The handle http://hdl.handle.net/1887/25307 holds various files of this Leiden University dissertation.

**Author:** Elayah, Moosa Abdo Ali  
**Title:** Donors-promoted public sector reforms in developing countries and the Local Knowledge Syndrome: the Dutch-Yemen NPT Program for developing the Higher Education Sector in Yemen  
**Issue Date:** 2014-04-17
CHAPTER 3

LOCAL KNOWLEDGE SYNDROME AND AID POLICY MAKING AND IMPLEMENTATION: THEORETICAL AND LITERATURE REVIEW
3.1 Introduction

The knowledge and ideas that inform public sector reform programs in developing countries can seriously affect the outcomes and effectiveness. If we look at the vast body of aid policies, there is “a growing appreciation that good policy making depends on good institutions for implementation – but no one has figured out how to create those institutions successfully in inhospitable political and social climates” (Einhorn, 2001, as cited in Jenkins and Plowden, 2006: 28). Aid donors have ambitious and distinct ideas to help recipient countries and to establish strong and high quality public sector/governance institutions—but they are less clear on how to achieve it (OECD, 2001, and UNDP, 2006). Most aid donors do not know what to do or have been unable to act upon the implicit and explicit local knowledge, to ensure the construction of high quality institutions and institutional changes (Jenkins and Plowden, 2006: 13).

In this chapter I demonstrate how LKS is systematically undervalued in its formal and informal aspects through the lens of strategic and policy thinking and/or implementation stage of aid policies. This lens looks at the principles, priorities, content and approach of the development programs in the public sector reforms in poor countries. Several theories and concepts are selected based on their contribution to a better theoretical understanding and analyzing of why “Local Knowledge Syndrome” is still downplayed within the foreign aid arena. These theories include institutional theories, public policy theory, implementation theory, the social-engineering model, the “bounded rationality” approach and the ‘associability development approach’ as proposed by the network perceptive.

Following this introduction, the rest of the chapter is as follows. The first section of this chapter briefly discusses public policy and policy cycle literature; we will also focus on the problem of identification which is linked directly to LKS. The second section presents the idea of aid policymaking and its social-engineering model, focusing on the information and knowledge available to aid policy makers in policy formulation and policy analysis. The third section utilizes the theory of policy implementation and its top-down, bottom-up and synthesis approaches. It presents an argument of which approach aid agencies prefer to adapt in implementing the aid policies, and its relation to LKS. The concluding section suggests two main hypotheses

---

1 - The importance of knowledge was presented in a speech by Wolfensohn in 1996 when he “pledged to transform the World Bank into the “Knowledge Bank”, with a view to making it the premier source of knowledge for development. This announcement was followed by the 1999/98 World Development Report entitled ‘Knowledge for Development’, which warned of an impending ‘digital divide’ that would separate poor countries and poor people from the knowledge they needed to advance in the absence of donor support (World Bank 1998)” (cited in Scraf, 2010: 26).
that will be investigated in this dissertation regarding the Dutch NPT program for building the capacity of higher education in Yemen.

3.2 What is Local Knowledge Syndrome (LKS)?

Before defining the concept of local knowledge syndrome, it is worth briefly defining the concept *knowledge*. There are extensive discussions among scholars and specialists about the idea of operationalizing the concept of “knowledge”. In this study, we adopt the concept of Warburton, Hilary and Adrienne Martin (1999), that knowledge is much more than a collection of facts; “it relates to the whole system of concepts, beliefs and perceptions that people hold about the world around them. This includes the way people observe and measure what is around them, how they set about solving problems, and how they validate new information. It also includes the process whereby knowledge is generated, stored, applied and transmitted to others” (1999:13).

In this study we use the theories of local knowledge put forward by James Scott, Professor of Political Science and Anthropology at Yale University, who retrieved the Greek word *métis* to explain a concept that includes deep-rooted as well as changing knowledge. He said that local knowledge is

“A wide array of practical skills and acquired intelligence in responding to a constantly changing natural and human environment. All human activities require a considerable degree of *métis*, but some activities require far more. To begin with, skills that require adapting to a capricious physical environment, the acquired knowledge of how to sail, fly a kite, fish, shear sheep, drive a car, or ride a bicycle relies on the capacity for *métis*. Each of these skills requires hand-eye coordination that comes with practice and a capacity to “read” the waves, the wind, or the road and to make the appropriate adjustments” (Scott, 1998: 313-314).

Selah (2007) compared the conceptions of Scott (1998), Boettke and Coyne (2006) and acknowledged that “The development community must realize that indigenous (informal) institutions are as important, if not more, than exogenous institutions. Métis is difficult and impractical to set as concrete rules, because it is ever evolving with experience, practice, time and space knowledge of the indigenous people. In addition, as more knowledge is acquired, new métis replaces old métis. Therefore, the development community must realize whether the métis is able to accommodate new implanted institutions given the changing conditions” (2007:23). However, “if the

---

2 - The concept of LKS is defined empirically in Chapter 4 where we review the meaning of local knowledge in the context of Yemen.
underlying métis does not align with reforms and formal institutions, these institutions will fail to sustain and be effective even if they are growth-inducing institutions” (Boettke and Coyne, 2006: 56).

Institutional theory describes definitions of institutions in various ways. The most common definition is from Douglass North (1991), who defines institutions as the “rules of the game”, or “humanly-devised constraints that shape human interaction”. The rules of the game can be either formally or informally determined. Formal institutions are usually seen as rules captured in formal structures such as constitutions, political institutions and formal legal and property rights systems. Formal institutions are imposed by official entities such as judges, courts, government, ministries and bureaucrats. By contrast, informal institutions are largely self-enforcing through tools of responsibility, such as in patron-client relationships or clan networks, or because following the rules is in the best interests of individuals who may discover themselves in a situation in which everyone is better off through co-operation (Soysa and Jütting, 2007). While informal institutions are generally not organized, they are widely acknowledged as legitimate and are, therefore, rules in use rather than just rules in the books, or what Ostrom terms “rules in force” (Ostrom, 2005). The recent paper of Parto (2005) identified accumulated definitions of the term institutions:

1. Conventions, rules of action, embedded in social structure, locally specific (Krätke 1999)
2. Settled habits of thought common to the generality of men (Veblen 1919)
3. Collective action exercised by different types of organization (family, corporation, trade union, state in control of individual action (Commons 1924)
4. Convenient term for the more important among the widely prevalent, highly standardized social habits (Mitchell 1950)
5. Sets of rules of the game or codes of conduct defining social practices (Young 1994)
6. Formal organizations, patterns of behaviour, negative norms and constraints (Coriat and Dosi 1998)
10. A set of socially prescribed patterns of correlated behaviour (Bush 1986)
11. Prescribed or proscribed patterns of correlated behaviour (Tool 1993)

Source: Parto (2005)

The concept of institutions may vary from formal regulatory frameworks of the state to informal socially prescribed or proscribed patterns of behavior. They range from the national level to the individual level and all social actors and processes in between. Based on definitions from different authors, Parto (2005) deduces three
main features of institutions. Firstly the protective level of governance, as discussed by Krätke (1999), Ostrom (1999) and Young (1994, 2002). Secondly institutions are manifested in individual behaviour in the society at large, as shown by Hamilton (1932), Parsons (1990), Krätke (1999), and Veblen (1919). Thirdly institutions exist within organizations (Commons, 1924; March and Olsen, 1984; Coriat and Dosi, 1998), among organizations (Ostrom, 1999), and among nations (Young, 1994, 2002).

Regarding the interaction between the formal and informal institutions, Helmke and Levitsky (2004) provided four ways in which the informal institutions can be assumed to interact with formal ones: complementary, accommodating, competing and substitutive. As to the first, informal institutions are harmonizing to (effectively enforced) formal institutions, when both types of rules contain similar incentives and enforcement characteristics. The second type of interaction is when informal institutions may accommodate (effectively enforced) formal institutions, and when both types of institutions diverge. Informal institutions co-exist with the formal institutions and aim for an outcome that is not completely planned by formal rules. The third type takes place when informal institutions compete with formal ones, and when formal institutions are ineffective and the two diverge. Finally, informal institutions can substitute for the lack of effectiveness of formal institutions. Like complementary institutions, these informal institutions are intended to attain what formal institutions aim to do, but when the latter are ineffective or ignored by official sources (also see Soysa and Jütting, 2007; Persson and Tabellini, 2003; Barro, 2000; Clague, 1997).

In institutional theory, Hall and Taylor (1998) summarize historical institutionalism by providing two main approaches to understand the origin of the institutions and their impact: the calculus approach and the cultural approach. Both cultural and calculus approaches are used eclectically in institutional analysis. The calculus approach, from which the New Institutional Economics gathers much of its inspiration, focuses on strategic behavior, preferences and expectations of actors. While the cultural approach stresses that behavior is not strategic, but bounded by an individual’s worldview. The cultural view is that people involved in satisfying behavior within social milieus make up networks of association (Granovetter, 1985).

Three features can explain the origin of institutions. The first is the prominent role that control and disproportionate relations of power play in institutional analysis. Some groups of actors have unequal access to the decision-making process. The second is imported from historical institutionalism showing that the actors’ behavior
is “path-dependent”, as institutions are perceived as relatively determined structures of the historical backdrop, and are often central factors pushing development along a set of laid-out paths. Thirdly, institutions are not understood as the single causal force in policies; it is usually acknowledged that socio-economic development and the diffusion of ideas are also influential or causal factors (Lal, 1999; Stiglitz, 2001; Ensminger, 1992; Knight, 1992).

We should acknowledge that informal institutions are much more important in poor countries and small, traditional communities where formal institutions are less established and the influence of formal law and state authority is quite weak. Development can take place through a tedious process that involves varying power relations and overcoming “path dependency”. Patron-client relations that exist in many developing countries are a telling example. In many situations, the clients choose for political platforms and tenders that are unhelpful to their long-term goals, mainly because they achieve more direct benefits from these patrons whose demands they follow. Thus, “knowing the exact nature of the short-term benefits of the individuals who are part of these clientelistic arrangements is a first step to altering the way in which politics might reflect better outcomes for the poor. Wealth, access to careers and secure employment are three reasons feudal social relations dissipate, as ordinary people become less beholden to powerful elites” (Soysa and Jütting, 2007: 39).

The Local Knowledge Syndrome (LKS) comes into play when aid development policies ignore the role of informal structures of power and instead rely on (weak) formal institutions instead of capacity building in public and private sectors. It is essential for the development community to realize that informal institutions and their “implicit knowledge” are as important, if not more, than formal institutions and an organizations’ “explicit knowledge”, for the effective promotion of public sector reforms in developing countries. The informal system or structure implies the main rules by which most of the recipient government bodies are administrated and controlled. If aid participants are aware of this system, they can successfully attempt to design and promote reforms and “institutional change” in non-transparent environments (Polanyi, 1958 & 1966).

