

International Determinants of State Agencies' Capacity: Lessons from Colombia and Peru

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Abstract

The capacity of state agencies varies greatly among Latin American states, but this significant variation remains largely understudied in political science. The few studies that do analyze this phenomenon primarily concentrate on domestic causes as explanations for the variation. This article focuses on another influence on agency capacities that contributes to inequalities in state capacities in the region: international determinants. I propose two mechanisms that link external causes to enhancement of agency capacities in developing states: (a) "capacity by external challenges" and (b) "capacity by external linkages." I illustrate the operation of these mechanisms through an analysis of state agencies in Colombia and Peru.

Key words: state capacity; agency capacity; second image reversed; Latin America;

Acronyms

CDC	Centers for Disease Control and Prevention
DCI	Department of International Cooperation, Ministry of Health
IFI	International Financial Institutions
IMF	International Monetary Fund
PARS	Support Program for the Health Reform
UMC	Educational Quality Measurement Unit (Unidad de Medición de la Calidad Educativa), Ministry of Education

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The capacity of state agencies varies greatly within Latin American states. While some agencies are staffed with competent professionals, maintain autonomy from socioeconomic and political interests, and can successfully advance their policy preferences, others lack professional cadres, are prone to manipulation, and remain ineffective. For example, quite frequently the ministries of foreign affairs and central banks are professional and meritocratic agencies that fulfill their duties. On the other hand, the central offices of ministries of health and education are usually staffed with underpaid bureaucrats, remain ineffective, and are more prone to petty political clientelism and corruption. While ministries of foreign affairs and central banks operate on a level similar to agencies in developed countries, health or education agencies frequently typify all the negative stereotypes about bureaucracy in Third World countries. Such unevenness in state capacity is considerably higher in developing states than in developed ones, where the level of professionalism is more uniform among agencies.

This stark variation in agency capacity among central government agencies remains understudied in Latin American politics (for exceptions see: Geddes 1990, 1994; Graham *et al.* 1999; Nelson 1999; Dargent 2011; Bersch *et al.* 2012).¹ The few studies that have analyzed this phenomenon focus mainly on domestic causes as explanations for this variation (Geddes 1990; Nelson 1999; Kaufman and Nelson 2004; Dargent 2011). Without denying the importance of domestic factors, in this article I focus on another source of state agency capacity: international determinants. A "second image reversed" framework centered on external factors helps to account for instances of high agency capacity that would remain largely unexplained if we relied exclusively on domestic factors. I propose two mechanisms that link external causes with the enhancement of agency capacity in developing states: "capacity by external challenges" and (b) "capacity by external linkages." These mechanisms contribute to explaining the variation in agency capacity across state dependencies, across time in the same agency, and even among departments within the same state institution.

How can international factors strengthen state agencies? How stable and enduring is the capacity of these agencies? More generally, what can we learn about the underlying causes of state weakness by looking at these cases of capacity enhancement? To answer these questions, the article proceeds as follows: first, I discuss how this research fits into

1. Although this article focuses on differential state capacity in central state institutions, another instance of heterogeneous state capacity worth exploring in Latin American politics (and comparative politics in general) is sub-national government. Explaining why some local and regional governments govern efficiently while others with similar resources and competences fail to do so is also relevant to our understanding of state capacity (see for example: Gutierrez Sanin *et al.* 2009; Vargas 2010; Barrantes *et al.* 2012).

the existing literature on comparative politics and international relations, provide some conceptual definitions, and present two mechanisms through which external factors act as sources of agency capacity. In the following two sections, I illustrate the operation of these mechanisms through an analysis of eight central state agencies (in the executive branch and the national agencies of the judicial system) in Colombia (three agencies) and Peru (five agencies) as well as agencies involved in health reform processes in both countries during the 1990s. This analysis is mainly based on evidence obtained from interviews with policy makers in these sectors and on secondary literature about these agencies and reform processes.

Despite some different background conditions, Peru and Colombia are similar cases of countries that have very similar positions in the international arena, are exposed to comparable external challenges, and have similar linkages with international organizations and transnational actors. Thus, I expect parallel – although, as discussed later, not equal – patterns of state capacity in agencies responding to these similar external stimuli. I conclude by highlighting the relevance of these findings and suggesting future avenues of research. This analysis has important theoretical and practical implications. By studying external factors as determinants of agencies' capacity, I contribute to a rich body of literature that analyzes (directly or indirectly) the impact of external influences on institutional development in the region (among many: Cepeda and Mitchel 1980; Grindle and Thomas 1991; Graham et al. 1999; Weyland 2004; 2006; Ewig 2010). Studying why and how external factors relate to the enhancement of state capacity contributes to an understanding of the underlying causes of state weakness in the developing world. Without adequate enforcers, institutions become parchment rules, formally existent but ineffective (Levitsky and Murillo 2009). Thus, weak state agencies are part of the explanation for this distance between law and reality – what has been called the "implementation gap" (Grindle and Thomas 1991). By analyzing the external determinants of state capacity, I dialogue with these broader theoretical agendas.

Evidently, understanding how external causes may contribute to strengthening agency capacity is not only theoretically relevant: it can also provide practical advice for reformers, bureaucrats, and international donors focused on building state capacity and on development more generally. Diverse academics have linked state agencies that are capable of enforcing rules and adapting to their context with proper policy implementation (Fukuyama 2004: 66–70; Andrews 2011; Andrews et al. 2012). A proper understanding of the effects of external forces on state agencies will allow reformers to become more aware of the opportunities and obstacles related to enhancing and maintaining agency capacity and a professionalized bureaucracy in developing states.

