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State capability and prospects for close co-ordination: Considerations for industrial policy in Africa

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State capability and prospects for close co-ordination

Considerations for industrial policy in Africa

Rachel M. Gisselquist*

March 2015

Abstract: Recent research highlights the considerable potential of industrial policy to support structural transformation in sub-Saharan Africa. Given the importance of the state in industrial policy, this paper considers the implications for these discussions of recent work on state fragility. It argues that weaknesses in state capacity in the region can be expected to severely limit the likelihood of successful industrial policy in a number of countries—indeed, over a half of them, if we believe standard metrics. It concludes that more attention should be paid in work on industrial policy to the systematic study of weak state capacity and strategies to address the challenges it poses, including 'islands of excellence'.

Keywords: industrial policy, fragile states, weak states, state capacity, sub-Saharan Africa, structural transformation
JEL classification: L50, O25, O40, O57

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1 Introduction

Recent research highlights the considerable potential of industrial policy to support structural transformation in sub-Saharan Africa (SSA) (see Ajakaiye and Page 2012; Chang 2012; Stiglitz et al. 2013). This paper suggests a more cautious optimism: Industrial policy may hold great potential for the region as a whole, but the realities of state weakness in the region suggest major challenges for many contemporary African states. While the benefits of state-supported industrial transformation are clearer in relatively robust states, such as South Africa and Ghana, they are less clear in states with weaker capability and autonomy, such as Nigeria, Côte d'Ivoire, and Sudan. Thus, even as industrial policy can be expected to promote *regional* structural transformation, many countries—and their populations—are likely to be left behind.

The basic argument of this paper is simple: Be careful with attempting industrial policy in fragile settings—and Africa has many fragile settings. In order to more fully understand the practice and promise of industrial policy in SSA, further attention should be paid to unpacking the role of the state in weak institutional settings and to considering explicitly the institutional factors that contribute to stalled industrial transformation. This can help in better crafting of more flexible and country-specific policies that move us beyond a one-size-fits-all approach to economic policy (see UNIDO 2013: 144-150).

This paper builds on the literature to explore areas for continuing work along these lines. In particular, it seeks to draw out the implications of recent literature on state fragility and capacity for discussion of industrial policy in SSA. Fragile states face major challenges in terms of development and structural transformation (see OECD 2012a; UNU-WIDER 2014; World Bank 2011). Fragility is not a uniquely African phenomenon, but a significant number of SSA states *are* fragile, constituting a higher proportion than in any other region.

Recent research on state fragility and on industrial policy have each highlighted a central role for the state, but they have developed largely in parallel.[1] Research on fragility, on the one hand, has paid particular attention to the causes, consequences, and contours of state weakness and failure. It has focused on conceptualizing and measuring state strength and capacity and exploring the role of the state with respect to security, the rule of law, and the provision of public goods and services—while largely ignoring industrial policy (see Brinkerhoff 2014; Engberg-Pedersen et al. 2008).

Recent research on industrial policy, on the other hand, also highlights a central role for the state, but it has paid less systematic attention to state weakness and fragility. In particular, the New Structural Economics has highlighted how states in developing countries can take better advantage of opportunities and design appropriate strategies for structural transformation (Lin 2011). However, it has not focused on how diverse state capabilities may influence the formulation and implementation of such strategies or what might be done to mitigate weaker state capabilities. This approach to the state is notably at odds with that in the literature on state fragility, which highlights the negative economic effects of state patrimonialism, corruption, economic mismanagement, and weak capacity (see, e.g., Addison 2012; Naudé et al. 2011). Earlier work on late industrializing countries paid more attention to how the character of the state influenced industrial transformation (e.g., Amsden 1989; Evans 1995; Kohli 2004; Wade

[1] Two exceptions are Briscoe (2009), which focuses on the lessons of the Asian Tigers for fragile states, and Hoeffler (2012), which focuses on exporting from fragile states. See also Fritz and Menocal's (2007) reconsideration of developmental states.

1990). Although further study of weak states and failed transformations is needed, this work offers useful frameworks upon which to build.

This paper has five sections beginning with this introduction. Section 2 makes a case for why further consideration of the state—and state weakness in particular—is warranted in the literature on industrial policy. Section 3 considers the concepts of state fragility and power and how contemporary SSA might be an outlier relative to other regions, even historically. Section 4 reviews key hypotheses about the relationship between state capacity and *ineffective* industrial policy, building from Evans's (1995) juxtaposition of archetypical predatory and developmental states and Kohli's (2004) discussion of state types. Section 5 concludes and considers areas for future research. In so doing, it touches on what might be done to mitigate state institutional weakness by working through 'islands of excellence'.

