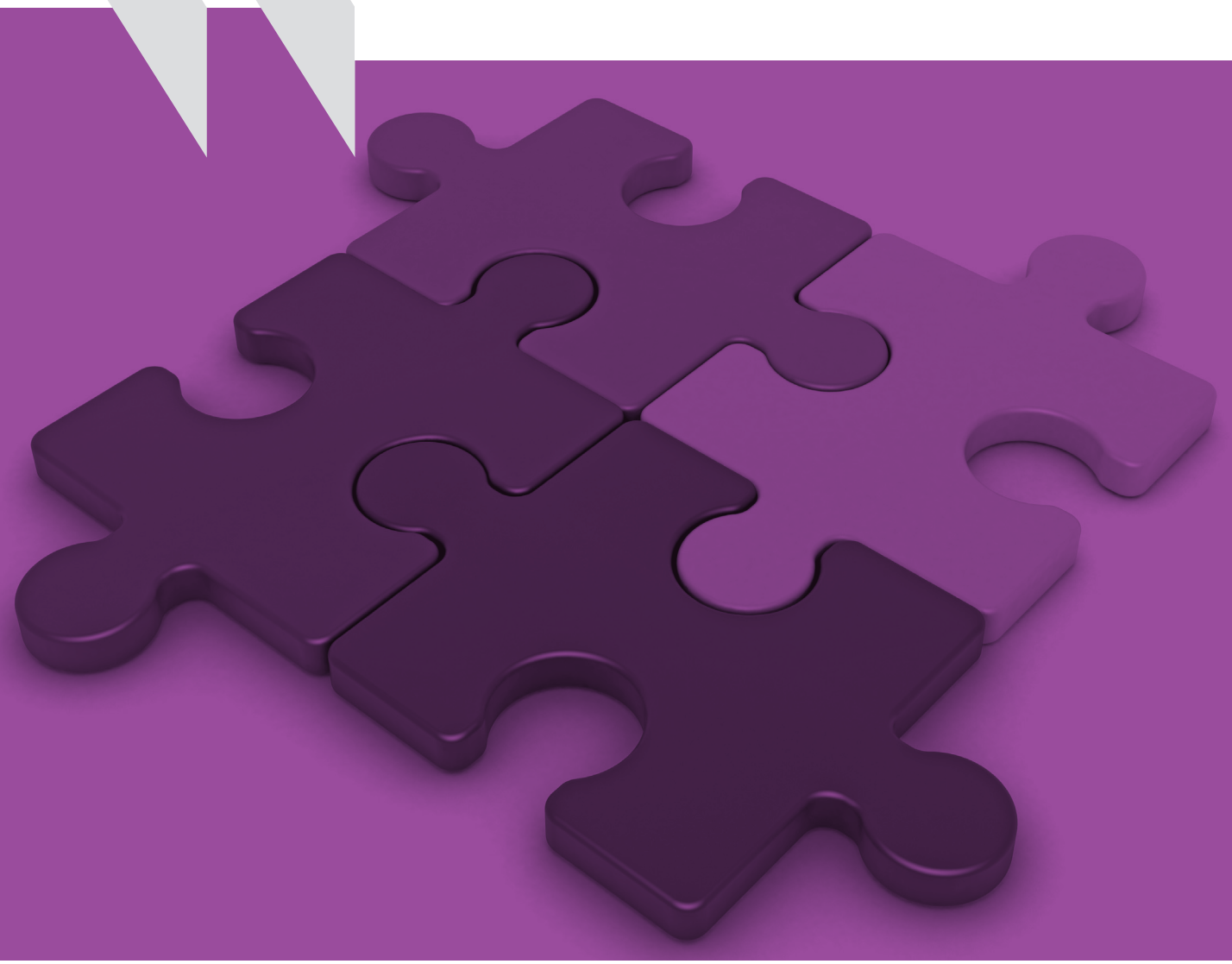
OECD Journal on Development



OECD

Volume 9/3

OECD Journal on Development

Volume 9/3

Development **A**ssistance **C**ommittee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

Also available in French under the title:

Revue de l'OCDE sur le développement
Volume 9/3

Cover Illustration: © Colorad/Dreamstime.com

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.
© OECD 2009

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to *rights@oecd.org*. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at *info@copyright.com* or the Centre français d'exploitation du droit de copie (CFC) at *contact@cfcopies.com*.

Foreword

The OECD's Development Assistance Committee (DAC) is the key forum of bilateral donors accounting for over 90% of world ODA.

Work undertaken by the DAC provides information, insights and results on development co-operation issues. The OECD Journal on Development regroups a cross-selection of recent material which the development community at large should find informative and pertinent. Generally, the work published in the Journal is the product of the DAC or its working parties and networks. It may also emerge from DAC forums and seminars.

Each year, the first issue of the Journal carries the annual Development Co-operation Report (DCR) of the DAC Chair. A frequent component of subsequent issues of the Journal are DAC Peer Review reports.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

Table of Contents

Part I	**Service Delivery in Fragile Situations: Key Concepts, Findings and Lessons**	**7**
Part II	**Concepts and Dilemmas of State Building in Fragile Situations: From Fragility to Resilience**	**61**

Part I

Service Delivery in Fragile Situations

Key Concepts, Findings and Lessons

Abstract: The establishment of effective and durable public services is a first priority in situations of fragility and conflict. This paper provides an understanding of the mutual influence of state fragility and service delivery and offers guidance to strengthen service provision and governance in these states. Based on an analysis of the major policy issues and approaches available, the paper identifies the challenges and dilemmas the international community and its partners face in fragile settings. It concludes with a set of policy lessons and recommendations intended to help donors better target their interventions.

Acknowledgements: This report was prepared by the DAC Fragile States Group Secretariat of the Policy Co-ordination Division, Development Co-operation Directorate. Any comments or queries should be addressed to <dac.contact@oecd.org>.

Table of Contents

Executive Summary 11
State fragility 11
The political economy of services 11
How does fragility affect service delivery outcomes? 11
Aiding service delivery: Approaches 12
Challenges 12
Policy implications 13
Tailoring interventions to context 13
Long-term focus on governance and state building 13
Managing transition and hand-back 13

Chapter 1

Introduction 15

Chapter 2

Fragility and Services: Key Concepts 17

The fragile state 17
The political economy of services 19
The central role of accountability 20
How does fragility affect service delivery outcomes? 22
The aftermath of violent conflict 24
Reciprocal influence of service delivery and fragility 25

Chapter 3

Taking Action: Approaches, Challenges, Dilemmas 29

Aiding service delivery: Approaches 29
Degrees of cooperation with government 29
Alternative delivery models 30
Implementation options 33
Challenges 34
Sound analysis for choice of sector and approach 34
Building accountable governance 35
Expanding access while confronting limits 37
Dilemmas 39
Whether and how to deal with the state 39
Decentralising: when, how much, to whom 41
Efficiency and sustainability tradeoffs 43

Chapter 4

Policy Implications 47

Tailoring interventions to context 47
Long-term focus on governance and state building 48
Managing transition and hand-back 50

Bibliography 55

Annex

Fragile State Scenarios 59

Declining 59
Situations of stagnation or worsening conditions, where the risk of collapse is increasing 59
Stabilising 60
Situations of emergence from crisis, where the risk of collapse is static or receding 60

Boxes

Box 1. Service delivery in a clientelist setting 20
Box 2. Services and "neutral ground" 26
Box 3. Models of partnership with the state 30
Box 4. Healthcare contracting in Cambodia 31
Box 5. Bundling health services 34
Box 6. Services and accountability through community engagement 37
Box 7. Risks of siding with government 40
Box 8. Community-based approaches and social capital 42
Box 9. Non-state providers in violent contexts 42
Box 10. Building back better 44
Box 11. Planning for hand-back in Sudan 45
Box 12. Post-conflict service sector rebuilding sequence: Healthcare in Timor-Leste 52

Figures

Figure 1. Accountability triangle 21
Figure 2. Service delivery modalities 32
Figure 3. Service sector components subject to fragility 35
Figure 4. Accountability triangle plus donors 36

Tables

Table 1. Service delivery modalities and fragility 33

Executive Summary

Delivering public services is a top priority in fragile states if these states are to make progress towards the Millennium Development Goals (MDGs). Strengthening the provision of essential services can also contribute to the long-term process of state building and may help to rebuild the legitimacy of the state and to strengthen civic engagement.

This publication is based on the work that the OECD Development Assistance Committee's (DAC) Fragile States Group (FSG) conducted on service delivery in fragile states from 2005 to 2007. It provides an understanding of the impact of state fragility on service delivery and offers policy lessons and recommendations for strengthening service provision and governance.

State fragility

Fragile states suffer deficits in governance, reflecting the internal dynamics of a society, or exogenous factors such as natural disasters and regional conflict. Definitions of fragility used by the DAC and several aid agencies emphasise the lack of capacity and willingness of a government to perform key state functions for the benefit of all. The effects of fragility stretch beyond poor services to include conflict, state collapse, loss of territorial control, extreme political instability, clientelist policies and repression or denial of resources to subgroups of the population.

The political economy of services

The quality and availability of essential services, such as health care and primary education, is a key measure of governance. Public services underpin the social contract between states and citizens and, as such, are an indicator of the health of a society. Grossly inadequate service delivery signals fragility.

Governments everywhere deliver services effectively when there is *accountability* between citizens and their leaders. Accountability emerges as a complex chain of relationships linking users, policy makers and service providers. Services reach the public in a two-step process: policy makers *allocate* and providers *produce* the services. But in fragile states this broad service *compact* often breaks down and service users must take an active role in imposing accountability by engaging directly with service providers.

How does fragility affect service delivery outcomes?

Several problems specific to fragile states can complicate service delivery. The incentives for delivery may be impaired by lack of government capacity, lack of government willingness, or the breakdown of social order through conflict. In those circumstances,

capacity development is often supplanted by more urgent needs and staff are either demoralised or actively targeted by oppressive regimes. In the absence of an effective national policy framework, service delivery becomes fragmented. The resulting problem of diminished central resources, coupled with declining control of services, gives greater prominence to local government solutions and to alternative, non-state provision.

Aiding service delivery: Approaches

In each fragile context, donors need to make a strategic choice about their engagement with the state and choose appropriate implementation mechanisms.

Choosing delivery models: The most basic choice is whether to help reform and rebuild the public functions of the state, or to work in parallel with it. In the absence of a willing and capable state, other delivery models such as contracting out, International Non-Governmental Organisation (INGO) provision, coproduction, community-based approaches or market provision, are possible options.

Selecting aid instruments: Instruments include programme aid, projects, technical assistance, social funds and humanitarian aid. Each instrument has distinct advantages in different fragile settings. In addition, there are a variety of donor coordination mechanisms for pooling funding and harmonizing aid modalities, such as multi-donor trust funds.

Prioritising and bundling the service package: State fragility may require a redesign of basic service packages, in order to make wide coverage feasible under conditions where resources are limited. This may mean combining key services into a package of what is necessary and feasible.

Challenges

Recognising path dependencies: The choice of delivery mechanisms will create path dependencies for future service arrangements. The design of service delivery initiatives must therefore be guided by a specific assessment of context.

Building accountable governance: Accountability plays a central role in service delivery. Yet, external aid can have the effect of diluting the state's accountability for essential services and even weakening the governance framework over the long term. Misplaced paternalism on the part of the international community risks displacing the government's policy making responsibilities and stalling the evolution of governance institutions that are at the core of sustainable development.

