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Working Paper

Institutional Change, Political Economy, and State Capabilities: Learning from Edo State, Nigeria



Justice, Security and Development Series

Katherine Bain
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The Justice, Security and Development Series

This research report is part of a series on Justice, Security and Development, produced with the generous support of the Bank-Netherlands Partnership Program (BNPP). The series presents the findings and critical reflections of a three-year work program aimed at improving development approaches to justice and security stresses in fragile and conflict-affected settings. Drawing from reviews of current scholarship, in-depth field research, and engagement with development programs, the papers in the series seek to identify the key challenges and obstacles to effective development, and propose ways to re-frame the challenges and solutions as a basis for more effective development programs. The framing paper for this series, *Justice and Institutional Change in Fragile and Conflict-Affected Settings: Re-Framing the Challenges and Solutions*, presents the rationale, organizing logic and conclusions of this work.

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Introduction

This paper is one of a series aimed at deepening the World Bank's capacity to follow through on commitments made in response to the *World Development Report 2011* (WDR), which gave renewed prominence to the nexus between "conflict, security, and development" (World Bank 2011). The WDR foregrounded the links between what the authors termed "injustice stresses" and chronic problems of institutional fragility and the weak legitimacy of public authorities. As explained in the working paper that provides the framework of questions and concepts for this series (Berg, Isser and Porter 2015), one purpose of this effort has been to examine the ways in which these injustice stresses manifest and are linked to institutional fragility and conflict.

Perhaps a more significant impact of the 2011 WDR arose from its initial efforts to survey and distill the experience of countries and regions that appear to have successfully "transitioned" away from chronic institutional fragility and a high propensity to relapse into violent conflict. Although much had been written about "what government should look like to facilitate development" (Andrews 2013, 12), across the widely (if too thinly) populated range of "successful exits," very little was known about the actual functioning of the institutions that are responsible for handling the

contests and stresses associated with public order, land or natural resource transactions, the allocation of public wealth to services, and so on.

Thus a second purpose of these studies has been to inform debates within the Bank and other professional circles about a series of questions that flow from this realization. How do these institutions actually work, what are they capable of, and what are their limits and distributional consequences? How are these institutions—and the assemblages of rules, agents, networks, and resources they manifest—conditioned by the dynamics of political settlements between economic and political elites? Prospectively, given this dynamic of political economy and institutions, under what conditions do elites and everyday people invest trust, loyalties, and resources in institutions that could in turn effectively and legitimately contain and govern elite and ongoing social contests?

A third purpose of these studies, also exemplified in this working paper, has been to consider the role of external donor partners in relation to this dynamic between political economy and institutional change. This purpose reflects wider efforts underway at the intersection of scholarship and development practice to craft adaptive, iterative, and politically informed

¹ Katherine Bain (kbain@worldbank.org), Doug Porter (dporter@worldbank.org), and Michael Watts (mwatts@berkeley.edu) acknowledge the support of Debbie Isser and Alex Berg (World Bank), Zack Brisson (ReBoot), Musharraf Cyan (Georgia State University), Peter Lewis (Johns Hopkins University), and Ukoha Ukiwo (Department for International Development). We are grateful to the participants of the workshop, "Political Economy of Nigerian Governance," held in Abuja on May 6–7, 2013 and at the Annual Bank Conference on Africa: Confronting Conflict and Fragility held at UC Berkeley June 8–10, 2015. The work discussed in this paper was supported by a UK Government-funded Governance Partnership Facility and by the Dutch Government-funded BNPP Trust Fund through the project *Strengthening Security and Justice in Fragile and Conflict-Affected States*.

approaches to institutional reform (see for example, Andrews 2013; Kelsall 2011; Moore and Unsworth 2010). In common, these approaches place great stead on diagnostically informed, network-savvy authorizers, motivators, connectors and conveners, resource providers, and problem identifiers—this is, for instance, the heart of “problem driven iterative adaptation” (PDIA) (see Andrews, Pritchett, and Woolcock 2012) and of currently active communities of practice around “doing development differently” and “thinking and working politically”.² At this writing there appear to be few cases in which it is possible to rigorously trace the impact of political economy/institutional analysis or politically informed programming on aid outcomes (Roche and Kelly 2012). At best, say observers, one may argue that a “partial revolution” has occurred in practice, while routine bureaucratic procedure remains largely intact (Carothers and de Gramont 2013; Yanguas and Hulme 2014) awaiting a completely different approach to “thinking and working politically” (Fisher and Marquette 2014). In this light we examine the Bank’s engagements in Nigeria.

Nigeria is a remarkable illustration of how deeply intractable the cycle of poverty, conflict, and fragility can become when tied to the ferocious battles associated with the political economy of oil. The Niger Delta also illustrates that although the form and dynamics of conflict may be heterogeneous, it is very commonly motivated by deep and powerfully felt grievances and injustices. Here, the stresses of injustice play out in direct relation to actions against oil companies (attacking assets and oil theft, extorting payments, protesting spills); between and within communities (disputing revenue, royalties, and land rights and currying favor with oil companies, political elites, and donors); between youth groups deployed as part of the electoral cycle; and between citizens and the state, most notably in relation to the latter’s egregiously coercive security forces (Joab-Peterside, Porter, and Watts 2012). These injustice stresses mounted explosively in the early 2000s and especially after 2006, when the region became a zone of conflicts operating at and across many

social levels (the village, chieftainship, ethnic group, federal state, corporation) and with the rise of a militant group (the Movement for the Emancipation of the Niger Delta [MEND]) that in late 2005 proved capable of compromising the entire state formation.

This may be a classic WDR 2011 conflict story of deepening social inequality and perceived injustice, fueled by intractable poverty in the face of burgeoning wealth. But of particular interest in this paper is that the Niger Delta experience has also served to warn against uncritical acceptance of tropes of the fragile and conflicted state narrative that appear to foreclose the possibility of socially progressive change, and of too readily reading such situations through the lens of endemic institutional deficit and dysfunction. In 2009, with two-thirds of oil fields shut down, 200,000 people displaced, and the national economy in jeopardy, an amnesty was granted. Thereafter, 26,000 MEND militants were drawn into a pact with federal and state governments, oil output recovered within months, and a mix of state coercion and patronage secured a stable if fragile peace. No one would be sanguine about the durability of that political settlement, much less convinced that the array of injustices underpinning the conflict have been appeased. Yet, the fact that such rapid shifts in trajectory can occur in contexts like the Niger Delta and are not readily explained, let alone predicted or instrumentalized, by public policy provides the context for this working paper.

This paper places the corpus of analytic and programmatic work concerning institutional reform in conversation with a now substantial body of work on resource politics and most especially, the debate over the politico-institutional character (sometimes called political settlements or pacting arrangements associated with the order of power) and reform landscape of the petro-state. Recent “institution reform” policy writing appears to have little to say about the political and economic conditions in which crises and institutional disjunctures might authorize, and thereby enable, agents to embark on institutional reforms. A resource curse analysis often

2 See, for example, the efforts outlined by Adrian Leftwich with regard to the Development Leadership Program: Adrian Leftwich, “Thinking and Working Politically: What Does It Mean, Why Is It Important and How Do You Do It?” in “Politics, Leadership and Coalitions In Development. Policy Implications of the DLP Research Evidence Research and Policy Workshop, Frankfurt, Germany 10-11 March 2011. Background Papers” (Development Leadership Program, n.d.), http://www.gsdr.org/go/display&type=Document&id=4191&utm_medium=rss&utm_campaign=gsdr&utm_source=newsfeed; and the Doing Development Differently website, founded by Matt Andrews and colleagues (<http://buildingstatecapability.com/the-ddd-manifesto/>).

lacks the granular detail of institutions and seems incapable of accounting for why some institutions experience decay and others do not, or of casting light on why pockets of competence and efficacy appear at some times and places and not others. Our contention is that filling these gaps would help make iterative and adaptive problem-oriented approaches to institutional reform more attuned to the local orderings of power and thus potentially of more value in addressing the inevitably context-specific question of *what* needs to be done, in addition to the more generic *how*, or the process through which, institutional change might be fostered.