2 The state and industrial policy

The relationship between states and markets is at the heart of competing theories of economic growth and industrial transformation. In the neoclassical view, markets work best when the state's role is limited. The state should act primarily as a 'rule maker' and 'umpire' to maintain macroeconomic stability and to provide secure property rights, the rule of law, and certain essential public goods to facilitate market functioning (Friedman 1982: 25-27; Wade 1990: 11). In structuralist economics, by contrast, states are necessary to create well-functioning markets and development. Beginning with Rosenstein-Rodan (1943), this role has been emphasized especially for late industrializing countries. Economic sociology likewise built on Polanyi's (1967 [1944]) analysis of the emergence of industrial capitalism in 19th century England to emphasize both the political and economic factors underlying capitalist development.

Industrial policy, which by definition implies a central state role, has been rooted in a more structuralist approach.[2] As Warwick (2013: 16 [italics removed]) defines, 'Industrial Policy is any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention'. As the United Nations Industrial Development Organization (UNIDO) describes:

> The state can promote policy either as a regulator, financier, producer or consumer, using policy instruments that target key drivers of structural change: education and skills, capital and technology, and material inputs. In this targeting the state should oversee close coordination with other policies such as those on competition, trade and foreign direct investment (FDI), as well as the exchange rate, as they can undermine the objectives of industrial policy if misaligned (UNIDO 2013: 132).

While the first wave of modern development thinking after the Second World War had a more structuralist bent, by the late 1960s and 1970s mainstream economists had become suspicious of the role of the state and industrial policy (Lin 2012: 3-5; Wade 1990: 8-14). This more

[2] I use the state to refers to the sovereign territory and institutions through which it is governed. In contrast, government refers to the group of individuals in office at a point in time. The literature on industrial policy tends to be inconsistent in distinguishing 'state' from 'government' and often the terms are used interchangeably. Wade (1990: 8 (fn. 1)), for instance, uses 'government' to mean the executive branch and 'state' to mean the wider structure of governance institutions', so much of his discussion of the 'government' role in industrial transformation relates to the state's role given the definitions used here.

neoclassical approach came to dominate multilateral development policy, with emphasis on economic liberalization, privatization, and stabilization and rejection of import substitution industrialization.

Although the Washington Consensus held in policy circles through the 1990s (Birdsall et al. 2010), the 1980s also saw increasing research attention to 'bringing the state back in' (Evans et al. 1985). In *Governing the Market,* Wade (1990) presented a direct challenge to the neoclassical approach to development and a defense of industrial policy. Mainstream views of the time attributed the rapid growth of the East Asian economies to free market principles, but Wade argued that the state's role in industrialization was key.

Building on Wade, subsequent work explored in more depth how different types of states influence industrialization. Evans' (1995) analysis of 'embedded autonomy' in particular highlighted how the state's internal organization and the structure of its ties to society distinguish 'developmental' states that successfully employed industrial policy from 'predatory' states that did not. While much of this literature focused on successful industrializers—with particular attention to the East Asian Tigers (Hong Kong, South Korea, Singapore, and Taiwan)—the role of the state in 'intermediate' cases, such as Brazil and India, also received focused attention.

These more structural approaches gradually gained influence in the development policy world. Industrial policy in particular received new attention through Justin Lin's research programme on the New Structural Economics (NSE) during his tenure as World Bank Chief Economist (2008-2011). NSE might be understood as a middle ground between neoclassical and structural approaches. Building on 'a neoclassical approach to study the determinants and dynamics of economic structure', it argues that states and governments in developing countries should play an active role in industrial transformation. Advantages to late development can be achieved if states help to mitigate the co-ordination and externality problems inherent in upgrading the industrial structure and infrastructure.

This shift back towards a more structuralist approach has brought renewed attention to industrial policy as an avenue for development. 'New structural' economists further argue against what had become the conventional wisdom that industrial policy is unwise and impractical for SSA countries. Chang (2012), for instance, summarizes and critiques four core arguments of the conventional wisdom about the impediments to successful industrial policy in SSA: (1) That it is constrained by structural factors, such as climate, geography, history, and 'bad' culture; (2) that natural resource abundance makes it unlikely; (3) that it is hampered by political economy factors, namely political leadership, state coherence, and state-society relations; and (4) that it is unwise in most SSA countries because of their limited bureaucratic capabilities.[3] Although there is no space here to consider all of these points, it is worth noting that this paper critiques new structuralist claims with respect to the latter two points only. A careful reader might see elements of the first two points in several of the theories discussed below, but key to the argument here is their influence on the latter two.

