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Re-envisioning the Reform Process: A State-Society Synergy Perspective

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I. Introduction

Human beings are the only species that shape their strategies for trying to improve their lives by telling stories. The value and power of stories is that they simplify and sharpen the lessons of an overwhelmingly complex reality. By focusing our attention on particular aspects of reality, they give us a set of rules that are simple enough so that we can make decisions. This same characteristic is, of course, what makes stories dangerous.

Stories can easily become myths – unquestioned formulas that blot out important parts of reality. By putting the spotlight on particular truths myths may blind us to other truths that may turn out to be just as important in our long-term search for effective solutions to our problem. As long as myths are unquestioned, they prevent us from constructing better, fuller stories. So we have to keep transcending our myths, incorporating things that they have left out without abandoning the parts of the truth they capture. Often our attempts to transcend old myths end up enthroning new myths, but this is no reason not to persist in our efforts.

Even sophisticated intellectual constructions like theories of development have an element of myth about them. If you have been studying development as long as I have, you can't help but be struck by the way in which the myths of development theory have shifted overtime.

In this paper, I will start a with a brief retrospective on my own view of how the dominant visions of development have evolved over the last fifty years leading us to the current "second wave of reforms." Then, I will elaborate a bit what I consider to be one of the most promising ways of confronting contemporary development challenges – what I call a "state.-society synergy" perspective. Finally, I will complement this abstract discussion with a very mundane illustration of the state-society synergy perspective – the provision of water and sewers to poor communities.

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II. MID-TWENTIETH CENTURY DEVELOPMENT MYTHS

At the end of World War II, the dominant developmental myths exaggerated the positive potential of the state as a developmental actor. In the advanced industrial countries of Europe and North America, the apparent success of Keynesian policies in alleviating the great depression had legitimated the idea that state activism was necessary to prevent economic stagnation. The success of wartime mobilization during the Second World War had further enhanced the belief that modern states could tackle any problem. In the developing nations of the Third World, national liberation movements were convinced that once the reins of state power were wrested from the old colonial rulers, newly independent states would become powerful agents of development.

Turning the state into the *Deus ex Machina* of development devaluated the contribution of society. States were seen as modern, staffed by technically sophisticated experts. Local communities were 'traditional" burdened with outmoded beliefs and practices that would inhibit development. Development required overcoming the resistance of local communities and imposing "modern and efficient" ways of doing things devised by central government decision-makers.

BOX 1

Mid-Twentieth Century Myths

1. Expanding the role of government is the most effective way to resolve economic and social problems.
2. Experts can transform policy choices into technical decisions.
3. Traditional ties and local loyalties are the primary social obstacles to development.
4. For development to proceed, expert knowledge from central governments must replace local definitions of how to solve problems.

The "myths" embodied in this perspective can be expressed in simple summary form (caricatured, one might even say) as in the accompanying Box 1. The problem with these ideas was not that they were totally wrong. Effective central governments must be a crucial component of national development. Technical expertise is important and development does involve changing certain local attitudes and practices. Indeed, in a substantial part of the Third World, most of Latin America for example, efforts to implement this perspective during the 1950's and 1960's were associated with quite impressive rates of economic growth.

Nonetheless, these myths were "one-eyed." Their exaggerated expectations of what governments could do to promote development, led to neglect of other crucial aspects of the developmental process and produced distorted strategies.

By the 1970's, it was clear that the mid-twentieth century perspective was deeply flawed. Third World central governments floundered in the face of the ever wider range of tasks that they had optimistically taken on. Worse yet, too many of them became "predatory states", extracting resources from society, providing little besides repression in return and subverting any possibility of development. Local communities looked more like victims than obstacles to development. In the 1970's and 1980's, as growth slackened throughout the Third World and turned negative in parts of the Caribbean and most of Africa, mid-twentieth century myths were replaced with a new vision of development.

This late-twentieth century vision generated what is now known as the "first wave" of reforms, which had a number of salutary effects across the Third World. Government regulations which had allowed established local business elites to grow rich while preventing new entrepreneurs from entering the competition were dismantled. Intense efforts to reduce fiscal deficits forced governments to give up trying to do everything and to decide where public investments and initiatives could have the most beneficial effects. The myth of the omnipotent, omniscient state was gone forever.