We focus on Edo State for two reasons. First, it does not on its face appear to be an obvious location in which to explore a reform experience, given its entanglement in the Niger Delta conflict and the maladies typically associated with state fragility. Yet since 2009, the governor has been applauded at home and abroad for his accomplishments in road construction and the capital sector more generally, in internal revenue generation, and in political succession. Although it would be premature and foolhardy to suggest that Edo represents a full-on break from certain forms of path dependency and structural constraint (rent-seeking), there may be in the Edo story the beginnings of what Orihuea (2013) calls a “resource-curse escape.” Second, Edo is of interest also because of the changes that its experience is contributing to the World Bank country team’s effort to engage operationally across

all its instruments with “the political economy of institutional reform” in Nigeria, its largest client country in Africa. As such, this innovation and the questions that it raises have broader implications for both researchers and development practitioners in Nigeria and beyond.

These two lines of interest are pursued through four sections. In the first, we locate our argument in the context of Nigeria and the Niger Delta with respect to the central debates about how institutional change is dialectically shaped, constrained, and enabled by, and in turn can impact upon, the nature of underlying political and material conditions. The second section explores the conditions under which a reformist governor emerged in Edo in 2008 and how these conditions shaped, if not compelled, an orientation toward particular problems—and thus reforms.

We follow this in section three with new empirical data on Edo’s performance between 2009 and 2012 to foreground two questions: how did pre-existing conditions—structures, forces, circumstances, and so on—impact on the institutional choices available to the new administration, and what kinds of institutional modalities and political pacting were required and made possible by pursuing reforms in a particular institutional arena? Section four steps back to reflect on how agencies like the World Bank could, and indeed have begun to, engage more authentically with the political economy of reform.

1. The Ordering of Power in a Petro-State

Nigeria customarily features as a showcase of the catastrophic failures of oil-led national development (Collier 2007). Although annual economic growth appears to have averaged 7–8 percent in the past decade, the stark reality is that poverty rates remain chronically high at more than 60 percent of the population, much higher than in neighboring countries like Niger and Benin.³ Although estimated rates of both economic growth and poverty since 2010 have recently been revised downward, there remain glaring contrasts between rural and urban areas (where growth in wealth is concentrated in the southwest part of the country, particularly the Lagos agglomeration), and the economic divide between North and South appears to be even starker than earlier estimates suggested (World Bank 2014, 18–20). As parsed in one International Monetary Fund (IMF) report, Nigeria’s oil revenues have “not significantly added to the standard of living of the average Nigerian” (Sala-i-Martin and Subramanian 2003, 4). Inevitably these failures and seemingly intractable structural impediments cast a long shadow over any optimistic assessments of Nigeria’s short-term future.

State capture of large oil revenues is largely seen to be responsible for Nigeria’s litany of development failures, its currently precarious political dynamics, and by implication, its existing portfolio of available policy choices. The Dutch Disease, revenue volatility, and poor fiscal management have produced a well-catalogued list of endemic state deficits and dysfunctions. Many forms of public authority are seen to be illegitimate and/or unjust and also display features that erode effective forms of fiscal accountability, bureaucratic competence,

state regulation, and service delivery (Lewis 2011; Adebani and Obadare 2010; Humphreys, Sachs, and Stiglitz 2007, 265). Massive government outlays on campaigns to rebrand the country’s image have not dented the pervasively bleak predictions about Nigeria’s future.

As oil production became an indelible part of the country’s political, economic, and social fabric, oil revenues severed public taxation from state revenue and fed what Slater (2010) in another setting calls a “provisioning pact,” in which the rapid centralization of power around ferocious battles over oil revenues drove societal fragmentation, splintering, and dispersion in what had always been a fractious and competitive multi-ethnic federal system. In the wake of the return to civilian rule in 1999 after nearly two decades of military government, ethnic, religious, and political violence escalated, as Nigeria succumbed to two home-grown insurgencies: one draped in the language of resource control emerging from the oilfields of the Niger Delta, the other (still in train) speaking of true Islam and the restoration of the Caliphate. Thus Nigeria became a poster child of the “fragile and conflicted state,” condemned to embark on a “post-conflict transition.”

A declensionist narrative of this sort is, of course, a quite familiar Nigerian story (Okonta 2008; Smith 2007). The varied terms used to describe Nigeria’s political architecture—predatory rule, “spoils politics,” prebendalism,⁴ felonious systems, etc.—almost always refer back to the vast neo-patrimonial edifice of a rentier state in which political networks are deeply intertwined with public office to provide vast opportunities for illicit gain (Oliveira 2007; Joseph

3 We are aware that in the wake of the “rebasings” of the Nigeria national accounts data, there is a debate over numbers, poverty rates, human development trends, and so on (see World Bank 2014). The fact remains that unemployment is massively underestimated, while the aggregate picture of income and human development indices of poverty during the period of oil-led development has been disastrous. The total poverty headcount rose from 27.2 percent in 1980 to 65.6 percent in 1996, and recent figures from the Central Bank of Nigeria (CBN) show that between 1980 and 2000, the share of the population subsisting on less than US\$1 per day grew from 36 percent to more than 70 percent (from 19 million to a staggering 90 million people). In half of Nigeria’s 36 states, the estimated poverty headcount (and indices of multi-dimensional poverty) increased between 2004 and 2010; in some northern states, the figure is close to 80 percent.

4 This term refers to political systems in which elected officials and other government workers believe they have a right to use government resources to directly benefit their supporters.

1987). The construction of Nigeria's elite cartel—perhaps the most durable feature of the country's state building in the petroleum era—is the product of an exclusionary political settlement that, though opting for redistribution rather than growth (Ajakaiye, Collier, and Expo 2011, 245, 249), limited most gains to a narrow stratum of notables from specific regions and social classes. The logic of the political order entails buying off powerful groups and individuals (co-optation); permitting some benefits to trickle down to purchase consent and legitimacy; and building powerful “despotic apparatuses” (Mann 1986) to ensure compliance (coercion) (Humphreys, Sachs, and Stiglitz 2007, 264).

INSTITUTIONAL ASYMMETRY: THE EXAMPLE OF THE NIGER DELTA

In Nigeria as elsewhere, exclusionary political settlements and extractive institutions are associated with high levels of violence and political conflict. The Niger Delta is a particularly condensed and explosive concatenation of subnational “pacting” founded on patronage, socio-spatial fragmentation, state dysfunction, and the rise of a raft of non-state armed groups (Watts 2005, 2012; Obi and Rustaad 2011). Yet as noted earlier, the inventory of institutional failures should not obscure the achievements of the 2009 amnesty and subsequent restorative events; in other words, the operations of the provisioning pact in one of the country's most contentious regions exhibited capabilities that, though volatile, unstable, and limited, have nonetheless conferred a sort of political durability. The state *has* been informalized for specified purposes, vested with certain capabilities and made “functional” (networks, pacts, coalitions) in particular ways. Put another way, its institutional capabilities are asymmetric. Clearly the state does *not* have the capacity required for fully representational politics that would enable it to promote economically productive or socially equitable investments or to deliver public goods, such as justice, security, services, livelihoods, effectively and democratically. Nevertheless, the state has grown the capacity to extend security and

control through both public and private institutions, to co-opt elites while redirecting and placating popular discontent, to secure oil installations and infrastructure, and to provide the political foundation needed for the system to reproduce itself and withstand shocks.

