progress, some problems disappeared, some are less troubling now than before, but many others worsened, and numerous additional ones, previously unknown, came to the fore; and some worrying ones seem to come back. The rise of the radical, nationalist right-wing, normally labelled populist or “sovrانىst”, in many countries is often oblivious of the tragedies of the past. A good reason – it seems to me – to remember them and learn from them. Moreover, the coming back of radical nationalism and of imperialism is often connected to shortcomings of the moderate right, of the center and of the left of the political spectrum. An obvious need for re-thinking and re-furbishing previous policies lies here. Finally, an immense learning problem exists for the people at large – in the Global South and in the Global Nord alike. How to help and equip them to face difficult times ahead? A well-known architect says that people need knowledge and beauty. Should not we try and provide them both?

Therefore, in preparing the Second Conference on Albert Hirschman Legacy, we have asked (and then called in) a distinguished group of intellectuals and operatives of various parts of the world (who share Albert’s inspiration

of connecting the world and of working for improving it) to discuss numerous predicaments and solutions.

And to open up this Conference that (I hope) will be at the same time interesting, profound, stimulating and amusing I will do something simple: I will recall briefly a list of keys, early events in the life of Albert upon which *The Strategy of Economic Development* historically emerged – a research field that has to be properly and thoroughly plowed yet.

- The time, the political choice and experience: Coser (1984).
- The education, Economics, peregrination around European Universities, political activities (the Spanish Civil War, the Trieste period, the French Army, Marseille and Varian Fry), looking for a job.
- Learning of statistics and starting an economic journalist career.
- League of Nations, International trade and *National Power*: the political use of economics.
- Reversal vis-à-vis that use in the Marshall Plan: “follow events of France and Italy”.
- Second MP assignment: schemes of European Payments and the struggle for Europe: key essays still unpublished in English.
- A letter to Rossi Doria on Portici-Naples (1951) and Colombia.
- On top (and not on tap) in planning the Colombian economy.
- Private consultant in Colombia.
- A half-truth on reading and writing.

*The Strategy*, written after 4 years of full immersion in Colombia, was connecting Albert’s new experience in the

South of the world with his previous ones from the North (Europe, Us). And it embodied also a mid-point: Italy. Albert Hirschman came to Florence in October 2002 (seriously ill already), to receive his European Honoris Causa doctorate. He said in that occasion [I quote] "I cannot help but think that some of my basic insights expressed in *The Strategy of Economic Development* where acquired in the course of my first stay in Italy in 1937-38" in Trieste. "The close contact – he added – with Colorni and his thought was to be of major importance for me and for my future ideas". Indeed, a close examination of some of Albert papers on 1947-48 Italy show a surprising connection to *The Strategy* (Meldolesi 2013).

One should not overlook, moreover, the undeniable fact that post-war development economics was daughter and son of the Marshall Plan. In the sense that the success of the latter fuelled analogous expectations for dealing with the Third World problems. It was largely an illusion, but a benign one – as Albert was used to say and write. And the magic of *The Strategy* lies precisely here, in having participated to that beneficial rising tide in favor of development in the developing countries, but without cultivating any illusion, especially the one of a quick fix. I.e.: we celebrate *The Strategy* after 60 years because that chef-d'oeuvre was not at all illusory: its ideas continue to feed our commitment; to be a key aspect of our economic, social, political work around the world.

All this exemplifies our desire of re-visiting various aspects of Hirschman work to improve our intellectual and practical initiatives, always keeping in mind that "a society can begin to move forward *as it is, in spite of what it is and because of what it is*" (Hirschman 1963, p. 6). This is what we

are going to do in this conference. Because I believe that renewing in time this exercise, we can qualify and strengthen our contribution toward a collective incivillimento: i.e. toward more humane, prosperous, free, just and democratic world.

A Colorni-Hirschman approach provides us with an interesting point of view in the confusing (and confused) intellectual and operative world we live in. It offers numerous illuminating concepts to work with, and, therefore, a common language that cannot (and should not) be pigeonholed in any discipline. It is a continuous source of inspiration for thinking and acting for the better. With its vast articulation always opened to new developments, it represents a precious set of instruments for continuous improvements, that can be fruitfully used to complement (and criticize) current literature.

And here, at last, my personal “Bias for Hope” comes in: to do the possible so that, thanks first of all to the younger generations, the 90th anniversary of *The Strategy* will be celebrated in “a much better world” vis-à-vis the one we have today.

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# On Hirschman and Development

Philipp Lepenies

## On Teaching Hirschman

### **Teaching Hirschman is fun, difficult and challenging**

Why teach Hirschman? The simplest answer is because it is fun. I have given courses on Hirschman, his writings and ideas for many years at different universities, to graduate and undergraduate students and in different disciplinary departments. It has always proven to be a rewarding experience. Next to enjoying reading and debating Hirschman in class and to discover, time and again, how students are fascinated with this type of scholarship, making Hirschman part of one's teaching portfolio is rewarding yet in another way. No matter how often one has read Hirschman's texts, you will always find new ideas or overlooked aspects that ideally resonate with contemporary political currents.

However, teaching Hirschman is also difficult. It is difficult because his disciplinary-transgressing approaches and the multitude of different topics covered in Hirschman's works do not lend themselves easily to the usually fairly narrow syllabuses of contemporary mainstream master and bachelor courses in the social sciences – especially as quantitative large-n type of analysis and reasoning seem to be the call of the day. Yet, there is a case to be made that teaching Hirschman is not only fun. It is necessary in the sense that a knowledge of and a reflection on the Hirschmanian approach to research can serve to make good future social scientists even better at what they do or will do



– be it in research, as public administrators or as project managers.

Teaching Hirschman is also challenging. Not because of the texts, theories and concepts themselves, but because of various obstacles that have to be dealt with. First, the question of age. The initial reaction to a syllabus full of Hirschman texts is usually: why bother about books and papers that date back more than half a century? And why care about the research of someone you have never heard of before? So why, in other words, is a course like this at all relevant? Relevant in the sense of the requirements of a specific degree, or in terms of enabling to come to grips with explanations for the socio-economic riddles that surround our current lives? Second, the specific university such a course is given at might not make things easy. In my case, I teach at a tuition-free public mass university. There, a myriad of courses is on offer from which students can choose. At the same time, due to giving in to student claims, tutors and teachers are formally not allowed to control students' regular attendance, making it especially challenging to offer a seminar to which students actually show up consistently over the course of one semester. A third challenge is that my usually overtly left-wing oriented students (nota bene: there is nothing wrong with that....) are eager to learn about topics such as identity politics, post-colonialism, discourse analysis and anything to do with deconstructivism and supposedly post-positivistic scholarship. They are often trained to believe that either you can easily and doubtlessly tell wrong from right, or that universal hybridization and the rejection of metanarratives imply that thinking about coming up with practical solutions to pressing social problems is a priori impossible – or at least a questionable exercise. The combination of

skepticism and practical solution-oriented reasoning which is so characteristic of Hirschman's life and writings does not fit easily with student's presuppositions. All the more exciting to see then, how through the course of reading Hirschman they start self-subverting their own prior crystal-clear "Weltanschauungen." In the ideal case, of course.

### **Framing a course on Hirschman**

To react to these challenges, a teacher of Hirschman's writings has to think about how to frame his or her course. One strategy is not even mentioning Hirschman's name in the course title. Rather than offering, say, a course titled "Albert Hirschman" one can effortlessly devise a syllabus full of Hirschman's texts labelled "Development Strategies and Policies", "The Politics of Transformation", "Project Management", "Policy Analysis", "Methods of Analysis and Problem Solving" or "Institutional Theory." Possibilities are almost endless. In order to keep students on track from the first session onwards, the easiest way is to use the initial introductory meeting to acquaint students with Hirschman's life. This usually does the trick. Not only do few authors of academic texts provide such a fascinating and awe-inspiring biography. Hirschman was, for many years, what many students aspire to being (even those hooked on deconstructivism): an activist, fighting against injustice, inhumanity, populism and fascism, and later a practitioner, actively attempting to work for change and development in the Global South. Albert Hirschman is not the odd, albeit brilliant elite university thinker of modern scholarship who has rarely left the campus. He was somebody with hands-on practical experience in policy making and project management and someone with ideals that

guided his actions (actions in which he risked his life more than on one occasion and in more than one country). And this evokes respect. Even today. All this then adds, considerably, to the fact that even before having read a single of his texts, students, especially in Berlin, the city Hirschman was born, take the bait and at least show an initial curiosity to learn how someone so uncommon to anyone they have been introduced to has actually done academics.

Usually, they are not disappointed.

### **Exposing students to Hirschman's world**

While getting acquainted to Hirschman's unique writings, students, almost effortlessly receive an exposure to the most important social science theories of the 20<sup>th</sup> century – given that many of Hirschman's writings started out as a reaction to prevailing orthodoxies. This is a major serendipitous effect of reading Hirschman and an important value-added of focusing at first glance on one major author.

Then, there are Hirschman's different methods of persuasion. The crucial one, obviously, is disciplinary trespassing. If anyone needs to be convinced that multidisciplinary is a good idea, then reading Hirschman is the thing to do. And his trespassing was not limited to economics and politics or to any other *social* science. The originality of his trespassing stems from combining the humanities, and even biology, anthropology and psychology with economics.

Most importantly, however, it was his belief that literature and poetry – preferably written in one of the major European languages – had many an insight that a

social scientist could put to use. If one is and stays curiosity-driven, important insights on human nature can be found anywhere, even or especially in books or other outlets of cultural production. This is one lesson students will learn.

Consequently, Hirschman was a master of words and stylistic brilliance. His in-depth knowledge of other languages showed him, already during his time as a student at the francophone *Französisches Gymnasium* in Berlin-Tiergarten, that concepts and terms, once translated, could mean not only different things to different people, but also evoke different reactions from one context to another. Students learn that mastering other languages is not only a good thing when travelling during the gap year, but obviously good for research as well. Additionally, but closely linked to the issue of writing and of mastering foreign languages, Hirschman's interpretative style, borrowed from the anthropology of Clifford Geertz not only underscores the usefulness of thorough qualitative case study analysis. In different local contexts than one's own, this can only be done successfully if one understands what people say, what they have to say and how and why they say it.

Next, Hirschman deliberately wanted his ideas to appear commonsensical at first glance, especially by devising catchy names for concepts and theories. Their complexity, ingenuity and depth is revealed only later when one tries to explain or grasp the notions that had appeared so easy to understand first. These are important lessons in terms of outreach and communicability of academic findings and positions.

## Hirschman as a teacher

In a positive sense, Hirschman is pedagogical. He explains well and clear. But he also shows sympathy and empathy. He takes other people seriously. His fieldwork underlines that he had followed the mantra “sit down, listen and learn” much earlier and intuitively long before it become the slogan of development critics in the 1990s.

Another major method of persuasion is Hirschman’s obvious positive outlook on humanity. His possibilism is a “Bias for Hope.” His approach is not driven by ideologies. It shows that problem-solving can be done on a step-by-step basis. A basic prerequisite, then, is to learn to see the utility in what you have at hand, not what others might tell you that you need. It is more useful to look for what is there than for what is missing. Hirschman teaches to sensitize oneself to perceive change. In a way, Hirschman’s possibilism anticipated many of the overhyped findings of cognitive psychology and happiness research. Reading Hirschman, then, can help your students save money spent in hours of therapy. And his disciplinary trespassing is also an exercise in Lévi-Straussian *bricolage*. Take insights from where you can and build them together! But this presupposes that you are open to anything that might be helpful and use it. It is exactly this approach which students in monodisciplinary degrees are told NOT to follow.

In one of his late and more autobiographical and self-reflective pieces, Hirschman once characterized his approach as parting from Sporting Life’s motto “it ain’t necessarily so” taken from Gershwin’s opera Porgy and Bess. This very clearly describes his skeptical reaction to prevailing mainstream theories and ideas. Reflecting on how Hirschman has made use of this motto teaches students

that skepticism might be useful and helpful. And in the case of Hirschman, this skepticism can be the foundation of alternative interpretations of socio-economic phenomenon rather than just mere alternative-free deconstructivist arguments of negation. In economics departments, in which generations of students are often taught merely to copy macro- or microeconomic models from those authors that the professors deem praiseworthy and are asked to recall these models in detail in their final exams, nothing could be more heretic than instilling in students a grain of skepticism through the mantra of “it ain’t necessarily so.”

Hirschman also teaches that believing in modernization is not automatically a bad thing. Nowadays, the 1950s modernization theory is held to be outdated, Euro- if not Western-centric and too paternalistic in its belief of a necessary universal linear convergence. It seems to be and is often portrayed as ridiculously outdated. Rostow, but also scholars like Lipset and Lerner come into mind. Hirschman, however, belongs to the often-overlooked generation of modernization authors whose reason to believe in processes of world-wide modernization (in the sense of democratization and prosperity) is not shaped by a Cold-War sparked desire to justify and idolize American capitalism and geopolitics. It was shaped by the first-hand experience with the chaos, brutality and tragedy of the first decades of the 20<sup>th</sup> century in Europe. And it was equally shaped by personal experiences of emigration and escape before finding a safe haven either in the United States or in Great Britain. It was shaped by the desire that, through adequate measures, the future could be made brighter, worldwide. Yet, although the general aspiration of working for a better tomorrow was the guiding principle for Hirschman and many others, his take on change and inducing change was

decidedly different than in those of the most prominent voices of modernization of his times. In one of his texts he spoke of “the right to a non-projected future” of all peoples, implying that although change was desirable and deliberate actions had to be taken to induce it, this was a far cry from the universal and often externally devised blueprint modernization or development approaches that characterized and still underlie many current development efforts. Possibilism in the sense of Hirschman is not merely based on the locally possible, but also on what “locals” and not on what “visiting economists” desire. This, indeed, is a very “modern” approach. Hirschman’s search for “pacing devices” for “endogenous forces of recovery” or for “built-in modifiers or remedies” all allow for inducing locally adapted change – change in the sense of modernization, in the sense of making the world a better, more humane place in which the horrors of the 20<sup>th</sup> century hopefully will not repeat themselves. It is in this sense that modernization becomes not only justified, but almost an ethical imperative. Even today. Or even more importantly today than ever.

Alas, Hirschman was and too often is viewed as an academic maverick. A scholar highly appreciated by many, but who seems to have fallen between the chairs as the German saying goes. In the numerous obituaries that were published upon his death, he was described by some as a sociologist, others called him a political scientist, others yet a historian and very few outright called him what he himself through his training rightly thought himself to be: an economist. In today’s highly competitive academic world, in which academic quality is often reduced to either the amount of third-party funding a scholar can generate for his university or to the quantity of papers published in

supposedly A-ranked professional and monodisciplinary (if not mono-methodological) journals, a world in which there is a clear understanding within the various disciplines as to what methods and what topics are worth being subject of a tenured position, one experiences very little tolerance or openness towards the multidisciplinary, interpretative, and often qualitative scholarship of Hirschman (see, for instance the ridiculous critique of the Hirschmanian "Hiding Hand" that surfaced a few years ago).

Essentially, attempting to emulate Hirschman might make you a better public administrator, it might help you with project management - be it in development or in any other form. But it might prevent you from embarking successfully on a university career. Maybe, by teaching Hirschman, and this would be my final reason for doing so, the goal of the teacher should be to work, step by step, to enlarge the base of students and thus of future decision-makers and hopefully academics whose exposure to Hirschmanian scholarship will equip them with a broader tolerance toward disciplinary trespassing.



Osvaldo Néstor Feinstein<sup>1</sup>

# Uncertainty as Opportunity. A Hirschmanian Positive Approach to Uncertainty

## Introduction

The usual approach to uncertainty in economics is to reduce uncertainty to risk. Uncertainty is perceived as a negative factor that should and can be eliminated. As Daniel Ellsberg recognized, there is “uncertainty aversion”.

An alternative approach does not reduce all uncertainty to risk. It acknowledges that uncertainty is in some situations irreducible. That it corresponds to situations in which there is a lack of knowledge, that “we just do not know”, as Keynes put it in his 1937 QJE article. Some years earlier, Frank Knight also wrote about uncertainty as situations where no actuarial calculation is possible. Fast forward and we find G.L.S. Shackle’s “unknowledge” and the work of Mervyn King, former governor of the Bank of England, who stressed the importance of “radical uncertainty” (King, 2016)<sup>2</sup>. The attempts to quantify uncertainty using various causal inference methods and Bayesian perspectives only applies to situations in which

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<sup>1</sup>Very useful critical comments from Robert Picciotto on an earlier version are most gratefully acknowledged.

<sup>2</sup>A review essay on King’s book, including a section on the the role of radical uncertainty, was published in the September 2018 issue of the Journal of Economic Literature, Farmer (2018). Furthermore, John Kay and Mervyn King plan to publish a book in 2019 on “radical uncertainty”, as reported in Kay (2018).

the list of possible events or their antecedents are known. But in a context of “radical uncertainty” the possible events are unknown, so it does not make sense to estimate their probabilities<sup>3</sup>

Schematically,

Table 1: Knowledge concerning future events and their probabilities

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- I) Knowing the events and their probabilities  
EVALUATED RISKS
  - II) Knowing the events but not their probabilities  
UNEVALUATED RISKS
  - III) Not knowing the events and their probabilities  
UNEVALUABLE RISKS (RADICAL UNCERTAINTY)
- 

In case I) both events and their probabilities are known. It corresponds to situations that allow risk management. Case II is the province of risk analysis, and it corresponds to situations in which the list of possible events is known, but their probabilities are unknown. There are different ways in which those probabilities can be estimated, and their causes identified, as for example Bayesian networks<sup>4</sup>.

Finally, case III) which is the most interesting from a Hirschmanian perspective, refers to situations in which surprises that cannot be anticipated are inevitable<sup>5</sup>. Such

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<sup>3</sup>See a recent application of “radical uncertainty” in Sercovich&Teubal (2013).

<sup>4</sup>As shown by Pearl (2018); see also Ross et.al. (2013).

<sup>5</sup>There may also be surprises that can be anticipated. Morrell (2010) shows how to deal with such surprises (although it may be argued that an “anticipated surprise” is a contradiction in terms).

uncertainties correspond to unknown unknowns: they “flow from the existence of possibilities not even imagined and which therefore cannot be the subject of probability judgments” (Faulkner et.al., 2017).

However, this alternative conception of uncertainty tends to be ignored because of a pervasive fear of the unknown and a mistaken belief that sophisticated methods can model all possible futures. This common disposition reflects the ‘rage de conclure’ identified by Hirschman as a major constraint to the design of sensible policies. It wrongly assumes that radical uncertainty can be eliminated. “Uncertainty aversion” prevails.

This paper proposes a Hirschmanian “subversion” or inversion of that view, showing the positive dimension of uncertainty, i.e. uncertainty as opportunity. Thus, it replaces a bias for despair with a bias for hope, as implied by Hirschman’s ‘hiding hand’, showing how a positive frame of mind can unleash creativity and tap human potentialities that were hidden from view at the initiation of a bold social intervention.

## **The negative perspective on uncertainty**

Uncertainty is frequently perceived as a negative influence on investment and, therefore, on employment, growth and profits. Consequently, policy prescriptions are geared towards minimizing uncertainty<sup>6</sup>. This reduces the scope for entrepreneurial (public and/or private) initiatives that may lead to the generation of exceptionally high rewards.

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<sup>6</sup>An example is Halperin (2017).

## A shift in perspective

Although unexamined uncertainty is a negative factor, acceptance of the limits of knowledge in situations of radical uncertainty presents a positive dimension that should not be neglected<sup>7</sup>. It is the uncertainty that corresponds to an “open universe” in which not everything is determined, where there is a practically infinite number of possibilities that can be harnessed for the public good (even though many possibilities may not be feasible, it is in the nature of infinite sets that infinite minus infinite remains infinite!). The limits are in the imagination of decision makers (and their advisors). This perspective corresponds to “possibilism” (Meldolesi, 1994), a Hirschmanian perspective on how to approach the world.

## Hirschman’s approach to uncertainty and Colorni’s influence

Jeremy Adelman pointed out that “what Colorni conveyed was a sense that certitude need not be a precondition for constructive action (...) Eugenio /Colorni/ had an intellectual style that took nothing for granted – with only one exception, his doubts. It was “the only sure thing” (Adelman 2013, p.116). Adelman then adds: “Doubt is not the same thing as uncertainty, though it sometimes passes for it. Uncertainty means that you think you may be wrong; doubt means you are not sure you know. The first makes you less confident: the latter does not. Thus, Colorni

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<sup>7</sup>Formally, the distinction between positive and negative uncertainty could be expressed as  $U > 0$  positive uncertainty,  $U < 0$  negative uncertainty. Whereas probabilities cannot be lower than 0 and have an upper bound (1), these restrictions do not apply to  $U$ .

believed that doubt was creative because it allowed for alternative ways to see the world”.

Applying Colorni’s intellectual style, one can doubt that the distinction between doubt and uncertainty makes sense and consider that the creative role of doubt also applies to uncertainty. In fact, as Adelman himself indicates, two Hirschmanian principles are the impossibility of complete knowledge and embracing uncertainty (Adelman, p. 450).

### **Development projects and Hirschman’s perspective on uncertainty**

The title of one of the five chapters of Hirschman’s *Development Projects Observed (DPO)* is “Uncertainties”. It is the longest chapter of the book. The following are some of Hirschman’s insights concerning uncertainties which the reader of that book can harvest<sup>8</sup> :

- i) There are supply and demand uncertainties.
- ii) Demand uncertainties (especially the danger of insufficient demand) have always received considerable attention.
- iii) Supply uncertainties, technological and administrative, have not been adequately acknowledged and mapped out.
- iv) Think in terms of an optimal mix of the various uncertainties.
- v) Even if eradication of uncertainty were possible it would not be desirable, for the dangers that threaten when uncertainty is high usually have a counterpart

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<sup>8</sup>Hirschman (1967), chapter 2.

in the correspondingly high payoff that accrues if they are overcome.

For Hirschman development projects are “privileged particles of the development process”<sup>9</sup>, so focusing on development projects can yield insights on the development process.

Furthermore, the “mechanism” through which uncertainty may have a positive role in development is encapsulated in the “hiding hand” principle: “since we necessarily underestimate our creativity, it is desirable that we underestimate to a roughly similar extent the difficulties of the tasks we face so as to be tricked by these two offsetting underestimates into undertaking tasks that we can, but otherwise would not dare, tackle”. (*DPO*, p.12).

The attempt to test the empirical validity of the “hiding hand” by Flyvberg (2016) led to a recent controversy with several rejoinders<sup>10</sup>. Flyvberg argued that the principle is a fallacy, rejected at a very high level of statistical significance. However, he reduced the principle to the statement that “ignorance is good in planning”. In their rejoinder to Flyvberg, Room (2018), Lavagnon (2018) and Lepenies (2018) provided several arguments to dismiss Flyvberg’s test. In his response to the critics, Flyvberg (2018) acknowledges that the Hiding Hand exists, and he

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<sup>9</sup>Hirschman (1967), p.1.

<sup>10</sup>The set of articles discussing the statistical test of the “hiding hand” principle were published in the March 2018 issue of *World Development*: Room (2018), Lavagnon (2018), Lepenies (2018) and Flyvberg (2018). An earlier critique of the use of a la Flyvberg of significance statistical test is presented in Ziliak & McCloskey (2008).

estimates that it operates in one fifth of projects<sup>11</sup>. So, although the Hiding Hand is not "typical", its frequency offers scope for major development opportunities.

In fact, the Hirschmanian view of uncertainties is consistent with the possibilist thesis that helps transform uncertain situations into opportunities for development <sup>12</sup>.

## **Practical implications of the positive approach to uncertainty**

Whereas the initial reaction to Hirschman's *Development Projects Observed (DPO)* was not at all enthusiastic at the World Bank<sup>13</sup>, after some years Hirschman's book and approach became an important reference; for example, Jim Wolfensohn, while being World Bank president in the 90's praised *DPO*, mentioning that it was one of the books that he found more important <sup>14</sup>. And one of the key themes of that book is that in development there are positive surprises due to the inevitable uncertainty that is inherent in project design and implementation.

This section of the paper will consider practical implications of the positive approach to uncertainty, including some innovations based on it. In contexts characterized by uncertainty, rather than trying by all means and at high

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<sup>11</sup>Flyvberg refers to the "benevolent" and "malevolent" hiding hand; it should be noted that more than 20 years before Flyvberg, R. Picciotto referred to the "providential" and the "dysfunctional" hiding hand; Picciotto (1994 b).

<sup>12</sup>On Hirschman's possibilism, see Meldolesi (1994).

<sup>13</sup>See Alacevich (2012) and Adelman (2013).

<sup>14</sup>Soon after J. Wolfensohn became World Bank president, he approved a new project cycle (created by R. Picciotto), which is compatible with A. Hirschman's approach, and two new lending instruments (LILs and APLs). See below footnote 15 and the paragraphs on learning and innovation loans (subsection b).

cost to eliminate or diminish it is worthwhile to consider and/or imagine positive possibilities provided by that context which may allow to introduce social welfare enhancing innovations.

Using an analogy from how to deal with climate change, it makes sense to consider not only mitigating actions or strategies but also adaptation initiatives. So uncertainty may be considered, at least in some cases, not as a threat or liability but as an opportunity which through a creative response may lead to a valuable transformation through a better allocation of resources. This suggests a far closer link between monitoring and evaluation and it also confirms the relevance of real-time learning (discussed below, subsection c).

a) Shifting resources from the design to the implementation phase. In the development context and for innovative projects and/or programs, rather than allocating an important proportion of resources to reduce uncertainty through commissioning studies before implementation, an alternative is to shift resources to the implementation phase so that adjustments can be facilitated as the intervention unfolds and more information becomes available on both processes and results.

b) Learning and innovation loans. This alternative approach was implemented by the World Bank in the 90's in a set of projects and programs called "Adaptable program loans" (APLs) and "Learning and Innovation Loans" (LILs). APLs provide phased support for long-term development programs. They involve a series of loans that build on the lessons learned from the previous loan(s) in the series. Special design features of APLs involve agreement on (1) the phased long-term development program supported



by the loan, (2) sector policies relevant to the phase being supported, and (3) priorities for sector investments and recurrent expenditures. Progress in each phase of the program is reviewed and evaluated, and additional analysis undertaken as necessary, before the subsequent phase can be initiated.

Learning and innovation loans (LILs) supported small pilot-type investment and capacity-building projects that, if successful, could lead to larger projects that would mainstream the learning and results of the LIL. LILs do not exceed US\$ 5 million and were normally implemented over 2 to 3 years—a much shorter period than most Bank investment loans.

All LILs included a monitoring and evaluation system to capture lessons learned. LILs were used to test new approaches, often in start-up situations and with new borrowers, and/or to test institutional capacity and pilot approaches in preparation for larger projects, support locally based development initiatives, and launch promising operations that require flexible planning, based on learning from initial results<sup>15</sup>.

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<sup>15</sup>Brixi, Lust & Woolcock (2015). These types of loans, and a new project cycle compatible with Hirschman's views, were conceived by Robert Picciotto. See Picciotto & Weaving (1994a). However, the processing of these loans was subject to similar requirements as for normal loans (whose amount frequently was more than 20 times higher), so the product innovation was not implemented with process innovations, and therefore the high cost for this type of loan negatively affected its uptake. In a 2014 IEG report *Learning and Results in World Bank Operations: How the Bank Learns* the evidence from a staff survey does not show LILs as an effective instrument for learning although what is striking (but consistent with what was indicated before concerning the cost per loan) is that LILs were by far the instrument less known. See [http://ieg.worldbankgroup.org/sites/default/files/Data/reports/chapters/learning\\_results\\_appendix.pdf](http://ieg.worldbankgroup.org/sites/default/files/Data/reports/chapters/learning_results_appendix.pdf)

c) Evaluation as a source of real-time learning. In order to generate systematic information and insights during implementation of interventions, particularly innovative interventions in high-uncertainty contexts, evaluation activities can play a key role. Through the review of processes and emerging results observed at the implementation stage, interventions may be redesigned or optimized to enhance their effectiveness. Even though it is important to ensure “quality at entry” (i.e. at the design stage<sup>16</sup>) there are limits on the extent that this can be done ex-ante, so the information provided by evaluation during implementation complements and refines the design process, thus allowing to tailor better the intervention and its implementation to the context <sup>17</sup>.

It is worthwhile to notice that a similar argument applies to innovation in general, given that uncertainty prevails in innovation and a dynamic monitoring and evaluation of innovation policies is needed <sup>18</sup>.

d) Problem driven iterative adaptation (PDIA) A new approach to development emerged in recent years, PDIA, which acknowledges its link to Hirschman’s DPO<sup>19</sup>. “Rather than “selling solutions” (or a “tool kit” of universal “best practices” as verified by “rigorous evidence”) we proposes strategies that begin with generating locally non-

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<sup>16</sup>There are situations where critical ex ante decisions are irreversible and can have very negative even life-threatening effects. In such cases ex ante quality at entry matters hugely, i.e. it does make sense to reduce uncertainty to the full extent possible.

<sup>17</sup>Feinstein (2012) and Feinstein (2018). Also, cfr. Picciotto (2015) and Patton (2011), whose developmental evaluation is well suited to promote learning during implementation.

<sup>18</sup>See Mazzucato (2018) and Mazzucato (2017).

<sup>19</sup>Andrews et.al. (2017).

inated and prioritized problems, and that work iteratively to identify customized “best fit” responses (sometimes by exploiting the existing variation in implementation outcomes), in the process working with an expanding community of practice to share and learn at scale. We call this approach problem-driven iterative adaptation (PDIA). We are very conscious that others before us and around us today have articulated similar diagnoses and prescriptions (...) it’s the second word—not the first or final word—on a long journey of discovery”.

## **Conclusion**

Whereas the most frequent approach in dealing with uncertainty is to reduce it to risk, trying to minimize it, an alternative approach that can be linked to Colomi and Hirschman is to perceive uncertainty as an opportunity to be seized to transform (rather than to adjust to) reality. This subversion of the traditional approach to uncertainty requires policy-makers and researchers to apply their imagination and knowledge to discover the possible and contribute to make it happen by embracing rather than rejecting uncertainty.

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Nicoletta Stame

## **Some observations on Hirschman's production line on projects and programs**

*Development Projects Observed* (DPO, 1967) is not the only place where Hirschman dealt with projects. He had already touched on the topic at the end of *The Strategy of Economic Development* (*Strategy*, 1958), and in the "Study of Selected Bank projects. Some interim observations" ("Study", 1965). He would then take it up again in "Foreign aid, a critique and a proposal" (1971) and in *Getting Ahead Collectively* (GAC, 1984). A vast group of essays in which he came back to and refined his original ideas.

### **Hirschman's "cognitive style"**

I believe that in dealing with projects Hirschman offered an example of his cognitive style, something that he acquired in his junior partnership with Eugenio Colomi, and which he worked out during the course of his life.

At the beginning of *The Strategy* (p. v), quoting Whitehead, Hirschman states that "the elucidation of immediate experience is the sole justification of any thought; and the starting point for thought is the analytic observation of components of this experience" combined with disagreement with prevailing doctrines.

As Colomi had taught him, observation comes from surprise, "an insight he considered worth probing. (...) Of

course, preliminary observations are never out of context; they are a part of an appraisal of concrete reality, and of the state of the art. But it is the 'capacity of being surprised which is important'. This is what engenders research (...) and what provides the drive for the author to analyze the initial perception in depth and come up with generalizations" (Meldolesi, 1995: 46).

Thence come two consequences. First, Hirschman never entered into structured debates. When he was dealing with a topic which, beyond being of interest to him, was the object of controversy, he did not opt for one side vs. the other, nor try to make them converge on a third against the two, but contributed laterally, presenting his own take, which derived from some of his more general concerns.

Second, and related, Hirschman persevered in developing his own thinking: from the original surprise (based on unexpected consequences: blessing in disguise, inverted sequences, cognitive dissonance etc.) he moved to new discoveries, tested them for refinement in different areas, and eventually, if necessary for qualifications and limitations, ended up in self-subversion." The talent I have is not just to come up with an interesting observation; it is more a question of going to the bottom of such an observation and then generalize to much broader categories. I suppose that this is the nature of theorizing" (Hirschman, 1990: 156).

## **Never accepting structured debates**

In dealing with development projects Hirschman encountered two debates: projects vs. programs; qualitative vs. quantitative analysis



## **The structured debate on projects vs. programs**

In the fifties at the World Bank there was a debate about whether to continue financing projects or to start financing programs. The dilemma was: projects or programs?

“Projects” meant financing a specific intervention. Supporters of projects criticized programs that might touch macroeconomic issues, end up favoring some groups rather than others, and become useless or redundant (Hirschman, 1971).

“Programs” meant a criticism of the limits of the effectiveness of single projects. Supporters of programs proposed taking into account a complex set of factors. For instance, Currie (1950: 5) maintained that “it appears essential that the attack on the problem be incorporated in a comprehensive, overall program that provides for simultaneous action on many fronts. Economic, political and social phenomena are so inter-related and interwoven that it is difficult to effect any significant and lasting improvement in one sector of the economy while leaving the other sector unaffected”.

The WB favored a compromise: it preferred “to base its financing on a national development program, provided that it was properly worked out in terms of projects by which the objectives of the program are to be attained” (Alacevich, 2009: 81).

### **Hirschman’s take on projects**

Hirschman first dealt with projects and programs in the last chapter of *The Strategy*, in the section “The role of foreign capital and aid”, where he considered foreign aid (both projects and programs) in the light of its contribution

to economic development, as analyzed in the previous chapters.

Then, he proposed to the WB that he visit a selected group of projects. So he indirectly showed his interest in projects, but for reasons linked to his own way of thinking, different from those acknowledged in the debate. It was not because they were simple and easy to manage, but for the sake of specific discovery. As Hirschman states in *DPO* (p.1): “the development project is a special kind of investment. The term connotes purposefulness, some minimum size, a specific location, the introduction of something qualitatively new, and the expectation that a sequence of further development moves will be set in motion. (...) Privileged particles of the development process, and the feeling that their behavior warrants watching at close range led to the present inquiry”.

This definition of projects indicates both his interest in forward and backward linkages, and the reasons for this type of case study. In fact, while some projects may come close to the idea of a blueprint, other projects “imply lengthy ‘voyages of technical and socio-economic discovery’ ” (“Study”: 3). This distinction is further elaborated in *DPO* (p. 32) where Hirschman distinguishes between, on the one hand, projects that come close to the concept of “a set of blueprints, prepared by consulting engineers, which, upon being handed to a contractor will be transformed into three-dimensional reality within a reasonable time period”<sup>20</sup>, and, on the other hand, projects that are “of a complete different nature”, are “affected by a high degree of ignorance and uncertainty where ‘project implementation’

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<sup>20</sup>See Rondinelli (1993)’s critique of the blueprint approach to evaluation.

may often mean in fact a long voyage of discovery in the most varied domains, from technology to politics”.

Thus, working on a reduced scale and on a story offered a better understanding of a complex situation and contributed to the discovery of new tendencies. “Immersion in the particular proved, as usual, essential for the catching of anything general, with the immersion-catch ratio varying of course considerably from one project to another” (*DPO*: 2). In fact, looking at the small-scale through the lens of possibilism and pluralism and generalizing at the middle range helps reveal that there are more alternatives than expected, and it makes people feel freer, both in analysis and in action.

On the other hand, Hirschman (1958: 208) admitted that if “project lending and direct investment serve a most useful purpose” [unbalancing], “there is a need for general balance of payments assistance on a stand-by basis” [balancing] as it is impossible to foresee how fast the pressures which a country’s economy will experience in the course of its development will result in the appropriate domestic resource shifts.

### **Hirschman’s take on programs**

In “Foreign Aid” Hirschman dealt openly with the alternative of projects vs. programs; in fact, the article is a criticism of programs, of their “largely neglected political implications and side effects” (1971: 200): again, a criticism not moving along traditional lines.

Hirschman is concerned with the asymmetric position (a “semicolonial situation”, p.207) between donor and recipient, as shown by the type of bargain they enter into in

either case. With projects, the recipient country “substitutes to some extent the donor’s investment preference for its own in so far as the use of aid funds is concerned (...). Nevertheless, the aid permits the country to achieve a position in which it is unequivocally better off than without aid” (p. 200-1). With programs, on the contrary, “the donor may require that the recipient country change some of its ways and policies as a condition for receiving the funds” (p. 200). Hence, the program will be attacked by the circles being hurt, who will present it “as being damaging to the national interest as they define it” (p. 203).

Then Hirschman’s criticism of programs takes a different turn, and brings to the task some of his cherished tools:

*Doubt and irony.* “For the commitments entered into in the course of the program-aid negotiations to be faithfully adhered to, the recipient government ought to be so convinced of the correctness of the politics to which it commits itself that it would have followed these policies even without aid” (p. 204). In this case, the donor would reward virtue, hardly its aim. More often, instead, “aid-hungry governments” will enter the bargain for more mundane reasons, and reservations and resistance will soon materialize in “half-hearted implementation or sabotage of the agreed-to policies”.

*Cognitive dissonance and latitude.* Once the recipient country has committed itself to the bargain, it may convince itself that it has done it for the national interest (cognitive dissonance). But this will not happen evenly. Certain types of policy commitments, such as specific monetary and exchange rate measures, “are highly visible, verifiable, measurable and at their best irreversible”, therefore they offer less latitude in implementation, and are less prone to

sabotage. Here cognitive dissonance works better. Other economic and social policies (privatization, land reforms, etc.), that have more latitude in implementation, may be “rendered inoperative through bureaucratic harassment or through lack of administrative energy”. In this way “less and less attention is paid to economic growth and social justice, supposedly the principal objectives of aid” (p. 207).

*Hidden rationalities.* The recipient country may react to having signed a contract that it feels has put it in a subordinate position. It may, for instance, not feel obliged (contrary to the donor’s expectation) to follow the donor’s lead in international politics issues. It may deem questionable the donor country’s claim of superior knowledge when even in the latter’s case the suggested policies may have run into problems. Hirschman concluded by saying: “the explicit or implicit conditioning of aid on changes in politics of the recipient countries should be avoided (...) [and] elaborate arrangements should be made to divorce the exchange of opinions about suitable economic policies from the actual aid-giving process” (p. 211).

However, Hirschman’s attitude toward programs must be understood in the context of his comments about the “two functions of government: planning and experimenting”: “Once development plans have been introduced (...) it is likely that several elements of the plan have to be radically revised. (...) [It is important to] make clear which projects are final and which require further research” (Meldolesi, 1995: 52).<sup>21</sup> In *The Strategy* (1958: 205) the point

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<sup>21</sup> Note the difference between this and the WB’s position mentioned above. Here it is not a question of optimal combined planning of programs and projects, as with the WB, but of planning (programs) and experimenting (in the implementation of projects, which will require looking at the unexpected).

is further elaborated: “the contemporary fashion of drawing up comprehensive development plans or programs is often quite unhelpful. For the very comprehensiveness of these plans can drown out the sense of direction so important for purposeful policy-making. A plan can be most useful if, through its elaboration, a government works out a strategy for development. While the choice of priority areas must of course proceed from an examination of the economy as a whole, it may be best, once the choice is made, to concentrate on detailed concrete programs for these areas, as in the first Monnet Plan for France’s post-war reconstruction”.

### **The structured debate on qualitative vs. quantitative analysis**

The opposition is generally seen as that between “big n and generalizability” (quantitative, nomothetic) and “small n and specificity” (qualitative, idiographic). Quantitatives generalize by drawing averages on given variables/indicators (comparing apples with apples and oranges with oranges), which, according to qualitatives, misses important information that may exist at the margins (positive deviance). Qualitatives go into depth in specific cases, which, according to quantitatives leads to subjectivity.

Currently there is a tendency to overcome the hiatus between qualitative and quantitative methods with mixed methods approaches, which means devising research designs that combine different types of research, in order to complement reciprocal limitations.

Hirschman’s navigation between the poles of this opposition suits his own intention of finding possible paths for development. In *DPO* and *GAC* Hirschman carried out a

kind of field work on a small number of different cases, with the aim of drawing some kind of generalization (middle range theories).

### **Hirschman's take on qualitative vs. quantitative**

Hirschman believed that looking at development on a small scale (the particles of development – that is, projects) would have allowed the “catching of anything general” (1967: 2). To this purpose, he devised an original way of doing field work, which was based on interesting stories that allow comparative case studies and was therefore different from traditional case studies and qualitative analysis in general. At the same time, it was presented as supplementary to the quantitative methods utilized by the WB. In any case, what we now understand as a mixed methods research design would not have fitted his purpose.

In the case of projects, his way of “going to the bottom of an observation” was somehow different from that of other production lines of his. It is not simply a question of turning to other domains of inquiry (as he did, for instance, in *Exit, Voice, and Loyalty*). Here it is a matter of exploiting the opportunity to go to the field and get into contact with real situations <sup>22</sup>, which was offered to him when the World Bank or the Inter-American Foundation asked him to conduct an evaluation <sup>23</sup>. The closer contact with the actors in development (the people fighting for their

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<sup>22</sup>In *GAC* (p. vii) Hirschman says: “It was not part of my intention to ‘evaluate’ the Foundation and its work. I simply used it as a convenient means to access the ‘grassroots’ and wish to thank it here for letting itself to be so used”.

<sup>23</sup>In fact, his relationships with the two agencies were different: the WB wanted him to do a traditional evaluation and was not satisfied with his Interim report (the Study); the IAF wanted him to do exactly the kind of research that he had in mind and came out as *GAC*.

“private or public happiness”, GAC) and with the operators of the international agencies<sup>24</sup>, which he experienced in these cases (and is reflected in “Study”, DPO and GAC), made him aware of the many existing alternatives for dealing with problems and how to expand the possibilities for development. This was something he could not have perceived in the role of adviser to the planner (in *The Strategy*, as opposed to DPO), of policy-making analyst (in *Journeys toward Progress*), nor even in elaborating on his own observations (in *Shifting Involvements*, as opposed to GAC).

His intention to look at how people were able to find solutions to problems had been clear beginning with his selection of projects to visit: they had to have run into problems<sup>25</sup> and be “diversified with respect to economic sector and geographical area” (1967: 2). Then he proposed to analyze them in depth, on the spot, meeting the people concerned with their implementation, beneficiaries and other concerned people (the importance of on-the-spot knowledge) (1965: 6), in order to clarify what problems they had encountered and how they had addressed them. That is why he needs to deal with a small number of cases (so as to be able to look at them in depth), but ones that are

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<sup>24</sup>For instance, going into the field allowed him access to the kind of knowledge that country officers have of “the general political situation in countries for which they are responsible (...) and the specific political and interest group constellations around a given project. This knowledge can only be acquired by on-the-spot inquiry”. Moreover, since “it is actually absorbed by the engineers and economists involved in project appraisal and later on in progress reports” Hirschman’s suggestion is to “seek this knowledge out more systematically and to bring it to bear on project appraisal and supervision”. (“Study”: 6). This led him to work out his thoughts on uncertainties, and on the centrality of side effects.

<sup>25</sup> But then he realized that “all projects are problem-ridden; the only valid distinction appears to be between those that are more or less successful in overcoming their troubles and those that are not” (DPO: 2).



so diversified as to shed light on the variety in which uncertainties can be handled.<sup>26</sup>

In other words, he was not interested in how a single project fared, as in a traditional case study, but rather, beginning with the uncertainties that each project faced, he was able to contrast the different ways the individual projects – as different as their “personality profiles” were – tackled them. And thus to draw lessons for development.

At the same time, it was a way of distancing himself from the nomothetic search for prerequisites / obstacles that plagued development studies. In *DPO* (1967: 4) he states: “My purpose was not to establish for all projects general propositions that would almost certainly be empty, but to inquire whether significantly different experiences with projects might be traced to what, for a want of a better term, may be called their ‘structural characteristics’ ” (intended here as technological attributes and organizational or administrative properties).

Nevertheless, his original way of conducting case studies and qualitative analyses was presented as complementary to the “scientific determination of projects (which is) already within reach” (1967: xvi), even though he was critical and ironical concerning the limits of CBA, PPBS and similar tools. He was far from dismissing the utility of quantitative analysis, even if skeptical of its aspirations to scientificity, generalizability and the like. After all, he was a statistician by upbringing, and had written various articles in that vein.

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<sup>26</sup> On this issue, see Flyvbjerg’s criticism of Hirschman’s research method at the basis of the hiding hand concept, and Lepenies’s (2017) rebuttal of Flyvbjerg’s argument.

## Observation vs. traditional evaluation

If projects that had run into problems were selected for belonging to different sectors and geographical areas, then the real difference between them came from a combination of their historical and operational characteristics—in other words, their personality profiles. Here one can grasp the importance of the observation driving the analysis. The observation refers to a certain “structural characteristic” (kind of technology, task, prevalence of production or administration) that may create problems (conflict, bureaucracy, ineffectiveness, clientelism) that are tackled and/or solved with specific devices. “Such a view stresses the importance for development of what a country does and of what it becomes as a result of what it does, and therefore contests the primacy of what it is (geography, history etc.)” (1967: 4).