III. LATE-TWENTIETH CENTURY DEVELOPMENT MYTHS

The benefits of many of these "first wave" reforms were undeniable, but the story that they told about development contained its own set of myths, which are summarized in the accompanying Box 2. Where mid-twentieth century myths had enthroned central government bureaucrats, late-twentieth century myths made governments the major obstacle to development and enthroned markets. Markets were the "magic bullet" of the 1980's.

The one commonality between mid- and late-twentieth century myths of development was their disdain for the developmental contribution of the shared norms and social ties of local communities. The new vision still required that members of local communities adopt externally given definitions of what constituted developmentally efficient social relationships. It assumed that once people saw the benefits that markets could deliver they would stop relying on traditional ties as a means for achieving economic ends. The result of moving from traditional "pre-market" kinds of social relations to relations mediated through markets would be greater efficiency and equity.

BOX 2

Late-Twentieth Century Myths.

1. The expansion of the role of government has been the main obstacle to development.
2. Markets are the "magic bullet" that can dissolve any entrenched institutional obstacles to development.
3. Once markets operate fully and effectively, people will no longer have to rely on traditional ties and local loyalties to achieve their economic goals.
4. For development to proceed, markets must replace centralized government decisions and dissolve traditional "pre-market" ways of behaving at the local level.

Like the one it replaced, the new vision captured an important part of the reality. Exposing previously protected producers to more competition did help reduce entrenched inefficiencies. Allowing local producers to take advantage of market prices did increase their incentives to produce. The fiscal distress of central governments left no choice but to cut back the scope of their activities. Nonetheless, the one-sidedness of late-twentieth century myths soon became apparent.

For most Third World countries, including the countries of the Caribbean, the market was not a magic bullet. Despite increased reliance on markets, growth rates in the eighties lagged behind those of the fifties and sixties. As efforts to expand the sway of markets increased, it became more obvious that without the underpinning of an effective state apparatus it was extremely difficult, if not impossible, to get markets to deliver widespread benefits. It also became obvious that reducing government regulations was not enough in itself to stimulate private entrepreneurs to provide the productive new jobs that Third World citizens needed. The region where growth was most impressive – East Asia—was also the region in which governments were actively involved in promoting industrialization.

There were also less tangible but equally serious problems with the social and political environments associated with these models. It was unrealistic to expect that stricter adherence to market norms would not produce increased inequality in societies where people started out with highly unequal initial endowments. Communities not initially endowed with competitive resources fell further behind even if overall national income increased. In some areas, the supply of one of society's key collective goods – the rule of law – fell victim to well intentioned but overzealous efforts to curtail the government's role. One Latin American commentator, Guillermo O'Donnell (1993:1365), has spoken of the "browning of Latin America" in which the destruction of "the state as law" in many parts of Latin America has led in turn to an "angry atomization of society" in which neither state nor communities are able to check the predatory practices of elites.

Uneasiness with the social consequences of "market as magic bullet" models is equally salient in advanced industrial countries. The United States is perhaps the society where the social relations and popular beliefs that prevail in local communities are most thoroughly dominated by market-based assumptions. Yet, the triumph of market rationality is combined with an equally widespread apprehensiveness over the evaporation of civility and civic engagement and the proliferation of socially-destructive behavior.

Logically enough, it was in the advanced industrial societies first of all that dissatisfaction with the consequences of a 'marketized' society provoked a new look at the way in which what goes in local communities contributes to the success of the larger society of which they are a part. Appropriately enough, given the contemporary cultural hegemony of market metaphors, the most prominent concept in this new look at local communities was the idea of "social capital."

IV. Social Capital

Everyone has always known that social relationships can be an asset that makes people more productive, just as money or technology are assets that can make people more productive. Shared norms and social networks can lower the cost of economic transactions, make it easier for people to coordinate their efforts and compensate for the lack of other, more tangible resources. The term "social capital" has given people a new way of capturing conceptually the economic value of shared norms and networks.

The recent burst of interest in the concept of "social capital" extends from the halls of the World Bank to small communities in the rural United States to activists in the Third World. Robert Putnam (Putnam, 1993a) helped start the ball rolling a few years ago in a historical study of regional developmental differences in Italy. Putnam noticed that higher rates of economic growth and more effective governments in Northern Italy were built on long history of people getting together in simple organizations like singing groups and football clubs. He saw this kind of social practice as creating the foundations for things like cooperative relationships among small businesses that make cities like Modena economically successful in the contemporary global economy.