THE LIMITS OF THE RESOURCE CURSE ANALYSIS

There is a grave danger of seeing Nigeria exclusively through the monochromatic and often deterministic lens of the resource curse. Revenue management, the boom and bust cycle, and countercyclical interventions have certainly challenged the Nigerian government. While the politics of oil analysis are prone to conclusions drawn in the aggregate (Ross 2012; Sala-i-Martin and Subramanian 2003), they are also reductive, where agency is reduced to the “survival of the fittest” and “big man/godfather rule” or crowded out by the heavy structural hand of oil's political economy (Collier 2007). Yet, this model does not explain the institutional asymmetry, in other words, why some institutions perform better than others and why some pockets of institutional competence and efficacy exist but not others. This resource curse model also does not describe the conditions under which elites will invest trust, loyalties, and resources to create these patterns. In a capacious and complex multi-ethnic federal system held together by a contentious system of revenue allocation to federal, state, and local levels, it is inevitable that a resource curse analysis covers over all manner of *subnational* institutional variation and markedly different forms of state capability.⁵

We underpin our account of contemporary events in Edo State not with a political economy condemned by the institutional traps of the resource curse, but rather from the viewpoint of Nigeria's petro-state as a political settlement through which there is a particular ordering of power (Slater 2010) that is dynamic over space and time. This ordering is certainly at odds with the admittedly authoritarian but ultimately developmental state-building protection pacts that feature in Slater's account of

5 Ajakaiye, Collier, and Expo (2011, 254–6) do acknowledge subnational variation and provide vignettes to contrast the key elements of fiscal governance in Cross Rivers and Akwa Ibom, two oil-producing states in the delta region, and Kano and Lagos, both major city states in Nigeria, over the 1970–2003 period. Their purpose is to show how in some cases, decision makers deviated from national patterns, where others reproduced practices that characterized the entire society. Our modest next step in this paper is to cast some light on why and how deviation occurred in the Edo case. For a more general view on such subnational and comparative capabilities within and between oil states, see Heilbrunn (2014).

postcolonial Southeast Asia. In Nigeria, a viable protection pact was undercut by the state capture of oil revenues, which instead produced a provisioning pact that, though exclusionary, obviated the need for elites to invest in forms of public authority that would garner legitimacy by delivering public goods. If the Biafran war posed an “endemic” political threat that might have pushed elites to forge a protection pact, the ascendancy of abundant oil rents redirected political contest toward the design of a patrimonial-distributive system through which oil wealth was to be disseminated. This contentious and corrupt distribution system (labeled “fiscal federalism”) became the principle and enduring site of elite contest (Watts 2014).

Nigeria’s provisioning system redirected political competition toward the subnational level, toward the fragmenting forms of public authority—secular, religious, chiefly, and so on. If these forces competed for near-term spoils and were unstable and always uncertain about their ability to contain the politics of dissent (the “crises of authority”) or conflict

(the conditions of “ungovernability”), they were nevertheless *in toto* durable because of the twin capabilities of centrally governed coercion (national police and military power) and patrimonialism (through fiscal federal arrangements).

Uneven capabilities are not best explained merely as artifacts of “low capacity” or insufficient commitment by policy makers. Nor are episodes of capability and efficacy merely the product of heroic leaders or serendipity. Rather, it is more useful to see asymmetries as the product of dynamic interaction between political settlements and the institutional arenas through which economic and political elites meet, compete, and/or make durable agreements. It follows that even within so-called dysfunctional states, there are pockets of effectiveness amid state deficits (see Leonard 2008; Roll 2011, 2011a). The conditions of possibility for moving beyond the “persistent failure” of “capability traps” (Pritchett, Woolcock, and Andrews 2012) reside even in the inhospitable climes of political conflict and natural resource dependency.

2. Edo State in the Nigerian Federal System

Although not a major oil-producing state comparable to Bayelsa or Rivers, Edo State (see map 1) nevertheless was affected by the system of fiscal federalism, the contentious politics, and the violent insurgencies that took shape after the return to civilian rule in 1999. Edo is the product of the division of the former Midwestern State (renamed Bendel State in 1976) into two states in 1991. Edo retained the capital city of Benin and most of the physical and administrative infrastructure, but it lost substantial oil-producing territory to its neighbor, Delta State. Historically, Edo's close association with the dominant political factions in western Nigeria socialized the Edo people into the culture of oppositional politics, and this relationship has historically made it possible for politicians and so-called political "godfathers" to draw support from the dominant political machine in the southwest without incurring the wrath of Edo nationalists (Ukoha 2014). Relatively high levels of

education and patterns of class and demography were more than incidental to the rise and election of Comrade Adams Oshiomhole, a charismatic and well-connected populist and trade union leader, in 2008. With a population of approximately 3.5 million people—close to the average population of a typical Nigerian state—Edo is part of the South-South regional zone of Nigeria (otherwise known as the Niger Delta region).

Historically, Edo had been one of the best performing states in the country. The poverty rate, for instance, is approximately 20 percent lower than the national average (table 1), the product of the mass free education of the Action Group Government of the (prior) Western Region. Favored with well-qualified human resources, it also was a beneficiary of oil resources after the Nigeria-Biafra civil war, 1967–1970 (from which it did not directly suffer). Various state gov-

Map 1. Edo State in the Nigerian Federation



ernments, notably the long-serving governments of Dr. Samuel Ogbemudia and Professor Ambrose Alli, were credited with pioneering several initiatives in the areas of human capital and infrastructure development. These pioneer administrations became the reference points—in effect the source of a “golden age” narrative—for judging the performance of successive governments (Ukoha 2014). Any occupant of the Benin Government House was therefore likely to confront the litmus test of high public expectations.

The ability of Chief John Oyegun, the first elected governor of Edo, to meet these high expectations was not tested, due to the return of military rule in 1993. Inevitably, the reference point for Chief Lucky Igbinedion, elected governor in 1999 after the return to civilian rule, remained the aforementioned golden age of Ogbemudia and Alli. By the time he departed in 2007, Igbinedion had failed, and the allegations of corruption leveled against him contributed to the protest vote against the ruling People’s Democratic Party (PDP) that catapulted Adams Oshiomhole into

power. On this landscape, any governor would need to confront not just popular opinion but also the much-heralded performance of his predecessors, who governed a larger and better-resourced state, if Edo was not going to be dwarfed by its oil-rich neighbor, Delta State.

Governor Oshiomhole assumed office in November 2008 following a successful court appeal to retrieve the mandate given to him by the people of Edo. Eighteen months earlier, the Independent National Electoral Commission indicated that the PDP’s Oserhiemen Osunbor had won. Following protracted hearings, the Court of Appeal found in Oshiomhole’s favor. Oshiomhole’s legal challenge was endorsed by a constellation of powerful social forces buttressed by a variety of interest groups. His social class base—workers, peasants, small-scale traders, unionists, and sections of the middle and technical classes—carved out a reform space capable of serving a range of purposes and constituencies. Arguably the most popular president of the Nigeria Labor Congress

Table 1. Edo State and Nigeria: Key Indicators

INDICATORS	EDO	NIGERIA
Population	3,463,629	151,300,000
Per capita in US \$	327.62	1,156.82
Population using improved water source (%)	60.7	49.1
Unemployment rate (%)	12.2	14.7
Life expectancy at birth (years)	47	50
Net primary school enrolment (%)	96.9	61
Adult literacy (%)	76.2	64.2
Incidence of poverty	33.1	54.4
Human development index	0.481	0.513
Inequality (measured by Gini index)	0.4585	0.4882

Source: World Bank staff calculations based on National Bureau of Statistics figures.

(NLC), Oshiomhole’s victory at Edo’s 2007 gubernatorial elections reflected his charisma, national visibility, and leadership and unionist skills, but it was also an unequivocal vote against the perceived poor governance in the state under PDP rule. If Oshiomhole rode a wave of popular support into state office, at the same time he confronted wider problems

affecting the entire country, including the pressing and urgent legacy of two decades of deepening conflict in the oilfields and the high expectations of 26,000 militants, surrendering their weapons and moving from the creeks into the urban areas of states like Edo to escape their troubled pasts.