Hirschman exploited the opportunity of being asked to do an evaluation in a world where evaluations were done in a completely different way. He characterized them in two ways: “ascertaining the rate of return and, then, applying feel, instinct, ‘seat-of-the-pants’ judgment”; “achieving an overall appraisal of the individual WB financed projects” and ranking them “along a scale that would measure their overall financial results” (1967: 7).

Being an evaluator was not a role he felt comfortable in, but he had to face the situation. During the field work he stuck to his own way of doing things: observing, listening to people, comparing. But when it came to writing a report, which meant moving from observations to working out new concepts (incertitude, latitude, side-effects), he had to make his position clear.

He did this in two steps:

First: presenting his work as supplementary to the mainstream approach to evaluation. “everything I say here is intended as a supplement to existing project appraisal techniques, never as an attempt to supersede them” (1965: 4). “Supplementing” meant adding to “comparing results with expectations” (the mainstream approach) his own intention of “developing in general whatever lessons could be learnt from a close observation of the history of these projects” (1965: 1). Therefore, “supplementing” means providing missing material for a judgment that otherwise would be based only on these appraisal techniques. The reason was that “the economic return from the investment tells only a small part of the total story of the project. An important, and sometimes much the more important part of that story resides in the problems which the project has faced in the course of its career and in the successes that were achieved in tackling or solving these problems” (1965: 2), which he defines elsewhere as: “the major opportunities that are in store” for a project (1965: 4). The same concept is found in *DPO* (1967: 6), “I do not advocate shelving CBA etc., I expect the concepts I have derived from observation to have some uses in project evaluation as additional elements of judgment”. It was a critique of the limitations of traditional project appraisal in the name of looking at something else: “there is far more to project evaluation than any ranking on a one-dimensional scale can convey”.

Second, presenting his analysis as different from the “intuitive discretion” for making a judgment: “an attempt to reclaim at least part of this vast domain of intuitive discretion for the usual processes of the *raison raisonnante*”

(1967: 7). That is to say, replacing (at least part of) the judgment that complements the techniques of project appraisal. All this leads to enlarging the scope of the analysis by taking into account social effects, e.g., “effects on the distribution of income and wealth (and also of political power)” (1965: 4-5), which in *DPO* would be dealt with in a whole chapter dedicated to “The centrality of side effects” – the last chapter, where he admits having attempted “to develop the bearing of the (...) notions (of uncertainties and latitudes) on project appraisal” (1967: 6).

The latter sentence can be read as saying that, indeed, evaluations could be done in a different way.

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Jos Vaessen

## **Heeding Hirschman in Evaluation: Finding Out Fast versus Finding Out Slow**

### **The challenge of complex evaluands**

Evaluation is applied social science research under time, budget, data and institutional constraints (Rossi et al., 2004; Bamberger et al., 2011). Some branches of evaluative inquiry — those that lean more toward research, such as impact evaluation — tend to focus their inquiries on very specific interventions and outcomes. Yet this is not common practice in (independent) institutional evaluation functions that are closely linked to corporate decision-making, learning, and accountability.

Evaluators often need to respond to broad evaluation questions relating to what often are quite complex evaluands (large projects, programs, or thematic areas of work). Even in focused evaluative exercises, challenges related to dealing with multiple levels of analysis (such as the thematic area, project, and/or intervention activity), multiple countries (or sectors or projects), and multiple stakeholder groups remain. And here lies one of the key challenges of evaluative inquiry: Can evaluators arrive at a sufficiently credible evaluative judgment in the face of such complexity and practical constraints?

There are several arguments in favor. Systematic evaluation design and data collection, the availability and use of a growing number of relevant data sets, building on exist-

ing research and evaluative evidence, applying principles of triangulation and adjudication between rival explanations (etc.), are all examples of principles and tools that are available to the evaluation team.

Yet, there are also risks. Due to the constraints discussed above, the validity of evaluative findings is threatened by *inter alia* two key threats: cognitive bias and lack of depth of analysis. Regarding the first, this is a perennial issue that is exacerbated in evaluative practice because evaluators often reconstruct and test one particular program theory only. Often, there is no time or incentive (especially in the practice of objectives-based evaluation) to do more than that. The program theory becomes the lens through which the evaluator looks at empirical reality, at the risk of (limited to extensive) cognitive bias<sup>27</sup>. The second aspect refers to the potential fragmentation of human and financial resources that are allocated to multiple analytical activities in the framework of the larger evaluation.

Both threats are characteristic of a prevalent practice that we could label “finding out fast”. This is not because evaluations are necessarily conducted in a rapid manner, but because they comprise a multitude of little exercises that involve the collection of data on bits and pieces of a larger puzzle that support the evaluative assessment at the level of the complex evaluand (e.g. a multi-level and multi-site project, a country program, a thematic area of work). Yet, *each piece of the puzzle may be complex in itself*.

To counteract the potential threats to validity, I briefly present the case for a different approach which, again for

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<sup>27</sup>See my blog post on program theories:  
<https://ieg.worldbankgroup.org/blog/how-complicated-does-intervention-model-have-be>.

simplicity's sake, we could label "finding out slow". Enter Albert O. Hirschman, distinguished development thinker and one of the most influential social scientists of his time. He was also an evaluator *avant la lettre*, although he vehemently denied this, as he would reject any label (see Picciotto's 2015 excellent discussion of the implications of Hirschman's work for evaluation). In one of his seminal works, *Development Projects Observed* (Hirschman 1967, 2015), Hirschman discusses his in-depth empirical assessment of eleven World Bank projects. Instead of following a deductive approach (as often applied in objectives-based evaluation) he followed a bottom-up, inductive approach, keeping an open mind to the intricate complexity and idiosyncrasies of each of the projects that he studied. Through critical in-depth empirical observation and inquiry, he then arrived at what he called "structural characteristics" (Hirschman, 2015: 4) of projects, i.e. principles that would explain success or failure under certain conditions. In doing this, his thinking was very much aligned with another great contemporary, Robert Merton, in identifying "middle range theories" (Merton, 1967) around the workings of development projects that were neither grand theories of development effectiveness, nor isolated findings that lack broader generalizability. To unlock the potential of "finding out slow" evaluators can rely on in-depth case study analysis, a method which is not being used to its full potential in current evaluation practice (for guidance see for example Stake, 1995 or Yin, 2017).

## **An example from Nicaragua**

Let me briefly illustrate my point by using an example of an evaluative exercise I was involved in several years



ago about the outreach and potential impact of a rural financial institution (RFI) in Nicaragua. Over the years this RFI has received support from at least two International Financial Institutions and several other international donors. Some of the international donors who pledge their capital for on-lending by the RFI have clear expectations around the use of these funds in terms of deepening outreach among the rural poor and consequently alleviating rural poverty.

An evaluative exercise in “finding out fast” modus would typically look at the “official” program theory underlying outreach (e.g. the availability of physical collateral, a plan for investment, etc.) and at the evolution of the portfolio over time. It would address such questions as: *“Has there been a decrease in average loan size, or an increase in the number/proportion of loans below a certain threshold level?”* and *“Has there been a decrease in average income/asset levels of clients or an increase in the number/proportion of clients under a certain threshold level?”* If a clear trend in the portfolio could be established that indicates greater outreach among the poor, then through deduction evaluators may conclude that there is likely to be a positive poverty effect. Such a conclusion could be drawn more confidently if existing research would support poverty reduction effects attributable to credit in similar conditions. Quasi-experimental analysis (if income/asset level data would be available over time for clients and potential clients) could shed even more light on this question.

Yet, a “finding out slow” approach would go beyond this and would shed the restraints of the formal program theory and enable the evaluator to go into the field with a Hirschmanian inductive lens. In our evaluative exercise

years ago in the North of Nicaragua, we discovered that outreach appeared not to be determined so much by formal selection criteria, but through the mechanism of existing clients recommending new potential clients. When we embarked upon a social network analysis to study the connections between those who provided the recommendations and the new clients we found a very strong pattern. The big nodes in the social network were large farmers and local community leaders, each recommending land laborers and small farmers from their own sphere of influence. We formally tested the network theory against the official program theory and found the network effect to be a significantly stronger explanatory factor of outreach and access. Given the dependency relationships between the local leaders and their “dependents”, this finding cast a whole new light on the potential poverty alleviation effect of rural credit in that region.

There are good reasons for evaluators to pursue a “finding out fast” strategy. It is good enough in many cases if subject to solid principles of applied evaluation research. Yet, there is always a risk of failing to understand the real causal processes at work. There should be due opportunity and space for “finding out slow”. Hirschman showed this in a thoughtful and eloquent manner in his seminal work *Development Projects Observed*. It remains as relevant today as it was then.

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# Hirschman, the World Bank and Development

John R. Heath

## A Necessary Incompatibility?

In the mid-1960s there was a brief, unconsummated union between Albert Hirschman (AOH) and the World Bank. The nature of this encounter has been well described by Michele Alacevich, who wrote an introduction to the 2015 edition of AOH's *Development Projects Observed* (DPO). I will illustrate the nature of this incompatibility by referring to oral history interviews with World Bank staff, focusing on the years when Robert McNamara (RSM) was president (1968-1981). The oral histories are sponsored by the World Bank Group Archives and are publicly available at: <https://oralhistory.worldbank.org/>.

I shall examine how the lessons derived from the projects AOH reviewed in DPO were overlooked in the approach that the Bank took to rural development in the 1970s. AOH's work for the WB preceded the RSM years and, as far as I know, they never met. But in some sense DPO, published in 1967, was a riposte to the development approach that RSM espoused at the WB, before he came to espouse it.

In his preface to a later edition of DPO, AOH noted:

“when I wrote this book in the middle 1960s, the scientific determination of correct investment choices seemed to be within reach. In the U.S. Department of Defense, under the leadership of Robert McNamara and his “whiz kids,” much was made of new methods of allocating available funds to various purposes.”

The approach was based on planning and the spirit of the time was characterized by what the Yale political scientist, James C. Scott has characterized as 'high modernism' (HM). In his wonderful book, *Seeing Like a State* (New Heaven, Yale Univ. Press, 1998), Scott described HM as displaying 'an excessive confidence in the ability of principles of "scientific management" to order and organize human activity.'

The archetypal High Modernist was Robert Strange McNamara. RSM exemplifies what Scott refers to as the tragedy of HM:

"A genuine desire to improve the human condition coupled with the hubris to believe that the improvement could be achieved quickly, on a large scale."

Let's consider how the spirit of HM plays out in the specific case of two development interventions that the Bank mainstreamed in the 1970s: integrated rural development (IRD) and the Training & Visit method of agricultural extension (T&V).

We need to remember that by the late 1960s, despite the Green Revolution, the productivity and incomes of many poor farmers still lagged. In his 1973 Nairobi address, RSM famously pledged to address this problem. He'd already set up the Consultative Group on International Agricultural Research (CGIAR); now he wanted the rural poor to benefit. There were two problems.

First, the new technology of crop production was not enough if the farmer was sick, illiterate, lacking in reliable water supply, and without an all-season road to the market. Low productivity called for a simultaneous attack up-

on several fronts: health, education, and physical infrastructure.

Second, there was no package of farm inputs readily available for poor farmers.

This was the motivation for IRD and T&V.

## **Integrated Rural Development, as practiced in the 1970s**

IRD assumes that it is the responsibility of government to ensure that the small farmer has access to the services and inputs he requires to improve his livelihood. The focus was on improving coordination between multiple, public sector service providers. IRD assumes multi-sectorial planning, including the planning of welfare services such as the location of primary schools and clinics. It included spatial planning, centered on small towns serving as market and service centers and sites for small industry and agro-industrial development.

This reorganization of space is a recurring theme in High Modernism. It brings us back to Scott and his account of villagization in Tanzania, a process that peaked between 1973 and 1976, a process that WB was implicated in through its promotion of IRD in Kigoma province. By herding a dispersed peasantry into villages, Nyerere hoped to reap economies of scale in agricultural production (large, communal farms) and in-service delivery.

For the WB, post-Nairobi 1973, Kigoma was an ideal launch-pad for the integrated approach that Leif Cristofersen's ARD unit was developing. Two steamrollers converged, one manned by Nyerere, one by the WB.

The WB initially intended that lessons learned from the Kigoma pilot could help inform the selection of appropriate sites for the new villages—sites that had the soil and water resources sufficient to support higher population density, avoiding past errors associated with the sedentarization of pastoral nomads. Leif’s team conducted careful water and soil surveys.

But Nyerere surged ahead with villagization faster than the WB could keep up—the villages had already been built before the survey results were in. Also, the local cooperatives around which the Bank had sought to build IRD were disbanded shortly after loan approval, meaning that service delivery was placed in the hands of cumbersome parastatals with limited local knowledge and poor logistical capacity. Coordinating the parastatals was a nightmare. To make matters worse, the other regions of the WB—eager to meet their lending targets—had surged ahead with IRD before the lessons of Kigoma had been properly assimilated.

In his oral history, Leif makes it clear that his unit—located at the center, not the Regions—was trying to pilot the new approach, not scale it up before it had been tried and tested. But the momentum of the WB lending program got the better of him.

The chiefs of the regional divisions—among them our very own Bob Picciotto<sup>28</sup>—made it clear to Leif that he

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<sup>28</sup> Rejoinder from Bob Picciotto in an email to Heath on November 4, 2018: "Your statement is fascinating, and I fully agree that High Modernism (HM) explains a lot. But your reference to me and Leif is a tad misleading. I was totally opposed to Bob McNamara’s IRD model and refused to deliver meaningless data to Leif about the number of farmers reached by our projects and as a result I was almost fired for my insubordination. Thankfully, David Hopper intervened and agreed with the President that we would be prepared in due course to deliver



couldn't keep this baby to himself, they wanted a piece of the action.

This is our first example of the High Modernism steam-roller. Contrary to AOH, the difficulties of implementing IRD did not, in the short term, elicit the creativity needed for mid-course corrections to active projects or the radical redesign of new projects. (It took a decade for IRD to be reformulated as community-driven development.)

## **The Training & Visit extension**

Training and Visit (T&V) was masterminded by Daniel Benor, a farmer from Israel, who had a long career as a WB staff member. Danny Benor was adored by the high ups in the WB, notably Ernie Stern, one-time Managing Director, and Kim Jaycox, one-time Africa VP. When I was in Abidjan in the early 1990s, some of my colleagues—not all of them—would fall over themselves to carry Danny's bags at the airport.

Danny was a High Modernist, a Taylorian of the first water. T&V was an organizationally top-heavy way of de-

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data that we could vouch for... but of course we never intended to do so since our approach was institutional or, if you prefer, vertical (improved research, extension, credit, irrigation, etc.) in ways that made body count irrelevant. Re T&V, Sir John Crawford and I pushed the system in India because we believed that it would help accelerate adoption of the High Yielding varieties and I still believe that it did but in the absence of appropriate technologies for Africa let alone limited skills in the research and extension services I told Ernie Stern and Kim Jaycox that the approach would fail in Africa and it did (as OED demonstrated in the Kenya quasi experimental evaluation that killed T&V for good as it fully deserved). Needless to say, as a result, my relationship with Benor (whose ascent in the Bank would not have taken place without my help) was destroyed. In other words, as usual, generalizations about the Bank can only be approximate since it is a big tent. So yes, on balance, I agree with your thesis that HM did fuel the McNamara Bank. It did so, for better or for worse. Probably for better on balance."

livering simple messages to poor farmers.

- It relied on an army of extension workers and trainers.
- The trainers distilled agricultural research into extension messages that could be understood by the illiterate farmer.
- The trainers trained the extension workers to deliver the messages.
- The extension workers visited villages and met with farmers at regular intervals; farmers knew in advance when they were coming.
- The extension workers delivered feedback from the farmers to the trainers and the researchers, who modified the messages accordingly.

A 1993 WB Brief on T&V says: “the basic principles of the system are well understood and there is no room for significant variations in its basic features... A major reason for the rapid spread of T&V is that the principles underlying the system are basically simple and can be widely applied in different situations. The approach...involves the systematic application of well-known management principles. The main idea of the system is to have competent, well-informed village-level extension workers who will visit farmers frequently and regularly with relevant technical messages and bring farmers' problems back to the extension office for research into finding solutions. [italics added]”

Ernie Stern said T&V succeeded largely because of Benor:

“[In India] ... His approach was truly revolutionary... In order to get operationally useful information to the farmers, he constructed a very tightly-controlled manage-

ment structure. The extension agents were given a schedule and every village knew exactly what day the agent was to be there...Every ten days the agents returned for training. This training was not academic -- it was the message as to what the farmers ought to do at this point in the crop cycle. Research similarly was reoriented to the immediate problems of the farmers. It was very successful -- first in India, and then in Africa."

There were 40 T&V programs, including 30 in Africa, according to a 1993 Brief. Benor said that farmers everywhere were all the same and could be approached in the same way. According to the 1993 Brief, 'One of the hurdles he [Benor] has had to overcome in putting T&V into effect is *the misconception that farmers are different*' [italics added]. "As far as my experience is concerned," he says, "most of the farmers I ever met are the same. They are good human beings who will react quickly to good advice that will bring them economic benefits". Language is not a barrier to communicating, he adds. "You can almost always understand a farmer; farmers talk to me with expression and gestures." He explains: "Sometimes if you ask a farmer, 'how much is 6 inches?', he doesn't know. But he understands when you show him it is the width of two hands."

This is the language of HM.

Not everyone in the Bank was convinced. Jo Goldberg, a one-time Division Chief, was skeptical from the start. In his interview, Jo says: "I was with Daniel Benor in Indonesia once, he was passing through, but he went with me to the field. He asked me to take him to the field. And we were sitting on the floor of a house upon stilts, and I'm looking through the floor. Not only the village was sand, everything around us, including their fields, were

sand. And he was talking to them about, if they only had the training and visit system of extension, they would have high rice yields. And if you looked at the ground around there, wasn't any rice being grown now, and guess why. It wouldn't hold water. But this is typical Danny, he couldn't be bothered with such mundane details as the soil that we were standing on."

What impact did T&V have? In his oral history, Kevin Cleaver, one-time ARD Director, says that T&V achieved spectacular ratings while the loan was disbursing but the heavy apparatus could not be sustained by government once project funds ran out. This experience was replayed in country after country and today no one advocates for T&V, or for Danny Benor

Could the Bank have avoided these blunders or was there something in the DNA of the institution that made them inevitable in the 1970s—and maybe still today?

### **What would AOH say?**

In a 1970 article, he wrote: "The architect of social change can never have a reliable blueprint. Not only is each house he builds different from any other that was built before, but it also necessarily uses new construction materials and even experiments with untested principles of stress and structure. Therefore, what can be most usefully conveyed by the builders of one house is an understanding of the experience that made it at all possible to build under these trying circumstances."

At one point, the Bank had a plan to derive operational lessons from AOH's work, to turn DPO into a 'How to' manual. Nothing came of it. AOH conceded that: "Nothing

could be less “operationally useful” than to be told that underestimating the costs or difficulties of a project has *on occasion* been helpful in eliciting creative energies that otherwise might never have been forthcoming.” [Note bold italics—AOH wasn’t asserting that underestimation will always lead to creative solutions]

## Four recommendations

In his conclusion to *Seeing Like a State*, Scott makes four recommendations for development practitioners that I think AOH would have agreed with. Each recommendation raises a question about whether the Bank of RSM’s time—and the Bank of today—is in a position to implement it:

- (1) Take small steps. In an experimental approach to social change, presume that we cannot know the consequences of our interventions in advance. (Could the Bank’s shareholders live with this degree of uncertainty?)
- (2) Favor reversibility. Prefer interventions that can easily be undone if they turn out to be mistakes. (If there is an ‘approval culture’, which encourages staff to pursue new loans rather than course-correct existing projects, is reversibility likely?)
- (3) Plan on surprises. Choose plans that allow the largest accommodation to the unforeseen. (How much credit to Bank staff get for acknowledging the unforeseen; how much attention do evaluations pay to unexpected outcomes?)
- (4) Plan on human inventiveness. Always plan under the assumption that those who become involved in the project later will develop the experience and insight to

improve on the design. **(Yes, but are there sufficient incentives for designs to be improved?)**

Ask yourself: Has the World Bank learned the lessons from the 1970s and is it more likely today to act in a way that is consistent with the Hirschmanian spirit of these recommendations?

Michael Woolcock

## **Why Does Hirschmanian Development Remain Mired on the Margins? Because Implementation (and Reform) Really is ‘a Long Voyage of Discovery’<sup>29</sup>**

The term ‘implementation’ understates the complexity of the task of carrying out projects that are affected by a high degree of initial ignorance and uncertainty. Here ‘project implementation’ may often mean in fact *a long voyage of discovery* in the most varied domains, from technology to politics.

Albert Hirschman<sup>30</sup>

In work undertaken over the past decade with my colleagues Matt Andrews and Lant Pritchett, we have sought to address three big-picture issues pertaining to policy implementation, especially in developing countries. First, how well are the world’s (national) governments able to implement their core policy agendas, and how many of

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<sup>29</sup> All errors of fact and interpretation remain my own; the views expressed herein are solely those of the author, and should not be attributed to the World Bank, its executive directors or the countries they represent. My thanks to conference attendees for thoughtful questions, suggestions and feedback.

<sup>30</sup> Hirschman (1967: 35); emphasis added

these countries are showing discernable improvement? Second, to what extent are the dominant approaches taken by international development agencies to enhancing capability for policy implementation helping or hindering this process? And third, if these dominant approaches are frequently failing, why is this, how have such consistently unhelpful approaches endured for so long, and – more constructively – what might an alternative approach seek to ‘do differently’?

### **Building state capability for implementation**

For the most part, we like to think we have reached reasonably solid answers to these questions (see Andrews, Pritchett and Woolcock 2017). Our analysis shows that the state of state capability for policy implementation around the world is, alas, not good, and that in only a dozen or so of today’s developing countries is the current trajectory of improvement on pace to reach minimum OECD standards by the end of *this century*. Such a situation prevails in no small part because the dominant approaches to ‘institutional reform’ promoted by international agencies – especially those centered on adopting universal ‘best practices’ as determined by external ‘experts’ – are too often part of the problem (rather than the solution), changing what systems look like rather than what they can actually do. Accordingly, an alternative approach should thus try to focus on creating and protecting space for local actors to nominate and prioritize the problems they themselves face, then iteratively craft plausible solutions to them, sharing emergent successes through communities of practice. If dominant approaches are predisposed to providing technical solutions to technical problems (which is what they were de-



signed to do, and for the most part do quite well) and measure success as compliance and outputs, and if building state capability for policy implementation comprises, as we suggest, key aspects that are in fact adaptive in nature, then a complementary administrative apparatus is needed to find and fit adaptive solutions to them, one that incorporates alternative metrics of success (such as, locally nominated problems actually solved). This is the argument in its starkest form; the fuller rendering in published work of course provides the necessary qualifiers, subtleties, and empirical support.

For present purposes, however, I want to briefly explore a related question that has long intrigued me. Readers of the preceding paragraph with a solid-enough grounding in the history of development practice will see clear echoes in our approach of ideas and strategies that have been articulated roughly each decade since the very ‘founding’ of the international development enterprise in the 1950s. Indeed, we explicitly acknowledge that our work ‘stands on the shoulders of giants’ – our book opens with several epigraphs showing that observers have worried for *thousands of years* about ‘reforms’ that merely change appearances to comport with others’ expectations rather than generate more effective capabilities to deliver a coherent policy agenda. As such, we pitch our approach as a ‘perpetual second word’ on institutional reform: if those making truly original claims articulate the ‘first word’ and those who devise definitive proofs own the ‘final word’, we hope instead to help reformers and funders alike recognize that institutional change, especially public sector change, is a very particular kind of challenge requiring a corresponding fit-for-purpose response. It is a challenge for which there isn’t, and never will be, a singular solution but rather

as many solutions as there are specific instantiations of the problem.

So, in all this, the particular set of questions that intrigues me are the following. If the core themes we articulate in *Building State Capability*<sup>31</sup> (and continue to refine today) are essentially correct and have in many key respects been thoughtfully voiced numerous times in recent decades, why are they still so marginal to contemporary development theory and practice? Did this earlier work not ‘stick’ – or become ‘mainstreamed’, as we might say today – because it contains some fatal-but-unacknowledged flaw? Was it fundamentally misguided, meaning that it is only a matter of time before our own folly becomes apparent – and more fool us, since we should have known better? Or might this time be different? More broadly, if today’s admirers of Hirschman’s approach to thinking about and ‘doing’ development are to secure more intellectual, policy and operational traction than their predecessors, what should they themselves be ‘doing differently’?

In the short space I have here, I will attempt to outline my response to these questions. The bottom line is that I think our forebears were correct in their diagnosis of why so many “projects that are affected by a high degree of initial ignorance and uncertainty” so often yield disappointing outcomes, and I think those of us reaching similar conclusions today are also right – and in fifty years’ time, when our grandchildren conduct a similar analysis and (inevitably) reach a similar conclusion, will still be right. What I think our forebears inadequately appreciated, however, was that trenchant supply-side critique alone

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<sup>31</sup> See Andrews, Pritchett and Woolcock (2017)

was never going to be enough to dislodge orthodoxy. Securing lots of nodding heads in academic seminar rooms is one source of validation, but – as Lant Pritchett likes to say – you don’t beat something with nothing: to dislodge (or at least carve out non-trivial space alongside) a powerful incumbent, you have to be willing to provide a supportable and implementable demand-side alternative, and therein build out a vibrant social movement among authorizers and users of this alternative to demonstrate that, in time and under certain specified conditions, it can indeed yield superior development outcomes. If “this time might be different”, it is because new technologies now enable us to build out this social movement intentionally, rapidly, at low cost and at a large scale. In its own way, this is precisely what our ‘Building State Capability’ work<sup>32</sup> is trying to do by making both our book and our training programs available for free online to anyone anywhere, and by ensuring that essentially all the work is ultimately done by participants themselves (not us). It is also why we have co-founded, and actively contributed to, the global ‘Doing Development Differently’ network.<sup>33</sup>

## Key thinkers of development

But since this is largely an academic conference, let me get to this conclusion by first briefly surveying the lineage of key thinkers on whose shoulders we stand. (Doubtless there are other contributors we have entertained unawares, or inadvertently overlooked, but for present purposes

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<sup>32</sup> This program of work is summarized and shared at: <https://bsc.cid.harvard.edu/>

<sup>33</sup> The core principles of the DDD network are available at: <https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/5149.pdf>

these figures are emblematic.) If only for convenience, I begin in 1935 in Indonesia, the decade prior to the birth of the multilateral development organizations, as domestic leaders prepared for the post-colonial moment (in this case, from Dutch rule). One such leader, Ki Hajar Dewantara, was focused on education, and how the newly sovereign Indonesian state would build its own system to prepare the nation's rising generation of citizens and workers. There was no shortage of external advisers offering their prescriptions, but alas, Dewantara lamented, the options presented to Indonesians "often fits so ill with our own style or is so far removed from it that we can use it at best as a decoration and not as material to build with. ... there has been so little to choose from."<sup>34</sup> The wonderful metaphor of reform as 'decoration' perfectly captures what we have called 'isomorphic mimicry': change that yields only the illusion of change, altering appearances to please others and buy short-term legitimacy rather than crafting systems grounded in, and emerging from, locally legitimate material and decision-making processes.

But whether building large administrative systems from scratch or reforming existing ones, astute observers have long recognized that certain key aspects of such processes are legal/technical in nature, and thus readily amenable to discrete specialized inputs from professionalized experts (e.g., lawyers, accountants, economists, software designers). More broadly, a central task of professional associations is to discern, certify and (as necessary) enforce 'best practices' – i.e., standardized (often codified) procedures that, when faithfully deployed, reliably yield the desired outcome. Adopting 'best practices', by definition, spares

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<sup>34</sup> Cited in Harper (2011: 193)

reformers the need to waste time and money experimenting with alternatives: adoptees need only to be ‘trained’ in the new procedures for efficiency gains to be duly realized. But these same observers have also been quick to stress that while adopting certain ‘best practice’ elements may be very necessary, they are also very insufficient: successful organizational reform, at scale, requires engaging with large numbers of people and their associated (and often highly idiosyncratic) identities, values, motivations, incentives, aspirations, fears, preferences, abilities and obligations. Moreover, where there are people there is politics: hierarchies, power, resources and rules whose salience is only partially capturable – or in Scott’s (1998) delightful phrase, ‘rendered legible’ – by formal administrative instruments such as contracts, forms, budgets, organizational charts and reporting lines (important and necessary as they may be). Apprehending and discerning the significance of the ‘illegible’ aspects requires different research methods that in turn inform different support strategies for navigating the reform process.

This summation broadly captures the key insights formalized in classic works at the nexus of public administration, planning and development that appeared roughly each decade from the 1950s onwards, beginning with Charles Lindblom (1959, 1979), who famously argued that, inelegantly as it may sound, ‘muddling through’ was likely to be optimal strategy for navigating complex reform processes. Thereafter Hirschman himself (1967<sup>35</sup>) spelled out these challenges in more granular detail, using ‘live’ development projects as spaces wherein astute observers could (a) assess the peculiar dynamics shaping how gen-

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<sup>35</sup> See also, jointly, Hirschman and Lindblom (1962).

eral administrative principles were actually put into practice in particular places, and (b) infer, on the basis of these experiences, broader principles for development theory, policy and strategy. Hirschman's insightful observations explaining, for example, why projects *always* cost more money and take more time than anticipated was borne of a corresponding long-term perspective wherein the array of net benefits of these same projects were also unanticipated in the planning stages, as was the fact that implementers proved consistently adept at solving problems along the way. Tweaking Adam Smith, Hirschman called this conjuncture of mechanisms the 'principle of the hiding hand'.

Subsequent work by Flyvbjerg and Sunstein (2015) assessing a sample of over 300 major projects has sought to show empirically that such 'beneficence' on the part of planners appears in fact to be a relatively rare phenomena; vastly more common – 2.5 times more likely, they find – was a 'malevolent' form of the 'hiding hand', in which large projects consistently missed performance targets because of predation on budgets and contracts by unscrupulous participants. Whatever the "ratio" of beneficence to malevolence in the planning/management of development projects generally (or specifically), for present purposes the two enduring points are that effective implementation matters, and that doing so includes forging a robust organizational capability to resolve (to professional standards) unanticipated – and indeed unanticipate-able<sup>36</sup> – problems. The important recent work by Honig (2018), conducted on

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<sup>36</sup> Kauffman (2016: 2) defines such problems as 'unprestatable' (which is equally inelegant, but accurate nonetheless): that is, challenges so complex that no manner of experience, intelligence, preparation or wisdom could have anticipated the problems associated with trying to solve them. The more popular expression is that deeply complex challenges are replete with unknown unknowns.

an even larger database of projects from around the world – reaches a similar conclusion.<sup>37</sup>

Concerns with the limits of modern planning systems continued in the 1970s, voiced in a seminal paper by Rittell and Webber (1973). Here again we find a deep frustration with the abiding mismatch between what prevailing administrative systems are designed to do (i.e., manage narrow, codifiable tasks), and the broad array of (idiosyncratic, non-codifiable) tasks they are routinely asked to do. “[W]e are all beginning to realize”, Rittell and Webber (1973: 159) lamented, “that one of the most intractable problems is that of defining problems (of knowing what distinguishes an observed condition from a desired condition) and of locating problems (finding where in the complex causal network the trouble really lies). In turn, and equally intractable, is the problem of identifying the actions that might effectively narrow the gap between what-is and what-ought-to-be.” Squeezing such challenges into a single administrative apparatus is doomed to disappointment, they argued, because “the problems of governmental planning—and especially those of social or policy planning—are ill-defined; and they rely upon elusive political judgment for resolution. (Not “solution.” Social problems are never solved. At best they are only re-solved—over and over again.) (p. 160)

In the 1980s, such widespread discontent prompted Rondinelli (1983) to argue that “international assistance programmes for developing countries are in urgent need

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<sup>37</sup> See also Williams (2017) drawing on sample of 14,000 development projects in Ghana, a third of which ‘failed’ – a result, he argues, less of ‘corruption’ or ‘clientelism’ than of perennial collective action challenges, manifest in particular in public financial management issues.

of revision” precisely because of the inherent “uncertainty and complexity of the development process”, the levels and forms of which could not be adequately accommodated by the dominant planning systems. Instead, he maintained, development projects should be regarded as “policy experiments” – that is, as specific instantiations of ideas “that facilitate innovation, responsiveness and experimentation”, thereby promoting “decision-making processes that join learning with action.” In the early 1990s, Uphoff (1993) provided a detailed concrete example of such an experiment, showing how a dedicated team had eschewed “Newtonian” social science<sup>38</sup> to re-build one of Sri Lanka’s largest and most conflict-ridden irrigation systems. More broadly, Scott (1998) showed that the widespread deployment of “high-modernist” logic in the post-colonial period – manifest most conspicuously in deference to foreign expertise (especially in agriculture, finance and land management<sup>39</sup>) and the introduction of new managerial systems of public administration, all in the name of promoting national “development” – could only ever partially “render legible” the deep cultural and institutional diversity on which such sectoral activities rests. As such, these reforms, and the development projects to which they gave rise, mostly only helped fledgling governments to “see like a state” rather than build local legitimacy and functionality. In short, they ended up “looking like a state” (Pritchett, Woolcock and Andrews 2013) but too often did not function like one.

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<sup>38</sup> That is, social science aping (a version of) the physical sciences, in which the world is viewed as a ‘machine’.

<sup>39</sup> See Hodge (2007).



## Adaptive challenges

Anchored, as it were, by Hirschman, we can thus see an oft-repeated claim spanning the planning and public administration literature in the second half of the twentieth century (and counting): purposively modernizing economies, societies, and polities via development policies and projects is a highly complex undertaking – so complex, in fact, that a single administrative system (and underlying logic) can only get you so far. As useful as it may be for certain technical tasks, there are real limits to the extent to which logframes etc. can be expected to engage with adaptive challenges, the presence of which become both more ubiquitous and more consequential as development itself takes place. Such challenges require a different approach, hints of which can be seen in specific cases (such as Uphoff's Gal Oya irrigation project, and much of the work on common pool resource management that netted Elinor Ostrom a Nobel Prize), especially where success has occurred in unlikely places. But, alas, all this work over all these decades remains marginal to contemporary mainstream development theory, policy, practice and research. Why? Why has such a clear, long-standing and compelling account of a central development challenge, complemented by (the broad outlines of) a coherent and supportable alternative, largely failed to dislodge orthodoxy?

Three broad answers logically suggest themselves. First, the work of Hirschman and his disciples, while perhaps compelling on the surface, may nonetheless contain fatal flaws that, in time, have rendered it intellectually and/or operationally suspect. If so, perhaps it has just inexorably collapsed under its own weight, unable to deliver on its promises. A second possibility is that Hirschman et al's

work has inadequately engaged dominant approaches and disciplinary practices (especially those of economics) on terms demanding a more serious hearing. From this perspective, Hirschmanian development has remained marginal, whether by design or default, not because it is fundamentally unsound but because it has failed to convey its central analytical and empirical claims using the methods and models demanded of everyone else. A third answer could be that, despite robust evidence and adequate communication, thinkers from Lindblom onwards have spoken primarily to – and sought their legitimacy from – a niche academic audience, winning admiring followers on campus on the ‘supply side’ of ideas production across successive generations, but never seeking to build a sizeable and politically influential ‘demand side’ constituency in the corridors of power where key decisions affecting development policy and practice are made. Put differently, perhaps Hirschman et al have been too concerned with ‘preaching to the choir’ rather than having the confidence of their convictions and seeking to forge a large base of active support among those actually ‘doing’ development.

Which of these three responses provides the best answer? The first option, while plausible, has little basis in the literature – researchers may quibble with or outright challenge some of Hirschman’s key ideas, but no-one denies his originality and deeply insightful ways of engaging with development issues. Indeed, Hirschman’s work remains one of the best in social science to “think with”: of the thousands of books or articles ever published with the words ‘economic development’ in the title, Hirschman’s (1958) *The Strategy of Economic Development* is ranked fourth, with over 13,000 citations since its publication in

1958.<sup>40</sup> And if operationalizing his approach continues to be an enduring challenge, I suggest this says more about the entrenched nature of incumbent approaches than it does about the intellectual veracity of potential rivals. The very durability of Hirschmanian development theory (albeit at a relatively modest scale) implies that it is highly unlikely it will ever be empirically “refuted” (at least as this winnowing process transpires in ‘normal science’).

The second option, however, has more traction. Perhaps the most stinging critiques of Hirschman and his followers was offered by Paul Krugman (1994) in a (in)famous article called ‘The Fall and Rise of Development Economics’. For Krugman, the fatal flaw in Hirschman’s approach was not his ideas per se – which Krugman both admired in principle and argued had, over time, been largely vindicated. Rather, it was Hirschman’s unwillingness and (seeming) inability to formalize his key ideas into clean mathematic models, the hallmark and lingua franca of serious economic theory. In one particularly graphic passage, Krugman asserted that Hirschman (and other producers of what Krugman called ‘high development theory’, such as Gunnar Myrdal) had “rejected ... a willingness to do violence to the richness and complexity of the real world in order to produce controlled, silly models that illustrate key concepts.” Such a stance, Krugman argued, had led Hirschman into a self-imposed “intellectual exile”, a product of having “proudly gathered up his followers and led them into the wilderness himself. Unfortunately, they perished there.” (p. 40)

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<sup>40</sup> According to Google Scholar citation counts, as processed by Harzing’s ‘Publish or Perish’.

What to make of this critique, 25 years on? If economics dominates development research (as it does), and if formal models define 'serious' economic work (as it does), then the reluctance/refusal of Hirschmanian social science to play by these rules is a mark of either weakness or constrained strength. It's weakness if such work can and should be 'modelled' in relatively conventional terms, but in eschewing this approach cedes the vastly greater influence it might otherwise have; it's constrained strength if collapsing such work into the strictures of formal models really would "do violence to the richness and complexity of the real world", thereby diluting its substantive force and distinctiveness. Reasonable observers can support either view (or perhaps elements of both), but together they have left Hirschmanian social science playing only a marginal role in shaping mainstream development theory, research, policy and practice.

### **Practitioners doing development differently**

My own view, as noted above, aligns mostly with the third option, namely that the enduring marginality of work inspired by Hirschman is a function of failing to prioritize building out a complementary social movement among development practitioners, drawing on *their* collective experience and expertise to demonstrate its operational utility. Intellectual coherence and empirical support are very necessary but very insufficient bases on which to bring about political and administrative change; it also requires active and growing support from those who will do most of the day-to-day work of authorizing (financially, politically, legally, administratively) and implementing whatever the alternative(s) turn out to be. The scholarly

merit of Hirschman-inspired work has stood the test of time – indeed, as noted above, one could say its importance only continues to rise – and has done so by retaining its structure and communicative style (rather than forcing itself into the vernacular of mainstream economics). The task ahead is to take advantage of the vastly lower costs of global outreach (made possible by the internet and social media) to harness the energy and insights of those best placed to build a 21<sup>st</sup> century administrative infrastructure using 21<sup>st</sup> century tools for responding to 21<sup>st</sup> century development challenges – namely, practitioners. After six decades, the critiques of orthodoxy are well-established, as are the core principles that should guide what comes after it: the missing link in the change process is harnessing the well-spring of largely untapped energy, ideas, skills and experiences from ‘operators’ – as opposed to ‘providers’ – of development projects, so that they can own and construct whatever comes next. Paradoxically, perhaps, followers of Hirschman’s approach inadequately appreciated that gaining more operational traction for their approach was itself a type of problem requiring their ideas to embark on, and be refined by, ‘a long voyage of discovery.’

I conclude, as I started, with a quote from Hirschman – but this one is my favorite (and perhaps it is less well known, since it comes from an interview question) because it so deftly captures my own sense of what social science should seek to do, especially in the name of ‘development’. Its central objective is less one of devising or identifying ever more ‘rigorous’ (and thus narrow) prescriptions for enhancing human welfare, but graciously accepting that much of what makes us human is not knowable, and that

we are in fact collectively diminished if we presume otherwise.

Our task, instead, is to treat human beings as something fairly precious and not just something you can play upon. You see, if you ever could figure everything out, if you could have a social science that really is a science, then we would be the first ones to be disappointed. We would be dismayed because if man becomes like that, he could be figured out. And that means that he is not worth as much as we think.... Were we ever to succeed, then mankind would have failed!<sup>41</sup>

It is precisely because of our learned recognition of the inherent limits of academic social science, in other words, that those of who earn a living in this way should more readily cede to others much of the important work needed to reform development theory and practice.

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Tom Kenyon

## **A Brief Recent History of Adaptive Project Management at the World Bank**

The idea of ‘adaptiveness’ has a long history in World Bank’s discourse around project design, particularly in addressing problems of implementation in government bureaucracies. Here is an example from 2017:

*‘As noted in a 2015 Independent Evaluation Group (IEG) report, the Bank needs to be adaptive to meet the need of its clients. Lessons learned in the process of managing projects can spur course corrections in the life of a single project, or over the course of a series of projects... Adaptive processes allow for adjusting solutions to local context through: (i) piloting approaches to test assumptions and fit; (ii) heavy investment in monitoring, feedback, and learning; and (iii) course corrections during the reform process as needed.’*

And another from 1997:

*‘Many of the urgent problems of development are precisely those which tend to tax the conventional approach the most: more and more we face situations in which knowing *ex ante* what works is not possible. This is particularly the case when decentralized and participatory implementation is the goal, and when the range of possible interventions becomes very large and differs over time.’*

The occurrence of such similar official statements twenty years apart suggests two things. First, that their intellectual appeal is beyond question. Second, that their translation into practice remains an aspiration. This is largely be-

cause organizational routines and culture evolve more slowly than policies. To borrow Kathy Bain's apt phrase, the institution's plumbing still requires updating to fit the architecture.

## **A Hirschmanian approach to project management**

The most relevant of Hirschman's insights for World Bank projects has to do with the importance of dealing with unforeseen problems and, conversely, capturing unanticipated benefits – including those arising from human inventiveness in response to difficulty. Similar critiques of the limits, though not the dispensability, of planning are to be found in James C Scott's rules of thumb for avoiding disasters in development projects<sup>42</sup>.

The elements of an adaptive approach lie in (i) the formulation of long-term policies and strategies rather than long-term targets; (ii) continuous planning linked to implementation rather than extensive and detailed pre-implementation planning with limited subsequent monitoring; (iii) continuous monitoring to detect, correct and learn from errors rather than periodic external evaluations that emphasize accountability; (iv) continuous dialogue with intended beneficiaries to adjust activities to their needs, knowledge and resource commitments<sup>43</sup>.

These have several implications for World Bank projects. Among them are: the degree of specificity attaching

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<sup>42</sup> These are to: take small steps; favor reversibility; plan on surprises: choose plans that allow the largest accommodation to the unforeseen; and to plan on human inventiveness. James C. Scott, *Seeing Like A State*. New Haven, Yale Univ. Press, 1998. With thanks to John Heath for the reference.

<sup>43</sup> Quoted in Kathy Bain, *Doing Development Differently at the World Bank*, Report, 2016.

to disbursement conditions and the degree of freedom with which they may be achieved; the ease with which these conditions and other aspects of projects may be restructured; the balance of resources allocated between design and supervision; and the criteria by which the contribution of projects to development is evaluated.

### **Formal and informal constraints on project flexibility**

Formal rules with respect to the design and supervision of World Bank projects are defined at two levels: (i) policy – the most general level, which is approved by the Board and mandatory but also sufficiently general to allow substantial leeway in its practical consequences; and (ii) guidance – which is more detailed, approved by management, but also advisory and non-binding on project teams. In addition, there are informal understandings and accretions of practice, sometimes specific to a certain area of the institution and often contradictory, that condition what project teams consider permissible behavior. These informal understandings are in turn a function of individuals' intellectual predispositions, the signals they receive from those higher up, and the organizational routines within which they operate.

There are indeed formal constraints on adaptiveness – emanating from shareholder preferences and reflected in policies and guidance. As the examples below show, there have been various attempts to facilitate project restructuring, to make long-term engagements more flexible and to introduce a lending instrument more conducive to policy innovation. But they have been greeted cautiously. The

Board has placed limitations on their use and their scaling up has been made subject to review by IEG.

Even within these bounds, however, there is more scope for experimentation than occurs in practice. Part of this has to do with who the Bank hires, part with career progression. The World Bank typically recruits staff with extensive academic experience, often at doctoral level, whose backgrounds lead them to favor analysis and document-writing over management. Many of them are macro-economists, whose training predisposes them towards prescriptive rather than exploratory approaches to development. Their promotion to and preponderance in mid-level management then creates a culture in which greater adaptiveness is seen as a threat to project quality.

This culture in turn thwarts organizational change. The Bank periodically attempts to simplify the processing of lending operations. There have been several initiatives to improve the relevance of peer review comments or shorten the length of project documents. In some cases, their aim has been simply to enforce already existing formal guidance. But outdated procedures persist, leading to a proliferation of independent procedural regimes, which project managers, unaware of their real freedom of maneuver, feel obliged to follow.

