

**Note resulting from the OECD Informal Group on Capacity Development Event:  
“Capacity building in fragile situations” – 28 April 2009**

**Capacity development and/or state building in fragile situations – what are the challenges?**

The Accra Agenda for Action (AAA) promises to “adapt aid policies for countries in fragile situations”. This includes agreeing “on a set of realistic peace- and state-building objectives that address the root causes of conflict and fragility”, while “donors will provide demand-driven, tailored and co-ordinated capacity-development support for core state functions and for early and sustained recovery”.

What does this entail in practice? Are peace- and state-building objectives different from objectives linked to country system strengthening? What are the challenges for capacity development support in fragile situations compared to other situations?

These issues were discussed at an informal working group meeting on April 28<sup>th</sup>, bringing together several work streams across the OECD. This brief reports from this event in four sections. First, it sets the scene of the enormous challenge facing the international community when it attempts to address fragile situations. Second, it discusses the particular “state building” and “capacity challenges” in fragile situations. Third, the implications for external partners when they wear “state building lenses” are addressed. Finally, the fourth section outlines some of the outstanding challenges when the donor community seeks to provide relevant and effective capacity development support in fragile situations.

**States in fragile situations pose some of today’s most important development problems – but what is the problem?**

As many as one quarter of all states – and more than 1 billion people – suffer from some combination of conflicts, instability, insecurity and unpredictability – or from apparently stable and authoritarian regimes that often perpetuates poverty and oppression while tiny elites may use the control of state power to enrich themselves. Fragile situations also can be present where capacity is strong and income levels higher (e.g. the Balkans in the 90’s), sometimes setting development back for decades.

Spill-over effects endangers regional peace and stability in several continents, and terrorism accepts no borders. Achieving the Millennium Development Goals in most of the countries in fragile situations is a distant prospect. Aid is far from being the single external driving force – diplomatic and security interventions add to the complexity, and a mixture of geo-political and economic interests and motives drives most.

The *symptoms* of fragility are thus sadly easy to observe, even if they vary considerably. It is much harder to identify the *root causes* for conflict and fragility, which the AAA subscribers commit to address. Why do states turn out to be fragile? Are we seeing non-fragile states losing strengths they once had – or were they never “real” states in the first place (except in *de jure* terms)? Is the concept of the modern nation-state – mirroring those of the OECD – helping us to see or disturbing our vision?

When the international aid community commits to support capacity building of *core state functions*, is this then identical to *peace and state building objectives*? And given the inherent difficulties of agreeing on unified and effective external interventions, how can a better understanding of these factors be brought to bear on external interventions in present and future fragile situations?

## State building, core state functions and capacity development

The Fragile States Group – now the International Network on Conflict and Fragility (INCAF) – found in 2008 that state building is “an endogenous process of strengthening the capacity, institutions and legitimacy of the state driven by state-society relations”.<sup>1</sup> In this perspective, key dimensions of state building include:

- Political processes that drive state-building
- State-society relations
- Legitimacy of the state in society
- Capacities of the state to provide key functions

From each of these points there are important implications for both the state-building and the capacity development agenda in fragile situations (and, it could be noted, in semi-fragile situations on the continuum from fragile to non-fragile):

*Political dimensions that drive state-building:* The centrality of politics – which is broadly the processes of accommodation and competition between opposing interests of societal groups – points to the centrality of hybrid formal and informal bargaining processes between power holders, whether in possession of formal state authority or not. Getting from violent to peaceful competition among interests is only a first step – ensuring that a winning, peaceful balance of interests is pro-development (and even more ambitious: pro-poor) – requires even more. Supporting the development of societal capacity to conduct inclusive political processes which, departing from existing formal and informal power realities, exploit all options for peaceful and pro-poor alliances, would thus be a crucial element of a state-building agenda.

*State-society relations:* Most political science and modern economic theory is built on the premise that it is meaningful to distinguish between public and private – e.g. “public goods” versus “private goods”, the state versus civil society and versus the private sector. However, in many states in fragile situations such a distinction between personal authority and official authority, between formal power and informal power, and between the economic sphere and the political sphere may not make practical sense to inhabitants. “Society” may not even be perceived as a reality conforming to nation-state borders. Trying abruptly to separate “state” and “society” and trusting that formal laws can accomplish this task may build illusions rather than states. This poses a much more difficult challenge: how to help a society articulate a system of order and authority that eventually may evolve into a state.

*Legitimacy of the state in society:* For a state to be stable, the power-holders need legitimacy. What gives rulers legitimacy within territory is an empirical question, and is likely to encompass a mixture of factors related to history, informal institutions, benefits (services, resource access) provided by the rulers – and the formal system, often inspired by OECD-like norms for democracy and representation. Understanding the mix – and the directions it can move in where legitimacy is strengthened and pro-development and pro-poor outcomes considered – is no small challenge.

*Capacities of the state to perform key functions:* If better political processes, conducive state-society relations and pro-poor legitimacy are cornerstones of state-building, which are then the core state functions – and, if capacity is a zero-sum game in the short term – which functions should be left as second order priorities? Issue Brief No. 1 in this series discusses this sequencing and scoping challenge. Focusing on fragile situations, it is still the case that generalizations across the board are likely to be unhelpful. However, a focus on the capacity of the *security system*, of the institutions *resolving conflicts*, and of the systems giving *voice and representation* is likely to be important – as well as the *provision of material goods* which help inhabitants to resume successful economic and social survival strategies in terms of the most basic needs.