3. The Edo Reforms: The Dialectics of Power, Institutions, and Reform

Movement within our cities and across the State will be progressively made less hazardous through the provision and maintenance of good road networks. [...] We will accelerate the installation of enduring infrastructure which will support rapid industrialization of our State and provide massive employment opportunities.

—Edo State Governor Adams Oshiomhole,
November 2008 inauguration speech

Upon his election, Oshiomhole embarked on and implemented an ambitious, highly successful statewide program of road construction and repair in Edo. Why might a newly elected governor, inheriting a particular set of political legacies and challenges in a volatile and contested oil-producing region, bet his immediate and longer-term prospects on an unprecedented road construction program?⁶ In our view, it is worth reflecting on what we will call the “institutional political economy” of roads in the Edo case. Understanding why executive priority was granted to this sector and not others will help to explain how the fiscal, political, and technical capabilities were created to pursue this priority and assets were delivered such that Oshiomhole was able to gain resounding support for his second mandate through the polls in 2012.

Before and after the 2009 amnesty, there was no shortage of far-reaching commitments by federal and state governments, donors, and civil society organizations to “break with the past” and deliver something qualitatively new across a wide range of policy priorities. Frenetic signaling by political elites on health, education, agriculture and food security, youth employment, good governance, urban crime and security, and infrastructure priorities was also promoted by vibrant public media and projected

back on political aspirants as “public expectations.” Oshiomhole’s inaugural speech paid due homage to these pent-up demands and expectations, but it was clear to the governor and his executive team that not all options had equal political merit with the public or the business or donor communities, nor did each carry the same institutional possibility (potential) of being implemented. In other words, the politico-institutional space of reform opportunity, the amount of potential resistance and support, the level of technical competence, and so on were complex and uneven. Reform would demand considerable powers of navigation, alliance and coalition building, and improvisation, as well as a subtle reordering of authority.

Other kinds of signaling paid significant dividends, too. A promise to enact a new law on public procurement, benchmarked to Organisation for Economic Co-operation and Development (OECD) standards, along with commitments to transparency and public access of information, indicated to donors that the governor shared their views. This signaling delivered two immediate fiscal prizes, each carrying considerable political credibility and popular legitimacy. First, the World Bank approved budget support valued at US\$225 million; thus Edo, along with Lagos, would be one of only two states in Nigeria to receive Bank payments directly into the state’s budget. Equally important would be the Bank’s branding of Edo as a “high-performing reform state,” enabling it to garner credibility with the public at large and with subscribers to a NGN 25 billion bond successfully floated in 2010. As mentioned, the governor’s team was able to secure World Bank funding for a large share of road construction spending by declaring its commitment to enact a modern procurement law and to make information on contracts publicly available as the beginning of institutional reforms under a programmatic series of Development Policy Loans. The attention to

⁶ A lively scholarly literature is debating the impact of infrastructure spending on political competition and conflict (see the review by Voth and Voigtlander 2014).

institution building under the first of the Edo budget support operations demonstrated the Bank’s backing as well as its desire to see institutional mechanisms strengthened so that progress could become less dependent on personalities.

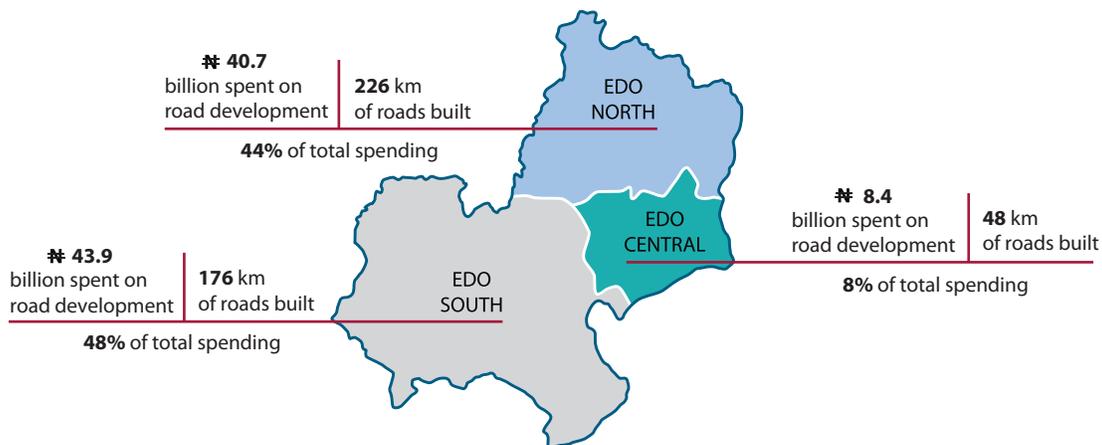
Although all of this yielded resources that the governor and his team would effectively harness, it was abundantly clear that local legitimacy (and thus, both regime stability in the short term and a positive result in the 2012 elections) hinged on actually delivering on commitments made during the fiercely fought 2008 electoral campaign. Here the governor delivered in an unequivocally effective and dramatic way. A public commentator, assessing Oshiomhole’s performance in 2012, noted that the “tales of woe” of Oshiomhole’s predecessors had been replaced by a “success story... felt in all parts of the state, from Benin City the state capital to Ososo in Akoko Edo; from Uromi in Esan North-East to Ozalla in Owa West the report is the same: Oshiomhole is working. The governor’s magic wand is seen across the 18 local government areas in the three senatorial districts.”⁷

EXPLOITING OPPORTUNITIES: THE BENEFITS OF ROAD CONSTRUCTION

Compared to implementing time-consuming and complex reforms of social services or creating job-friendly economic growth, road projects in particular offer a way to concentrate available resources into relatively few clientage relationships (Tilly 2005) that visibly and directly connect the highest office with on-the-ground results. Spending on roads (and associated drains, pathways, lighting, etc.) is a high-profile, relatively quick way to deliver political assets that can appeal to a range of constituencies, generating jobs, facilitating commercial activity and private sector investment, promoting access to markets and services, and bringing order and tidiness to urban environments.

Oshiomhole moved quickly to assemble and deploy impressive fiscal, political, and technical capabilities. The first of two batches of road construction contracts was commissioned in December 2009, amounting to 43 percent of the total outlays on roads up to 2013 (the second batch occurred in October 2011, ahead of the 2012 elections). In the first term in office, 43 contracts were issued for more than 450 kilometers of roads, totaling NGN 108.8 billion (see map 2).⁸

Map 2. Regional Distribution of Road Spending



Source: Data & Design, Reboot.org

7 See Peter Okhiria, “Why Edo People Want Oshiomhole to Return in 2012,” *The Nation* (Lagos), November 19, 2011, http://issuu.com/thenation/docs/november_19__2011.

8 This section draws heavily for data and conclusions on Porter et al. (2015). This work—referred to locally as the “fiscal ethnography” study—followed a series of workshops involving officials from the governor’s Economic and Strategy Team (EST), key state ministries, departments and agencies, and Edo civil society groups. It was conducted during 2013 and was the focus of consultations with state authorities and within the World Bank in 2014. The study team included 13 members drawn from the Niger Delta Social Accountability (NDSA) project (World Bank funded, with DfID support), officials and consultants from Edo State agencies, and members of the Edo State Conference on NGOs (CONGO) and the Niger Delta Citizens and Budget Platform (NDCBP).

By end-2013, 85 percent had been completed, and independent engineering tests concluded that the quality of the roads was adequate or above par. The contrast with the previous administration of Governor Lucky Igbinedion was stark, a time when allocations for the entire transport sector ranged from NGN 4.4 billion in 2005 to NGN 7.1 billion in the election year of 2008. Oshiomhole's administration more than doubled this outlay in 2009; spending on road construction then climbed to NGN 16.2 billion in 2012 and increased from 14 to 20 percent of total spending between 2008 and 2012.