Understanding access constraints: It is usually the poor who are cut off from services, whether by failures of the public sector or those of the market. Understanding access problems is essential for designing interventions to improve service delivery to poor people.

Improving women's wellbeing and economic opportunities: Women's organisations often play key roles in maintaining services, in supporting social cohesion and in negotiating safe space between communities in conflict. At the same time, issues such as early marriage, domestic violence, obstacles to educational opportunities and discriminatory family laws need to be addressed to enhance women's contributions.

Policy implications

Tailoring interventions to context

Donors need both *contextual analyses* of the country and a *mapping of current service realities*. Contextual analysis requires improved methods to better understand the fragility features of each service sector and subsector and to develop better indicators to monitor transitions and programme results, both short term (*i.e.[WSp]*output, delivery) and long term (*i.e.[WSp]*systems, capacities).

A more thorough *risk/benefit analysis of intervention options in each sector* needs to be incorporated into policies and practices. Sectors have unique features, with implications for programming risks and opportunities. Justice/security and education appear to be the most transformative kinds of services in a fragile setting, but they are also the most prone to polarisation and manipulation. Healthcare and water/sanitation, the most politically neutral sectors, seem to offer the best opportunities for cooperation across communal lines, as well as for civic governmental partnerships.

Long-term focus on governance and state building

A dilemma in fragile situations consists in balancing short-term versus long-term objectives. Donors need to achieve humanitarian goals while also advancing long-term sustainability – that is, helping to deliver essential services in a way that builds accountability and ensures government takes ultimate responsibility.

In order to manage this dilemma, donor programming for service delivery, state capacity and governance needs to be integrated. Aid programmes should be structured from the start in such a way as to promote sustainable service delivery and accountable governance in the long run.

The long-term goal of achieving sustainable capacity and accountability, country-wide, means working with the national government. Engagement with the state is not so much a question of either/or but rather of degree. Even in deteriorating situations donors should seek some form of state involvement and make use of the array of programming instruments at their disposal. Central government needs to remain involved in local-level programming, as long as some capacity for policy coordination exists.

Efforts at the level of national government need to be balanced with programmes linked to local authorities and communities. Community-based approaches show great potential and may be the only feasible, attainable option in very difficult environments. In the long term, however, multilayered strategies should be used to create a mixture of state and non-state provision.

Managing transition and hand-back

Fragile states are in flux, more so than other situations. Donor agencies must recognise when a country or region changes status and adjust their strategies accordingly. Key points of transition for donor programmes are from humanitarian to development aid and the movement from non-state providers to primary government responsibility for service delivery.

In *stabilising contexts*, partner country government ministries should be active participants in planning and programme development. Contracts for non-state providers should include transition planning for hand-back of functions to government. Donors can promote investment in local community organisations, always mindful that there may also be issues of exclusion and capture at the local level.

In *post-conflict* settings, a key goal of support should be to speed up the move from external provision of services, in the early community-driven reconstruction phase, to resumption of public responsibility for services in the longer term. The end of conflict offers unique opportunities for addressing issues of social exclusion and inequality.

Deteriorating situations pose special challenges. Donors must make choices about reinforcing the government in power, or conversely withdrawing support as a sanction and signal of distancing. The latter may involve shifting emphasis to strengthening local communities and households. Experience suggests that, donors can create an external group or "cabinet" for coordination on sector issues and/or address service delivery issues through multilateral agencies.

Chapter 1

Introduction

As the international community strives to clarify its policies for aid to fragile states, the aid donors have developed principles for engagement in these settings and commissioned several work streams to formulate guidance.

The work stream on *service delivery in fragile states*, initiated in 2005, attempts to gain an understanding of the impact of fragility on services and with that knowledge offers guidance to donors wishing to strengthen service provision and governance in these states. The work stream focuses on four strategically important service sectors: justice and security, healthcare, education and water/sanitation.[1] The sectors were selected for their importance in the everyday lives of most people and they represent core functions of a strong state. State fragility disrupts service delivery systems in general, undermining both the public and non-state agencies involved.

This discussion paper[2] analyses the major policy issues, tradeoffs and approaches to good practice in this field, encapsulating the key findings of the work stream. Chapter 2 presents the core concepts, emphasising the mutual influence of state fragility and service delivery. A critical ingredient in the latter is *accountability*. While non-profit and civic organisations can deliver critical services such as healthcare in the short-term by acting in parallel with government, longer term sustainability requires strengthening accountability linkages and developing government capacity, so that the state can perform its decision-making functions properly.

The remainder of the paper analyses service delivery strategies and options available to the donor community. Chapter 3 considers possible approaches and mechanisms for international donors in this area and highlights key challenges and dilemmas. Major concerns here include the mode of engagement with government and the choice of mechanisms to improve governance and capacity in the long term. The section also highlights the need to strike an appropriate (and context-sensitive) balance among alternative approaches to services, based on accurate analysis of the situation. Chapter 4 discusses the policy implications for the international community and presents suggestions for the way forward.

The findings in this paper build upon the Principles for Good International Engagement in Fragile States and Situations[3] adopted by the donor countries under OECD auspices. The Principles begin with the admonition to take the context as the starting point and avoid doing harm through unrealistic and illegitimate interventions. Further, they link state building to the achievement of peace, effective governance and equity. The Principles merit detailed monitoring to ensure that they are observed in practice.

Notes

1. In the report, "services" refers to these essential needs, which are usually considered a public responsibility, whether they are in fact delivered by the state or by non-state providers.

2. This paper benefited greatly from research and synthesis contributed by Steve Commins of UCLA, as well as the papers written by the four sectoral groups (healthcare, education, water/sanitation and justice/security) commissioned by the DAC (see Bibliography). It draws substantially on the papers by Meagher (2005) and the OECD/DAC (2006). Invaluable comments and edits were contributed by Dennis Wood of IRIS and Clare Wolfowitz and research assistance was provided by Mike Reeves of IRIS. Finally, the work would not have been possible without the guidance and support of Stephan Massing and Karim Morcos of the OECD as well as Tjip Walker of USAID.

3. DAC, April 2007 (www.oecd.org/dac/fragilestates).

Chapter 2

Fragility and Services: Key Concepts

A key measure of governance is the quality and availability of essential services such as healthcare and primary education. Services comprise a core element of the social contract. Public access to good services indicates that a society is well-governed and enables the political leadership to draw continued support for its programme.

In a fragile state, service delivery suffers. When services decline, the state and its leadership in most cases lose support. A fragile state may not have the resilience to rebuild service sectors (and thereby public legitimacy) on its own – and so it risks becoming still more fragile.

Efforts to aid fragile states must address the reciprocal influence between service delivery and fragility. Strengthening the provision of essential services – first and foremost in the security and justice sector can help both to rebuild the legitimacy of the state and to strengthen civic engagement. Evidence suggests that in post-conflict settings, the rebuilding of social policy, including in service sectors such as healthcare and education, takes high priority among development policy choices and may have the greatest positive impact (Collier and Hoeffler, 2004). Reconstituting basic services is thus a *necessary* condition for overcoming fragility and should be an early target of the donors. But this is not to suggest that it is a *sufficient* condition: more is needed.

This section presents a conceptual framework for analysing these issues. State fragility and essential service provision are, as stated above, related. Each reflects the quality of governance, defined in terms of accountability – both to the service user and to the provider of funds (taxpayer, donor agency). As this paper shows the governance nexus has an important bearing on approaches to external aid.

The governance perspective helps counteract the tendency to view essential services as akin to industrial outputs – that is, results of purely technical processes in which resources (tax revenues or aid funds) are converted into healthcare, policing, etc. The treatment of service delivery in the most advanced nations contributes to this impression. But experience in international development shows services to be something more: an outcome of the cooperative and hierarchical management of political aims. The quality of that outcome has proved highly sensitive to state fragility.

The fragile state

No single definition of a "fragile state" has been adopted by international consensus, but some common features can be identified. Fragile states suffer deficits in governance that hinder development. Conditions are too unstable for long-term planning and investment, with society focusing on short-term coping strategies to secure basic needs.

Fragility may reflect the internal dynamics of the society, or it may reflect exogenous factors such as natural disaster or regional conflict.

Operative definitions of fragility used by the DAC and several aid agencies emphasise the lack of *capacity* (capability, effectiveness) and *willingness* (will, legitimacy) to perform key government functions for the benefit of all:

- *Capacity* in this context means having the core features that enable the state to mobilise resources for such key objectives as economic development and poverty reduction.[1] These core features include territorial control and presence, effective exercise of political power, basic competence in economic management and sufficient administrative capacity for policy implementation.
- *Willingness* refers to an explicit political commitment to policies supporting human welfare. It is reflected in actions and outcomes that are implemented following an inclusive approach (non-discrimination).[2] Legitimacy concerns the sources of support for the state and the regime.

A state's fragility is a function also of the strength of civil society and the extensiveness of social capital. A strong society can reconstitute missing state functions – either in a new (or reformed) state, or in the form of non-state alternatives such as associations and other structures. Breakdowns reveal the intimate connection of state and social institutions in fragile situations.

> Society, as the generator of institutions of cohesion and maintenance, can no longer [function]…between them the links and overlaps of state and society fall away. The normal politics of demands and responses atrophies; the political processes for popular legitimization are discarded or prostituted; politics and economics are localized; and the center becomes peripheral to the workings of society. (Zartman, 1995, p. 6)

Thus, a fragile state lacks the capacity (effectiveness) and/or willingness (legitimacy) to sustain itself over time. It is unable to perform the basic functions of a state:

- to maintain security across its terrain.
- to enable economic development.
- to ensure the essential needs of its population are met.

These three key state functions are, in economic terms, *public goods*. The cost to an individual or group of individuals who might attempt to provide such goods would far exceed the benefit to them, since the gains are spread across society as a whole. These goods will therefore be underprovided in the absence of effective and legitimate state action.

This has important implications. The state is built and maintained through the collective action of the public, or at least of a large segment of the public, whose interests encompass much of the nation. In a fragile state this "public" is missing or weak. Thus, although self-serving and perhaps market-based provision of goods may be possible, the more public aspects of service delivery tend to crumble or disappear (*e.g.* vaccinations, school curricula, teacher training, law enforcement and water utilities). Coordinated policy making and leadership within (and across) service sectors suffers. Fragility also erodes the basis for efficient markets, making private provision more costly. Its effects stretch beyond poor services to include conflict, state collapse, loss of territorial control, low administrative capacity, extreme political instability, clientelist policies and repression or denial of recourse to subgroups of a population.

The distinction between countries that are fragile and those that are simply poor may be elusive at times. As an approximation of fragility indicators, one could use the criteria proposed by Collier (2007) to identify countries at risk of violent internal conflict. These countries are not just poor; they experience little or no economic growth and are often economically dependent on natural resource exploitation.[3] The poorest billion of the earth's population, Collier suggests, tend to live in such settings. Some fragile states – for example, Zimbabwe – were stable and developing until they took a wrong turn or suffered a crisis (Commission on Weak States and US National Security, 2004).

Fragile states can be categorised, for example, as being on a downward path, in collapse, on an upward recovery path, or perhaps stalled at some precarious stage. A simple framework divides these states into two groups: a "declining" group, increasingly at risk of failure; and a "stabilising" group, emerging from collapse. Several more specific scenarios can be described under these two headings, as illustrated in the Annex.