It is not a difficult task for aid policy makers and implementers to integrate explicit knowledge (of formal institutions and organizations) in their work, because it is often available on paper or through other physical means. Implicit knowledge (informal institutions and organizations) has on the other hand a cognitive and experiential
nature (Polanyi, 1958 & 1966). It is not written or seen and therefore demands a certain amount of effort by aid participants to be found and incorporated. Direct and indirect interaction between stakeholders serves well to transmit local knowledge and to share solutions for problematic local circumstances (Lam, 2006). Tacit knowledge, or knowledge that is not shared, makes stakeholders unaware of the value of their information to others. They need to consider the best use of such knowledge as it is changing and decentralized (Hayek, 1945). There is a division between explicit knowledge, which is “objective” or “transmissible” (Penrose, 1959: 76) and tacit knowledge which is very difficult to incorporate simply in words. Indeed, we may not even know what we know (Polanyi, 1966) or why we know it (Turner and Trompenaars, 1993), and we might even have wholly incorrect mental maps of this “knowing-in-action”, so that we give totally ambiguous accounts of this knowledge when requested to define it (Schon, 1994). Ostrom, et al. (1993) explains that working in an unfamiliar territory creates a knowledge shortage that is overcome only by the people “who come to know the nature of a special physical and social setting” (1993:50). The effective application of tacit knowledge generally requires extensive personal contact, regular interaction and trust. This kind of knowledge can only be revealed through practice in a particular context and transmitted through successful actors-networks creation. To some extent, it is “captured” when the knowledge holder joins a network or a community of practice (Polanyi, 1958 & 1966).

Understanding and having knowledge of how institutions shape outcomes is particularly useful for aid policy makers in formulating sound aid policies and in achieving the desired objectives. The key question is: why did aid policy makers and implementers fail in incorporating such knowledge in order to ensure the effectiveness of their programs and projects? There are many ways of answering this question, but the theoretical approach taken in this study is to investigate and test some factors at two main levels of public policy: top policymaking level, which is responsible for setting up policies and aid programs plans, and policy implementation level, which is responsible for the design, implementation of procedures and aid program execution. The aid policymaking process and aid policy implementation process can be regarded as independent variables to explain why LKS is downplayed.

3.3. Public Policy Theory and LKS & Aid Programs

Public policy literature is appropriate for guiding and attaining the goals of this research, because it can provide us with the conceptual and theoretical framework
critical to the understanding and knowledge of international development agencies, development programs and policy decisions associated with the policy areas of my study. In order to understand public policy in the foreign aid area, it is important first to conceptualize the terms policy and public policy.

The term policy is central to the process and actions of both private institutions and public organizations. Individuals or private institution can make a policy choice which is acknowledged as private policy, while the policy made by government or its organizations is entitled public policy (Ozor, 2004). Governments at all levels – national, state and local-in developed and poor nations are active in developing and formulating public policies designed purposively or oriented towards solving public problems (Anderson, 2000). Essentially, a public policy is a government deed or planned act focused on accomplishing certain anticipated objectives (Dunn, 1981 and Ikelegbe, 2006). In the light of a given societal problem, public policy directs and defines present and future public decisions as well as private individual or private business institutional actions, decisions or behavior (Chukwuemeka, 2013). On the other hand, Dye (1998) defines public policy as whatever government chooses to do or not do (1998:3), which indicates that public policy is not only about government actions, but also about government reaction (Nhlapo, 2012). To this end, public policy is defined as “a public action concerned with the public good, private rights, institutional inquiry and the moral condition of the citizen and of the citizenry” (Gbara, 2008:23). This definition is supported by Guy Peters (1993) who defined the concept of public policy as “the sum of government activities, whether acting directly or through agents, as it has influence on the lives of citizens” (1993: 4).

In order to build a theoretical framework for this study it is important to study public policy process and analysis. Policy analysis as an academic field of study uses descriptions to simplify difficulty and highlight the significant forces of policy dynamics (Pump 2011 in McConnell and Howlett, 2013). Two definitions of policy analysis are provided by Weimer and Vining (1999). The first states that “policy analysis is a client-oriented advice relevant to public decisions and informed by social values” (1999: 27). This is a simplified description of the term such as “public decisions” or “social values”...The second definition is the more comprehensive one and states that “policy analysis is a means of synthesizing information including research results to produce a format for policy decisions (laying out of alternative choices) and determining future needs for policy relevant information” (1999: 29).

According to Dye (1998), policy analysis demands (1) a key concern with
explanation rather than treatment; (2) a rigorous search for the causes and consequences of public policies; and (3) an effort to develop and test general propositions about the causes and consequences of public policy and to accumulate reliable research findings of general relevance. Therefore, Weimer and Vining (1999) argue that the product of policy analysis may be advice as simple as a statement linking a proposed action to a likely result: passage of Z will result in consequence B. On the other hand, policy can be complex and comprehensive such as: the passage of bill A, which can be reached with extreme inevitability through parliamentary approach S, will result in collective social cost of M and collective social profit of D, but with disparate costs for group one and disparate profits for group two (in Gbara, 2008: 37).

There is no single or agreed-upon method to conduct public policy analysis. Specialists may take several roads through the policy analysis procedure since they are variances in training, the time available for analysis, the difficulty of the problem, means accessibility and administrative connections. Most specialists look at the problem using the methods and viewpoints of their discipline. Economists may try to use cost-effective and benefits analysis, a sociologist may look at the disparity influence on groups of citizens and attorneys may look at the legal aspect of the problem.

To conduct policy analysis in this dissertation, we agree with many scholars such as Edelman (1988), Stone (1988 & 1989), Bardach (2000), Schlesinger and Lau (2000) and Black (1962) who have suggested to show the image and stories about policy development in terms of how policy is made, how it is thought to be made and how it is studied and taught (in McConnell at el, 2013). One of the objectives of the study and analysis of aid policies in developing countries is to evaluate the level of understanding and study of processes, adoption, implementation, assessment and evaluation of development policies. This will raise the level of understanding of the donor agencies in the way of developing and implementing aid policies in recipient countries.

If it can be understood, the policy process is regarded as a cyclical sequential process. The multi-stage cycle employs a metaphor invoking a central dynamic or temporal element, breaking the public policy making process into an iterative series of discrete stages and at times sub-stages, including six overlapping stages and additional mini-stages, in a process that never really ends (Norris, 2010:7).

The idea of simplifying the complexity of public policy-making is rooted
historically in the early work of Harold Lasswell (1956 and 1971). Lasswell focused on improving the quality of governance by improving the quality of the information provided to the government. Lasswell's main idea for a policy process begins with intelligence gathering, the collection, processing, and dissemination of information for those who participate in the decision process. It then moves to the specific choices made by those involved in making the decision. In the third stage, the decision-makers actually set a path of action (or inaction). In the fourth stage, the prescribed course of action involves a set of sanctions, developed to penalize those who fail to comply with the prescriptions of the decision-makers. The policy is then implemented by the courts and the bureaucracy at street level and runs its course until it is terminated or extended. Finally, the results of the policy are appraised or evaluated against the aims and goals of the original decision-makers (in McConnell et al, 2013).

Lasswell (1956) conceptualized the policy process, namely the procedure by which a given policy is proposed, examined, carried out, and terminated. His approach is multidisciplinary across the policy sciences, and gives attention to the “knowledge of” (or mechanism of) the policy process as a process-oriented event. Lasswell's staged approach reflects the origin of policy science, and his formulation formed the basis for many other models, such as a simpler model developed by Gary Brewer in the early 1970s (in Lyden et al, 1968; Simmons et al, 1974).

The analysis of policy process defined by Brewer (1974) was composed of only six stages: (1) invention/initiation, (2) estimation, (3) selection, (4) implementation, (5) evaluation and (6) termination. In Brewer's view, invention or initiation refers to the earliest stage in the sequence when a problem is initially identified. He also sees a distinction between implementation and evaluation, although in practice they overlap. The above concepts help create a better understanding of some aspects of policy making, for example, understanding the nature of the actors involved in each stage of the process and the ideas and knowledge they hold. However, there is no attention paid to the significance of the networks and subsystems in which these actors are organized, and the institutions they work within (Howlett, Ramesh and Perl 2009). Brewer “left open questions about what exactly was driving the policy processes once the functional logic of earlier stagist models had been left behind” (in McConnell et al, 2013: 6).

It is commonly known that a policy multi-stage cycle, as a structure, is an ideal model from which every reality curves away (Bridgman and Davis 2000, Howlett and Ramesh 2003). Certainly, different phases are often formed separately and there may
be a sequence of feedback loops (Hill 2005). However the rational for observing each stage separately—which is similar to Bertalanffy’s (1968) hard systems logic—is that each stage differs from the others in the sort of activities it involves, the expertise it requires, and the procedures that govern it. Furthermore, the stages model gives the understanding that different stages provide different sets of outcomes, which affect other stages, even if they occur simultaneously. Differentiating between the stages’ activities, procedures, outcomes, and other characteristics reveals that the interests in shaping each stage’s outcomes vary between actors and affect the actors’ participation (Parag, 2006).

Parag (2006) has reviewed the most important critiques of the cycle approach, which feature three main issues:

- Its lack of theoretical ability to predict policy outcomes (Jenkins-Smith and Sabatier, 1993),
- Its notion that public policies are dominated and led by administrators rather than by other actors (Jenkins- Smith and Sabatier, 1993; Colebatch, 2005),
- Its focus on the bureaucratic process while disregarding content and context aspects (Everett, 2003) and intergovernmental relations (Jenkins-Smith and Sabatier, 1993). As a model for policy analysis, it also adheres too much to the normative process and imposing schematic stages on what actually happens (Hill 2005).

The multi-stage cycle approach is probably the most permanent tool in the policy sciences. Although the stages model has had many critics, it remains a dominant tool for analyzing the public policies in existing policy science (Weible, et al 2012). It is valuable for disaggregating the network of policy transactions and for examining the procedure through which policies are prepared (DeLeon, 1999 and Pielke, 2004).

Let us briefly review theoretical elements related to the most important stages of the cycle approach, which can shed light on the LKS within foreign aid policies. In this dissertation, most attention is paid to the first stage of the policy cycle as it explains why the LKS takes place in the foreign aid arena. I argue that the problem definition is more than the execution; it is often at the heart of the public policy itself. McConnell (2010) noted that the idea of a policy process is a large one surrounding the problem definition. It is not merely a label for a set of facts and perceptions. It is the stage that sets the essential basis for the subsequent struggle over the structure of useful policy choices, imposing on the adoption of a policy choice, implementation,
and assessment. The problem definition provides a “package of ideas [which] includes, at least implicitly, an account of the causes and consequences of undesirable circumstances and a theory about how to improve them. As such, it serves as the overture to policymaking, as an integral part of the process of policymaking, and as a policy outcome. In each of these roles, it seems to exert influence on government action. Distinguishing among the roles clarifies the nature of that influence” (Weiss, 1989: 97). The author regards the problem definition as an important stage as it highlights some aspects of the situation and puts others to one side, and it pushes forward some potential solutions while neglecting others.

For Weiss (1989), the policy process has an open or unfolded nature, and therefore problem definition should remain an open question in all stages of the policy process. He argues that:

Although analysts prefer to settle on a given problem definition before proceeding with their work, the policy process does not require agreement on a problem definition before legislative or bureaucratic action ensues. As advocates seek to attract attention to new policy proposals, they may do so by proposing substitutes for the definitions guiding existing policies. As policymakers struggle through the process of authoritative decision-making, they typically face not only multiple options for addressing a given problem, but multiple definitions each implying its own family of solutions. Multiple definitions may survive to haunt the implementation process, as differing conceptions of the problem guide the various actors who work to turn the official rhetoric into many realities (Katzmann, 1986). A common language of problem definition can be stitched together to permit coalitions to move forward one policy or another for a time (Edelman, 1988). Later, consensus unravels as circumstances change, competing definitions gain adherents, and new coalitions form (1989: 98).