### **Example 1: Project Restructuring**

There have been several attempts to make it easier for project managers to restructure loans. The intention behind investment lending policy reform in 2009 was to shift from a culture of supervision to a culture of implementation support, in which teams would devote more attention to resolving problems and building capacity. Among other

changes, it teams more flexibility to adjust operations during implementation – recognizing that the ‘blue-print’ approach to project design that had worked for specific infrastructure projects was becoming less relevant.

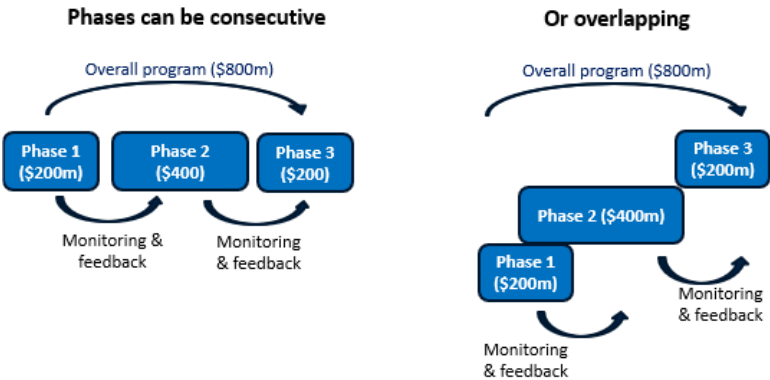
However, an IEG review of the portfolio at that time concluded that restructuring was not happening as frequently as it should. This was partly because of the complex and often confusing categories of restructuring, as well as the burdensome requirements of the project paper and internal reviews. But it also reflected a culture that associated problem identification and restructuring with poor performance. Staff reported that they are not always encouraged to acknowledge problems with projects and that any restructuring requiring notification to the Board was stigmatized. In 2009 therefore, it was decided to distinguish two types of restructuring – those pertaining to changes in a project’s development objective, which would require Board Approval; and all others, approval for which was delegated to management. These categories were elided in 2017, meaning that all restructurings are now approved by management. But an IEG proposal to make restructuring the default and put the onus on teams to explain why it was not done was not adopted.

Together with the emphasis on implementation support, these changes nonetheless appear to have been effective in increasing the number of restructured projects.

Fiscal Year	Numbers of re-structured projects	Numbers of active projects	Percentage of active projects
2010	141	1649	8.6%
2011	479	1658	28.9%
2012	464	1575	29.5%
2013	400	1523	26.3%
2014	458	1575	29.1%
2015	468	1585	29.5%
2016	491	1555	31.6%
2017 (YTD)	289	1572	18.4%

### Example 2: Multiphase Programmatic Approach

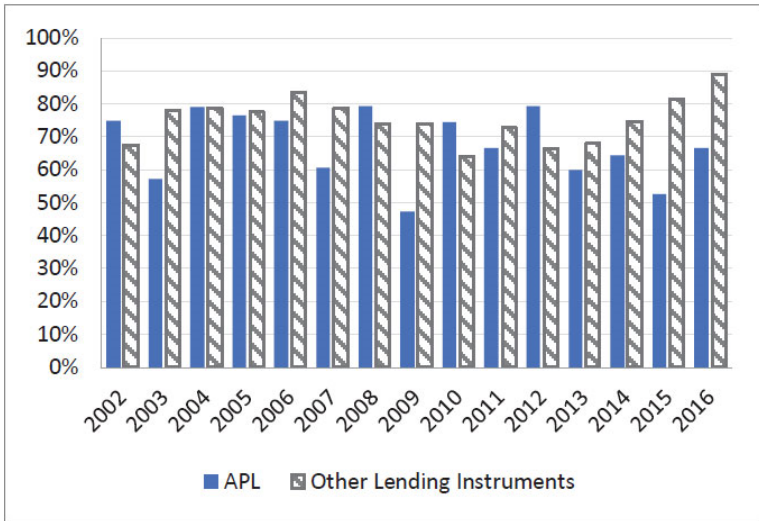
The Multiphase Programmatic Approach (MPA), approved by the World Bank’s Board in 2017, is a way of structuring a long, large, or complex engagement – typically 8-10 years – as a set of smaller linked operations (or phases) with intermediate, short-term targets and a conscious commitment to learning from one phase to next:



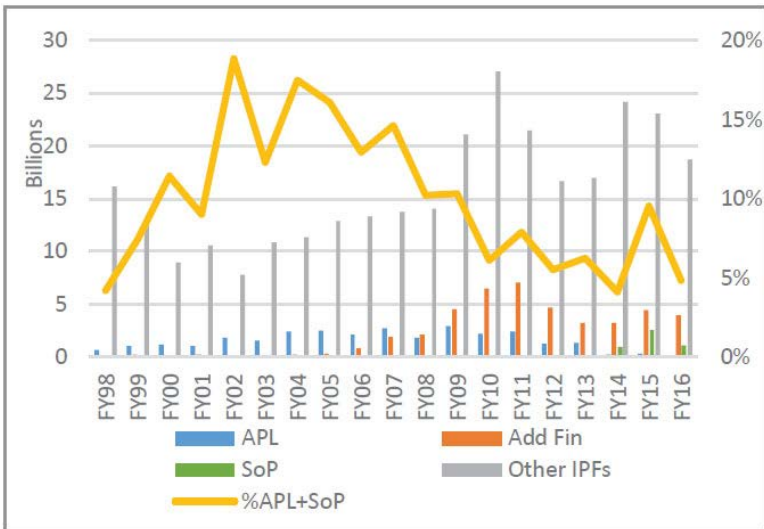
The motivating concept is that it provides more continuity of dialog than a series of standalone operations but more flexibility and opportunities for learning and adaptation than a single large operation. The MPA can also contribute to building consensus around long-term, multi-sector programs – and act as point of focus for otherwise disparate interventions (e.g. Senegal nutrition program).

The MPA is not a novel approach. The Bank used a similar instrument, the Adaptable Programmatic Loan (APLs) from 1997 to 2013. And in a curious example of institutional forgetting and relearning, the APLs influenced the design of similar instruments at other multilateral development banks, which in turn re-informed the MPA. But APLs had declined to just two percent of World Bank lending by 2010. This was due partly to an insistence on overly rigid triggers for moving from one phase to next, partly to a failure to reduce processing time or cost compared to standalone projects (especially their requirement that each phase be approved by the Board).

## APLs performed less well than standalone projects



## And their use declined



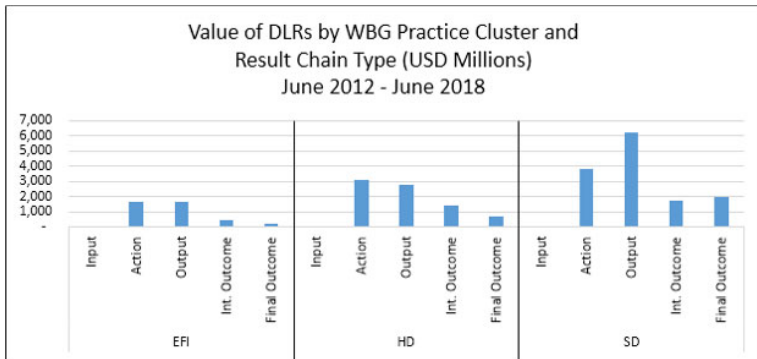
The MPA attempted to redress these weaknesses. It removed the need for triggers and placed more emphasis on the team’s judgment in deciding whether to proceed from



one phase to another. It also reduced the scrutiny of follow-up phases – the Board approves a financing envelope and objective for the overall program but responsibility for committing to each phase beyond the first is delegated to management. There are nonetheless important restrictions on this autonomy, the result of concessions to the institution’s two main shareholders. Any changes to an MPA’s objective, to the size of the overall financing envelope, to the disbursement conditions for an individual phase, or any commitment at whatever point to finance environmentally or socially-sensitive activities still require the Board’s direct approval.

### **Example 3: Program for Results**

World Bank lending instruments can be thought of as embodying varying combinations of flexibility and discipline. The traditional approach, Investment Project Financing, has been to disburse against expenditures and insist that governments follow World Bank rules for procurement and risk management. But in 2012, the Bank introduced a new instrument, Program for Results (PforR) that uses country systems and disburses against a blend of outputs and outcomes defined as disbursement-linked indicators (see chart below). PforR grew out of other result-based lending instruments and its rationale is similar: to focus attention on outcomes in a way that improves management and accountability to beneficiaries; and to give recipients more discretion in how outcomes are achieved, including through adaptation and innovation.



The PforR was made subject to cap of first 5 percent and then, after a mildly encouraging IEG review, to 15 percent of the Bank’s total lending. It was also, at the Board’s insistence, excluded from financing activities that had a serious or irreversible impact on people or the environment, or high value contracts, as defined by management. Demand for the instrument has nonetheless been strong and by 2018 it had grown enough to warrant a review of the cap. It has been used most in infrastructure and service delivery sectors like health and education, where controlling expenditures alone is not sufficient to ensure the quality of outcomes and meaningful outcomes often require simultaneous policy or institutional changes.

But there is not much evidence that PforR is being used systematically to encourage experimentation or capture learning-by-doing. Its use has been justified more in terms of the greater salience it gives to results. There have been a few projects that have supported peer to peer learning or rewarded managerial innovations that are subsequently adopted by other project participants (e.g. the India Swatch Bharat and China health projects). But there is no observable correlation between a client’s capacity for independent problem-solving and, for example, the fraction of dis-

bursements attached to outcomes rather than actions or outputs.

### A stylized representation



Perhaps the clearest opportunities for supporting parallel experimentation lie in operations that work across multiple sub-national units. Typically, these aim to strengthen a performance-based grant mechanism and improve the quality of sub-national expenditures and service delivery. Disbursement linked indicators are defined as a combination of minimum fiduciary requirements (e.g. improvements in audit or procurement functions) and performance conditions (e.g. budget execution, physical targets for infrastructure provision). But they have almost always used to enforce discipline from center on the periphery rather than, for example, allowing multiple pathways to a common objective and intermediating across participants.

### Some closing observations:

World Bank task managers have much more flexibility than they suppose. What appear as institutionally-mandated constraints are often actually accreted customs, informal understandings or the intellectual prejudices of

mid-level managers. Neither policy, nor guidance prevent a more adaptive approach to project design, though they do constrain it.

That said, the application of adaptive management to a multilateral organization may have its limits. Development is a messy business with long-term outcomes and a convoluted chain of cause and effect. It does not fit easily into the cycles of rapid assessment and feedback that characterize design thinking in commercial enterprises. And we should remember that Hirschman would probably caution us as much against false precision in measurement as an exaggerated faith in plans.

Leslye Obiora

## **Culture and Development – A Bias for Hope in Africa**

### **Culture as an asset for development**

The thrust of my argument is that culture is a paradox and we are yet to systematically understand how it interfaces with development. I suggest that a more perplexing concern is the pervasiveness of a bureaucratic orientation that appears consistently inclined to neglect to adequately integrate accumulated knowledge to deepen policy formulation. On a continuum with this is the failure to capitalize on or monetize such knowledge to alleviate the poverty of pertinent development paradigms. An enduring challenge is to figure out how to methodically cultivate a discipline to routinize culture as a force for good vis-a-vis effective and efficient design, implementation, and/or reform of development policy.

The objective to bridge the gap in the valuation of culture as an asset for development informs my proposition that dominant discourses have trained the world to look for Africa everywhere, but where it has demonstrable advantage and this has made the story of African agency more one of potentials than cumulative local resources that can be carefully understood, bolstered, and harnessed as comparative advantages to enhance and sustain an ecosystem for responsive social transformation in Africa.

At the dawn of the 21st century, the World Bank issued a study entitled “Can Africa Claim the 21st Century”. A

finding of the study which was promoted as seminal was that “Africa’s wars are conflicts over resources”. The publication of this work coincided with a cover story in the *Economist* headlined “Hopeless Africa,” which depicted prevailing apprehensions about the prospects for Africa’s global competitiveness. A decade into the 21st century, the same magazine proceeded to boldly proclaim, “Africa rising,” articulating growing consensus about the awakening of the so-called sleeping giant. Subsequently, declining indices provoked another shift that called into question the narrative about “Africa rising”. Through all these vacillations, the story of Africa’s agency and resilience emerged as constant in the varying assessments. Yet, channeling these strengths to deepen organic foundations to drive effective policy action requires constructively engaging Africa’s complicated present to creatively solve problems and forge critical linkages to plan for the future.

The resonance of the Hirschman legacy project for me primarily derives from my keen interest in measurement as a foundation for learning and growth. Having been in public service, where anxieties about continuity and sustainability often ensnare political transitions, I am very keen to facilitate greater understanding of why it is that there are not sufficient infrastructures in place to minimize the risks that programs fall prey to the intrigues of partisan politics at change of guards, instead of built on, measured and improved? I have often wondered what it would take for the public sector to evolve a robust discipline for research and development to attenuate the risks of wasteful politicking. I have also had cause to ponder if politicians and civil service bureaucrats are the best equipped to safeguard the security of, and returns on, public investments.

At the inaugural Hirschman Legacy Conference in Boston, I drew from my prior experience as the Mines Minister for the Federal Republic of Nigeria to complicate the relationship between exit, voice, and loyalty. My contribution then reflected on why the State sovereign and its corollaries do not typically invest, let alone extensively, in evidence-based “Research and Development” as is customary for business and industry to fine tune policies through practice and feedback or implementation and evaluation. Nigeria remains a focal point for me, especially because of a history where pursuant to decades of military dictatorships, a pervasive mindset of “army come, army go,” allows hard-won public investments to be torpedoed at great cost to society in a manner that compounds the burden of the trade-offs of such investments in the first place.

My emphasis on the minimal or haphazard ethos for R&D in the public sector as a burning issue provides the impetus for my present intervention about the value of systematic learning or the constitutive potentials of tracking and building on the cumulative knowledge about progress made towards international development goals. With the siting of the venue of this 2<sup>nd</sup> conference at the World Bank, it struck me as expedient to build on the spirit of my 2017 “feedback from the field” for further retrospection re-visiting a ministerial forum that I organized at the World Bank in 2000.

As an “empirical lantern” to flesh out my argument about the need to improve R&D for the purposes of learning among states, I will focus on the significance of the work of the World Bank which is a major partner of African States. Given that the Bank was originally established in 1944 with the mission of financing the reconstruction of

European nations devastated by World War II, I proffer that an emphasis on reconstruct in the sense of regeneration may well have served the Bank better when it extended its services to Africa post-colonialism. Although the institution has evolved into a bank and a development agency, it is not untenable to maintain that it largely perceives itself as a financial bank to the diminution of non-monetary forms of capital which decidedly abound in its orbit. This includes an extraordinary fund of knowledge that it has accumulated through the years that it has been in operation. The thrust of my argument echoes understandings that greater humility about knowledge gaps would not only make the work of the Bank easier, rather it would better orient it to own and learn from its failures in ways that are apt to improve capacities, outcomes and impacts across the spectrum. This will in turn augment its quotient to leverage past adversities as an advantage to build a successful future, à la Sankofa.

### **Lessons from the Ministerial Conference on Africa and the Imperative of Gender**

The launch of "Can Africa Claim the 21<sup>st</sup> Century" which was edited by Allan Gelb converged with the Ministerial conference that I organized during my tenure at the World Bank. I want to frame my input for the 2<sup>nd</sup> Hirschman conference against the backdrop of this experience.

From May 9-12, 2000, several African State Ministers of Gender, Community Development, Justice and Finance, together with gender experts and key players in the other arenas participated in a conference entitled, "Africa and the 21st Century: The Imperative of Gender." The World Bank and the Carnegie Endowment for International Peace host-



ed the Ministerial conference. The conference was particularly timely as it coincided with the eve of the United Nations review of the progress of the gender equity agenda, five years after the Fourth World Conference on Women in Beijing. In this vein, it was quite useful that Madame Gertrude Mongella who was the UN Assistant Secretary-General and the Secretary-General for the Beijing Conference was one of the participants at the conference.

The purpose of the Ministerial gathering was to provide opportunity for a cross-sector of important stakeholders to address some outstanding challenges of gender programming and to explore how to deepen support to transform on-going legal reforms into a measurable pathway to advance gender equality and equity. The conference was convened under the auspices of the standalone Gender and Law Program of the Bank that was quartered in the Africa Region.

The program which I was recruited to manage was established in response to a finding of the Special Program on Africa that gender-sensitive legal and regulatory reform is inevitable for sustainable development. A series of talks held in Ethiopia, Kenya and in Washington, D.C., and activities most of which prioritized research analyses, consensus-mobilization, and capacity-building heralded the program. Building on these, I collaborated in-depth with critical stakeholders to articulate an integrated model for legal services delivery to broaden the orthodox paradigm for gender and law outreach. Evaluating the model was the vital aim of the constructive dialogue.

The conference delegates adopted a declaration which recognized inter-alia that laws without substantive implementation and critical socio-cultural changes are insuffi-

cient to ensure the fair and full participation of women in society. This seemingly ordinary enunciation emanated from a round-table discussion about the relationship between gender, culture and development. Major comments at this session critiqued the Bank for tacitly approaching Africa as a tabula rasa and for defaulting to accentuate difficulties attributed to culture as opposed to striving to discover the enormous possibilities that inhere in Africa's rich repertoire of culture. The roundtable utilized video conference techniques to expand participation to six country offices in Sub-Saharan Africa and various women leaders did not mince words in confronting the bank about the failures of its policies and programs in their realities.

A day of the Gender and Law Ministerial was devoted to facilitate frank discussions about the forceful potential of culture as an invaluable resource for changing existing power relations to support the international consensus and common agenda to enhance poverty reduction, good governance, sustainability, security, and equality for all regardless of sex. This was arranged as a sequence of roundtables one of which featured several distinguished African feminists such as Micere Mugo, Ama Atta Aido, and Tsitsi Dagaremba.

A highlight of that day for our immediate purposes was the involvement of Dr. Susan Moller Okin of Stanford University whose vociferous denunciation of culture provoked a spirited debate with eminent African feminists who rigorously engaged with and scrutinized her reasoning. Dr. Okin had been my professor at Stanford who greatly supported my work and heartily welcomed our incisive disagreements as mutual growth opportunities.

Dr. Micere Mugo was a mentor who prevailed on me to oblige to the offer to obtain a sabbatical from academia in order to undertake the assignment at the Bank. We had had numerous discussions about my fascinations and frustrations with the Bank that actually culminated in the prioritization of a key goal of the session as facilitating constructive dialogue about how to go “Back on Basics” as a way forward to strengthen gender reform effectiveness strategies. Dr Mugo graciously rallied an impressive parade of stars to rigorously engage with Dr Moller Okin whose disavowal of culture they felt was summarily drowning out African voices cautioning against the caricature of culture.

At the roundtable, these leading African women academics and activists went to length to delineate a compelling analysis of notable strengths, weaknesses, opportunities, threats, and trends (SWOTT) to contextualize the relevance of culture. For her part, as anticipated, Susan Okin warned against the dangers of embracing culture as a tool for gender reform. This time, she was exceptionally sensitive in narrowly focusing on enunciating a criterion for the consideration of a semblance of opening that may warrant working with culture. Fierce responses ensued to perceptions of her as tone-deaf in assailing culture as a monolith, despite immediately preceding robust portraits of its rich nuances and complexities. The intense exchange that ensued prompted Rita Rahman, the Dutch Gender Minister equivalent, who presided over the roundtable, to observe that Dr. Okin was “unfailing mauled”.

I had my work cut out for me in a bid to damage-control the indignation of the indomitable African women who felt unduly disrespected and the brokenness of my

former professor whose good intentions were lost in the undertow of the torrential backlash. To some extent, I took solace in the fact that the Ministerial simultaneously signified my enactment of an exit option and a public ceremonial of my accountability to a broad spectrum of stakeholders whose enthusiasm for the possibilities signified by my portfolio energized my work. The core of this promise was the good faith signaled by activities that suggested that the World Bank which seemed to have finally “discovered” gender was on the verge of going beyond the rhetoric of gender inclusion as part of its strategy to absolve itself of the sins of the structural adjustment debacle.

The timing of my exit from the Bank to return to academia shortly after the provocative roundtable did not allow me the bandwidth to canvass the lessons in-house as instructive to inform policy analysis, formulation, implementation, evaluation and augmentation. This adds to the appeal of this Hirschman conference as a window for my retrospection on the archival material to augment an “empirical lantern” to enrich learning from the journey thus far with keen eye on the road ahead.

## **Culture matters**

A key takeaway from the roundtable across the spectrum was that culture matters. At first glance, there is nothing original about this understanding. In fact, a decade or so before, leading intellectuals across disciplines such as Samuel Huntington in “Culture Matters” and Clifford Geertz in “The World in Pieces” had underscored similar claims that proved prescient as illustrated by the polarizing culture wars driving the wave of populism threatening democratic institutions in the West and the

ungodly amount of money funneled into the Iraqi war, not to mention the proliferation of religious extremism worldwide in its aftermath. To get a glimpse of the proportion of this problem, one only has to guesstimate the incalculable cost and forgone alternatives of the wars in Iraq and Afghanistan, as well as the budget for global security especially since 9/11.

Given the pivotal role of the World Bank in the international development arena, at the inaugural Hirschman conference, I ruminated on how to better internalize the dire consequences of its operations. I was quite heartened by the refreshing candor its staff brought to bear on our engagements about how to improve its scorecard as a learning organization. Hopefully this second meeting within the four walls of the Bank itself remains a safe space where we can continue to share candidly and dialogue constructively, instead of posture defensively, about how to meaningfully draw on feedback from the empirical lantern to keep improving development outcomes and impacts.

I came to this Hirschman Legacy conference from visiting BRAC in Bangladesh. BRAC is a cutting-edge organization repeatedly voted the best NGO in the world which the *Economist* described as one of the best kept secrets. BRAC helped Bangladesh attain the Millennium Development Goals and transition into a middle-income country, despite its resource poverty and governance woes. On my just concluded trip, I spent my last day meeting senior management and executive, including the founder, Sir Abed. Remarkably, he was the keynote speaker at the Ministerial conference I organized in 2000. Meeting him at that conference defined a turning point in the trajectory of my own professional development and saved me from confin-

ing my career into the straitjacket of intellectual sterility within the ivory tower. This is because a few months after I finalized my report on the ministerial and returned to my academic pursuit, I was kindly surprised to receive a call from “Abed bhai” who had taken pains to track me down to follow up on some unfinished business from the Ministerial.

Dr. Abed, as he then was, expressed particular interest in what became of the framework which I had proposed to the Bank to amplify the outcomes and impacts of the Gender and Law program. I expressed relief that I since shook the dust off my feet and returned to academia as a safe zone. The magnanimous statesman urged me against making a clinical break. In all innocence, I confided in him that I could not imagine how to couple the canons for pure research with foraying into the world of applied research for which naively elitist gatekeepers of what counts as worthwhile knowledge production in academia were yet to acquire requisite appetite.

Sympathetic of my dilemma, Sir Abed emphasized the crucial importance of cross-fertilization between theory and practice, especially to illuminate the agency of the southern hemisphere for cutting-edge knowledge production and to ameliorate its vulnerability to abuse as a social lab for undue experimentation. On this note, he encouraged me to incorporate a vehicle with which to test, verify, measure and augment the proposed framework which could otherwise gather dust on the shelves. Adding to my motivation, he invited me to Bangladesh for empirical exposure to BRAC’s work and offered to be on my board in the event I summon up the courage to formalize an NGO.

This exchange and the close friendship we forged since then fueled the birth of the Institute for Research on African Women, Children, and Culture (IRAWCC). Objective evidence from both BRAC and IRAWCC vindicate the insistence from participants on opposite ends of the spectrum at the Ministerial conference roundtable that culture matters. The works of these entities affirm the potentialities of culture as a force for good which can be leveraged to supplement financial investments in development. Lessons from these works underpin my perplexity about what precious little is made of culture as a capital asset base for development when disproportionate bias in favor of financial assets crowd out the potential appeal of other forms of capital.

Yet, from the standpoint of research and development for policy action, I cannot help but wonder “what if” we invested in the discipline to build the requisite capacity to ameliorate understandings about the fundamentals to promote and protect the intrinsic, instrumental and constructive worth of culture as an asset taken seriously to empower communities to take control in shaping their destiny for the purposes of development?

Time and again, feedback from the field point to the leading role of culture in making or breaking development initiatives. One of BRAC’s programs which is of note as a testament to the power of culture is the Empowerment and Livelihood for Adolescents (ELA) project which succeeded in Uganda but failed in Bangladesh. A recent report of why the ELA flourished in Uganda points to the centrality of socio-cultural norms. This insight is reminiscent of Amartya Sen’s “More Than A 100 Million Women Are Missing” which attributed culture as the key variable for why

female survival rates in sub-Saharan Africa are better than Southeast Asia's, despite the latter's relative outperformance of the former on various social indicators.

Several other BRAC programs report value propositions about culture comparable to the ELA. For example, its "Targeting the Ultra Poor" program illuminated the pivotal role of social inclusion in fortifying inputs for program success. In a similar vein, evaluations of its regular micro-credit programs repeatedly attest of the indispensability of tapping into the resources of culture for confidence-building as a foundation to reinforce capacity-building.

### **What's Right with Africa?**

I posit that Africa has an advantage in terms of the potential of culture as a force for good. It is on this note that I wonder what it would take to "look for Africa where it can be found", rather than rehash and privilege the deficit model that has not inched us closer to nirvana on many aspects of social transformation, governance reform, and gender inclusion policy, for example? What conditions are necessary to take seriously "what's right with Africa" in terms of culture?

Thanks to blinders partially perpetuated by the deficit model, we seem to have erred in not comprehensively mining the opportunity presented by the Bank's finding at the turn of the century that Africa's wars are conflicts over resources. I must confess that I was one of those who actually thought that the Bank over-touted the finding as ground-breaking. As I put it then and maintain to date, my grandmother who was not formally educated could have readily cut through the chase to zero in on a similar senti-



ment in ways that could have spared the Bank the money and tradeoff of the investment into the elaborate study.

While the finding was not unique to the Bank, its comparative advantage over voices from below metaphorically exemplified by my grandmother's was the sophisticated capacity for R&D that it could have brought to bear on disaggregating the resources that fan Africa's conflicts. A kindergartner in Liberia might appreciate the fact that the protracted civil war was not simply about so-called blood diamonds, but about deep ruptures in the society traceable to our myopia in not anchoring commitments to engineer solutions to transcend the mystification of Africa as the "other". Why decry the proliferation of so-called conflicts over resources in one breath while in another breath persevere in acting as if determined to ghettoize a rich repertoire of resources that remain almost entirely a Greenfield for development policy purposes?

Incidentally, 2018 marks the 70th anniversary of the promulgation of the Universal Declaration of Human Rights. This heralded the phenomenal growth of the international human rights agenda which formalized the right to culture as an entitlement. We have come a long way from when philosophical criticisms and ideological oppositions to the emergent technology of governance consistently thwarted progress. Currently, the perennial concerns are more pragmatic and revolve around the sparsity of resources. The lived human rights experimentations exemplified by the likes of BRAC pave the path to enliven conversations which foreground the extent to which the genius of the international human rights regime holds instructive insights about how to strengthen capacity for learning, innovation and enterprise.

The right to self-determination is the fulcrum for the recognition of the right to culture. As Okin alluded to, the mainstream discourses conceptualize African women as having enjoyed this right more in breach than in compliance. Yet, as the profound interventions of African women at the Ministerial showed, there is no inherence in culture for gender oppression. Thus, we are complicitous in perpetuating culture as a handmaiden of patriarchal imperatives, unless we shift the paradigm collectively and individually to give culture its due as a complicated social construct rife with contradictions with strong policy implications that could be better understood through rigorous research and development.

We built from nothing and went to the moon, for instance. How much more could we accomplish if we course correct from taking culture for granted to actively integrate it as an indispensable pillar to harness the vast knowledge from our empirical lantern to improve policy solutions?

Contrary to the rhetoric of colonialism as a civilizing mission, the integration of indirect rule as a dispositive policy for the British, for instance, meant that the colonials were not impervious to what is right with Africa which they capitalized on to “exercise hegemony on a shoe string,” as Sara Berry put it.

So then, why notwithstanding the paradigmatic shift and purchase of various participatory development approaches, does Africa continue to be caricatured at the dawn of the 21<sup>st</sup> century as some pathology devoid of the capacity to orchestrate its own revitalization? While this trope of pathology obscures the profound regenerative potentials of indigenous agents, engineering lasting solutions sensitive to the values of indigenous ecology, intelligence

and knowledge systems to help counter inertia in the system in mitigating Africa's downward spiral away from growth, equity, efficiency, and good governance.

Take for instance Faith Based Organizations (FBO) which to my mind constitute our best evolved and most robust networks. Many familiar with much of Africa would corroborate that there are churches and mosques where there are no roads and where the government barely has a presence. They spell succor and help hold up the sky in grassroots communities where they provide services for the vulnerable, especially in the social sector where the government has a poor track record. But beyond such instrumental roles and the facility with which these entities discharge such functions, despite being at a disadvantage in comparison with the government which has the power to levy taxes and control public revenue, is there a way to leverage the capacity of FBOs as a prototype of society to improve on the efficiency and effectiveness of the state?

If the society performs better on health and educational services delivery, why not outsource to its comparative advantage rather than allow politicians to politick with such vital public goods? If FBOs are more apt than the state to successfully exert moral authority in trust economies powered by the principle of reciprocity, is it possible to harness such potential to deepen democratic accountability by the state through fostering civic virtue or galvanizing constructive dialogue and dissent about how to optimize the role of the society as the conscience of the state or as the proxy for the continuity and sustainability of key programs for social progress? How could the tension that tends to typically hamstring state-society relations in Afri-

ca be mediated to enhance the value-added of the society in the contemporary epoch?

## **Conclusion**

I want to draw on the preliminary observations about human rights to pivot back to the core of my overarching interest in the Hirschman Legacy conferences which arises from my ample frustration about the challenges of the African state and the ad-hoc, episodic or epileptic manifestation of the vibrancy of the society and the systemic potentials thereof. My fundamental submission bears reiteration. This is the contention that dominant discourses have trained the world to look for Africa everywhere, but where it has demonstrable viability, and this has made the story of African agency or abounding local resources more one of potentials than cumulative results that can be systematically understood, bolstered, and harnessed to underwrite sustainable human rights protection.

# Successful Projects

David Ellerman and Vladimir Kreacic

# **Transforming the Old into a Foundation for the New: Lessons of the Moldova ARIA Project**

## **Introduction**

After a decade of World Bank projects in the transitional economies of Europe and Central Asia, the PSD I/II project in Moldova was recognized as more successful than projects with similar aims in other countries. The areas where the project was relatively successful include:

- Setting up a restructuring agency ("ARIA"),
- Implementing a restructuring bankruptcy ("Chapter 11") program,
- Implementing a liquidation bankruptcy program to seed new start-ups,
- Building up capacity in the local private consulting sector,
- Fostering spin-offs as systematic restructuring strategy,
- "Marshall Plan" study tour programs for managers,
- "Marshall Plan" work tour programs for blue collar workers, and
- Systematic implementation of continuous improvement ("Japanese-style") programs in firms.

When a project has had such relative success where other projects with similar goals have failed, some attempt must be made to understand the different strategies that may account, in part, for the different outcomes.

## Two Strategies for Renewal: Replacement or Transformation

In the face of decline, there are always two different strategies for renewal: replacement or transformation. Albert Hirschman, in his 1970 classic, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, developed these two strategies as the logic of exit (replacement, the quintessential logic of the market) and the logic of loyalty, commitment, and voice (transformation, the quintessential logic of stable organizations).

When facing decline, a commitment-based strategy "fights" for renewal by fostering the transformation of the given people and structures. An exit-based strategy sees renewal as coming primarily and initially from the outside through "switching," the replacement of the existing people (or at least the top people) and structures by new ones. Transform the old into the new—or throw out the old (to create a *tabula rasa*) and then import the new; that is the question. All real-world situations of decline will call for appropriate combinations of transforming the old into the new (transformation strategy) and replacing the old with the externally-supplied new (replacement strategy).

It should be noted that the replacement strategy depends on finding what is needed from some external source, e.g., from the market. If what is needed is not available on the market, then a replacement-oriented strategy will be of little avail. One would have to transform what one already has. For instance, a restructuring strategy for a transitional economy might assume that, as in an advanced market economy, there is a plethora of entrepreneurial and managerial talent, experience, and

motivation available "on the market." It is only a matter of getting the macro- economic conditions and the "investment climate" right, and then the entrepreneurs and managers will "come forth" to take over and restructure the failing firms. Moldova was an example where this replacement strategy was not working. The macro-conditions were stable but foreign investors were not interested given the other opportunities, and there was little or no domestic market for entrepreneurial and managerial talent. In the beginning the Moldovans would have to make do with what they had.

But, more generally, there are other reasons to start with a transformation strategy—even if a replacement strategy had more initial feasibility. The Bank Mission Statement principle of "helping people help themselves" and James Wolfensohn's Comprehensive Development Framework principle of the "client in the driver's seat" indicate how the two logics might be combined. If the client is to stay in the driver's seat, then enough of the home- grown old must be transformed into the new so that the client does not "lose his footing" and become so estranged from the change process that his only response is to either cling to the old or to sullenly give in to the new (all the while hoping it will fail). With a sound foundation of footing on the home-grown but transformed old, the client can then take charge of throwing out part of the old and to appropriate and adapt the imported new to make it his own. The alternative is a process externally driven by replacement of the old with the imported new where the clients are "blown off their feet" and are being swept along without any real ownership by imposed conditionalities or other forces outside their control.



Hence the question is: how can the Bank design projects and programs on the basis of enough transformation of the home-grown old into the new so that the clients will thereby gain "ownership" of the process and will have the foundation from which to then open up, acquire, and appropriate the knowledge and experience available to them in a globalized world?

### **The ARIA Project in Moldova**

The Moldova PSD I/II project, which set up the ARIA (Agency for Restructuring and Enterprise Assistance) as a quasi-public NGO, made a number of innovations (relative to standard projects) to foster enough home-grown transformation so that the external knowledge and practices could then be imported and applied—with ownership—to the Moldovan context.

Since 1995, The Moldova NGO – “ARIA” – has completed the restructuring of 90 enterprises. An impact study conducted of the Moldova Project indicates that outcomes have been both positive and significant, in terms of productivity, sales growth, exports, tax payments and other areas. Highlights of the results of the impact study are as follows:

- In 1995, the firms that were to receive project assistance were on average *worse off* at the outset than comparable Moldovan firms that were never helped by the project.
- By the end of 1999, despite generally worsening economic conditions in Moldova, Project-assisted firms were *more productive and paid more taxes per worker*, than their unassisted counterparts.

- Project assistance is consistently, positively and significantly correlated with real productivity growth, growth in sales and growth in exports.
- Project-assisted firms have been significantly more successful in *attracting foreign direct investment*, have *changed suppliers more aggressively*, and *rely less on barter and offsets* than other, comparable firms.
- Project-assisted firms have experienced *greater management turnover* than other firms.
- The Project has, in connection with the restructuring of about 90 enterprises, led to the creation of more than 450 SMEs. About 80 of these SMEs are spin-offs from restructured enterprises and the remainder are either new businesses created from assets sold by restructured enterprises, or independent small businesses which have been attracted to newly-created industrial parks.
- Overall, it is estimated that 9500 employees have been laid off in ARIA restructurings, while a total of 10800 new jobs have been created. [Siegelbaum, 2001]

## **A Hirschmanian Approach to Social Learning and Change**

Some insight into the Moldovan ARIA experience can be gained by reflecting on Albert Hirschman's vision of economic change. The Hirschmanian approach of "unbalanced growth" was originally described as the contrast with the idea of a large coordinated "big push" program of change (e.g., as specified by a 'Christmas tree' of conditionalities) implemented by the central government in an underdeveloped country. The essential point was that if a

country had the institutional capacity to implement a comprehensive "balanced growth" program of change then it would hardly be an underdeveloped country. Assuming that institutional capacity in project design was just assuming that which needed to be developed in the first place. Hirschman tried to outline in more practical terms how institutional change might take place.

Instead of top-down across-the-board change, one needed to find where change was afoot in the small.

I began to look for elements and processes...that did work, perhaps in roundabout and unappreciated fashion. [T]his search for possible hidden rationalities was to give an underlying unity to my work. ...[T]he hidden rationalities I was after were precisely and principally processes of growth and change already under way in the societies I studied, processes that were often unnoticed by the actors immediately involved, as well as by foreign experts and advisors." [Hirschman 1984, 91-3]

The Best-of-the-Worst principle is a strategy for finding those entry points. Learning and change is driven by problem-solving. Not all problems can be attacked at once so attention and aid is first focused in the small on the sectors or localities where some of the preconditions are in place and where initiative is afoot on its own—where the old is starting to transform itself into the new. The preconditions for learning and change are more likely to be in place among those facing the most salient problems, namely among "the Worst" where change can no longer be avoided by extracting further rents. Amongst "the Worst" there are those who are willing to take the initiative in a pragmatic learning process; they are the Best of the Worst.

Hirschman then envisaged that the initial small successes would create pressures through the forward and backward linkages to foster learning and change that is nearby in sectorial or locational terms (in contrast to changes dictated by conditionalities). One thing leads to, induces, elicits, or entrains another thing through chains of "tensions, disproportions, and disequilibria." Hirschman at one point refers to the principle of unbalanced growth as "the idea of maximizing induced decision-making" [1994, 278]. The problem-solving pressures induced by unbalanced growth will call forth otherwise unused resources and enlist otherwise untapped energies. As a project moves from one bottleneck and crisis to another (in comparison with the smooth planned allocation of resources in a project), then "resources and abilities that are hidden, scattered, or badly utilized" [1961, 5] will be mobilized.

Sometimes these projects might be initially in areas more isolated from the forces reinforcing the low-level traps (e.g., corrupt or predatory local governments). The successes could then be broadcast through publicity, public courses, and horizontal learning programs to those facing similar problems. That will start to break down the paralyzing beliefs that "nothing can be done" and will thus fuel broader initiatives that take the early wins as their inspiration and benchmark. The successes will be copied and emulated to slowly build a constituency for change to a scale where it can have a reinforcing political effect.

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Laura Orlando

## Reflections of a Sanitarian

For thirty years I have been researching, writing, and thinking about water and sanitation in the U.S. and internationally; implementing, managing, and collaborating on projects in a few different countries. I work with individuals and non-governmental organizations (NGOs) through the Resource Institute for Low Entropy Systems (RILES), a U.S.-based non-profit organization. When I teach sanitation to university students, I begin with the conundrum of why 2 billion people have no access to basic sanitation and another 2 billion foul clean drinking water by mixing their wastes with industrial pollutants in urban sewers. The solutions are complex. The complexity is not unraveled by a Hirschmanian approach, but spared certainties and granted creativity by Hirschman's concept of the Hiding Hand, which "beneficially hides difficulties from us." <sup>44</sup> Acknowledging the complexity is different than resolving it. It is to be embraced, with the Hiding Hand nearby.

Why sanitation? The human gut is an ecosystem teaming with biota vital to human health. But sometimes toxigenic organisms, most often bacteria, enter the body through the mouth and wreak havoc on the gut. One of the more dangerous bacteria that can infect the human intestine is called *Vibrio cholerae*. It causes cholera, an acute, diarrheal illness that results in severe symptoms in

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<sup>44</sup> Albert Hirschman, *Development Projects Observed*, Brookings Institution, Washington DC, 1967.

approximately 10% of people infected. The World Health Organization (WHO) estimates cholera causes 120,000 deaths a year worldwide.<sup>45</sup> If a person is exposed to infected feces, for instance by drinking water containing the cholera bacterium, they are at risk of infection. Containing the bacterium, keeping it out of water and off of hands and food, stops the progression of the disease among people. This is one of the public health missions of sanitation. But containment is harder than it seems. It is not a singular action. It requires a series of relationships, decisions, and actions that have eluded communities across the globe.

Meanwhile, cities do not contain excreta, they disperse it. They use sewers flowing with freshwater to move wastes away from homes and businesses and into rivers, lakes, and oceans. But unless the discharged wastewater is treated to kill organisms like *Vibrio cholerae*, people downstream will be at risk. And treatment of the heterogeneous waste from urban areas comes with its own set of problems and limitations. For example, most chemical pollutants remain untouched by conventional treatment, even with the most advanced technologies. This 19th century urban sanitation infrastructure is not serving 21st century realities.

It has been known for over a century that the containment of human excreta results in the saving of lives and improved health. Yet 2.3 billion people lack even basic sanitation services and 844 million do not have access to water that is safe to drink. <sup>46</sup> One terrible result is that 1.6

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<sup>45</sup> [http://www.who.int/gho/epidemic\\_diseases/cholera/situation\\_trends\\_deaths/en/](http://www.who.int/gho/epidemic_diseases/cholera/situation_trends_deaths/en/)

<sup>46</sup> <http://apps.who.int/iris/bitstream/handle/10665/258617/9789241512893-eng.pdf;jsessionid=6A2C17BB3A0314BF9F754BA1AC43683F?sequence=1>

million children die each year from a lack of basic sanitation and clean water.<sup>47</sup> The collective response from philanthropists to government ministers is to focus on the toilet. Build more toilets until everyone has access to one! This approach has not worked out very well. The Millennium Development Goal of halving the portion of people without access to sanitation was a colossal failure, missing its target by 700 million people.<sup>48</sup> Untangling this riddle of failure reveals the toilet as a node of interaction and not a thing, reified, unattached to culture and nature.

### **Technology, reification and relationships**

No aspect of a development project suffers from reification more than technology. Sanitation projects are exemplary of this phenomenon. The effort is reduced to things until the obfuscation of relationships is complete. Success is measured by coverage: how many people have access to a toilet. Multiple ways of seeing and telling are lost in the counting. But when the evaluation is storytelling it reveals patterns, tensions, and plenty of mystery. It is in these places that Albert Hirschman suggests we look (past the toilet) to bring us closer to what we want (healthier communities).

Reification does not leave much room for Hirschmanian themes, such as doubt, mystery and uncertainty. Its usefulness can be found in looking for its opposite. Isn't a toilet a 'thing'? Yes, and it is a node on a network of relationships, including microbes, soil, water, communities, economies, and culture.

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<sup>47</sup>[https://www.unicef.org/wash/3942\\_25637.html](https://www.unicef.org/wash/3942_25637.html)

<sup>48</sup>[http://www.who.int/water\\_sanitation\\_health/monitoring/jmp-2015-key-facts/en/](http://www.who.int/water_sanitation_health/monitoring/jmp-2015-key-facts/en/)



Development is stories within stories. In these stories are patterns and in the patterns are multiple ways of seeing things. The filters we use are supported and validated by our culture. Some filters, such as fear, move us to judgment rather than to its opposite, curiosity. "It is conceivable that even at one and the same point in space and time," Hirschman explains, "a simple thesis holds only a portion of the full truth and needs to be complemented by one or several of the others, however incompatible they may look at first sight." <sup>49</sup> Multiple ways of seeing things is only way to stay sane and do good work in this field.

When a project is defined by relationships through meaning-making, its evaluation is about information and not judgement. The meaning-making asks what interacts with what and how. The object of the effort - the bridge, the dam, the road, the toilet - are nodes of interactions. The object alone, without consideration of the always present relationships, makes for reflections that do not tell what really happened and what incremental changes can be made to find the right answers to *what is* and *what could be next*.

## **Looking at a sanitarian project with Hirschmanian lens**

A sanitation project in Mexico with which I have been working for 25 years can be observed through a Hirschmanian lens.

Chemax is a municipality about 2 hours from Cancun, Mexico. It is located in the state of Yucatan with approxi-

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<sup>49</sup> Albert Hirschman, "Rival Views of Market Society", p. 241 in *The Essential Hirschman*, ed. by J. Adelman, Princeton University Press, Princeton, 2013.

mately 35,000 inhabitants that are members of communities called *comisarias*. The city center, also called Chemax, has about 11,000 residents. Nearly everyone in Chemax is Mayan. The municipality has high levels of poverty and lacks development opportunities. It also lacks sanitation infrastructure. This was the motivation for the establishment of a local nonprofit, called Grupo Ecológico Zayab-Ha, A.C., in 2007. It was founded and is managed by Mayans from Chemax with the aim of promoting environmental education, environmental health, and social support.

Chemax residents' primary source of income is from providing labor to the tourism industry on the Caribbean coast, such as gardeners and construction laborers. It is mostly men that travel to work on the coast. The town has four municipal wells for potable water, though about a third of the population drinks bottled water because they do not trust the safety of the municipal source or because they have no access to municipal pipes. The groundwater table is high, sometimes less than a meter to the surface. The ground is mostly limestone karst, and so digging a hole is difficult to impossible. In a survey we conducted in 2008, the vast majority of households said they wanted "safe and hygienic toilets" easily accessible to the home. Meanwhile, 8 out of 10 households deposit their excreta on the surface of the ground in the backyard, in an area cordoned off and partially covered for privacy.