The political economy of services

Different groups in society will have different visions about what makes "good" service delivery. In the education sector, *clients* (parents/learners) want low-cost, easy-to-access, safe, high-quality schooling that improves their children's/their life chances. *Policy makers* and political leaders want to deliver social benefits at low cost, with high propaganda value and political rewards. The *providers* (teachers) care about technically sound curricula, high salaries, respect and safety. Thus, the effectiveness of service delivery – and in turn, the legitimacy of the political order – depends on addressing competing goals and expectations in ways that satisfy the stakeholders. The result may or may not involve the state providing services directly, as long as the services are in fact delivered.

The state (or more precisely, the governing regime) plays a political "game" when it struggles to secure power; its success in doing so depends on, among other things, legitimacy. The source of legitimacy might be the leaders' ability to deliver economic growth, national prestige, or public services. Alternatively (a more partial) legitimacy might derive from signals of special allegiance to certain traditions or ethnic groups. Thus, legitimacy may or may not relate to equitable service delivery. Even well-established states can fail to provide services capably and equitably.

Public investments in services are always constrained by a range of influences reflecting a given state's social and historical context. These include limits on voters' knowledge and information, polarisation of the electorate and (especially) the credibility of political commitments. Such constraints have the strongest effect in low-income countries and particularly in fragile states: accountability is weak, as government does not "listen to the people".

Where credibility is low (the case in many developing countries), instead of making broadly beneficial policy commitments, politicians may focus their attention on specific localities or individuals, and devise special projects and patronage jobs. This pattern, *clientelism*, thus sacrifices collective benefit at times going so far as to create public ills – in the service of favouritism (Keefer and Khemani, 2003). Yet in certain cases public investment can enhance inclusive service delivery even while serving clientelist goals. A good example is the drilling of wells in rural areas. The wells may be meant to help particular political supporters (as they have in Pakistan, for instance), but the overall benefits are immediately visible. Another example is offered in Box 1, where in Uganda there were broad social benefits from the introduction of universal primary education.

Box 1. **Service delivery in a clientelist setting**

President Museveni of Uganda made a commitment to universal primary education – a surprisingly broad goal, given the country's clientelistic environment. Museveni ensured he would reap political benefit by using the media to link the resulting improvements to his own policies. And he focused on delivering publicly observable benefits to communities, such as capitation grants and transparent local school financing. It later emerged, however, that the less easily monitored aspects of education – quality of teaching and the curriculum – were neglected.

Source: Keefer and Khemani, 2003

The economy itself may have a broad or a narrow base. A broader base will have a narrower scope for government monopoly and exploitative regulation. A narrowly based economy enables the regime to extract benefits or "rents" from its control over natural resource exports, industrial monopolies, or strategic infrastructure (canals, military bases). The state is then free to ignore the nonstrategic regions and populations in favour of narrow interests. A broader economic base forces the government to exert that much greater an effort to maintain effectiveness and legitimacy.

Toward the fragile end of the spectrum, the problem of clientelism is greatly compounded. The economy suffers from generalised risk aversion, short time horizons and distorted incentives. As the system spirals into greater dysfunction and possibly into crisis, the government may abandon any focus on service delivery (if indeed it ever had such a focus) and concentrate on the viability of the state itself – for example, by devoting increasing portions of the budget to security forces and weaponry. In some cases, the society may have the resilience to fill the void, through voluntaristic provision of public goods or an orderly change of regime. "Survival strategies" may emphasise traditional patron-client hierarchies, entrenching them as alternatives to formal state authority and government service delivery (Brinkerhoff, 2007).

The central role of accountability

Service delivery is not only a technical task but also a governance process. Adequate service delivery rests on a four-part relationship of *accountability* between the citizens and their leaders:

a) Citizens elect political leaders, who are evaluated based (in part) on their policies regarding services.

b) The policy maker chooses a package of services and allocates them to beneficiary groups.

c) The policy maker selects agents to implement (produce) the services in the package. (These agents may be units of the public administration or, alternatively, non-state providers.)

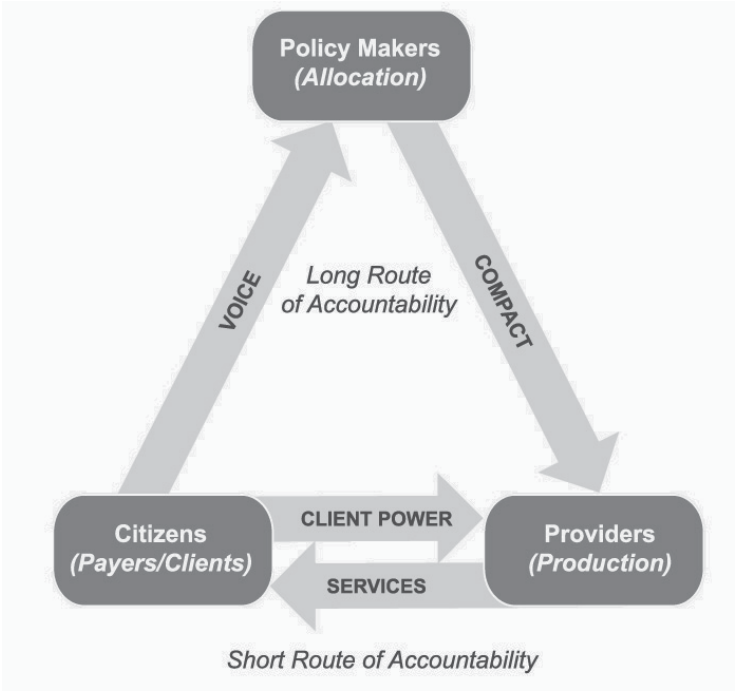
d) The policy maker sets standards for the expected level and quality of performance, monitors the outputs and rewards or sanctions the implementer as appropriate.

Services reach the public in a two-step process: *allocation* (by policy makers) and *production* (by service providers/implementers). Accountability between the policy maker

and the implementer is defined by a *compact*, which includes service delivery standards, monitoring methods, rewards and sanctions. This service compact cannot fully specify outcomes, especially for services that are inherently transaction-intensive and hard to monitor (such as classroom education). Moreover, the user of the services – the client – is not a party to the service compact.

Users have two potential routes of accountability for securing essential services: a long route, *via* the policy makers; and a short route, directly to the producers, as shown in Figure 1.

Figure 1. **Accountability triangle**



Source: World Bank (2003)

The *long route* of political accountability is the more visible of the two. Whether the services are produced by a state agency or contracted out to a private provider, the state has an irreducible role in choosing, designing, allocating and often regulating essential services such as education, healthcare and water/sanitation. This is clearest in the case of security and justice administration, the area in which the state asserts its authority and shows that it is indeed a state. The long route can also be referred to as *voice*, defined as the expression of citizen satisfaction or dissatisfaction through political, administrative, legal and media channels. Citizens use these channels to voice public demands – including their preferences concerning policies of allocation and production of services. Note that the long route is especially relevant to national level policy decisions and centralised programmes such as vaccination; here, the short route (see below) is weaker.

The long route of accountability depends for its functioning on a legitimate and effective state; thus, it readily breaks down in fragile situations, becoming problematic or

even inoperative. Especially in low-income countries, ordinary people have little power over their elected officials, who may be embedded in a clientelist or non-competitive political system. Accountability links may be further disrupted by a repressive environment or by political distortions: the regime may favour particular ethnic or regional blocs, divert spending to military hardware or other uses, or grab resources for its patronage networks. Severe deterioration may reach a point resembling a post-conflict environment.

There is also an informational dimension to accountability. Policy makers must be informed of citizens' preferences and citizens must have information on policy decisions and service quality.

Where government is willing but lacks capacity, information flows may be impeded; weak communications and transport links can result in impaired public accountability.

In these situations, the national government (and the long route of accountability) may not be a viable channel. Service delivery is therefore likely to depend on *short-route* accountability – *i.e.* from service providers (producers) directly to users. Service providers may be local governments, private or NGO entities, or even dissident political movements or rebel groups.

Where short route accountability is effective, clients can help tailor the package of services to their own needs and monitor the producers. Producers must be responsive to information on local preferences and have sufficient discretion to respond to local needs. This can have a feedback effect on demand: in Pakistan for example, local demand led to the hiring of more female teachers, which in turn raised girls' school attendance. Monitoring by users requires public information and access to service facilities, as well as feedback opportunities. Regular monitoring can enhance performance -as in the Educo programme in El Salvador, where regular community monitoring visits reduced teacher and student absenteeism (World Bank, 2003a). These mechanisms are local variants of citizen *voice*, directed at local government service agencies and contractors.

Where sub-national governments and services are dysfunctional, *exit* (or "client power") becomes more important than voice. This form of accountability rests on the availability of alternative providers, or competition in the form of fee-based services. Clients can hold the producers of services (whether governmental or private) accountable by "voting with their feet" (moving to another district or travelling to obtain services), or by "voting" with their money (paying for services produced by a competitor). In some fragile environments, pure market provision – though often inequitable – may be the option that most reliably affords access to an urgently needed service. Where government produces (or contracts for) services, resources may be diverted to the well-off and contracts may be allocated on the basis of kickbacks or favouritism. The resulting waste and mistargeting most severely impact on the needy. Whatever its faults, market provision at least makes providers accountable to paying clients.

How does fragility affect service delivery outcomes?

Several problems specific to fragile states can complicate service delivery. First, the incentives for delivery may be impaired by lack of government capacity, lack of government willingness, or the breakdown of social order through conflict. Incentives may also be distorted through corruption and the private capture of public resources. Second, with deteriorating infrastructure and poor technical and managerial capacity (including weak information systems), service provision may be unsustainable. Often in those

circumstances, capacity development is displaced by more urgent needs and local staff are either demoralised or actively targeted by oppressive regimes. Third, in the absence of an effective national policy framework, service delivery becomes fragmented. The resulting problem of diminished central resources, coupled with declining control of services, gives greater prominence to local government solutions and to alternative non-state provision – but these too may lack the resources to be sustainable.

Such difficulties may encourage social groups to withdraw altogether from engagement with public institutions, organising services privately on a family or ethnic basis. This will further weaken the legitimacy of the state and may encourage rent seeking and corruption by officials. Trust among social groups – and even within groups – declines. In the presence of instability or violence the downward progression is more extreme. Weak government begets weak services, in turn weakening society – the start of a vicious cycle. Persistent decline may undermine the social fabric itself: communal tensions arise that make civil society increasingly *un*civil.

Breakdowns are most dramatically manifested in the loss of state control over security forces. *Public security and justice* are central issues for poor people: without functioning systems, they are vulnerable to predation, violence and loss of assets. Other essential services depend on the establishment of at least rudimentary security. But in fragile states, the officials and agents responsible for these services are often the source of *in*justice and *in*security – especially security forces such as the police. Because the monopoly of force is a defining feature of the state, the central state is especially likely to interfere; and such intervention is likely to be ineffective or even predatory, since fragility compromises central policy coordination and disciplining functions. According to Hills (1996, p. 6), "When states are fragile and lacking in institutional capacity, their police are unlikely to be disciplined."

Moreover, although security and justice are central responsibilities of the state, in practice – more than in health or education services – there is a diverse and extensive array of non-state actors (OECD/DAC, 2007a). With regard to justice functions it is in fact normal (and beneficial) to have a diversified array of providers, from religious or customary mediators to civil courts. But fragility tends to reduce access to formal courts and increase reliance on the less formal local options. This makes it less likely that the formal judiciary will exercise a legal check on informal tribunals – just at the time when traditional rights are most likely to be overridden or abused (see *e.g.* Hendricks and Meagher, 2007). And in a situation of violent conflict, greater insecurity means less access to services of all kinds and greater risk to those seeking to provide services. Greater fragility can increase repression even as public security and justice systems weaken.