1. STATE CAPACITY, AGENCY CAPACITY AND THE SECOND IMAGE REVERSED

Studies of the state in comparative politics utilize a myriad of concepts to refer to similar, although somewhat different, aspects of state power: state autonomy, state infrastructural power, state capacity, state strength, among others (Skocpol 1985; Mann 1986; Geddes 1990; Huber 1995). These studies usually assess the state's power to enforce its authority, affect the interests of social actors, extract revenues, or effectively control its territory (Tilly 1975; Mann 1984; Skocpol 1985; Evans 1992; Soifer 2008). Many of these academics have discussed the theoretical value of also treating states as non-unitary actors, composed of different sub-parts with varying levels of power (Skocpol 1985; Geddes 1990, 1994; Migdal *et al.* 1994; Huber 1995; Soifer 2009; Bersch *et al.* 2012). As discussed by Skocpol in her seminal article: "[...] one of the most important facts about the power of a state may be its unevenness across policy areas" (Skocpol 1985: 17-8).

In this article, my purpose is to contribute to understanding the causes of this uneven power across state agencies, which is especially acute in many middle income countries such as those in Latin America. I adopt the concept of "state capacity" defined as "the ability of a professional bureaucracy to implement policy without undue external influence"; thus "agency capacity" conveys the existence of such capacity in a particular state agency (Bersch *et al.* 2012: 2). I will consider that an agency has high capacity if: (a) the professionalism of its bureaucracy and (b) its ability to implement policy effectively and without undue influence are meaningfully high.²

What explains the variation in agency capacity in developing states? Few studies answer this question directly; most touch on the issue in passing when discussing other political phenomena. Current explanations of state unevenness focus mainly on domestic factors. Some authors, for example, explain this variation by focusing on politicians' electoral interests or constraints (Geddes 1990, 1994; Schneider 1998). These political incentive theories usually expect politicians to strengthen agencies that can advance their political interests or prevent high political costs. Similarly, other theories focus on socio-economic actors, expecting higher levels of state capacity in agencies charged with matters that are of great interest to economic elites (Silva 1993; Estrada 2005). Other authors combine both political and socioeconomic factors to explain the weakness of social policy sectors or the higher capacity of economic policy areas (Nelson 1999: 17-20; Kauffman and Nelson 2004; Dargent 2011, 2012). Finally, when analyzing and comparing reform experiences in

2. As mentioned before, in this article I focus on central state agencies (ministries, judicial offices at the national level, and executive branch departments with national competences) and leave aside other instances of uneven state capacity such as sub-national governments.

Latin America, another group of authors explore the conditions under which bureaucratic entrepreneurs can sometimes create strong agencies within weak bureaucracies (Grindle and Thomas 1991; Lora 2007; Graham *et al.* 1999). Although international support through loans or technical advice is frequently part of these authors' explanations for positive outcomes (e.g. Nelson 1999: 25-6; Graham *et al.* 1999), the main factors behind these positive reforms are usually viewed as domestic.

In this article, I do not argue regarding the merits or shortcomings of these domestic explanations, but complement them by including external factors as a crucial and independent determinant of agency capacity. I propose that without a proper understanding of these external factors, domestic explanations for the uneven power of the state will remain incomplete. Below, I analyze instances in which external factors were crucial in explaining politicians' or high ranking state officials' decisions to strengthen entities of the state or in restraining them from interference in these areas, even against their own short and medium term interests. Similarly, I discuss how these external factors sometimes enhance the leverage of bureaucrats in state entities when no powerful domestic economic interests are at play. In the conclusions, I return to the question of how to complement theories regarding domestic factors and their insights with the external determinants described here.

To advance my argument, I rely on the "second image reversed" perspective developed in the field of international relations (Gourevitch 1978). This perspective highlights the direct and meaningful effect of international factors on domestic politics. Such diverse political phenomena as state formation, policy reform, changes in political regime, and social revolutions have been associated to external factors (Tilly 1975; Gourevitch 1978; Skocpol 1979; Pevehouse 2002; Mazucca 2010).³ To my knowledge, the effect of external forces on particular state agencies in the existing "second image reversed" literature is limited to analysis of how external threats can induce the creation of strong repressive institutions (e.g., a large standing army or security agencies) that end up reducing the prospects of democratic government.⁴ But a more general analysis of the effects of these factors on uneven agency capacity has not yet been conducted. I propose two mechanisms by which external factors constitute independent and meaningful sources of agency capacity in developing countries. Both these mechanisms are triggered by external stimuli, but follow different paths.

3. For a general, although outdated, critical review of the literature on the second image reversed see Almond 1989.

4. For a review of these arguments see Almond 1989: 239-246.

1.1 Capacity By External Challenges

I call the first mechanism "capacity by external challenges." External challenges to the state, such as geopolitical or economic pressures, or new demands posed by the international community, lead to the professionalization of state agencies. In the process, agencies sometimes gain the capacity to effectively adopt policy preferences with significant independence from domestic political or economic actors. Increased state capacity in this case is a response by state elites to the cost of their relative weakness in the international sphere or their inability to respond to bilateral and multilateral obligations.

How does this mechanism operate? Two different paths are possible. To respond effectively to international challenges, sometimes political elites create new agencies or reinforce existing ones with bureaucrats and officials who possess the necessary knowledge to respond to these external demands. Elites' motivations for empowering these areas may be self-interested (e.g., worries about domestic stability) or altruistic (e.g., concerns about development). In other cases, the process is driven by bureaucratic elites: existing agencies take advantage of the situation and lobby politicians to reinforce their own agencies or create new ones, using external pressures as a source of leverage for their demands. As discussed later, the creation of the Peruvian Ministry of Foreign Commerce and Tourism was a process led by politicians interested in promoting a foreign trade agreement with the U.S. Similarly, technocratic state actors in the region have frequently succeeded in adopting new institutions or creating new agencies, sometimes using external challenges and crises to put pressure on their political superiors (Weyland 2002; Weyland 2005: 272; Dargent 2011: 322).