After the problem is identified, the subsequent activities are: agenda setting (deciding what problem to solve), which efforts are used to raise the profile of the problem, possible solutions among the public and decision-makers and then policy formulation (deciding how to solve it) (Nilsen at el, 2013).

The public policy formulation is part of the pre-decision stage of policymaking including designing the goals and priorities and options, the costs and benefits of each option, and the externalities of each option. It involves recognizing a set of policy options and public policy tools to address a problem so a ready set of solutions is prepared. Decision makers then choose the actual solutions by arbitrating the probability, political acceptance, costs and benefits. The consideration of policy formulation is also rooted in work on policy contexts and policy networks and who does the design (Howlett, 2003, in Hai, 2013).
This study will not go further to explain these two processes because the LKS as a causal explanation of aid programs’ ineffectiveness seems to be located in the first stage of the policy process, which is problem identification. This stage, as we mentioned before, is the fundamental groundwork to provide information for the ensuing struggle over the construction of useful policy alternatives, the authoritative adoption of a policy choice, implementation and assessment. In addition, if the problem identification process was “vogue” and the right information and knowledge was not realized, the subsequent activities within this general cyclical model will go wrong and the policy may be implemented incorrectly, unevenly or even not at all.

Within this general cyclical model, this study focuses on examining evidence concerning problem identification and in particular, the role of information available about the policy context to policy makers during the process of formulating policies. The context here is defined as the social environment in which implementation of the formulated policy takes place. The policy context is constituted in implementation theory, whereas the context for policy implementation may be much larger. The context represents influences on the implementation process and impact is, at least partially, beyond the control of the implementers and targets (Nilsen et al., 2013). Therefore, this study also focuses on policy implementation where the policy process has an open or unfolded nature and there is hope to incorporate information on local knowledge during the policy process.

Public organizations are mainly burdened with the responsibility of policy implementation. Indeed, in almost every country in the world, public policies are applied mainly by public organizations and specifically by the officials or civil servants who work in them (Ezeani, 2006). To this extent, the role of government in development is, largely, the role of public organizations (Abah, 2010). The role the public organizations play is through the effective execution of government policies, projects and programmes aimed at accomplishing development aims and objectives (in Chukwuemeka, 2013). In the policy implementation theory, there are well-developed methods for implementing polices. These methods have their own strong and weak points to deal with regarding the main argument in this study of LKS. However, before dealing with this discourse, it is vital to look at theoretical points of how the aid public policy is made, what information is available to aid policy makers and what kind of information about local knowledge they rely on.
3.3.1 LKS and Aid Policies and Programs

In analyzing the question of why aid programs in the area of public sector reform process in recipient countries are effective or ineffective, policymaking of aid programs is one of the central variables. Aid program-policy design is a field of theoretical inquiry with its own language and principles of judgment, as well as a practical activity ultimately directed toward the preservation or alteration of a government. Donor aid agencies and their actors from different professions (especially economists) often engage in the identification of problems, policy formulation, agenda setting and decision-making, but let their contractors with their counterparts in recipient countries take responsibility for policy implementation.

Technically speaking, aid policy is usually made by the donor agency and planning takes place primarily in the donor country:

The operating unit’s strategic plan defines specific multi-year objectives that state how donor agency goals will be pursued in a certain country. Based on the strategic objectives, individual activities are planned to realize these results, typically through the transfer of programme funds to implementing bodies. Activity planning focuses mainly on the definition of outcomes, the types of government institutions that will achieve these outputs and the contracting and aid instruments that formalize the relationship between the donor agency and the aid recipient government. It is telling how much activity is planned by and takes place in the donor country (Jaradat, 2009: 23).

The public policy concept in the foreign aid arena is not the same as the defined concept of public policy by different scholars provided above. The aid policy mainly made by different government and delivered to other governments is as a patchwork (formworks) to be adapted to solve their problems. Furthermore, policy makers in donor countries are often incapable and insufficiently aware of beliefs, traditions and values that are fundamental to the governments and population in recipient countries (Morapaya, Mysliwiec and Suzuki, 2002). There is a normative isomorphism or similar behavior in places where dominant donors spread certain assumptions about public sector reform in recipient nations (e.g., WB, UNDB, OECD and USAD). The key assumption is that donors know how to fix the problems of recipient countries that are not adequately or normally developed.

---

3 - Schneider and Ingram (1997) note that policymaking is a dynamic process and policy fits into context. The authors suggest: ‘What may be an excellent design in one context, may well serve poorly in another. Abstract judgments of public policy are likely to be off the mark, and the analysis of designs requires acute sensitivity to context. Designs are nested inside one another and can be analyzed at many different levels. Policy analysts can study a specific policy design, even as small as one local program or one statute, or an entire policy area, or the policy designs of an entire society in one or more historical periods.’ (1997:3).

4 - Although this normative isomorphic assumption is not dominant in the top policy levels in donor countries the whole aid system became increasingly dependent on the assumption that expertise, organizations, projects, and programs stand
This assumption travels across the donor community and shapes aid policies and plans. It is clear why donors’ aid policy plans are largely confined to changes of the most visible or short term nature, such as new legislation and organizations in formal laws and at the national level, thus neglecting informal institutions. This set of shared norms among donors, especially at policymaking level, can be “explained by the prevalence of rational choice models of human behavior in the social sciences and in the donor community. This model treats individuals as rational beings devoid of values and programmed to respond to external incentives that affect their well-being measured mainly in terms of monetary gains or losses. This perspective discounts other layers and dimensions of institutions and their enforcement mechanisms” (Baimyrzaeva, 2010: 222).

Instead of conducting research and situational analysis to identify the main problems of recipient countries and acquiring information on local knowledge, top aid policy makers or politicians in donor countries impose rationalistic and complex policy plans based on preconceived ideas, with poor understanding of recipients’ institutions and institutional processes. Their policies incorporate scientific knowledge and theories of development that have been mostly developed and tested in western countries with a thriving modern society. These theories are based on developed countries’ idealized models of governance and rarely have much to say about the practical process of bringing about change in a recipient government (Rondinelli, 1993).

To support the above argument, Baimyrzaeva (2012) published a detailed study of the knowledge and ideas that informed aid policies over time and how they affected their outcomes. Her study analyzed the experience of the institutional reforms promoted by donors in developing countries, by systematically comparing and contrasting the three waves of public sector reforms launched by most influential donors since the 1950s. The author described and analyzed each wave with specific attention to their respective policy contexts, the main body of knowledge and ideas informing each wave of reforms, the content (what the reforms intended to do), the approach to the reforms (how the reforms were pursued) and outcomes and lessons learned. There are also key lessons neglected by donors throughout all three waves of reforms – a deficiency of practical knowledge, in other words – which made it more difficult to translating the content and approach to the reforms in practice.

In the first wave during the 1950s-60s, development was seen as the modernization for jobs, income, and promotions for development agencies and their experts.
of the traditional system in recipient countries. The identification of the problem perceived causes of underdevelopment as lack/weakness of government institutions and their capacity. The solution of weak capacity within recipient countries was to develop modern government institutions, and this was the scope of the reform focus on organizational development in the public sector. This approach was derived from Western theories of modernization and scientific management. The approach to reforms focused on administrative development by importing Western institutional and organizational models via foreign experts to try to create a ripple effect in the overall system (see also: Eaton, 1972 and Israel, 1987).

The second wave from the 1980s until 1997 shifted the aid policy makers to develop economic growth and free markets (i.e. minimal government intervention). The identification of the problem perceived causes of underdevelopment as big government that stifles markets. The information available to aid policy makers for formulating policies was based on Western theories such as neoclassical economics, public choice theory, and the new public management. The reforms focused on increasing effectiveness of public administration through infusing principles and practices from private sector management: freeing and strengthening the private sector; fostering competition within and between the public and private sectors; and downsizing government. The tools for realizing this new shift in aid policy were deregulation, decentralization, privatization, macroeconomic liberalization, downsizing bureaucracy and importing Western institutional models and idealized private sector principles (see also: Bossuyt, 2001; Grindle, 1997; Caiden, 1991; Spink, 1999; and Shepherd, 2003).

This second wave failed to develop the private sector, “again” because of weak public sector and its institutions. Thus, the donors stated to have a new agenda of reform that aimed to change the whole system. This third wave began in 1997 and continues until the present day. The main aim of this third wave is to create right institutions and good governance. It has imported theoretical thinking of development in the West such as new institutional economics and new public management theoretical aspects. The aid policies aim to transform government institutions through the participation and strengthening of business and civil society. The policy tools of implementing this aid policy include strengthening government institutions’ capacity, accountability, and transparency; deregulation and privatization; and voice and social participation (see Bossuyt, 2001; Jenkins and Plowden, 2006).

Several empirical and theoretical studies have analyzed these three waves of aid
policies and offered lessons and recommendations for aid policy makers to ensure the process of information of local knowledge of the recipient countries is incorporated. Although these recommendations have been available since the first wave of reform, they have not been put into use. The first lesson was put forward by Argyris (1977) who called for aid policies to be systematic by transforming the overall system in recipient countries (as started in the third wave), instead of focusing on isolated parts of the system (as in the first and second waves). Evans (2004) argues that to incorporate information on local knowledge, aid policy makers should shift their approach to be more participatory. This is by getting beneficiaries’ input at all stages of the policy process as opposed to being implemented by a top-down, supply-driven approach and externally determined (see also the following section). Other studies argued that donors should focus on changing the existing distribution of power instead of importing western institutions and theories of change to different policy contexts. They added that the political nature and context of the reforms should be taken into account (see for example: Girishankar, 2001; Goyal, 1994). March and Olsen (1989) argued that aid policy makers have to base their policies on a good understanding of the process of artificial institutional change, design principles, and the consequences of such interventions, as opposed to guesses and unfounded assumptions and beliefs (as reviewed by Baimyrzaeva, 2010).

Jenkins and Plowden (2006), experts to the foreign aid system, added to the above reflections, stating that aid policy makers should clearly tailor their policies of change to recipients’ unique context and needs, as opposed to importing formal models from select developed countries which is defined as best practice. Even if one argues that the Western theories of change can provide new development approaches for the poor nations, using a “one-size-fits all approach” in delivering aid programs is not an accurate approach to adapt the western’s theories of change to the recipients’ contexts. Yet such an approach is endemic within foreign aid circles. A recipient country may be given a suggestion for a project which fits a worldwide donor programme, but which is neither appropriate nor a priority for the recipient. Ideally top policy makers acknowledge the need to tailor reform to the specific needs and context of the country, rather than copying the same solutions for all recipient countries that have different political, administrative and cultural realities. Moreover, it is important to take into account the cultural aspects of the reforms in a specific recipient country (OECD, 2005). Jenkins and Blowden (2006) argued the gap between theory and practice is even more substantial when what is being attempted is to transfer techniques of
3.3.2 LKS and the Problem of Policy Compliance within the Donor Countries Themselves

Similar problems arise within the context of EU policies that are ‘the problem of compliance’, which shows a societal relevance of the problem of “policy fit” (Thomson, Torenvlied & Arregui, 2007). The theoretical concept of compliance as defined by Versluis (2005), is a behavior which adapts to a determined set of regulatory measures and thus refers to the extent to which agents act in harmony with and contentment of the remedies controlled in rules and norms (see also: Matthews, 1993; Checkel, 1999). Empirically the concept of compliance refers to the extent to which the Member States act in harmony with the provisions of the agreements and all regulatory measures such as the regulations, directives and decisions of the EU that spring from it.