In short, the state has always been a core object of inquiry in work on industrial policy, but the extant literature provides insufficient traction on these latter two points for three reasons:

[3] The latter refers specifically to the idea that 'difficult' policies like (selective) industrial policy should not be tried by countries with limited bureaucratic capabilities, especially the African countries (World Bank 1993, is the best example; Chang 2012: 9).

First, it has paid relatively little systematic attention to contemporary state weakness. In particular, although new structuralists advance a strong argument that state weakness in developing countries today can be equated with historical state weakness in developed countries, this argument is supported much more by historical analysis than empirical examination of contemporary cases. Chang's (2003) book, *Kicking Away the Ladder*, for instance, explores how the rich countries became rich. Likewise, the empirical analyses in Chang (2007) focus on Britain, the USA, Switzerland, Brazil, Taiwan, China, and 'three 'successful' African economies'—Mauritius, Botswana, and Uganda. This work tells us a lot about institutional change in once-weak states, but we still cannot be sure that contemporary state weakness is the same as historical state weakness unless we also study contemporary state weakness.

As the above examples suggest, second, the extant literature focuses more on understanding development success than development failure. Classic work on East Asia also focused more on understanding their remarkable industrial transformation and economic growth, rather than failed transformations (Amsden 1989; Evans 1995; Wade 1990). Lin (2011) similarly draws lessons mainly from countries that achieved sustained growth and high incomes through industrialization: Western European countries, the USA, Japan, Hong Kong, China, South Korea, Singapore, and Taiwan.

For social science methodologists, learning from success alone represents a classic problem: selecting on the dependent variable (Geddes 1990). Failing to study both instances in which a phenomenon occurs and those in which it does not, means that we cannot know which factors are common to both, and this weakens our ability to develop and test causal hypotheses (see Gisselquist 2014b). Indeed, some scholars go so far as to argue that 'nothing whatsoever can be learned about the causes of the dependent variable without taking into account other instances when the dependent variable takes on other values' (King et al. 1994: 129).

For instance, the new structuralists may well be right that today's developed countries were historically weak states and that they were nevertheless able to successfully employ industrial policy. However, it may be that countries that failed to develop historically were even weaker states or were weak in particular ways that hindered the success of industrial policy. Thus, without analysis of failed industrialization, we cannot test Chang's argument that 'political economy factors' and variations in 'bureaucratic capability' are largely irrelevant to the success of industrial policy in today's fragile states. Nor, by extension, do we have much traction on understanding precisely how political economic and institutional variables may matter—and how policies might be designed to mitigate their effects.

Earlier work on industrialization, such as Evans (1995) and Kohli (2004), does speak to the relationship between different state types and successful industrial transformation, as discussed below. By themselves, however, they are also incomplete: in Evans (1995: 43-47), for instance, failure and institutional weakness are clearly not the focus. The main case of failure—Zaire—is reviewed in just five (of 323) pages. Kohli (2004) offers more—a quarter of his book is devoted to 'dashed expectations' in Nigeria—and developing further analyses along these lines is an important area for future work.

Third, the emerging literature in the NSE is especially open to criticism by scholars of the state. In contrast to the historical institutionalist approach to the state adopted by Wade, Evans, Kohli, and others, the NSE has adopted a distinctly more rationalist approach. In the NSE, the state appears as a largely unitary actor interested in national development. The central challenge is in identifying the opportunities and strategies that such a state should take advantage of in supporting structural transformation, not in understanding why and how some states take advantage of such opportunities and some do not. This view of the state—as unitary, pro-

national development, and capable—is almost the mirror image of the fragile state, as defined below.

3 State fragility and capacity in sub-Saharan Africa

Fragile states are defined by what they lack: legitimacy, authority, and capacity by the state to fulfill basic state functions, such as the provision of security, the rule of law, and core public services (see Addison 2012; Gisselquist 2014a; UNU-WIDER 2014; World Bank 2011). In a much cited definition, 'states are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations' (OECD/DAC 2007).[4] Fragility then implies the state's inability and/or lack of interest in fully supporting national development. The depth of social, communal, and political divisions in many fragile states is also notable, suggesting the importance of not treating states as unitary actors but instead considering how factional politics within the bureaucracy and polity influence political outcomes. Such political economy approaches are now considered best practice for development policy in fragile states (see Booth 2012).