Since 2007, Grupo Ecológico Zayab-Ha, with some support from RILES, has built more than 60 compost toilets, with handwashing sinks and showers, locally called *Nahi Xix*. The shower and sink have small greywater gardens, designed by Zayab-Ha. The treatment tank under the floor

is ventilated and uses aerobic processes to compost the solid materials entering it, never comingling with groundwater. Each facility is designed with beauty at the forefront. People care differently for a beautiful bathroom. They take care of it and recommend the Nahi Xix to friends and family. The bathrooms become a point of pride rather than only a necessity.

The Nahi Xix compost toilet has two valuable end products: a compost and a nitrogen-rich, liquid fertilizer. Both are used by people engaged in agriculture. There isn't much soil in this part of the world, so making good soil is appreciated by some and welcome by the plants grown in it. The liquid fertilizer, odor-free and pathogen-free, is primarily used on corn.

In collaboration with RILES and an architect and permaculture practitioner from Tulum, Zayab-Ha started building 5m x 5m kitchens with attached Nahi Xix bathrooms and greywater treatment for hand sinks, kitchen sinks, and showers. This showed the integrated nature of the systems and gave large families a center of sustainable design from which expand as their financial and familial circumstances changed. It showed that one can be poor living on rock in simple housing and still have an odorless, indoor toilet. It put the principle of source separation into practice, turning "wastes" into safe products that benefit families and protect ecosystems.

The primary cause of health trouble among women was respiratory disease from breathing in smoke from open cooking fires in the home, so Zayab-Ha worked with a Mexican NGO to build energy efficient and ventilated wood burning stoves. They burn half as much wood as traditional open fires. They, too, are beautiful, lined with

colorful tile and constructed with care. We knew people liked them when the workers building them built the stoves in their own homes. Unintended consequences: a toilet project turned into what we call the "healthy heart of the home," a kitchen and bathroom with their sustainable metabolism.

Another unintended consequence was that the Nahi Xix compost toilets led to the establishment of an indigenous women's center in town.

Zayab-Ha is made up of both men and women from Chemax. Part of their work is to go into people's backyards and homes to check on the compost toilets which always involves talking with family members at the house. Many women pulled aside Maria Dalia Canche Canche (Dalia), one of the founders of Zayab-Ha, and said they needed help because of domestic abuse. Most only spoke Mayan and so could not go to see a doctor or lawyer without a translator, who usually was the husband or a child. This led to many discussions among the women in town and eventually the establishment of a new NGO, Kiimac Kooolel Ool, founded and run by local women. They worked for 6 years to get government support for an indigenous women's center and shelter, now built and named Tumben Kuxtal. The toilet work wove a web of support and action that resulted in the building of and support for the women's center. The women's center is strengthening the social fabric in countless ways and strengthening the environmental health work that has been happening in Chemax since 2007. The indigenous women's center in Chemax leans in the direction of hope.

Jeremy Adelman in his biography of Albert Hirschman said that Hirschman "declines to choose among apparently

rival conceptions but instead constructs connections and attends to contexts and peculiarities." Constructing connections made all the difference in Chemax. Flexibility in design, as long as we are protecting people and water while making healthy soil, left room for beauty. A toilet project wasn't all about toilets.

## **Evaluation as a teacher**

The evaluation of the project begins with the understanding that the project is a process and not an event fixed in time and space. Turning to evaluation as a teacher and not a judge has been critical to our efforts. What has evaluation as a teacher revealed to us over these many years?

1) The project is a moving target whose existence is always in the context of relationships. Without these relationships - between individuals, organizations, government agencies, and so on - there is a danger of reification, which hides what really happened and what changes could be made to achieve better performance and practice.

2) Beauty matters, even in the far too often unbeautiful sanitation world. Beauty as an outcome motivates hope. How is beauty measured? Not with algorithms, but instead in the way it connects us. It is a mysterious extracellular matrix between nodes of action. In the sanitation field this is a big deal. Taking the extra effort to make something beautiful slows down the process and connects people. It can create the conditions in which time, energy and money meet hope.



RILES Compost Toilet  
in Maruata, Michoacan,  
Mexico



When the toilet is beautiful, other beauty follows.

3) Unintended consequences can be cause for celebration and make sense of the mission in new ways. With little funding and not much organizational support, the con-

struction and maintenance of beautiful, compost toilets in Chemax, Mexico, resulted in the construction and local management of an indigenous women's center in town. By going into backyards and spending time with women from town, we learned that women needed help dealing with violent husbands. This resulted in a new civil association founded by Mayan women from Chemax and the construction of an indigenous women's center and shelter in town.

4) Design frameworks and not blueprints. This allows for the unexpected and leaves room for creativity without giving up values and objectives.

5) Go slow and take small steps. The "bias for hope" does not move with velocity. It needs time to make connections, reveal patterns, show what works, and allow for the Hiding Hand to hide difficulties from us.

Author and activist Rebecca Solnit writes in her book *Hope in the Dark* (Canongate, 2004):

Hope locates itself in the premises that we don't know what will happen and that in the spaciousness of uncertainty is room to act. When you recognize uncertainty, you recognize that you may be able to influence the outcomes — you alone or you in concert with a few dozen or several million others. Hope is an embrace of the unknown and the unknowable, an alternative to the certainty of both optimists and pessimists. Optimists think it will all be fine without our involvement; pessimists take the opposite position; both excuse themselves from acting. It's the belief that what we do matters even though how and when it may matter, who and what it may impact, are not things we can know beforehand. We may not, in fact, know them afterward either, but they matter all the same, and history

is full of people whose influence was most powerful after they were gone.

Albert Hirschman couldn't have said it better, though he might add, "the mystery is the meaning."<sup>50</sup>

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<sup>50</sup> As written in his diary, as reported by Jeremy Adelman in his biography of Hirschman, *Wordly Philosopher. The Odyssey of Albert Hirschman*, Princeton University Press, Princeton, 2014.



Maria Ariano

## **The Abraham Path: Economic Development Across Fragile Communities in the West Bank**

Nowadays when we hear about the Middle East we immediately think of conflicts, migrations, terrorism, violence, but the Middle East is much more than this. It is the cradle of civilization, his people share a great tradition of hospitality, and diverse and beautiful places dominate its scenery.

With the awareness of the richness of the Middle East and with the desire of contributing to stopping one of the worst existing internecine wars -- the conflict among the "grandchildren of Abraham" -- William Ury, the legendary founder of the Global Negotiation Project at the Harvard University, created in 2006 the Abraham Path Initiative (API). API is an NGO meant to promote the method largely adopted in negotiations that conflicts can be overcome finding a third party, a story, an history, in which all the contending parties can identify and find a point of union.

In the Middle East the third party and unifying point for everybody is Abraham, a prominent historical figure in Judaism, Christianity and Islam, since he is considered the ancestor and cuneal point of all of them, the forefather of about 5 billion believers, and an example of faith, wander, kindness and hospitality towards strangers.

On these premises, the Abraham Path Initiative started the Abraham Path that originally crossed Turkey, Syria,

Lebanon, Jordan, the West Bank and Israel and which follows the footsteps of Abraham. The Path is a catalyst for socioeconomic development and sustainable tourism, a place of meeting and connection between people from the Middle East and people around the world, and a creative space for stories that highlight the unique culture, heritage and hospitality of the region.

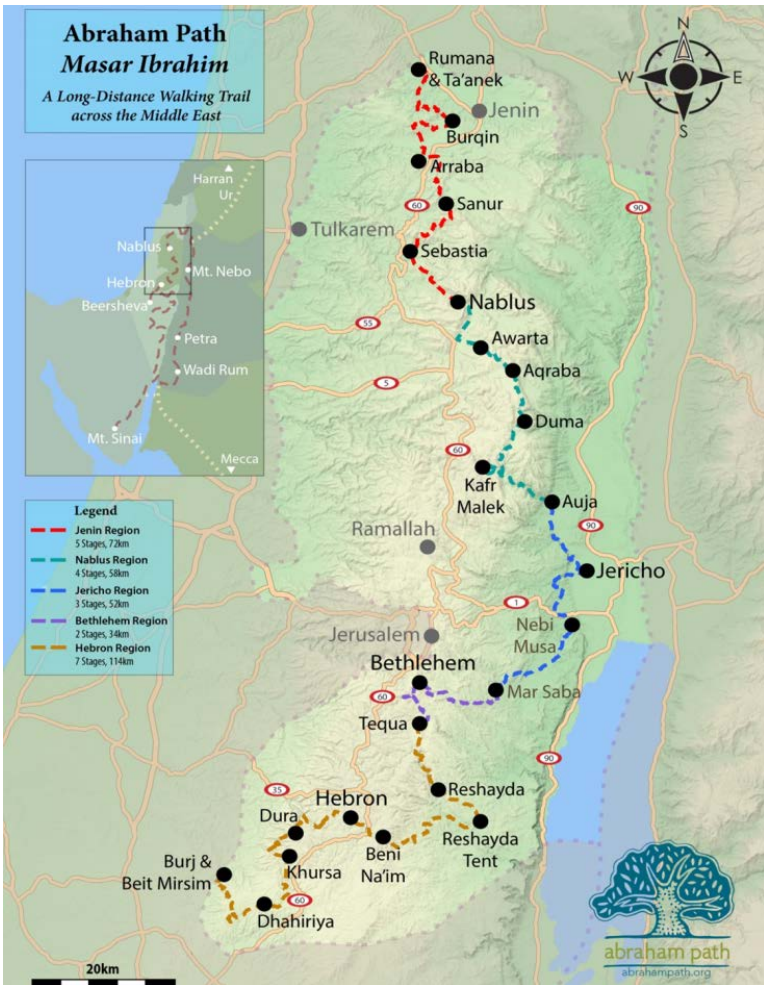


*Abraham trekking Path*

Furthermore, in 2014, with support from the World Bank Group, the Abraham Path Initiative and Masar Ibrahim al-Khalil, a partnership between the Palestine Wildlife Society, the Rozana Association and the Siraj Center for Holy Land Studies, launched a pilot program aimed at creating jobs and providing more opportunities to generate income for local people along the Abraham Path in the West Bank.

The \$3.3 million initiative, funded through the World Bank Group's State and Peacebuilding Fund (SPF), focuses on improving the lives of women and youth in particular, and informs how development agencies and governments enhance tourism activities in other fragile and conflict affected countries. Specifically, the project provides local men and women with tour guide certifications, hospitality training, the creation of practical hiker resources such as maps, accommodation and transportation information, and the creation of promotional materials to educate travelers about the Path. The project has four key components: (1) Investment in People and Institutions; (2) Path Development and Marketing; (3) Business Development and Communication; and (4) Action Research. Basically, the project provides additional income to rural communities along the Path and supports female participation in the local economy.

Today the Abraham trekking Path spans more than 300 kilometers in the West Bank, and it is considered one of the world's most attractive tourist destinations in the world (See figure below).



Along the Path, entrepreneurs have set up guide shops, guest houses, restaurants and much more. In the West Bank, the Path provides thriving business opportunities for 56 communities along the Path's mostly rural corridor – some of them living below the poverty line. And despite significant security challenges, the Abraham Path project continues to improve the lives of people along its corridor.

In conclusion, this is an innovative project that aims to look at the possibilities offered by reality even in the most challenging circumstances, to build relationships and mutual understanding among persons of different backgrounds, nationalities, beliefs and religions. As Albert Hirschman (*Journeys Toward Progress*, 1963, p. 6) used to say: "*in spite of what it is and because of what it is*" it is always worth to try!

# Possibilism in the World Today

Ilene Grabel<sup>51</sup>

## Reading the Global Financial Crisis through a Hirschmanian Lens

In my book, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*, I use Albert Hirschman's insights as a lens to examine changes in global financial governance in the wake of the East Asian and especially the global financial crisis (GFC). Let me begin by stating the obvious: the East Asian and the recent GFC focused attention on the failings of the global financial architecture.

### The continuity thesis and its limits

The failure of reform agendas after these crises has led most observers to emphasize continuity with the pre-crisis landscape rather than discontinuity. Those emphasizing continuity are quick to point out that plans for radical architectural transformation advanced early in the crisis faded quickly. These views are captured in what I term the "*continuity thesis*," that is, the claim that the opportunity for meaningful reform created by the GFC has been wasted; and that nothing of significance has changed, especially as concerns emerging market and developing economies

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<sup>51</sup> Remarks drawn from *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017). The book was awarded the 2018 British International Studies Association International Political Economy Group Book Prize and the 2019 International Studies Association-International Political Economy Section Book Prize. Profound thanks to Luca Meldoles, Nicoletta Stame, and all of the conference participants for stimulating discussions of Hirschman's legacy and salience.

(EMDEs). The fall of 2008 marked the 10<sup>th</sup> anniversary of the start of the GFC, and many observers used the occasion to defrost the case for continuity.

My view is that the continuity thesis misses the point. I show that the Asian and global crises catalyzed disparate, disconnected innovations across several dimensions of global financial governance. I argue that these discontinuities matter deeply for EMDEs. But to be clear: this is not to say that the global crisis induced an abrupt shift from one regime of global financial governance to another. It hasn't. But I also argue--and this is the key point--that a chief problem with the continuity thesis is that it understands change as a simple binary. Change is either systemic, enduring, and fundamental (as exemplified by Bretton Woods or the neoliberal revolution). And at the other end of the change binary is the view anything less than sharp, unambiguous discontinuity should be dismissed since it is local, ameliorative, and fleeting. Central to this unhelpful binary is the notion of *regime displacement* as the true test of change.

## **The productive incoherence thesis**

My chief goal in the book is to defend what I call the "*productive incoherence thesis*." I maintain that emergent incoherence in the global financial governance architecture is to be understood in significant measure as a good thing because it's productive of development and financial stability. Emergent incoherence holds significant, promising, and overlooked opportunities for EMDEs, opportunities that weren't available in the streamlined—or, if you will—the coherent financial governance environment of the last decades. The changes we confront today are inconsistent,



contradictory, uncoordinated, fragmented, messy, and evolutionary. It is in this sense that global financial governance today, taken as a whole, is “incoherent.” The result so far has been emergence of an increasingly dense, or “*pluripolar*” set of fledgling institutions of financial governance and a diversity of institutional and policy practices.

I advance three chief claims in the book. The first is positive. The positive claim is that the Asian and especially the GFC occasioned meaningful though ad hoc, partial, and experimental discontinuities in several dimensions of the global financial governance architecture that are of particular salience to EMDEs. However, the empirical story is not one of wall-to-wall change. The second claim is normative and controversial. It is that emergent incoherence is, on balance, productive rather than debilitating. Especially in comparison with the stultifying coherence of the neoliberal era, EMDEs enjoy a degree of autonomy to innovate in ways that enhance financial stability, resilience, inclusion, and learning. Things are different today, and the difference matters, especially for EMDEs. The third claim is that emergent productive incoherence can be understood most fully within what I call a “Hirschmanian mindset,” by which I mean an understanding of social and regime change informed by Albert Hirschman’s key theoretical and epistemic commitments. The alternative vision of change that I advance reflects key commitments that mark Hirschman’s work. This vision turns our attention away from epic ruptures of the sort that occur infrequently but that receive disproportionate attention by scholars, and instead turns attention toward more prevalent but prosaic, small scale, and evolutionary changes as the wellspring of what can be meaningful transformation.

Let me flesh out more of the Hirschmanian foundations of my work. In the Hirschmanian view, development is a series of transformations, each of which is a social experiment that permits learning from error and success and learning by doing and from others. Critically important as well is the importance of providential problem solving in response to new obstacles or to previously unforeseen or underestimated challenges. This was Hirschman's conception of the "Hiding Hand." Central to Hirschman's understanding of development as a process of social learning and experimentation is his rejection of the omniscient pretension that often leads social scientists to prearrange the future so as to prematurely prejudge the outcomes of interventions, and relatedly to parse changes ex-ante as either "fundamental" or "superficial." In Hirschman's view even experimental failures can leave in their wake new knowledge and linkages, what he termed side effects, that may be available for and enable subsequent endeavors. Other aspects of Hirschman's work that are particularly pregnant with insights for my own include his commitment to "possibilism" and, to the theme of the conference, his bias for hope. Hirschman's work on exit, voice, and loyalty is obviously salient to the empirical developments that are my focus.

### **Pragmatic adjustment in global financial governance**

Following examination of the most salient aspects of Hirschman's work for my project, I consider in the book the contradictory effects of the Asian crisis, which I argue laid the groundwork for the developments during and following the GFC. In the book's four empirical chapters, I

examine areas of financial governance across which we find continuities, discontinuities, and ambiguities. The empirical cases that I examine range from the International Monetary Fund, financial governance networks (namely, the Group of 20 and the Financial Stability Board), institutions based in EMDEs that provide long-term finance and/or liquidity support, and changes around capital control policies. (See chapters 4-7 for presentation of these case studies.)

From my perspective, recent crises might be understood as crucial turning points in a contested, uneven, long-term process of pragmatic adjustment in global financial governance. A non-coherent system is one that is better apt to protect space for the diversity and experimentation necessary to support social learning and autonomy-promoting development. After decades of neoliberal coherence, this is a welcome deviation. It is best, I think, to consider the present as an interregnum between an era dominated by a dysfunctional Bretton Woods monoculture and a *something else*, the parameters of which are as of yet unknown and unknowable. The evolving landscape is not likely to meld into a new, coherent global financial architecture that resembles the orderliness of the pre-global crisis world. The array of China-led institutions is complementing, competing, reshaping, and above all complicating the Bretton Woods landscape, where the line between advanced economy lending and EMDE borrowing used to be clearly drawn. The vacuum created by the recent US rejection of multilateralism suggests that there will be both greater space and more urgent need for China and others to step into the void. This of course presents opportunities and risks for EMDEs, for US power and relevance, and for the shape of multilateralism.

Engineers naturally understand the need for redundancy in safety systems to ensure that the systems do well when placed under intense stress. The increasingly dense and networked global financial architecture is prudent in the very same way, even if it is by no means adequate in its current form to maintain stability during the next big financial crisis--the timing of which is uncertain, though its eventuality is not. Nothing I've said suggests that I think things won't fall apart--indeed they can and always will. But when they do, will a messier, pluripolar Hirschmanian global financial architecture be better situated to respond to EMDEs in a world in which the Trump administration is unlikely to have an appetite to allow the Bretton Woods institutions to perform their traditional roles? Present conditions suggest that we may know the answer to this question sooner rather than later.

Brian Levy

## **Inequality and the Inventiveness of History: Albert Hirschman's 'Tunnel Effect' in South Africa**

### **The optimistic economist**

In its 2012 remembrance, the New York Times<sup>52</sup> described Albert Hirschman as “the optimistic economist”. Hirschman himself described the “fundamental bent” of his writing as being “to set the stage for conceptions of change to which the inventiveness of history and a ‘passion for the possible’ are admitted as vital actors” – a sensibility which was informed, as he put it, by “a bias for hope”.<sup>53</sup> But as with many things Hirschman, this bias for hope wasn't quite what it seems.

Hirschman's optimism was that of someone who, early on, had looked into the depths of darkness. An entering first year student at the University of Berlin in the fall of 1932, by early 1933 Hitler and the Nazi Party had come to power and he had gone into exile. In the early 1940s, together with Varian Fry, he worked as an agent of the Emergency Rescue Committee, helping to smuggle many of Europe's leading artists and intellectuals from Vichy France across the Pyrenees into Portugal, from where they could make their way to the United States. Hirschman's optimism was the willed optimism of a search for silver linings. A restless optimism, an optimism which knows

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<sup>52</sup> Yardley (2012)

<sup>53</sup> Hirschman (1971) pp 28, 37

that, in times of light, the potential for darkness looms – but also that, during times of darkness, seeds of renewal can germinate.

It was this sensibility which Hirschman brought to his writing on inequality and development in Latin America. And it is this sensibility which speaks to our time – and on which I will draw in this essay to explore South Africa’s continuing, difficult challenge of overcoming its legacy of racism and inequality: how the country came to the place in which it now finds itself; and what might be a hopeful (in the Hirschmanian sense) way forward.

### **A ‘miracle’ and its discontents**

In May 1994, the world thrilled at the seeming miracle of Nelson Mandela, a political prisoner for twenty-eight years, being in as the first president of a democratic South Africa. In the years which followed, people the world over were inspired by the spectacle of racial reconciliation, of swords seemingly being turned into plowshares, of enmity and racial oppression seemingly transmuted into shared citizenship and reconciliation.

This optimism was not wholly misplaced. As Table 1 below summarizes, the poorest South Africans made remarkable gains in their economic circumstances: rapid expansion in access to basic services; the provision of an income safety net for many of the poorest; new (public) work opportunities. Economic growth, which had come to a halt in the last years of apartheid, picked up in 1994 and, in spite of some volatility, achieved an average growth rate of over five percent per annum between 2004 and 2008, better than for any period since the 1960s.

**Table 1: Changes in the provision of public services in South Africa**

	<b>1996</b>	<b>2011</b>
Absolute poverty, with daily hunger	28%	11%
Access to:		
- electricity	58%	85%
- piped water	56%	91%
Immunization coverage	68%	98%
Secondary school enrollment	50%	75%
Access to social grant (old age, child support, disability)	2.4 million	15 million
Labor-intensive public works	-	1 million jobs

*Sources:* Levy, Hirsch and Woolard (2015), p. 14.

In 2010, the year South Africa hosted the soccer World Cup, the world gloried in the miracle of the “rainbow nation”. It seemed barely conceivable that, within a half-dozen years the country would be mired in pessimism.

Hirschman, though, may have been unsurprised by the seemingly sudden, difficult turn of events. In 1980, building on the vision of ‘unbalanced growth’ he laid out a quarter century earlier,<sup>54</sup> he identified “the two principal tasks or functions that must be accomplished in the course of the growth process”:

“The first of the two tasks is the unbalancing function, the entrepreneurial function, the accumulation function..... Increasing social and income inequalities are an important part of this picture. In time, pressures will arise to correct some of

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<sup>54</sup> Hirschman (1958)

these imbalances, both because the continuation of growth requires such correction at some point and because the imbalances bring with them social and political tensions, protest and action.....

“There will be efforts at catching up on the part of lagging sectors and regions at social reforms to improve the welfare and position of groups that have been neglected or squeezed, and at redistribution of wealth and income in general. This is the ‘equilibrating’ distributive, or reform function....”<sup>55</sup>

This vision of development as an interplay between growth and imbalance is only a partial fit with South Africa’s history: As Seekings and Natrass (2005) explore in detail, along with racial oppression, economic inequality (on racial lines) had long been a central feature of apartheid South Africa. Indeed, apartheid South Africa could not unreasonably be described as providing social democracy for whites (at industrial country income levels), built on a foundation of cheap, unskilled, black labour (with paths to upward mobility blocked via a variety of statutory restrictions on skill acquisition and internal migration to urban areas) – and with cheap labour necessary for the extraction of mineral resources, the basis for the prosperity.

Democracy thus brought alleviation of the worst effects of apartheid’s devastation, as per Table 1 above. With the end of restrictions on skill acquisition and geographic mobility,<sup>56</sup> it also created some new opportunities for upward mobility (on which more later). But, as Levy, Hirsch and Woolard (2018)

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<sup>55</sup> Hirschman (1980) pp. 87, 89

<sup>56</sup> It is worth noting that many of these restrictions were eliminated in the 1980s, the waning years of apartheid.



highlighted, it did little to end South Africa’s status as among the world’s most unequal countries.

Consider Table 2, which summarizes expenditure<sup>57</sup> inequality in South Africa for 2000 and 2010 – and contrasts the South African patterns with those of four other middle-income countries. As the first two columns of the table signal, over the course of the decade South Africa experienced some modest declines in inequality, with the gains at the bottom in large part a consequence of the progressive public expenditure patterns implicit in Table 1. Compared with the other countries, however, South Africa’s inequality is stark.

**Table 2: Aggregate inequality (% share of Gross Domestic Expenditure)**

	<b>South Africa (2000)</b>	<b>South Africa (2010)</b>	<b>Brazil (2002)</b>	<b>Mexico (2002)</b>	<b>Thailand (2002)</b>	<b>Turkey (2002)</b>
<b>Top 5%</b>	42.1%	37.5%	33.7%	27.9%	19.8%	23.1%
<b>Next 15%</b>	32.2	32.8	29.8	28.2	27.1	26.5
<b>Next 40%</b>	20.2	22.8	28.4	32.5	36.0	35.3
<b>Bottom 40%</b>	5.5	6.9	8.1	11.4	17.1	15.1
	100%	100%	100%	100%	100%	100%
<b>Per capita GDP, 2002 (\$)</b>		7,195	7,449	11,221	5,465	8,093

*Source:* Compiled from various tables in Levy, Hirsch and Woolard (2015); see LHW for the primary data sources

<sup>57</sup> Expenditure inequality generally is lower than other measures. It (desirably) incorporates the impact of fiscal transfers on income inequality. But it does not capture inequalities in wealth, which generally are greater than inequalities in income

Prior to some significant declines in the 2000s,<sup>58</sup> Brazil had long been perceived as the most unequal of all middle-income countries. Indeed, as Table 2 shows, as of 2002 it was substantially more unequal than Mexico, Thailand and Turkey. But Brazil in 2002 was significantly less unequal than South Africa in 2010:

- In 2002 Brazil, the most affluent 20% of the population accounted for 63.5% of spending – but in 2010 South Africa they accounted for over 70%.
- South Africa’s gains at the bottom of the distribution now emerge in a different light: even after the impact of progressive fiscal policy, the 2010 expenditure share of the poorest 40% (6.9% of the total), was well below the corresponding 8.1% for Brazil.

What of gains for the vaunted ‘black middle class’, commonly identified as important beneficiaries of the end of apartheid? Table 3 uses two benchmarks to summarize shifts between 1995 and 2010 in the ethnic composition of the top-third or so of South Africa’s population. Within the most affluent 10 percent of the population, the shifts were quite modest. As the table shows, as of 2010 white South Africans (9% of the country’s total population in that year) continued to account for the majority of the top 10% of earners. Gains for black South Africans came at the lower end of the ‘middle class’ spectrum: between 1995 and 2010, per capita expenditures of an additional 2.9 million black South Africans – of a total population of over 40 million -- exceeded the threshold of 1995 per capita income.

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<sup>58</sup> Subsequent to 2002, inequality also declined in Mexico; in Turkey and Thailand, the levels remained largely unchanged in the first decade of the 2000s.

**Table 3: The ethnic composition of South Africa's elite, 1995 and 2010**

	1995		2010	
	Number (000s)	Percentage	Number (000s)	Percentage
<i>Among 'whites'</i>				
Total population	5,234	13%	4,651	9%
Top 10% of per capita incomes	2,938	56%	2,805	60%
Income above 1995 mean per capita income but not in top 10%	1,804	34%	1,491	32%
<i>Among 'blacks'/'Africans'</i>				
Total population	31,727	76%	40,001	79%
Top 10% of per capita incomes	871	3%	1,481	4%
Income above 1995 mean per capita income but not in top 10%	3,028	10%	5,364	15%
Income below 1995 mean per capita income	27,828	88%	32,439	81%
<i>Among other groups</i>				
Total population	4,599	11%	5,771	11%
Top 10% of per capita incomes	347	8%	763	13%
Income above 1995 mean per capita income but not in top 10%	1,064	23%	2,012	35%

*Sources:* Levy, Hirsch and Woolard (2015)

Combining the insights from Tables 1-3 yields an arithmetically obvious but socially devastating conclusion.

More than for other middle-income counterparts, South Africa is a country with a distributional cliff. Levy, Hirsch and Woolard (2015) contrast the earnings of the 7<sup>th</sup> ventile (31<sup>st</sup>- 35<sup>th</sup> percentile from the top) of the distribution with that of the 3<sup>rd</sup> ventile (11<sup>th</sup> – 15<sup>th</sup> percentile). In Mexico, Thailand and Turkey, the average earnings in the 7<sup>th</sup> ventile are more than half those in the 3<sup>rd</sup> ventile; in Brazil, they are 45%. But in South Africa, those in the 7<sup>th</sup> ventile earn less than 30% of those in the 3<sup>rd</sup> ventile. Unlike the other countries, South Africa lacks a ladder of opportunity into the middle class. its citizens either are affluent or poor, with little in-between This brings us to Hirschman’s tunnel effect.

### **The ‘Hirschman cycle’**

The first two decades of Hirschman’s writing about Latin American development were characterized by willed optimism. His classic 1963 book on the subject was titled *Journeys toward Progress*; his 1971 collection of essays, *A Bias for Hope*. As an observer of economy and society with a keen eye and progressive political sensibilities, Hirschman surely had not failed to notice Latin America’s pervasive inequalities. But it was only in the 1970s, that they became a central focus of his writing.

Musing on why “society’s tolerance for disparities [may initially] be substantial”, he drew the analogy with being stuck in intermittently moving traffic:

“Suppose I run into a serious traffic jam in a two-lane tunnel. After a while the cars in the other lane begin to move. Naturally, my spirits lift considerably... Even though I still sit still, I feel much better off than before be-

cause of the expectation that I shall soon be on the move..."

"As long as the tunnel effect lasts, everybody feels better off, both those who have become richer and those who have not... The tunnel effect operates because advances of others supply information about a more benign external environment; receipt of this information produces gratification; and this gratification overcomes, or at least suspends, envy..."

"This tolerance... is like a credit that falls due at a certain date. It is extended in the expectation that eventually the disparities will narrow again. But if the expectation... does not occur, there is bound to be trouble and, perhaps, disaster... Nonrealization of the expectation that my turn will soon come will at some point result in my 'becoming furious' that is, in my turning into an enemy of the established order... "<sup>59</sup>

Like many scholars and practitioners focused on Latin America, Hirschman was mugged by events: by a military coup in Brazil in 1967; a massacre of students on the streets of Mexico City in 1971; the bloody assault on Chile's presidential palace in 1973, which resulted in the death of elected president Salvador Allende and the coming to power of General Augusto Pinochet.

"No particular outward event sets off this dramatic turnaround... Rulers are not necessarily given any advance notice about [the tunnel effect's] decay and exhaustion... On the contrary, they are lulled into complacency by the easy early stage when everybody seems to be enjoying the very process that will later be vehemently de-

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<sup>59</sup> Hirschman (1973), pp. 545, 548, 552

nounced and damned as one consisting essentially in ‘the rich becoming richer’ ”.<sup>60</sup>

Combining Hirschman’s tunnel effect with his distinction between development’s entrepreneurial and reform functions, gives us a “Hirschman cycle”, depicted in Figure 1 below. In a first phase of the cycle, an activated entrepreneurial function brings momentum for growth – but this is followed in quite short order by rising imbalances. If these imbalances are addressed early and forthrightly, growth momentum potentially can be sustained for a long period of time. But insofar as the beneficiaries of growth proceed in blissful ignorance of the rising imbalances, the cycle points to the likelihood of a sudden reversal of the benign phase of the tunnel effect; crisis; and pressure for reform.

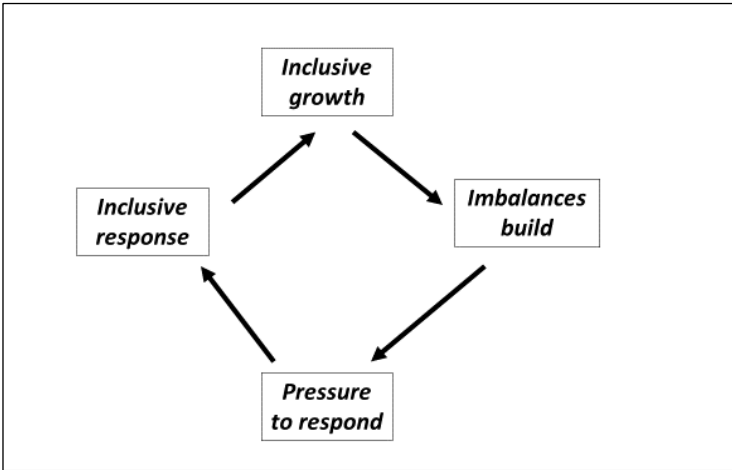
What happens next is profoundly uncertain. As Hirschman put it:

“The reform function, whether undertaken from below or above, has of course its own...protagonists, but their appearance on the stage at the right time and with the right strength is not in any reliable fashion co-ordinated with the entrepreneurial function and its performance. In fact while the performance of both functions (in some proper sequence) may be ‘objectively’ essential for the growth process, their protagonists are more often than not determined adversaries... When reformers enter the stage they may well be full of invective against the entrepreneurial groups, who will return the compliment...”<sup>61</sup>

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<sup>60</sup> Hirschman (1973), p. 552

<sup>61</sup> Hirschman (1980) p. 89, 95



*Figure 1: The Hirschman Cycle: Complementary entrepreneurial & reform impulses*

As per Figure 1, insofar as skillful leadership is able to craft a response to crisis which renews hope, then a new round of the cycle can begin. Indeed, the search for ways forward is the motivating impulse of Hirschman’s work, of his “passion for the possible”. But renewal is not the only option. Also lurking in the wings is the possibility of tragedy.

## **The ‘tunnel effect’ in South Africa – a credit falling due**

At the heart of South Africa’s democratic miracle was hope – the expectations of the large majority of the population that a better future lay ahead. The stability of the country’s new democracy was underpinned by a seemingly contradictory combination of, on the one hand, a robust constitution anchored in the rule of law with strong checks and balances against the abuse of state power and, on the other, de facto dominance by the African National Con-

gress (ANC), which in the first decades of majority rule enjoyed an unchallengeable electoral majority by virtue of its ability to position itself as the party which liberated the black majority from the yoke of apartheid. Over time, though the ANC retained its electoral majority, it increasingly became unable to hold together its 'big tent' in a way which facilitated coherent developmentally-oriented decision making.

By the early 2010s, the realities increasingly were hitting home of an economy which lacked dynamism, of limited job opportunities in the formal sector, of increasing discontent with the quality of public service provision – and, more broadly, of emerging tensions between formal rule-bounded and patronage forms of governance. The optimism which accompanied the South African miracle was fading. As Levy and Hirsch (2018) detail, the emerging difficulties included:

- The diminishing effectiveness of formal platforms for 'corporatism' -established in the 1990s to foster cooperation among government, business and civil society stakeholders in the design and implementation of growth-supporting development policies.
- Increasing difficulties in incorporating aspirant black elites into the economic mainstream. An initial generation of voluntary initiatives by establishment businesses proceeded relatively smoothly. This was followed by the mixed success of efforts at "broad-based" black economic empowerment (BEE) – which was succeeded in turn by increasingly personalized deal-making, linked to the networks of senior political leaders.



- The emergence (in the wake of a chaotic dissolution of the ANC's youth movement) of a vocal populist, and racially-polarizing opposition party, the Economic Freedom Fighters – and also the rise, within parts of the ANC, of a pre-occupation with 'white monopoly capital' as the source of South Africa's problems.
- An accelerating turn to patronage politics and public sector jobs (and contracts) as an alternative political strategy for retaining power and, more broadly, maintaining stability – resulting in a variety of notorious large-scale scandals, associated with broader failures in the governance of state-owned enterprises, and the politicization of senior government appointments.

The overall effect was one of a growing loss of credibility on the part of the top leadership of the ANC – and a broader perception of corrosion of South African governance.

**Table 4: Benchmarking South Africa's governance**

	Government Effectiveness	Control of Corruption	Government Effectiveness	Control of Corruption
	Score		Percentile Rank	
<b>South Africa</b>				
<b>1996</b>	<b>0.88</b>	<b>0.76</b>	<b>79</b>	<b>79</b>
<b>2003</b>	0.68	0.34	74	67
<b>2007</b>	0.48	0.21	69	63
<b>2011</b>	0.41	0.03	66	59
<b>2015</b>	0.27	-0.04	65	55
<b>2017</b>	0.28	-0.01	65	57

*Source: World Bank, Worldwide Governance Indicators*

Table 4 summarizes governance trends, using two Worldwide Governance Indicators (WGI) - government ef-

fectiveness and control of corruption.<sup>62</sup> As the table shows, since 1996 South Africa has indeed experienced a cumulative decline in both variables. But the more recent trends evident in the table are seemingly at odds with the pessimistic tenor of the country's recent day-to-day political discourse: rather than accelerating decline, there was very little measured change between 2011 and 2017. One way to interpret this last finding is as evidence of 'dynamic tension' – namely that the institutional and political arrangements put in place in the 1990s were proving resilient in the face of patronage and predatory pressures. Such a state of dynamic tension could not, however, be sustained indefinitely. Something had to change.

In early 2018 the country seemingly reversed course, with the recall by the ANC of President Jacob Zuma and the accession to the presidency of Cyril Ramaphosa, a committed constitutionalist. In the first year of the Ramaphosa presidency, notwithstanding continuing infighting within the ANC, the country witnessed an ongoing removal from positions of authority of many who had been deeply complicit in South Africa's ongoing process of institutional decay and state capture.

## **Renewing hope**

On the surface, South Africa's political back-and-forth in the 2010s might be interpreted as an ongoing struggle between the forces of (institutional) good and (institutional) evil. However, the Hirschman cycle suggests that such an interpretation is at best incomplete. The cycle directs at-

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<sup>62</sup> The WGI measures governance both absolutely (using a -2.5 to + 2.5 scale) and relatively (measured by percentile rank in relation to a total of 215 countries).

tention to imbalances – and South Africa’s imbalances remain stark.

From a Hirschmanian perspective, the bad news is that beneath the institutional ups and downs is the reality of dashed expectations – of a loss of faith on the part of the majority of the population in the promise of a better life for all. A clear implication follows: A narrow focus on institutional reconstruction and improving the business environment, which does not also address the underlying economic and social imbalances, will almost surely be inadequate to rekindle change.

The better news is that a Hirschmanian approach suggests that to renew the cycle, society’s problems do not have to be solved decisively. Rather, what is needed is a credible narrative that, moving beyond the nostrums of the 1990s and early 2000s, can rekindle hope. What might be the contours of a new narrative? Building on some earlier work<sup>63</sup>, here are three mutually-reinforcing pillars which might together provide the platform of hope needed to initiate a new Hirschman cycle:

- First, strengthen ‘ladders of opportunity’. The country urgently needs feasible ways for its poorer citizens to journey, step-by-step, from low- to middle- to high incomes.

As Levy (2018b) details, these ladders of opportunity include:

- ladders of skills (support for basic education; for early childhood development; and for pos-secondary

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<sup>63</sup> Levy (2018)

education, especially including in technical and vocational education);

- ladders of earnings opportunities (not only accelerated economic growth and private sector job creation, but also programmes to support small businesses, public works programmes, and an employment-creation tax incentive targeted at younger workers); and
- ladders of spatial wellbeing – overcoming the continuing bifurcation of South Africa’s cities which imposes large costs on poor South Africans who live at the edge of cities and spend up to 40% of their earnings on transport to-and-from work.

Also, worth considering is Anthony Atkinson’s suggestion in his 2015 book, *Inequality*, of “a capital endowment paid to all at adulthood... Possible permitted uses could include education or training... down payments on houses or flats, or the establishment of a small business.”

- Second, provide the fiscal resources needed for the ladders of opportunity to work effectively. This will need more money from taxpayers.

Strikingly, notwithstanding almost three decades of effort to reverse South Africa’s legacy of extreme historical injustice, relative to many other middle- and high-income countries the country is not especially highly taxed. At 28%, 2013 revenue collection as a percentage of Gross Domestic Product was in the mid-range, well below Brazil (37%) and Turkey (36%) - or for that matter the high-income United States (32%), Australia (34%) and Germany (44%).<sup>64</sup> Taxes on wealth are relatively low. In its 2018

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<sup>64</sup> International Monetary Fund (multiple years).

budget South Africa increased its maximum inheritance tax on wealth from 20% to 25%. By contrast, from the mid-1930s until the early 2000s, the top inheritance tax rate in the United States consistently was in excess of 50%.

- Third, foster a new approach to how public services are governed - with much more active, collaborative engagement by citizens, private firms and non-governmental organizations.

Active citizenship along these lines can help enhance the effectiveness and legitimacy of the public domain (and thereby also win the support needed to expand fiscal space by increasing taxation). Some concrete ways in which an active citizenry might contribute to the efficacy of efforts to strengthen ladders of opportunity include:

- leveraging the energy of parents and communities to strengthen educational outcomes;
- leveraging the energy of non-governmental organizations to strengthen early childhood development;
- partnering with the private sector to strengthen work-related acquisition of skills, including support for technical colleges and apprenticeships;
- moving beyond continuing de facto spatial (including class-based) apartheid and building inclusion into the fabric of urban development.

### **The Hirschman cycle has broad contemporary relevance**

When it comes to the magnitude of inequality South Africa is a global outlier. But as of 2019, as the rise in country after country of ethnocentrism and populist authoritarianism signals, South Africa hardly is alone in struggling to

manage the political consequences of economic discontent. Indeed, the Hirschman cycle might have broad contemporary relevance.

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Yevgeny Kuznetsov

## **Diaspora Talent as a Source for 'Bias for Hope' at Home**

Creativity, originality and ability to design counter-intuitive solutions to development problems which seem intractable is a unifying theme of Albert Hirschman's professional life. Ultimately, it is this faith in tenacity of talent in solving development problems which is the basis for his 'bias for hope'. Contribution of diaspora talent to development of its home countries is a compelling illustration of this sparkling creativity in problem-solving.

With funding from the Ireland Funds, Pdraig O'Malley, an Irish diaspora member from the University of Massachusetts, brought, with the endorsement of Nelson Mandela, the negotiators from all the warring factions of Northern Ireland (NI) to South Africa in 1997 for a week-long deliberation with the chief negotiators from all the parties that had reached South Africa's historic settlement in 1994. Two years of intensive discussions with the leaders of the political parties in NI were needed to prepare the trip. Factions from NI would not fly on the same plane, wouldn't sit at the same table, wouldn't come within a half a kilometer of each other, and even refused to be in the same room to have Mandela address them for fear of "contamination." Predictably, arranging the logistics of accommodating the NI sides in South Africa was quite an endeavor, which was on the verge of falling apart continuously because of issues such as the size of the beer bar in one faction's hotel appearing to be larger than in the other.



The trip to South Africa and the dialogue there—South Africans sharing their experiences and the NI factions identifying with different aspects of those experiences and sharing their own—created a bond between the two rival factions, resulted in a continuing post-conference line of communication between some members of the NI parties and some of the South Africans. This conference and the ongoing dialogue that followed were a contributing factor to the NI peace agreement in 1998. After that agreement was reached, the NI negotiators were effusive in their praise of the contributions the South Africans had made.

Unexpected examples of this sort are many and diverse (see Kuznetsov, 2013). In the ensuing second industrial revolution, talent is not just an important resource, it is the single remaining factor of wealth creation. We define talent as unique high impact skills sparkled by originality, creativity and ability to think and act 'out of the box'. This talent population is quite small in any country and it moves internationally to global cities and centers of excellence, like Silicon Valley. With few exceptions like China, few low and middle-income countries have 'good enough' conditions to enable immediate return of talent, so the main policy question is how to leverage talent diasporas to galvanize dynamic segments in their home countries and this way to increase probability of *eventual* return of diaspora talent.

In this note, we underline two Hirschmanian themes: first related to *The Strategy of Economic Development* (1958), second to *Exit, Voice, and Loyalty* (1970).

## **‘The Strategy’ theme: Diaspora members engaged in projects see domestic institutions more positively than those who are not**

Surveys of technical and scientific diaspora talent from countries with manifestly bad institutions – Russia and Argentina (Kuznetsov, 2013) - reveal that diaspora members engaged in projects (active voice from a distance) view local business environment more favorably than those who are not. For instance, discussions with Russia diaspora representatives are commonly gloomy, and negative perceptions dominate the conversations (Kuznetsov, 2013, Chapter 8). But diaspora members that are among the most successful in their dealings in Russia often admit “that the reality on the ground is less difficult than the perceived risks as seen from diaspora,” as one put it. Those in the diaspora who do not have immediate business experience with Russia generally tend to overestimate the scale of the problems. This observation is similar to experiences of other diasporas, such as the Armenian one. This negative bias derives from poor communication, particularly in the form of a severe shortage of information on diaspora success stories. In our own analysis we came across several cases of rather successful Russian diaspora companies with well-established operations in the home country, but were unable to arrange an interview with companies’ principals. Some people seem reluctant to share their success stories and prefer to stay away from publicity—to remain, as the saying goes, “below the radar.”

How to interpret this finding? One can say that there are two views of development constraints. The first view emphasizes bad investment climate and bad governance in

general. Our diaspora surveys revealed a lot of complaints about those.

Second view – emphasized by *The Strategy* – is contextual: in the context of implementation of a specific project. General investment climate could be unfavorable, but it may contain dynamic better performing institutional segments capable of ‘getting things done’. Diaspora individuals engaged in projects were able to identify such better performing segments and make their projects successful.

Discussions of diaspora contributions to home country development sometimes start with exhortations on how home country conditions, such as the investment climate and governance, must improve. *The Strategy* (1958) perspective has a different premise. First, what can be accomplished here and now in a difficult environment? For instance, which first-mover investments from diasporas are possible in an unfavorable investment climate? Second, how can a highly imperfect institutional environment in a home country improve, gradually and incrementally, through participation of diaspora members? An improved institutional context would then be supportive of further and deeper diaspora engagement and initiatives: a virtuous cycle ensues in which institutional context improves incrementally, step-by-step.