The state's capacity to provide *health services* declines sharply with greater fragility, at a time of increasing demand for them (Macrea, 1996). Especially in deteriorating contexts, basic health services may depend on community rather than central initiatives. The impact of failed health systems is often immediately visible in increased morbidity and mortality.

The health sector poses particular challenges for service delivery. Health services are often highly transaction-intensive and difficult to monitor. Setting priorities is a challenge, as many of the determinants lie outside the sector (*e.g.* water/sanitation, the mother's education, nutrition). Fragile states are often further burdened by HIV/AIDS and other sexually transmitted diseases (which impair the labour force, including health workers). Security problems are especially damaging. During Mozambique's civil war, for example, rebels consistently targeted the health system in rural areas. Referral and supervision systems broke down and health workers were murdered and kidnapped (Pavignani and

Colombo, 2001). Even before the outbreak of conflict, as a country slides into violence, the most skilled health professionals may flee the country.

Water and sanitation systems also suffer in fragile states. For example, networks of piped water are often inoperative or otherwise inaccessible to most households. This is due partly to degradation of infrastructure and insecurity and partly to laws restricting market access or making alternative service providers illegal. These restrictive laws disproportionately impact the poor. For example, small-scale providers (including private companies and NGOs) have developed innovative products like water kiosks and independent networks, targeted at underserved populations. In some countries, these providers account for up to 70% of urban service delivery (Brocklehurst, 2002). However, these responses are often constrained (or outlawed) by anti-competition provisions protecting state-sanctioned water providers. Further, ordinary households often lack property titles and water hook-ups may not be available to those without formal land tenure. This can severely limit the impact of government efforts to encourage water utilities to serve the poor.

In fragile settings, policy making for and coordination of *education services* fall into disarray. States are often heavily involved in education due to concerns about equity, curriculum and other policy matters, as well as the politics of national identity. This involvement may take on higher priority for primary schooling, given the importance of basic literacy and skills. But educational outcomes are determined by tradeoffs involving secondary and tertiary education as well, since resources are limited. Teachers must be trained and skilled workers and entrepreneurs – educated beyond the primary level – are needed to create employment, growth and the revenue base.

Fragile states often have difficulty sustaining donor-funded education initiatives, due to a lack of their ownership of donor-driven programmes (Carlson *et al.,* 2005). Nevertheless, it should be possible to maintain basic levels of education provision in a fragile setting, based on a combination of market, voluntary and local government initiatives. This possibility diminishes, however, as instability grows and systems deteriorate, especially given the need for coordination and oversight to ensure quality. Education provision may ultimately depend on progress elsewhere – *e.g.* basic security (for schools, staff and students), health (and in turn water and sanitation) and livelihoods (so that subsistence needs do not interfere with student and teacher attendance).

Fragility also impairs *co-ordination among service delivery systems*, due to the influx of new providers and the lack of an effective central policy framework. An increasing proportion of services is provided either *ad hoc* or by non-state entities acting independently to fill gaps. A range of vertical programmes may be delivered by a number of different actors such as INGOs[4] in parallel to government systems, without a coherent plan (Carlson *et al.*, 2005). Also, there may be increased misuse of services for political purposes (*e.g.* controlling access, determining curriculum content, etc.). Insecurity affects decision making at all levels – and the likelihood of donor mistakes increases. Vulnerable groups are even more easily excluded. Fragility also coincides with a lack of investment in infrastructure and human capacity (though there may be increased elements of capacity in non-state actors).

The aftermath of violent conflict

Special problems arise in the wake of conflict, as discussed in Haughton (2002). During conflict, key social indicators typically fall – in contrast to those in similarly poor countries that have not experienced conflict. Post-conflict countries have fewer resources available for public health, as most funding is diverted to military spending. For instance,

governments can no longer fund anti-malarial spraying and vaccinations. War will also cause healthcare personnel such as doctors and nurses to emigrate, leaving the post-conflict state with a deficit in these public health service areas. Other complicating factors are large numbers of refugees, continuing civil disorder, deteriorating infrastructure, small industrial and service sectors and very poor data collection capabilities. In post- conflict countries there may be a large volume of foreign aid immediately following war, creating the danger that the influx of financial transfers will feed theft and patronage (Debiel and Terlinden, 2005).

War is more destructive than other crises (such as natural disasters) to the norms and capacities needed for good governance. It disrupts social linkages and weakens institutions that are required for the proper functioning of the economy and basic public services. Institutional weaknesses might include an inexperienced civil service, with severe lack of skilled local personnel; a tax system that collects a small share of GDP; and a police force that is inexperienced and overstretched. Roads, ports and rail transport, all vital to the economy, are often disrupted if not destroyed. The collapse of formal state processes and institutions in post-conflict countries often forces entrepreneurs to rely on informal mechanisms. Only the simplest of commercial processes, such as cash-and-carry, can operate, since breach of contract cannot be prosecuted due to a weak or nonexistent judiciary (Bruck, Fitzgerald and Grigsby, 2000; Aron, 2002; Haughton, 2002).

The end of conflict also, however, offers unique opportunities for rebuilding and reform. Research by Collier (2007) shows that the transition from conflict opens a short-term window to initiate a "turnaround", reversing fragile conditions and moving the country onto a developmental path.[5] This builds on the earlier insight of Olson (1982), based on the post-war economies of Germany and Japan, that the devastation of war radically changes the political economy. Defeat triggers off the explosion of the narrow interest groups that earlier controlled policy, opening the field for new entrants and approaches. But turnarounds are hard to sustain. To make them succeed requires a whole-of-government approach by the donor countries, one that brings development officials together with policy makers in security, economic, public health and other fields (OECD/DAC, 2007b). A similar window of opportunity exists for reforming public services, which can provide a "bridge for peace".

Reciprocal influence of service delivery and fragility

Just as mounting fragility and deteriorating services can be mutually reinforcing tendencies, improving services may enhance social and economic recovery, overcoming fragility in a virtuous upward spiral. The influence is reciprocal. But effecting a turnaround is no easy matter. The same cluster of influences that created the vicious cycle of fragility will also tend to prevent its reversal.

Many of the key risk factors for civil conflict relate to living conditions addressed by basic services. Those factors include a low Human Development Index (HDI) score, reflecting health, nutrition, sanitation and education levels. Another factor is economic stagnation. Empirical findings analysed by Pillay (2003) suggest that a society with 5% annual economic *growth* is 40% less likely to fall into conflict than a country whose economy is *declining* by 5%. To the extent that growth reduces national indebtedness and dependency on natural resource extraction, it further reduces the risk of conflict. Education has a similar effect: each year of education of the school age population reduces the risk of conflict by about 20%. Thus, one year of education has an impact equal to that of 5% economic growth. Employment growth and education are also effective ways of dealing

with the youth "bulge" – especially of males – that is associated with risks of instability and conflict. Last, HIV/AIDS is sometimes a critical factor in fragility, especially in southern Africa; services that address the problem would reduce conflict risks (Pillay, 2003).

Robust interventions aligned with the state[6] may make it possible to address the *sources* of fragility in addition to its symptoms. Improved service delivery can be a catalyst for broader transformation. Interventions in this area can help head off conflict, or may provide an entry point for longer-term "pro-poor" political and economic change in difficult environments. The provision of basic services can break the intergenerational cycle of poverty, increase economic opportunity and promote cooperation across social dividing lines (Box 2).

Box 2. **Services and "neutral ground"**

Where polarisation or violent conflict threatens, service delivery initiatives can offer a politically neutral arena for cooperation across ethnic or ideological lines. This helps to shield valuable services from interference while providing entry points for dialogue. Such an approach may be more promising in some sectors than in others. *Health services* have been treated as nonpolitical since at least the early days of the Red Cross. So, for example, in post-conflict settings, urgent healthcare priorities such as addressing HIV/AIDS, Ebola or polio outbreaks have offered opportunities for reconciliation and partnership, especially on the local level. During Angola's "no war, no peace" period, UNITA, the government and certain NGOs worked together to control outbreaks of trypanosomiasis in northern Angola. A forum was established among these actors, operating under the technical authority of the Angola Trypanosomiasis Control Programme. The programme created a climate of neutrality that facilitated collaboration between UNITA and the government (WHO, 2001). The *water and sanitation* sector often benefits from a similar nonpartisan treatment. In contrast, *education* and the *justice/security* sector are more prone to ideological intrusion and manipulation.

Education appears to offer the greatest possibilities for addressing sources of fragility. It can serve as a tool to protect children and prevent further harm by providing curricula on health, sanitation, human rights, etc. Schooling also offers an opportunity for educators to identify and assist children and young people needing special help to address problems of posttraumatic stress, sickness, malnutrition, disability or abuse. Attending school further protects children from being recruited into activities such as combat, forced labour, drug trafficking and prostitution (Vaux and Visman, 2005). "Safe schools" programmes offer a model in which schooling is bundled with security and safety guarantees. Education, as a service that both reflects and impacts the wider society, "can be a powerful intergenerational change agent" (Berry, Forder, Sultan and Moreno Torres, 2004, p. 11). It affects the socialisation of youth, the understanding of public issues, political participation, women's empowerment and health. And it is often seen as a sign of normalcy when children can go to school again.

Service delivery can mitigate social exclusion, which is itself often a driver of fragility and conflict. Basic service improvement may also be an entry point for major governance reforms. Long-term social and political changes supporting good governance have more chance of success if linked to reforms in service delivery with tangible results. When these improvements are visible to the public, they can lead to pressure for wider and more systemic reforms. Improvements in services can be a "tangible peace dividend in countries emerging from conflict" (Berry, Forder, Sultan and Moreno Torres, 2004, p. 12) – especially "quick wins" or quick impact projects that tackle high-visibility problems.

Improvements in service delivery can potentially strengthen, over the long term, the left side of the accountability triangle (Figure 1) – *i.e.* the critical relationship between citizens (clients) and policy makers. A central challenge (and opportunity) in fragile states is thus to find ways of doing this, such as building new mechanisms for accountability into service delivery initiatives.

Notes

1. A broader definition of "capacity is understood as the ability of people, organizations and societies as a whole to manage their affairs successfully." (OECD, 2006a)

2. A proposed test for willingness is to determine the government's "trend of development orientation," i.e. whether the following are in evidence: pro-poor policies, respect for human rights, democracy and rule of law, efficiency and transparency in the state and a cooperative stance within the international community. Comments by BMZ (Federal Ministry for Economic Cooperation and Development, Germany).

3. Rosser (2006, p. 2) includes the experience of "severe violent conflict" (at present or in the recent past) as one of three possible indicators of a fragile state, the others being lack of economic growth and failure to reduce poverty.

4. International nongovernmental organisations, also known as private voluntary organisations or PVOs.

5. Rosser (2006) defines "turnaround" as the move from fragility to its opposite – that is, i) from no real growth to sustained high growth, ii) from failure to reduce poverty to sustained and significant reductions and iii) from current or recent violence to durable cessation of violent conflict. Some (*e.g.* DFID) agree with this explicit reference to poverty reduction in the definition of fragility/turnaround, but others do not (*e.g.* Collier, USAID, Commission on Weak States).

6. The literature makes frequent use of terms such as "alignment" and "shadow alignment". Alignment, a key principle of both the Paris Declaration on Aid Effectiveness and the Principles for Good International Engagement in Fragile States and Situations, refers to donors' adoption of systems (*e.g.* project cycle, accounting) that fit with those of the recipient government, in order to ease the eventual hand-back of functions and activities. Shadow alignment adds to this the idea of "shadowing" the cooperating ministries, in order to both build capacity and facilitate hand-back. This paper uses "alignment" to refer to both of these approaches.