## Implications for partners considering the state building dimensions

The implications of the state building perspective briefly sketched above are not that, e.g., the MDGs lose pertinence – but the way to help fragile states approach the MDGs may not be by aiming directly for them through big service

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<sup>1</sup> “State Building in Situations of Fragility – Initial Findings”, OECD, August 2008

delivery programmes. Such programmes can be very insensitive to state building prerogatives; they may divert scarce endogenous capacity away from the “political” state building agenda, and even – given the opportunities for graft and patronage that they inevitably offer – add fuel to the fire.

A focus on political processes, state-society relations and legitimacy is obviously leading to a focus on state functions and country systems - which differ from those coming out of the broader aid effectiveness agenda: public financial management, procurement, audits, evaluation, etc. Capacity development of these systems may be important - but their importance must be assessed through the contribution that they make to the state building dimensions and not their more narrow importance for aid effectiveness.

The complex and messy dynamics of state formation processes in fragile situations combine with the complexities of interventions from multiple actors – multilaterals, bilaterals and international NGOs, as well as diplomacy and security actors. This calls for a number of precautions:

- First and foremost, *humility and realism*. Getting this agenda explicitly acknowledged, and benchmarking interventions against a “humility and realism standard” might in itself be a great contribution to state building.
- *Recognizing and managing trade-offs*. No choices will accommodate all concerns.
- *Understanding the politics and the incentives of elites*. Without concrete in-depth knowledge, external actors are likely to act blindly – and risk doing harm.
- *Don't focus solely on the state and on formal institutions*. Other factors behind the façade may matter as much – or more.
- *Do no harm*.
- *Prioritize considering state building dimensions*. The capacity to develop capacity – and manage politics and other important affairs – is limited in fragile situations.

### **Challenges for effective capacity development support in fragile situations**

Capacity development support in general has had a rather poor track record in development co-operation. In fragile situations, it has been even more difficult to achieve sustainable results. The OECD-hosted Partnership for Democratic Governance (PDG) was created to address the challenge of capacity building in fragile situations.

There are three key challenges for capacity development support in fragile situations. They are similar to the challenges for CD in other contexts – maybe with the difference that failure – or lack of success – comes more rapidly and can have more dramatic effects on peace and stability:

1. *Getting the context right*. Understanding the political and institutional dynamics – concretely – is a *sine qua non*. Donor representatives (and technical assistance) are often not trained for this, nor do they have the experience needed. They are often sent out with a political mandate that already makes it hard to engage in making the necessary and productive trade-offs. Short-termism and the fundamental motivations of many donors (and their political power base) that problems can be “fixed” – rather than transformed into new set of less malign problems – may disable vision and hearing abilities. Reluctance to engage with and build on local knowledge may make things worse.
2. *Doing the right things*. If capacity support pursues the construction of avenues leading nowhere, or divert strategic resources like leadership away from state building priorities towards (often competing and fragmented) donor priorities, then effective capacity support for the wrong things may end up doing more harm than ineffective support! This underlines the fact that the capacity challenge is as much about making the right choices – answering the “what” question – as it is about the “how” question – how to provide effective support. Finding the trade-offs between supporting capacity development for state building objectives, alleviation of suffering, economic recovery, and equity objectives is never going to be easy – but always necessary and decisive.
3. *Doing things right*. Taking technical assistance and training as synonymous with capacity development; sending in an army of short and long-term international technical assistance where demand for and ownership of their assistance is low; setting up well-endowed parallel units amidst resource-stripped national institutions; poaching the best national staff to make donor-driven programmes run – these are all the well known fallacies of aid which will produce failure both in fragile and non-fragile situations. Working on presumably “technical” capacity aspects inside organizations without considering the push and pull – incentives and pressure – from stakeholders (clients,

customers, governors, watchdogs etc.) and without paying attention to the political aspects shaping incentives and performance – is another well-known recipe for insignificance or failure. Seeking South-South solutions when they are most appropriate, brokers rather than experts, non-state actors rather than state actors when the state neither can nor should deliver – in short, flexible, innovative and adaptive approaches – seem to be part of a better answer to the capacity challenge – in fragile situations and elsewhere.

**Conclusion: Next steps up to the next High Level Forum?**

How can the donor community measure if they live up to the commitments in the AAA regarding states in fragile situations? How can we learn about how to identify and deal with root causes rather than symptoms, to get state building dimensions firmly on the agenda, to make appropriate sequencing decisions with the partners in the lead? And when that is done, how can traditional technical assistance approaches be reformed?

The workshop in April did not conclude on these questions, but put them on the table for further reflection. There was, however, a sense of coherence: The way forward is NOT to work in parallel on getting state building dimensions right, getting capacity building scoping and sequencing right, and getting technical assistance right. It all goes together – from prioritized expectations, to relevant capacity results and adequate means to deliver these results – in situations where ownership and demand are fluctuating and contested, and where the formal appearance of things may only tell a small part of the story.

Which, after all, reinforces a key message from the workshop: Humility and realism. Can an indicator be found for that?

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