An example of how it happens also illustrates the second theme of this Note – on *Exit, Voice, and Loyalty*.

### ***Exit, Voice, and Loyalty* theme: Talent’s Exit, Voice from a distance, Voice at Home**

By the end of the 70’s, Taiwan has already developed significant R&D capabilities such as Industrial Technology

Research Institute (ITRI) and Electronic Technology Research Institute (ETRI). Yet transforming technology into firm creation proved difficult. The large Hinschu Science Park, opened in 1980, was unable to find tenants in spite of aggressive efforts to lure multinationals. When the Taiwanese government decided to promote the venture capital (VC) industry in the early 1980s, it had neither the capabilities nor a blueprint to do so. Many were opposed to the idea because they considered the concept of VC foreign to traditional Taiwanese investment practices, in which family members closely controlled all of a business' financial affairs. Through a process of intense interactions with the Taiwanese diaspora in Silicon Valley, a seed fund was established to provide matching capital contributions to private VC funds. Two VC funds were also created in the mid-80s. To run these funds, educated Chinese who lived overseas received invitations to relocate to Taiwan. These were the examples of *micro-reforms—changes in the institutional environment at a micro level*. Once the first venture funds proved successful, domestic IT firms started to create their own VC funds. By the late 1980s, when companies like Acer and the returnee company Microtek were publicly listed on the Taiwan Stock Exchange, the venture capital industry in Taiwan (China) took off.

A search network (a network to identify successive constraints and then people or institutions that can help mitigate these constraints) consisting initially of key, dynamic, and forward-looking members of the Taiwanese (China) government and leading overseas Chinese engineers in Silicon Valley was central to the emergence of the VC industry. This network did not have a blueprint, yet it did have a role model (Silicon Valley) and a clear idea of “what to do next.” By defining each subsequent step along the road,

the network became wider and eventually incorporated skeptics and opponents.

By the beginning of 2000s, most of Taiwanese students studying in technical disciplines in US universities started to come back, to such an extent that the Taiwanese government started to worry that it was losing vital connections to Silicon Valley (Saxenian, 2006). In other words, one observes almost a Hegelian sequence:

- First, Exit: become part of talent diasporas
- Second, Voice from a Distance: engage in a home country -- if you find a capable and willing partner. The key question 'How do you find such partner'?
- Finally, lasting Voice: coming back as agent of change at home

True, most of developing countries have not reached the stage of massive return of talent but as our discussion highlights even a 'voice from a distance' (diaspora engagement in projects and reforms at home) can be an important factor of development. Likewise, there is no guarantee that micro-reforms (illustrated by the example of Taiwanese VC funds) will spread and scale up. But they can begin even in unfavorable institutional context, and when they do scale up from micro- to national level they transform the whole institutional fabric of the economy.

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# Reform-mongering and the Public Sector

Elena Saraceno

## **Changing Agricultural and Rural Policies for Development: Lessons from Experience for the Future**

I will argue that rural areas and agriculture activities require distinct policies, one for the whole territory and one for the agricultural sector. Both policies need to be formulated together, in both developing and developed countries, and be kept closely connected between each other and to the context in which they will be implemented. Their objectives should change as their situation evolves over time, without arriving at a definitive stage. Such transformation should be expected and understood. The weight to be given to one or the other depends on the relevance of the agricultural sector in relation to other activities that may be already there or have developed over time. Factors which influence the diversification of economic activities in rural areas depends not only on specific farm and agricultural production conditions, but also on other external factors such as demand for food, services and amenities, demand for labor in urban centers, environmental concerns, industrializing or de-industrializing processes, differences in the levels of income between rural and urban areas, cost of living, growing or stagnating contexts. Observation of real processes and the functioning of policies have shown that the need to distinguish between agricultural and rural policies has been growing with modernization rather than declining as expected, a disobe-



dience of facts not fully acknowledged in its implications by current policymaking.

Hirschman grasped development as “how one thing leads to another”, a process which needs to be continuously understood by observation of specific cases, checking theory with reality and the diversity of experiences found, explaining how different aspects of development are linked and mutually support each other. In his time ‘the story’ was that of transforming agrarian societies into industrial ones; today, the story that needs to be told seems a different one, more open to different paths and outcomes, with high degrees of uncertainty, suggesting the revision of some assumptions that no longer seem to work. In the following paragraphs I will try to show very schematically how this different story has unfolded in rural areas, its implications for traditional policies, the multiple and unexpected linkages that have developed between agriculture and other sectors and between rural and urban areas.

### **Agriculture and rural development: different or same concepts?**

Farming and rural areas have been a main concern of development processes and policies. In pre-industrial economies farming is usually the main subsistence activity and the majority of the population lives in rural areas. Development theory has maintained that the modernization of agriculture is the first step, a sort of pre-condition, for further development, since it releases workers for industry and services and relocates them in urban areas, where such new activities are expected to develop. In this view rural areas are seen as the place where modern agricultural ac-

tivities take place. The two concepts mean the same and sector and territory coincide.

The modern farm does not produce for subsistence but for external markets, with high yields and economies of scale; it specializes, applying new technologies and inputs that increase productivity. Small farm-holders in this context are considered inefficient and expected to gradually abandon the area over time, easing demographic pressure on land on the one hand and getting out of poverty by moving to urban areas or other more developed countries in search for better job opportunities, on the other. This roughly codified process, based on the experience of the first industrializing countries, is expected to repeat itself over time and place regardless of diversities. It has become a reference for developing countries' policies, with the aim of facilitating modernization by different means: land reform, land amalgamation, draining and irrigation, training and research, investments, infrastructures; the provision of new inputs, processing and marketing facilities. On the other hand, developed countries that have already gone through such modernization process in the past, still consider that agricultural activities need to be heavily subsidized for reasons of food security and low market prices. The assumption in both cases is that farming is the only activity that can take place in the rural areas of industrialized economies. And it is this assumption that has proved wrong. This is still the dominant model informing agricultural policies and implies a sector approach to rural areas

## **Adding the rural perspective as a distinct concept and policy**

Field research in the rural areas of industrialized countries (US, EU, Japan) from the late 70's onwards shows that rural areas have been diversifying their activities in non-agricultural sectors, such as tourism, leisure, environmental goods, small and medium enterprises, crafts and services. Furthermore, a majority of rural areas in these countries, even in some remote areas, have been attracting new population instead of losing it. These processes have been interpreted in different ways. One has stressed that rural areas are offering environmental and leisure goods, increasingly appreciated by urban people in developed countries. Another has focused on the delocalization of economic activities as a spillover effect from congested urban areas. Still another has pointed out that farmers have been diversifying activities closely linked with agriculture, such as processing and marketing of products, providing rural hospitality to tourists and environmental goods.

On the other hand, in developing countries the need for wider rural policies beyond farming has been justified by social concerns, aiming at poverty alleviation. This need has emerged in the Nineties, in response to the persistence of subsistence farming, of farm-family incomes based on remittances from migrants, the opportunities offered by traditional activities and local crafts, the lack of alternative job opportunities in other sectors not only in rural areas but also in urban ones.

Both these understandings of non-farm activities in rural areas are true in part, especially in developed countries, but all of them point to external factors as causes of the diversification process, or to the temporary or exceptional

character of some of these activities. There are two problems here: the first is that they don't consider local, bottom-up, endogenous development initiatives as spontaneous processes occurring in rural areas, and which are not the result of external factors. The second is that their temporary or exceptional character, not attributed on the basis of observation over time, appears like a way for characterizing an unexpected fact, which doesn't fit with the assumptions about the development of rural areas. In fact, admitting the possibility of non-farm activities in rural areas, either spontaneous or externally driven, questions the main justification for farmer's policy support, based on providing a comparable income to that of other industrial workers.

Rural areas in developed countries have diversified without significant policies supporting such evolution, and later added policies for the wider rural economy and the quality of life in rural areas, differentiating measures addressed to farmers and the rural population in general, while continuing to privilege the sector over the territory. In developing countries such addition occurred later, adopted more social objectives based on poverty alleviation, but still privileged investments in agriculture modernization and infrastructures in the development process while not including subsidies for farmers as in developed countries. Agricultural and rural policies became different concepts, both in developed and developing countries, but the emphasis and the funding remained mainly addressed to agriculture. In order to rebalance both policies, some assumptions need to be corrected in development theory, with important implications for the rationale informing current policymaking.

## Understanding the mutually supportive effects between agriculture and rural areas

Adding territorial rural policies to agricultural policy is not the best way to address the new realities observed in rural areas. Far from competing with each other –except than in funding- the two have developed multiple mutually supportive effects which have strengthened both the competitiveness of agriculture as well as economies of diversification, which seem to be more adequate for low densely populated areas. I will review below the most important linkages that have been observed in developed countries.

- *Rural labor markets.* In the past, a young farmer who did not want to succeed his father, had to leave the activity and move elsewhere, and the farm could either be sold or leased to another farmer or abandoned. In a rural area where non-agricultural activities have developed, he could find another job while staying in the same area and farm house, lease the land, change farm activities to reduce labor input and combine incomes, start an independent enterprise using the farm buildings. This happens because the wider pool of human resources provided by rural diversification helps farm turnover and avoids abandonment and desertification; stimulates local entrepreneurship, multiple job holding, innovating practices through cooperation, imitation and exchanges, in this way making rural society more resilient in facing times of crisis or downturns in one or another sector.
- *Endogenous and exogenous growth.* Diversification processes may develop both through delocalization of

enterprises (externally driven) bringing a new activity to the area, which may use or not a locally available resource, know-how or amenity, or through endogenous initiatives, based on local capabilities, such as the valorization of a typical product, craft or activity. Information technologies applied to these resources have changed the organization of production, as well as enlarged their market, reducing the disadvantages of isolation. New activities not only provide new job opportunities but also stimulate innovation in other sectors, including farming. The most diffused example is rural tourism, which uses farm buildings to give hospitality, developing leisure activities for visitors, local gastronomy to feed them, contact with different consumption patterns, environmental concerns, that widen the understanding of farming activities and its linkages to the wider economy.

- *Land mobility.* Diversification has enhanced land mobility, by decoupling land from farm buildings in its use. Land may be sold, leased, contracted out for its machinery work, and each of these decisions may be reversed if the farm family changes in its composition and work arrangements, giving more flexibility to engage and disengage over time, while keeping its function as residence.
- *Service provision.* Diversification has also provided the critical mass required for the provision of modern services to rural areas, at a lower cost. Keeping a school, a post office, a medical center or adequate transportation in a rural area is inefficient for a few farmers and public authorities have the choice of either subsidize it or eliminate it. However, with a sta-

ble and often increasing population, service provision has become relatively more efficient. More so, innovative ways of providing some services have emerged, combining different services in the same multi-purpose center. Consider for example the combination of bus stop station offering bar service, with a rural taxi that makes medicine delivery, mail collection and package delivery, buses children to school and elderly people to market.

- *Housing market, new residents.* Many rural areas in the EU have been gaining population since the late Seventies. This is partly linked to the diversification of activities described above but also in part by the counter-urbanization process that has been taking place as the result of the high cost of living in urban areas coupled with the declining opportunities for well paying jobs. These processes in developed countries are due to deindustrialization and strengthened by a growing awareness of the environmental advantages of rural living. These new conditions have influenced in favor of rural areas the choice of residence of some middle- and working-class families, which may keep their jobs in the city and commute, or find a job in the area of residence, not necessarily connected with farming. This has expanded the rural housing market, not only for vacation homes but also for permanent residents bringing with them urban sensibilities that sometimes have clashed with those of the locals, but also contacts and exchanges which have transformed the socio-cultural composition of rural areas. New residents bring new consumption patterns, influencing farming production for the lo-

cal market and transforming rural heritage and the built environment.

These important aspects of life and work in rural areas have been changing quite significantly in the past 30 years. This is not a temporary but a structural change, which is likely to increase rather than go away. In order to understand what is happening the sector approach taken in the past is increasingly misleading since it makes these changes invisible. The territorial approach helps to understand it because it is place-based, showing the difference between one rural area and the other. The few linkages that have been described tell us that diversification does not pose any threat to agricultural specialization or modernization. On the contrary it improves substantially the social and economic context in which it operates, facilitating turnover, flexibility and introduction of innovations. It also changes the rationale that had informed agriculture and rural policies so far.

### **Implications for development policies**

What has been said very schematically about observed changes in agriculture and rural areas implies a thorough and all-encompassing review of agricultural and rural policy as they are today. Reforms until now have been driven by interest groups and organizations with a big stake in the benefits that past policies have created, including institutional stakeholders and politicians. I have argued that both policies need to be kept distinct, covering the sector and the territorial function, and evolving with time as modernization proceeds. One size does not fit all: what has happened in early industrialization countries is very probably a different process than in more recent developing



countries where an uncertain industrialization is taking place today. The diversity of rural development experiences is significant even within countries that modernized in the same period. The relevance of agriculture policy in relation to rural policy should not be pre-defined but tailored according to the characteristics of the area, its strategy for development, avoiding a priori recipes.

There is plenty of evidence that there is no such thing as “excess population” in developed and developing countries’ rural areas, to get rid of. Diversification is good both for farm and non-farm activities, which turn out to be mutually supportive rather than competing. Even though the combination of activities that may be found in developed and developing countries is different, it seems better to have diversification policy objectives throughout development, allowing them to evolve gradually with growth. Different farm structures, large, medium and small, are likely to follow different patterns of modernization in different contexts: what large farms achieve with scale, small farms achieve with other sources of income, and both are possible and good for the rural area in economic and social terms.

Agricultural subsidies need to be better targeted to the most vulnerable farmers and non- remunerative productions in environmentally sensitive areas. They should consider total family income from different sources, rather than considering the whole sector in need of assistance indefinitely and everywhere. Phasing out and in of subsidies should be coherent with the changing needs of farm workers during the life-course rather than a guaranteed payment regardless of the economic situation.

Exchange of practices and networking between developed and less developed rural areas, are important as a reference, not as a model to be followed. Monitoring and evaluation of multiple development paths requires a different approach than top down development approaches. Indicators of complementarity need to be developed. In developing countries where the majority of population still lives in rural areas mostly with subsistence farming, wider rural development remains difficult to achieve and very close to agriculture, but diversification policies have an important role to play at this stage, to reduce outmigration to places which are no longer able to offer jobs and integrate new arrivals.

Raffaele Trapasso <sup>65</sup>

# **New Approaches to Regional Development in Colombia. The Role Played by the New Royalty System<sup>66</sup>**

## **Introduction**

Colombia has been invited to become a member of the OECD, in 2018.<sup>67</sup> The OECD membership, *per se*, it is not an important achievement. However, it shows that the country has been able to overcome some of its main challenges, and in particular to end the “low intensity conflict”, in which it was involved since the 1950s. Among others, a reform of the national system of royalty payments – supported by President Santos – played a key role to promote the Peace Process. In particular, the reform improved the multilevel governance of the country.

This short paper presents some evidence based on the “Territorial Review of Colombia”, published by the OECD in 2014, and discusses this experience in connection with some “hirschmanian narratives”.

## **The Reform of the Royalty Payment System**

Colombia benefitted from the super-cycle of

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<sup>65</sup> The views expressed in this paper are those of the author and do not reflect those of the OECD or of the governments of its member countries.

<sup>66</sup> Information and data in this paper come from the OECD Territorial Review of Colombia (OECD, 2014). <http://www.oecd.org/countries/colombia/oecd-territorial-reviews-colombia-2014-9789264224551-en.htm>

<sup>67</sup> The Colombian Parliament needs to approve the membership.

commodities. For example, revenues from royalties totalled approximately USD 4.6 billion (COP 9 200 billion), or 1.4% of Colombia's GDP, in 2012. They originated from the production of hydrocarbons (80%) and minerals (20%).

In 2011, to avoid that the revenues generated by royalty payments concentrated in a few resource-based departments, the government of Colombia, with the direct support of the Presidency of the Republic, put in place an ambitious reform of the general royalty system (SGR) to finance a vast programme of infrastructure and service delivery in Colombia. In the new system, subnational authorities were asked to generate investment projects to be assessed and evaluated by a tripartite body encompassing local authorities (municipalities), representatives from regional governments (departamentos) and from the national government, in particular the Departamento Nacional de Planeación, which represents Colombia's "Ministry of Investment".

The new SGR faced a number of political economies of reform challenges, despite the direct support of the President of the Republic, who enjoys a strong and effective powers in the country.

According to the Colombian Constitution the revenues generated by the development of natural resources belong to subnational authorities, and in particular to Departamentos (32 regions and a Capital District, in Bogotá). Based on this rule, the four resource-based departamentos were receiving the bulk of royalties paid by developers. Local governments in these departments were using these revenues to finance small and uncoordinated projects. In some case these were futile infrastructures,

such as the infamous example of a municipal wave pool – piscina de holas – in a remote rural area.

Developments and investment projects were never integrated in a structured development plan as there was no the capacity at the local level to elaborate programmes or strategies. Due to the super-cycle of commodities that started at the end of the 1990s, Direct royalty payments allocated to resource-based departments increased fivefold between 1995 and 2011. In this situation, the national government perceived the risk of wasting resources and, at the same time, saw the possibility to provide the country with a much-needed national investment programme. Most importantly, the national investment programme was to be functionally connected to President Santos' agenda for a Peace Process.

The national government transformed the case of the wave pool in the poor rural municipality, mentioned above, into a national scandal and into an example of the fact that local governments in resource-based departments were dissipating revenues generated by royalty payments. This “campaign” helped the government gain the support of the public (especially in impoverished department that were not benefitting from royalty payments) and to win the resistance of resource-rich departments toward the innovations put forward by the reform.

In particular, the reform introduced two main innovations. The first and most important is that all departments and the vast majority of municipalities in Colombia gained access to royalty revenues, regardless of their specialisation in extractive activities. The second is that departments and (selected) municipalities acquired the possibility of deciding how to invest the additional resources on the ba-

sis of their needs, strategic priorities and programming documents.<sup>68</sup>

Most of the investment generated by the SGR has been dedicated to infrastructure, in particular road connectivity and accessibility to education. From the time it was introduced, in September 2013, till the end of the same year, the SGR generated a total investment of USD 5.2 billion. Sub-national governments invested royalty revenues in four main areas. Approximately 27% was allocated to improve road connectivity, including primary and secondary road networks, and 14% was invested in research and development projects. Some 13% of the total annual revenue was invested to improve the delivery of education in the regions. Finally, 10% was spent to purify water. Investing to improve road connectivity and human capital is a strategy to increase the revenue generated by royalty payments, as skills and regional accessibility promote competitiveness in the extractive sectors.

The SGR has produced important outcomes. First, it provided a lot of poor communities with funds to produce and deliver public goods and services. Second, it also affected governance and capacity building in subnational authorities, which was considered a real plague by authorities in Bogotá. Third, through the SGR, the Colombian government was able to reconnect to a lot of regional communities in which the presence of the State was missing since the beginning of the Civil War. The SGR reform facilitated the creation of policy synergies among

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<sup>68</sup> In Colombia, resources were usually earmarked to subnational governments. Funds came with a string attached to force local governments produce specific goods or services for their population. In most cases, these services and their quantity had been defined by the central government, *ex ante*.

different sectors and, above all, tailored investment to the needs of different territories.

## **The impact of the reform on the multilevel governance of Colombia**

The SGR was also designed to empower multi-level governance in Colombia. The implementation of investment connected with royalty payments requires improved co-ordination mechanisms at the central level (horizontal co-ordination) and between the central government and sub-national entities (vertical co-ordination). In particular, concerning vertical co-ordination, and the way in which investment projects are approved and implemented at different territorial levels, the SGR created a governance system based on *Órganos Colegiados de Administración y Decisión* (OCAD). OCADs are responsible for assessing, evaluating, prioritising and approving investment projects submitted by sub-national governments.

As departments are entitled of the revenues generated by royalty payments by the Colombian Constitution, if the OCADs reject a project, sub-national entities do not lose the royalty funds. Revenues accumulate in their budgets until the department or municipality is able to design an investment project approved by an OCAD.

OCADs operate at four territorial scales, at which public authorities handle royalty payments. Some OCADs are organised at the municipal and department level. In addition, the government of Colombia identified six macro-regions in which organising regional OCADs and granted them the responsibility to evaluate large-scale projects that affect different departments (e.g. transport

infrastructure). Within this governance framework, for the first time in the history of the country, departments and municipalities played a pro-active role in their development. The planning secretariats of departments and municipalities could act as secretariats for the OCAD, organising meetings and providing logistics and technical organisation.

The OCAD functions on the basis of what Colombian authorities have defined as the “triangle of good government”. Each level of government is considered a “corner” (or *esquina*, in Spanish) of this triangle, and each level of government has only one vote, regardless of the number of its representatives in a given OCAD. Final decisions are taken when at least two out of three constituencies (or corners) express a favourable vote. This means an investment decision can be approved if the department and the municipal representatives in the OCAD approve it, even if the national government does not support it.<sup>69</sup>

### **“Hirschmanian” narratives of the SGR reform**

The SGR reform represents an important innovation in Colombia, which may generate sustainable development as well as important conceptual innovations in the way the central government, and public authorities more in general, approach the issue of economic development.

Historically, the country has tried to put in place ambitious investment plans, to improve its economic and social

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<sup>69</sup> The only way central government representatives can oppose the decision of an OCAD is by showing that an investment project does not comply with the SGR regulations.



performances. For instance, the 4-year investment plans (Plan de Desarrollo) coordinated by the Departamento Nacional de Planeación (basically a Ministry of Public Investment) had the ambition to identify and detail all investment processes in the country, providing guidance to stakeholders and organising all activities in a broad and well coordinated framework. It should be said, however, that national plans are above all a formal framework associated with presidential mandates. A new President of the Republic develops the guidelines of the plan during his/her electoral campaign and if elected, engages with the DNP to transform the plan into a political document, which is approved by the Parliament, following a strict institutional agenda. Once approved, the Plan turns into law and for four years – i.e. for the term of the President – coordinates all public investments taking place in the country. National plans are not evaluated.

Policy cycles are incomplete and the actual impact of national plans on the development of the country has been often limited. In particular, despite their ambition to coordinate investment among policy sectors and between levels of governments, National Development Plans are sectoral in nature (organised along sectoral policies that do not communicate among them).

National stakeholders – including civil servants working at the DNP – had limited incentives to favour innovation, due the limited time to define the document, high transaction costs, and budget constraints. Within this context, the plans favoured routinary investment in infrastructure and focussed on regions in which the capacity to implement public investment was already relatively good, thus concentrating resources in national “hubs”.

While the planning process is still in place in Colombia, the reform of the SGR, strongly supported by President Santos, introduced important innovation, including a degree of uncertainty that the system must internalise. National Development Plans have now to account for the part of public investment that depends on the revenues generated by royalty payments and that is implemented by sub-national entities, in coordination with OCADs. In other words, regional development policy in Colombia, after the reform of the SGR, started to be based on a “self-discovery” process in which many regional and national stakeholders have to cooperate and negotiate policy solutions to specific issues negatively affecting their local or regional communities. The SGR reform has inverted the relation between ideas and actions in the design and implementation of regional development policy, in Colombia. In the past, the National Development Plan (conceived and designed in Bogotá) was forcing ideas into the different realities of regional Colombia. In the new system, “realities” (needs and untapped development opportunities) have the possibility to become “ideas”: funds to be invested.

The negotiation system within OCADs forces stakeholders to identify the best possible policy solution to given challenges, including minor ones (in municipal OCADs). Due to the negotiation and the pace of the process, there is limited room for slack. In this way, the policy system always performs at its best and people involved in the negotiation process (policy makers and “stakeholders”) always care and work to obtain the best possible outcome.

OCADs can be considered as heuristic devices (cf. Hirschman, *A Bias for Hope*, Yale University Press, 1971, p. 13) in which investment projects complement each other to

generate investment strategies that start from basic needs – such as water sanitation – and go up along the governance system of OCADs/Colombia to engage with more complex development challenges. This approach does not scare off reluctant actors (those that have lost faith in the possibility to trigger development and are affected by *fracasomania*) but generates its own “implements” (enabling conditions such as social capital) when deployed. While working to have their investment project approved by the OCAD, stakeholders are contributing to improve the institutional capital of the country, as a whole.

Importantly, all stakeholders – inspired by the Presidential agenda – involved in the OCAD framework understand that they are contributing to achieve an overarching objective: the Peace Process. Had the super-cycle of commodities been longer, Colombia would have probably enjoyed a remarkable socio-economic development in secondary cities and rural areas, which benefited from the SGR.

Tito Bianchi

## **The Sustainability Over Time of Public Sector Innovation: Lessons and Dilemmas from Italian Experience**

In the course of more than fifteen years of work at the Department of development policies of the Italian government I have been involved, in different capacities, in projects aimed at introducing innovation in public administration. As an evaluator, when I try to assess the value these projects have produced, not only do I have to define what innovation is and establish whether the change they may have produced is really improving the pre-existing situation, which is difficult enough a task. I also have to predict, to the best of my ability, whether this change is temporary or permanent. It is in fact not uncommon that projects produce only temporary effects, made possible by an initial spurt of enthusiasm or a set of temporarily favorable conditions, but that these results disappear very quickly and, after the initial favorable phase, give way to the status quo.

Taking into account the issue of sustainability over time in the evaluation of innovation projects is a daunting task but is one which I feel obliged to take on, for it is key to establish the value of the work I do.

With my direct experience in mind I have been asking myself: when does innovation become irreversible? When does progress in public service get sustained over time?

I feel I am in good company in addressing this ambitious question given that Albert Hirschman and after him, Judith Tendler, who was my advisor at MIT, have not shied away from it. Albert knew that some of the experiences he had studied and documented in different countries were inevitably temporary, and would cease to operate in the same way, years later. The same is true of Judith's work. The remarkable experience of public sector reform she studied in the state of Ceará in Brazil, masterfully analyzed in her book *Good Government in the Tropics*<sup>70</sup>, could not be sustained over time.

Embracing a long-time horizon in reasoning about development projects led Hirschman to conceive the 'Principle of conservation and transformation of social energy'<sup>71</sup>. According to this idea, real development experiences may finish, but some of their transformative power is not necessarily lost over time. Social energy can re-surface years later, embodied in the same people who were involved in the earlier experiences, and generate change in different fields. This notion took form after Hirschman observed that individuals who had been active in social movements, years after these experiences ended, were found to promote development effects in the private sector, starting and operating successful enterprises. In order to encourage her students to expand their horizons in policy evaluation, Judith herself included in her reading list literature on the long-

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<sup>70</sup> Tendler J., *Good Government in the Tropics*, Baltimore Ma., Johns Hopkins UP, 1997.

<sup>71</sup> Hirschman A.O., *Getting Ahead Collectively. Grassroots Experiences in Latin America*, New York, Pergamon Press, 1984.

term effects of land reform experiments in the United States<sup>72</sup>.

The question of long-term effects is tricky. In the projects I have been involved in, I have observed different results in terms of the likelihood that the innovations introduced make a real and permanent dent in the prevailing practice of the public administration. Their survival over a longer period of time in some cases can be interpreted as a sign that the improved practice has surpassed a point of no return and become irreversible. However, in some cases projects are designed to have an end - pilot projects are meant to be this way - and yet, through their experimental approach, are expected to influence in a permanent way the ordinary functioning of public organizations. Innovative practice, very much like in Hirschman's principle, may be absorbed by the administration, stay alive in the experience of innovative civil servants, and resurface elsewhere, when the times are more favorable.

I now move on to describe very concisely some elements of three projects I have been working on in the past decade, describing the ways in which they tried to generate innovation public sector in the public sector.

Those projects have the following features in common:

- the policy context: regional development. In fact, all three were funded by Cohesion Funds for the capacity building of public administrations.
- The time horizon: they all started their activities between 2008 and 2015.

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<sup>72</sup> Lester M. Salamon "The Time Dimension in Policy Evaluation: The Case of the New Deal Land-Reform Experiments." *Public Policy* XXVII (2 (Spring)): 129-183. 1979

- All were devised by the same expert group I am part of: the Evaluation Unit of development policies

Despite some common elements, the three projects showed a very different capacity to introduce permanent improvements in the practice of public organizations. In the final part of my talk, building on these differences, I try to infer some elements that I believe account for their different results in terms of sustainability.

## **Kublai**

The first project – Kublai – was a web-based collaborative environment purposefully designed to support aspiring start-uppers in the creative industries to develop their business, or social development ideas. Through the network, interested individuals interacted directly with government officials and with each other, to overcome isolation and pool competences, in an attempt to develop their ideas into testable projects. (One has to keep in mind that while this idea may look acceptable and almost mainstream today, it was almost visionary in 2008, when the project was launched).

The network became popular in short time in a social milieu of innovators culturally distant from, and otherwise distrustful of, public institutions. The platform in the first three years registered approximately 3000 users, and almost 400 project-ideas were published, discussed and developed in this digital space. Online interaction was complemented and animated by initiatives such as off-line meetings and seminars, prizes and contests; collaborative agreements were made with public institutions and private bodies such as foundations, associations of cooperatives

and credit institutions whose goals were aligned with those of the project.

Kublai presented several innovative aspects in the context of the Italian public administration. It was a rare attempt of a State institution to take on a truly catalytic role: i.e. instead of providing services directly, enlisting citizen-experts to offer, with the help of technology, technical coaching to their peers. A second unique aspect was the style of communication that the public organization adopted in the digital space: civil servants interacted with users through the web platform as individuals, using a personal human voice without hiding their public role. What allowed them to do so, was the rigorously public and always traceable nature of the interactions on the digital platform, which guaranteed that all users would benefit equally from this shared resource.

## **Messaggeri della Conoscenza**

The second project – Messaggeri della Conoscenza – funded in 2011 by domestic Cohesion Funds - aimed at improving the quality of college education in the lagging regions of Italy. Its underlying strategy was quite simple: to turn the diaspora of young Italian researchers from a liability to an asset; leveraging the numerous academics employed abroad (trained at the expense of the national education system) to enhance the scope and quality of university curricula.

In practice, Italian young scholars employed abroad were invited to teach short courses at Southern Italian colleges. Those so-called “Knowledge Messengers” were selected through a public call by a national level committee appointed at the Ministry of education, whose role was to



match the offer coming from teachers, with the needs manifested by southern Italian university departments. As a result of this process, in the academic year 2013-14 Cohesion policy funded 112, 20-hour courses. At the end of each course, a couple of the best students were invited at the institution of origin of the “Messenger” for a study-visit, and, upon their return, were asked to disseminate to their peers the study and teaching experience they had made.

In the context of cohesion policy this project was innovative in the first place in terms of the sphere of intervention. For the first time, in this case cohesion funds did not limit their intervention to buying infrastructure and equipment for schools and universities, but, aimed at expanding the ordinary supply of university courses in the interest of students. In so doing, Cohesion policy affirmed that the production of knowledge, the transfer of methods and practices from more advanced contexts, despite being immaterial, represents a genuine “structural” investment in “human capital”, of equal importance as investment in physical assets.

From the point of view of the relationships within the university system, the choice to centralize the selection of the additional temporary teachers invited from abroad, aimed at breaking into local systems seen as entrenched. It was the consequence of a deliberate strategy to affect teaching methods and practice, based on the diagnosis that even within a national university system like the Italian one, these practices often adapt to the lower expectations, cultural and ethical standards, which prevail in the social environments where university departments are located. For this reason, the project encountered strong opposition from parts of the academic class which resist change.

## Opencoessione

The third project I would like to briefly describe is Opencoessione - the award-winning open data and transparency portal of Italian Cohesion Policy. This digital communication tool started in 2012 as a project aimed at publishing in open data format the comprehensive dataset collected by the national monitoring system of cohesion policy funds. The portal has gradually evolved and improved through the years, to represent the 'Single Transparency Tool' required today by the European Commission in this field of policy. However, the broadness and quality of the data disclosed largely exceeds the minimum mandatory requirements of EU regulations.

The portal currently hosts more than 1.1 Million projects pertaining to two consecutive programming periods, funded by EU and domestic structural funds, corresponding to 122 Billion € in value. Besides the value of its information content, the quality and user-friendliness of the portal's interface determines its success, proven by its popularity amongst publicly engaged innovators. On the portal, projects can be searched individually or grouped based on thematic, administrative, financial, or geographic interest. Data can be downloaded in raw machine-readable formats, or in smaller customized aggregates, of interest of less advanced users. The portal hosts plenty of other information related to this policy field and allows users to upload comments on single investment projects, to promote engagement and discussion on the policy choices or results.

At the heart of Opencoessione is the view that transparency can be a tool to promote engagement, evidence-based discussion, and ultimately to improve the quality of policy.

To help start this virtuous process, a few other initiatives operate in association with the portal, to assist and promote socially valuable uses of its data. One of them, conducted by the same team of experts, organizes a yearly competition between groups of high school students, who engage in civic monitoring on cohesion-funded projects, using data from Opencoesione.

With Opencoesione, the Italian authorities clearly anticipated the demands for transparency coming from the public and from the EU and placed themselves at the cutting edge of citizen-government collaboration in the international scene. The project apparently deals only with technical digital or communication aspects of policy: in fact, it has a deep transformative power on several public offices and agencies. It involves transforming administrative archives in downloadable data, requires the interoperability of information, opens new forms interaction between the state and citizens, forces many public agencies to change their mentality and face radically new problems.

### **Lessons from the three projects**

While it is hard to judge which one of the projects has influenced in positive terms the practice of Italian administrations in a broader and more permanent way, it is possible to infer something by comparing the sheer length of each project's life. Kublai stopped its activities when, in the occasion of an institutional transition, its pilot period came to an end. *Messaggeri della Conoscenza*, an initiative that was strongly associated with the figure of an individual politician, had an even shorter life. The 2012 public call addressed simultaneously to scholars abroad, and to university departments of the Italian South, was never repli-

cated. Project Opencoesione seems to be more resilient to the difficulties it has faced during the years, as it survives to our days.

While the differences may have to do in part with the subject matter that the projects deal with, in what remains of this short talk I try to pinpoint some of the factors that, based on this case material, seem to affect the projects' probability of survival and, per effect of it, their capacity to influence the mainstream practice of public institutions.

First, the technical competence and ensuing reputation accumulated by the project team helped reformist ideas and practice (of Opencoesione) win support within the administration. While this element may seem trivial, it is useful here to remind ourselves that consolidating innovative practice requires investment in skills over a protracted period of time. Initial resistance may be won over, once potential adopters realize that the new improved practice is sustained by a serious, stable effort, and is backed by sound technical competence.

A second element that helped the projects is the outside support received from a class of citizens advocating for the same public sector reform being promoted from inside the administration. The likelihood of success of innovative projects Kublai and Opencoesione has been enhanced by an alliance with external innovative classes or advocacy groups, whose support the projects have actively sought. Such support, however, in the cases examined has proven to be helpful but not sufficient for the projects' survival over time.

More ambivalent has been the role of political backing, for the projects' success. *Messaggeri della Conoscenza* was strongly identified with the figure of the Minister of Cohe-

sion in charge at the time, who was personally involved in its initial design. Some kind of nexus existed in the other two cases but was feebler. While this political support certainly helped push through the administrative pipeline a form of intervention that encountered strong resistance in the academic world in the case of Messaggeri, the same political nexus worked against the prospects of its continuity, once the political class was replaced by a new one. While political backing can help in certain phases of policy innovation, its sustainability over time has to found itself on other more technical and administrative assets.

In conclusion, I want to mention another element, often overlooked despite the fact that it is evident to those who work for reform and innovation within public organizations. I refer to the human sentiment of envy, and to the unfriendly attitude that a class self-proclaimed “public sector innovators” often show towards attempts at advancing genuine innovative practices within public administrations. In the field of digital innovation one can witness more clearly this paradoxical phenomenon. The “innovation champions” who advocate for changes in the behavior of public institutions seldom collaborate with the attempts to put in practice what they preach, or in some cases have actively undermined them. The reason for acting this way is very human: if these innovations were to become mainstream, their role would be threatened, their public visibility would be reduced.

The image of public sector innovation that comes out from the reading of these cases is that of a game in which it is difficult to separate friends from foes, where the highest powers can help or hinder. It is the realm of true possibilism, where competence and deep knowledge of the facts

specific to the subject, are key to obtaining long term results.

Paolo Di Nola

## Capacity-Building for Development Projects: Efficiency plus Generosity

### Introduction

I am going to speak from my experience as practitioner. Since the publishing of *Spendere meglio è possibile* (Meldolesi, 1992), the activities of what has become "A Colorni-Hirschman International Institute" and of the researchers put together by Luca Meldolesi, as I was and still am, have always focused on the ways to empower the action of the Public Administration. Our motto was and is: "doing more with less is possible!"

For the last 10 years and longer I have been working as manager at Invitalia, an Italian State Agency which runs important development programs in Southern Italy, also by tutoring the Public Administration (at local – the municipalities' office - and regional levels) for the realization of infrastructural and development investments. To this end, Invitalia runs tailor-made capacity-building and tutoring programs, which support the management of the investment programs in their operations. In this role, the Agency does not substitute the Public Administrations: instead it tries to give them the internal support to upgrade their managerial capacities, so that they can face the challenge of the extraordinary operations they are involved in. In fact, investment operations often need an organizational change.

From a development policy point of view, the efficiency of the supporting organization (my Agency's in this case) is crucial for contributing to both reforming the organizational process of the supported Public Administration and achieving the success of the development program. In particular, I believe that the pedagogical role of the efficiency of the supporting organization for the supported one is linked to the generosity displayed in the tutoring activities. The term "generosity", in this context, is not related to any spiritual or religious concept, such as altruism, goodness, charity, love, etc., but is understood as "willingness to give more support than expected".

### **The role of the Public Administration in development policy**

One of the factors contributing to successful policy outcomes is that the performance of the "actors" of development policy should have better, or excellent, levels of operational efficiency. In my managerial experience I have considered the improvement of operational performance of public organizations as one of the key factors for the achievement of public investment outcomes. Analogously, I have often realized how far the inefficiency of the supporting organization may be detrimental to the results of development programs.

In general, the efficiency of the public agencies committed to development programs is taken for granted, at the same time as its role is underestimated. Perhaps, there is an underlying assumption: the capacity-building activities are commonly understood as mere "staff services" which support the core investment activities, while the latter are considered as the unique "productive" processes, and the



ones that produce the real results! On the contrary, it is important to be aware, and to show, that the supporter of development programs is a producer of specific services. This idea requires a particular attention to the organization's management, performance, costs, and potentials, both for the sake of the organization's performance and for development policy's purposes, results and effects.

## **Efficiency and Generosity**

In the framework of public development policy actions, the idea of "good-management" should be considered as an important way to achieve the results as well as an important result itself.

The efficiency of the supporting Agency may generate positive effects (experiential) also for the supported organization. The tutoring organization must ensure more efficient functioning than that of the supported organization: capacities in planning and programming, achievement of the expected objectives, respect of deadlines, control of costs. Brief, it should also represent a management model to which the supported agency can look for improvement.

Among the various effects generated by the efficiency of the tutoring organization on the supported administration, the efficiency of the former generates various effects. I would like to mention these three:

1. *The pedagogical efficiency.* The efficiency of the supporting organization has a pedagogical impact on the supported organization. In other terms, it shows the example of "how to work better". It is not enough to transfer specialized technical skills, needed for running the hard task of the project. The tutor should be

able to act as an example of good management and efficiency. And the teacher has to be cleverer than the pupil.

2. *The multiplication of diagnostic skills.* Being more efficient, the supporting actor has greater and better skills in detecting critical issues within the supported organization.
3. *The indispensable generosity.* In a certain sense, being and acting efficiently allows the supporting actor to be more generous and to offer alternative solutions to the supported organization, without additional costs. In other terms, in my experience, the development agent, thanks to its levels of efficiency (always to be improved), has the opportunity to realize many more supporting activities, thus going beyond the project, the budget, the plan, etc. This generosity is indispensable for obtaining results from development interventions in many conditions, perhaps always. But, to be generous you have to be efficient.

## **Reactions to change**

I witnessed that any attempt at improvement and any process of change – including the aims of the capacity-building activity – may cause also important reactions within the supported public organizations. In particular, the introduction of innovations may cause two basic types of reaction:

- a positive reaction, which means a productive collaboration among supporting and supported organizations to seek problems and solutions;
- a non-positive reaction, expressed in various ways. In some cases, the introduction of supporting activi-

ties may be seen as an opportunity to work less, because the work load is handed over to the supporting organizations. In other cases, it may be seen as a factor that reduces power, as a sort of disturbing element, and therefore it is refused, more or less implicitly.

These situations explain why generosity is needed, and how it can function.

A practical example may be the Major Pompeii Project (2011-2016), an important and challenging intervention with funding of about 140 million euros – both European Union and national funds - aimed at the requalification of the archaeological site by a special and urgent program of conservation, maintenance, and restoration. The designation of this intervention as “Major Project” by the European Commission required a major attention also in terms of monitoring the process of implementation of the project and the ongoing results. In particular, the management of the project needed a radical change in the organization and competences of the Soprintendenza of Pompeii (the Public Administration local structure responsible for the management of the archeological site and of the related investments).

In order to guarantee the fitting of technical and managerial capacities of the Soprintendenza, the European Commission requested the Italian Ministry of Cultural Heritage to provide a specific strengthening of its capacities. Consequently, Invitalia was involved in the management of this complex intervention.

Initially, the Soprintendenza officials considered this as a real disturbing activity that deprived them of their power in controlling the interventions (as you can imagine, the

archeologists think to be the single sacerdotal ministers with the ability to handle “their” ancient town). These officials were used to manage small-scale ordinary operations (of maximum one hundred or two hundred thousand euro), of which they could maintain the full management and control. But such a large-scale intervention required completely different organizational, reporting and operational arrangements, which would take their power away and change their functioning habits. This caused a sort of resistance in front of the new processes of this challenge (the same reaction may occur also in the cases of outsourcing of services, for which the officials tend to block external intervention, in order to safeguard their advantageous position). In this case the generosity exhibited by Invitalia consisted in “going beyond” the formal role of an ordinary supporting organization: paradoxically, those who refused support were offered more!

### **Achieving self-awareness**

In seeking the way to change the Soprintendenza’s habits and to break through their resistance to any administrative change, Invitalia had to analyze their reasons and mechanisms and to withstand their reactions.

The Soprintendenza initially resisted by questioning the feasibility of the project (“we cannot do this project in these conditions”). Then, due to a big national and international political will to act for the archaeological site, they had to accept the project. But they tried to deny the need for external support considered an interference, a meddling with their turf. The need for support was however so evident that even this second passive border was overcome.

Invitalia has worked close to the Soprintendenza during the entire implementation process of the Project. My colleagues and I planned the project in terms of setting and arranging the general strategy, the objectives, the expected results, the technical methodologies, the organization of the professional (internal and external to the Administration), the tenders procedures to commission the works, etc.. In all these steps we tried to work together with the administration internal staff. But we were left alone. For more than one year, we did not find any cooperation by the Soprintendenza, and by the Cultural Heritage Ministry too. Jealousy and mistrust were the prevalent attitudes among these officials: a lot of them participated in the project only to control what the Italian State was thinking to do in “their town” (that’s a property of the Italian State!) without any availability to cooperate really and rather trying to obstruct the initiative. Anyway, we completed the project and the application dossier (helped by consultancy of some important Italian archeologists) that the Italian Government presented to European Commission. It was approved after only one month (a record time by European standards!).

On the other hand, we knew that it would have been very difficult to run the implementation of the project without, or against, the internal staff of Soprintendenza. So, we proposed to the Steering Committee set for the strategic control of the project (it is composed of the representatives of the Prime Minister, of the Minister of Cultural Heritage, of the European Commission, of Soprintendenza di Pompei, of the Minister of Internal Affairs, and Invitalia as technical staff) to recruit and hire a small staff of new and young professionals to be injected into the So-

printendenza office, which was formed by old professional less available to change their organization.

After an initial mistrust from the Soprintendenza in the technical skills (in archaeology, history, ancient engineering sciences, and so on) of the new professional staff (seven archaeologists and architects), the Soprintendenza officials began to try and understand the idea of the project, and what tools were needed to realize it. In fact, we had explained the Soprintendenza officials the reasons for the decision to put the new professional staff close to them. We illustrated their target, we analyzed their skills, their limits, their potentials, we showed them what it meant to manage such a complex project, characterized by many interactions among the different interventions, while having to guarantee the tourists could continue visiting the site.

For example, the Soprintendenza of Pompei lacked any knowledge of their own organizational costs. This meant that they did not have a full awareness of their own potentials and of the real levers to command the change. My Agency, on the contrary, knows the costs for each single task, activity or service realized or to be realized, which means a good awareness of its own organization and processes also in terms of transparency of its actions and decisions. We taught the Soprintendenza staff the managerial value of this knowledge. We explained how to control the cost of operations, suggested them to look at our Agency's budgeting systems, and showed them the results of these practical techniques. They discovered and understood the differences between my organization and theirs, and they tried to gain this technical competence successfully.