A key point we hope to convey is that the fiscal, political, and technical capabilities needed to turn these contractual liabilities into political gain were not readily at hand in 2009. They required the deft crafting of elite pacts and specific institutional modalities to raise resources, attract trust and loyalties, and project authority across multiple deconcentrated sites of investment activity. Moreover, the governor's networking efforts with traditional authorities, private financiers and banks, contractors, and business actors delivered additional legitimacy, fiscal flexibility, and talent. This type of strategy clearly demonstrates the premise that if a talented leader is to be pivotally important, he or she is likely to be embedded in networks of social, economic, and political power in which others are enrolled and through which rents and revenues are mobilized and projected (Whitfield and Therkildsen 2011; Andrews 2013; Craig and Porter 2014). In what follows we provide an abridged account of a highly problem-focused and adaptive set of institutional modalities that were conditioned by, and in turn conditioned, the political economy.

The fiscal environment was highly uncertain and appeared to offer little room to maneuver. Edo's capital spending, as in other Nigerian states, depends on federal transfers for around 90 percent of revenue, and 70 percent of the balance, internally generated revenue (IGR), depends on local taxation. Edo's revenue forecasts over this period were routinely twice the actual receipts. The administration had no ability to influence the volume of transfers, but Oshiomhole nonetheless dramatically increased IGR—in real terms—by an average of 20 percent each year between 2008 and 2012. A staggering 72 percent increase in IGR to NGN 8.22 billion was achieved in 2009 through an adroit mix of political strategy and networking. Working class support was garnered by beginning

with statutory personal income taxes—contributed primarily by civil servants on whom the governor was not critically dependent—as well as deals with high-income taxpayers and Benin City businesses. Both constituencies found appeal in the way the governor personalized his commitments right from the start. He maintained an exhausting schedule of visits to road project sites accompanied by TV cameras that would project him, often with hammer in hand, remonstrating with contractors against a backdrop of strategically placed billboards declaring “Your taxes at work!” Such political optics were used to leverage new property and consumption taxes, as evident delivery on roads both weakened the capacity of the privileged classes to resist the taxes and proved attractive to business and finance houses.

Although Oshiomhole was not immediately constrained by dependence on political “godfathers” or confronted by serious political challenges, the larger political context here was one of internal struggles within the elite pact and most especially within the nationally ruling PDP party. Frictions between key PDP leaders in Abuja, most dramatically the face-off between President Olusegun Obasanjo and former Minister of Works and Housing Anthony Akhaxon Anenih over the chairmanship of the PDP Board of Trustees, provided the political space and autonomy Oshiomhole needed, as neither proved capable of marshaling forces against him after the 2008 inauguration. Crucial too was Oshiomhole's decision to forge an alliance with Edo's preeminent traditional ruler. The Oba of Benin, reportedly incensed that the major PDP power brokers in the state, notably Anenih and Chief Gabriel Igbinedion, the Esama of Benin, did not accord him due respect and courtesies, joined hands with Governor Oshiomhole and declared that he had adopted him as a grandson. Legitimated by the substantial cultural and social capital of the Oba (half of the Edo population belongs to his sphere of influence), Oshiomhole possessed a powerful vehicle for enrolling support for his administration and reform initiatives (Ukoha 2014).

A substantial tranche of political capacity was matched with technocratic expertise through parallel strategies by Oshiomhole to minimize the risk that the civil service would sabotage his plans. Although his commissioners—heads of agencies—were handpicked, below this level, he inherited civil service functionaries whose loyalties were uncertain, reflecting long PDP incumbency in the state. Moreover, the civil service's principal

modus operandi of using public office to delay, play gatekeeper, and extract rents posed major risks to the new governor's project. It was known to be incapable of attracting top people, rewarding good performance, or credibly justifying actions at odds with the governor's agenda.

APPLYING PRAGMATIC (IF UNCONVENTIONAL) MEASURES

Quite swiftly, four kinds of political and technical capacity were put in place. Given the focus on delivery and the institutional landscape that the governor and his team had inherited, the nature and quality of this capacity did not always coincide with best practice principles. First, although functioning *de facto* prior to the elections, in March 2009, the governor announced the formal formation of an Economic and Strategy Team, the EST, which became a textbook case of what Jessop (2008) refers to as state powers inscribed in "institutional ensembles." The EST's political and technical capabilities would provide the administration with an institutional ensemble, or group of cadres, that gave it the capacity to "grasp" (i.e., mobilize resources) and "reach" (i.e., exercise control over contracting, payments, and so on at multiple sites) and therefore deliver specific institutional outcomes. The EST exemplified, in short, the operations of infrastructural power (Mann 1988). By bringing political and technical modalities and capabilities to bear in supervising every aspect of planning, contracting, procurement, payments, and so on, the EST simultaneously mobilized resources while extending territorial delivery to key constituencies across the state. To play this role, the EST necessarily included not just technical experts but also individuals networked politically into key constituencies, including private sector finance. The chairman of the EST, Godwin Obaseki, is exemplar. A successful investment banker who has played a leading role in Nigeria's capital market, Obaseki also served on national initiatives at pension reform and knew how the public service sector worked. The EST also included the influential chairman of the Board of Internal Revenue, the Commissioners of Finance and of Budget and Economic Planning, and several other members with private sector experience and networks. Perhaps taking a cue from his Action Congress of Nigeria (ACN) compatriot in Lagos State, Oshiomhole empowered his team by creating an authorizing environment that encouraged freedom to operate and shielded the participants from corrosive political influences.

Second, as discussed above, it was necessary to "reach around" the civil service. Road building is transaction intense; it requires centrally concentrated capabilities that can be reliably deployed at multiple sites. Here lies the classic challenge of bureaucratic reforms: typically they can be instituted at the top end by fusing political and executive power, but they are especially difficult to superintend across multiple, widely dispersed sites of action. The administration's ability to reach from the EST to the project sites was made possible by several initiatives. Hand-picked Special Advisors (SAs) and Senior Special Assistants (SSAs) were placed in all strategically and politically important agencies. These individuals, technically proficient but also connected back to private sector networks, were made responsible for advising, but this function linked their expertise to the "shadow of the governor" in every agency in which they were deployed. For example, at the Ministry of Works, which is responsible for capital budget execution, an SSA checked on the progress of project revisions or certificates of progress and reported directly to the governor and the EST. Additionally, although Edo under Oshiomhole is not alone in this practice, the regime retained private sector engineering outfits as project consultants to a greater degree than in other states. Formally, these consultants were recruited to augment line ministry functions, but in practice they often displaced these functions. They could provide the EST with a direct source of intelligence, with lower entry and exit costs than are possible with more unwieldy civil service systems.

Third, it is significant that five large contractors accounted for 83 percent of all road construction. Contracts awarded to one of these, along with its subsidiaries, amounted to 49 percent of the total value of all state road contracts. This naturally exposed the governor to allegations of favoritism and collusion, but it is important to understand the political and institutional assemblage these figures represented. The EST perceived the reputational risks to be outweighed by the fact that the five contractors had both financial depth and the links to local banks that were needed to absorb the impact of the state's uncertain cash flows. In other words, they could allow the inevitable arrears in state government payments to accumulate without interruptions in implementation.

Fourth, Banks are important players in any construction business, but in this case they assumed a special prominence. As holders of government

accounts and guarantors of contracts, banks provide financial services to both the government and its contractors. To be sure, these were lucrative arrangements, but they alleviated cash flow problems on both sides and, as a member of the EST noted, “any bank that was willing to take the risk was welcome to invest in Edo but there weren’t that many.”⁹ Banks would quantify risk in their contractual arrangements and issue advance payment guarantees (APGs) based on their risk assessments. Such mechanisms created an informal and creative network of accountability between banks and contractors. By backing both parties, banks could lower their risk assessments, which increased profits but also created an enabling environment for uninterrupted project execution. Here, “signaling” was important. Risk assessments relied less on the formal record of a contractor’s financial and technical capacities and more on informal norms, the principal’s reputation, future expectations, and other information to reduce transaction costs. The Oshiomhole administration’s history of honoring contracts and its assurances of increased future capital spending encouraged banks to spread their risk over a number of contracts.