In such cases, state agencies are reinforced in response to such external challenges. First, agencies' bureaucratic expertise is heightened in order to match the professional level of external actors. The expertise required to handle international issues is considerably higher than that which can be mustered by normal bureaucracies in the region. Furthermore, such international pressures provide an informal coat of protection for the agency: in order to guarantee adequate and professional responses and prevent mistakes, state elites allow these agencies to work more autonomously and without intervention; and sometimes also under better economic conditions.

Moreover, bureaucrats will aim to institutionalize this acquired capacity through formal and informal means. Personnel from these agencies quite frequently take advantage of this political "space" in order to design institutional protections that both boost their independence and assure the reproduction of their expertise. For example, bureaucrats may demand and achieve regulations for professional recruitment and meritocratic career advancement. Also, these agents may strengthen linkages with similar external agencies,

whose support can contribute to further increasing their leverage over other domestic actors. The political opportunities created by external demands are exploited by bureaucrats and used to significantly enhance capacity.

External stimuli also help to explain the maintenance of capacity across time. Some of these external demands and challenges are permanent causes (Stinchcombe 1968: 103), helping to explain high levels of agency capacity over time. Agencies in charge of issues that remain largely relevant in the international sphere, such as diplomatic relations or international economic policy, can expect to experience permanent external pressure to maintain significant capacity. But in other cases, external challenges may fluctuate, sometimes leading to the enhancement of capacity or sometimes to its decline, in accordance with this variation. Issues that were important in the international sphere may gradually lose relevance, and with them the internal agencies. Nonetheless, some agencies that gained relevance can keep their capacity high if they enjoy other sources of power. External challenges can produce ratchet effects, making these agencies powerful actors even in the case of absence or reduction of the external stimuli that boosted their capacity. Capacity enhancement in central banks or ministries of the economy can be related to external crises and IFI demands, but once the crises are over, these institutions are unlikely to lose capacity.

As presented thus far, this mechanism seems quite functionalist, or over deterministic, predicting strong similarities in agency capacity across countries in response to similar external stimuli. Although, in some cases, the cost of not reinforcing a state agency may be quite high, leading to similar patterns of agency capacity, there is scope for significant variation across countries. State elites may sometimes choose not to significantly reinforce state agencies, or to do so selectively. For example, they may reserve some sections of an agency for clientelism, or technocrats may fail to exploit these windows of opportunity and remain weak. As discussed in the following section, similar external challenges can produce different levels of state capacity.

Testing this mechanism is not easy, since external stimuli are difficult to isolate as independent factors. There are several types of state agencies that respond to external stimuli and appear to confirm the relation described above. For example, economic policy agencies, such as ministries of the economy or central banks, appear to be good examples of externally induced capacity since they are required to match the expertise of highly qualified external economic actors such as the World Bank or the IMF. But there is an obvious problem when testing the effect of external influences on these agencies: fairly evident and constant domestic pressures also exist for these areas of the state to maintain high capacity.

For example, let's look at the case of the development of strong economic agencies in Colombia. One reason for the emergence of these institutions in the 1960s was external: the need to balance IFIs' expertise during tough international negotiations. As mentioned by Rodrigo Botero, one of the first members of the Colombian technocracy: "To change this correlation of forces it was necessary to increase our national capacity of analysis, provide more knowledge to the technical cadres of the state, and strengthen the fundamental aspects of the country's macroeconomic management"⁵ (Botero 2005: 21). According to Botero, these external pressures made technical knowledge a necessity to defend the national interest in international negotiations.⁶ But external challenges were not the only ones that explained the emergence of these institutions. Domestic political incentives, such as the need to end domestic violence, also contributed to this enhancement (Dargent 2012: 101-2). More generally, the high professionalism of ministries of the economy and central banks is not only due to international incentives – good performance is also crucial to the interests of domestic, economic and political actors (Dargent 2011, 2012).

In order to reduce (although not eliminate) this problem, in the next section, I focus on agencies that allow me to isolate, to a relative degree, the independent effects of external factors on domestic agencies. First, I show how external pressures contributed to maintaining the high capacities of the ministries of foreign affairs of Colombia and Peru. Domestic causes seem less important in explaining high capacity in ministries that are mainly involved in international issues. Second, I also show how two agencies gained capacity as a response to important changes that were identifiable in the international arena. I describe the increased capacity in the ministries of commerce and in the judicial cooperation offices of both countries after important external changes. By focusing on emerging international interests and demands that put new pressures on the state and lead to the enhancement of capacity, I can more safely conclude that the postulated causal relationship is sound.

1.2 Capacity By External Linkages

The second mechanism, which I call "capacity by external linkages," focuses on a different but also significant form of external influence. International actors, such as international organizations (IOs), international financial institutions (IFIs), multilateral or bilateral aid agencies, transnational civil society, and epistemic communities frequently advance their goals and reform interests at the domestic level through state agencies (Haas 1982; Kahler 1992; Stallings 1992; Weyland 2004). The literature on externally-led institutional

5. Translation by *Apuntes*.

6. Interview with Rodrigo Botero.

development in the region has mainly focused, directly or indirectly, on this mechanism. The main difference with the previous mechanism is that, in this case, ruling state elites do not see these changes as part of their agenda or their own pressing interests (whether egoistic or altruistic). Without these external linkages, it is likely that the resultant changes would not have occurred, as these areas of state responsibility would have received little attention from domestic actors.