Inside all the Public Administrations there is a large reserve of dignity and pride, which needs to be discovered

and lighted on. A starting point may be to let the public officials acquire the awareness of their real role, in other words “self-awareness”. This means having a good knowledge of their costs, activities, organization, and limits, that is to say: their own real potentials. And they must be helped to go over the position and the benefit of their own formal role.

### **The generosity of the supporting agency**

We did what we were not required to do: we should have been only a means to empower the internal staff of the administration. Our contract and our work philosophy were clear: to help the empowerment and not to substitute the Administration. But we went beyond this border. Under the control and the approval of government officials, in the first two years we did what the Administration was not able to do and did not want to do.

The Agency made any possible effort to integrate the new technical group with the staff of the Soprintendenza, so as to “get the reforms accepted”. In this way the supporting work has been better “endorsed”, because it has not been experienced as an imposition of exogenous skills, foreign to the Soprintendenza. Thus, the trauma of internalizing exogenous factors in a traditional organization with a low propensity to change has been experienced with less difficulty. The technical group has been a bridge for the transfer not only of specialized competences but also of a general approach to efficiency, even if it was not fully aware of this role. The Major Project found a very important ally in those young professionals who have dragged with them some others old officials.

The generosity of a supporting action in development interventions becomes an indispensable element to facilitate the change of the supported organization. This means that, in capacity building activities, in some conditions, “to be only in compliance with the contract of supporting” may be at odds with getting the results. Furthermore, generosity is not necessarily a cost-increasing factor – either on the supported or on the supporting organization. On the contrary, with the same costs, the activity of the supporting organization becomes a “pedagogical process” for rationalizing them. In this regard, of course, the problem is how to define the right amount of generosity, also in the perspective of policy ethics. But this is another matter.

Looking at my experiences, through generosity (perseverance in the action, seeking unexpected ways and solutions, attention to the non-regular phenomena and to real cause-effect relationships, etc.) it is possible to neutralize obstacles, traps and threats that could inhibit any development initiative since the beginning. In the case the Great Pompeii Project we experienced obstacles by the Soprintendenza’s non-positive initial reaction to the processes of change, but the small staff of young professionals injected into the office of Soprintendenza proved to be our best ally, as they were able to involve a part of the old internal staff in this change. The young professionals became, in three years, the owners of the process, and today they say, in public interviews too, that the Great Pompeii Project was their own initiative and idea. In truth, one government official and I created the project, we wrote it, and Invitalia did all the start-up of the project, and more and more. No problem. We have to be generous.



The expected results from the Great Pompeii Project were achieved and overcome: the project foresaw 2,7 million visitors at the end of the restoration works. The final result was 3 million visitors, much better than what estimated.

Today the Soprintendenza office runs other important conservation interventions, alone. It will be important to be able to conserve and preserve these upgraded capacities for long time, as it will be important for my organization (the development Agency organization) to be more and more efficient.

I finish this presentation by saying that I don't know whether this is a Hirschmanian way to work in the development project management, but I wish that it may be a small seed taken by the great Hirschman's heritage.

# Voice and Democracy

Shalini Randeria

## **Varieties of Voice: Ballot Box, Courts and Streets**

Today at the beginning of the 21<sup>st</sup> century the majority of the world's population lives in formal democracies. But as Charles Tilly has put it "democracy is not a yes/no, on/off affair. It is a matter of degree, and the degree is virtually always changing" (Tilly 2009:2). In many respects the successful spread of democracy has turned into a crisis of democracy. Trust in the political institutions of representative democracy – political parties, elections, parliaments – is in free fall in many of the established democracies, while many of the newly democratized societies are experiencing a so-called "democratic recession" (Diamond 2015). But the triumphal diffusion of democracy worldwide also leads us to question some of the major assumptions of democratic theory that are rooted in the experience of two dozen western European and north American societies.

### **A research agenda: varieties of democratic experience**

Let me take this opportunity to introduce you to the work of the recently established Albert Hirschman Centre on Democracy at the Graduate Institute in Geneva, which focuses on the comparative study of varieties of democratic experience. This differs from the more conventional research agendas that have focused on the conditions of emergence, transfer, performance and decaying of specific

democratic institutions. Our idea in shifting the focus to an understanding of the plurality of democratic experiences is based on two assumptions. For one, the differences between democratic and non-democratic regimes are not as sharp and distinctive today as they used to be. Think for instance of the current discussions following Viktor Orbán's self-description of Hungary as an "illiberal democracy", which points to the fuzziness of the distinction between semi-authoritarian and failing democracies. Tensions between the principles of democratic majoritarianism and those of liberal constitutionalism have sharpened as in more and more countries democratic institutions and rule of law principles are systematically hollowed out by democratically elected governments. For another, the Centre would like to promote the study of democracy as "the politics of the governed", to use Partha Chatterjee's expression (Chatterjee 2004), namely as the study of the various choices social collectivities and individuals make in everyday life as well as under circumstances of political turmoil and upheaval in different institutional, social and cultural contexts in order to articulate demands, promote claims and mobilize for their views of various visions of social justice and a good society.

The resulting spread of soft authoritarian regimes (e.g. in the USA, Hungary, Poland, India, Brazil, the Philippines, Turkey, and Venezuela) defies the traditional vocabulary and conceptual frameworks for an understanding of democracy. Many of these countries are now characterized by populist democracies of rejection that evince increasing state surveillance of citizens. But in many democracies, we also see a trend of ever more surveillance of the state by citizens and NGOs using courts and grievance redress mechanisms, national and transnational, to render

states and corporations accountable (Randeria 2007). In this context we would like to focus attention on citizens' democratic aspirations, their dissatisfaction with really existing democracies as well as on the efforts of citizens to improve democratic institutions in their own societies and on transnational or international levels. Is it the case that while all liberal democracies are alike, each "illiberal" democracy is illiberal in its own way and for its own reasons?

Our focus at the Centre on the variety of democratic experiences as opposed to the more conventional study of either "democratization" processes or the "backsliding of democracy" would allow the pursuit of an array of novel questions. These reflect on the dilemmas and anxieties of democracies under neoliberalism as well as on the disappointment with the achievements of the post-colonial and post-socialist states: Why do citizens in democracies with free and fair elections try to bring about social and political change through street protests similar to citizens in countries that lack the effective right to elect their leaders? Why do semi-authoritarian regimes continue to hold regular elections? Have elections in many countries become simply a collective celebration of popular powerlessness as Ivan Krastev argues (Krastev 2014)? Under what conditions do competitive elections not empower citizens enough or fulfill their democratic aspirations? Why do citizens in Hungary or Poland, for instance, who openly mistrust politicians vote for parties that are explicitly vocal in their aversion to independent institutions like the courts, the Central Bank, and the media? Are we witnessing a crisis of political parties rather than one of democracy as Nadia Urbinati claims (Urbinati 2019)? Or is the problem that the link between Western European democracy and the post-1945 welfare state unraveled? Why do citizens increasingly use

courts and other semi-judicial forums instead of elections to render governments accountable? What does this tell us about the horizontal shift of power within states from the legislative to the administrative?

## **How people bring about change: exit, voice, and loyalty**

Two of the questions that preoccupied Albert Hirschman, whose 50<sup>th</sup> anniversary we celebrate this year, in *Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States* were: How do people bring about social or political change? When and why do people engage or disengage in public welfare through the use of collective action? He suggested that there are indeed collective cycles of engagement: periods in which people protest for months followed by an ebbing of, or a collective withdrawal from, public action (Hirschman 1970). Thus, even successful public protest on an occasion does not mean that citizens will take to the streets the next time to push for their demands. For, as Hirschman reminded us, periods of radical idealism may be followed by a return to the values of private life. And the mobilizing potential of digital and social media is unlikely to change such a rhythm. Similarly, forms of virtual mobilization can secure large turnouts at protests and demonstrations but can neither support the building up of democratic institutions nor sustain those under threat.

How people bring about change was a question that consistently exercised Albert Hirschman. Though in many cases exit works well to this end, he also pointed out that “those who hold power in the lazy monopoly may actually have an interest in creating some limited opportunities for

exit on the part of those whose voice might be uncomfortable" (Hirschman 1970: 59-60). Thus, either forcing critics to leave the country, or simply allowing dissidents to cross borders may be the best strategy for perpetuating autocratic or authoritarian rule. Exit can thus also become a major obstacle for internal reform of social and political institutions. Russia or Hungary today are classic examples of the insight that in authoritarian regimes with open borders exit is the much more likely option than voice. Dissatisfied Russian middle classes have in the last decades chosen to head out of the country instead of heading to oppositional rallies. In Hungary, for example, student enrollment at universities has declined by 45% over the past 6 years of Orbán's rule. Over half a million young Hungarians have exited the country to go abroad to work or to study. Interestingly, higher education in Hungary has also been made among the most expensive in the world compared to people's per capita incomes. And state universities have been systematically starved of funds and have had 25% of their budgets cut in addition to other measures to curb academic freedom. At the 80,000 strong demonstration in Budapest expressing strong support for the Central European University (CEU), whose existence in its Hungarian home is threatened by the new law targeting the university, a frequently seen slogan was: "free university, free society". As the show of support for the CEU spread to smaller cities, many people chanted the slogan and held placards demanding "free elections", which referred to the changes Viktor Orbán had made to the electoral laws. There were also some smaller protests against his sixth so-called "national consultation" entitled "Let's stop Brussels!", which was a travesty of a referendum that marshalled an orchestrated voice. It consisted of 6 questions, 4 of which explicit-

ly aimed to mobilize anti-EU sentiment. It asked tendentious questions like, should the EU be allowed to send illegal immigrants to Hungary in spite of a series of terrorist attacks in Europe; or should foreign funded organizations be allowed to operate in Hungary although they could undermine national sovereignty. The answers were to be sent directly to the office of Orbán, where they would be counted without any laid down procedure or public scrutiny.

“Voice” represents a different type of activism, one where people cannot, or do not want to exit because they deeply value the organization or the institution that finds itself in a crisis. Instead, they are interested to improve its performance by active participation in bringing about change, offering ideas for reform, but also by taking the risk to oppose those who wield the power of making decisions. But should one assume that such voice-led activism is constructive by its very nature? Are the protesters themselves ready to shoulder responsibility for what they stand for? Those protesting state actions and policies can often have a rather paradoxical attitude towards the state from whom they demand more public services or subsidies, while they deeply distrust the state at the same time. Populist politics is marked by a fundamental distrust in the political elite to represent one’s interests and ideals. Ivan Krastev has pointed out that many of the mass protests we are witnessing today are directed against the politics of representation and not simply against the particular representatives in office (Krastev 2014). Closely associated with the strategy to change an organization from within, voice is also based on loyalty, as Hirschman rightly reminds us. For those who are loyal to an institution or a regime, exit may seem like abandoning the institution or system in times of need.



Voice cannot thus simply be a matter of *contestation of power* but must also mean the acceptance of one's responsibility to take over and *share* power.

"Exit" and "voice" can be complementary under certain conditions, of course. But they can also function as diametrical opposites. The exit-voice opposition gives us an opportunity to capture the changing nature of democratic politics. We observe today the growing importance of "exit" as a response to the failures of the political system. A focus on democratic experiences gives us not only the chance to re-think the significance of voice and exit as conceptual tools but also the very concept of "loyalty" that is so central for Hirschman's distinction between the field of economics and the field of politics. What are we to make of the experience of rigged elections as in Russia and a rigged referendum like the recent one in Turkey? The Russian case is illustrative of meaningless engineered elections that are nevertheless felt by the regime to be necessary to maintain a façade of legitimacy. The disqualification of candidates, the invalidation of signatures, the stuffing of ballot boxes or miscounting of votes, and a monopoly of the media mark elections under Putin's rule. Interestingly, Stephen Holmes and Ivan Krastev argue that election rigging is less an imitation of democracy and more a means to prove the government's authoritarian credibility without, however, having to resort to violence or repression. According to them, rigged Russian elections, like the rigged referendum in Turkey, reinforce the message to their populations that Putin or Erodğan are in complete control and that things will not change (Holmes/Krastev 2012).

## **Varieties of voice: ballot boxes, courts and streets**

The use of ballot boxes, of courts and of the streets then represent three different varieties of voice. A study of the use of these various possibilities allows one to examine what influences citizens' decisions in democracies around the world to seek solutions to their problems through the electoral process, through the legal system or through street protests. Why is there such a high level of trust in courts rather than in parliaments? Some of my research on the use of courts by the poor in India examines their strategies to seek redress for forced displacement and dispossession. It shows, for example, that besides expecting a resolution of the conflict in the form of either adequate compensation for displacement, or a reversal of the often illegal land acquisition by the state administrative machinery, the poor primarily use courts, tribunals and even the World Bank's inspection mechanism to voice grievances that will not be heard elsewhere in an attempt to render the Indian state answerable. Use of courts is thus often combined with street protests in India, with sit-ins, media campaigns or mass rallies. But even where this is not the case in the absence of means, before the poor can go to the court they need considerable prior community mobilization to marshal the networks and resources for a court case.

Given the inefficiency of Indian courts due to their extremely heavy workload and poor staffing, court cases drag on for years. Thus, one function that the search for legal redress fulfils is not necessarily a just outcome but rather that a court case stretches time. Using courts allows the poor the time needed to mobilize political support on the ground. I have, therefore, argued elsewhere against the

widely held view that a judicialization of politics goes hand in hand with depoliticization (Randeria 2007). But it often has led not only to judicial overreach but also to a politicization of the judiciary. Upendra Baxi, the renowned Indian jurist, has pointed to the ambivalence of the excessive use of courts and these concomitant developments by highlighting the increasing salience of the judiciary over what were earlier considered to be the legislative, executive, or the administrative functions of the modern state (Baxi 2016). This trend, which has certainly entailed a politicization of the judiciary, has been described variously as ‘juristorcracy’ (Hirschl 2007) and ‘demosprudence’ (Guinier/Torres 2014), or judicial law-making.

Any socially effective use of law, as Baxi (2016) argues, is always marked by a necessary ambivalence: legislative and adjudicative law needs to be strengthened against illiberal forces in uncivil society, while at the same time civil society must constrain the sinister tendencies and forces inherent in the exercise of state power. Thus, law in whatever form always moves in the direction of centralized power, whereas the task of social activism is to disorganize, decenter, and (re)direct the powers of governance successfully claimed by the dominant. The relationship between the normative and institutional spheres of law to social movements thus in his view presents a contradictory unity of what Gramsci called an ‘integral state’. Despite the notion of separation of powers, this relation is manifest in judicial law-making, he argues. Progressive judicial action in India in the form of Public Interest Litigation, or what Baxi has called Social Interest Litigation (Baxi 1985), for example, presents the Indian Supreme Court’s “demosprudence” as amplifying the

voice of the disenfranchised. Ruling for the impoverished the Court even sometimes presents this kind of adjudication as a new social movement. Yet, the courts also function as a part of the repressive state apparatus, thus making the law a Janus-faced instrument, emancipatory as well as repressive. How and under what conditions can one disentangle the emancipatory role and potential of the judicial (interpretive) state power from its repressive dimensions, Baxi rightly asks?

Under what conditions does the exercise of voice in different fora (streets, courts and tribunals, ballot boxes), complement each other and under what conditions do they subvert each other? Do their effects vary with the kind of problem citizens are trying to resolve; is it a matter of the institutional environment in which citizens operate; or is it their past experience that determines their preference for a particular strategy? Do different social groups tend to have different preferences for choosing their fields of contestation? When are courts and the streets used simultaneously and when successively? When are protests sporadic and when sustained? When are courts the last resort for aggrieved citizens and when are they chosen as the first port of call?

My empirical work in India on the dynamics of contention involving World Bank funded infrastructure projects or contesting patents on biogenetic resources have expanded the arena for judicial redress to include international fora like the Inspectional Panel of the World Bank or its Ombudsman, the European Patent Office. I have looked at the use of these forums by activists in India to render accountable a cunning state, a state that chooses to represent itself as weak selectively depending on the

interests at stake in order to divest itself of accountability to its citizens. Along with a plethora of adjudicative instances this expansion introduces a plurality of competing norms that open new spaces for contestation but also create enormous legal uncertainty in the absence of either clear hierarchies or jurisdictions (Randeria 2007).

In *Counter-Democracy. Politics in an Age of Distrust*, Rosanvallon has captured the simultaneously pre-political and post-political nature of current waves of civic activism (Rosanvallon 2008). He anticipated many of today's leaderless protests like those by the Yellow Vests in France, for instance, that have no ambition to seize power but only to right some specific wrongs, or to prevent some harms. Rosanvallon does not believe that citizen protest will restore either trust in institutions or in political parties or their leaders. But since according to him distrust has been at the very heart of the democratic project from the beginning, in an age of anger, resentment and mistrust, popular sovereignty asserts itself as the right to refuse, as a democracy of rejection. Or as he puts it, the "positive democracy of elections and legal institutions" is surrounded by the "negative sovereignty of civil society" (ibid.: 14). Protesters against global capitalism in the Occupy movement, or against land-grab for mining, infrastructure projects or Special Economic Zones in India, or against the new railway station in Stuttgart or an airport extension in Frankfurt, or against high bus fares in Sao Paolo, or high electricity bills in Bulgaria, all have single issue demands for the most part and they all know what they do *not* want. Though they believe their governments to be corrupt, citizens insist on their right to control them. For as Rosanvallon has put it, the goal of politics today is "more to deal with situations than to organize stable

groups” (ibid.: 65). Thus, transparency and accountability rather than proper representation seem to be primary goals of citizen protest in both the streets and in courts.

Albert Hirschman’s opposition between exit and voice assumed a difference between the citizen, who unlike the consumer, was bound by national and civic ties of loyalty. Today in both varieties of voice, civic and legal activism, what is missing is the idea of loyalty. What kind of change is possible under current circumstances when activist protests are reactions to a state and market nexus, to “crony capitalism” and a state captured by special interests? Often such activism manages only to effect a change of political rhetoric but not of public policy. Ivan Krastev has argued that what distinguishes democratic governments from semi-authoritarian or illiberal ones, is the manner in which they deal with protests. Whereas the former recognizes the legitimacy of street protests and court cases, and signal that grievances have been heard if not adequately addressed, the latter seek to disqualify protest as illegitimate claiming that they are putatively organized and financed by a foreign hand (Krastev 2014). In Hungary, Romania, Ukraine and Turkey alike all protest has been attributed to George Soros’s hidden hand, a charge that Trump echoed recently as well. Putin blamed likewise the US embassy for orchestrating protests in Moscow; Erdoğan blamed what he called the “interest-rate” lobby. Hungarian pro-CEU demonstrators were sought to be disqualified by the Orbán regime and its media as not being genuine Hungarians but as those who had been flown in by Soros. The very next day demonstrators threw into the air hundreds of thousands of paper airplanes as they protested waving EU flags outside the Hungarian parliament and government buildings.

Let me conclude by making three brief points on the effects of different forms of voice. First, large-scale street mobilization seems to impart a greater and more immediate sense of power to citizens than the use of the ballot box under conditions, where people feel that they can vote politicians in or out of power but are nevertheless powerless to change government policies, which are dictated by external powerful actors, be these international donors or multinational corporations. Secondly, in view of the international media attention they immediately receive, and the significance of visual images in influencing domestic and transnational public opinion, mass street protests in small countries seem to have greater international resonance, and perhaps even domestic repercussions, than an election, which would pass off unnoticed. Thirdly, as Ivan Krastev argues, protests are more effective than elections in splitting the elite into those who want to engage and negotiate with protestors and those who would discredit, crush and arrest demonstrators (Krastev 2014). He notes that in the summer of 2013 the German and French ambassadors sided with the protestors in Bulgaria against an elected government just as last year the US, Canadian and Swedish ambassadors sided with the CEU against a legitimate government of an EU member state. This clearly demonstrated that the very legitimacy of the EU project as a citizen-led project that upheld the values of freedom and autonomy of the university was seen to be at stake in Hungary. We thus end up with a rather ironic conjecture with Albert Hirschman, who in his essay on "Three Uses of Political Economy in Analyzing European Integration" writes: "the European Community arrived a bit late in history for its widely proclaimed mission, which was to avert further

wars *between* the major Western European nations (...).Perhaps one of the Community's real missions will turn out to be the avoidance of civil wars...*within* some of the Western European countries, as it provides...novel channels for voice." (Hirschman 1981: 281). He was thinking of what he termed to be secession prone regions in Western Europe. But his prescient insight may apply better to societal cleavages within Hungary (demonstrations for NGOs and for the CEU), Poland (opposition to the newly proposed ban on abortion), or Romania (anti-corruption movement).

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Meenu Tewari

## **Sustaining Success? Voice and Accountable Discretion in Bangalore's Water for the Poor Program, Ten Years Later.**

### **Introduction**

A classic dilemma in the infrastructure literature centers on how innovation can be sustained over time. New municipal initiatives and innovative urban programs, especially those funded by donors, are often tested in the form of pilots. Political attention, resources and implementation efforts are focused on a limited geography or network of communities with the expectation that valuable lessons will be learned for scaling up, broader application and diffusion of these projects later. What happens when the pilot ends, and the early attention fades and the funders have gone? What sustains initial success over time? Who carries out the everyday, routine work of maintaining service performance in the medium term?

Service delivery reforms that are targeted on the poor can be especially challenging to maintain over time as they often involve establishing and keeping alive new practices, behaviors and relationships between implementing agencies and previously un-or-underserved beneficiaries. There is ample evidence that time-limited pilot projects that introduce reform, often flounder after the demonstration phase is over. Once dedicated funding for the pilot ends, and the focused institutional and political attention moves

elsewhere, and/or organizational environments change, many of the early gains from reform can be lost (Davis 2004, World Bank 2004 and 2017, Mansuri and Rao 2013, Hulme 1991, Grindle and Thomas 1991, Grindle 1997, Pyle 1980).

Starting in 2002 the Bangalore Water Supply and Sewerage Board (BWSSB) launched an ambitious program to connect all low-income settlements in the city to piped running water. It began as a pilot funded by Australian donors (AusAid) in 2002 with three pilots, and by 2005, BWSSB's Social Development Unit (SDU) had helped connect nearly 46 settlements (~ 50,000 households) to paid, metered, city water supply (Connors 2007). Despite mixed success, many of the wards where these projects were located were able to collect user charges and stem non-revenue water losses to an extent. Between 2011 and 2013 several additional settlements were connected to individual water connections with Japanese (JICA) aid.

I returned to these projects in 2013 focusing on a comparison of the three original pilot projects to examine how the projects that had received so much close attention and scrutiny initially, had performed over time. Were the pilots still operating as planned? Were the households still connected, were they getting water and paying for it? Had some of the initial pilots done better than others in maintaining project performance? What lessons could we draw about sustaining implementation from a comparison of infrastructure cases with differential outcomes.

Through 22 detailed face to face interviews with the settlers, local water boards, BWSSB officials, local non-profits working in the water sector, retired water utility officers, and a number of street level bureaucrats, I found that one

of the projects (Chandra Nagar, CN hereafter) had continued to operate successfully: Nearly all the homes remained connected, nearly all received water in their domestic taps, nearly all paid user charges, and the local assistant engineer said there were very few arrears. The other two pilots (Sudama Nagar and Cement Huts) had fared less well. In Sudama Nagar (SN hereafter) – after 4-5 years of initial success the water pressure had fallen and then the taps had run dry. Despite several complaints to the local assistant engineers, things had not improved and eventually the local water and sanitation committee (that had been constituted at the start of the pilots) had urged residents to refuse to pay for poor (or no) water service. Residents had removed their meters and dug into the pipes beneath the road to access water. They insisted in interviews that they wanted to pay but would resume paying only when water returned to their taps. The third pilot, Cement Huts (CH hereafter), which mostly received shared connections, unlike the other two where individual connections dominated, had completely collapsed soon after inception.

Through my interviews and field visits I explored what explained this difference in performance in the three cases, and why some of the initial pilots had performed well over time while others had not. In the sections below, I highlight four factors that stood out as differentiating the cases where performance was sustained from those where it was not.

### **Sustaining institutional innovation over time**

- i. Voice and the creation of discursive, conversational spaces as bridging devices that translate and help sustain reform*

A first and central feature cutting across places that performed well was the ability on the part of the beneficiary community to maintain voice – as opposed to exit -- in the face of conflict, or dissatisfaction and contestation over unforeseen problems that arose in the course of the program, and after the pilot phase ended. In places like Chandra Nagar that maintained good performance, customers expressed dissent openly to the project team and learned to “exert influence for change from within” (Hirschman 1970).

BWSSB’s water for the poor initiative was designed as a classic demand-driven program at a time (early 2000s) when participatory approaches to poor-oriented service delivery projects were at their peak. The project team created an extensive, three tier participatory system in each of the three pilots,<sup>73</sup> but the same system worked quite differently and yielded different outcomes in each case – it

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<sup>73</sup> The project team conducted extensive surveys, focus groups in each potential pilot community to understand local needs. A three-tier participatory implementation structure was planned for each of the three pilots: (i) An NGO that had roots in the community or a history of working there and could help elicit demand and educate the local community about the importance of paying for piped connections. If needed, the project team saw the NGO as helping them implement a microfinance scheme to help consumers pay for connections; (ii) A local water and sanitation committee that would ‘stay in place’ over time. It would help organize local consumers, manage their ebb and flow over time and coordinate local, everyday implementation activities with the NGO and the project team. Every “row” of homes in each community picked a representative to be a member of the WatSan committee, and women were especially encouraged to join; (iii) the third and most innovative piece of this three-tier structure was the Social Development Unit (SDU) that the utility created at the request of the donors and project team (AUS Aid and TARU). BWSSB, an engineering agency, brought in a social sector officer from the state cadre on deputation to head the division and serve as an interlocutor between the agency and community and be the engineering agency’s eyes and ears on the ground.

yielded voice in some cases, exit in others and processes that converted exit to voice in yet others.

Crucial to maintaining voice was the creation and *sustaining* of pragmatic, interpretive spaces between the agency and the community that came to serve as channels for a two-way flow of information between the utility and residents.<sup>74</sup> The presence of these discursive, bridging spaces enabled the implementers to go “off-script” sometimes and generate pragmatic adjustments and customize processes to fit the demands of shifting realities on the ground, while maintaining political legitimacy and accountable discretion. These discursive, conversational spaces were created in each of the three pilots as a result of experimentation by the social officer of the newly created Social Development Unit of the BWSSB at the start of the project, in her role as an interlocutor between the agency and community; but they were sustained in only a few, especially after she departed. Where these bridging spaces were maintained, such as in Chandra Nagar, good performance was also sustained well over time.

In some cases, the sustaining of these conversational spaces entailed bringing in the local political elite as key pivots of implementation, in other cases it came out of solidarity among user groups. But the creation of the bridging space itself was the result, as we noted, of an innovation by the water utility, BWSSB, in its effort to create room for an engineering, relatively technocratic agency that was not used to working with the poor, to in fact do so. At the behest of its Australian funders and local consultants (TARU), BWSSB placed a social officer (instead of an engineer)

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<sup>74</sup> See Piore and Lester 2004, Kacker and Joshi 2016.

at the interface of the technocratic utility and the poor communities it was serving for the first time. The social officer BWSSB placed at the head of its Social Development Unit was not merely an advocate for the poor (e.g., a local NGO). Nor was she a classic street level bureaucrat (such as a field level assistant engineer) that had discretion in implementation at the ground level, but whose voice did not necessarily carry up the chain of command in the agency. Nor was the officer a contracted out social worker. The SDU officer was a member of the state services cadre and hence endowed with relative respect and status (even if not adequate resources). She had status in the eyes of both the street level engineers who were charged with implementing the pilots, local NGOs and members of the beneficiary community as well as officers within the water utility.

In trying to translate the pilot from paper to the project sites, the social officer ended up not just being a presence at the interface of BWSSB and the pilots but ended up creating *spaces* of conversation and deliberation and two-way listening and translation that helped embed and customize reform. For example, it was always understood that the city would provide piped Cauvery river water to poor households and in return they would have to pay for the connections and the water received. Cost-recovery was an important pillar of the reform and no subsidy was planned (Connors 2007, AusAid Project documents 2001). Instead, BWSSB and the project planners had envisaged instituting a microfinance initiative via the local NGOs they had incorporated into the project to help households afford the initial cost of connections. On speaking with the households in each community the SDU officer quickly realized that there was no interest among local households to take

loans to pay for the connections. Despite interest in piped Cauvery water to their homes, adequate demand could not be elicited with micro-loans. She conveyed this information up to the project planners and persuaded them to instead consider allowing households to pay the connection fee in installments based on households' financial situation. The project team agreed to this and the ideas of micro-loans was scrapped.

The SDU officer thus successfully translated the revenue generation language of the agency to the poor – impressing upon them the importance of paying for a continued resource— “Cauvery water”; and translated back to the utility that changes needed to be made and rules would need to be relaxed to allow the poor households to connect and continue to pay. The SDU officer's ability to be heard by decision makers within the agency was thus important to these changes.

Similarly, the SDU officer realized that even though none of the pilots had a formal piped network provided by the water agency, many had other stop-gap initiatives including privately financed piped connections in some places (CN). As we see in greater detail in subsequent sections this involved working with and drawing in the local political elite who could have derailed or shut down the project to guard their prior private investments. The holding open of an interpretive space also involved managing conflict, such as in including a whole new segment of a large slum in Chandra Nagar that had been previously left out and in making decisions on tariffs.

This latter issue, of persuading the utility and project planners to revise tariffs was an especially important accomplishment of the SDU officer and was key to getting



continued buy-in from local consumers<sup>75</sup> at the start of the project. It also exemplified voice on the part of some of the communities. For example, after the pilots were completed and water began to be supplied and after the first few bills had been served to the households, the residents and corporator of Chandra Nagar were upset. As the (former) SDU officer reported in an interview in 2013, they brought their bills to her and said why, when their consumption was much lower than the lowest (existing) slab of 15 KL should they pay the full amount for water they did not consume. On inspecting the bills, the SDU officer and the community came to the conclusion that barely anyone consumed more than 8 KL of water in the newly connected slums. She was once again able to take the matter to the decision makers within BWSSB and to the project team and persuade them to lower the lowest slab to 8 KL so that households were paying no more than Rs. 79 per month. She reported this malleability within the agency and this customization as an example of what led to the reform's initial success and an important lesson for other agencies (Interview, March 2013).

At the same time, she worked with the local assistant engineers and others who raised the bills to repeatedly impress upon them the importance of raising bills every month, as opposed to sending in bills after longer intervals. Poor households are not able to pay a lump sum bill for 4-6 months, or even two. So, in order to inculcate in the community new behaviors of regular payment, she clarified to the engineers the important of ensuring that the wa-

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<sup>75</sup> As reported by Connors (2007) this proved to be a Janus-faced achievement because in subsequent efforts to scale up the project BWSSB increased rates for higher slabs thus forcing an element of cross-subsidy.

ter arrived as promised and the bills were raised in fair cycles.

The conversational, interpretative and discursive *spaces* that the SDU officer as the interlocutor was able to create were thus hugely important. The communities where success was sustained over time had been able to maintain the interlocutor's role in creating and preserving the 'conversational space' where the work of translation and adaptation continued to occur in different ways over the years. Who the interlocutor was changed but the interpretative, bridging role across the agency and community intersection continued to be played in different guises as we see in subsequent sections.

*ii. Territoriality, adjacencies, inclusion, exclusion and conflict*

Attention to the boundaries of a pilot – i.e., the ways in which it relates to the excluded adjacencies -- is as important as the details of the project's internal design and organization for how it unfolds over time.

In Sudama Nagar (SN) where the early success of regular payments and delivery was not sustained beyond 3-4 years – a key reason was that within three years of the project's launch households in a large neighboring informal settlement (AP) began tapping into the line that was laid to bring water to SN and which ran through the neighboring community. Because AP lay in the path of the pipeline to SN, initially the project team had considered beginning with AP as the pilot and not SN. However, the politically powerful NGO in SN that was advocating on behalf of the community's inclusion had competed with and fought to exclude neighboring AP. When SN won out over AP to be part of the pilot phase, the project team had envisaged ex-

tending services to AP in subsequent rounds of scaling up. When this did not occur, soon after inception residents of AP began tapping into the line that brought water to Sudama Nagar. This drew down water pressure and SN stopped getting adequate water in its taps. After many inconsequential protests to the local assistant engineer and BWSSB, the local WatSan committee in SN voted to strip their meters, stop paying their bills and tap into the line themselves. Their first best option was still to be able receive adequate water in their taps and to pay for it, but without service they refused to pay.

In Chandra Nagar (CN), where success was sustained, the local WatSan committee went the opposite way. In 2000, when CN was chosen to be part of the pilot and a WatSan committee was formed, the local corporator who headed that committee insisted on including the settlement next to them in the pilot as well (called CN-2). They had had perpetual conflict with their neighbors over a range of issues, including power, water, roads and the use of public spaces. The elected corporator of CN knew that if they got water and sewer lines and the neighbors did not, their rivalry would escalate. In order to avoid this outcome, they insisted that they would join the pilot only on the condition that BWSSB also include the adjoining neighborhood, CN-2, in the project (Personal interview, CN Corporator March 2013). BWSSB did include the adjoining CN-2 in the pilot. It is interesting to note that conflict can, under some circumstances, lead to inclusion and quasi-collaboration.

In Cement Huts (CH), the project that collapsed soon after inception, adjacencies played out in a different way. CH is in the heart of the city, in one of its densest quarters. Residents in CH had been provided with free standpipes,

public toilets and sewer lines as part of an earlier project. Despite being free, the project had fallen apart. The toilets became storage spaces and the sewer lines did not work. Part of the reason for this breakdown was that the community's sewer lines drained into pipes that served a neighboring (relatively higher income) apartment complex. Residents of that neighborhood were strongly opposed to having CH's lines drain into their own sewers on account of worries about capacity, even though local NGOs said that capacity was not a constraint. The apartment complex had previously cut CH's lines off from in front of their property's edge and the conflict had become violent. Caste likely played a factor as well as CH is a colony of sanitation workers and rag-pickers (Interview, March 2013, See also AusAid project documents 2002). When CH was considered again as a potential pilot under BWSSB's AusAid program in 2000, this prior history of animosity with their neighbors was not considered. CH, and the project planners may have hoped for a different outcome, but conflict with their neighbors broke out again and CH's pipes were damaged. There was already dissension within CH about the bill sharing system for shared connections, and with growing threats on their boundaries, the project lapsed a few months after implementation.

How the adjacencies or boundaries of a pilot are managed, then, can have an important impact on how service delivery reforms unfold and sustain over time.

*iii. Giving credit and endowing status: Drawing the elite in*

Elite capture is a classic worry in the distribution of benefits in development projects. In the success of Chandra Nagar, surprisingly, the opposite seemed to happen. The

bringing of the local political elite to the table from the start was key to its success and stood out as an important difference between CN and SN. As we see below, a related point is that the nature of community leadership that either exists or develops in course of project implementation has a bearing on how it progresses beyond the pilot phase.

The local corporator of the ward to which CN belongs is a long-time resident of CN, unlike SN and CH where local political leaders of the ward in which the slum was located did not stay in the community. Moreover, CN's corporator belonged to the same political party as the party in power at the city and state government, again unlike SN where the ward leader came from the opposition party. Even though the politics at the party level were aligned in CN, at the start of the pilot phase when CN was shortlisted as one of the three pilots, the corporator was quite opposed to CN joining the project. We have discussed one of the reasons for this reluctance in the previous section (negotiating with BWSSB to bring their adjacent settlement along), but more importantly, in the 1990s the corporator had already helped introduce a private, piped system in the community where a subset of households received water from a series of borewells and borewell tanks that the corporator had helped install. Household paid for the pipes and the water they received (AusAid Project report 2002). CN was therefore not a 'greenfield' site. Even though the water was inadequate, partial and covered only some households in the community, the corporator did not want the connected residents to pay for new connections.

BWSSB's SDU officer and the local NGO worked with the corporator and persuaded them to join the project in a leadership role in the WatSan committee as well as inter-

locutors with BWSSB's design and implementation team (Interview, SDU officer, March 2013). As the corporator reported to me in an interview in 2013, through these early discussions with the SDU officer and the project team, they became persuaded that this was not an attempt to supplant or negate their old efforts but an opportunity to upgrade, expand and complete them -- indeed the corporator would get the credit for bringing coveted Cauvery river water to local households rather than the mere ground water they had received so far (Interview, March 2013). Eventually the corporator became deeply involved in the implementation of the project. Once individual connections and sewage lines arrived, they gained even more in status in the eyes of the community and received credit for having "brought the coveted Cauvery river water" to their neighborhood rather than mere ground water that households had used so far. It thus became a sensed responsibility of the corporator to ensure that services continued even after the pilot phase was over.

The SDU officer thus nurtured -- or at least did not undermine -- this impression. This in turn increased the corporator's responsibility in ensuring that the project worked as promised. And the community in turn brought their complaints to them -- leaks or broken pipes. In time the corporator took on the interlocutor's role for this community that the SDU officer had initially played at the project's start. When the original SDU officer was transferred, the bridging role between the community and agency that she played so well, and the discursive, conversational space that she had created was continued in this neighborhood through the agency of the corporator who had the political authority to negotiate or interact with BWSSB engineers.

For example, about seven to eight years after the water pilot was completed, the city corporation dug up the dirt roads in CN to pave and upgrade them. Many of the underground water pipes were damaged in the process. The corporator explained how they spoke to BWSSB officers to ensure that the pipes were replaced. He said he used that opportunity to replace worn out pipes and get the utility to repair leakages. Ten year's later when I met them, the original corporator's wife was the new elected official, midway through her 5-year term, and both recounted in great detail the work they had done over the decade to ensure their community's water connections were maintained and that households paid their bills on time. The assistant engineer from the local substation later confirmed that CN had hardly any arears.

In SN on the other hand, this continuity from within of maintaining voice vis-à-vis BWSSB was much weaker and did not occur so smoothly. During the inception and implementation phase of the SN pilot the leadership role in engaging with the project team was held by the politically powerful and well-connected NGO that had helped secure the land on which the settlement was located. The local Watsan committee was important but operated in the shadows of the politically well-connected NGO. So much of the negotiating space with BWSSB's project team was held by this NGO that when the pilot phase was over, and the NGO got busy with other things, the local Watsan committee took some time to find its feet. To their credit, they remained united and kept pushing for better pressure to local engineers and even the BWSSB. By 2008-9 the BWSSB had agreed to provide a new water line for SN. But unfortunately, the timing was bad: a drought and low pressure in the Cauvery reservoir prevented water from

arriving to low lying SN at adequate pressure in the second line. Members of the Watsan committee (that had been renamed as a development committee) continued to make representations and push for a new line. In 2014 when I visited them, work had begun on a fresh new pipe line with Japanese funds. The reservoir had been augmented and there was hope all around (within BWSSB and the community) that water would not arrive as promised.

What began as exit (with the removal of meters) or appeared to be exit, was turning into voice. Remaining united, and the continuity of the ethos developed under the initial SDU officer who exhorted them to pay no bribes to resist being pried apart, seemed to be on the verge of paying off.

*iv. Training local women as para-plumbers and first responders*

Another important difference between CN and SN was that CN had a significant cadre of local women who had been trained as para-plumbers by the original AusAID team that continued to operate in this role over time. AusAID, the project's designers had felt that women would be the first responders in terms of keeping an eye on leakages and reporting them or fixing them given that they used water closely. They invited women to be included in the team of the para-plumbers they were training in all the three pilots that were initiated in 2000-2002. CN volunteered the largest contingent of women (almost all women). This was in part because women in this neighborhood had a home-based artisanal craft base – of producing incense sticks on contract for local merchants. Access to water was especially valued and having a home connection saved time. In my interviews some of the para-plumbers



who had been originally trained were still there and reported how they scrutinized and repaired leaks before things went out of hand or reported them to other plumbers or to the corporator if they could not handle them. They reported feeling valued and being cited by the corporator as community leaders. They also showed me the original project documents where their role and tasks were laid out in detail and which they referred to even today. In other neighborhoods many of the men who had been trained as para-plumbers had other day jobs and were not around as much. Some had started their own plumbing professions elsewhere.

Demand driven projects typically rely on women as the eyes and years of a service delivery project's usage and maintenance. But the intent does not ensure implementation on the ground nor continuity over time. In CN's case the endowing of status by the local leaders on the team of female para-plumbers raised their self-worth and value in the eyes of the community, encouraging them to continue to play their role well and in self-motivated manner. A pragmatic and real need to have relative continuity of access to water – given their home-based businesses—added to the pressure as well as the value of playing such a role.

## **Conclusions**

Innovations are often tested in the form of pilots. Scaling up happens later, if at all; but a central challenge surrounding development projects is maintaining good performance over time, long after the klieg lights of early success have faded, and the funders have left. How and under what conditions can early project success be sustained and maintained over time? This paper revisited a highly suc-

cessful water project in Bangalore city that connected the poor to piped supply, ten years later to see what remained of the initial success, what was working and why, what was not working and why not. Field work revealed that the ability to maintain voice on the part of beneficiary communities in dealing with conflict and dissatisfaction was key to sustaining success in the better performing pilots. Crucial to voice was the creation and maintenance of pragmatic, interpretive and discursive spaces between the agency and the community that served as channels of a two-way flow of information between the utility and residents. The presence of these bridging spaces enabled the implementers to go “off-script” sometimes and generate pragmatic solutions and adjustments that helped customize reform while maintaining political legitimacy and accountable discretion. In some cases, the sustaining of these conversational spaces entailed bringing in the local political elite as key pivots of implementation, in other cases it came out of solidarity among user groups. We also found that paying attention to the boundaries of a pilot – i.e., the ways in which it relates to the excluded adjacencies – can be as important as the details of the project’s design for how it unfolds over time.

“Participation” in public sector projects is not only about community engagement. It is equally about shifts in behaviors and forms of practice within the public institution itself. It can create discursive and pragmatic spaces through which actors inside and outside the agency can engage with each other collectively in the shaping of implementation choices and decisions that in turn can adapt as circumstances change.

In this case, each of the pilots had a designated NGO that helped coordinate the community and educate them about the importance of paying for the piped water they were to receive, but advocacy alone was not enough. It was the households' grounded engagement with the SDU officer as interlocutor that helped change how BWSSB related with the communities.

What worked was the presence of an interlocutor, a translator – who understood the language of the engineers but also came with a background of having worked in the social sector as a public officer and understood the ambiguities of negotiating with the uncertainties that many households face in their personal circumstances. These included: allowing the connection fee to be paid in (2-3) interest free installments; lowering the first slab from 15KL to 8KL which brought down monthly costs significantly; ensuring that bills were raised in a timely manner (monthly), and that there was room for conversation to redress differences between the implementing agents of the utility and the beneficiaries.

The broader point is that this front-line worker, or street level bureaucrat acted as “translator,” “interpreter” and interlocutor between the community and the agency and hence played a key role as both a potential disrupter *and* mediator between the organizational status quo in rule-bound BWSSB and settler communities. By understanding closely both languages and both contexts, the agent successfully resorted to a bargaining form of decision making and then moved it toward a more persuasive process of conflict resolution or reconciliation (March and Simon 1993) where the seemingly oppositional positions held by BWSSB (the agency) and the settlement dwellers came to

be seen as not so fixed or rigid (March and Simon 1993) – with potentially disruptive consequences in terms of the creation of spaces for progressive action that were seen as positive sum by all – by BWSSB and by the settlement dwellers. What is usually a brittle and rigid line between a service providing utility and poor communities became a wider space in the Bangalore case – a space that allowed for dissent, discussion, interpretation and translation – while aiding better customization of the project.

The fact that this discursive space was sustained in some better performing communities (CN) by other actors, suggests that the work of the SDU officer, while an important exemplar, is not a personality story; it is more about what it was that the SDU officer actually did in holding open conversational spaces that offers insights.

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Fabio Zilberstein<sup>76</sup>

## Trust and Communication in Citizen Dialogue

What can a public administration do to serve, and dialogue with, citizens? As a professional on European communication I have witnessed examples that supported citizens' voice via online platforms. Whether the audience has been broad or specific, it showed its longing for being involved and having a say on European matters. For example, a recent public consultation<sup>77</sup> (about keeping or not the summer/winter time switch) gave citizens the possibility to show their view and give a clear policy indication; this survey registered a record response of some 5 million opinions.

We live in a time where our society struggles with increasing disinformation amplified by the digital media; a time of society unrest generated by perceived and real problems. Yet, we note the citizens more and more ask to have *Voice* and change.

### Context.

I'd like to start by illustrating some of the elements that set up the context in which the conversation with citizens happens:

#### a. Culture & Environment:

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<sup>76</sup> Disclaimer: the ideas expressed in slides, speech and writing do not entail any responsibility of my employer or third party and only reflect my thoughts.

<sup>77</sup>[https://ec.europa.eu/info/consultations/2018-summertime-arrangements\\_en](https://ec.europa.eu/info/consultations/2018-summertime-arrangements_en)

We live in a time where a general mistrust in expertise (and experts) is growing. This is an element of the context in which communication has to win the trust of people while not appearing as a pedantic expert. This is even harder considering the growth of disinformation due to both casual and psychological phenomena, and to strategies from actors with a specific agenda. Fighting disinformation in a context of mistrust in expertise may appear to be a Sisyphean task; yet there are margins for maneuvering.