Putnam's vision of this historical process underlines one of the things that makes social capital a potentially important asset. Unlike machines or farmland, which gradually wear out as they are used, social relationships become stronger and more valuable as they are used. Building social capital is a self-reinforcing "virtuous circle". Cooperative interaction helps generate trust. Trust makes more cooperative interaction possible, and associating in simple ways builds foundations for more complicated forms of collective action. (see Box 3 - "Building Social Capital"). Any group – from owners of big corporations to poor farmers – can take advantage of this mutually reinforcing process, but it is obviously especially important for those that lack other kinds of assets.

BOX 3

Building Social Capital

1. When people who face similar problems see each other on a regular basis, it strengthens shared belief and values and creates a basis for trust.
2. When such people join together in simple everyday activities – anything from sports clubs to singing groups to mutual aid societies – it builds trust in each other and confidence they can achieve common goals.
3. Trust in each other and experience in acting jointly reinforces trust and encourages people to undertake a wider variety of economic and political activities.

Following Putnam's lead, Deepa Narayan and a group of collaborators working in Tanzania, one of Africa's poorest countries, decided to see if the effects that Putnam observed in his historical research could be found to operate in the contemporary Third World (Narayan and Pritchett, 1996). In order to make sure that their evidence would convince skeptics, they gathered systematic quantitative data from a range of villages. The results were startling. When the incomes of households living in communities where people were more likely to belong to inclusive voluntary groups and associations were compared to those of households in villages with less associational life, the effect of associational life in the village as a whole on the incomes of individual household was stronger than either the effect of higher levels of education among household members or the effect of increasing amounts of non-farm assets.

While these results are startling in their strength, they make sense, even in terms of conventional economic theory. Economists have talked for a long time about coordination problems, risk aversion as an obstacle to innovation, the value of information flows, and the importance of lowering transaction costs. Once you think about it, it is obvious that social capital can help with all these problems. (see Box 4 - "Benefits of Social Capital").

BOX 4

Benefits of Social Capital

1. Lowers "transaction costs" - When you can count on the people you are working with (or trading with or borrowing from or lending to), you can focus on your main goals instead of worrying about enforcement and monitoring.
2. Increases information flows - When a community is closely connected, useful ideas will spread quickly so that everyone can take advantage of them.
3. Promising but risky ventures are easier to try - When individuals feel they can count on their friends and neighbors they are more likely to try new strategies that will improve their lives, even if it means taking risks.
4. Coordinated pursuit of common goals becomes possible - A foundation of trust and experience in relying on other members of the community makes it possible to tackle and sustain more complicated projects - like irrigation or sewer systems.

The mounting combination of theoretical arguments, historical evidence and statistical data has helped theorists and policy makers to see the social ties that exist among members of local communities as potential development assets instead of dismissing them as impediments to development as mid-twentieth century myths did, or seeing them as something that would be automatically replaced by more modern market-based as in late-twentieth century "market as magic bullet" models.

Recognizing the value of communities and informal social ties is a step forward, but we have to be careful not to generate another "one-eyed' myth in which "social capital" becomes a new magic bullet. An exaggerated vision in which trust, solidarity and shared norms are all that it takes to achieve developmental goals would be just as much of a disservice to communities as older visions in which they were considered reactionary or irrelevant. If it is allowed to turn into a myth, the idea of social capital could become a way for elites to rationalize "passing the buck" to civil society, an excuse for assuming that local social ties were not only a necessary part of development but also sufficient to insure economic progress.

Realistically, local communities cannot simply "go it on their own" in the contemporary world. To ask them to do so is really to cast them adrift. Even the most solitary, well-organized local community needs a supportive institutional context if it is to succeed. Communities need both the diffuse institutional support provided by predictably enforced general rules and concrete connections to a matrix of non-local formal public agencies if they are to achieve their goals.