Chapter 3

Taking Action: Approaches, Challenges, Dilemmas

The international community and its partners in a fragile setting face a situation of *strategic choice*. Fragility causes deterioration of the public infrastructure, which needs to be replaced, rebuilt, or substituted. The same is true of the less "public", more "private" aspects of services (*e.g.* fee-for-service hospital care, secondary and tertiary education, household utility hook-up), though these are somewhat easier to reconstitute. The most basic choice for the donor countries is whether to help *reform* the public functions of the state, or to work *in parallel* with them. Modes of intervention range from indirect subsidy of governmental service delivery to the direct exercise of public functions by donor agencies.[1]

A strategic perspective can clarify the choice of approach. First, the capabilities, deficits and interests of the actors involved must be taken into account. For example, the government may have a strong incentive to re-establish security, but may lack the capacity to address most service sectors. Second, the longer-term effects of a choice should be considered. This means anticipating the responses of relevant actors and the weight of expectations and habits – or *path dependencies* – issuing from the choice. Some emergency measures – such as support for tribal militias, humanitarian aid streams and essential services programmes run independently of government – may in fact exacerbate adverse incentives and trends over the longer term.

Making strategic choices about service delivery requires the donor community to maintain a broad perspective. Restoration of services cannot be divorced from the social and political setting, but must be seen as an integral part of a sustained effort to rebuild the state and the society. In some cases, the deterioration of service sectors may actually open up a wider array of reform options, creating an opportunity to revisit basic institutional choices that might have been foreclosed in the pre-crisis political economy.

Policy makers, service providers and donor agencies have a wealth of experience to draw on in answering such key questions as: how should service delivery initiatives adapt to different fragility scenarios? And, can these initiatives enhance *both* services *and* governance? The choice of approach is rarely an either/or decision. Any aid configuration is likely to combine a mix of approaches, *e.g.* short-term and long-term, humanitarian and developmental, technical and political.

Aiding service delivery: Approaches

Degrees of co-operation with government

The "first best" solution for ensuring effective targeting of essential services to those in need is to have a willing and capable state take responsibility. Recall the two-stage process of service delivery discussed previously, comprising allocation and production.

Government has several critical functions to perform. These include the adoption of policies on allocation, the definition of service delivery standards by means of compacts with providers (state or non-state) and monitoring implementation by the providers.

In settings where there is some willingness and (even very modest) capacity at the central government level, the national government can be a partner. Pro-poor policy making should be strengthened where this is feasible (Berry, Forder, Sultan and Moreno Torres, 2004). This means finding "entry points" to build "political will", wherever prospects exist in ministries or local governments. Since aid programming in fragile states is complex and multilayered, engagement with the state need not be a question of *either/or* but rather of *degree* (Leader and Colenso, 2005).

Where the state is unwilling (typical in declining contexts), the case can nevertheless be made that partnering with the public sector may be worth the risk (Slaymaker, Christiansen and Hemming, 2005). The implicit argument is that in many fragile environments, the waste of some resources is acceptable as a cost of helping reverse decline, developing state capacity or even merely involving state officials as partners – with the possibility of long-term improvement in service delivery. An array of state-centred assistance models addresses the variation in government capacity and willingness – from unconditional budget support to ring fencing and various public-private hybrids. Even so, the state is sometimes simply not a viable partner and alternatives must be found.

Box 3. **Models of partnership with the state**

In its Ugandan health programme, UNICEF "adopted" the Ministry of Health, providing strong leadership and close collaboration. Responsibility was eventually turned back to the Ministry, which had developed significant capacity under UNICEF's mentorship. Similarly, in Afghanistan WHO has provided overall coordination, policy making and strategy support for the health sector. Capacity development through humanitarian interventions around the country provided a basis for future service delivery. However, delivering services in Afghanistan has proved extremely expensive and the costs cannot simply be collected from the population.

Source: Carlson *et al*. (2005).

In the most dysfunctional environments, the best options for ensuring service delivery to the largest number in need may be the options *farthest* from (central) government provision. In cases where local governments and traditional authorities exercise real authority and retain more legitimacy than the national government, they have sometimes proved effective partners. But there are tradeoffs. Even though local service delivery may be ideal for certain services (*e.g.* drinkable water), the decision to work with local authorities may incur the hostility of the national government, or at least add to the incoherence and need for coordination among disparate service initiatives across the country. In some instances, the best options lie closest to pure market provision (see below).

Alternative delivery models

When the state is not willing or is truly incapable, aid donors need alternatives. This means more limited involvement with government – or, if necessary, avoidance in favour of non-state providers. Delivery of services by private firms or NGOs is not necessarily

inferior to delivery by the state and in some settings is preferable, but state fragility inevitably reduces the role of the public sector in favour of non-state actors. There are several alternatives**.**

Contracting. Contracting out is a widely used option in many settings, including in both industrialised and developing countries. The choice depends on several considerations: political preferences about the scope of state action; an analysis of efficiencies in service production by non-state contractors as compared to government; or, in fragile settings, a determination that government is insufficiently capable or trustworthy to produce services directly. In any case, the cost/benefit of contracting needs to be kept in mind. Making it work requires public accountability systems and government responsibility. In this sense it need not (and should not) remove political accountability for allocation decisions from government, even though it brings in outside agencies as producers with the support and oversight of international donors.

Box 4. **Healthcare contracting in Cambodia**

In Cambodia, health expenditures were found to be driving families into landlessness and poverty. A contracting approach was adopted with the aim of reducing these expenditures – and in that it largely succeeded. The contracts were let mainly to INGOs and this posed the need for a transition of responsibility to local organisations. Moreover, local and provincial Ministry of Health (MOH) staff saw contracting as a threat and resisted it. However, central MOH officials gained valuable experience in overseeing the programme and they supported it in the face of opposition.

Source: Vaux and Visman (2005).

INGO provision. Autonomous programmes run by INGOs have been standard in humanitarian relief and are common in fragile settings. Here, speed and efficiency are sought at the cost of coherence, sustainability and capacity development. Newer models emphasise consultation and alignment with government agencies, as well as planning for eventual hand-back**.**

Co-production. This has been defined as "the provision of public services (broadly defined, to include regulation) through an institutionalised, long term relationship between state agencies and organised groups of citizens, where both make substantial resource contributions" (Joshi and Moore, 2002, p. 11). Coproduction is especially helpful in developing countries, where government is overwhelmed in dealing with a great number of different clients and operating situations and needs a partner. Coproduction builds on the need for cooperation inherent in many service sectors: for example, teachers and students, doctors and patients must each contribute actively for a positive result. Its success depends on the coherence and stability of the user groups involved. It also makes significant demands – for example, monitoring and mentoring – on donors and the implementing partners of these groups, whether governments or NGOs.

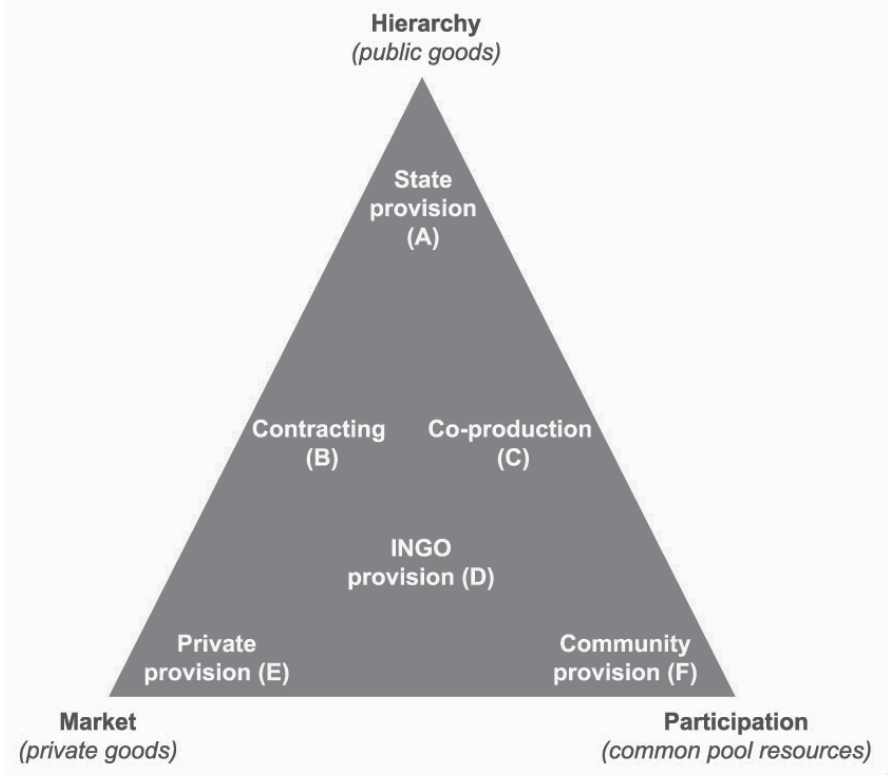
Community action. Community-based approaches encourage communities to identify their own priorities. They seek to mobilise communities to contribute resources, emphasising rapid rehabilitation of services resulting in "quick wins" and high-visibility "peace dividends" that will reduce the risk of renewed failure in post-conflict settings (Slaymaker, Christiansen and Hemming, 2005). "Community-based approaches" and "community-driven development"

are variants of the same basic approach of according communities decision-making power over planning and resources. These kinds of efforts are distinct from coproduction in that outside involvement – including a governmental role – is either absent or limited to resource inputs; the communities have greater autonomy.

Markets. The other option for nongovernmental provision is the market. For the poor, this approach is less than ideal. But as the World Bank (2003a) argues, the needy will likely get more services in an efficient market than they will in a system where everything filters through a patrimonial system of allocation and government-provided services are inadequate or inaccessible for many. Basic markets for services can be self-enforcing in a wide range of circumstances and can prove resilient in fragile settings. Examples range from water vendors to local schooling (*e.g. madrasahs*) to cell phone service providers. Yet the market cannot serve all needs (hence the desire for public provision in the first place). Nongovernment/nonmarket alternatives become even more important, especially for the highly vulnerable. Production or support must come from some combination of religious groups, emigrant remittances (domestic or international), cooperatives and foreign aid.

Figure 2 and Table 1 array all the above options to illustrate their public goods characteristics and their applicability across contexts. For example, hierarchy (or bureaucratic provision) tends to deteriorate quickly as fragility increases. By contrast, while market-based and participatory provision can function in fragile settings, they depend on minimum levels of transactional security and social capital, respectively. Intermediate options include forms of mixed bureaucratic, participatory and market provision.

Figure 2. **Service delivery modalities**



Source: Adapted from Picciotto (1997, p. 355).

Table 1. **Service delivery modalities and fragility**

Service modality	Type of good & co-ordination	Fragility issues	Examples
(A) State provision	Public goods, hierarchy	Highly vulnerable to fragility, need to restrict to most important	Justice, security
(B) Contracting	Mixed public-private	Useful in fragile states, but state must exercise oversight and accountability	Roads, public tenders
(C) Co-production	Mixed public-common pool	Somewhat resilient at a small scale, need cohesion/aligned incentives in user groups	Fish ponds, primary schools
(D) INGO provision	Mixed public-private-common	May be necessary for humanitarian aid, but sustainability concerns	Reproductive health
(E) Private provision	Private goods, market	Resilient, but basic market conditions needed, equity concerns	Household water supply
(F) Community action	Common pool, participation	Depends on social capital, leadership, security of basic needs	Public health, sanitation

Implementation options

The choices just described are taken at the *strategic* level, where aid designs are determined according to the features of the fragile context and the characteristics of the services targeted. A further level of choice is the *tactical* level, addressing the specific incentives of donors and recipients, as well as the challenges of implementation in fragile states. The effort at this level is generally to design aid mechanisms and service programmes that are resilient in highly fragile settings and that capitalise to the extent feasible on opportunities to develop capacity, reconciliation and accountability. Tactical decision areas include the following.