While the first mechanism induces actors to react and insulate state agencies, the "capacity by external linkages," mechanism usually is more subtle; quite frequently, it even occurs under the radar of state elites. Sometimes external actors exercise significant influence by promoting the reform of existing agencies or the creation of new ones. IFIs, for example, can promote the creation or reinforcement of agencies to carry out their sponsored reforms. But at other times, reforms are prompted by more subtle means and through less influential actors such as foreign scientific institutions. Although state elites may lack interest in many of the issues involved, they frequently do not have strong reasons to oppose projects promoting them. In addition, politicians can even point to these foreign-sponsored projects as examples of their own competence and success. Thus, they are likely to approve cooperation projects to implement these agendas, especially if they are financed by international actors.

Of course, the two mechanisms discussed here can sometimes coincide, blurring the differences between the two. For example, IFI demands insisting that governing elites reform a neglected state agency can be strong enough to make elites consider it to be in their interests to comply. Especially in times of crisis, IFIs have considerable leverage to trigger such changes. In these instances, there is more leverage and pressure to respond to an external challenge rather than the more subtle process described above. Nonetheless, it is important to keep these mechanisms separate for analytical purposes. In the "capacity by external challenges" mechanism, I focus on domestic elites' interests (egoistic or altruistic) as the motivating factor for reinforcing state functional areas, in the "capacity by external linkages" mechanism, persuasion and local-international linkages with non-elite state actors is the influencing factor.

Linkages can lead to significant capacity enhancement. External forces provide resources, information, and networks on which the domestic agencies affected can rely. The demands and standards of international donors guarantee meritocratic recruitment. This support also increases the financial independence of the agencies involved and enhances their level of professionalism through better salaries, thus making these agencies less reliant on domestic actors. As a result, these linkages provide bureaucrats with more stability and continuity than other state areas that lack such networks.

As in the case of the first mechanism, external linkages informally deter politicians or other social actors from interfering with ongoing reforms and policies. The cost of interfering with projects sponsored by external actors contributes to a more cautious handling of these areas by politicians. External actors can even lobby or protest when these projects and special programs are affected. As a result, these agencies gain capacity and are capable of advancing policies that can even affect the interests of other social and political actors.

Although sometimes these domestic agencies remain quite dependent on international actors, usually they are not just "Trojan horses," or agents of international principals. This mechanism points to a more subtle relation of mutual convenience. Interests similar to those of international actors usually already exist in state or civil society institutions, but the actors proposing them are too weak to gain relevance or convince state elites of their importance. Bureaucrats, or actors outside the state, that populate these agencies become allies of the international actors and profit from their support.

The downside of the situation is that this enhancement in capacity is frequently quite dependent on external factors. If no domestic interests support these agencies' continuity, their capacity is very much dependent on the fluctuations of these external interests. These agencies' relevance can be subject to an abrupt decline if international interests change. Furthermore, sometimes these agencies are dependent on external forces by design. IFIs frequently demand that states create ad-hoc professional areas to manage international projects to prevent international funds from falling into the hands of ineffective or corrupt bureaucracies. Although there are certainly good reasons to remain suspicious of domestic bureaucracies, such choices come at a cost: these externally funded islands of efficiency frequently disappear once the projects are finished, without their expertise taking root in the state bureaucracy (Fukuyama 2004).

Nonetheless, in other cases, long term capacity may result from these external pressures. External support can contribute to strengthening, or building-up, permanent state agencies. Although these agencies may still remain quite dependent on external factors, if these capacities take root within the state, this enhances the chances that they will survive particular projects. This external window of opportunity may lead to long lasting and higher capacity if favorable domestic conditions emerge or if the agency builds up some domestic support.

Before concluding this section, it is important to mention that external challenges or linkages do not always lead to real enhancement of agency capacity. Sometimes they can lead to cosmetic changes. Brinks and Blass (forthcoming), for example, discuss how in the 1990s, some Latin American states created "Potemkin Courts" in response to external judicial reform

demands promoted by IFIs. These courts seemed formally strong, but in reality the rules adopted by domestic elites were purposively ineffective in order to avoid enhancing the courts' independence. As a result, in the absence of other positive conditions, the courts remained weak. Similarly, external linkages may not lead to agency capacity in cases that Andrews et al. call "isomorphic mimicry": domestic organizations adopt strategies to comply with the demands of external donors and "look like" capable agencies, but in reality they remain weak (Andrews et al. 2012: 5). Finally, it is worth remembering that not only obtrusive or unwilling elites can create ineffective institutions. As pointed out by Evans and Weyland, even willing reformers can adapt agencies or rules from different contexts that then fail to work as expected when transplanted to very different socio-political environments. Institutional "monocropping" or uncritical "diffusion" can sometimes not only be naive, but dangerous because of its unintended consequences (Evans 2004; Weyland 2009). As we know well in Latin America, external influences do not always strengthen agency capacity or have a positive influence.

In the sections that follow, I illustrate how the two mechanisms discussed here operate. In illustrating the operation of "capacity of external linkages," I will show how international linkages contributed to strengthening specific state agencies. In order to show this external effect more clearly, I analyze institutions in previously weak state functional areas, such as the health and education ministries. Just as in the case of judicial agencies discussed under "capacity by external challenges," by focusing on weak agencies, or offices within them, I can more safely conclude that there exists a meaningful independent effect of external factors on agency capacity.