It is at this point that the question of how we envision the "second wave of reform" becomes crucial. We have moved beyond late-twentieth century myths, in which the implicit formula for dealing with any public agency was "shrink it or get rid of it." The second wave new agenda is quite different. The World Bank's 1997 *World Development Report* defines it as an effort to "make every state a more credible, effective partner in its country's development" by "matching the state's role to its capabilities" and by "reinvigorating public institutions".

This second wave reform agenda takes the shortfall of state capability seriously in a way that mid-twentieth century myths never did, but it also takes the necessity of building state capacity seriously in a way that late-twentieth century myths never did. Even with the best will in the world, however, increasing the effectiveness of public institutions is a difficult struggle. In most countries, the fiscal and the organizational resources that would be required for the state to effectively provide the collective goods and services that it should provide are simply not there. Worse still, the poor performance associated with past over-extension has left people disillusioned, reluctant to entrust their governments with the resources that would be needed to turn things around.

Sober assessment of the challenges of second wave reforms makes the community assets summarized under the rubric of "social capital" all the more important. Taking advantage of the developmental resources that inhere in local communities is a necessity if states are to meet the challenges that confront them. Some would even argue that an understanding of how communities (or "civil society" more generally) and the formal bureaucratic organizations of the state can work together to achieve developmental goals is a precondition for the success of the second wave of reforms. In an earlier work, I have called this possibility "state-society synergy."[1]

V. State-Society Synergy

The idea of state-society synergy is a simple one. Communities and state agencies need each other. Having strong, sophisticated government bureaucracies is an advantage from the point of view of communities, while having organized communities with high levels of social capital is an advantage for government bureaucracies. More effective communities will help generate more capable government organizations and more capable government agencies help fortify social capital.

If these seem like self-evident propositions, I should remind you that they not only run directly counter to both mid- and late-twentieth century myths but also to conventional wisdom, at least in my country. This conventional wisdom posits a zero-sum relationship between the power of communities and the power of government. It assumes that the more capable government agencies become, the more intrusive and domineering they will be. Under this assumption, communities would want the weakest, least capable set of government agencies.

Obviously, the conventional wisdom is far from completely wrong; government agencies can indeed be intrusive and domineering. When they are, communities need to organize to rein them in. The problem with the conventional zero-sum perspective is that by focusing only on the potential for conflict between government and community it distracts attention from the gains that can be achieved through state-society synergy.

Some concrete examples will help clarify what I mean by state-society synergy. First, I would like to look at a far away but classic example from East Asia: irrigation in Taiwan. Then, I will move a bit closer to home and look at the political dynamics of getting water and sewer systems to poor people in Brazilian cities.

Taiwan's Irrigation System

Taiwan's Irrigation System which operates with exceptional efficiency over some of the most difficult terrain in the world is a great example of the potential gains from state-society synergy.[2] At first glance, the organization of the system might seem peculiar. On the one hand, the government agencies in charge of irrigation in Taiwan are highly organized bureaucracies with intricate internal hierarchies, even at the local level. On the other hand, these organizations are called "Irrigation Associations" and their directors are elected by local farmers. Even more to the point, the operation of the system within villages depends completely on voluntary "irrigation groups" and respected local farmers who serve as "water guards."

If you think about it, this peculiar combination makes sense. Local communities cannot finance or build the massive main canals to bring water from other areas. The large scale public works and the general task of allocating water among different areas of the country have to be done by a government agency. The necessity of relying on local communities is equally obvious once you think about it. Intimate, detailed knowledge of local terrain, local crops, local agricultural techniques and local community itself is the first prerequisite of efficient local water allocation. Members of local communities have this knowledge in abundance. Convincing local farmers that allocation is fair and preventing "cheating," would be an extremely time consuming and costly job if performed by government officials. "Water guards", selected by the community because they are held in respect by other villagers, have the power of local norms (social capital) behind their allocational decisions and enforcement efforts.

In short, the efficiency of the system grows out of a complementary division of labor between local communities and government agencies.[3] Local communities need a government agency to integrate local needs into a broader plan of allocation and make sure that the promised water is delivered according to the plan. Government agencies need the active participation, local expertise, and "social capital" of local communities to ensure that getting the irrigation system to work after the water leaves the main canals is not prohibitively expensive.