These tactics networked external political and commercial power into the administration at the same time as the executive “fused” the powers of policy making (politics) and bureaucracy (execution). The EST was not simply populated by loyal technocrats but also reflected a specific political settlement between political and commercial elites in order for technocratic expertise to yield fruit. Like many reform efforts in Nigeria, the EST and the embedding of handpicked advisors within the civil service were and remain an illustration of an institutional “hybrid” that introduces new skills and performance incentives from the private sector into the public sector setting. It was simultaneously necessary to craft what we call operational “modalities” that could consolidate these political agreements inside and around the executive while promoting efficiency in the face of high risks and uncertainties. At the same time, the institutional modalities used to deliver the services

were sometimes unorthodox and ran counter to modern public finance management best practice principles. For example, they included agreements that provided generous mobilization advances—sometimes up to 43 percent of the total value of contracts—and allowed contractors to “design as you go” and adapt their work to environmental and social conditions. The menu of methods included frequent revisions to contracts to allow for modifications to budgets at several stages and for new projects to be inserted into existing contracts so as to reward high-performing contractors and avoid transaction-intensive rebidding processes. The latitude given and the premium placed on trust were further reinforced by arrangements that enabled contractors to directly negotiate “social settlements” along the route of road construction, thus reducing delays, as savvy local figures—custom leaders, retired officials, youth leaders, and residents—negotiated compensation and passage rights with the executive.

The risks of similar contests between contractors and certifying engineers typically oriented toward rent seeking were mitigated by displacing the conventional triangle of accountability between the client, the supervising engineer, and the contractor. Direct lines of accountability between the client and contractor were encouraged by arrangements that made engineers dependent on the contractor for the transfer of their fees, while at the same time, the norms of trust and loyalty between the client and contractor were backed by the personalized supervision of the government and the EST. By a mix of allowing arrears to periodically accumulate (sometimes up to six months after the milestone had been certified) and issuing contract variations, high mobilization advances, and variable progress payments, the administration set aside conventional norms and crafted an unorthodox system of reward and sanction. Although in many contexts, such arrangements serve personal gain rather than the public good, in the case of Edo, they proved central to the story of successful delivery.

⁹ Edo State official, personal communication with second author, June 18, 2014.

4. The World Bank and Engaging the Political Economy of Reform

Mid-way through the process of research and dialogue that yielded the account summarized above, at a seminar convened in Abuja by the World Bank in 2012 a senior figure in Nigerian academics and politics remarked that “the World Bank is irrelevant.” The Bank participants found intriguing the fact that his comment did not reflect hostility to the Bank on ideological or political grounds—quite the reverse. Rather, his point was that the Bank needed to provide more than astute analyses of the Nigerian political economy, and that as important would be the complementary talents and resources, instruments, and ways of working that would ensure that better appreciation of *real politik* was reflected in how Bank interventions were designed and implemented.

These remarks accorded directly with the Bank’s growing realization about its relationship with Edo State, an issue to which we now turn. They also pointed to the critical reflection exercise under way within the Bank’s Nigeria country team, as well as to the ongoing Bank-wide corporate reform process, which was in part informed by introspection—as noted in the introduction—within the global “community of practice” associated with governance and institutional reform. Following on the heels of the 2011 WDR, which had challenged the Bank to overcome its risk-averse corporate culture, to take seriously issues of conflict, security, and justice, and to embrace innovation (World Bank 2011), new senior management in Nigeria provided an authorizing environment to break with tradition and develop new instruments for and approaches to engaging with clients. This was not simply belated recognition of the obvious and the growing prominence of conflict, security, and governance issues nationwide, but more a reflection of how donor agencies—including the World Bank—had been complicit in what can only be called mediocre development outcomes in Nigeria, in part because of a reluctance to deepen

the discussion on how politics, institutions, and conflict affect the Bank’s business.

RETHINKING HOW THE BANK DOES BUSINESS

It was obvious that the implications went far beyond the decades’ long mantra to “take context seriously.” Rather, the Bank would have to face a complex set of challenges in order to be a useful partner to reform-minded Nigerians. Clearly, it needed to set aside, as the chosen entry point, normative prejudices about the “preferred model of the form government should take” (Andrews 2013) for several reasons. First, this lens would only reproduce the wide array of institutional deficits and dysfunctions already enumerated by conventional governance indices¹⁰ and thus continue to miss how “already existing governance” arrangements were mobilizing and deploying institutional capabilities in inventive and effective ways. This fact had been starkly illustrated in the Edo case by a *Public Expenditure Management and Financial Accountability Review* (PEMFAR) conducted just as Oshiomhole came to office (World Bank 2010). Contrary to the dynamic and adaptive reforming of institutions documented by the “fiscal ethnography” (the local term for the analytic work on Edo’s roads expenditure, summarized in the previous section, that animated a series of workshops involving World Bank and Edo State officials in 2013–14), the PEMFAR painted a picture of an Edo state administration mired in a “capability trap” (Andrews, Pritchett, and Woolcock 2012) and seriously deficient in each of the core capabilities needed to competently run fiscal affairs: the ability to mobilize revenues, match spending to policy priorities, and respond to the public interest in how resources are spent.

Second, the lists of “deficits and dysfunctions” yielded by these kinds of conventional public sector governance and public finance reviews generally

¹⁰ Virtually all major governance indicators/indexes, including the Mo Ibrahim Index, World Governance Indicators, Corruption Perceptions Index, Global Integrity Indicators, and Open Budget Index, rank Nigeria very poorly.

make it difficult to promote a constructive dialogue. Rather, they tend to produce lengthy, pro forma recommendations that lack any sense of sequencing, comparative marginal returns, risks, or degrees of alignment with political incentives. One consequence is that they reproduce what are derisively known in the development industry as “Christmas Tree” projects that are then implemented under a box-ticking modality in which the incentives to “move the money” override a serious review of the fact that the projects are seldom “fit for context” or actually deliver results (see Grindle 2007, 2011; World Bank 2011). Most importantly, however, they make it difficult to build lasting relationships with reform-minded leaders—emerging, in particular, in state governments—because their perceived moralizing and sometimes long records of failure and inadequacy tend to corrode the trust needed for productive engagements.

It may be the case that in the fiscal ethnography, the Edo State executive found appealing the Bank team’s commitment to examining how institutions actually function rather than simply measuring their departures from OECD conventions and norms (as has often been with case with other performance reviews). Indeed, one key positive product of this process was an improved level of trust between the Bank and the Oshiomhole administration, particularly given that the Bank was originally perceived by the trade union leader turned governor as a hostile external actor. In October 2013, immediately following the governor’s day-long briefing on the fiscal ethnography team’s findings and proposals, he addressed a crowded auditorium gathered to launch an Open Data Portal.¹¹ At the end of his address, Governor Oshiomhole set aside his notes and unexpectedly remarked, “I want to say something about the help we’ve had from the World Bank.” He reminded people of his earlier life as a civil society activist and union leader and his leading role in protests around the Bank’s 50th anniversary, and also how he had met with the World Bank president at the Bank’s headquarters in Washington, DC. Before presenting his protest, he had to go through metal detectors, have his bags scanned, have his photo taken, receive a visitor’s badge, and be escorted through the office complex. “I told the World Bank president that there was no point in clearing out our

pockets of knives, because the sharpest weapon we have against the World Bank is our anger about the global injustice and poverty that these international financial agencies were part of.” As the chuckles died down, the governor then remarked, “But I’ve learned something about the World Bank: if we’re serious, and if we know what we want and are clear about this...then there are people in the World Bank who will come and listen. And they’ll think about what you say and what you’re doing, and they’ll offer the very best advice that you can get anywhere. I would like to say that I have changed my opinion and I am glad to have met them.”