2. ILLUSTRATING THE FIRST MECHANISM ("CAPACITY BY EXTERNAL CHALLENGES"): FOREIGN AFFAIRS, COMMERCE, AND JUDICIAL COOPERATION

I use the cases of ministries of foreign affairs, commercial agencies, and judicial cooperation offices in Colombia and Peru to illustrate the operation of the first mechanism. As mentioned above, this first mechanism describes how state capacity is enhanced as an internal response to external challenges, be it threats, demands, or international obligations.

An oft-noted characteristic of Latin American states is the high professional level of their ministries of foreign affairs. *Itamaraty*, the Brazilian Ministry of Foreign Affairs, is often highlighted as an island of efficiency in the region due to its comparatively high professionalism, (Bersch *et al.* 2012: 18). Ministries of foreign affairs in Colombia and Peru also conform to this regional pattern. In recent decades, *Torre Tagle* in Peru and *San Carlos* in Colombia have been ministries known for their high efficiency and professionalism, and they have created diplomatic academies to guarantee high quality recruitment and

reproduction. Laws and regulations guarantee meritocratic career advancement, especially when compared with other state areas. Although some well-founded allegations of political favoritism exist in both countries, in general, both ministries have better public reputations than other state institutions.⁷ How does external pressure help to account for this outcome?

These two cases show how external factors contribute to maintaining high agency capacity. As mentioned, the external responsibilities of these ministries require a significant level of expertise from its officials, which constitutes an informal protection which limits political intrusion. In order to equal external actors, diplomats must have a detailed understanding of international law, diplomacy, and the functioning of international organizations, as well as knowledge about the state's position on a series of long-standing international issues and conflicts. This knowledge becomes more important when countries have a long history of acrimonious disputes (such as Chile and Peru, or Colombia and Venezuela) and responses to external challenges require well-thought out decisions. Politicians are well aware of the delicate and complex international duties of these ministries and rely heavily on these professional agencies to make their decisions; they are aware that mistakes in this area of government can carry serious costs. In consequence, the characteristics of the policy area limit the possibility of interfering with professional recruitment and meritocratic advancement.

There is a second, less direct way, in which external factors enhance capacity. The high professional level of these ministries is necessary and useful for diverse actors within the state, not only for office holders directly involved in foreign affairs. Ministries of foreign affairs in both countries provide support for different functional areas of the state in their dealings with external actors. As such, they contribute to "saving face" for these other agencies internationally. Ministries of foreign affairs are in charge of organizing the participation of state officials in a range of international conferences, guide and provide logistics to other state actors in their foreign missions, and receive and send judicial cooperation requests, in addition to other international activities. These external demands related to other areas of the state make ministries of foreign affairs necessary for other state institutions, thus enhancing the capacity of these ministries.

Nevertheless, a significant difference between the two cases shows that external determinants do not always produce parallel domestic outcomes. San Carlos does not fully conform to this meritocratic standard: professional careers end one step before ambassadorships (Tickner et al. 2006: 80-82). This is strongly related to Colombian

7. For criticisms of the Colombian case see Tickner et al. 2006: 80-97.

political history. Traditionally, clientelistic political parties have used a significant number of state positions as sources of political patronage, and San Carlos is no exception. Although the political ambassadors tend to be prestigious party leaders or sympathizers, these appointments nonetheless weaken the meritocracy by lowering the ceiling for career diplomats. Colombian law demands a minimum of 20% career ambassadors, and incumbents tend to use all of the remaining 80% for patronage. Although some changes have been made regarding this issue and others in recent years, Colombia still lacks professional top-level diplomacy due to persisting clientelism. In contrast, Peruvian law states that only 20% of ambassadors can be political appointees, and presidents comply with the rule. Although different in this respect, observers in both countries recognize their foreign ministries as competent state agencies and, as such, interesting examples of externally-driven state capacity.

Another example of the first mechanism at play is the emergence of stronger commercial agencies in the past two decades. Since the early 1990s, external conditions that favored international commerce induced the professionalization of areas of the state in charge of commercial policy, especially the promotion and negotiation of commercial agreements. In consequence, states had to enhance their capabilities in these areas. International commercial policy demands specialized skills that are sometimes sought outside the state: knowledge of treaties and regulations, high-level negotiating skills, or even just fluency in foreign languages, all skills that are not usually found in bureaucracies. The need for these skills raised the bar for the necessary professional level to work in these areas.

Certainly, other domestic factors probably intertwined with these external pressures to enhance this type of agency capacity, such as, for example, demands from export sectors to promote their interests. In both countries, the states had adopted market reforms aimed at promoting export-led development. Nonetheless, external pressures were also clear determinants of making commerce a state priority across the region, especially when it came to strengthening state agencies in charge of negotiating commercial agreements. In both countries under discussion, ministries of commerce gained capacity in the last decades. The Ministry of Commerce of Colombia was created in 1991 and intensified its activities during the presidency of César Gaviria (1994–1998) as part of a package of market reforms. Since then, it has remained a relevant agency in charge of international negotiations, although in 2003 it merged with the Ministry of Industry, thereby losing some of its saliency.⁸ Colombian negotiators are renowned for their skills and stability. In

8. Interview with Mauricio Reyna 2008.

recent years, these teams have been in charge of negotiating several free trade agreements, among them the one signed with the U.S. in 2011.