This combination of grassroots participation and bureaucratic efficiency does not fit the conventional wisdom in which community – agency relations are zero-sum struggles over power, but they make sense. Oddly enough, having robust, sophisticated bureaucracies sophistication on the government side makes it easier for the irrigation agencies to develop tight connections with the communities they serve. Carefully constructed systems of controls within the government agency create confidence that local officials will not be "captured" by locals. Thus, instead of trying to insulate the agency by proscribing ties to the local community, local officials can be encouraged to develop close ties with the communities they serve. Close connections between local government officials and local communities, what we might call "embeddedness" makes complementarity work on the ground.[4]

The requirements and benefits of "state-society synergy," which are so nicely illustrated by this East Asian example, are summarized in the two accompanying boxes (Box 5 - "Requirements of State-Society Synergy"

BOX 5

State-Society Synergy - Requirements

1. *Complementarity.*

A division of labor which allows both communities and agencies to make the best use of their "comparative advantage" and relieves each of the burden of jobs that they can't do well.

2. *Embeddedness.*

Continual interaction between state agency officials, individual clients and community organizations is the key to sustaining an effective division of labor.

Which in turn must be based on:

1. *Social Capital.*

Communities must share some common goals, be able to transmit relevant information among their members, and be able to coordinate the effects of individual members.

2. *Agency Capacity.*

State agencies must be able to deliver collective goods and able to incorporate a complex division of labor with local communities into their organizational repertoires.

BOX 6

State-Society Synergy - Benefits

For communities:

1. Incorporates community goals/interests into public plans/goals.
2. Links communities to larger systems for the delivery of collective goods.
3. Allows communities to get increased return from their own knowledge, labor and social capital.
4. Create connections which encourage communities to make new demands on state agencies.

For State Agencies:

1. Provides better information about the services they are trying to produce.
2. Reduces cost of delivering services by turning clients into "co-producers."
3. Community demands become a new stimulus for innovation and organizational change.

and Box 6 - "Benefits of State Society Synergy"). There is, however, a problem with the Taiwanese example. It doesn't give us a very good sense of how state-society synergy might be constructed in places where it is missing. In order to provide a better sense of the dynamics of how state-society synergy can evolve, I would like to look at how some Brazilian urban communities have succeeded in getting to two key collective goods – sewers and potable water, beginning with sewers.

Sewer Systems in Brazil

Sewer systems are almost important to urban dwellers as irrigation systems are to farmers. Even more clearly than in the case of irrigation systems, sewer systems are not something that urban communities can build on their own. Yet, fiscally-pressed government agencies are often unable to provide sewer systems to poor urban dwellers, especially those that live in densely populated shanty towns. In consequence, these neighborhoods send their waste into pit latrines that rapidly fill-up and contaminate the ground water, or into gullies or footpaths, creating problems for public health as well as the quality of the environment.

One of the many countries where urban sewers are glaringly under-supplied is Brazil,[5] but Brazil is also the source of an important innovation in the provision of sewers for poor people. At the beginning of the 1980s, a young sanitation engineer by the name of Jose Carlos de Melo, working in one of the cities of the poor northeast region, came up with a new idea for sewers which he called "condominial sewers."[6] From an engineering point of view, de Melo's idea involved a creative technical innovation.

Instead of conventional sewers which are laid deep below streets with separate feeder lines going from the trunk to each individual house using relatively high quality but costly materials and requiring maintenance by specialized professionals, why not, de Melo reasoned, lay shallow lines through people's yards where they would not have to bear the weight of traffic and be easier to maintain. These shallow lines could go directly from house to house rather than having individual feeder connections to a trunk line and use less durable and less expensive materials. They would be lower quality than the conventional sewers but far better than no sewers at all which is what these neighborhoods would get if they had to wait until cities had the money to bring them conventional sewers.

As it turns out, de Melo was right. Condominial sewers could be constructed and maintained for as little as one-third to one-fourth of the cost of conventional sewers. Not only were the materials cheaper, but simple. Shallow design meant that local people could construct their own feeder systems themselves. Given the high rates of unemployment in these communities, people were giving up very little when they did the work themselves. Condominial systems soon became so popular that they spread to other cities. By now condominial systems represent "a sixth of all sewerage construction in Brazil and the majority of all new sewerage in squatter and low income neighborhoods." (Watson, 1995:51).