The European context of 28 countries and 23 official languages with numerous local cultures declinations makes it hard to localize messages that touch the heart and the spirit of every citizen when defining common values is still work in progress. In this respect I also wish to mention the need to adapt an outdated school system that must form brains capable to analyze and interpret this changed reality and society.

**b. Organization and Communication Approach:**

The way a big public organization is organized has a huge impact on the communication and possibility to create conversation with the outside world. An attention to business lines creates a top down communication resulting in a one-way voice because the time to manage a feedback loop is too long and complex. On the other hand, a more theme-oriented approach empowering all level of the organization in direct conversation with stakeholders and citizens, within clear rules of engagement, creates the environment for a dialogue to flow and build up trust.

**c. Technology:**

The evolution of technology that is available to us has a clear impact on our capacity to access and digest information. Vultures prey on our attention span and create on platforms addictive mechanisms that overload our brain. In this context it is hard for the individual to select what is useful or judge its truthfulness. Reverse, it is hard for communication professionals to drill the wall of white noise to get few seconds of attention. In fact, nowadays your competitor for attention is not (only) your direct competitor in your business, but more and more the notifications from a texting app, social-media app, or from an online gaming that ask your immediate action.

Yet, technology is also giving plenty of opportunities to both sides of the conversation making it ubiquitous, instant, and with the possibility to cross check on-time and expand information with just a click.

## **Opportunities.**

In this context I can see many opportunities that build trust and positively influence the dialogue between institutions and citizens turning inside out what could be carelessly dismissed as negative:

- a. An increasing number of people want their Voice to be heard, have more means to do it and meet and discuss with people with similar objectives on virtual platforms.
- b. Technology facilitates accessing information from your pocket with the diffusion of mobile devices and services accessible with a simple tap. This is unfortunately counterbalanced by phenomena of echo chambers, disinformation etc. However, a growing awareness to this latter downside could



help in giving people the reflex to quality check the information.

- c. Debate is ongoing on EU topics and what EU brings. The critics on the efficacy and purpose of the EU project have favored the emergence of positive testimonies of successful investments and policies while it was mostly ignored beforehand. The institutions have also raised their level of communication with positive messages on the benefits of the Union.
- d. The emerging of extreme positions nudges people to make choices. While polarization of a discussion undermines its quality and life-expectancy, the simplification in A/B options induces people to exit hiding and move actively toward a position. The important thing is to grasp this urge as an opportunity to start dialogue before positions are set in extreme sides.
- e. Cambridge Analytica and Data hacks scandals bring awareness on the use of people data, on how easy it is to influence people judgement by creating the right spin and target individuals news feeds.

## **Actions**

While we witness threats and wish to leverage opportunities there is a great space for concrete actions that address both and make a clear impact and signal to citizens that the institutions are there to protect and improve our society; thus, enhancing trust. Some examples:

Cambridge Analytica case showed once more the importance of controlling how our data are used. It is a good

timing then, that the new Privacy protection (GDPR)<sup>78</sup> came into force giving the signal that we want citizens to keep control of their data.

- a. Enforce competition and limit abuse of dominant positions (by tech giants like Google for example).
- b. Better web communication<sup>79</sup> that favors a quick grasp on what people really need when they visit our websites.
- c. Stronger presence on social media to open the dialogue with citizens in the platform where they are, without waiting for them to come to us. Also inspiring many civil servants in being ambassadors of their institution when possible.
- d. A Communication on disinformation<sup>80</sup> that "*sets out the views of the Commission on the challenges associated with disinformation online*", showing that the institutions are taking this issue very seriously and are acting to counteract it to keep the social dialogue fair and clean from undue influence.
- e. The Creation of networking platforms where fact checkers can quickly exchange views and sources to counteract disinformation.
- f. Citizen involvement via surveys<sup>81</sup> is an effective way to directly address the citizens on key topics whether this is requested by the Treaties or on other topics that are important for the democratic dialogue.

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<sup>78</sup> [https://ec.europa.eu/info/law/law-topic/data-protection\\_en](https://ec.europa.eu/info/law/law-topic/data-protection_en)

<sup>79</sup> [https://ec.europa.eu/commission/index\\_en](https://ec.europa.eu/commission/index_en)

<sup>80</sup> <https://ec.europa.eu/digital-single-market/en/news/communication-tackling-online-disinformation-european-approach>

<sup>81</sup> <https://ec.europa.eu/eusurvey/home/publicsurveys>

- g. Citizen Engagement via discussion platform (Futurium)<sup>82</sup> to further push the debate not just in a standardized model like a survey, but with an open dialogue hosting conversation in a modern platform and in full transparency to all participants.<sup>83</sup>
- h. Facts pages<sup>84</sup> to support a positive narrative and demystifying common mistakes about the EU. The phenomena of echo chamber and disinformation thrive on myths, so better to debunk it.

These are just a selection of actions relevant to the discussion of course.

## Results

This presentation and notes do not have the ambition to be a scientific bullet proof paper capable to explain the complexity of the interaction between public institutions and citizens. We do hope, though, that bringing these positive examples can help in subverting the common narrative of a weak Union out of touch with its citizens. There are problems, we cannot deny it; however, as Hirschmanian/Colornian followers we must strive to see the positive hints that reality offers to us. And here are just a few examples of positive returns on the topics illustrated:

- Five million people actively replied in the summer of 2018 to a survey about the change of Summer/winter time twice a year and whether it is the case to abolish

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<sup>82</sup> <https://ec.europa.eu/futurium>

<sup>83</sup> The article underlying the Futurium model is available here: <https://link.springer.com/article/10.1007/s13347-013-0108-9>

<sup>84</sup> [http://ec.europa.eu/budget/explained/myths/myths\\_en.cfm](http://ec.europa.eu/budget/explained/myths/myths_en.cfm)

it. After that, and the result pointing at a desire to end the shift, the Commission promised to put the issue forward in the legislative process.

- Online Communities like the one in Futurium thrive in order of tens of thousands of registered participants.
- More debates are open in Social Media channels and more and more people react and share opinions and conversation breaking the idea that institutions are fixed in an ivory tower.

All this shows a desire to have citizens' voice being heard by legislators, institutions and fellow citizens in a democratic dialogue. Building trust with concrete actions is the mean to set the right environment for this.

# Entrepreneurship and the Private Sector

Tommaso Di Nardo

## **VAT Gap, Mandatory E-Invoicing and a Surprising Latin America: Where Can Hirschman's Strategy Lead Us Today?**

I'm an economist, currently Head of the Economics and Statistics Department in the Research Facility of National Council of Chartered Accountants and Accounting Experts. I'd like to thank this conference for giving me the opportunity to make my own contribution to a theme I feel particularly strong about and I'm directly involved in. I've been working on local development projects for some time, both in public and private contexts. In this regard I've taken part, together with many of my colleagues, in the 1990s campaign to transform undeclared work into declared work and to enable enterprises to "emerge" from the underground and semi-underground economy, promoted by Luca Meldolesi to tackle one of the most widespread problems in the Italian economy: the extensive underground economy and the development of Southern Italy.

I'm currently involved in studying the important changes caused by the introduction of mandatory electronic invoicing in Italy. The extraordinary effort and energy generated by this new development, especially among Accountants and enterprises, have persuaded me to focus my presentation on this issue. In particular, I will concentrate on mandatory electronic invoicing potential role for the development of the Italian economy, today still characterized by a dense network of small and medium enterprises and by a significant **underground economy** (Italian Na-

tional Institute of Statistics – ISTAT - estimates 210 € billion of underground economy for 2016 equal to 12.4% of Gross Domestic Product).

## **A disruptive innovation**

The introduction of mandatory electronic invoicing in B2B and B2C contexts starting from 1st January 2019 is a big challenge for Italian accountants and enterprises. It is a “disruptive innovation” that accelerates the country digitalization process and marks a major change in the relationship between the taxpayer and the tax authorities and, as a consequence, promises to radically change the role of accountants.

Most accountants are concerned about the imminent change and fear that digitalization will destroy their sector. Only an extremely small minority believes in the possibility of taking advantage of new professional opportunities as a result of this process of change.

The discovery that the most advanced region in the world with regards to the use and dissemination of e-invoicing is Latin America was made this year, to the great surprise of accountants. Here, B2B and B2C electronic invoicing, and in particular, its mandatory nature, has been employed on a massive scale by governments in order to reduce tax evasion (particularly the VAT gap), thereby improving the tax compliance rate of taxpayers.

The use of e-invoicing in B2B and B2C contexts to combat tax evasion and improve the fiscal compliance of taxpayers, has also been introduced in a number of Asian regions, but not in Europe and other industrialized countries.

In 2014, Portugal, suffering from deficit problems caused by the economic crisis, became the first European country to introduce the mandatory electronic invoicing between private entities. The results were surprising: the widespread improvement in tax compliance greatly helped the path to macroeconomic stability after the 2008 crisis.

The Portuguese experience has significantly influenced the Italian decision to follow suit. Italy, in fact, has the highest VAT gap among European countries and it has the great problem to reduce public deficit. According to the latest data of European Commission, Italian Vat gap is 36 € billion, which is 24.5% of total European VAT gap. This has given rise to the Italian decision to request the European Union for an exception regarding mandatory e-invoicing and the undertaking of a new path for millions of enterprises and tens of thousands of accountants.

## **Lessons from Latin America**

Here, we have a first lesson of Hirschmanian possibilism. In the context of this conference, I feel it's necessary to emphasize that the Portuguese and, most of all, the Italian experience, show how it is possible to invert the relationship between the North and South of the planet. This approach may continue and may be even more beneficial if the different experiences, appropriately contextualized, continue to interact.

Also, the Latin American experience shows the (direct) effects of the "formalization policy", intended as the surfacing and the reduction of the Underground Economy, generated by electronic invoicing.



The very recent “Electronic Invoicing in Latin America”, Report published by the Inter-American Development Bank and the Inter-American Center of Tax Administrations, presents the results of a series of impact assessments on the effectiveness of this tool for reducing tax evasion, demonstrating how “Electronic Invoicing has had a positive impact on improving collection and control in five of the seven jurisdictions in which it has been implemented: Argentina, Brazil-SP, Ecuador, Mexico and Uruguay, for VAT and income Tax”<sup>85</sup>.

Moreover, the same Report points out other beneficial effects of a secondary nature that involve, in particular, private operators, including an improvement in commercial relations such as an increase in trust in transactions, an improvement in accounting systems and an associated reduction compliance costs and an improvement in IT security and therefore of company data and IT systems.

## **Reactivating surfacing processes**

These effects, largely already well-known, for now, don’t appear to be as significant for the current Italian situation as the direct effect of formalization just mentioned. The Italian experience of “formalization policy”, on the other hand, through the application of an economic development strategy to the problems of Southern Italy, has shown the importance of the indirect or inductive effects in transforming the surfacing concept into proper, concrete development policies.

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<sup>85</sup> *Electronic Invoicing in Latin America: English Summary of the Spanish document / 2018, BID/CIAD.*

In addition, in the light of the Italian experience, the way in which mandatory electronic invoicing acts on direct effect of “formalization” through a reduction in tax avoidance, reveals a completely new aspect. There is, in fact, the heavy risk of “splitting” the Italian economy into two parts: on the one side, the enterprises and workers who are in economic conditions such as to be able to sustain “formalization” and, the other side, those who are in conditions for which “formalization” is unsustainable. This is why the introduction of mandatory electronic invoicing reopens the Italian question of breaking down the Underground Economy and allows us to look at it from a completely different angle.

In other words, the theory is that mandatory e-invoicing is a policy potentially able to reactivate important “surfacing processes” and to promote business development if it is accompanied by other policies long tried and tested in the territory able to support and strengthen any positive spontaneous processes created in the meantime. Otherwise, mandatory e-invoicing risks becoming a tool of little use and even negative.

Extensive experience in the field, combined with the Hirschmanian practice of “trespassing” and the concept of “how to complicate economics”, teach us the ability to trigger inductive mechanisms capable to stimulate personal motivation and therefore promote legitimate behavior at a social level and efficient behavior in economic terms.

All this lies at the heart of the “formalization” issue and therefore of development. In certain cases, these mechanisms occur spontaneously, but in the majority of cases, especially where there is a substantial underground econ-

omy and underdevelopment, they can be activated with public or private interventions.

Among these, we can mention the various “development centers” which accompanied Italian formalization policy in the 1990s, designed and applied in a public context or, more recently, the business training initiatives promoted in a private context, often voluntary, which applied the Hirschman concepts of the economic development strategy to the Italian situation, particularly in the South.

For example, the “theory of cognitive dissonance”, employed by Hirschman, has become, in our everyday experience, an efficient inductive mechanism which is the personal and behavioral shift induced by peculiar “dissonant experience”. Such experience can be experimented when facing new positive results, initially unexpected and improbable, produced by the introduction of the e-invoicing.

In conclusion, the main challenge for Italy is being able to exploit mandatory electronic invoicing not only to increase tax income by reducing tax evasion and contributing in this way to improving the public finances, but most of all to promote a new development of the country through “formalization policy” and therefore the growth of small and medium enterprises. From this point of view, accountants have a great opportunity to reposition themselves as professionals working alongside entrepreneurs in the development of business and in changing the country for the better.

*The National Council of Chartered Accountants (CNDCEC)*, in order to best foster the process of change, is currently committed on two fronts: on the one hand, it dialogues on a daily basis with the tax authorities to facilitate the pro-

cess and, on the other hand, has set up initiatives to promote the formation of new professional specializations that can help accountants to make the most of these opportunities.

Vincenzo Marino

## **Hirschman's Legacy in Dealing with the Private Sector.**

### **Notes for a Research Project**

*This is a proposal for a line of research. Keeping in mind the vast range of Albert Hirschman's discoveries, we shall focus on those related to a managerial and entrepreneurial environment. The interpretation of entrepreneurial and managerial behavior, despite already being the object of a specific and articulated branch of economic science, can benefit from such Hirschmanian influence, and can develop into a project of research and action. The following considerations are made from a practitioner's point of view, the result of over twenty years of work in, and with, the private sector. From time to time, as an entrepreneurial development manager, consultant, and trainer, I have had the opportunity to observe the behavior of many entrepreneurs and managers and to experience first-hand the usefulness of the "critical thinking in action" approach of Albert Hirschman and Eugenio Colorni. This is a work in progress that leads, on one hand, in the direction of drawing some conclusions, and, on the other, toward opening up the field to new research and pathways of study. Incidentally, it may also help in the construction of other bridges between business economics and the Hirschmanian approach.*

### **At the origins of a point of view**

*Two pillars of the Colornian – Hirschmanian approach have strongly influenced this work:*

*The **Philosophy of “discovering”** as a way of looking at the world around us while constantly oriented toward exactly that: discovering. Eugenio Colorni’s approach is based on understanding rather than explaining. The aim of this “obsession” for useful discoveries is to make humans better able to master reality.*

Eugenio Colorni’s daily efforts were oriented toward freeing human beings from dogmatism—as backed by systems, paradigms and any other constraints on the comprehension of reality (such as intellectual tools prepared for exploring reality that inadvertently became obstacles to understanding). He created a new approach to “useful knowledge” as a means of highlighting the extraordinary value of discovery—which would lead to new, previously unsolicited abilities and to a better mastery of reality. That is to say, he built a new approach to the philosophy of science and epistemology.

This approach lives on in the work of Albert Hirschman, in the richness of his findings and discoveries, and in his writings, observations, and practices, which never “repeat themselves”. Both the object and the way of arguing change every time. His fields of observation always differ sharply (linkages, exit and voice, passions and interests, shifting involvements, rhetoric of reaction, etc. etc.). Hirschman devises them to escape the temptation of being sucked into the internal coherence of theories (or worse—of a single theory) and to avoid falling back into the error that Eugenio attributed to “systems of thought”, the attempt to “close the circle”.

In this way, on the one hand, every discovery can open up others, and knowledge develops as a cascade mechanism in which each discovery can lead to a successive one. But, on the other hand, the power of “discovering” is acti-

vated when the acquired point of view is subverted, when we climb over fences, trespass, modify the lenses through which we observe the world, try to reverse cause-effect sequences and so on.

*Possibilism is a political practice aimed not only at identifying the possible ways out of a problematic condition, but also at actually obtaining results (policy and decision-making; reform-mongering). It could be defined as the ability to identify a constellation of favorable events, and the drafting of practical actions aimed at achieving change.*

This is a specific approach based on opening up new modes of thinking and action. Eugenio came to it in his fight against fascism. First, in Trieste, as coordinator of the internal Socialist Center where he developed and applied practices for fighting "fascism from within fascism". Then, through dialogue with Altiero Spinelli and Ernesto Rossi while confined at Ventotene under the yoke of the dictatorship, he opened up a perspective of possible future political commitment culminating in the Ventotene Manifesto, milestone and reference point for the birth of the European Union. Later, as one of the leaders of the Roman Resistance in the underground struggle in Rome, he developed a series of stratagems, made alliances and renewed relationships, aiming to produce the most effective possible guerrilla action against the Nazi occupation.

Albert would achieve similar results in the field of economic and democratic development by "designing" possibilism. In his approach, the roads to change are many and not necessarily predictable ... in the passage from probable to possible, there is the hidden blessing of the "discovery". This approach produced in Albert a series of observations, discoveries, verifications and practices through which

(traveling from *The Strategy*, to *Journeys*, to *Development Projects Observed*) he gradually refined his ability to see and show how change can be activated and sustained.

In developing my professional career with companies, it seems to me that these two main elements have been particularly useful in explaining and resolving the problems of change management arising in this environment.

## **Dealing with the private sector**

In recent years, businesses have been at the heart of a momentous change. Globalization and technological innovation have triggered revolutionary processes of transformation at all levels. Competitive contexts are today increasingly marked by turbulence, instability and unpredictability. The success factors of enterprises seem to be related to their adaptive capacity and resilience and to the ability to anticipate and proactively build solutions for the future.

These entrepreneurial attitudes have relevant practical consequences in both the activation and birth of new enterprises (start-ups) and in the strategic repositioning of existing ones, which are the main focus of attention. Such consequences include:

- Constant attention to the reduction of internal inefficiencies (cost recovery, financial resources recovery)
- Development of innovative commercial models for overseeing developing markets
- Development of innovative formulas to guard markets in crisis based on the ability to create value and to give usefulness to people and businesses



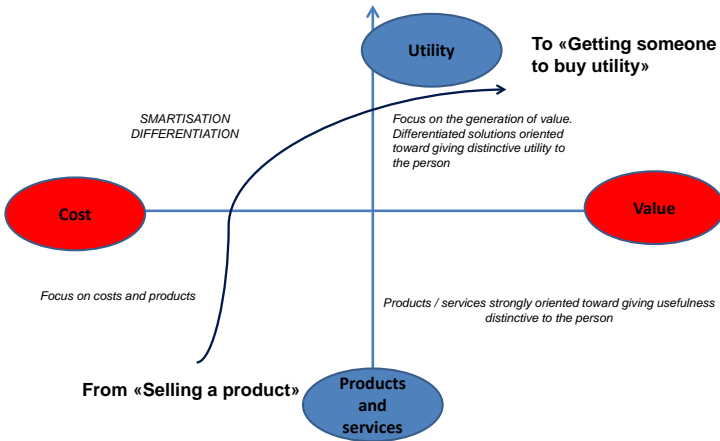
- Development of investment in innovation by recovering financial resources from working capital and by self-financing.

This translates into new competitive keys for new marketing approaches, briefly:

- From “selling a product” to “getting someone to buy utility”;
- Ability to adapt to complexity and turbulence;
- Capacity to create value and differentiation to meet customers’ needs;
- Innovation management;
- Centrality of the person: allocating attention.
- Use of enabling technologies (AI) to create new solutions.

The concept of “usefulness” is aimed at creating an advantage for one or more people in solving a problem. Enterprises need to assist their clients (or customers of their clients) in overcoming a problem. In short, firms must play a leading role in the new market (aiming to transform customer problems into solutions and then opportunities), confronting problems and not simply coping with them, innovating and getting the best from themselves and others (see chart below).

## Enterprises' Journeys toward utility, value...



These pathways need a specific and extra effort in terms of innovative capacity and market supervision. The effort to innovate is added to the push toward development in particularly challenging contexts. Startups or existing companies must adopt new technologies to generate specific market, process and product innovation pathways.

A large part of my commitment in recent years has been to implement these development actions both directly (in the management of various entrepreneurial initiatives in the field of business services) and as a consultant for companies in different sectors, both as a trainer and finally as a developer of small business consortium initiatives.

### Project setting

It is quite interesting to confront these processes with Albert and Eugenio in mind. Bringing their teachings into my work with (within and for) companies, and having the opportunity to cultivate this point of view in the context of the "neural network" brought to life by A Colorni-

Hirschman International Institute, I have been able to see for myself how many of their lessons have a specific application in the management of entrepreneurial change, as well as in the creation of new initiatives.

On the other hand, at a psychological level, the constitutive key of the “philosophy of discovering” and of “possibilism” is not so much about having a toolbox that will unlock the comprehension and management of change, a “comfort zone” for interpreting reality. It is about discovering new ways to enact necessary changes.

In my own various experiences, the theme of entrepreneurial development (in the hostile environment of less developed areas) thus became an interesting laboratory of experimentation aimed at the activation and consolidation of the desired change. Aiming to improve businesses’ performance and open paths of growth for specific entrepreneurial initiatives, I came across organizational solutions, entrepreneurial choices and new ways of “marketing” that can be of great help in clarifying the phenomenon of entrepreneurial development and its possible activation.

Trespassing in different experiences as a “reflective practitioner” while alternating in various roles<sup>86</sup>, it has been possible for me to look for verification (of Hirschman’s previous discoveries) and to seek new discoveries (of managerial stratagems and organizational behavior) that can be framed through the possibilist approach.

This learning emerges in the course of activities in the field of enterprise development, business management and

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<sup>86</sup> As a promoter of entrepreneurial development, consultant and manager working both in the Italian South and in the larger national context.

organizational behavior. In each of these three environments the questions have always been:

- Which of Hirschman's teachings can I apply and how?
- Where (and in what sense) have I encountered examples of Hirschman's teachings?
- What can I invent to solve a problem or obtain a strategic result?
- What did I discover that was unusual?
- Which capacity should be expanded to prolong the ability to create value?

These questions have gradually become "points of view" and have been tested and applied in a body of case studies and practical activities that is vast enough to set the framework for a possible research project. Its aim is to determine whether we can be more effective in reading and understanding some types of entrepreneurial behavior by applying selected past discoveries or by making new ones.

### **Learning through experience: first findings and discoveries**

I would first like to discuss some initiatives for the launch and development of **business consortia** in the different sectors where I have worked (porcelain, fashion, tomato preserves, jewels, services). Although different as far as sector conditions and contexts, and concerning the roles I played within them, these cases exemplify the efficacy of some Hirschmanian teachings and highlight some new modes of management that have proved successful.

Business consortia, as collective entrepreneurial tools, presuppose the coexistence of a political dimension along-

side the entrepreneurial one in the strict sense. This makes it easier to verify the usefulness of the concepts of trespassing, conscious management, and the passions and the interests of the associates, or to apply the mechanisms of exit and voice. From time to time managerial action draws on this cultural background to support entrepreneurs in consortium decisions. For example, it exercises and encourages the members' voice not only in the decision-making phase, but throughout the process as well, so as to increase the perception of ownership of the individual initiatives undertaken.

Furthermore, a creative interpretation of Hirschman's teachings on development is needed. Since these initiatives were undertaken to allow the development and consolidation of the consortium companies (micro and small size), they have had to deal with typical problems concerning participation in collective action and free riding. In the startup phase, in order to remedy these problems, some new strategies were used to induce participatory behavior:

- The design of a strongly homogeneous consortium structure in terms of entrepreneurial needs, aimed at defusing the risk of internal tensions deriving from strong dimensional or leadership asymmetries;
- The consortium leadership must be "third" among peers and completely impartial. That is—the legitimacy it enjoys derives from professional reputation, but it must also be substantially autonomous vis-à-vis the specific interests of any single company;
- The unpaid nature of the leadership and the transparency of the accounts, together with participatory decision-making are aimed at limiting the risk of in-

formation asymmetries to those who manage the consortium and the Associates.

Also, conscious management of the timing of specific actions and of the sequences used is a strategic tool for consolidating these initiatives. For instance, in the startup phase the consortium benefits from the implementation of activities (i.e.: participation in fairs; publicly recognized use specifications) whose positive effects are quickly felt in terms of usefulness for members. Further on, it is particularly useful to generate investments that call for the direct involvement of the members, raise exit barriers and generate a push for participation. Both cases are variations on Hirschman's intuition about subjective participation in collective action (cf. *Shifting Involvements*).

Moreover, useful strategies (techniques of leading) for the successful completion of a single initiative amount to either "towing with momentum" or "jibing", as they say in nautical language. In the first case, the network manager alternates moments of pulling the initiative forward (towing) – even stoking a certain degree of internal dissension – with other periods (momentum) that involve "waiting" for the potential of the initiative to spread among the consortium members, often redirecting onto them (through techniques of involvement) the responsibility for specific decisions.

In the second case, we encounter a specific characteristic of "sailing against the wind"... As is known, in sailing (and especially in "match racing"), the ability to read the change of wind and "jibe" accurately to intercept it before the opponent does is a strategic move. In the zigzag towards the mark, the winners will be those who are better prepared to intercept the wind, to jibe at the right time and to cover the

opponent's sails with their own... Similarly, in these consortium experiences, the most delicate moments of entrepreneurial consolidation call on the ability of the administrative body to "jibe" at the right time—to grasp that mix of solutions, investments, and responses to the needs of involved consortium members, which will allow them to "get to the wind first"... Most of the time, after this kind of action, single associates tend to assume the authorship of solutions and advancements as if they themselves had anticipated them and carried them out.

These techniques are also present in my second group of experiences. This was a series of **real entrepreneurial initiatives** (in different industries: mechanics, services, agri-food...) in which I participated in different capacities (direct manager, consultant, external observer), and in which the usefulness of Hirschmanian teachings for management emerged clearly.

The operation of the "hiding hand", for example, or the application of the concept of "unbalanced development" are most likely to show up in an actual entrepreneurial context. In these cases, the "political-relational" dimension of the consortium experiences is probably less evident, but it would be a mistake to consider it completely absent. Rather, actors and roles change—the consortium manager is replaced by the entrepreneur, individual associates are replaced by the company organizational structure with its values in action, its resistance to change, its greater or lesser propensity to innovate. A large part of entrepreneurial activity is aimed at creating an organizational environment that generates answers to the customers' needs, efficiently and effectively over time.

As in the first typology of experiences, behaviors, strategies and innovations emerge, recalling Hirschmanian-Colornian work. In the entrepreneurial cases I have been involved in, for example, what was obviously useful was the concept of slack—intended as unexpressed efficiency potential that is drawn on and used to cope with pressures deriving from price competitiveness or the need to free resources to "do new things".

Some entrepreneurs act to generate internal imbalances (among different areas) in order to more easily bring about the desired change. Here the exercise of towing and sailing against the wind takes on a strategic dimension, binging the possibility of Hirschman's teachings on the reform-mongering process to bear in a corporate dimension.

This appears more prominently in the management of innovation. Unfortunately, our view of innovation is usually to identify it with its results. Innovative products, processes and markets are assessed as such, ex-post, the result of the ingenious and creative intuition of privileged minds. Great discoveries and great innovative ideas are associated more with the creative genius of the discoverer or the innovator than with the process that led to their generation. From this perspective, the Schumpeterian entrepreneur is the embodiment of skill at managing innovation and competing successfully in the markets, thanks to his or her own ability... more or less innate. Market competition becomes the soil in which new innovative entrepreneurial ideas are born. These ideas raise the bar of competition, generate elements of competitive advantage and enable companies to assert themselves.

Fortunately, there is another way of looking at innovation, which emerges from what I have seen in business be-



havior—interpreting it as a 'new action'. A closer look in fact reveals that innovation is the implementation of something new (be it a product, a new way of marketing, a new organizational method, a scientific discovery). Innovative activities can include any and all scientific, technological, organizational, financial and commercial actions aimed at the implementation of innovation.

With this change in the meaning of innovation, observing or generating innovation involves focusing on the set of actions that generate a new thing, before getting the results in a strict sense. If you observe the ways innovations have been introduced in the history of mankind (not only entrepreneurial) it is evident that, more than the creative genius of a single individual, they are the fruit of a way of seeking the "adjacent possible" (Kauffman, 2002; Johnson 2010)—that is, the world of nearby potential innovation possibilities in a given technological and relational context.

My own experiences seem to show that innovative processes arise from the individual, organizational, and methodological ability to persist in searching and acting in that middle-ground between "what we are" and "what we could become". Our chances of innovation are intimately linked to our way of working and to the environment in which we do it, to how and how much it is open to new information, to what is inserted in contexts where information flows are not self-referential, and to the opportunity to combine different technological dimensions in daring ways.

In a sense, this is what characterizes entrepreneurial action: generating utility for people through innovative (and differentiating) combinations of the factors of production. Managerial attention in these cases shifts from "innovation

as a result" to "innovation as a process". And consequently, to the creation of enabling and fertile environments for innovation processes, following the principle that *to obtain new things we have to do new things*.

## To conclude

Thus, schematically, I have the feeling of having tripped over:

- "findings" on the applicability of Hirschman's discoveries to managerial behavior;
- new "discoveries" made possible by the application of that approach.

At the level of findings, the emergence of principles like the "hiding hand", "unbalanced development", "exit, voice, and loyalty", and "sailing against the wind" in a life of entrepreneurial initiative is a confirmation of their heuristic power. Moreover, in my view, they reveal their surprising potential in the help they provide in the establishment of managerial solutions and in organizational change management. And broadening research in these fields may afford a better understanding of how they work.

The principle of the **hiding hand** is almost a tool for a better planning. In the real life of companies, the ambition to plan perfectly clashes with the absence of a glass ball to predict the future. A wise interpretation of the planning and control process conceives it as a tool for budget revision or changes of direction.

Big competitive jumps on the part of companies are usually taken to be a result of the ingenious intuition of the entrepreneur. But, more than a stroke of improvisational genius, the ability to seize rising opportunities or to solve

unexpected problems is the result of a precise entrepreneurial attitude which aims at balancing the instrument of the industrial plan with a constant (visionary) openness to surprises.

The concept of **unbalanced development** is also often used as a tool to generate pressures for change. In cases of conflict between the different business areas of an enterprise (typically between marketing and production in price determination), the generation of an imbalance – which causes one of the parties involved to win – can serve to trigger a process of optimization and efficiency on the other side.

Similarly, the continuous clash between procedures and methods of settling and innovation is often resolved in creative solutions in which the entrepreneur alternately prefers to generate an imbalance between the two dimensions (perhaps privileging innovative components or safeguarding them in a more favorable atmosphere) so as to generate competitive adjustment pressure in the other component.

In some cases, especially in the startup phases of a new adventure in a challenging environment, the concept of **sailing against the wind** is extraordinarily fertile in the interpretation of entrepreneurial behavior.

In the case of innovation management, it is sometimes necessary to create safe and fertile environments (a laboratory, a startup, a spinoff) in which the professional resources engaged in the innovation process are not swallowed up by existing processes and habits.

More interesting than “findings” are “discoveries”.

Rather than looking for confirmation of existing findings, it would be more interesting to seek evidence of new breakthroughs. In this sense, I would say, these experiences have already provided the opportunity to check some stratagems and new modes of management (towing with momentum, jibing, voluntary nature of leaders' actions) that are particularly useful in dealing with the private sector.

A better understanding of the work, along with the scientific validation of these and other new discoveries, can also make a strong contribution to the enlargement of the reform-monger's toolbox in the entrepreneurial environment. It seems to me that "possibilism" and the philosophy of "discovering" are a sort of "primordial soup" in which possible linkages are born as a result of interpretation, questioning and reconsideration in a creative, fertile atmosphere (that is, generative of new discoveries) of already acquired learning.

# Evaluation and Democracy

Tessie Catsambas<sup>87</sup>

## The Value of Applying Appreciative Inquiry to Evaluation and Development

Many scientists believe that the “scientific way” is “unbiased” worrying that Albert Hirschman’s bias for hope is unscientific. In the last 20 years, however, evaluators and scientists have been developing and incorporating approaches that aim to empower those who participate in the implementation and evaluation of economic development programs to be full partners in shaping their fate (design and implementation) and making judgements about their situation (assessment and evaluation). Champions of participatory approaches like Robert Chambers assert that participation is not just about techniques that involve people, but about sharing control. Chambers asks: who shapes the questions, who determines the process, who decides, who uses and owns the data, and who decides what the data means?<sup>88</sup>This is echoed in the work of evaluation designs and methods in David Fetterman’s *Empowerment Evaluation*, Donna Mertens’ *Transformative Evaluation*, Rita O’Sullivan’s *Practicing Evaluation: A Collaborative Approach*, and others. These approaches are all in line with Albert Hirschman’s philosophy, and prompt us to think “possibilistically” by recognizing and valuing local and indigenous knowledge as well as transferring more power to the peo-

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<sup>87</sup> Thanks to Amy Bhopal for collaboration.

<sup>88</sup> Chambers, Robert. *Rural Development: Putting the Last First* (U.K.: Rutledge, 1983)

ple who are intended to benefit from interventions (services, programs and evaluations). In turn, these approaches show confidence in program participants' ability to influence their own future. The application of Appreciative Inquiry to development and evaluation takes things farther, and truly embraces the "bias for hope." The inclusion of Appreciative Inquiry in evaluation and development codifies a methodology that requires a wholehearted belief in possibilism for everyone involved regardless of position. It then prescribes a process, accompanying behaviors, and beliefs for it to come to full fruition in an equitable and inclusive way. And it promises to unleash possibilities that were unseen before.

## **Introducing Appreciative Inquiry**

Appreciative Inquiry is an organizational development approach developed by David Cooperrider in the early 1980s at Case Western Reserve University. According to David Cooperrider,

*[Appreciative Inquiry] proposes, quite bluntly, that organizations are not, at their core, problems to be solved. Just the opposite. Every organization was created as a solution designed in its own time to meet a challenge or satisfy a need of society. Even more fundamentally, organizations are centers of vital connections and life-giving potentials: relationships, partnerships, alliances, and ever-expanding webs of knowledge and action that are capable of harnessing the power of combinations of strengths. Founded upon this life centric view of organizations, AI offers a*

*positive, strengths-based approach to organization development and change management.*<sup>89</sup>

Appreciative Inquiry begins by inviting development and evaluation participants to interview each other in a structured way around three core questions that involves a story about the past, values, and wishes. Here is what these questions typically look like:

1. **STORY:** Think back and recall a high point or peak experience in this program/organization when you felt most engaged and proud to be part of this work. Tell me a story about it. What happened? What did you do? What did others do? What made this high point experience possible?
2. **VALUES:** What do you most value in yourself? What do you most value in this program/organization where you are? What do you most value in the work you do?
3. **WISHES:** If you had three wishes to make peak experiences like the one you shared possible for everyone here, all of the time, what would those wishes be?

These appreciative interviews launch a four-phase appreciative inquiry process that follows the 4-I model where participants are invited to:

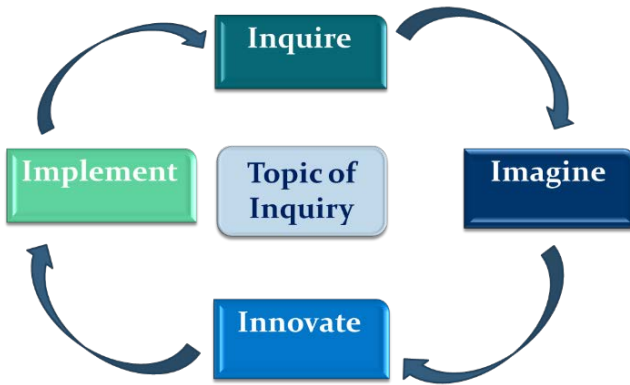
1. Inquire about past peak experiences and analyze them together
2. Imagine a desired future
3. Innovate on priority pillars they believe are key to the future
4. Implement their ideas

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<sup>89</sup> Cooperrider, D. L., Whitney, D. *Appreciative Inquiry: a Positive Revolution in Change*, 2005 (Berrett-Koehler, San Francisco)



## Phases of The Appreciative Model



*Developed by EnCompass LLC*

In David Cooperrider's model, he uses different language and notes these four phases as the 4-D model: Discovery, Dream, Design, Destiny. To ensure this language coincided with our clients in my organization (EnCompass LLC), we adopted the 4-1 model using verbs rather than nouns and found that this was more approachable to clients. For example, dreaming was considered too private and many did not see their destiny interwoven with one program.

### *Possibilistic "Thinking" in Appreciative Inquiry*

While, the theory of Appreciative Inquiry includes many elements, I only mention three of its basic concepts, and show their alignment with Hirschman's possibilistic thinking: the link between image and action, the power of the questions to drive change, and the influence on the future of valuing the past.

**Image and action are linked.** There are many ways to frame issues and questions, and the way we frame them influences how people perceive them. For example, the topics “reducing poverty” and “sharing prosperity” sound like opposite ways to frame the same thing, but (a) it is not the same thing and (b) they create very different imagery in our mind. When we say “reducing poverty” we imagine poverty, rather than “non-poverty.” Jack Nicklaus in his book, *Golf My Way*, says that the mind cannot negate a negative image; when you say, “Don’t hit the ball into the woods,” the mind pictures “ball in the woods.” Conversely, the mind grasps and follows the positive image when you say, “Hit it down the fairway.”

Knowing what we don’t want does not always help us understand what we do want. Therefore, spending some time early on to imagine what we want to create helps us develop a common vision and also clarify the standards by which we define excellence. A shared and compelling vision fills participants with energy and confidence increasing the likelihood that a project design, implementation or evaluation will be done well and be useful.

**Organizations move in the direction of the questions they ask.** We co-create our world through language. Dr. Cooperrider wrote eloquently about the importance of the questions we ask, and with Diana Whitney, published the *Encyclopedia of Positive Questions*. The framing of questions is important because of the images they create, and also because they influence the direction of discourse; the questions guide us to our path of discovery, and influence what we find. In evaluation, there is ample literature on the importance of crafting good questions for an evaluation as well as for individual and group interviews. Appreciative

Inquiry makes us aware that the questions we ask in our work are also an intervention that will influence where we will go and what we will look for.

**Valuing the best of the past provides continuity in times of change.** Appreciative Inquiry always begins by storytelling that values different times in the past. The process of valuing the past is important in several ways: (1) Efficiency: Valuing the past reframes “resistance to change” into “wisdom from the past.” In fact, building on what has already been achieved means we do not reinvent the wheel, recognize lessons learned, and do not repeat the mistakes of the past—it is more efficient than only criticizing the past; program and evaluation participants were part of that past and can share useful lessons and insights. (2) Fairness: Most assessments or evaluations focus on what went wrong in the past that we ought to fix such as the gaps between what we wanted and what we achieved. It is not surprising that those who toiled to make the past happen are resistant to one-sided criticism and are more likely to open up to speak about what they achieved that was valuable and useful. When people are credited for their efforts and achievements, they are more likely to be open to discussing the challenges and shortcomings. (3) Confidence: A special feature of Appreciative Inquiry is the focus on “the best” of the past. When people are invited to bring into the future the most valuable elements of the past, resistance melts away; Appreciative Inquiry places people in control of “packing their suitcases for the trip to the future,” a future they take part in creating. At the same time, studying and analyzing what went right and why in the past, builds confidence in everyone’s ability to replicate or build on what worked best, rather than focusing on how they can avoid the disasters of the past. Thus,

the inquiry builds confidence in times of change by valuing the past.

### *Possibilistic “Doing” in Appreciative Inquiry*

Appreciative Inquiry offers a clear process for engaging stakeholders in a way that invites possibilistic thinking. Looking for possibility in our interactions with others sounds like a good thing to do, and we may very much wish to reframe problems into affirmative topics, but without a clear path, we will likely fall into old patterns. Another factor that works against our best intentions are the embedded inequities and power dynamics within all communities of people. Left unstructured, true participation by all stakeholders will not take place, but rather, those who are more powerful participants will dominate these conversations. The path of structured dialogue in Appreciative Inquiry offers a clear path; it equalizes all voices, preserves the language each person uses to share stories, values and wishes, and then offers a clear process for participants to make interpretations of their data.

The designer/evaluator is there to facilitate the process, ensure fair and open participation, and help participants refocus toward a constructive and generative conversation when they get stuck. In fact, during an appreciative process, many problems are discussed, but the focus is on addressing those problems that are in the way of the vision. As participants discuss problems, it is easy to focus on what they don't want to see happen again, and the facilitator poses questions to help them move forward in the conversation.

Thus, Appreciative Inquiry offers a combination of structure, process and interview guides that help devel-

opment professionals and evaluators bring to life their Hirschmanian intent of acting in a way that sees uncertainty as full of possibility – possibilistic “doing”.

### *Possibilistic “Being” in Appreciative Inquiry*

If we try to think and act Hirschmanian or appreciative, but do not believe in human possibility or if we doubt that people have approaches and solutions not yet discovered, we will fall short of our Hirschmanian goal. It will be easy for others to sniff out this hypocrisy. In the Hirschmanian spirit, Cooperrider invites us to see organizations and communities as if we were children—full of curiosity and wonderment at the amazing accomplishments of people and the endless possibilities of what they can accomplish in the future. It is the authenticity of our belief that there are wonderful things to discover and create together that gives birth to possibilism. It is not true that you will believe it when you see it; you will actually see the possibilities emerge when you begin to believe they exist.

Dr. Cooperrider writes:

*This book is not a recipe; it is an adventure. AI is an effective way to get members of an organization involved in unleashing a positive revolution in today’s dynamic global environment... An organization’s guiding force is its people. This book offers those people a framework for an appreciative learning journey that has proven to be successful in co-creating organization systems that feature each organization operating at its best.*<sup>90</sup>

Being possibilistic requires doing your own work both at the personal and professional level as a development

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<sup>90</sup>Cooperrider, D.L. et al. *Appreciative Inquiry Handbook* 2<sup>nd</sup> Edition. 2008 (Crown Custom Publishing: Brunswick and Berrett-Koehler: San Francisco)

professional, a scientist, and an evaluator. When you bring a Hirschmanian or appreciative stance to your work, you may encounter resistance. You may find that people may either be excited by it, hesitant, or both. They may also have difficulty understanding you as you speak this new language of possibility, as you invite others to see the world from a new vantage point. And, as you try to navigate the path of possibility, internal and external forces will try to pull you off the path. For example, you might be tempted to denounce problem solving, because it focuses on problems; and yet, if you are truly being appreciative, there is a lot to appreciate and learn from in the way problem-solving approaches have created a discipline in systematic thinking, and there is a wealth of problem-solving tools available to us now that we can reframe and use in appreciative processes. Appreciative Inquiry means pausing and seeing possibility even in things that are antithetical to it.

There is no way around doing your work through self-assessment, executive coaching, leadership development and reflection. You need to increase your self-awareness and self-control if you want to be possibilistic, so you can navigate this appreciative Hirschmanian path with authenticity and confidence.

### *Contributions of Appreciative Inquiry to the Scientific Paradigm*

There are many things that are useful about the scientific paradigm of independent inquiry and study of the nature of things, but it also has an inherent bias against learning from achievements in two ways. Firstly, although it does not explicitly forbid the study of successful

experiences, evaluators and researchers seem concerned that, if they spend too much time studying the successful elements of a program, they would not be considered sufficiently independent. Thus, independence sometimes seems equated with indifference or lack of empathy — i.e. if I don't care, I will not show favoritism. This interpretation of independence, however, creates biases for evaluations and research against looking at successful aspects of a program too closely. It introduces a negative or problem-focused bias. Appreciative Inquiry corrects that negative bias and results in a more complete and fair study. Secondly, there is a frequent assumption in development that deviations from project plans constitute failure and must be studied to figure out how implementers failed. In fact, one of the most valuable contributions of evaluation is the illumination of the “dark box of implementation.” No matter what our best laid out plans and theories are, implementation requires strategy, active management, interpersonal skills, and emotional intelligence; implementation is less about following a plan and more of an art in adaptive management. There are valuable lessons to be extracted both from failures and successes, from following the plan and from deviating from it. Adding questions that help us learn how people created alignment of inputs and actions to achieve success gives us valuable insights into key factors of success, and which factors might be more critical to get right in a program.

Therefore, embedding appreciative approaches into evaluation and research helps us to evaluate without hostility and indifference, to be unafraid of studying successful experiences of a program or organization, to allow our inquiry to redefine desired outcomes based on

what has been learned from those on the ground, and to learn from a previously ignored aspect of a program —its successes.

## **Reducing Evaluation-Induced Stress**

As evaluators, we approach evaluation participants with an absurd demand: we seek full transparency, pursue a focused review and analysis of all their shortcomings, and stamp them into a report for everyone to see. When we interpret “evaluation independence” as indifference and secrecy, it should come as no surprise that evaluation participants may exhibit stress and resistance at the prospect of any upcoming evaluation. With its sharing of power, its open and deeply participatory nature, and its clear drive by vision of desirable outcomes for the evaluation, Appreciative Inquiry (facilitated with authenticity) reduces fear and anxiety, and opens up trusting spaces for honest exchanges, resulting in mutual learning.