Notwithstanding considerable debate in the literature over how state fragility and strength should be measured (Fabra Mata and Ziaja 2009), it is clear that SSA is an outlier. According to standard metrics, not only are a disproportionate share of SSA states fragile, but the region is also home to most of the world's fragile states. This is illustrated in Table 1, a list of all states classified as 'fragile' in both the OECD's *Fragile States 2014* and the World Bank's 2014 Harmonized List of Fragile States and Situations.[5] It includes 29 SSA states—that is, well over half of all 49 countries in the region and well over half of all 51 fragile states and situations on the 2014 list.

If we dig a bit deeper into these standard measures, we can also see that SSA countries on average are considered to have worse performance than other regions in a variety of specific areas relevant to industrial policy, including regulatory policy, financial sector management, trade policy, monetary and exchange rate policy, and public sector management. The World Bank's Country Policy and Institutional Assessment (CPIA), which is the key indicator used by the World Bank to identify fragile states, offers one way of comparing state capability in these and other areas, providing assessment for countries across 16 areas, each rated on a scale of 1 to 6, and grouped into four categories: Economic Management, Structural Policies, Policies for Social Inclusion/Equity, and Public Sector Management and Institutions. Simple comparison of average 2013 scores for SSA as compared to non-SSA countries shows that the region tends to have lower scores on average in all but two of the 16 areas (Fiscal Policy, and Policy and Institutions for Environmental Sustainability).

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[4] This definition has the benefit of simplicity but is now a bit out of fashion in policy circles. More recent work builds more on OECD (2012b): 'A fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile states are also more vulnerable to internal or external shocks such as economic crises or natural disasters. More resilient states exhibit the capacity and legitimacy of governing a population and its territory. They can manage and adapt to changing social needs and expectations, shifts in elite and other political agreements, and growing institutional complexity. Fragility and resilience should be seen as shifting points along a spectrum'.

[5] Note that the World Bank's list includes only International Development Association (IDA) eligible countries.

Looking at overall CPIA scores, the World Bank identifies as fragile those countries with ratings of 3.2 and below.[6] As Table 2 shows, the 'average' SSA country is fragile according to this criterion. Table 3 lists the 39 SSA countries assessed in the 2013 CPIA in order of highest to lowest overall CPIA score. The 20 listed in bold are fragile according to the 3.2 threshold.

Table 1: Fragile states in 2014

In SSA	In other regions
Angola*	Afghanistan
Burkina Faso*	Bangladesh*
Burundi	Bosnia and Herzegovina
Central African Republic	Egypt*
Cameroon*	Haiti
Chad	Iraq
Comoros	Kiribati
Congo, Democratic Republic	Korea, DPR*
Congo, Republic of	Kosovo
Côte d'Ivoire	Libya
Eritrea	Marshall Islands
Ethiopia*	Micronesia, Federated States
Guinea*	Myanmar
Guinea-Bissau	Nepal
Kenya*	Pakistan*
Liberia	Solomon Islands
Madagascar	Sri Lanka*
Malawi	Syria
Mali	Timor-Leste
Mauritania*	Tuvalu
Niger*	Yemen
Nigeria*	West Bank and Gaza
Sierra Leone	
Somalia	
South Sudan	
Sudan	
Togo	
Uganda*	
Zimbabwe	

Note: The World Bank's list includes only IDA eligible countries. *indicates listed in OECD (2014) but not World Bank (2014). All countries included in World Bank (2014) are also included in OECD (2014).

Source: OECD (2014) and World Bank (2014).

It is worth noting that the world average CPIA (3.3) is not much higher than the SSA average and if we compare countries against this average, the situation in SSA appears somewhat better. Indeed, most SSA countries may be considered to have comparatively average institutional capacity in the sense that their overall CPIA scores fall within one standard deviation of the world mean. Nine have scores below this middle band ('relatively weak'), while six have scores above it ('relatively robust').

[6] It also includes in its list IDA-eligible countries with UN and/or regional peacekeeping or peace-building missions.

These are blunt and in some ways problematic comparisons, but they help to illustrate the point that there is some systematic variation between the strength and capability of the average state in SSA as compared to other regions. Given the important role of the state in industrial policy, we should thus be cautious about applying findings and expectations about industrial policy from other world regions to contemporary SSA. While we hear more about countries at the top of the list in Table 3 in discussions about industrial policy in SSA, we should also keep the countries at the bottom of the list in mind. And, the literature should be clearer: Is industrial policy envisaged to promote structural transformation in SSA primarily through its development in countries at the top of the list? Or, if not, what specifically are the expected prospects for effective industrial policy in countries nearer the bottom of the list?