Versluis (2005) points out that the concept of compliance is not the same as the concept of “effectiveness” or “implementation”. The author cited Neyer and Zürn, (2001) and referred to the concept of effectiveness as the efficacy of a given regulation in solving a given problem. It could be that the Member States perfectly complies with the EU regulations, but that does not mean solving the problem or being effective. Implementation refers to the process of putting international policies and commitments into practice. “Compliance can also occur without implementation, for example when there is a complete ‘fit’ between the domestic practice and the accord. In such a case, compliance is automatic and implementation is not required” (2005:4-5).

The problem of “policy fit” is well known in studies on the EU. For instance, consider EU legislative programs. These are a large volume of laws ordinances developed at EU level, from which policies emerge in member states and from local legislative bodies within the member states. These programs are aimed at increasing the level of integration among EU member states in the provision of social services, the availability of financial services for economic activities, the level of industrialization, the level of employment opportunities, the level of social or economic inequality, the availability of health facilities, the level of social security, the pace of educational development and so on (Chukwuemeka, 2013). Furthermore they can regulate other essential programs such as the commercial airline industry. Whereas the legislative
acts are passed at EU level, “the Member States alone are responsible for complying
with them. Since countries have different legislative cultures, and therefore different
approaches to compliance, it is not uncommon that Member States apply European
legislation incorrectly, unevenly, or even not at all. Such situations have to be remedied
as they may have a negative impact on the efficiency of the internal market and on the
credibility and legitimacy of the EU in general” (Versluis, 2005: 5).

Similarly, international aid agencies like the World Bank plan for large-scale
comprehensive policies for enormous number of recipient countries in the less
developed world. The World Bank provides structural adjustment loans, finance and
advice for the purpose of economic development and the elimination of poverty.
Recipient countries comply with reform packages because they are stipulated by the
World Bank. Recipient countries are poor and they accept whatever is offered to
them. They have a poor policy environment and lack of available theories of change.
Another example is related to the Dutch Nuffic aid agency, which works on behalf of
the Dutch Ministry of International Cooperation, operating wide institutional
development programs aimed at helping a number of developing nations develop the
capacity of their higher education intuitions as part of broader capacity development
within the public sectors of those countries. Since these countries have different local
characteristics and aspects, there has been “non-compliance” in adapting these
policies5.

Policy makers in Washington or and The Hague used rationalistic planning and
management procedures, often requiring explicit and implicit knowledge that are
simply not available in most recipient countries. The capability of policy makers to
predict and control the outcomes of their aid policies under these conditions of
uncertainty, are quite limited. To reduce “uncertainty”, the demands of rationalistic
planning have forced policy makers to use whatever knowledge is at hand, regardless
of its appropriateness or accuracy (Rondinelli, 2003). It can be argued that the aid
policy maker is bounded by uncertainty and trying to conduct social engineering
plans for intervention.

---

5 It seems that the policy-making process of the aid program confronted with ‘the paradox of compliance’, which shows
a societal relevance in the topic of “policy fit”. This is although the importance of policymaking process Schneider and
Ingram (1997) observe that policymaking is a dynamic process and policy fit into targeted context. The authors suggest:
‘What may be an excellent design in one context, may well serve poorly in another. Abstract judgments of public policy
are likely to be off the mark, and the analysis of design requires acute sensitivity to context. Designs are nested inside
one another and can be analyzed at many different levels. Policy analysts can study a specific policy design, even as small
as one local program or one statue, or an entire policy area, or the policy designs of an entire society in one or more
historical periods.’ (1997:3).
3.4 The Social-engineering Model and Aid Policymaking

This study uses the applicability and explanatory power of the social engineering model of policymaking to analyze the process of aid policymaking, and specifically to bring about a more appropriate form of policy analysis that seeks to explain why LKS is downplayed in the above-reviewed waves of donors’ reforms in recipient countries.

We start this section by reviewing the theories that provided information to the aid policy makers as mentioned in the above section and then we introduce the social-engineering model of aid policy makers. Since the 1950s aid policy makers have been using certain theories to inform their policies and to try bring about change in recipient countries. In the first wave of aid policies, the assumptions of the rational choice theory (RCT) had a prevailing influence on aid policies. As a whole, rational choice theory assumes individual decision makers have full information, infinite cognitive capacity and choose to optimize their production or consumption activities given their production cost structure or preferences, respectively (Rudd, 2003). The aid policy makers assumed that they fully understand how to change the institutions in poor nations and how to promote the capacities of their public sectors.

Most of the studies of the RCT deal with the problem of “free riders” who gain benefit from the collective goods provided by governments (Saxonburg, 1999). Because of the problem of “free riders”, the agenda of reforming the public sectors is to cut down bureaucracy and expose it to larger internal and external control as it is needed. However, bureaucracy protects itself by virtue of monitoring information (principal-agent problem). Such a Western-grounded theoretical approach provided rich information for donor policy makers to formulate aid programs aimed at exposing the recipient government organizations to pressures and competition, under the assumption that they would lead to more effective public administrative systems in the recipient countries (Baimyrzaeva, 2012). It seems donors did not realize that public bureaucracy and civil servants in most recipient countries are like a social net containing most of the free riders, who need an income to survive with the deep poverty in those countries. Civil servants enter the civil service for life; the system is by default a career-based system. The result was the governments of the poor nations and the donors could not achieve the objectives of the aid programs in this wave.

From New Public Management (NPM) in 1980 international development with respect to administrative reforms of the public sector was devised (Hood, 1995; and Barzelay, 2001). NPM embodied assumptions of the RCT and translated them into
practice. It was shaped and influenced by managerialism, transaction-cost economics and principal-agent theory. NPM shares the notion of the rationality of consequences, methodological individualism, and the abandonment of the normative aspects of institutions (Terry, 2005). Although different explanations exist as to what constitutes the principles of NPM, the shared statement among supporters of NPM is the “call for using the insights and principles that worked well in the private sector – such as competition, decentralization, flexibility, and pay for performance– to induce efficiency, economy, and effectiveness in the public sector” (Baimyrzaeva, 2012: 38).

The aid policy makers took into account the principals of NPM and started to formulate aid policies such as privatizations, decentralization, introduction of institutionalized market or quasi-market structures and transformation of citizens into clients and clients into public service producers (Baraldi, et al. 2003). In countries where there was no constitutional democracy and the rule of law was not established NPM’s contribution has been questionable. For example, the privatization programs have opened a door for corruption in its multiple types to be practiced. It was clear in Yemen that most of public productive organizations shifted to the ruling elite in much reduced bills, and that means poor people just lost out.

Above are just two examples of the information and assumptions that were available to aid policy makers, which have shaped the content and the scope of their aid programs in recent times. It is surprising that aid policy makers have only recently recognized the importance of social context. This is after introducing the assumptions of New Institutional Economics with the bounded rational model of the individual used in institutional analysis. This bounded rationality model of human decision-making tends to rely on heuristics and learning over time, rather than optimization. It is worth noting that the bounded rationality model first appeared in print in Herbert Simon’s 1947 book Administrative Behavior, which criticised existing theories of public administration and proposed a new approach for the study of decision-making (Jones, 1999: 33). Although Herbert Simon’s argument on bounded rationality is old, and has received its share of pointed criticisms (e.g., Arrow 1964; Boulding 1964; Dror 1964; Etzioni 1967; Goodin and Waldner 1979; Lustick 1980; Schulman 1975, in Jonathan Bendor, 1995, p: 819)⁶, it is not outdated in discussions among scholars of public administration and political science. Until today many scholars are still using it to attack abstract rarefied economic decision-making models or

---

⁶ - The criticism to Simon’s bounded rationality thesis is well known, such ideas can be found in much advanced text elsewhere.
comprehensive rational assumptions which most aid policy makers use in formulating aid policies.

Simon has emphasized, “The central concern of administrative theory is about the boundary between the rational and the non-rational aspects of human social behavior” (xxviii). A noticeable principle of bounded rationality for Simon is that “the capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems that require suitable solutions” (Simon, 1947). Therefore, Simon spent a great deal of time and energy to develop the satisfying rather than maximizing model to explain the reality of policy-making in uncertain situations (1947, 1955, 1957, 1971, and 1999). He argued that many expressions such as to “find the best possible policy” have little practical meaning because the search for alternatives is always limited and finite. Policy makers have limited time, skills and resources and they have incomplete information about alternatives and their consequences. Simon argues that actors rarely seek optimal solutions by studying all the options and picking the best. Instead, administrators will choose for policies that are good enough. This is what Simon called “satisficing” (as cited in Jones, 1999).

Therefore a satisficer (the Satisfied Man instead of the Administrative Man) seeks solutions that are satisfactory and sufficient. This type of behavior in policymaking

---


8 - Relatively related, Lindblom (1959) also attacked the abstract—rational choice paradigm by arguing that, for several reasons, it is an ideal toward which policy—making should approximate. First, in practice, policymaking is a complexly interactive process without beginning or end. It is markedly different from what is presented in the rational choice paradigm. Actors are rarely take into consideration all disciplined steps of policymaking process that started in the comprehensive idea of rational choice theory, but sometimes they may not go through at all. Second, decision-makers always have limited knowledge regarding the decision situation. The decision must be made in the midst of uncertainty. If the decision-makers decided to wait until the attainment of complement knowledge regarding the decision situation, in order to have a rational decision, he would not take any decision. This means the waiting process is useless. Third, the limited capacity thinking of humans means they have a lack of capacity in dealing with the complex problems. This is especially given the lack of information and the high cost of analysis, the difficulty of understanding all the alternatives, and the difficulty of classifying and scheduling these alternatives in programmed and accurate process. Lindblom (1959) emphasized that the process of understanding all the alternatives by the policy makers may give rise to problems with timing and a long branch for consideration. Fourth, policy makers face real difficulties in determining the realistic goals in the policy making process. Thus, they are sometimes unable to develop an integrated plan includes briefing and familiarity with all dimensions and variables, and all elements that are related to those realistic objectives.

9 - Simon (1947) pointed out in his criticism on the rational choice theory which first came about and developed within economic science, and afterwards it has been transferred to public administration. The Economic Man was not concerned with the behavior necessary for his brother (the Administrative Man) to describe how has decision-making process performed to have an optimal decision “in reality”. However, he suggested that The Administrative Man must be a satisficer or a Satisfied Man in dealing with the uncertain decision situations, instead of trying to understand the reality of the decision situation (Simon, 1947).
processes takes place, because of the limited information-processing capability. Consequently, it is difficult to realize optimization when policy makers are concerned with a choice mechanism that pursues satisfactory results. When faced with a complex problem, most satisficers (actors) respond by reducing the faults to a minimal level (Simon, 1947; Simon 1957:270-71 as cited in Jones 1999)\textsuperscript{10}. The knowledge, information, resources and time constraints on decision makers were so substantial that only those alternatives which are marginally different from the status quo could be realistically examined. Uncertain situations are resolved by irrational structures that do not fit the problems.

The social-engineering model of James Scott (1998) says that aid policies were formulated by using assumptions and not focused on the social contexts of their policies as a consequence of simplification policies from the twentieth century on centrally-planned social-engineering projects in high modernism states. In his well-written book \textit{Seeing like State} Scott argued, “The most tragic episodes of state-initiated social engineering originates in a pernicious combination of four elements” (1998: 4). The first element is the administrative organization of nature and society. This refers to the transformative simplification policies of facts in order for the state to see more clearly. The simplification policies aims to making complex and illegible social practices more standardized, comprehensive and legible to partially blind states which know little about their societies.