While these sentiments had an immediate impact on the Bank’s relationship with the Edo State executive, the governor’s remarks perhaps also reflected an acute reading of the Bank and its internal political dynamics. This is to say that the process involved in the Edo fiscal ethnography was not a typical example of how the Bank engages with its clients. In the Edo case, it had deployed an experienced team to work with state officials *in situ* over several months, augmented by senior Nigerian and expatriate experts on-call, without preconceived agendas or lending imperatives. This approach was made possible by the Niger Delta Social Accountability program (NDSA), which was supported by an unusually flexible funding source drawn from a Bank-managed trust fund to complement existing Bank projects and, more explicitly, to help tailor them to the political circumstances of the Delta region states under the broad rubric of transparency, accountability, and participation.

Despite the positive relations between the Edo executive and the Bank team, as well as the authorizing environment created by the Bank’s country director, initial feedback within the Bank on the fiscal ethnography work showed the challenge for a large international organization in balancing the precepts of long-term institutional reform with quick delivery. Also challenging was the need to build a consensus across what were at times quite deep doctrinal cleavages. On the one hand, some teams felt that the insufficient understanding of how context and institutional change interact in Edo highlighted by the fiscal ethnography work could usefully be leveraged by other Bank-supported

11 See the account of the Portal at <http://reboot.org/case-studies/open-data-for-public-service-delivery-nigeria/>.

programs. However, it was also felt that there were organizational risks to documenting deviations from international best practices and that the Bank should distance itself from them.

ADAPTING ENGAGEMENTS TO THE LOCAL REALITY

This internal discussion mirrored a growing debate in academic and development circles on how to move past policy signaling to the implementation of good practice in settings with uneven capabilities (Porter et al. 2012; Andrews 2013; Seligmann 2015). The discussion also reiterated what many others have demonstrated, namely, that the World Bank is in fact a heterogeneous institution and, much like Edo, that it comprises a dynamic set of political settlements that are continually being renegotiated as it evolves and adapts to find more effective ways to represent and support its diverse owners and clients. In these discussions, contestation can be strong and the power of agency and agreements is critical. In such instances, leadership and the authorizing environment provided by senior management are essential in order to override dominant incentives that prefer singular, risk-free, and hands-off approaches where practices deviate from international norms. In the same way that a political space had to be created, navigated, and legitimated in Edo, a quite similar set of processes were required within the Bank.

The country management team felt that the Bank's experience in Edo State should lead to a new set of operating principles for the World Bank in Nigeria. This shift was prompted also by the stream of political economy work carried out under the *Programmatic Approach to Governance*¹² (launched in October 2012) and the intensive debate within the country team itself on that project's implications for the Bank's business mode. Ironically, the key elements of problem-focused, iterative, and adaptive approaches to institutional change (-or PDIA) then being popularized by Matt Andrews with respect to developing country institutional reform (see Andrews 2013) were highlighted in a series of activities running in parallel to the Bank's Edo work that were already seeking to find practical ways to scale up more politically astute and adaptive learning strategies across Bank operations in Nigeria.

Fostering favorable conditions for the work of the Bank's Nigeria country team became the purpose of the *Programmatic Approach to Governance*. Two pieces of analytical work were commissioned from two prominent scholars on Nigeria. The first aimed to acquaint the team with three defining narratives of the Nigerian political economy: (i) ethnic and religious diversity, unresolved and sometimes volatile identity issues, and contentious politics; (ii) the structural forces associated with the petro-state and the provisioning pact; and (iii) democratic struggles, turbulent democracy, and crises of authority (see Lewis and Watts 2015). As had the Edo fiscal ethnography work, the working paper showed how the traditional lens of weak governance and the resource curse had for too long masked a much more complex reality involving strong entrepreneurial forces, pockets of efficacy, and capabilities that do allow, under some conditions, reformist institutional change to occur. At the same time, the paper had an overarching and analytical focus rather than a policy prescription or pointers for Bank programming, and hence it was not intended to provide development practitioners with helpful suggestions on how to build on current capacity and actual practices in order to effectively partner with the country.

The second paper drew on seven case studies by seasoned observers of how institutional reforms occur in Nigeria to examine why and when some reforms move forward while others falter and fail (see Lewis and Watts 2015a). The case studies reaffirmed what had been learned about successful reform in other fragile and conflicted contexts, though with a particular but not exclusive Nigeria angle. For instance, examining the role of "systemic shocks," how leaders respond to various kinds of threats, and the importance of sequencing; establishing credibility early on in the process; delegating to competent technocrats; creating a constituency for reform; and managing potential opponents—all are critical features of the reform process in Nigeria. The paper also demonstrated the more general utility of many of the features of the Edo case, including the combination of a strong commitment from the highest ranking politician along with a well-connected and strong technical team that can work, through hybrid mechanisms within the system, while being protected from political interference.

12 This was a program initiated to help improve the Bank's development effectiveness in Nigeria, through the more politically savvy tailoring of best practice approaches to the diverse local contexts by using "iterative and adaptive approaches" to implementation.

Finally, the case studies also underscored the temporal dimension to, or discontinuous nature of, asymmetric capability—namely, that reforms in Nigeria are reversible and rarely seen as complete or predictable, as reform opponents regain relative strength, leadership transitions occur, and reforms are unbundled and diluted.

These pieces fed a new level of candor in the Bank team’s discussions with Nigerian officials, academics, and activists because they were based on robust case studies and gave voice to and legitimated a set of widely held feelings and beliefs. Open discussion also led Bank staff to critically review whether the Bank was equipped to: (i) respond to complex and diverse contexts through the operations managed through the Bank’s counterpart and shareholder, Nigeria’s Federal Ministry of Finance and Economy and (ii) identify reform opportunities and then support and adapt them as contexts change. An internal note was prepared to push debate farther by reviewing the country and corporate incentives and identifying a number of obstacles—many of them within the Bank’s control—that needed addressing. This reviewed what might be called “positive deviants” in the Bank’s Nigeria portfolio and served to articulate principles of good practice.

A NEW COUNTRY PROGRAM STRATEGY

The country team then set about identifying what it could itself change. Recognizing that many institutional incentive reforms lay out of its reach and were, in any case, being approached as part of the new Bank president’s reform agenda, the team put forth a new set of principles to which it could commit and which, it was felt, were likely to provide a more enabling environment and support for teams wanting to improve their effectiveness and impact. The new *Country Program Strategy* (FY14–17) was presented to the World Bank Board of Directors a few months later, incorporating a number of these “change principles” and arguing that while the Bank is a relatively small player in Nigeria, its effectiveness could be enhanced through: i) deepening engagements at the state level, ii) investing heavily to garner a nuanced understanding of history, political pacting, and priorities, and iii) proactively building networks within Nigeria and with key learning institutions abroad (including groups within the Harvard Kennedy School and Manchester University) to create a continuous body of knowledge on how institutional reforms in Nigeria go forward or fail.

Four new instruments were also developed to translate these principles into practice within the Nigeria program. First was the formation of a *Governance Consultative Group (GCG)*, a group of high-level Nigerian opinion leaders who meet quarterly with World Bank officials on a specific theme and provide a sounding board, allowing Bank teams to hear diverse opinions on past experiences and new proposals. Second was the *Governance, Conflict and Gender Filter*, which is used to screen all new lending and knowledge work to ensure that the conclusions highlighted as critical to effectiveness by the analytical studies noted above are incorporated at the design stage of each project or knowledge piece. Where attention to governance, conflict, or gender is felt to be lacking, support is provided through a trust fund to enable additional analytical work. As a result of this kind of expert analysis, a number of operations have significantly modified their design, content, and implementation arrangements.