Similarly, in Peru, the Vice-Ministry of Commerce, a department within the Ministry of Industry and Commerce, also grew in power in the early 1990s due to market reforms. Eventually it became an independent sector in 2001, when the need to renew trade benefits with the U.S. led to the creation of the Ministry of Foreign Commerce and Tourism.⁹ According to officials from this ministry, the first Minister of Commerce and then Vice-President, Raúl Diez Canseco, decided to hire and train a group of young negotiators from top Peruvian universities who would become experts on these issues and contribute to the goal of achieving a free trade agreement with the U.S.¹⁰ These young economists and lawyers, supported by older bureaucrats with experience in commercial integration, were the backbone of the teams that negotiated this free trade agreement along with several others. Since then, the ministry has enhanced its capacity due to its leading role in negotiating such agreements. Its team of experts is now necessary and difficult to replace given that new trade agreement negotiations are under way, and also because each agreement opens fluid bi-lateral or multilateral relations that require frequent contacts (as is the case with the relatively new Alliance of the Pacific between Colombia, Chile, Mexico, and Peru).

Judicial cooperation offices in the two countries also offer an interesting example of the first mechanism. Offices in charge of international judicial cooperation within the judiciary and public prosecutor's offices gained strength across Latin America as a response to external demands for better state responses to judicial requests. The analysis of these judicial entities helps to further clarify the independent effect of international factors since they form part of comparatively weaker state agencies in the region (Comisión Andina de Juristas 2000).¹¹ The main difference between these judicial cooperation offices with others departments in the same sector is their responsibility to respond to external demands. This allows for greater certainty that their capacity is the result of external factors, as suggested by the first mechanism.

Starting in the 1980s, the international community adopted various treaties to fight corruption, transnational crime, and money laundering (Olavide 2006; Comunidad Andina 2010). The 1988 Vienna Convention against Illicit Traffic in Narcotic Drugs is

9. Interviews with Benjamín Chávez and Álvaro Díaz.

10. Interviews with Eduardo Ferreyros and Álvaro Díaz.

11. In recent years, some reforms have been implemented to strengthen the judiciary, but they have had disparate results across Latin America (see Sousa 2007: 87-88).

one of the first treaties to include a series of procedures aimed at enhancing judicial cooperation between states. Latin American states have signed a series of universal and regional conventions enhancing such cooperation, including, among many others: the Inter-American Convention on Extradition (1981), the Inter-American Convention on Mutual Assistance in Criminal Matters (1992), and the United Nations Convention against Organized Transnational Crime (2003) (Olavide 2006; Comunidad Andina 2010: 18-23). These treaties include obligations of states to create "central authorities" to take charge of coordinating judicial cooperation.

Coordination between countries is crucial to achieving the goals of the treaties (Olavide 2006; Kaczorowska 2008: 122). Extradition requests, collection of evidence, property seizures, among others, require special competencies that are not easy to find in these traditionally weak state institutions. Thus, these high standards insulate and give stability to agents operating in these areas. Furthermore, international organizations, such as INTERPOL, or government institutions, such as the U.S. Department of Justice, contribute to increasing the professional level of these bureaucracies.

In the case of Colombia and Peru, authorities in the public prosecutors' offices reinforced special areas to deal with these issues (Comunidad Andina 2010). Both countries have offices for international judicial cooperation that have higher capacities than other areas within these institutions. The Department of International Affairs (Dirección de Asuntos Internacionales) in Colombia and the International Judicial Cooperation and Extraditions Unit (Unidad de Cooperación Judicial Internacional y Extradiciones) in Peru are islands of efficiency, staffed with highly trained individuals, capable of responding to international requests as well as providing assistance to local actors to formulate their own adequate judicial cooperation requests.

Although following a similar trend in both countries, the development of these agencies was characterized by different trajectories partly as a result of their contrasting historical experiences. In Colombia, external pressures in this area started earlier than in Peru as a result of the need to cooperate with U.S. in the fight against drug trafficking. Hence, since the 1980s, Colombia has had officials competent in formulating and responding to criminal assistance requests. In Peru, some internal causes – such as a massive corruption scandal in 2000 that had international ramifications – also contributed to external pressure to reinforce these areas. During this corruption scandal, for example, extradition requests from Peru were frequently returned by the U.S. authorities because they were not properly formulated and contained mistakes. This led to better staff training and reinforcement of the entities involved (Comunidad Andina 2010: 39-41).

Two cases help demonstrate that external determinants do not always produce similar outcomes. A report that discusses the role of judicial cooperation offices in the four Andean countries that are members of the Andean Community (Comunidad Andina; Bolivia, Colombia, Ecuador, and Peru) gives a more positive evaluation of the offices in Colombia and Peru than similar ones in Bolivia and Ecuador. Although in all four cases, state entities in charge of international cooperation have enhanced their professional levels in recent years, in Bolivia and Ecuador diverse causes (internal disputes among agencies, for example) led to less reinforcement of the capacities of these offices (Comunidad Andina 2013). As already mentioned, external determinants open up an opportunity for agency capacity, but domestic conditions and the way domestic actors react to these opportunities determine the level of agency capacity achieved in each country.

In conclusion, these three examples show how the need to advance state interests in the international sphere prompts the appointment and continuity of professional cadres capable of responding to these external challenges. Bureaucrats also can profit from this opportunity and enhance their institutional safeguards. External pressure on these areas is quite permanent in the first cases discussed and at least stable for the foreseeable future in the other two, thus predicting the maintenance of agency capacity.