These measures of state capability also do not allow for historical comparison. A key point made by new structural economists is that today's developed countries may have had similarly weak state capability to today's weaker states. The discussion above reviews several methodological reasons that this claim requires further empirical analysis. The literature on fragility and state weaknesses underscores several further reasons.

Table 2: Selected 2013 CPIA scores for sub-Saharan Africa as compared to other regions

		Sub-Saharan African countries (average)	Other countries (average)
Economic management	Monetary and exchange rate policy	3.5	3.6
	Fiscal policy	3.3	3.3
	Debt policy	3.3	3.5
	Average for 'economic management'	*3.4*	*3.5*
Structural policies	Trade	3.7	4.0
	Financial sector	2.9	3.0
	Business regulatory environment	3.1	3.3
	Average for 'structural policies'	*3.2*	*3.4*
Policies for social inclusion/equity	Gender equality	3.2	3.5
	Equity of public resource use	3.3	3.6
	Building human resources	3.5	3.7
	Social protection and labour	2.9	3.1
	Policy and institutions for environmental sustainability	3.1	3.1
	Average for 'policies for social inclusion/equity'	3.2	3.4
Public sector management and institutions	Property rights and rule-based governance	2.7	3.0
	Quality of budgetary and financial management	3.0	3.4
	Efficiency of revenue mobilization	3.4	3.5
	Quality of public administration	2.8	3.0
	Transparency, accountability and corruption in public sector	2.7	3.1
	Average for 'public sector management and institutions'	*2.9*	*3.2*
Overall rating		3.2	3.4

Source: World Bank's Country Policy and Institutional Assessment (CPIA) 2013, available at: http://datatopics.worldbank.org/cpia/.

Table 3: Comparative strength of African states based on 2013 overall CPIA scores

Relatively robust (CPIA > 3.74, or 1 standard deviation above world mean)	Cape Verde, Rwanda, Kenya, Senegal, Burkina Faso, Tanzania
Average (3.74 <= CPIA < 2.81)	Uganda, Ghana, Mozambique, Nigeria, Benin, Lesotho, Niger, Ethiopia, Zambia, Mali, Mauritania, The Gambia, Sierra Leone, **Burundi, Cameroon, Côte d'Ivoire, Liberia, Malawi, São Tomé and Príncipe, Republic of Congo, Madagascar, Guinea, Togo, Democratic Republic of the Congo**
Relatively weak (CPIA <= 2.81)	**Comoros, Angola, Chad, Guinea-Bissau, Central African Republic, Sudan, Zimbabwe, South Sudan, Eritrea**

Source: World Bank's Country Policy and Institutional Assessment (CPIA) 2013, downloaded from http://datatopics.worldbank.org/cpia/.

The first has to do with qualitative differences in fragility and comparisons between the East Asian Tigers and SSA (see Aryeetey and Moyo 2012). East Asian countries experienced periods of significant political instability and violence prior to their rapid growth and thus some might be classified retrospectively as 'fragile' during these periods. However, as Gisselquist (2014a) suggests, they were not fragile in the same way as many contemporary SSA states as they had generally significant and extended experiences with effective statehood prior to their periods of conflict (see Gray 2014; Kim 2013). Many SSA countries—in conflict, post-conflict, or outside of conflict—have never had effective states; only rarely do historical SSA polities coincide with contemporary state boundaries (Rwanda is a key exception) (see McDoom 2009). In other words, while East Asian states might be classified in retrospect as *temporarily* fragile, *chronic* fragility is the challenge in contemporary SSA (see also Englebert and Tull 2008).

Second, the literature on the state in Africa highlights additional ways in which states in the region may be relatively distinct, even when compared to other historical and contemporary states at similar levels of development. Placing the African state-building process in comparative perspective, Herbst (2000) in particular finds differences with the European experience stemming from the particular geography and settlement patterns in the region. In SSA, Herbst argues, relatively lower population density across vast regions with more varied topography meant that states never had the same territorial control as in Europe, making state authority characteristically different. Other work has emphasized the distinct influence of colonial institutions on state capabilities and legitimacy in some SSA countries (see Acemoglu and Robinson 2006; Kohli 2004; Migdal 1988).

Third, drawing lessons about contemporary state weakness from historical state weakness may also be problematic due to changes in the modern international system. Jackson and Rosberg (1982) argue that whereas state jurisdictions historically resulted in Europe from effective statehood, the modern state system provides juridical recognition and longevity to entities in SSA that *de facto* are not effective states. More recent work has highlighted the contemporary international norm of 'border fixity' in maintaining weak states and contributing to political instability (Atzili 2011). Highlighting the role of development agencies in the modern international system, Pritchett et al. (2013) further contend that aid has served to support 'state capability traps' in some contexts by providing a continued flow of development resources and legitimacy to states that 'look like' states without 'delivering' like states.