Positive psychology has contributed a lot in recent years about the psychological and neurological response to stress, as opposed to a feeling of well-being associated with feeling safe and competent. In fact, a branch of psychology called prospective psychology talks about the power of rewriting the past to look for possibilities and resilience rather than deficiencies and pathology, as a way to enable people to predict (and thus create) a better future. Appreciative Inquiry reduces stress by helping people review the past from a generative and constructive lens and increases their sense of confidence and power to predict and create a better future.



## Value-for-Money Evaluation

In his book *Utilization-Focused Evaluation*, Michael Quinn Patton explains in great depth one of the core elements of a successful evaluation: its use. In 2014 [blog](#),<sup>91</sup> Caroline Heider, former Director General of the World Bank's Independent Evaluation Group (IEG), underscored the importance of use, arguing that we need to be ensuring value-for-money evaluations. In fact, in 2016, following a critical review of the World Bank's independent evaluation function that showed little use of high-priced corporate evaluations, the IEG embarked on an effort to improve its engagement of program managers and implementers in a collaborative review of findings and recommendations. This was an important shift in the IEG's policy that involved a re-interpretation of the meaning of independence in evaluation, and a recognition that it needed to ensure used and useful evaluations.

Embedding Appreciative Inquiry in evaluation supports development organizations continuously to improve the relevance, effectiveness and efficiency of the evaluations they fund, and to ensure that their evaluations promote the values of their organizations. The participation and honesty engendered by appreciative processes results in more credible and useful, value-for-money evaluations.

## A Movement Toward Possibilism in Evaluation

There are two related developments that may imply a broader movement toward possibilism in evaluation: the designs and methods that have most recently enriched

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<sup>91</sup><https://ieg.worldbankgroup.org/blog/value-money-value-whom>

evaluation, and the content of the several recent competency models for evaluation.

In recent years, there has been a proliferation of designs and methods that aim at possibilism such as Transformative Evaluation, Feminist Evaluation, Systems Thinking in Evaluation, Developmental Evaluation, Empowerment Evaluation, Success Case Method, Most Significant Change Method, and others. All of these focus on the facilitation of the evaluation process and the human experience in evaluation inviting more substantive participation of more stakeholders, calling for more culturally-responsive ways of engagement, uncovering power and system inequities, and applying tools that make the evaluation a learning experience and immediately usable as people go through it. Essentially, these methods ask us to step into participants' shoes and experience the evaluation through their eyes, so that we can be ever-more effective in engaging them meaningfully.

When Appreciative Inquiry for evaluation was first presented at the American Evaluation Association in 2002, it generated significant interest among evaluators who saw it as common sense and useful, even though the concept of studying what works was novel to the field. What followed was a *New Directions for Evaluation* issue devoted to the approach, and in 2006, the first book was published authored by Preskill and Catsambas entitled, *Reframing Evaluation Through Appreciative Inquiry*. In 2011, Donaldson and Csikszentmihalyi were editors to *Applied Positive Psychology* and in 2017, Warren and Donaldson authored a second book entitled, *Toward a Positive Psychology of Relationships: New Directions in Theory and Research*. These books further

the thinking in the role of positive approaches in evaluation.

The approaches that enable possibilism are very much in line with the principles of human centered design found under [ISO 9241-210:2010 Ergonomics of human-system interaction -- Part 210: Human-centred design for interactive systems](#)<sup>92</sup> that was adopted in 2010 by the International Organization for Standardization. Organically, through practice, evaluation is catching onto the importance of designing evaluations following the principles of human-centered design that uses action learning research and develops solutions to problems by involving the human perspective in all steps of the problem-solving process.<sup>93</sup>

A review of evaluation competency models in recent years from the Canadian Evaluation Society, the American Evaluation Association, and the United Nations Evaluation Group, shows a convergence of competency domains between several of them (CES, 2010; AEA, 2018; UNEG, 2016). Across these models, in addition to competencies in professional foundations and systematic inquiry, CES, AEA and UNEG competencies relate to people and culture (management, interpersonal, reflection and context skills). Evaluation competencies now call for greater emotional intelligence for evaluators and include coaching, mentoring, establishing relationships and leadership. Other requirements include the ability to understand and incorporate context, respect culture, and perform in an ethical and self-reflective manner. As our methods have evolved to be more human-centered, our competencies have evolved to require greater skill and competence in working with peo-

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<sup>92</sup><https://www.iso.org/standard/52075.html>

ple, and in taking responsibility to make evaluation a constructive and respectful intervention that leaves people better off for having engaged in it. Appreciative Inquiry is part of this movement toward human-centered evaluation and possibilism.

## **Conclusion**

When we see ourselves as facilitators of the journey of people to discover possibilities, we shift the locus of power from “expert evaluators and scientists” to a co-discovery and co-creation process. The application of Appreciative Inquiry to evaluation invites participants to have honest and constructive conversations about their work and experience; focusing on what matters to them, and with the support of evaluation experts, participants write the story of their past in ways that uncover exciting possibilities for the future.

Thus, in spite of resistance from some quarters, there is evidence that this positive, human-centered design approach to evaluation is becoming the new dominant paradigm, even though the literature is still budding. A review of new and emerging evaluation standards and competencies demonstrates a convergence; the expectations of a good evaluation are getting closer to Hirschman’s hope that “intellectual imagination may unlock sweeping possibilities.” Hirschman believed that “by finding seams in even the most impregnable structures, one might create openings and prospective alternatives.” Appreciative approaches to evaluation have found those seams in the previously thought impregnable assumptions of scientific superiority that centralized control and remained unconcerned about the human experience and the needs of eval-

uation clients and participants. In breaching those seams, appreciative approaches are making significant contributions to the future of the evaluation and development professions.

Laura Tagle and Viviana Fini

## **The (Possible) Contribution of Evaluation to Democratic Policy: Colorni's and Hirschman's Legacy**

### **Introduction: why democratic evaluation?**

Our preoccupation about investigating the relationship between evaluation and democracy stems from both an institutional circumstance and a social and cultural situation. First, many (and in some countries, such as Italy, most) evaluations are performed within bureaucracies, serve bureaucrats' evaluation questions (or, at least, their interpretation of politicians' and socio-economic partnerships' questions), and are technical in nature. Second, encouraging and detecting how evaluations interact with our democratic life is important because our world is undergoing the big cultural, political, and economic changes that form the object of many papers in this book.

However, bold our paper may look with its almost daring, even pretentious title, it builds on concrete work tasks by the authors of this paper (see table 1). In the next paragraph, we argue that the current cultural and social situation in Europe requires social practices that embody, support, and increase democracy. In the following paragraph, we show how evaluation may be precisely one such practice. Evaluation is one practice among others, admittedly, but it holds potential for improving the public debate and for making interactions between individuals

and public authorities more democratic, as we show by providing examples. We look to Hirschman’s and Colorni’s thought for help in better understanding and categorizing what we observed and experienced. The final paragraph synthesizes some conclusions.

Table 1. Experiences

Experience	Object	Geographical scope	Timeframe
<i>Laboratorio di valutazione democratica (LVD)</i>	Group of professionals & academics. Conducts research on evaluation and advocacy for methodological pluralism	Italy	2013-on-going
<i>Play it again, Sam!</i>	Evaluation of innovations in a 20-year-old project preventing school drop-out	Turin, Northern Italy	2015-2018
<i>RECRIRE</i>	EU-research project Horizon research on social identity change	18 countries in Europe	2014-2018
<i>REVES (Reverse evaluation to enhance strategies)</i>	Pilot evaluations aimed at evaluating EU, federal and regional policies and programs from the standpoint of local actors	3 areas in Southern Italy	2014-2016

## The cultural reality in which we think and act

The current socio-political state of affairs in Europe is connected with a deep change in the way individuals perceive themselves and the world (Salvatore, Fini, *et al.*

2018). This change is connected with a cultural dynamic combining specific features:

- a. *Impoverished semiotic capital*. Semiotic capital includes the symbolic resources that individuals use to make sense of collective existential dimensions, thus perceiving institutional and ethical intents as belonging to themselves, as opposed to being imposed from outside. Semiotic capital includes instruments and tools an individual uses to interpret oneself and the world. In recent years, semiotic capital has been impoverished. An impoverished semiotic capital implies that individuals' and organized groups' identities are embedded in the local (and private) sphere and that the connection with collective and public dimensions is weak.
- b. *Identities based on paranoid feelings*. People perceive the world they inhabit as it were full of threats against their vital space and seek protection in their identity and sense of belonging. The idea is that "we" exist because we emotionally construe "the other" as an enemy. This idea helps us understand some central current phenomena, such as the wave of intolerance and hate against "others", which take the forms of xenophobia in the social sphere and populism and support for extreme right in politics.

This change needs to be understood, rather than explained. Hirschman, following Colorní's steps, reminds us that we best deal with social phenomena by understanding human behavior and choices, rather than explaining them.

We need to understand the dynamics between the public and private sphere: we need to understand which



function these changes play for people. While making individuals less able to make sense of a complex world — and, thus, making them prone to simplify and trivialize reality — semiotic poverty helps protect the self from actual or feared economic poverty and social marginalization and from the loss of future perspective. Paranoid identity fulfills individuals' need for sense. Still, it provides an altered — almost hallucinatory — representation of the world which, by its nature, lacks the information needed to plan effective solutions.

An impoverished semiotic capital and paranoid identity, however, do not result in a shift away from public involvement towards private action (Hirschman, 1982). Rather, they are a weakening in the resources people can use in the public sphere, a weak basis for their use of voice (Hirschman, 1970). This is having dire consequences on the nature and quality of the public discourse in many countries.

In Colorni's thought, real understanding implies action: it provides the information needed to act as well as the motivation needed to act. At the same time, only action unveils reality and, in turn, allows for better understanding. In a world where individuals and groups increasingly base their identity on paranoid feelings, it is important to promote cultural development and social practices which can promote two ideas:

- “others” are much more than a limit to “our” identity, projects, and desires;
- collective issues are part of individuals' consciousness. This, in turn, promotes a demand for (and potential acceptance of) rules in public life.

## **Evaluation as an instrument for democratic development**

We, therefore, need to intervene using existing social practices that are capable of influencing cultural traits towards democracy — a state of the world better aligned with people's desires. Understanding is needed in order to cater to desires (connected with resources that align people with their desire, such as jobs that pay decent salaries and job security), rather than wants (what people say they want, which may be blatantly out of the range of what a sensible person might need, such as a big wall or as stopping humanitarian interventions in the Mediterranean to save people from drowning).

Evaluation is one of such social practices, and a special social practice, in that it is an instrument capable of interpreting wants and desires, including the need for credible evidence to inform the public discourse — one of the contributions evaluation can make. Among the interpretations of evaluation (as a meta-discipline, as applied research, etc.), we use the one conceiving evaluation as a social practice connecting citizens with the public sphere (Dahlen-Larsen, 2012; Saunders, 2012) in the very concrete, practical field of projects and programs and with the potential of interpreting wants, of improving policies, and of providing credible evidence for public debate and deliberation. Evaluation provides the opportunity to observe in-depth what people are doing — to do that, it requires theory and creates theory. In this territory resides the possibility of being surprised, of finding out about others' reality. It thus can widen the space of what is possible and promotes democratic culture.

This is not necessary or inherent: evaluation practice may actually strengthen centralistic and authoritarian structures and worsen asymmetries in power and discourse. It can, for example, provide information that corresponds to the needs, values, and communication style of only some of the involved groups (e.g., program managers, private or public funders of interventions, central public authorities), while not catering to others (such as potential or actual beneficiaries or groups that are damaged by programs).<sup>94</sup> Evaluation can be a democratizing force — but it can also reinforce existing power asymmetries.

We use concepts produced by the Laboratorio di Valutazione Democratica (LVD, Laboratory for Democratic Evaluation). LVD is a group of scholars and practitioners working in various public and private organizations in Italy. The group researches how evaluation may lead to democracy and tries to expand this possibility through advocacy initiatives.<sup>95</sup> LVD takes inspirations from evaluation theorists who have worked on democratic evaluation (MacDonald, 1997; Greene, 2006; House, 2000; Stame,

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<sup>94</sup> Evaluation is often organized as centralistic activity: organizations funding interventions commission it to internal or external evaluators to find out about effects — which, in turn, depend on how implementers spent the money or on what final beneficiaries used the goods and services for. Often, the rhetoric justifying evaluation leans towards economic power (in the form of tax-payers requiring accountability) rather than towards other constructs, such as accountability of duty-bearers (e.g., public authorities) to rights-bearers. It may even strengthen asymmetries in power between donors on the one hand and recipients on the others, or between public authorities vs beneficiaries or, still, between planners and implementers.

<sup>95</sup> [www.valutazionedemocratica.it](http://www.valutazionedemocratica.it)

2017).<sup>96</sup> LVD found basically three ways in which evaluation practice may advance democratic policy-making:

- Evaluation in democracy (EID): strengthening democratic values in policies, adding credible evidence to public debate, catering to multiple audiences;
- Democracy embedded in evaluation (DEE): embracing methodological pluralism, using collaborative approaches and methods, focusing on equity concerns;
- Evaluation for democracy (E4D): counter-balancing asymmetries in power by catering to values and standpoints of multiple stakeholders (not only commissioners).

The features of evaluation, both its limits and strengths, reinforce its potential function: it deals with very concrete issues at the intersection of private life and of the public sphere and is deeply steeped in theory. In fact, evaluation requires having a theory of how things work and of how a specific context interacts with public interventions. The evaluation process brings the evaluator (and its partners and clients) to refine, add to, and even produce theories. These are middle-range theories linked to action and only valid within specific contexts. As a practice producing knowledge, however, evaluation fails to provide definite and general answers valid for all situations and, rather,

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<sup>96</sup>The distinction basically refers to the source of legitimization for the evaluator: in bureaucratic evaluation, the evaluator basically responds to the bureaucratic community. In autocratic evaluation, the evaluator responds to the scientific community and draws its legitimacy from rigorously applying appropriate methods and approaches. In democratic evaluation, the evaluator responds to the citizenry (or to residents) and the source of legitimacy is responding to and advancing democratic values (Mac Donalds, 1997).

produces project-specific and localized knowledge. Findings are contingent.

The next paragraphs show how we used these ideas in our evaluation practice, through two projects: a pilot project experimenting how evaluation may cater to local organizations and the evaluation of a city-wide project against educational poverty.

### **REVES: evaluation spurring local organizations' autonomy**

The Local Evaluation Pilot Project REVES (Reverse Evaluation for Enhancing local Strategies)<sup>97</sup> aimed at exploring how to evaluate European Union, national, and regional policies and programs from the point of view of local organizations and authorities (Tagle and Celano, 2016). We conducted evaluations in three areas in Southern Italy: a poor neighborhood in a city (Naples), where we worked for a small association Associazione Quartieri Spagnoli (AQS) (Silvestri et al., 2016b); a small municipality in Southern Apulia (Melpignano), where our partner was the municipal government (Fini et al., 2016); and a vast rural area in Western Sicily (Belice), where our partner was CRESM, a social enterprise leading local rural development projects (Silvestri et al., 2016a). We purportedly selected widely differing areas and diverse partners.

The questions we aimed at answering are: which supra-local policies have contributed to the phenomena we ob-

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<sup>97</sup> We obtained funding for the REVES Pilot from Progetto NUVAL, "Azioni di sostegno alle attività del Sistema Nazionale di Valutazione e dei Nuclei di Valutazione" within the Programma di Azione e Coesione Complementare al PON GAT (FESR) 2007-2013. Progetto NUVAL was managed by Formez PA.

serve in each area? How do supra-local policies fare in recognizing and supporting local visions of change? These questions differ in many ways from the ones arising when investigating the effects of a project or an intervention. Local organizations and authorities rarely spell out their vision of change in the form of projects or programs — they often do so only when prompted by the need to apply for funding (these statements might tend to be skewed towards what the funders want to hear). Evaluators have to reconstruct their vision, in order to investigate how supra-local authorities interact with it.

The time frame is long, much longer than when evaluating a program: local organizations often operate in the same area for years, even decades — our partners had operated in their respective areas for timespans ranging from twenty to more than forty years. We started by investigating the local configuration of each area—its social, administrative, institutional, and economic features—as well as the sequence of policies and projects which had been implemented there. We had to mix methods — for example, we matched psychological research (Emotional Text Analysis) with surveys designed together by a psychologist (one of the authors of this paper, Viviana Fini) and an economist.

The object of the evaluation — the interventions which are scrutinized — is not pre-defined but results from the first part of the research. We identified the phenomena (e.g., high levels of drop out, changes in agro-industrial production, or cultural changes such as an increase in civ-icness) which were of interest for our partner. Starting from these phenomena, we identified the interventions that had contributed to shape them over time.

What about Colorni and Hirschman? We had to immerse ourselves in the reality of the local actors, our partners, in order to understand how they perceived and interacted with their reality, and how the local systems operate. In this, we were guided by the idea that you have to look at reality with respect and with the awareness that there might be hidden rationalities whenever things differ from what you expect. We experienced the “irreducible otherness of others” —people think and act in ways that we do not know or relate to. Throughout our evaluations we had to recognize the value of others’ agency, acknowledge our own biases, and realize that we were part of precisely those asymmetries that we sought to redress. We purposefully included ways of doing so in our research design. Indeed, the very name of the project (REVES) is a quote from Hirschman: “Aquí en el trópico hacemos todo al revés” (here in the tropics we do everything the other way around) his Colombian counterparts ironically retorted to foreigners (Hirschman, 1992)

This work produced a different way of understanding programs and policies. From the standpoint of local actors, the program structure — the architecture of goals, objectives, and actions — disappeared. Central authorities theories of change, their intentions, their goals lost their centrality. In their stead, only facts remained: the conscious allocation of resources, the application procedures and requirements, the delays, the neglect, the even (or uneven) enforcement rules. Actions (or the lack of actions) that helped our partners pursue their vision or which stood in their way. Multi-level policies took the form of resources local actors managed to combine, of enforced limits and constraints, or of lack of action (delays, neglect, and unequal or missing enforcement of rules). Lack of action was

as important as actions, especially the intervals between payments and the time spans between calls for bids or between programming periods.

Local development schemes require dialogue and negotiations.<sup>98</sup> In our cases, we encountered some of these: dialogue and negotiations were valued by the local level, but less valued by the supra-local levels of government. The latter, curiously, first required locally shared planning and designed multi-step processes for planning and implementation, and then, in due course, proclaimed that those very processes took too long and failed to produce solutions or results quickly enough.

One of our partners, the Municipality of Melpignano, indeed, participated in the local development schemes in its area — it would have been foolish to renounce the financial resources attached to them (Fini et al., 2016). Still, the Municipality devolved its best energies to other endeavors, namely a) its successful strategy to develop civ-icness in its territory — which it pursued through policies such as cultural development, urban waste collection, and energy; and b) establishing and maintaining leadership among the municipalities of the Greek-speaking area of Southern Apulia. In doing so, it used supra-local policies to achieve its own goals, “molding” and shaping them in such a way that they suited its own purposes — we termed this “policy-drift” to distinguish it from the “mission-drift” effect our partners suffered when they had to alter their

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<sup>98</sup>“Local development” schemes (for example Community-Led Local Development schemes, CLLD) aim at providing local actors and their coalitions some degree of control over investments in their territory. These schemes vary in their requirements, process, and degree of local control over public resources.



practice (and sometimes deflect from their primary goal) in order to obtain public funds.

The policies used by the Municipality exhibited two main features: first, they had low requirements limiting the latitude of local actors' action, something that, supposedly, only works in already developed areas. They provided no blueprint, but, rather, a direction and goals. On one hand, the Municipality had (and could show its constituency) more autonomy. On the other, it had to think and design each and every step. From the point of view of the supra-local policy maker, this is not a nice feature: first, it is risky (less organized local actors might not manage, leaving their inhabitants with lower levels and quality of necessary services). Moreover, it requires more work, because in order to coordinate policies like this, they have to process huge quantities of localized knowledge, make comparisons, evaluate results and impacts. Central policy-makers must be helpers (which includes the function of imposing limits and enforcing rules) - (Ellerman, 2006).

Second, the policies the Municipality used strongly affected existential dimensions in the life of inhabitants of the area — their day-to-day behavior. This feature made them particularly appropriate to the ultimate goal of the Municipality, which was to modify the local culture and increase civiness. This cultural trait is often thought of as a pre-requisite, which must already exist in a place (and which slowly accrues over decades or centuries) for policy schemes to succeed. In this case, through an effort sustained over two decades by the Municipality, a policy effort produced the “pre-requisite” cultural trait—a typical Hirschmanian inverted sequence.

## **Play it again, Sam! Evaluation producing practices of otherness**

Between 2015 and 2018 we conducted an evaluation of the innovations in a project contrasting educational poverty – Play it again, Sam! - in Turin, Northern Italy. The project has been running since 1986, and was profoundly innovated in 2014, in order to increase its effectiveness. The project is funded by Fondazione per la Scuola (a foundation of the Compagnia di San Paolo, a leading bank) and by the City of Turin<sup>99</sup>. The “new” Sam pursued a complex strategy to contrast educational poverty and to reduce drop-out rates: it moved its focus from individual at-risk youth to the entire class and towards adults (teachers and educators), widened its scope from the first year of junior-high school to include the two final years of primary schools and all three years of junior-high school, and aimed at improving teaching, making it more inclusive, by requiring that teachers and educators work together during curriculum hours.

Our tasks included building a new monitoring system and to evaluate the innovations as they were implemented. We included teachers and educators in most phases of our work: in designing the monitoring system — they are the ones who will impute data into it — and in various evaluation tasks, from designing investigation tools to discussing findings with front-line workers even before we presented them to the governing bodies. For example, we discussed with educators and teachers the features of the monitoring

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<sup>99</sup> Cooperate in the project, in addition to the Foundation and Ufficio Pio (both connected with Compagnia di San Paolo), the Education and Social Services Departments of the City of Turin and the Piedmont Office of the Ministry for Education.

systems: what was worth measuring and how to measure it — the metrics, the measures—and what to do with the data. We also involved them when we had to deal with sensitive and contentious issues, such as how to measure the hours that the educators work for after schools' activities and students' attendance. Students go freely to these activities, which are performed in school only in some cases: there are no official (or unofficial) records. We designed the way we would investigate this issue with the educators, designing surveys with them and asking the cooperation of the educators' associations in performing the survey. We, indeed, earned more knowledge of the issues at stake through the work we did in designing the survey than from the answers.

We started from the idea that, rather than extracting data within a pre-defined framework, evaluators had to give voice to educators 'and teachers' possess on-the-spot knowledge and put it to work. Another important point for us was that implementation — what people do in and outside the classroom—is the really creative endeavor, as opposed to the writing of projects.

## **Conclusions**

The experiences we mention explored some of the features that sustain the democratic function of evaluation:

- *Recognize and honor the otherness of local actors, front-line workers, and potential and actual project beneficiaries.* This implies designing evaluation research in such a way that it uncovers people's reality and involves people in producing and using data.
- *Observe phenomena in depth, focusing on single issues and localized knowledge.* Indeed, renouncing overly

ambitious results — reach the ultimate conclusion on a broad issue — may be disconcerting, especially in difficult times. However, focusing on local realities and concrete issues has great value for learning and requires a specific way of using and producing theories.

- *(Critically) acquire the perspective of local actors.* Evaluations usually (critically) acquire the perspective of the commissioner: focus on a program that interests the commissioner and start by using its values and criteria. Naturally, they do so while submitting the commissioner's perspective, goals, and values to scrutiny and putting them in communication with stakeholders' standpoints. It is possible, however, to take into account the perspective of local actors even in the (overly frequent) cases in which they are not the commissioners. We, however, believe that policy makers should make efforts in view of expanding the practice of local evaluation.

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# Looking Forward

Luca Meldolesi

## “How to Complicate Economics”: a Few Observations

Remembering Andrea Ginzburg

*Come complicare l'economia* is an anthology (of the series “I grandi economisti contemporanei”<sup>100</sup> - Bologna, Il Mulino) assembled personally by Albert Hirschman and edited by me in 1988. Obviously, its title reminds the reader a well-known article by the Author: “Against Parsimony: Three Easy Ways of Complicating Some Categories of the Economic Discourse” (1984). But the book includes 17 Chapters (listed below). And, in so doing, it implicitly refers to the whole trajectory of Hirschman’s work.

As it were, the bulk of his “Complication of Economics” (that covers more than half of the book) occurred during the 18 years Albert dedicated, almost exclusively, to development and Latin America. In that period Hirschman was able to break de facto the traditional “*turris eburnea*” of Economics and to start transforming gradually that discipline<sup>101</sup>.

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<sup>100</sup> That included already P. Sraffa, F. A. von Hayek, R. F. Harrod, J. R. Hicks, T. C. Koopmans, H.A. Simon, J. Tobin, K.J. Arrow and A.K. Sen.

<sup>101</sup> This is a post-factum judgment (see n. 3). *L'economia politica come scienza morale e sociale* (1987) is the title of another collection of Hirschman’s texts (largely corresponding to his *Rival Views* - 1986) that confirms his open intention at that time. Perhaps Albert was experimenting with a few Italian friends (Andrea Ginzburg, Marcello de Cecco and myself) a new narration of his own experience for the economists that later decided not to pursue in English. But, since that narration did actually exist, it is, I think, worthwhile to take it out of his Italian womb.



Indeed, his well-known “trilogy” – *The Strategy* (1958), *Journeys* (1963) and *Development Projects* (1967) – may be observed from the point of view of “How to Complicate Economics”<sup>102</sup>. Eventually, intrigued by this conclusion, I decided to put down (and present to the “Second Conference on Hirschman Legacy”) a few aspects of that elaboration that have been “basic”; that is: worked as a starting point in the welcome metamorphosis of Economics into a Social Science.

1- “The three books [we are talking about] were of course conceived subsequently”<sup>103</sup>. But with a difference: some ideas of *The Strategy* and of *Journeys*, original and creative as they are, were heralded, years before, by two path-breaking articles<sup>104</sup>; while, on the other hand, *Development Projects* was not planned years in advance<sup>105</sup>.

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<sup>102</sup> Probably, in so doing, his results went beyond his intentions. In the early Fifties of last century Hirschman entered development economics without knowing much about it, and also, as it is known, with little respect for the dogmatic application of Harrod-Domar macroeconomics to development sponsored, at the time, by the World Bank. The complication of economics thesis emerged only retrospectively, in the Eighties. In other words, Hirschman never embarked himself in a theoretical struggle. Typically, he followed his way using the economic concepts he felt corresponding (or adaptable) to what he was doing and keeping his polemic as implicit as possible. Some of the theoretical consequences, however, were underlined later on.

<sup>103</sup> “Author’s Preface: A Hidden Ambition” (1994, in Hirschman 2015, p. xv).

<sup>104</sup> “Economics and Investment Planning: Reflections Based on Experience in Columbia” (1954); and “Economic Policy in Underdeveloped Countries” (1957).

<sup>105</sup> On the contrary: in a letter to J. Burke Knapp (an old acquaintance of the World Bank) of March 14<sup>th</sup> 1963 (quoted by Michele Alacevich 2015, p. 175) Hirschman wrote that “having worked out a few basic hypotheses” in the first two books “I could perhaps test them (and hit on some new one) [in the third book] by looking at Bank-financed projects that have had enough time to give rise to that sequences”. Actually, however, though conceived as a logical continuation of his research effort, *Development Projects* came out to be much more original and innovative than expected.

“In *The Strategy of Economic Development* – Hirschman explained - I had attempted to understand some basic processes making for economic progress in developing countries; the corresponding political processes were then explored in *Journeys towards Progress*; and after having concentrated in these two books on the macro aspects of development, my attention shifted [...] to the analysis of individual development projects [...] dealing with the construction and maintenance of highways, electric power stations, irrigation schemes, and similar specific investment activities”<sup>106</sup>. *Development Projects* grew out of their observations. “The concept – or fantasy – of a unified ‘trilogy’ – Hirschman added - emerged in my mind primarily” during the writing of the latter. “Over and above the overt purpose of my work – the analysis of development and the advice on policy – I came to see it as having the latent, hidden, but overriding common intent to celebrate, to ‘sing’ the epic adventure of development – its challenge, drama and grandeur”<sup>107</sup>.

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<sup>106</sup> Hirschman (2015, p. xv). “These books – Albert continued (p.xv-xvi) - were also held together by another progression: *Strategy* was based almost entirely on my experiences in Colombia [...]; to write *Journeys* I returned to Colombia, but also studied [...] Brazil and Chile; while in *Development Projects Observed*, I extended my range”: from Latin America, to Southern Italy, to some major countries of Asia and Africa. “The manuscript – the “Author’s Acknowledgments” specified - was largely written in New York between February and July 1966. During that period, I profited greatly from exchanging ideas and draft chapters with Judith Tendler whom was then writing her doctoral dissertation”. “What if the fortress of underdevelopment, – Albert asked himself in his “Foreword” to Tendler’s *Electric Power in Brazil* (1968) –just because it is so formidable, cannot be conquered by frontal assault? In that unfortunately quite common case, we need to know much more about ways in which the fortress can be surrounded, weakened by infiltration and subversion, and eventually taken by similar indirect tactics and processes. And I suggest that the major contribution to our knowledge of economic development must now come from detailed studies of such processes”.

<sup>107</sup> Hirschman (2015, p. xv).

Splendid! – I told to myself while I was re-reading (once again) that key passage. But what about the complication of economics? To approach answering this question, one has to bring back to mind a couple of key points in Hirschman’s *démarche*<sup>108</sup>.

First: analysis and policy go hand in hand, because there is no reason of developing an analysis if one doesn’t have a desired outcome in mind (and viceversa). Moreover, Hirschman had a high respect for the market, but also believed that public authority has an important role to play. This means that economics and politics should be kept together. But it does not mean, however, that the whole work cannot be disaggregated - as actually it was, between *The Strategy* and *Journeys*. In them the distinction between the two realms runs along a *prevalence* line - so that economic analysis is prevalent in *The Strategy*, but its policy inspiration is always present; while policy-making is the subject matter of *Journeys*, but on economic issues.

Second: one should keep in mind the so-called “slack paradigm” that Hirschman shared with a group of talented colleagues<sup>109</sup>. According to it, there is always plenty of capacities and resources (hidden, dispersed or badly utilized)<sup>110</sup> to be enrolled for development – both on the economic and on the political side of the spectrum. Actually,

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<sup>108</sup> Here I limit myself to the indispensable. To spread out thoroughly this exercise, however, one should keep in mind the specific texts of the “development period” included in *Come complicare l’economia*; and ask himself - as if he was talking to students that know very little about it - which are the main points to be drawn from that part of the book, and from the related writings. (*Come complicare* has 450 pages: Hirschman had to decide which texts should be chosen as the most representative of his numerous intellectual experiences).

<sup>109</sup> H.A. Simon, R.M. Cyert, J.G. March, N. Rosenberg, and H. Leibenstein.

<sup>110</sup> In the society, and perhaps one may add even in each individual.

unbalanced growth (tough prices) in *The Strategy* and “reform-mongering” (tough political signals) in *Journeys* can call them in.

Having these two key points in mind, it is clear to me that one turns to *The Strategy* to learn how to quicken the pace of development and to *Journeys* how to let reforms approved<sup>111</sup>. And what about *Development Projects*? As I hinted at already (see n. 105 and 106 above) – Hirschman’s initial intentions were largely overcome by his field research. “I collected so many fascinating stories – he wrote retrospectively – that story telling came at times to overshadow analysis”<sup>112</sup>; and that de facto – one may add – fostered his desire “to ‘sing’ the epic adventure of development”<sup>113</sup>.

To show this in a nut-shell, one may come to the final observation of his 1994 “Author’s Preface: A Hidden Ambition”: “I was troubled – Hirschman recalled – by finding that trait-making was not functioning properly in Nigeria, that the railways did so poorly in spite of the fact that their latitude for performance was narrow”. Actually, in looking

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<sup>111</sup> *Come far passare le riforme* was indeed the title chosen by Hirschman for the anthology axed on key parts of *Journeys* that I edited in 1990. (And, of course, *Journeys* is Hirschman’s quintessentially book of “possibilism”; dedicated to Celso Furtado and Carlos Lleras Restrepo, masters in the art of “reform-mongering”).

<sup>112</sup> Hirschman (2015, p. xvi). “But [...] their overshadowing of the analysis – Michele Alacevich commented (2015, p. 180-81) – is an understatement. The field notes show instead an incessant effort to distill analytical insights from disparate observations”.

<sup>113</sup> This – I believe – is one of the great attractions of that book. The stories told in “The Principle of the Hiding Hand” (the first chapter of *Development Projects*) – Hirschman explained for instance (2015, p. xvii) – “did have a purpose closely connected with my hidden agenda: to endow and surround the development story with a sense of wander and mystery that would reveal it to have much in common with the highest quest undertaken by humankind”.

for a cause, Hirschman stumbled on the exit-voice dichotomy: an extraordinary discovery. “In this manner, – he concluded – the present book was not only the last volume of my ‘trilogy’ on development but became the bridge to the broader social science themes of my subsequent writings”.

Yes! – I told to myself once again. But what about the complication of economics? The truth is that the reader of *Development Projects* cannot help thinking that the protagonists of those projects are not the only one; that is: *mutatis mutandis*, all the protagonists of the economic, political, cultural... spheres of life (and indeed everybody) have to deal with hiding hands, uncertainties, latitudes and disciplines, trait-taking and trait-making, side-effects<sup>114</sup>. Each life, and not only each project, - it seems to me - “turns out to represent a *unique constellation* of experiences and consequences, of direct and indirect effects”<sup>115</sup>.

Indeed, a moment of reflection is sufficient to understand that this third book (*vis-à-vis* the previous writings on development) was proposing (and transmitting) to the reader a far greater “complication” in both analysis and policy. Because many (not-so-young) readers of “The Principle of the Hiding Hand” would remember that in their lives they had to face some obstacles that they had initially underestimated and that very event compelled them to fully mobilize a creativity of theirs, largely unknown in advance. Because, if you go through the great number of “Uncertainties” analyzed in the book, inevitably you come out with a greater perception of the “uncertain world” we

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<sup>114</sup> That is: the main subjects of the book.

<sup>115</sup> Hirschman (2015, p. 172).

live in<sup>116</sup>. Because our lives unfold between limitations and rooms of maneuver, so that “Latitude” in *Development Projects* is a wider concept than the one theorized in *The Strategy* as tolerance for poor performance. Because “Trait-Making and Trait-Taking” are something we experience daily when we operate in between initiatives and constraints. And because “Side-Effects” are often as important as (or more important as) what we are actually pursuing...<sup>117</sup>

2- In the late ‘70s-early ‘80s Albert Hirschman desired to be more present in Europe. He developed friendly connections with Pierre and Catherine Gremion in France, with Klaus Offe and Annette and Wolf Lepenies in Germany, with Andrea Ginzburg<sup>118</sup>, Marcello de Cecco, Luca Melolesi and Nicoletta Stame in Italy etc. New impulse to his European publications came out of all that.

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<sup>116</sup> As the late Andrea Ginzburg did imply: by urging me to look at that chapter of *Development Projects* and by suggesting, therefore, that that analysis of uncertainties should be brought back to *The Strategy*. Actually, for this “Second Conference”, Osvaldo Feinstein has started theorizing on Hirschman’s footsteps that uncertainties represent a positive element of reality and not only a negative one (as traditionally is in economics, and as, for instance, was supposed to be completely absent in Lucas’s well-known theory that, like a rocket, propelled in sidereal spaces the neoclassical paradigm...).

<sup>117</sup> Am I wrong, therefore, to think that the great interest that still surrounds *Development Projects* goes beyond its direct content and even Hirschman’s hidden ambition? That what Hirschman did was not only an extraordinary report on that privileged particle of development (i.e. projects) together with a development celebration: it was also (probably unconsciously, at the beginning) a sort of a metaphor (and an exemplification) of many aspects of day-to-day life?

<sup>118</sup> For the reader who knows nothing of the 1943-44 Nazi occupation of Rome, I may add that, together with Eugenio Colorni, Andrea’s father, Leone, helped publishing clandestinely in Rome, in January 1944 the “Ventotene Manifesto” by Altiero Spinelli and Ernesto Rossi; and that later on, as Eugenio Colorni, became a hero of the Roman Resistance.

In Italy, Andrea Ginzburg edited *Ascesa e declino dell'economia dello sviluppo ed altri scritti* (1986) with an introduction in which he tried to connect Hirschman's contribution to Piero Sraffa's resurrection of classical economics<sup>119</sup>. Moreover, while editing *Potenza nazionale e commercio estero: gli anni Trenta, l'Italia e la ricostruzione* (1987a), Marcello de Cecco<sup>120</sup> and Pier Francesco Asso observed that only with the Marshall Plan Hirschman became an "eversor" of traditional economics. Personally, I followed the work of these friends and edited, on my part, four books by Albert Hirschman (*L'economia politica come scienza morale e sociale* – 1987; *Come complicare l'economia* – 1988; *Come far passare le riforme* – 1990; e *Tre continenti. Economia politica e sviluppo della democrazia in Europa, Stati Uniti e America latina* – 1990).

Actually, it has been a long journey in the history of ideas (and of economic thought) that finally brought me to *Alla scoperta del possibile. Il mondo sorprendente di Albert Hirschman* - 1994<sup>121</sup> (tr. English 1995; tr. Spanish 1997); and, more recently, to *L'ultimo Hirschman e l'Europa. Esercizi teorici sull' 'autosovversione'* – 2014 (tr. Spanish 2018).

Initially, Hirschman liked my work very much and followed it step by step - on the origins of possibilism, on how to complicate economics, on economics as a moral and social science etc.<sup>122</sup> But sometimes after the publica-

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<sup>119</sup> Andrea continued to be interested in discussing with me Hirschman's contributions to the discipline.

<sup>120</sup> Who later developed a current of economic history, to which Asso and Alachevich actually belong.

<sup>121</sup> A title that was decided together with Albert Hirschman himself.

<sup>122</sup> Sometimes he was a bit worried about it, as it happened for a first draft of a couple of chapters of my book that, I remember, I was writing in Campo di Giove, in the Abruzzi Appennini. But I was able to overcome that difficult period

tion of my 1994 book (that he did read in advance: page after page) he started telling me that I have seen in his work something that he did not see. It was a sibyllinic statement I could not react to: because it was proposed in general terms (no example was added to it), and because my book was already printed. At first, I thought that it was his way of telling me that I should continue the job, while, on the other hand, after such an effort I was inevitably absorbed by academia, Italian government, Mezzogiorno, local interventions etc.

However, that observation by Hirschman remained in the back of my mind. Did I overplay the game in finding connections among Hirschman's texts? Did that exercise resurrect inadvertently some theoretical phantom of the past? For many years I did not have any answer to it. I could only witness that my "Hirschman connection" worked well – as inspiration and as proposals - for the various phases of what, with my ex-pupils and friends, I was hectically doing in Italy. Perhaps it applied to practice what my unfolding of Hirschman theory did not teach openly. "Only Eugenio Colorni – Hirschman told me later on personally – was able to say and do..."

At the same time, however, after his disastrous fall in the Alps (summer 1995), Hirschman became more and more ill, published *Crossing Boundaries* – 1998, and, together with his wife Sarah, opened up the road to a talented historian and biographer, Jeremy Adelman, who published *Worldly Philosopher: the Odyssey of Albert O. Hirschman* – 2013.

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and to end the book. Hirschman was relieved and said that the last chapter was a good one, because it was trespassed by a political tension...



Osvaldo Feinstein has observed that biographical and theoretical aspects of the Hirschman story should complement each other. I agree. And now that Nicoletta Stame, Francesco Cicione, Vinni Marino and a group of friends joined me in "A Colorni-Hirschman International Institute" the problem of clarifying what Hirschman actually did and how he made it has come back strongly to us: phase after phase - straight from his partnership with Eugenio Colorni in 1937-38 Trieste onward. Inevitably, the "development period" (1952-70) has already, and will have in the future, a key role in this new round of research. And re-considering some points of it, as I did above, brings me eventually to the following, tentative conclusion. While sharing with Albert a general political responsibility, I probably looked for a political "fil rouge" in his work more than what he meant (and saw himself). Therefore, it is not that, in my previous work, I over-developed connecting links that exist among Hirschman's writings. Because they are probably (I would say inevitably) many more than the ones I underlined. The problem is rather that, once one has examined carefully a large part of them, one should not feel trapped: even by them<sup>123</sup>!

On the contrary, as Hirschman did himself with *Development Projects Observed*, one should feel free of increasing self-reflection, of reconsidering and doubting what he had acquired. One should start all over again from direct observation, discover, analyze and theorize greater complications etc... Obviously, in this daily struggle for understanding through which one has to reshape what he thought to

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<sup>123</sup> This is indeed a fundamental lesson of humility by Eugenio Colorni. Mankind capacity to understand what is going on is inevitably limited. Therefore, one should be always open to doubt what one thought he had understood.

have understood (as Colorni was saying), previous key points do not disappear: they should be simply left on the back, without fairing incoherence, and somehow trusting your subconscious to keep going a certain overall... coherence.

Perhaps this is what Hirschman wanted to tell me; but I could not understand. Largely because I was already (freely, busily) adapting to my world and putting into practice many lessons coming from Eugenio Colorni and from him – an exercise that I continued, ever since.

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## **Annex**

### **I grandi economisti contemporanei.**

Serie della Collezione di testi e di studi curata da Terenzio Cozzi e Stefano Zamagni.

Società editrice Il Mulino, Bologna, in collaborazione con l'Istituto Bancario San Paolo di Torino.

### **Albert O. Hirschman *Come complicare l'economia* – 1988.**

Edizione italiana a cura di Luca Meldolesi.

Traduzione di Giovanni Ferrara degli Uberti.

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12. "Political economics" e possibilismo ["Introduction: Political Economics and Possibilism", *A Bias for Hope: Essays on Development and Latin America*, Ch. I, 1971] p. 319
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Nicoletta Stame

## Conclusions and Future Events

At the end of two days' intense debate, we at the A Colorni-Hirschman International Institute want to thank the Independent Evaluation Group (WB) not only for the fruitful collaboration in organizing the Conference, but also for having provided the right place for an open discussion on the vitality of Hirschman's legacy on current initiatives for development and for the improvement of our societies.

The aim of "A" Colorni-Hirschman International Institute is not to monopolize Hirschman's legacy, rather it is to create many opportunities for reflection and advancement, possibly many other centers. As for us, we have combined our work on Hirschman's thought and experience with an activity for development, in the social, economic and political fields. In this work, we benefit from receiving inputs from outside, as it happened in this Conference. We know that there is a whole world of sympathy around these themes that we are not fully aware of, and it shows up in these occasions.

In planning the Conference, we had two aims. One, working on Hirschman, and around Hirschman (Colorni, Tandler, Geertz), in order to better understand what he was saying (and doing); two, working on Hirschman's legacy (how to use his ideas in many different domains, disciplinary and practical). The Conference has shown that this can be done in many different ways, an instance of possibilism in itself.

## **Working on Hirschman**

This is a never-ending effort, and a pleasure. There is still a lot to be understood in the route he travelled, in his way of thinking, in his way of trespassing disciplinary boundaries and of self-subverting his own convictions. And it is something that should be taught in his same spirit.

As expected, Hirschman's ideas on development interventions got a lot of coverage in the Conference. The focus was on uncertainty and the hiding hand, topics that were hardly accepted at the time of *Development Projects Observed*, but that are today considered highly relevant. Many views from inside the World Bank helped us grasp the path covered from the Mac Namara times of high hostility toward the Hirschmanian perspective to the current inspiration that it offers capacity-building by "doing development differently".

## **Working on Hirschman's Legacy**

Hirschman's ideas show their vitality in the continuity with which they inspire our work, be it that of academics or practitioners. The Conference has provided many instances of it.

In some cases, they could be utilized in the course of an action. It is striking to listen to the narrative of interventions where the operators speak of their "voyage of discovery in the most varied domains", by mentioning instances of learning moved by problem-solving, surprise, mystery, mobilizing resources, etc.



In other cases, it was a matter of innovations that could well be accommodated inside an Hirschmanian environment.

In other cases, they helped interpret the situation, in order to find ways out to current predicaments. Possibilism was used in the analysis of the international financial crisis and of new institutions that have emerged, and the tunnel effect for the growing social inequality and the level of tolerance of it.

Last but not least, it was as if people wanted to locate their professional role or their main intellectual interests in a Hirschmanian perspective. This could refer to the public sector, the private sector, or the professions.

## **What Next**

Inspired by the breadth of the influence of Hirschman's ideas that we have witnessed in the Conference, we will continue to propose a platform for reflection in other places, on other themes. And we expect that there could be also other ways of relating to Hirschman.

Our next Conferences on Albert Hirschman Legacy will take place in Berlin in October 2019, and in Bogotá in October 2020. You are invited to participate.

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