Selecting aid instruments. Donor agencies have a widening range of instruments, allowing for varying levels of engagement with government, discretion in the use of resources, disbursement timetables and coordination among donor agencies. Responding effectively to service delivery needs in fragile states requires finding the right overall mix of approaches; for the individual donor agency it requires finding the right tool to achieve its goals and coordinate and harmonise with others. The array of instruments includes programme aid (on-budget or not), projects, technical assistance, social funds and humanitarian aid. Each instrument has distinct advantages in different fragile settings: programme aid is the most aligned and allows the recipient government the greatest discretion; humanitarian aid is the most rapid, short term and fragmented; others tend to be donor-driven (*e.g.* projects, technical assistance), highly dependent on government willingness or localised and participatory (social funds) (Leader and Colenso, 2005).

In addition to these programmatic tools, there is a variety of donor coordination mechanisms through which funding is pooled and aid modalities are harmonised. *Global funds* and *multi-donor trust funds* pool resources for use in specified areas, thus enhancing both donor coordination and funding continuity. *Sector-wide approaches* (SWAps) involve harmonisation of donor approaches, close alignment with government and pooled donor resources managed by a coordinating ministry (or, in post-conflict settings, a UN agency). *Sector-wide management* (SWiM) similarly includes coordination and alignment, but without the pooling of resources (Slaymaker, Christiansen and Hemming, 2005).[2]

Further, whole-of-government approaches can position aid appropriately within an overall security, humanitarian and development strategy (OECD/DAC, 2007b). Increased dialogue between humanitarian and development actors is essential in this regard. And incentives must be structured – both within and across donor governments – to ensure that these approaches are followed consistently in practice. There is also a continuing need to improve adaptive coordination across donor agencies. For this reason, service delivery planning should make use of instruments such as Poverty Reduction Strategy Papers (PRSPs) and Transition Results Matrices (TRMs) (Leader and Colenso, 2005), as well as SWAps.

The services package: sequencing and bundling. State fragility may require a redesign of basic services packages in order to make wide coverage feasible in adverse conditions and with limited resources. This may mean paring down the array of services, limiting it to the combination of what is most necessary and feasible (and sequencing aid accordingly), or bundling services in new ways. Education is particularly amenable to bundled approaches with other basic service needs that can make use of the schools' information and youth outreach capabilities.

Box 5. **Bundling health services**

The WHO Commission on Macroeconomics and Health recommends a package of 49 priority health services that can be provided through basic primary healthcare facilities and outreach activities. In some fragile states, a scaled-down, basic package can be deployed. For example, in Afghanistan a Basic Package of Health Services (BPHS) was designed by international agencies and Afghan officials. The package addressed such matters as maternal mortality, obstetric care, child mortality, immunisation, nutrition for children and tuberculosis and malaria control services. (Due to limitations of facilities and staff, it did not include other services such as HIV/AIDs care.

Source: WHO (2004).

Humanitarian agencies can create "islands of dependability" to prevent the further deterioration of healthcare, particularly in conflict and post-conflict states. These "islands" are often clinics that offer dependable service but only for a certain geographic location. With severe limits on capacity imposed by conflict, providing dependable service to at least a portion of the population may be more valuable than stretching capacity to the point of failure (WHO, 2004).

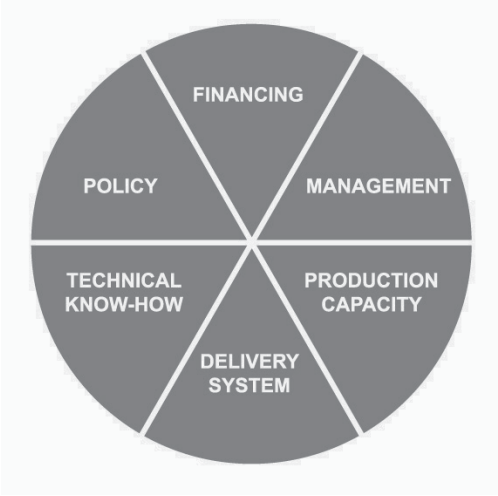
Challenges

Sound analysis for choice of sector and approach

Choosing where and how to assist service delivery poses challenges. For this, a specific *assessment of the context* is essential. This assessment should include a mapping of the current service situation in the sectors of concern. Within a given overall scenario, any given sector (*e.g.* healthcare) or subsector (*e.g.* malaria control) will face a number of constraints, in terms of willingness, capacity, cohesion and impacts from overall fragility (especially lack of security). Also, each sector will have a distinct relationship to the public sector. Understanding the particular causes of fragility will be important for diagnosing and addressing the impacts of fragility on the specific service sector or subsector.

This analysis will indicate which service delivery components are missing or compromised (Figure 3), what impact to anticipate and how international donor resources might be concentrated on points of vulnerability.

Figure 3. **Service sector components subject to fragility**



Further, an analysis of the *public goods characteristics* of the service and of proposed interventions can provide important guidance (Figure 2 and Table 1). This analysis should indicate the likely impact of fragility, the most appropriate interventions and the magnitude of time and effort needed for remediation. For example, household water supply in urban areas has some *private goods* characteristics. Thus, market-based delivery is often available from water vendors or contractors who dig private wells or provide hook-ups to municipal water systems. State fragility and even collapse would probably not eliminate the service entirely; it can probably be restarted without great delay. But certain features of water service do have substantial public goods characteristics and thus require state involvement: *equitable access* to household water supply, control of water quality and piped water networks. Disruptions in these areas due to state fragility are likely to have a longer-lasting impact, take more time and effort to resolve and implicate the external donor substantially in questions of policy and governance.

The various service modalities pose different balances or tradeoffs between rapid reestablishment of services on the one hand and strengthening of long-term governance on the other. The picture becomes more complex when service delivery is disaggregated into its two main components: allocation and production. A given service may be delivered with different modalities for these two components – for example, state or INGO allocation with contracting or coproduction. Also, each model makes different demands of the donor agencies.

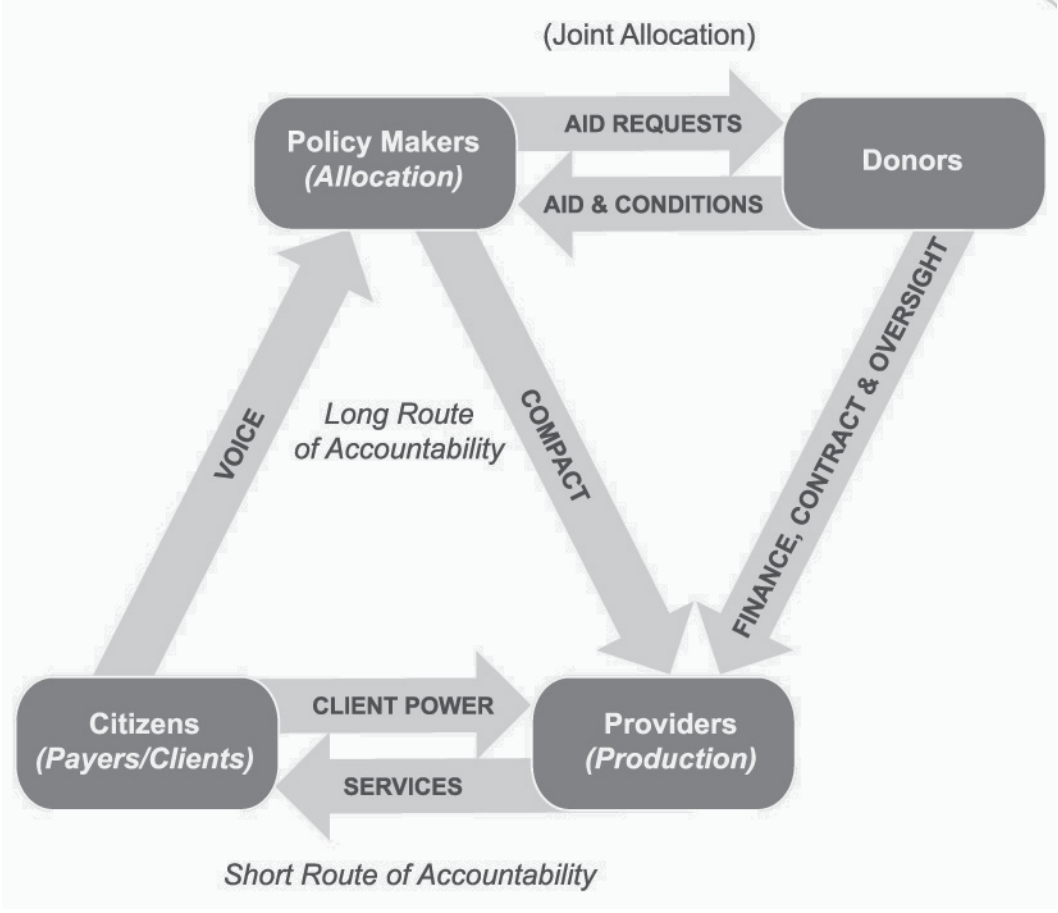
Building accountable governance

Accountability plays a central role in service delivery. Yet, external aid can have the effect of diluting the state's accountability for essential services and even weakening the governance framework over the long term. At the same time, a large influx of expatriate

personnel can reduce local capacity development opportunities. Misplaced paternalism on the part of the international community risks displacing the government's policy making responsibilities and stalling the evolution of governance institutions that are the core of sustainable development. Experience suggests ways that external aid can not only ensure service delivery but also strengthen accountability – especially the left side of the triangle linking citizens and policy makers.

The institutional framework is thus altered by the emergence of new accountability relationships centred on the donor agencies themselves, as shown in Figure 4. Donors deal directly with policy makers and service providers (producers), often assuming implicit authority over aspects of service allocation and compact. The role of clients in this framework is usually limited (although it continues to be important in market and community-based provision). The relative weight to assign to each of these roles is a question of strategic choice.

Figure 4. **Accountability triangle plus donors**



Source: Adapted from World Bank (2003a).

Service delivery interventions (like many other development efforts) have a political dimension that should be carefully considered in donor agency programming. The long route of accountability may weaken or even collapse in a fragile state, thus reinforcing donors' tendencies to short-cut state-building processes. Nevertheless, donors should continually seek opportunities to promote accountability relationships wherever and whenever possible, embedding service delivery governance in broader systems of accountability. Interventions must be designed not only to deliver services but also to strengthen the relationship between citizens and policy makers – the "left side" of the accountability triangle. This approach to programming can help to reverse fragility over the long term, as stabilisation and broader governance reform take hold.

The political relationships in fragile states make it unlikely that front line providers will find themselves under effective pressure from policy makers to improve services. Donors therefore need to find ways in which their support for alternate forms of provision can also improve community voice (*e.g.* supporting Parent-Teacher Associations [PTAs], health councils, water user groups and community security councils). Programmes can engage parents, teachers and communities in common agendas. In many fragile states, the historical pattern has been to discourage community participation. Thus, for donors, there is a chance to reverse these norms, giving communities a chance to see that they can contribute to improved services (Box 6).