Putting these various pieces together, Mann's (1984) discussion of state power offers a useful preliminary way of thinking about the nature of diverse state capabilities to successfully

implement industrial policy for national structural transformation. Mann highlights two dimensions of state power vis-à-vis non-state actors. The first he describes as the 'despotic' power of the state elite over civil society, and the second the 'infrastructural' power of the state 'to penetrate and centrally co-ordinate the activities of civil society through its own infrastructure' (Mann 1984: 114). Putting these two dimensions together gives four ideal types based on 'low' or 'high' power on each dimension: 'feudal' (low infrastructural power and despotic power), 'imperial' (low infrastructural power and high despotic power), 'bureaucratic' (high infrastructural power and low despotic power), and 'authoritarian' (high infrastructural power and despotic power) (Mann 1984: 115).

The CPIA measures summarized above underscore the generally low infrastructural power of SSA states (setting aside important inter-country variation). Likewise, 'despotic power' is low—in Mann's sense—if the state is not autonomous from society, that is, if private, non-state interests such as family, clan, ethnic, or communal group loyalties exercise a high degree of influence in public affairs. This suggests the typical fragile state would fall in the 'feudal' quadrant of Mann's typology.[7]

By contrast, as explored more fully below, the literature on the state in successful industrializers suggests relatively high infrastructural power and a middling level of despotic power (as the concept of 'embedded autonomy' suggests, see Evans (1995). This suggests states that fall somewhere between the 'bureaucratic' and 'authoritarian' quadrants of Mann's typology. Think of Baeg Im's (1987) discussion of the bureaucratic-authoritarianism model of South Korean industrialization.

4 Variations in statehood and industrial policy: Two frameworks

How precisely should we expect such differences in states to influence the success or failure of industrial policy? Can we be more specific about the particular institutional characteristics or weaknesses associated with *ineffective* industrial policy? Evans (1995) and Kohli (2004) provide two approaches upon which to build.

Evans' (1995: 50) analysis highlights two ideal state types: *developmental* states which foster industrial transformation and *predatory* states—their 'mirror image'—which do not. The archetypical example of a predatory state is Mobutu Sese Seko's Zaire (now DRC). In Mann's terms, the Zairian state under Mobutu might be characterized as 'feudal': It had weak infrastructural power to co-ordinate and address the needs of diverse interests, and it had weak despotic power in the sense that the state's actions under Mobutu were indistinguishable from the private interests of the ruling junta—at the core of which was a 'presidential clique' of some 50 kinsmen (Evans 1995: 46; Gould 1979: 93). But in classifying Mobutu's Zaire as a predatory state, Evans's analysis goes further. Beyond its poor development performance, key to this classification are its internal organization and the structure of its ties to society, characterized both by the lack of a state bureaucracy and the government's efforts toward the (violent) destruction of civil society:

> While the Zairian state's ability to penetrate and reshape civil society is certainly imperfect, the Mobutu regime has been quite effective at *disorganizing* civil society. It has systematically worked at weakening the cohesion of traditional collectivities. ...

[7] Evans (1995: 45-47) discusses Mann's approach to state power with reference to predatory states, but characterizes it slightly differently.

> Zaire confirms our initial suspicion that it is not bureaucracy but its absence that makes the state rapacious. At the same time, Zaire suggests that is it not so much 'weakness' in relation to civil society that prevents the state from fostering transformation. Instead the state's energies are directed toward preventing the emergence of social groups that might have an interest in transformation. (Evans 1995: 47)

Predatory states for Evans are defined by what they lack, embedded autonomy, which 'combines Weberian bureaucratic insulation with intense connection to the surrounding social structure' and is 'the key to the developmental state's effectiveness':

> Given a sufficiently coherent, cohesive state apparatus, isolation is not necessary to preserve state capacity. Connectedness means increased competence instead of capture. How autonomy and embeddedness are combined depends, of course, on both the historically determined character of the state apparatus and the nature of the social structure.... (Evans 1995: 50).

For weak states, Evans's analysis thus highlights the problems that the lack of 'modern' state bureaucracy in the Weberian sense—a 'coherent, cohesive state apparatus'—pose for industrial policy. It implies constraints, for one, in terms of the administrative, logistical, and technical ability of the state to implement policies. Equally important, Evans suggests, it implies state capture by private interests and thus the state's inability to act in the broader national interest. In short, Evans's analysis highlights that the absence or weakness of a coherent state bureaucracy is at the core of understanding the prospects for successful industrial policy by fragile states; this suggests that figuring out how to mitigate this bureaucratic absence or weakness—in whole or (more likely) in part—is the central challenge for proponents of industrial policy for structural transformation in SSA.