3. ILLUSTRATING THE SECOND MECHANISM ("CAPACITY OF EXTERNAL LINKAGES"): LINKAGES, DONORS AND EPISTEMIC COMMUNITIES

As noted above, the second mechanism focuses on the way that external actors promote their agendas through diverse linkages with receiver countries, increasing agency capacity. To illustrate the operation of this mechanism, I first present a general discussion of how health reforms sponsored by international organizations and IFIs in the 1990s led to capacity enhancement in the ministries of health of Colombia and Peru and then a decline in the Peruvian case when this agenda lost saliency. Later, I focus on the cases of the Epidemiology Office in the Peruvian Ministry of Health and the Educational Quality Measurement Unit in the Peruvian Ministry of Education as examples of more enduring and positive relations between external linkages and agency capacity.

Different authors highlight the weakness of social sectors in Latin America (Kauffman and Nelson 2004; Nelson 2004; Webb and Valencia 2006). Underpaid bureaucracies, poor quality services, low levels of professionalism, pervasive clientelism, short tenures of political and other appointees, and limited territorial reach are some of the more common criticisms of Latin American health and education services. Both the Peruvian and Colombian health systems conform to this pattern (Ewig 2004, 2010; Ramirez 2004; Dargent 2012).

Nonetheless, in both countries, we find some interesting variation in capacities in the health sector that is partly explained by the second mechanism, although this is more clearly evident in the Peruvian case than in Colombia, where domestic factors were more important. During the 1990s, IFIs promoted health reforms worldwide as a new strategy to fight poverty. The IFIs' interest in social policy triggered internal processes of health reform (Kaufman and Nelson 2004; Nelson 2004: 31-33; Ewig 2004, 2010; Weyland 2006). These external demands for reform and linkages increased the need to professionalize the health sector. Furthermore, the emergence of "health economics," which became the fashionable technical buzzword when discussing health policy among experts, led to higher professional requirements in the field of public health.

Both Colombia and Peru undertook reform processes in the health sector during the 1990s, partly due to these external incentives, although in the Peruvian case external demands were considerably more important. In Colombia, the process was mainly triggered by the need to implement the social content of the 1991 Constitution, but external linkages in the form of experts, resources, and technical support contributed to boosting the reform process. The Colombian reforms led to the appointment of a highly capable technical team to the Ministry of Health (Gonzalez and Ramirez 2000; Ramirez 2004). The resulting reform was an ambitious transformation of the health system that brought the poor classes under a single national program and opened the system up to a series of private actors such as health providers and purchasers. The external support is evident in the linkages of the reform team with diverse institutions such as Harvard University, the World Bank, and especially by an office within the ministry financed by the Inter-American Development Bank: the Support Program for the Health Reform (Programa de Apoyo a la Reforma en Salud; PARS). PARS functioned as a highly technical area working within the ministry for more than a decade. Its main task was to support the continuity and implementation of the reform and PARS' contribution was decisive in providing political actors with information and technical advice about the ongoing reform.¹²

In Peru, health reforms were less thorough, but still quite relevant during the 1990s and considerably more dependent on external factors. Health reforms in Peru were part of poverty alleviation strategies implemented by the government and supported by IFIs at the time. International cooperation funds for health reforms flowed into the country during the 1990s to finance several projects within the Ministry of Health (Ewig 2004, 2010). A ministry office, the Department of International Cooperation (Dirección de Cooperación Internacional, DCI) as well as a series of special programs created to handle these funds,

12. Interview with Teresa Tono 2008.

gained saliency and were professionalized during those years. The Peruvian reform was strongly supported by the funds received.¹³

Nonetheless, by the end of the decade, the declining importance of health reform on the international agenda led to a decrease in agency capacity in Peru. Once this external pressure was reduced, external programs concluded their work, resources were scarce again and many health experts left their government posts. In the following years, the DCI gradually lost power and resources. According to one of its former directors, one of the causes of this decline was the reduction in external support (interview with Meloni 2007).

Interestingly, in Colombia, the health system did maintain a somewhat higher capacity even in the absence of external support. Although the sector remains weak in many ways and PARS finished its work in 2008, the Ministry of Health is better staffed than in the past. This higher capacity is especially evident in the ministry's top positions, as several technocratic ministers, vice-ministers and advisors appointed in the sector. The last three ministers of health during the Santos government (2010–2014) were all highly reputed technocrats. The explanation for these different outcomes lies mainly in the nature of the reforms adopted in Colombia: several powerful and relevant domestic interests are now included in health policymaking (middle and upper classes, private corporations, etc.). As a result, the Colombian state receives more pressure to provide attention to public health (Dargent 2012: chapter 6) than does the Peruvian.

Two additional cases show a more continuous and stable relation between external forces and agency capacity. In these cases, linkages have contributed to strengthening two offices within traditionally weak ministries. First, the Department of Epidemiology (Dirección General de Epidemiología) of the Ministry of Health in Peru has achieved considerable capacity and stability over the last three decades. The personnel in this department have higher than average technical skills for bureaucrats in the health sector. Furthermore, the office has leveraged these in the past, demanding technical courses for its applicants and staff members to assure they have the professional skills necessary to work in the area.

External linkages partly explain this higher capacity. This office is part of an international epistemic community of epidemic research. As such, it receives external funds from institutions such as USAID, Johns Hopkins University, and especially the Center for Disease Control and Prevention (CDC) to collect and analyze information about epidemics in Peru. The interaction with this external community increases the professional level of an already

13. Interview with Augusto Meloni 2007.

complex policy area. Officials are required to have specialized education in controlling epidemics and must be capable of managing a complex statistical system of epidemic occurrences. All this makes the hiring of unqualified personnel unlikely. More importantly, the demands for information on this topic remain constant; Peru has committed to providing a series of indicators collected by these international institutions and organizations (interview with Suárez 2013). As such, these linkages contribute to the maintenance of high capacity in this social sector.