Box 6. **Services and accountability through community engagement**

Each service sector presents opportunities to enhance citizen engagement and accountability. In education, donors can work to determine sources of social conflict, such as attitudes towards minority groups and then mitigate them through interventions (*e.g.* school curriculum design) that contribute to greater tolerance and cohesion. In the water sector, services have basic investment costs that may be borne by local communities working together to manage the common property water resource and to strengthen incentives for shared action or co-production of water services. There are also valuable opportunities for youth employment in infrastructure programmes. Community engagement can take the form of user committees to manage small-scale water and sanitation programmes. Similar community-grounded work has occurred in the development of community health councils – often in difficult contexts – which has created greater political engagement for previously marginalized groups.

Source: Spencer (2006); Wang *et al*. (2006).

Expanding access while confronting limits

No state has a perfect record of providing services to all. In fragile settings, differences in quality and access are especially glaring and may prove disruptive. The donor community must recognise the disparity in performance across different institutional settings, social groups, strata and geographic regions. Access depends on such factors as security, capacity and the success of local elites in capturing the gains. It is usually the poor rather than middle-income or affluent groups who are cut off from services, whether by failures of the public sector or those of the market. Analysing and understanding the access problem are essential for designing interventions to improve service delivery to poor people while advancing longer-term institutional goals.

Universal and equitable access to services may not, however, be realistic near-term goals in fragile states. Although access to healthcare, water, education and other basic services are all Millennium Development Goals (MDGs) and internationally recognised as a human right, there are nevertheless difficult decisions to confront in the short term. In many circumstances, differential access may be a necessary evil: for example, geographic factors – impacting not only physical access but also security and capacity – may make disparities unavoidable for the foreseeable future. Another factor – harder to accept – is the political need for leaders to strengthen support among key groups in ways that may disadvantage and even exclude, other sectors of society. This raises a strategic concern: should such pragmatic considerations, including political calculations, take precedence over the implementation of human rights to equitable access – and if so, under what conditions would this be acceptable?

Regional differences in general present difficult tradeoffs, especially in situations of violent conflict. Increased donor and government attention to particular regions can exacerbate conflict over resources and national identity and yet directing resources to certain areas rather than others can yield strategic benefits. Donors and government officials need to give greater attention to the specific needs of urban programmes – for example, employing youth in infrastructure, water and sanitation programmes. In countries affected by violent conflict, peri-urban areas may bear the brunt of migration by internally displaced persons. Finally, in situations where there are geographic "islands of stability", should donors give priority to these locations, where services can safely be provided? Humanitarian imperatives may conflict with the need to ensure safety for service delivery providers on the front line.

The *exclusion of certain social groups* from access to services presents a different challenge. The basis of exclusion might be age cohorts (either youth or aged), ethnic/religious groups, or political factions. It is important for donors working with "traditional structures" to realise that these may be captured by elite groups and exclude other groups. The *World Development Report 2007* on youth notes the central importance of engaging (or reengaging) with young people in fragile states and investing in "second chance" opportunities.

Service delivery can play an important role in improving *women's wellbeing and economic opportunities*. Women should not be viewed merely as victims. Women and women's organisations, can do much to reduce fragility and strengthen social cohesion by maintaining services, supporting social cohesion and negotiating safe space between communities in conflict. Women can perform effectively as service providers, even when they have been excluded from education and community decision making in the past (d'Harcourt, 2006). Donors, governments and non-state providers should ensure that such work is not undone at the local level by initiatives that return males to prior hierarchical roles. Women's organisations and initiatives can be encouraged and strengthened with funding, training and – notably – inclusion in the decision-making mechanisms that shape fundamental questions of security and services. At the same time, such gender issues as early marriage, domestic violence, obstacles to educational opportunities and discriminatory family laws need to be addressed to enhance women's contribution.

Fragility and (especially) recovery from crisis present opportunities to revisit issues of social exclusion and inequity. For example, gender mainstreaming can be integrated into donor interventions: it can serve as a criterion for selecting service delivery options, to be backed up by resources and monitoring systems. In many situations, however, compromises may be unavoidable, given the need to link up with traditional authorities and to make services culturally appropriate. This is, again, an issue of strategic choice. Explicit

mainstreaming requirements may be workable in some contexts; in others, indirectly bolstering the position of the socially excluded, in the course of re-establishing services and helping improve governance, may produce better results. Regardless of the form and sequence in which it is done, addressing gender and social exclusion is imperative for sustainable transition out of fragility.

Dilemmas

Whatever the model chosen by the aid donor agency, service delivery programming requires choosing from among objectives and priorities. The discussion in this section emphasises the need to strike a balance among competing objectives and suggests ways of doing so. The fundamental question is how to achieve near-term humanitarian goals while also advancing long-term sustainability – that is, helping to deliver essential services in a way that builds accountability and keeps government in a role of having ultimate responsibility. The answer depends not only on effective design (for example, the use of decentralised or community based approaches), but on tradeoffs as well. Optimal policy choices may have to yield priority, in some circumstances, to the need for government to take responsibility and develop its capacity to handle service delivery over the long run.

Whether and how to deal with the state

A challenge in each sector is to achieve a balance between state and non-state service providers. The long-term goal of achieving sustainable capacity and accountability, countrywide, means working with the national government. The key responsibility at this level is to set policies and to ensure their implementation in the design, allocation and monitoring of services. Even where services must be contracted out to non-state providers, there needs to be a "…strategic space for state actors to sit, in policy making, regulating and monitoring services" (Carlson *et al.,* 2005). Capacity evolves through responsibility. Donors should seek some form of state involvement in service delivery – even in deteriorating situations and complex emergencies, where state involvement may be purely political or symbolic.

Partnership with the state is not so much an either/or question as a matter of degree. Where elements of government are amenable, the donors can set out step-by-step measures for developing state capacity. If specific ministries can be engaged, donors should work with them to increase their policy, regulation and information roles along with accountability mechanisms. When government is a partner in stabilising contexts, donors can work to develop the capacity of government agencies in areas such as finance, regulation, supply management, development of infrastructure and facilities, information, policy making and the setting of standards.

But state bureaucracy and the political economy of service delivery are going to create obstacles for any assistance approach in this field. Thus, direct engagement with government may not be advisable at first. In such a case, donors should endeavour to align with government by sharing a common policy framework and preparing for hand-back of service functions (Berry, Forder, Sultan and Moreno-Torres, 2004; Vaux and Visman, 2005). Donors can seize opportunities to engage in dialogue and joint planning with government and negotiate governance commitments as part of an assistance package. They can exert pressure to improve accountability to service users, make access more equitable and strengthen quality and administrative governance.

There are several risks in and drawbacks to a government-aligned strategy. In supporting government provision, donors risk enriching corrupt networks that feed on service sector resources. In developing state capacity for service delivery, donors may in fact help to legitimise an unwilling regime. Political regimes survive in part through their ability to take credit for things beyond their control, whether a stock market boom or an improvement in service delivery that is entirely due to INGO efforts (and may have had to overcome government resistance). Success depends on the ordinary citizen's lack of information and while the better-educated constituents in the capital cities are less likely to be taken in, they may not be decisive politically. Government alignment may also put service providers at risk in violent contexts (Box 7).

What if there is nothing for donors to align to? While this is always a possibility, it is unlikely in most circumstances. Even in Afghanistan under the Taliban, research showed evidence of resilient public administration and finance systems at local levels, despite national political collapse (OECD/DAC, 2006). In very weak contexts, donors should consider working with national systems but impose special accountability safeguards on funding (*i.e.* "ring fencing"). Donor experience in difficult post-conflict settings shows a sometimes surprising degree of success. If there is truly no acceptable government partner, then parallel initiatives independent of the state can be used.

Box 7. **Risks of siding with government**

Government's failure to provide adequate healthcare and other services to much of the population was a factor contributing to the civil conflict in Nepal. A DFID programme targeted the immediate lack of public services, while helping the government reduce its legitimacy gap. This reflected DFID's decision that it should "take sides" with the government against the Maoists, but it created the risk not only of alienating populations who were more sympathetic to the Maoists, but also of making aid personnel (and service providers) targets of the militants. The latter risk was somewhat mitigated by the Maoists' apparent acceptance of government intervention in the health sector (as compared to other sectors). However, the programme's effort to reap "quick gains" through rapid distribution of basic supplies meant that non-target groups could capture benefits. In short, DFID in this case chose to make state legitimacy a higher priority than the programme's developmental sustainability.

Source: Berry and Igboemeka (2005).

Parallel (nongovernment) approaches evade the problems of state partnership and alignment, but at a cost. NGOs can play a constructive role in building accountability and helping poor and excluded populations (*e.g.* women) represent their interests. Non-state approaches are flexible. They can be tailored to cultivate political constituencies, align with supportive officials and build in hand-back options to afford some capacity-development impact. In situations of high willingness and very low capacity, contracting out services to the private or NGO sector is an appropriate option, especially if government is able to play a role in allocation decisions and if local personnel are integrated into production. In dealing with a predatory (unwilling) government, the options are fewer. Indeed, in the near term, parallel approaches that avoid government may be the only ones available. Over the long term, NGO predominance in service provision is a less-than-optimal solution, as it takes government out of the accountability channel and deprives the public sector of opportunities for capacity growth. A transition path toward hand-back of functions to the state is needed.

Decentralising: when, how much, to whom

Efforts at the level of national government need to be balanced with programmes linked to local authorities and communities. Especially in settings of low capacity or low willingness at the central government level (typical of stabilising and declining contexts, respectively), decentralised approaches are an option. Studies of aid to fragile states, especially turnaround cases (*e.g.* Manor, 2006; Rosser, 2006), suggest the importance of linking up with resilient local communities and local service delivery arrangements. The fiscal federalism literature shows the governance and efficiency benefits of devolving service delivery responsibilities to lower levels of government, especially in the absence of significant country-level spillovers. This is particularly true in fragile states, where the effective scope of central initiatives are highly constrained and local provision assumes more importance. The region or locality may command enough resources to provide many public services. An analysis of case studies in fragile states by Manor (2006) found unexpected resilience at the local level, in the form of continued capacity and potential for improved governance. Furthermore, regional and local governments are often more responsive to their electorates and more easily monitored, than national governments (Azfar, Gurgur and Meagher, 2004).

In Nigeria, for example, the willingness of states (provinces) to support education varied depending on the quality of the state-level commissioner. Local governments and traditional leaders showed greater willingness and small-scale programmes run by community service organisations were the most successful. Analysis suggests that requiring counterpart resources and achieving critical mass were important in mobilising local efforts. The national (federal) government of Nigeria proved to be mainly a bureaucratic checkpoint rather than a source of support and coordination (Carlson *et al.,* 2005).

Local government financing for services may be available in some fragile states, but this is likely only in special circumstances. The political, administrative and fiscal systems must be sufficiently devolved for sub-national governments to take independent initiative with their own resources. Alternatively, there may be enough of a power vacuum for regions and localities to act independently even if they have no basis in public law for doing so. In most low-income countries, regions and localities have very limited ability to act on the basis of their own fiscal receipts. Revenues are often collected by or turned over to the centre, with residual local receipts amounting to very little. Only major commercial centres have any real fiscal independence. As with any devolution, there is also the distinct possibility that key elites will be favoured or the resources stolen or diverted – indeed, capture by local elites appears to be at least as great a risk as capture by narrow interests at the centre.[3] Often, any improvement in service delivery must be financed externally or on a market basis.