Scott (1998) explained simplification policy by looking at the interactions between scientific knowledge holders and practical knowledge holders. Local societies are complex and it is not that easy to understand them. States exercise a “high-modernist ideology”- the second element of a pernicious combination-which is about having a strong faith in scientific, technological and human progress. Carriers of such faith often saw progress in aesthetic terms\textsuperscript{11}. States are also of an authoritarian nature: this is the third element of a pernicious combination. A strong state is willing to use all its power to implement and impose its high modernist plans on society. Closely linked with this is the final element: a weak civil society unable to oppose the utopian plans of the state\textsuperscript{12}. States, to simplify or to create “legibility” of complex phenomena, have

\textsuperscript{10} There are other scholars who have adopted such as idea. For example Daft & Lengel (1986) propose that high uncertainty about the decision may result in processes which are more intuitive, e.g. to employ judgement and experience rather than computational routines.

\textsuperscript{11} And Scott importantly notes that as an ideology, such confidence is often unscientific and masks the political interests of state officials.

\textsuperscript{12} Scott (1998) has offered cases studies where too strong a conclusion is being drawn from the evidence. In Chapters 3 to 8, Scott elaborated on the last three elements of the pernicious combination. Here we encounter the authoritarian high-modernist ideas of people such as the French architect Le Corbusier who inspired the creation of a high-modernist city (Brasília), Lenin who designed the high-modernist revolutionary party, Stalin who was responsible for the high-mod-
used the authority of scientific knowledge and its tendency to disallow other competing sources of judgment in its developmental agenda. The result is either a massive failure of these developmental agendas or the imposing of orders that isolate and simplify the societies that they seek to administer and develop13.

The implementation of simplified development agendas in local societies by state centers does not explain why such developmental agendas ultimately failed. Scott (1998) addresses the reasons in the final part of his book. What ultimately proved detrimental is the lack of importance given to practical knowledge, or metis, in the process of designing developmental schemes. The intellectuals and planners behind them were guilty of hubris, or forgot that they were mortals and acted as if they were gods (1998: 342). This is best illustrated in the premise behind what are tellingly called ‘work-to-rule strikes’, which are mentioned several times throughout Scott’s book. The work-to-rule strike is a job action in which employees begin “doing their jobs by meticulously observing every one of the rules and regulations, and performing only the duties stated in their job descriptions. The result (as in this case), is that the work grinds to a halt, or at least to a snail’s pace. The workers achieve the practical effect of a walkout while remaining on the job and following their instructions to the letter. Their action also illustrates pointedly how actual work processes depend more heavily on informal understandings and improvisations than on formal work rules” (1998: 310-311). Such a strike thus demonstrates in a powerful manner how formal planning based on simplified understandings of complex procedures, will always be inadequate in producing a functioning social order. What is overlooked in the creation of any social order is the informal processes and knowledge (metis14) that assures its effectiveness15.

The environment we live in is not static, but changing and true social reforms need to allow for dynamic interactions and responses that take into account what happens at grassroots level. Visions of transformation through top-down order and

---

13 - To make it clearer, Scott (1998) argues that the heroic simplification policy is a best solution to the central problem in statecraft, which is illegibility, or the inability to see and understand society (Scott, 1989, p2). It is an appropriate mechanism for the modern state’s center to impose order upon complex aspects of its local society which it needed to understand and control by reducing these complex aspects to a level at which it can readily understand and be more persuasive to the state’s center (using the heroic simplification policy).

14 - In our study metis or the practical knowledge is completely relevant to the local knowledge syndrome.

15 - The second point of Scott (1998), to understand the reason for the failure of heroic simplified developmental schemes of the high modernist states, is consistent with a retreat from hubris but it involves the approach development planners ought to take in the development process. In addition to the ignorance of practical knowledge in the process of designing developmental schemes by the planners of the high-modernist states, they had also a faith in large-scale comprehensive schemes, what might be called a “muddling through” approach to development (1998, p: 327).
control based on “simplifications” of complex systems will ultimately fail.16

Scott (1998) explained many of the key arguments of Friedrich Hayek (1945). The bureaucratic planner with a map does not know the best way to move forward, and cannot move humans and their lives around the territory as if on a chessboard to create utopia. Local, practical knowledge is needed. The locus of decision-making must remain with those who have the craft to understand the situation; any system that functions at all must create and maintain a space for those in the field to use their local, practical knowledge, even if the hierarchs of the system pretend not to notice this flexibility (Delong, 1999: 2).

Hayek (1945) identified the practical knowledge problem in his article “The Use of Knowledge in Society”, as the central problem to social coordination. Every society has decentralized knowledge. Information is discontinuous, dispersed across many individuals, and often contained in articulated forms. Hayek highlighted that every society must find a way of tapping into this fragmented information in order for individuals and society to flourish (as reviewed in Williamson, 2009: 8-9). For example, Hayek (1945) pointed out that when we try to construct a rational economic order or solve an economic problem of society:

The peculiar character of the problem of a rational economic order is determined precisely by fact that that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate “given” resources - if “given” is taken to mean given to a single mind which deliberately solves the problem set by the “data”. It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization knowledge not given to anyone in its totality.

Hayek (1945) and subsequently Scott (1998) applied the insight of local knowledge in order to successfully argue that central planning according to scientific knowledge could never achieve rationalistic goals, because no single person or group holds all of the information necessary to successfully coordinate the development process (Williamson, 2009). Central planning according to scientific knowledge has resulted in a misunderstanding of planners in real situations, and the adoption of misguided

---

16 -This is where Seeing Like a State comes in. Scott’s book helps us to understand that the reason for the failure of all of the heroic simplified developmental policies of the high modernist states boils down hubris on the part of intellectuals and planners. “Their actions, far from being cynical grabs for power and wealth, were animated by a genuine desire to improve the human condition - a desire with a fatal flaw. That these tragedies could be so intimately associated with optimistic views of progress and rational order is in itself a reason for a searching diagnosis.” (1998, p: 342).
strategies that result in wrong and ineffective returns. Hayek (1943) stressed that “the object of scientific study is never the totality of all the phenomena observable at a given time and place, but always only certain selected aspects: and according to the question we ask the same spatio temporal situation may become a number of different objects of study. The human mind can never grasp a “whole” in the sense of all the different aspects of a real situation” (1943: 55).

For instance, Hayek asked “why the weeds in his garden have grown in this particular pattern. No single theoretical science will provide the answer. This, however, does not mean that to answer the question we must know everything that can be known about the space-time interval in which the phenomenon occurred. While the question we ask designates the phenomena to be explained, it is only by means of the laws of the theoretical sciences that we are able to select the other phenomena which are relevant for its explanation” (Hayek, 1943: 56). Actors often must make choices based on incomplete knowledge of all possible alternatives and their likely outcomes. With incomplete knowledge (harmonizing between scientific and practical knowledge) and imperfect information processing capabilities, all actors at all levels or contexts may make mistakes in choosing strategies designed to realize a set of goals (Scott, 1998; Ostrom 1986, Hyden 1990; Oakerson 1993, in Gibson. et all, 2008: .28).

We have restricted ability to effectively implement reform actions which have been planned in accordance with scientific knowledge. I emphasize this impossibility because, logically, social engineering is either a hard task or a wrong choice in developmental policy. To promote development in a given society, policy makers must implement procedures that adopt local knowledge into any plan. The validity of the plan itself depends entirely on the validity of the assumption that the policy maker accurately knows the circumstances surrounding his prospective decisions. If the policy maker does not know “what it is that he is seeking to achieve, or does not know what resources are at his command, or what the efficacy of the sources is with respect to sought after goals, then his plan—no matter how carefully formulated—is unlikely to result in the best possible outcome” (Israel M. Kirzner, 1985: 409)\(^{17}\).

\(^{17}\) - The theoretical debate presented above can partly explain why donor agencies and their friends in recipient countries cannot deal with the local knowledge at the policy making level. This, I should argue, tallies with William Easterly’s question: “how did panaceas after panaceas of foreign aid development solutions that have been adopted fail at the same time”? Development solutions have been proposed and implemented by development experts and technocrats since the beginning of the development project at the end of WW2. “Starting from the 1950s, economists believed financial aid was needed to fill the investment gap that existed in poor countries. When aid through the investment of capital did not seem to work, the next panacea promoted was investment in education. This was followed by the solution of population control, then adjustment loans and finally debt forgiveness” (APA: Thoughts, n.a). In the 2000s, donors started to implement good governance and institution building within the public and private sectors. By the end of the 1990s,
The absence of any kind of intellectual or practical framework for the processes of reform at the top policy-making level has constantly bedeviled donor policies in public sector reform (Jenkins and Blowden, 2006:48). “The ambiguous and inconsistent concepts and ideas on the nature of institutions and institutional change, and a lack of clear and practical analytical tools for understanding and mapping institutions, and designing implementable and effective institutional reforms” (Baimyrzaeva, 2010: 188) make it difficult to understand policy, let alone operationalize in practice, i.e. predict, design, carry out, and evaluate institutional reforms. Moreover, these obstacles also make it hard for top policy makers to effectively interact with “policy makers” in recipient countries or their “citizenry”, especially to bridge the gap of local knowledge or to examine how accurate the information is that they receive from local policy makers.

3.5 The Associability Development Approach and Aid Policymaking

Beyond the ideas of the ‘associability development approach’ presented in Chapter 1, if there is association and network during “the aid policy formulation stage” with responsible government officials and decision makers of the local government in the recipient country, there is often only a rather short time and a complete aid policy program may be designed in just three weeks. In effect, this superficial and short-term interaction between donors and recipients on high decision-making levels is not conducive to a fruitful exploitation of local knowledge, which local actors lack, as we explain in Chapter 4 (Olsson and Wohlgemuth, 2003)18. This is illustrated by the diplomatic language and development jargon that decision-makers use in their dialogue (Browne, 2006), leaving the rules of the game obscured (North, 1991). Policy makers on both sides suffer from an unclear vision of the final goal. The economists realized that there is no economic development without a sound public administration in poor nations. This has resulted in over $1 trillion in aid, and yet poverty persists in the world today. This tremendous failure occurred as a result of visionary intellectuals and planners who were guilty of hubris, and of forgetting that they were mere mortals instead of gods”(Scott, 1998, p. 342). This pretense to know everything leads the development technocrat to plan for large-scale comprehensive changes in the developing country. It was realized that they could not accomplish such large-scale comprehensive solutions with sole policy implementation. These development waves has been reviewed briefly in Chapter 10 of this study, with a focus on the donors’ public sector reforms in poor nations and to support the empirical part of this study.

18 - The short interaction between the two parties at this level is nevertheless important for the whole process as they establish the reform values on which the aid programs must be based, solve differences of opinion and build consensus. The donor in general imposes aid policies or programs that ensure ideas and experience of how things should be done on the ground (Williamson, 2008). It can be described as “power games where the stronger party will impose its will on the weaker one” (Olsson and Wohlgemuth, 2003). The recipient party remains a passive party on the sidelines. It has nothing to add to the initial policy design, and simply follows the donor promoted policies. Moreover, governmental bodies seek assistance from donor agencies to carry out projects that are believed to fall within the donor’s development policy” (Jaradat, 2009, p23). Aid policies should be designed in such a way that it includes context sensitivity, attention for values and factors that are open to change through the work of human agents (Edwards, 1980).
dominance of the English language in the development aid realm makes it difficult for all local people to present their ideas, as most of them do not speak the English language (Crespin, 2011). Poor nations suffer from a lack of knowledge of theory of change; this is why they are poor. If we deeply look at the information on local knowledge practices supplied by online networks it is very revealing as it explains why the assumption of reform has been the dominate rule in forming donors’ development policies. There is no information available for the policy maker to support their policy making process which can fit the policy made with local aspects of the recipient countries. This goes along with a lack of institutional memory within the aid agencies and the broken information loop from the local level (Martens et al. 2002)\(^1\).