Condominial systems were successful not just because they offered a way of supplying improved sanitation and public health despite the fiscal crisis being experienced by Brazilian municipalities (and indeed the entire Brazilian state). Their success is also reflected in the private benefits experienced by home owners in terms of sharp increases in housing virtues. Moreover, they had a positive spillover effect on private investments by individual homeowners in household sanitation equipment like new floor drains, sinks and toilets.

From the point of view of our concerns here, however, the fact that condominial sewers represent an economically successful civil engineering innovation is not what makes them interesting. What makes them interesting is that they are an excellent example of how recognizing the possibility of "state-society" synergy can open up new solutions to otherwise intractable problems.

The engineering design problems that had to be solved in order to make condominial sewers successful were relatively trivial compared to the institutionalproblems. When they built conventional sewers, state agencies do not need to interact with the communities the sewers serve. This makes things much simpler, but it also has disadvantages. One of the disadvantages is that often the connection rate to bunk lines is low, especially in poor neighborhoods when people are expected to pay their share of the costs. Much as people want sewers they would rather not be hooked up than make payments beyond their means. Low connection rates make conventional systems inefficient as well as expensive in poor neighborhoods.

The shift to condominial systems requires a new relationship between the state agency and the sewer users. The agency cannot work from the street; it has to move through people's yards. More important, the cost savings depends in good part on the contribution of people's labor to the construction of the feeder systems. Plus, the cost savings on maintenance depends in good part on residents understanding the system well enough to repair feeder lines and being motivated to do so. Instead of being passive consumers of sewers residents must become active "co-producers" of sewers. In short, reaping the potential advantages of the technical differences between condominial and conventional sewers depends entirely on being able to create some state society synergy, which in turn depends on transforming the normal character of the state agencies involved.

In order to turn clients into coproducers, it was necessary to invest considerable energy in building ties with the neighborhoods in which systems were being installed. In the pioneering case, De Melo and his co-workers for two years worked intensively with residents in order to figure out how to make condominial sewers work. Even once the process was more fully understood, successful implementation of condominial sewers requires a four to six month mobilization process in each neighborhood. First of all, levels of service have to be negotiated. Neighborhoods must understand that they have (in principle) the option of high cost conventional sewers, less expensive condominial sewers, which will require their involvement in both installation and maintenance, or no sewers at all. The options are explained first in neighborhood meetings then in block by block meetings in which attendance by at least 50% of all the residents on the block is required. Residents have to be actively involved in the design of the system. Explanations have to be repeated many times, and even then it is only when residents become actively involved in the construction of the system that they really begin to appreciate the technical aspects of how the system works.

Obviously, the standard training received by sanitation engineers (say nothing of that received by the mangers of private construction companies) does little to inculcate expertise in mobilizing neighborhoods and negotiating with them. The original Natal experiment was made possible in part because of an unusual cadre of young engineers who had been involved in the student movement, literacy campaigns and health campaigns before joining the state water service company. Subsequent cases required the formation of multidisciplinary teams including both social workers and engineers. In short, state-society synergy requires a transformation not just in the way those state agencies think about their relation with society but also in the ways in which state agencies themselves are organized.

State-society synergy also implies changes on the side of society. Earlier I argued that some level of social capital or community organization is a prerequisite for state-society synergy and I think that this is true, but it is also the case that taking a state-society synergy approach can provoke changes at the level of community organization. The impact of condominial sewer systems went beyond public health improvements and increased housing values. Active neighborhood involvement in the production and maintenance of sewers provoked both increases in collective action to keep sewers maintained and an increase in the level of demands made on the state. According to the World Bank report on condominial sewers, getting residents actively engaged in project implementation "fosters an active, vocal constituency that puts in motion the accountability mechanisms that are necessary for good agency performance." Condominial customers were more likely to define maintenance problems as a collective problem. Their demands "activated dormant neighborhood associations" which either organized collective "community-wide line clearing" or tried to build their legitimacy by being more aggressive in demanding solutions from state agencies (Ibid.:49, 36-39).

Two points are important here. First, state-society synergy not only depends on initial endowments of social capital, but also tends to increase those endowments. Second, state-society synergy not only depends on an initial willingness of state agencies to treat the people they serve as partners rather than passive clients, it also tends to intensify demands for responsiveness and accountability. In both cases, it can be argued that state-society synergy helps put in motion a self-reinforcing "virtuous circle" of reciprocal causation.