Precisely how incoherent does a bureaucracy have to be for it to stand in the way of successful industrial policy? There is considerable variation in the coherence of bureaucracies across SSA states, even across those in states considered fragile. Evans offers a partial response in his analysis of *intermediate* states. Brazil and India, his two examples, present different models and suggest several ways forward for industrial policy in weaker states:

Brazil, Evans (1995: 64) argues, 'is testimony to the fact that it takes only a very rough approximation of the Weberian ideal type to confer advantage. Even developmental states are only approximations of the ideal type, but intermediate states show that the basic bureaucratic model can be stretched further and still deliver'. Despite the incoherence of the system as whole, Weberian bureaucracy can be found in many Brazilian state agencies. In addition, Brazilian leaders from the 1950s worked to mitigate weaknesses in the state bureaucracy by creating 'pockets of efficiency' (Evans 1995: 61), i.e., 'insulated agencies outside the traditional bureaucracy, charged with specific, usually developmental, tasks and accountable to the executive' (Geddes 1994: 61). Key examples include the National Development Bank (BNDE, founded in 1952); the *grupo executivo,* groups created by presidential decree to implement particular development goals; and Petrobras, the state oil company (Geddes 1994: 61-69). These agencies implemented 'some of Brazil's most impressive pre-1964 economic achievements' (Geddes 1994: 61).

India, Evans finds, has a bureaucratic apparatus much closer to the Weberian ideal than Brazil, but its developmental prospects are challenged by its social structure and state-society relations which are more complex than those in East Asia's developmental states. This complexity factors in to India's intermediate state status in several ways. For one, it means higher demands on the

bureaucracy: 'ethnic, religious, and regional divisions add to the administrative nightmare of trying to govern (say nothing of develop)' the country (Evans 1995: 67). It also implies more complexity in the state's relationship with society, with implications for industrial policy: the survival of political elites relies both on the support rural landowning elites (even more than in Brazil) and of highly concentrated industrial capitalists, a delicate balancing act. Despite such challenges, Evans assessed the Indian state as having contributed to structural transformation largely through state investment in basic agricultural inputs and basic and intermediate industries like steel and petrochemicals.

In thinking about industrial prospects in SSA, the Indian example may be especially apt in one sense: like India, SSA countries on average stand out in terms of their ethnic, regional, and communal diversity (see Alesina et al. 2003). Evans's consideration of the Indian experience suggests that the historical coherence of the Indian state bureaucracy—which is in contrast to the state's incoherence in many fragile states—played a key role in mitigating these societal challenges.

A second approach is developed by Kohli (2004: 1-2), which addresses two interrelated questions: 'What features distinguish state intervention in the more successful cases from intervention in the less successful cases?' and 'How does one explain varying state capacities to choose and implement economic decisions?'

Kohli highlights three state types in the contemporary developing world: 'cohesive-capitalist' or developmental states, 'fragmented-multiclass', and 'neopatrimonial', representing a declining spectrum of political effectiveness. In Kohli's schema, the three types are defined by the cohesion of state authority among elites and at the elite-mass level, and by state-class relationships. Like Evans's predatory states, neopatrimonial states lack the modern state bureaucratic apparatus that the other two have. Kohli's discussion of fragmented-multiclass states also has a number of similarities with Evan's of intermediate states, including the key examples: Brazil and India.[8] His more detailed consideration of the weakest states, however, adds important elements to our consideration of industrial policy in SSA.

Like cohesive-capitalist and fragmented-multiclass states, neopatrimonial states have sometimes intervened heavily in their economies—but had 'disastrous' results (Kohli 2004: 15). Weak private sectors are characteristic of neopatrimonial states. These states themselves may further weaken the private sector by appropriating economic resources and employing inconsistent economic policies. Instead of working with domestic capitalists, neopatrimonial states thus tend to invite in foreign capitalists or act directly in the economy themselves. The latter strategy tends to have little success due to the weakness of the state's administrative capabilities.

Kohli's key example of a neopatrimonial state is Nigeria, whose efforts towards industrialization he describes as 'a dismal failure' (Kohli 2004: 329). The key problem has been the nature of the Nigerian state and state capture: 'Whatever the current regime, the Nigerian state has repeatedly lacked the commitment and the capacity to facilitate economic transformation, as state elites focused their energies on maintaining personal power and on privatizing public resources' (Kohli 2004: 329).