A more problematic feature of aid policymaking process is that individual citizens, who are meant to be the beneficiaries of aid policies, have no voice in this stage of policymaking. The feedback loop to citizens is broken in foreign aid systems, because of the geographical and political separation between the givers and the beneficiaries of aid. The latter are well equipped with local knowledge, but they are not voters in the country that pays for the aid and thus have no real political leverage over domestic government political and administrative actors in a donor country. Accordingly, taxpayers do not have trustworthy information on the outcomes of the aid programs that they fund. They do not have actual political control over their politicians who approve these programs (Martens, 2006: 15). Pro-poor policies leave no room for demands of the poor as the authoritarian style of government allows for minimal participation (see also Chapter 2, section 2.3).

To this end, I argue that the policy making processes of foreign aid programs often fail to take into account individual and contextual factors (LKS: place and time knowledge or the practical knowledge). They have adopted a “one size fits all” development approach that has never worked in recipient countries, only resulting in non-compliance of aid policies and a no-policy fit. In analyzing the factors that influence the process of incorporating local knowledge, “policy design” is one of the key issues examined in this dissertation. There is hope to incorporate the practical knowledge gained in the policy implementation stage that might lead to results not foreseen in the design. This could lead to less effort for redesigning aid programs and projects and probably more success and effectiveness. Brinkerhoff (1996) confirms

\(^1\) - These factors are illustrated more theoretically and empirically in Chapter 10 of this study.
this as he highlights the importance of bridging the language and terminology gap between those who focus on the technical content of policy (theorists) and those who are involved with the implementation of policies and programs (practitioners). Bridging this gap is crucial for it may allow development of a wider and better understanding of implementation factors, and the process of linking policy goals to outcomes. It is therefore important to study the policy implementation of aid programs, as it can open doors for effective interventions in the area of capacity building and institutional reforms (Brinkerhoff, 1996).

**3.6 Policy Implementation Theory and LKS & Aid Programs**

**3.6.1 What is Policy Implementation?**

The policy implementation concept is generally viewed as the process of carrying out, accomplishing, fulfilling, producing or completing a given task. It can inevitably take different shapes and forms in different cultures and institutional settings (Raj Paudel, 2009:36). There are various ways to theoretically and empirically define the concept of policy implementation. Bhola (2004) suggests that policy implementation is a process ‘to actualize, apply and utilize it [policy] in the world of practice’ (2004: 296). Similarly, Hope (2002: 40) sees implementation as a process of ‘transforming policy into practice’ (cited in Ali, 2006). It is the process of translating policies into programs and projects which are subsequently implemented to achieve the set goals or objectives (Okoli and Onah, 2003; Ikelegbe, 2006). Mazmanian and Sabatier (1983 as cited in Addo, 2011: 1) gave one of the most influential definitions:

Policy implementation is “the carrying out of a basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court decisions. Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and in a variety of ways, “structures” the implementation process. The process normally runs through a number of stages beginning with the passage of the basic statute, followed by the policy outputs (decisions) of the implementing agencies, the compliance of target groups with those decisions, the actual impacts – both intended and unintended – of those outputs, the perceived impacts of agency decisions, and finally, the important revisions (or attempted revisions) in the basic statute” (p. 20- 21).

It is important to state that there is a debate in the literature, which is so far unresolved about the discovery of the “implementation stage” in the policy process, and whether

---

20 - It is not my aim to deal with the theoretical and practical debates on policy implementation, it can be found in advanced level elsewhere, for example in recent studies by Torenvlied and Thomson (2003). I just have given a quick view on the policy implementation conception which is related and helpful to specify a practical definition of aid policy implementation.
policy making and policy implementation should be considered as distinct steps; with the latter following the former, or both being part of the policy making process (Torenvlied and Thomson, 2003; Ali, 2006). The “synoptic view” of policy implementation regarded policy implementation as a distinct phase from policy-making. Thus, policy implementation is “what happens after a bill is passed” (Bardach, 1977), in other words, policymaking ends with the passing of laws. Scholars who agree with this view argue that policymaking is usually done painstakingly by legislators and then fails at the implementation stage, because of issues related to bureaucracy (Ali, 2006). The contrary view is the “anti-synoptic approach” outlined by Pressman and Widavsky (1984; 1st edition 1973) who argued that successful implementation would require an almost hundred percent level of co-operation between implementation agencies to reach the basic policy decision. Scholars related to this approach, claim that there is no clear distinction between policy formulation and implementation, as real policy is formulated not only at the legislative or judiciary level, but continues to be reformulated at the administrative level (Lindblom, 1980: 64-70; Trowler, 1998 cited in Ali, 2006).

Other scholars such as Goggin et al. (1990) and Pülzl & Treib (2006) have identified three generations of implementation studies and approaches related to the study of policy implementation, and the problems surrounding it. The first approach is top-down, which shows that the policy maker is able to produce unequivocal policy objectives and control the implementation stage. The second approach is the bottom-up component of policy implementation studies, which considered the “work on street-level bureaucracies, enriched the understanding of relationships within organizations and in particular the importance of the level where services are actually provided” (Friedman, 2008: 484). In this approach, the local bureaucrats are regarded as the “main players in the delivery of policy and conceive implementation as the negotiation processes within networks of implementers” (Addo, 2011: 20). The third approach is called hybrid (synthesis) theories, which attempt to bridge the gap between the other two approaches by incorporating both top-down and bottom-up elements, and other theoretical models (Pülzl & Treib, 2006). In this section, we focus on the first two approaches, as they are more relevant to explain the theoretical elements standing behind the idea of LKS.

Parsons (1995) has provided a long list review of the top-down studies of the policy implementation and he found that these studies were just based on a “blackbox model” of the policy process, inspired by systems analysis. Scholars have outlined
many assumptions of the top-down approach, including that the implementation process is based on strategies which greatly depend on the capacity of policy objectives and policy tools for implementation being clearly and consistently defined, when the conflict is low (Matland, 1995). Dyer (1999) states that another assumption is that policy implementation often follows a systematic chain starting “with a policy message at the top and sees implementation as occurring in a chain”.

Birkland (2005:185) cites a number of weaknesses of the top-down approach. The most important of them, which fits with our main argument in this study, is that top-down approaches often ignore the relative ease with which implementers and interest groups can work to subvert the originally established goals. Birkland rejects “the inevitability of adaptive implementation in which target groups and street level bureaucrats, subvert the original program goals. He argues that top policy designers do have choices about who implements a policy and what incentives and sanctions to impose for non-compliance and can influence the expectations and needs of target groups so that adaptive compliance should be unnecessary or would be counterproductive” (cited in Nhalapo, 2012:85).

Bottom-up models clearly describe the implementation process when the policy is ambiguous and conflict is low. Berman (1978), Hjern and Porter (1981), Hjern (1982), Hjern and Hull (1982), Hull and Hjern (1987) and Lipsky (1978) paid attention to understand the implementation process by considering policy from the viewpoint of the target population and the implementers. This means that the targeted groups accept the main intentions of a policy and the implementers have a high level of cooperation and common understanding.

In short, the top-down approach is concerned with compliance and the bottom-up approach is concerned with understanding how to address conflicts through bargaining and sometimes compromise (Birkland, 2005).

Since conflicts are likely in the presence of multiple organizations, Friedman (2006) argued that many studies looked at “interorganizational mechanisms for dealing with the conflicts and the implications of these mechanisms for policy”. The author provided many examples of these studies: “Stoker (1989) emphasized the importance of cooperation and identified implementation regimes based on how likely they would be to achieve cooperation. Goggin et al. (1990: 33) emphasized the role of the communications system linking the multiple organizations in a framework that combined top-down and bottom-up elements; Ostrom (1998:13) elaborated further on how communications can affect implementation”(2006: 498).
Accordingly, the network perspective with the main proposed model ‘the associability approach’ has become an important model for inter-organizational relationships that has received increased attention (Friedman 2006). Friedman argued that the idea is not new, but it belonged to Hanf, Hjern, and Porter (1978). As we discussed in Chapter 1, others argued that network perspective, including the actor network approach, emerged during the mid-1980s, primarily with the work of Bruno Latour, Michel Callon, and John Law (as author cited in Ritzer, 2004). Network perspective defines the network as the “set of relationships among the multiple organizations involved in a program. Since the members may forge their own relationships, networks are sometimes presented as a bottom-up alternative to a hierarchical system in a multiple organization setting” (Friedman, 2006:486). The term “network” in this study is used to refer to a structure of actors involved in policy implementation and problem solving (Hjern, 1981). Networks are regarded as “patterns of social relations between mutually dependent actors, which form around policy problems and/or clusters of means and which are formed, maintained and changed through a series of games. By this definition, it is clear that “networks provide a context for games, the interactions, in which the ultimate outcomes of policy processes are realized” (Joop Koppenjan, and Erik-Hans Klijn, 2003:70). A network considered as consisting of a variety of actors, arrangements, and interdependencies (Wachhaus, 2008: 30).

O'Toole (1997) argued that networks have become more common in public administration, with a focus on the effective management of the policy implementation. The network approach suggests that the actors’ network creation is successful when more alliances are involved in the network, and they work hard to maintain the network. This idea is significant because when the actors’ network creation is successful, the process of policy implementation will be successful too. The assumption is linked to success in understanding institutional uncertainties in a specific policy problem solving setting and time. The network approach provides “theoretical concepts and normative starting points for analyzing and assessing complex processes of problem solving in network settings and the roles that perceptions and interactions between actors play in this” (Joop Koppenjan and Erik-Hans Klijn, 2003:9).

The associability approach derived from network perspective then became an important contemporary means of creating knowledge, and is “a fluid mix of framed experiences, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information”
(Davenport and Prusak 2000: 5). For McGuire and Agranoff (2007), the associability approach mainly seeks a collaborative form of explicit and tacit knowledge that supports the policy implementation in its interorganizational missions. The authors presented different ideas belonging to many scholars that:

Explicit knowledge is that which can be codified and communicated easily by documenting in words or numbers, charts or drawings. It is the more familiar form of knowledge. Tacit knowledge is embedded in the senses, individual perceptions, physical experiences, intuition, and rules of thumb. It is rarely documented, but “frequently communicated through conversations with the use of metaphors” and includes knowledge, understanding, mental models, insights, and principles inherent to a discipline. As the two types of knowledge necessarily interact, its value increases because of its proximity to action, and when combined the knowledge is much more “real world” than raw data or information. In a form similar to that of organizations, networks rely on knowledge development/management processes, blending information with experience, truth, judgment, and rules of thumb (2007:10).

The associability approach of policy implementation may face many problems during the actual policy implementation, which can lead to misunderstanding of the policy setting and may result in conflicts. This can take place because the associated actors within the network are mutually dependent for the achievement of their goals of building and solidifying networks. Actors cannot achieve their goals without the means possessed by other actors because of such dependencies. Interaction patterns around policy problems emerge between actors over the course of time and these interaction patterns acquire some robustness (Smith, 2013:3). Joop Koppenjan and Erik-Hans Klijn (2003) confirm this as they have argued that the established networks must “provide a context in which actors behave strategically and where they meet with other strategically behaving actors. Within these networks, pushing and pulling takes place regarding the prioritization and formulation of problems and the way they should be solved” (2003:10).