The third new instrument is the *Program for Adaptive Learning (PAL)*. Through a series of retrospective case studies as well as adaptive learning processes built into ongoing projects (ranging from urban water supply to education reform, community-driven development approaches, and agriculture), PAL is beginning to produce some systematic “learning by doing” on which institutional reform measures seem to work in Nigeria. It thus draws on the country team’s knowledge of the local political economy and sector issues and provides an opportunity for teams to discuss with clients why and how things did or did not succeed. Feedback from client counterparts is a valuable addition to the Bank’s role. Finally, at the state level, new initiatives to help deepen the Bank’s knowledge of context, including a benchmarking exercise to gauge state performance in service delivery, a third-party monitoring effort, the use of the academic community to provide candid commentary, and a community of practice for states to exchange local know-how on and experiences of successful public financial management reforms and state-level political economy efforts, are all building and improving on the Edo experience.

Although these developments suggest that the Bank can be a more flexible and innovative institution than some outsiders give it credit for, the transformation of the Bank’s Nigeria country program over the past three years remains vulnerable to changes in the very conditions that have fostered the positive features of this period. As others have noted

(e.g., Yanguas and Hulme 2014), leadership and authorization frequently change in the workings of the Bank, and networks of committed staff able to utilize funds largely with discretion also shift quickly, as does the mood of optimism and appetite for change that typically accompanies the early stages of organization-wide reform. Thus, serious questions persist about whether such experiences will ever be scaled up in the World Bank more widely, given the broader disbursement-oriented incentive culture and the underlying political agreement among the

International Development Association (IDA) donors on how the Bank should conduct itself. In Nigeria, it remains to be seen how the Bank engages, post-2015 elections, with a new set of governors, some of whom are also likely, echoing Edo, to exhibit a “highly adaptive, personalized political executive system that selectively signals and appeals to multiple constituencies” to both manage turbulent daily realities and ensure the durability of their political regimes.

5. Conclusions

We offer four sets of conclusions for discussion. First, Edo State's recent institutional and political history runs against the grain of the largely structural and reductive accounts of Nigeria's putative resource curse. At the subnational level, the possibility of new pacting arrangements even within a turbulent, differentiated, and increasingly decentralized federal system offers if not a radical upending of the prevailing order of power, then at the very least the creation of a dynamic and significant reform space. The results in Edo, including the exceptional increases in IGR and capital expenditure and the fact that an unprecedented 85 percent of contracts produced assets at standards equal to or above par, would be significant—indeed an accomplishment—in any context. That such a reform program was created and implemented is a welcome advance from the development and even scholarly approaches that all too often tend to focus on the resource curse and structure out alternative possibilities, or deny them *a priori*. This is not to suggest that these achievements are cast in stone, and in any case, the recent electoral results across other Nigerian states indicate that a notable economic reform record is not necessarily rewarded in the polls—a fact that may undermine the incentive for other state political leaders to invest substantial political energy and capital in groundbreaking reform projects.

The recent history of other reform-oriented governors in Nigeria—and the fickleness of the electorate—might suggest that Edo's "escape from the curse" could be short-lived.¹³ Time will tell. Any analysis of possible scenarios would need to consider the continuing tension between all the underlying dynamics (of oppositional politics, federal-state relations, and national and state elections, among only the near-term influences), how these dynamics play out in elite positioning and pacting, and how the kinds of institutional modalities discussed here might influence the "Edo pacts" and the fields of action available to the elites who form them. Such scenarios

would demand and enrich a wider discussion of how the modalities, crafted *ad hoc* and iteratively, might become "institutionalized" in routine executive and administrative practice, including the possibility that their character could morph and be reconfigured in unexpected ways. We have argued that this issue is not given sufficient attention in the "aid effectiveness" policy literature, which treats institution building largely in management terms and is often preoccupied with the intricacies of externally driven capacity building and the signaling of reform implementation.

Second, there are challenges for institutions like the World Bank in undertaking the kinds of analysis recounted here. There are also challenges in balancing support for reform-minded governments to enable them to deliver on immediate goals through unorthodox arrangements while, at the same time, helping to foster long-term institutional capacity to counter the stop-start nature of reform as, for example, is the case in Nigeria. Analytic work that reveals how institutions actually work can provide useful ways to build mutual trust and respect. As a result, the kind of work of Andrews and his colleagues (see Andrews, Pritchett, and Woolcock 2012) can mitigate the predilection for best practice reform efforts to be routinely applied in ways that both thwart engagement by reform-minded counterparts and that wholly lack the possibility of follow-through.

The point of garnering and utilizing a more thorough understanding of the power structures at the national, state, and local levels is not, however, to divine more inventive ways of introducing global reform conventions to counterparts in contexts like Edo State. Rather, first and foremost, its merit is to remind the practitioner community that reforms translated from elsewhere typically express and project qualities about the relationships between political leaders, the public administration, and citizens that may be at odds with how power is

13 Although the people of Edo State voted overwhelmingly at all levels for Governor Oshiomhole's APC party, the state gubernatorial elections are "off cycle" and he will face reelection next year.

actually ordered in contexts like Edo. For instance, the members of Edo's EST are fully acquainted with the normative merits of institutional arrangements that promote the principles of transparency, competitive contracting, and so on. They also candidly note that unless new practices are embedded within the civil service, their track record could well be rolled back. Yet at the same time, it is apparent that had the Edo team not carefully managed the timing and tailoring of the reforms, and indeed had they not adopted institutional arrangements that were substantially at odds with conventions on how public sector institutions should manage capital spending, they would have risked once again producing only global analogues of "best practice" and reproducing the binding logic of "capability traps" of the sort described by Pritchett, Woolcock, and Andrews (2012).

Thus, our third point of conclusions follows logically from the first two. Namely, there is growing evidence that many counter-doctrinal attributes of the modalities used, as in Edo, for instance, to "grasp" revenue (from local tax to global aid flows) and thereafter "reach" from budget appropriations to project power in ways that would create assets on the ground run against the sensibility of much that is put forward as "good governance" practice. But the short answer to questions about whether such arrangements will be sustained, continue to be dynamically modified, or beneficially "up-scaled" lies not in the details of funding instruments, leadership, or competent technical teams, or even in the pedagogies of the "adaptive iterative learning" processes. Rather, it lies in the first instance in the political economy; in other words, it requires an acute understanding of "context," and then in light of the subsequently improved comprehension of how power is ordered, it requires a flexible and tailored set of programs not necessarily bound to fixed metrics and norms. How development organizations like the World Bank structure themselves to do this

more flexibly and adaptively in an array of contexts—within Nigeria and beyond—seems to be at the heart of the debate. This is, in turn, stands at the heart of the final point.

Whether accounting for the reform experiences and prospects in Edo State or for the World Bank in Nigeria more generally, there is no doubt that political and institutional agency is crucially important. But from Edo's experience briefly recounted here, it seems apparent that political choices were made on the basis of what proved to be a sophisticated analysis of "institutional political economy" (the comparative merits of a focus on roads versus teacher performance or law and order, etc.). This revealed that some options were limited, but at the same time, it identified feasible alternatives within a narrowed set of possibilities. Exercising these choices hinged on investing in a well-remunerated and networked expertise in the EST and on deploying political cover by the governor, both at the center and projected out to crucial points where authority might be contested.

In sum, the Edo story reveals that a highly adaptive, personalized political-executive system was created that selectively signaled and appealed to multiple constituencies. It would be a radical misreading of the Edo experience to conclude that the necessary conditions of adaptive, iterative pedagogies can readily be contrived *ex ante* by donors and the like. To return to a point made at the outset, problem-driven iterative adaptation requires an embedding in, and a responsiveness to, local orderings of power. In the Nigeria case, there is encouraging evidence of an appetite for scaling up politically acute, adaptive iterative approaches on the part of both Bank task teams and Nigerian counterparts. The question is whether new norms and practices can be sustained through the periodic regime changes within the Bank, that is to say, the nature of the "institutional political economy" that will continue to structure the field of possibilities.

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