The basic challenges of designing and implementing development strategies in the absence of an effective state are also illustrated by Kohli's analysis. The *Economist*'s observation in its 1982 survey of Nigeria suggests just some of them: 'This is the first survey published by the *Economist*

[8] Kohli also includes Korea in certain periods.

in which every number is probably wrong. There is no accurate information about Nigeria'.[9] Analogous challenges with even basic data in many SSA countries have recently received considerable attention (see Jerven 2013; Round 2012).

It is worth noting that other analyses of Nigeria in particular offer different perspectives on industrial prospects. Lin and Treichel (2012: 219, 221-222), for instance, note Nigeria's sustained expansion since 2001 across all sectors of the economy, although 'notwithstanding Nigeria's strong economic performance over the past 10 years, its export and production structure has shown little diversification'.

5 Conclusion and areas for future research

Industrial policy has considerable potential to promote structural transformation in SSA, but as the discussion above suggests, state capacity also influences industrial prospects. Particular care should be taken in attempting industrial policy in fragile states, and well over half of SSA states are fragile according to standard metrics.

Although the state is central to work on industrial policy, this paper argues that state weakness in particular requires more attention. While new structural economists are correct that many advanced industrialized countries today were once weak states, state weakness today, particularly in SSA, may be different in kind and thus requires more focused research in several key areas.

The first is the need for more theoretically-grounded empirical analysis of the state and industrial policy, particularly to flesh out the distinction between intermediate/fragmented-multiclass and predatory/neopatrimonial states. Analyses should provide, on the one hand, empirical documentation of diverse experiences with industrial policy (failed and successful) in states in the lower half of Table 3. These analyses should be designed explicitly to provide traction on more precise hypotheses about the key state institutional barriers to industrial transformation. In Evans's analysis, for instance, the comparison of the Indian and Brazilian experiences suggests that a coherent state apparatus alone is not enough. Extremely factionalized societies can mean the difference between developmental and intermediate statehood. But how factionalized does a society need to be to push a state from the intermediate to the predatory type? Alternatively, what happens when the state apparatus is less coherent and the social structure equally complex? Or, building on Kohli, can we expect different outcomes in neopatrimonial states in which stronger private sectors have emerged? How strong would the private sector need to be to balance the neopatrimonialism of the state?

A second key area for future research concerns how various international and domestic actors might support accelerated state construction or strengthening. The literature on state-building suggests reasons for both optimism and pessimism in terms of this project (see Fukuyama 2004). Both Evans's and Kohli's analyses of the factors that influence state types point toward the latter, highlighting historical trajectories and institutional path dependency (i.e., the difficulty of rapidly altering state type).

In a related vein, one interesting approach points to efforts to improve business-government collaboration (UNIDO 2013: 145-146). As the discussion above of Brazil and India suggests, this can be a key sticking point for intermediate states in pursuing of industrial policy. Drawing on Latin American experiences, Schneider (2013: 1) explores three key functions of such efforts: '(i)

[9] Economist (31 January 1982: 4), as quoted in Kohli (2004: 331).

maximizing the benefits of dialogue and information exchange; (ii) motivating participation through authoritative allocation; and (iii) minimizing unproductive rent seeking'. Further work could be done along these lines to explore SSA experiences in facilitating business-government collaboration.

Finally, as the discussion above suggests, perhaps the most promising approach to state capacity-building highlighted by the Brazilian case is focus on 'islands of excellence' or 'pockets of efficiency'. Nevertheless, existing research also suggests some challenges and drawbacks. In Brazil, Evans (1995: 61-63) highlights the following:

- Their reliance on presidential support made them vulnerable (in terms of their existence and mission) to changes in executive leadership.

- It further served to reinforce paternalistic ties (see Schneider 1991).

- Their existence itself contributed to the state's incoherence: 'trying to modernize by piecemeal addition … undercuts the organizational coherence of the state apparatus as a whole' (Evans 1995: 62).

- The unstable nature of their political support relatedly had negative effects on the career trajectories of civil servants—who could not count on long-term state employment—and thus on the development of the professional bureaucracy.

- Finally, because the Brazilian political leaders in the executive branch who supported these agencies relied on landed elites for support, it effectively fused the interests of the state with traditional oligarchic power, thus impeding collaboration with industrial capital.

Future research would do well to explore these challenges in greater depth and in light of experience with islands of excellence in diverse country contexts. Such work would speak directly to the major task of building state capacity faced by Africa's fragile states.

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