The process of ‘translating’ a policy, which essentially entails the actor-network, should involve people to articulate the policies they want to implement. The assumption here is that actors can rely on cooperation to achieve satisfactory outcomes. Given the substantive, strategic and institutional uncertainties at stake in dealing with difficult problems, these cooperation processes can be regarded as learning processes. The result is that the actor-network operates as a whole (Smith, 2013:3). Furthermore, “actors do not select policies at random. They are led by their perceptions of the game, their own stakes and the policies of other actors. Perceptions are the images that actors have about the game, and they use them to give meaning to
and evaluate their actions and the actions of others. On the basis of these perceptions, actors select strategies and evaluate the (possible) outcomes of policy processes” (Joop Koppenjan and Erik-Hans Klijn, 2003:12).

The interaction processes are when different associated actors should together “learn about the nature of the problem, look at the possibility of doing something about it, and identify the characteristics of the strategic and institutional context within which the problem solving develops” (Joop Koppenjan and Erik-Hans Klijn, 2003:12). The authors added, “Cooperation interactions among actors presuppose learning between actors, crossing the boundaries of organizations, networks and coalitions. This is referred to in the literature as cross-frame reflection and learning between advocacy coalitions and can be viewed as the sustainable development of shared insights, methods of work and institutions. Substantive, strategic and institutional uncertainty has to be met with cognitive strategic and institutional learning processes” (Joop Koppenjan and Erik-Hans Klijn, 2003:12).

The other notion is that cooperation and learning behaviour do not emerge spontaneously. Rather it is important to support interaction around complex issues through strong management of the actors’ network settings (Kickert et al., 1997; O’Toole, 1997; Agranoff and McGuir, 2003; cited in Joop Koppenjan and Erik-Hans Klijn, 2003). The process of network management is not an easy task, but concentrated work that “requires numerous skills, tacit knowledge of the network and negotiation skills since the adopted strategies are implemented in a situation where singular hierarchical relations are lacking. The role of the network manager is one of mediator and stimulator of interactions and not one of a central director. This role is not given a priori to one actor. In principle, this role can be fulfilled by several actors, sometimes even by more than one actor at the same time” (Joop Koppenjan and Erik-Hans Klijn, 2003:12).

The associability approach is not without its critics. Some say the approach focuses too much on the approach of the actor, because it describes anything and everything as an actor, or rather ‘actant’, which has become the accepted term (Amsterdamska 1990; Collins and Yearley 1992; Lee and Brown 1994 as cited in Scott-Smith, 2013). Another point of criticism is that the network perspective concentrates on processes and institutions, but neglects the substantive aspects of problems and discussions. However, the network perspective is a new theoretical strand in the foreign aid arena that informs actors involved in implementation processes about the steps to take, for integrating local knowledge. The highlighted problems of the network perspective
can be resolved as the substantive aspects of the problem we deal with are related to the LKS. Network perspective is particularly welcome in this study. It presents a new way for the related actors, who are responsible for policymaking and the implementation of foreign aid programs to interact. Moreover, the theory gives clues about how to avoid rational administrative behavior. It offers a fresh look at how we can solve the local knowledge problem of foreign aid, by forming effective interactions between the actors from both sides: recipient and donors. While Law (2007) argues that network perspective is not a theory, it could sooner or later be developed into a theoretical model capable of explaining the societal processes that lead towards real change in the course of reform. It can combine both constructivism and positivism, and not force a choice between the two of them, because it just explains and describes a process of development and change (in Voeten, 2013).

3.6.2 What is Aid Policy Implementation?

Aid policy implementation is generally close to the top-down approach as it adopted by the donor organizations, and it does not adequately address the problematic nature of the LKS. As we have seen there is a blueprint model which designs a “ready-made” solution or an advance solution to the identified problem. Scholars that are specialized in the implementation of aid policies have long wrestled with the question of how to operationalize policy and to pay attention to the factors that influence this implementation, as the initial policy travels from donor to the host organization. Ideally, aid policy implementation should focus not only on what can be implemented and on what works but rather on incorporating local knowledge to ensure under what specific-context conditions various policies are implemented and work. I consider the incorporation of local knowledge, the implementation capacity of policies and its success as a product of interactions between policies and people in a specific place and time (Honig, 2006: 2; Hayek, 1948).

Aid policy implementation can be defined as a “cognitive process” to better understand the explicit and implicit knowledge in specific policy-contexts during project implementation. Policy implementation is an inquiry seeking to determine whether an organization can mix people and material in a cohesive, organizational unit and motivate them in such a way that they carry out stated objectives. It is also rarely a coherent and continuous process, but rather frequently fragmented and interrupted (Mudacumura, 2006). Policy implementation as a process or an inquiry is technical, complex and highly interactive. Besides technical analysis, it calls for
consensus building, consideration of the visions of key stakeholders, conflict resolution, compromise, contingency planning and adaptation (Mudacumura, 2006).

The outcomes of the implemented policies are often unpredictable and largely the result of give and take among organizations pursuing independent goals. The preordained outcomes are neither automatic nor assured, and implementation is more like a disorderly learning process than a predictable procedure (Berman, 1978). It is much like an assembly process: putting together pieces from different sources, with perhaps rather different objectives than those originally intended, and then reshaping those pieces into a mechanism capable of eventually producing the required results (Bardach, 1977). This view is also confirmed by Smith who regards policy implementation, as a process that should focus not simply on what can be implemented and what works, but rather investigate under what conditions institutional changes policy implementation work. It is a process of learning that involves the slow change of practice through the ongoing cooperation of meaning among the targets groups. Furthermore, aid policy implementation is aimed at “institutional programmes that mean to go beyond the goals for a single institution. It is a course of action rather than only oriented to task, and includes values and clashes between goals. Tools used for efficient implementation or capacity building are never impartial and bear values and ethics. Development management can recognize this by analyzing conflicts between goals, deciding who is not participating in decision-making and by explaining its own normative stance.” (Brinkerhoff and Brinkerhoff, 2005, as cited in Jaradat, 2008: 37)

The Local Knowledge Syndrome stems from the dispersed nature of information. The absence of local knowledge prevents policy makers designing efficient aid policies in a complex and chaotic country setting. In this study we assume that decentralized agents such as contractors, can be used to overcome the LKS (Saleh, 2006). The implementers (contractors) of aid programs and projects are players at the heart of the aid system, and they can potentially close the knowledge gap through their interactions with the beneficiaries (Ostrom, 2006 & 2003). This is true when managers of development programs (the contractors or the implementers) act as agents of internal change and when they externally advance development (Thomas, 2007, as cited in Jaradat, 2008: 44). Brinkerhoff and Brinkerhoff (2005) believe that implementation of aid development programs and policies should be people-centered and should promote the capacity of development players to successfully pursue their own development (2005: 23). The implementers should directly and indirectly relate
and communicate with different institutions, individuals and organizations, adapt to different contexts and circumstances, self-renew and finally integrate scientific and practical knowledge to inform their missions (Morgan, 2006).

The associability approach of aid policy implementation that we discussed in Chapter 1 of this dissertation is a particularly useful tool for showing and understanding the factors that influence the process of incorporating local knowledge during policy implementation. The implementation process of the intervention of donor-promoted public sector reforms is usually reduced to two components, money and ideas. Money, as we see it, can be transferred through cheques. Based on the work of Scoot-Smith (2013), we propose an alternative view on how ideas of reform can be transferred through interactions between actors, thus solving the LKS. Donors as we argued before should be aware of local knowledge. The match between scientific knowledge and local knowledge can mainly be achieved through contacts, interactions between “networks” of organizations and people; and between the donors who supply the expertise of reforming public sectors in uncertain settings of problem solving and the recipients who use it (World Bank, 1998). Therefore in addressing the LKS a great deal of attention is focused on identifying, analyzing and elaborating the interactions and cooperation as learning processes between the involved actors during the implementation process.

Any foreign aid program or project is a network of actors, many objects and many people, where everybody should base the work on cooperative relationships between donor agencies and contractors: recipient organizations, local managers, counterparts and beneficiaries or participants. These are all one network of relations, the key idea being that a project or program works well if the network creation is successful, because this ensures the possibility of incorporating local formal and informal knowledge. In this case the actors will understand each other well, they will exchange ideas about the local environment in a specific place, and they will work towards achieving their aim and solving any obstacles that they face during the implementation process. If a network is not successfully created there will be factions and disagreement between actors such as between the local manager and the donor contractor. Consequently the possibility of incorporating local formal and informal knowledge is lower. It is impossible for the involved actors to solve complex problems in isolation. The process of solving complex problems is an issue of mutual responsibility for establishing a peaceful interaction process among involved actors.
3.6.3 The Associability Development Approach and Aid policy Implementation

Foreign aid networks involve many actors with different political, social, and cultural or institutional backgrounds that cannot be easily altered (Burns and Flam, 1987). Consequently, “especially cultural differences” often prevent adequate interaction. Actors may face difficulties since each will have their behavior guided by the tasks, opinions, rules and language of their own country organization and administrative network. Thus, interaction is subjected to clashes and conflicts between divergent organizational and cultural factions. The following section briefly considers the different factors that can influence the relationships and interactions processes, leading to conflicts within the aid programs network of actors because of institutional uncertainties: (1) building trust (2) commitment, (3) mutual understanding and (4) cultural differences.

The first factor is the trust and openness amongst actors. Trust can either make or break cooperative relations (Dasgupta, 1988). Especially in the foreign aid arena, actors have often not met previously, and thus cannot adhere to certain codified rules that were shaped informally in the past. The concept of trust among players is not yet established, so they are not inclined to share information. Everything is formulated in detailed contracts, which can significantly increase uncertainty within or between actors in the network. Other players may continue to experience substantial distrust. This makes interactions more problematic and generates uncertainty about the behaviour of other actors and of the processes of incorporating local knowledge and assuring effective outcomes (Joop Koppenjan and Erik-Hans Klijn, 2000). One of the most important configurations in the perceptions of actors is the trust that “actors have in other actors. We regard trust as a (stable) perception about the intentions of other actors. The trust of an actor concerns the expectation that other actors will refrain from opportunistic behaviour even when there is occasion for such behaviour. When that trust is mutual, network patterns of actors with weak trust relations may emerge. This does not only distinguishes networks for other, but it also means that actors can play the policy making game based on other expectations” (Joop Koppenjan and Erik-Hans Klijn, 2003: 175). In foreign aid projects, mutual understanding and trust between consultant and clients is essential. “This requires both sensitivity by the consultant to the peculiarities of the local situation, and well-managed personal contacts. The latter takes time to build up. Unhelpful discontinuity is sometimes deliberately programmed in” (Jenkins and Plowden, 2006: 80).

Faulkner (1995) concurs that trust and commitment among actors is a necessary
condition to have a successful interaction and harmonious relations. The author points out that “positive attitudes in managing the alliance, and actions to stimulate bonding and organizational learning during the evolution of the alliance, were strongly associated with its effectiveness” (1995: 186 cited in Vartiainen, 2002: 34). Trust has a critical role to play in the success of alliances of all kinds. The interesting question is how trust is defined in literature and if the definitions are applicable to our analysis. Faulkner (2000) says that there are three types of trust. The first is calculative trust, which is risk taking, the second is prognostic trust, which is the trust which has been constructed over a period of successful interaction, and the third is affective trust which is interaction that turns into friendship between the partners (2000:341).