Looking at condominial sewers not only gives a sense of the dynamism in state-society relationship, but other dynamics are also possible. Shifting from the Northeast to the Southeast of Brazil offers a picture of some alternative dynamics.[7] The City of São Paulo, as you all know, is one of the world's great modern metropolises, but it also has a substantial proportion of its population living in shanty towns, known as 'favelas'. In 1973, only 20% of these favelas had potable water. Fourteen years later in 1987, 99% did. During the same period there was also a fifeteen-fold increase in the proportion served by sewers. How was this phenomenal increase in the provision of basic collective goods possible? Once again, the answer lies in the synergistic interaction of communities and state agencies, but this time the dynamic was somewhat different. Unlike in the condominial sewers, the starting point in São Paulo was not an innovation promoted by progressive technocrats. This time it was the poor communities themselves that took the initiative.

Neighborhood associations, originally mobilized to demand cost of living adjustments for an authoritarian military regime began to fight for the provision of normal urban services. Neighborhood women fought small battles for improvements in health care and schooling for their children (Ibid.:40-41). These quotidian struggles were punctuated by larger confrontations with state agencies in which men were more likely to become involved. Over the course of these conflicts, communities learned to work together and to pressure government agencies in more sophisticated ways. Public demonstrations in which busloads of people from the favelas arrived at the headquarters of the state sanitation company (SABESP) with buckets full of undrinkable water were combined with small meetings in which association leaders proposed alternative technologies, discovered through contacts with university housing specialists, to SABESP technicians (Ibid.:34-35, 45).

What is most interesting about the contestation between these communities and the state agencies they were pressuring is that contestation was always combined with engagement. In their meetings with agency staff, neighborhood activists learned about the technical and legal problems that stood in the way of state action. Having learned, they formulated new strategies that would circumvent these problems. Perhaps, even more important, they learned about the organization of the public agencies with which they were dealing. They learned how to use more sympathetic state agencies to pressure less sympathetic ones and which arguments were effective in which offices.

Eventually, as democratization replaced military appointees with elected mayors and governors, neighborhoods found allies whose pressure from above would complement their own pressure from below. Pressure, channeled through sympathetic parts of the public sector led to small organizational changes that made big differences.

SABESP, the state sanitation company, was a well-managed company with a high level of technical competence but it was determined to stick to the provision of conventional water and sewer hook-ups and therefore very reluctant to serve favelas with dubious legal status and no real streets. Communities responded by focusing their efforts on other, more sympathetic organizations and gained their first successes. With the help of pressure from a new elected mayor, the Municipal Bureau of Social Welfare and the Municipal Development Agency were persuaded to set up a pilot organization (PROFAVELA) that would work in poor neighborhoods, with neighbor associations and connect them up with SABESP's regular networks (Ibid.:57-67). PROFAVELA not only succeeded in multiplying the number of favela water connections more than tenfold (from 2,000 to 27,000) but also gave SABESP district offices some experience in dealing with favelas (Ibid.:63-64).

Later, with help from a newly elected state governor, SABESP was persuaded to set up its own internal "favela team," whose technocrats became insider allies for the outsider neighborhood associations. These insiders figured out what techniques for the extension of water and sewer networks into favelas would be most acceptable to SABESP's engineers.

They then used the threat of neighborhood mobilization as a way of persuading the organization to adopt new techniques. Thanks to this insider/outsider combination, the SABESP began putting water connections into the favelas at an unprecedented rate, so that by 1987, 99% of all favelas had at least partial water connections and the majority had water service going to all households.

What the São Paulo example shows us is that state-society synergy is not always consensual and conflict free. As long as contestation between communities and the state is combined with engagement, conflict can play a vital role increasing synergy. Even more important, it underlines the fact that the state is not a monolith. There are likely to be some potential reformists in even the most hidebound agencies. Aggressive community action empowers these internal reformists and helps transform the character of the agencies in which they work.

VI. Conclusion

The lessons behind the examples that I have set out here are not complicated. The accompanying Box 7 lists three simple propositions that underlie the state-society synergy idea. These three propositions aren't presented as a formula for success, but they do have implications for action.