Similarly, an office in the Peruvian Ministry of Education also exemplifies the positive effect of external linkages on capacity. The Educational Quality Measurement Unit (Unidad de Medición de la Calidad Educativa, UMC) is the office in charge of measuring the educational level of Peruvian school children. This office applies various tests, international and regional, to compare the performance of Peru's school children to children around the world. The office is widely recognized as one of the few areas within this ministry with high levels of efficiency. Its recruitment processes are meritocratic, especially because of the complex skills needed to complete these tasks. Furthermore, given its high professional level it has also made progress in the design of other information tools that measure more than just the quality of education. For example, by analyzing the data it collects, the office also provides teachers with valuable information to better fulfill their duties.

The origin of this office and the continuity of its high technical level are closely linked to international reform agendas and external linkages. A team of World Bank experts conducted these education tests for the first time in 1997. This effort was part of the World Bank's broad agenda to reform education. But this externally funded project had as one of its goals the creation of a department within the ministry that would conduct evaluations from then on; the idea was to develop local competencies to achieve these information needs. IFIs supported the training of local officials in statistical and evaluation skills as well as the implementation of the office itself. From 1998 on, UMC has been fulfilling its responsibilities. The UMC provides information to external organizations and the epistemic community of educational experts. As such, these external demands maintain incentives for high quality policy making and insulate the UMC from political demands. Nowadays, internal actors, especially those in civil society, recognize the valuable information provided by the agency and this, in turn, provides an additional source of support for its continuity. In conclusion, this section shows a more subtle but still significant way in which external factors enhance agency capacity. External linkages can lead to higher professionalism within the state, sometimes providing agencies with considerable power. Although this agency capacity seems quite dependent on such external linkages, in some cases, such as the Colombian Ministry of Health after the reform or the two Peruvian offices discussed, agencies can gain a certain continuity over time and find domestic support for

such continuity even if external demands decline. Nonetheless, the absence of domestic forces interested in supporting these state agencies makes them more vulnerable if these international linkages decay.

4. CONCLUSIONS

External causes have an independent effect on the enhancement of agency capacity, thus contributing to an explanation of the stark variation in state power within Latin American states. Similar analyses can also be conducted in other areas of interest for international actors in the region, such as security agencies or scientific state institutions. By presenting and testing two mechanisms that link these external factors to this higher capacity, my findings contribute to an understanding of the emergence and maintenance of higher levels of state capacity. More generally, these results help to understand the underlying causes of state strength and weakness in Latin American countries. Two broad implications can be taken from these findings.

First, my research contributes to the study of the determinants of agency capacity in developing states. The external mechanisms discussed existing domestic explanations of the uneven power of the state. Theories focusing on domestic political and socio-economic factors can provide answers in some cases of high agency capacity, but without a proper analysis of external causes they remain incomplete. It is also possible to combine some of these factors (domestic political and socio-economic as well as external) to determine more and less likely cases of agency capacity. For example, central banks seem to be of great interest for external actors, politicians, and socio-economic powers. Politicians face higher political costs if they intervene in these areas and powerful actors provide an informal coat of protection for these agencies. Thus, capacity in this area seems more likely to continue. In contrast, ministries of health or education are less important for external actors and no equivalent domestic forces share an interest in their professionalization and empowerment. Careful attention to each case is necessary to elucidate the weight of these different factors over agency capacity. Thus, this work contributed to the exploration of the determinants of agency capacity in the developing world, an issue that deserves more academic attention.

Second, not only are these findings theoretically relevant: they also have clear implications for policy makers. As mentioned, state agencies are crucial for the strengthening of institutions in political bodies and for producing positive policy outcomes. Latin American states provide us with many examples of laws and regulations "written in the sand" and agencies that fall far short of fulfilling their duties. Institutional weakness results in democracies being unable to fulfill many of their constitutional promises (O'Donnell 1993).

State reformers and development agencies aim to enhance agency capacity precisely in order to reduce the gap between the law and what the state actually accomplishes, between expected policy outcomes and current dysfunctional outcomes.

A better understanding of the external determinants of agency capacity contributes to the work of actors and institutions interested in strengthening the state. A proper understanding of the effect of external forces allows policymakers to be aware of these advantages and obstacles as they endeavor to increase agency capacity. Such an understanding contributes to the enormous challenges of reforming the Latin American state and understanding how to enhance the possibility of success.

First, the cases demonstrate the importance of external pressures and linkages as a way of enhancing leverage over other domestic actors that oppose or threaten professional agencies. But in agencies where we find strong demands as exemplified in the first mechanism ("capacity by external challenges") or fairly fluid linkages as shown in the second mechanism ("capacity by external linkages"), reformists are likely to have more latitude to conduct reforms thanks to the informal layer of protection provided by these external demands. Conversely, state areas where these external interests are absent or weak are more difficult to reform. Furthermore, the findings related to the second mechanism suggest that pessimism about the chances for sustaining agency capacity when external incentives decline is justified. Still, awareness of these limitations may contribute to more realistic and creative strategies to deal with declines in external support.

Second, some of these cases confirm the strong limitations of building capacity through ad-hoc institutions that may not survive the decline of external support. The decline of international cooperation projects carried out by special offices in the Peruvian Ministry of Health is a good example of this limitation. While costly and risky for reformers and international donors, a more successful strategy seems to be to support the development of permanent agency capabilities, as suggested by different authors (Fukuyama 2004; Andrews et al. 2012). The Peruvian examples of the Department of Epidemiology and the Educational Quality Measurement Unit indicate that such a strategy would be much more fruitful in the long run.

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