Sako (1998, 1992) also provides a useful definition of trust that includes three categories. The first is contractual trust that means that the partners are expected to fulfil their contractual agreements, resting on a shared moral norm of honesty and promise keeping. The second is competence trust, which means that the partner is capable and willing to do what it has promised to do. This requires that partners share an understanding of professional conduct and technical and managerial standards. The third is goodwill trust, which means that partners make a commitment to take initiatives for mutual benefit while refraining from taking unfair advantage of the other partners. Goodwill trust can exist only when there is consensus on the principles of objectivity (also see: Sako, 1992; Vartiainen, 2002).

Kanter (1989) stresses that running associations requires very different attitudes and behavior from running hierarchies. Building harmony changes decision-making, and respect in alliances comes not with rank, but with knowledge and the ability to get things done. Sako (1998) puts this as follows: “trust is a social norm which lessens the need to use hierarchy to attenuate opportunism… here, trust tends to be conceptualized as a substitute for various governance mechanisms... whatever the formal governance structure, the higher the level of mutual trust, the better the performance is likely to be”(1998: 90-91). These tools are useful for analyzing the selected cases in the sense that this interaction is managed and coordinated by traditionally hierarchical government administrations.

Mutual understanding and trust during the interactions is essential for exchanging ideas and information on local knowledge. This requires both sensitivity by the consultant to the peculiarities of the local situation and well-managed personal contacts and commitment. The latter takes time to build up. According to Faulkner and de Rond (2000) commitment differs from trust. It is possible to be very committed
to co-operation with partners, but still not trust them. Conversely, it is possible to trust the partner, but at the same time be committed only to a limited degree. Commitment can be signaled in many different ways. It may be shown by investments in projects which can be either material (financing, equipment and technical assistance) or ‘knowledge-based’ (education, advice and guidance). According to Spekman and Isabella (2000), commitment is a virtual cycle. When one partner demonstrates commitment, there is often a similar response from the other. To put it simply, we can state that commitment is a partner’s willingness to devote time, energy and/or resources to the alliance. Commitment is also a signal which can tell us how well the interaction is functioning. Committed partners are willing to work together so that the interaction functions well and the potential problems and risks can be solved. The commitment cycle demands shared information between partners.

As we see in Chapter 4 of this study, the culture of any formal institution, be it a business corporation, a government department or a whole state - can be difficult for outsiders to understand. The culture has a profound influence on the ways in which the formal institution functions and on attempts to change those ways. Klitgaard has suggested that the power of program or policy effects may depend on aspects of the sociocultural context. Citing Putnam (1993), Klitgaard draws an analogy between this context and the soil in which a gardener has to work: “Policies and projects may work better or worse, depending on the soil conditions; if we understood the soil conditions better, we might choose a different kind of policy or project” (Klitgaard, 1998: 6).

The interesting work of Bovaird (2002:50) describes four key areas in which culture and tacit knowledge can play a major area in knowledge transfers in a cross-cultural context:

(1) National culture - tacit knowledge about behavior or attitudes important in forming successful relationships in a country e.g. when to use the familiar second person form of the verb in Germany or France to a person of similar age and standing (Hofstede, 1994; Hampden-Turner and Trompenaars, 1993).

(2) Sector culture - the set of beliefs, values and norms of an industry or a sector – which has been termed the ‘sector recipe’ (Spender, 1989) or ‘industrial wisdom’ (Hellgren and Melin, 1992).

(3) Organizational culture - tacit knowledge about the underlying norms and assumptions of the organization e.g. whether it is strongly advisable to contest organizational policies or strategies with the Chief Executive or Director of a public enterprise in an interview or seminar (Trompenaars, 1997; Johnson, 1992)

(4) Craft/professional culture - tacit knowledge about how an activity can and/or should be carried out successfully, according to the accumulated experience of the craft or professional practitioners. For example, how to write a report on performance
measurement in a particular service in such a way as to attract interest from practitioners. (Mintzberg, 1983).

The dark side of the interaction consists of off-loading risks and costs onto the environment, and unequal representation. Therefore, there is a need for guarantees that limit these negative effects (Jenkins and Plowden, 2006: 187). Cultural differences between actors within a network are likely to be the greatest sources of difficulties and conflicts. Poor interpersonal interactions can damage the relationship between donor and recipient for far longer than the duration of one individual’s time in the country, and affect directly how that donor is regarded. Differences in transparency, flexibility, working styles and management styles can lead to many conflicts in the actors’ interaction processes. Conflicts points to existing different visions, expectations, objectives, and understanding of the projects

3.6.4 Problems Which Aggravate Interactions during Aid Policy Implementation

The main idea is that the LKS can take come into play, because many factors are involved in the interaction process and there is a need for greater attention by the network management to avoid such factors. A problem can be that recipient actors rarely express their opinions and concerns thus marginalizing local ideas and expertise. The network within foreign aid programs includes a large number of actors which makes it more complicated to manage such a network. There is an important role for the management of the network as the learning process does not emerge spontaneously. It is important to support interaction for discussing complex issues through a strong management structure.

If we take the example of the Netherlands and its related programs in higher education like the NPT, the actors consist of the following:

1. The Ministry of Foreign Affairs – both in The Hague and abroad through the Dutch embassies in the countries eligible for NPT. The Ministry in The Hague is responsible for policy making, financing, supervision and external monitoring and evaluation, while the embassies have a role in monitoring and liaison with government and other donors in setting priorities.

2. Nuffic, which is responsible for NPT management, including decisions on funding and awarding grants on behalf of the Ministry, (financial) administration and accounting, internal monitoring and evaluation, and program-level financial and progress reports to the Ministry of Foreign Affairs.
(3) Dutch contractors, who are responsible for project implementation in accordance with the project description, (financial) administration and accounting and reporting to Nuffic.

(4) Relevant line and/or sector Ministries in NPT countries.

(5) Beneficiary organisations/institutes in NPT countries, who are tasked to implement the NPT projects together with partners from the Netherlands, like Dutch students/trainees and their employers (MinBuZa, 2012).

Many institutional problems can influence the process of interactions between actors in the established network. For example, problems can arise when too much time has elapsed between the initial visit to define the project, and the awarding of the contract. If the contractor has found it necessary to recruit expert subcontractors, they may be unavailable by the time the contract is actually awarded. Another issue is the selection process of the contractor by the donor organization, as most agencies inform bidders of the weight that will be attached to the several characteristics sought, which do not give attention to local knowledge. The empirical evidence is that most donor agencies only attributed 5% to 10% of the total marks for a bidder to local knowledge (Jenkins and Plowden, 2006).

Rapid rotation of staff is a problem that influences the process of actor network interactions for the start of the project. High staff turnover in addition to short-term assignments to field offices and a growing number of temporary contracts in most development agencies, make it difficult for staff to engage and interact with local actors and to absorb sufficient knowledge about the formal and informal organizations/institutions where their projects are going to be applied. It can lead to a “limited institutional memory and internal bureaucratic imperatives which militate against learning and flexibility, dependence on external resources (such as consultants) resulting in a fragmentation of responsibility” (OECD 2000, as cited in Jenkins and Plowden, 2006: 120). In most cases, there is no effective preparation for contractors about the local context before sending them to the field. This is due to a lack of institutional memory on the part of donors, or at least a reluctance to draw on it. The rapid rotation of staff increases the distance between donor agencies and local actors who require their support. Furthermore, gaining trust is a much harder task than losing/ruining it. Change of personnel or change of contractors on both sides can create a less trustful situation. (Jan Olsson and Lennart Wohlgemuth, 2003:13). In addition, there are rarely effective mechanisms in place to ensure post-field knowledge transfers. In most aid agencies’ in-country offices, senior staff spends most of their
time in their offices in the capital city, under pressure to be “strategic” and with little
time to connect with poor people. In addition, they tend to be rewarded more for the
financial management of funds than for the actual performance of what is funded
(Jan Olsson and Lennart Wohlgemuth, 2003).

Before we conclude this chapter, it is worth noting that there are a number of ways
that the associability approach can be applied to different levels within foreign aid
systems. It is a flexible approach of analysis and can be used as a grand theory and
persuasive ideal for unpacking the whole concept of ‘development’, or it can be applied
to a particular small project, focusing on the network with its limited actors (Scott-
Smith, 2013: 6).

3.7 Summary and Conclusion

This chapter has addressed the theoretical framework of the study. We started
with a basic definition for the “Local Knowledge Syndrome” and its relation to foreign
aid effectiveness. Many authors consider that the LKS appears when foreign aid
agencies design and implement aid policies, which are trying to impose formal and
prescribed institutions and ignoring the role of the informal structure, the métis.
Informal institutions and organizations or “implicit-knowledge” are as important, if
not more, than formal institutions and organizations’ “explicit-knowledge” for the
effective promotion of public sector reforms in developing countries. The informal
structure represents the main rules of the game, by which most of the recipient
government bodies are administrated and controlled. Aid participants must design
and promote reforms with a comprehensive understanding of institutions and
“institutional change” in non-transparent environments.

Several theories have been examined to consider why the LKS is still downplayed
in foreign aid at the level of aid policy design and implementation: public policy
making and implementation theory, bounded rationality approach, the institutional
theory, the development associability approach derived from the Actor-network
theory and cultural theory. Based on these theories, it is argued that donors mostly
adopt central planning, a blueprint approach of policymaking and a top-down
approach of policy implementation. This is a serious problem because blueprint
approaches do not consider LKS as part of the equation. In analyzing the factors that
influence the process of incorporating local knowledge, “policy design” is one of the
key issues. There is hope to incorporate the practical knowledge gained in the policy
implementation stage that might lead to results not foreseen in the design. However,
donors often use the “synoptic view” of policy implementation or the top-down approach of policy implementation, which both ignore the relative ease with which implementers and interest groups can work to subvert the originally established goals.

Following our discussion of the theoretical issues in this chapter, we can put forward two main hypotheses to consider how the incorporation of local knowledge influences the success of policy design and/or implementation of donor-promoted public sector reform programs in developing countries:

1. If local knowledge in policy design is increased, by integrating formal and informal institutions and organizations in recipient governments or organizations, more successful aid programs can occur. Less integration of local knowledge will likely lead to more failing programs.

2. If more local knowledge is incorporated during the implementation stage, more attention is paid to results that are not foreseen in the initial design, therefore preventing costs of redesigning aid programs.

If we establish an effective model that ensures the incorporation of local knowledge, the aid policymaking and implementation must be more closely integrated or linked in order to reduce uncertainties and the unknowns of local settings in the recipient countries. However, I want to emphasize more that LK only manifests itself during the interactions at the implementation stage. The associability development approach offers a particularly useful tool for showing and understanding the factors that may influence the process of interactions during policy implementation. The interactions in the foreign aid arena involve many actors with different political, social, cultural and institutional backgrounds that cannot be easily altered. Consequently, “especially cultural differences” often prevent adequate interaction. Actors may face difficulties since each will have their behavior guided by the tasks, opinions, rules and language of their own country organization and administrative network.

The next chapter addresses local knowledge in the case of Yemen, which is then used as a background to our analysis of the Dutch NPT program in the coming chapters. The chapter provides information to an outsider who is trying to conduct aid intervention in Yemen with facts on how donors can interact and associate with the Yemeni counterparts, and a clear view of the essential needs of the capacity and capability building process to promote the public sector in Yemen.