For those who work in government agencies, the implications of a "state-society synergy" perspective are obvious. You should see the people who come banging on your door asking for more services not as clients but as allies and potential "co-producers" who have, collectively, important assets that can help you do your job better. You should see them in that way, not as a favor to them, but because in the current global climate the survival of your public agency and indeed of your own job may well depend on delivering an improved level of service that can only be delivered with their help.

If you are an ordinary citizen wondering how to survive in a globalizing world, there are also implications. The first is not to take for granted the intangible resources that lie hidden in the relationships that connect you with your family, friends and community. Learning how to exploit the productive potential of this "social capital" should to be one of the first steps in any development strategy. The second is that while particular government agencies may indeed be "the enemy," public institutions as a whole are not. You have to engage in healthy fights with public agencies and you may indeed need to transform them, but you cannot afford to see them destroyed because the long term vitality of your community ultimately depends on having a capable and effective state to complement and support the things a community can do for itself.

BOX 7

State-Society Synergy - Three Simple Propositions

1. *State agencies need communities.*

   Most state agencies can't accomplish their jobs unless they are able to take advantage of the information expertise and energy of local communities. They need "co- producers" not passive clients.

2. *Communities need state bureaucracies.*

   In the modern world, relatively few services can be organized effectively at purely local level, nor can any community hope to encapsulate the full range of expertise and abilities required to satisfy its needs. A decentralized division of labor with communities as "co-producer" requires higher levels of bureaucratic capacity than centralized imposition of simple rules.

3. *When state-society synergy works it creates a "virtuous circle of institutional change.*

   Active engagement in "co-producing" state services helps build social capital; engaged communities make more demands which pushes state agencies toward greater accountability and responsiveness.

Putting these two sets of implications together creates some parameters for re-envisioning the reform process. The suçcess of any effort to augment the general welfare will depend on tapping the reservoirs of potentially productive resources that are contained in ordinary communities. To do this effectively requires embedding local communities in a complementary matrix of robust and capable public institutions. Strategies that strengthen public institutions should help tap community resources and strategies that strengthen communities and will make it easier to build a healthy public sector.

None of this is intended to elevate state-society synergy to magic bullet status; that would be a disservice to struggling communities and beleaguered public sector agencies alike. Adopting a stance that emphasizes state-society synergy does highlight social and institutional resources that are neglected by other approaches and therefore may open up chances of success where other approaches have failed, but realizing the potential gains form state-society synergy will be anything but easy. Since there are no magic bullets, failure is always a likely possibility and success will continue to depend, as it always has, on a combination of imagination, hard work and luck.

Notes

1 Evans (1997). Also published in a special section of the June issue of *World Development* (1996: 1033-1132). For a complementary analysis in a similar vein, see Tendler (1997).

2 For analysis of Taiwan's irrigation associations, see W.F. Lam (1994: 1039-1054). See also Moore (1989: 1733-50).

3 In Elinor Ostrum's terminology, this kind of organizational structure transforms local farmers from passive "clients" into active "co-producers" of irrigation. See Ostrum (1996: 1073-1088).

4 To make the point even more strongly we can contrast the Taiwanese with the much less efficient irrigation system of Nepal and India, as described by Lam (1994) and Wade (1985: 467-97). In Nepal, irrigation officials are less well paid, careers are less well developed and the bureaucracy as a whole is much less sophisticated. Consequently the irrigation bureaucracy lacks the capacity to develop the kind of decentralized relations with communities that characterize Taiwan's irrigation associations. The Indian irrigation bureaucracy is more organizationally sophisticated than its Nepal counterpart, but still fails to take advantage of the potential for state-society synergy. Instead of focusing on building ties with local communities, the organizers of the Indian irrigation system focused their energy on insulating bureaucrats from farmers. Officials were transferred frequently to make sure that they wouldn't get too involved with local communities. Ironically, as Wade points out, the transfer system itself became a focus for corruption.

5 In 1980, four-fifths of Brazil's urban population lacked sewerage services according to the Brazilian Society of Sanitation Engineers (ABES). In 1990, the figure was still under 40%.

6 Watson (1995). See also Sinnatamby (1990).

7 The material that follows is drawn from Gabrielle Watson's (1992) earlier work on São Paulo.

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