Community-based approaches show great potential, especially those that can bring together local government and civic organisations. These initiatives strengthen the connection along the base of the accountability triangle (between the citizens and service providers), with accompanying gains in social capital. Such donor-supported initiatives include community-driven development and community-driven reconstruction, as well as programmes to strengthen such local organisations as parent-teacher associations, health action councils and water user groups (Cliffe and Guggenheim, 2003; International Rescue Committee, 2002; de Silva, 2000; Spencer, 2006; Mercy Corps Central Asia, 2003). While these initiatives involve non-state production, they have a different dynamic from arrangements with large service providers. Social funds, for example, give communities and user groups a voice in project planning, budgeting and supervision, while boosting capacity for self-governance at the base. However such approaches depend on social capital (Box 8).

Box 8. **Community-based approaches and social capital**

In the water sector, community-based models seem especially appropriate for a fragile environment: they depend not on government but on community capacity development to maintain local water infrastructure. According to Isham and Kahkonen (2002), projects such as the Orangi Pilot Project in Karachi facilitated community participation and proved effective in meeting service objectives. A key contributor to success was the high level of social capital that already existed within the community. In some cases, ethnic cohesion within the community and the involvement of migrants from the community may help in terms of both speed and monitoring.

Societies with low social capital (*i.e.* a lack of community associations and strong social networks) and those suffering from polarisation may not benefit as much from an exclusively community-based approach to water service. For example, in Sierra Leone – a setting where rural communities lacked cohesion in the wake of conflict – *ad hoc* groups appointed by relief agencies often become dominated by leading lineages, thus intensifying social divisions (which were a primary cause of the war) and delaying much-needed reform of local-level institutions (Slaymaker, Christiansen and Hemming, 2005). Similarly, in Haiti, UNICEF undertook a Water and Environmental Sanitation programme, working with community management committees. Some 150 committees were set up to respond to community needs in a situation of weak central authority. However, UNICEF found that about half of them fell into old patterns of authoritarian control by elites and it did not have sufficient resources to counteract this through training, management coordination, etc.

Source: Alley, Richardson and Berard (1996).

Having the right intermediary between the community and local government is often key to development impact – but may be hard to find in a conflict setting. Sometimes local traditional authorities play this role. But such entities, while they may be appropriate for certain functions (*e.g.* conflict resolution), may not be effective in providing basic services. Some programmes (for example, in Afghanistan) have therefore been designed to avoid traditional local authorities. Community-based approaches are subject to other dangers as well: creating artificial communities of beneficiaries in response to aid projects; elite capture (domination of decision making); and capture of benefits through theft or corruption (Slaymaker, Christiansen and Hemming, 2005). The choice of non-state partners requires careful consideration, especially in the more challenging settings (Box 9).

Box 9. **Non-state providers in violent contexts**

In countries such as Mozambique, Sri Lanka and Sudan, opposition movements have provided services and developed extensive outreach to underserved populations in a quest for legitimacy. In some cases, such groups are eventually brought into the national government after resolution of the conflict. Donors face difficult choices in deciding how to deal with these movements in the context of violent conflict. The difficulty is magnified in dealing with groups that have been designated as terrorist organisations and that also have a strong political base. This was brought into sharp focus recently when international agencies and bilateral donors had to decide whether or not to engage with Hezbollah and Hamas. Effective service delivery by other state-sanctioned providers could possibly undermine the appeal of such groups.

The ideal sustainable outcome would be to absorb service delivery programmes into the government structure. Elected local councils are often eager to take on responsibility for successful programmes that will bring political benefits. The programmes also benefit, gaining enhanced public legitimacy, institutional sustainability and support from the government. And as local councils become more involved in development, they may attract better candidates and enhance governmental legitimacy in general. Participation and responsibility afford all involved the opportunity for learning about planning, accountability and development (Manor, 2006; Meagher, 2004).

Programmes that generate demand for services and that work with communities can strengthen incentives for local officials to respond to community needs. Civic organisations can play a role in policy formation, monitoring service delivery and engagement with public officials. Over time, such efforts help improve governance at higher levels (regional and national). This reduces the large gap in responsiveness and accountability between citizens and policy makers and so has positive effects on fragility. Mechanisms such as participatory monitoring of expenditures, scorecards, independent media and public expenditure tracking surveys (Paul and Sekhar, 2000; Reinikka and Svensson, 2000; de Silva, 2000) may contribute to better services.

In the near term, local and community-based approaches may be the only feasible options for participatory development in very difficult environments. Over the longer term, multilayered strategies should be used to create a mixture of state and non-state provision. Emphasis should be on involving the state where possible and enabling it to develop its capacity rather than undermining it. For this purpose, donors need to be adept at mapping and revising their information on the mix of international NGOs, local community providers, community-driven development efforts, user groups and the various religious or ethnically based traditional organisations (OECD/DAC, 2006b).

Donors should also look for ways to improve the *market* for essential services, including enhanced communication and broadening access. For example, a large and increasing amount of healthcare in developing countries is delivered through unorganised (informal) markets (Standing and Bloom, 2002). But where costs are significant (*i.e.* for the poor), many illnesses are self-treated. The poor bear a greater burden of sickness. They manage costs by adjusting the threshold of sickness at which they seek professional treatment – and self-treatment often leads to buying incorrect or inadequate doses of drugs. Informal markets thrive where governance is failing. Thus, strategies are needed to improve user information, encourage consumer action and enhance efficiency. These tasks are challenging in the absence of a capable state, but civic action can provide a rough approximation.

Efficiency and sustainability tradeoffs

Donors in fragile states face competing imperatives, forcing them to make tradeoffs. Often, the most efficient methods of service delivery will yield little benefit in terms of broader political economy objectives. There are no single, consistent, "right" answers.

The *humanitarian imperative* requires delivery of essential – even lifesaving – services. Traditionally, the standard response to humanitarian problems has been to fund international NGOs that have the resources, capacity and staffing to quickly scale up services. But there is increasing awareness that this is not always the best answer. Freestanding INGO programmes running parallel to government systems – necessary as they may be in many emergencies – will in the long run have a number of developmental drawbacks. The prototype is a vertical relief programme, where accountability for funds and results runs to the INGO (and

ultimately to the donor) rather than to governments or communities. These agencies often use a large number of expatriate personnel, reducing the local capacity development impact. Also, many NGOs receive their financing through core grants that are not tied to any specific projects or benchmarks. Thus, the focus on urgent intervention ignores capacity development and makes it difficult to reengage in a more developmental way later on.

The near-term *political imperative* of rebuilding services may, similarly, divert attention from the long-term investment in technical capacity and governance. This is more than a short-term versus long-term issue: it relates also to the tension between technical programming objectives and institution-building (including state-building) objectives. The *technical imperative* means providing the most effective services and producing the greatest results – preferably, results that can be measured. The most efficient technical methods may entail bypassing inefficient government or civic institutions. Similarly, pressures on donors for financial accountability (the *fiscal imperative*) may discourage partnering in alignment with government programmes, sacrificing opportunities to build greater capacity and coordination. These seemingly near-term questions also entail important longer-term structural decisions, creating path dependence for services and service systems.

Attention needs to be given early on to the cost structure of services: there are regular criticisms of "gold plated" services, funded for the short term, that cannot be maintained on the basis of domestic resources and longer-term aid flows. Along with ensuring financial sustainability, donors can contribute to building service systems by establishing transparent systems for tracking their own commitments over a multiyear time frame. In rebuilding state capacity, attention should be given to mobilising various types of local resources and tax revenues for service delivery. Especially in post-conflict contexts, programmes should aim to "build back better" by supporting the renegotiation of service delivery roles. State systems weakened by crisis or collapse could thus be reconstituted in ways that enhance democracy and administrative accountability (Box 10).

Box 10. **Building back better**

Aiding the reconstruction of services after conflict involves a tradeoff between *restoration* of prior systems (which may enhance near-term legitimacy) and *systemic transformation* (which may be needed for sustainability). In many post-conflict situations, there is a window of opportunity to introduce radical reforms – or even to leapfrog ahead to a new threshold of quality – but it is open only briefly and failure to seize it can have a lasting negative impact. For example, in its Health Sector Rehabilitation and Development projects in Timor-Leste, the World Bank adopted a flexible and responsive model that enabled it to incorporate planning processes and institutional development into the rehabilitation work. This made it possible to implement systemic changes and to avoid simply rebuilding and entrenching previous systems. By contrast, Uganda focused on the restoration of pre-conflict services, but failed to place sufficient priority on long-term sustainability of public health services such as immunisation. When the donors withdrew their financial support for recurrent costs, the public's use of these services dropped – and the resulting health benefits were lost.

Source: Rosser (2006); Vaux and Visman (2005).

For all countries, donors should undertake a contextual analysis that moves beyond typologies to identify patterns, recognises the political dimension and seeks areas of adaptation. For *transition phases*, donors can set out goals with built- in mechanisms for adjusting programmes/projects to reflect progress made in governance and capacity development as well as service delivery. Contracts can be designed to provide flexibility and be linked to monitoring and evaluation results.

A fundamental transition – and a key objective in stabilising contexts – is the movement from alignment to establishing primary government responsibility for services. The latter does not mean that the government delivers all or most of the services, but the government does have final responsibility for regulation, monitoring and enforcement in the service sectors. In short, programming in fragile states requires built-in transition planning, with sequencing that leads to the hand-back of functions. This, however, is more easily and frequently said than done (Box 11).

Box 11. **Planning for hand-back in Sudan**

The Child-Friendly Community Initiative (CFCI) is an integrated UNICEF-sponsored programme in Sudan, aimed at improving primary healthcare, primary education and drinkable water services. It has the additional aim of empowering communities by helping set up local committees and linking them to state planning structures and developing capacity for programme management in government and communities. CFCI has partnerships with key central ministries. However, its main partners are local governments and communities and it builds on demonstrated willingness and capacity that often exist at this level but not at the centre. Given the weak partners at the centre, the programme faces the challenges of deepening alignment with government, scaling up and handing responsibility back to the public administration.

Source: Moreno-Torres (2005).

Notes

1. Among recent initiatives is the Partnership for Democratic Governance (PDG). Launched in October 2007, the PDG is a multilateral group of likeminded countries whose goal is to assist states in fragile situations, post conflict countries and emerging democracies in developing their governance capacity and in improving service delivery to their citizens in line with OECD standards and principles for aid effectiveness and capacity development.

2. Another model, proposed by the World Bank's LICUS Group (World Bank Group, 2002), is the independent service authority, a quasi-autonomous agency with temporary responsibility to deliver basic services. It is strictly accountable to the donor agencies, but operates under the policy guidance of a key ministry to which it eventually hands over its functions. Elements of this approach have been used in such places as Uganda and Timor-Leste, but no fully fledged agency of this kind has yet been established.

3. The decentralisation literature suggests that competing political interests at the national level often have greater success in blocking capture by narrow interests than their local/regional counterparts. See Bardhan and Mookherjee, 1998.

Chapter 4

Policy Implications

State fragility impairs the delivery of essential services to the people who need them and poses difficulties for donor countries attempting to remedy this problem. The earlier parts of this paper have explored the issues, challenges and dilemmas involved. The present section offers a view of the way forward, focusing on the key policy lessons from the preceding discussion.

Tailoring interventions to context

As suggested at the outset, this discussion builds on the OECD Principles for Good International Engagement in Fragile States and Situations. These Principles need to be implemented in practice and merit careful attention in the field of service delivery. The first of the Principles is to *understand and be guided by the context*. This is essential to targeting interventions effectively. Fragile states do not fine-tune their institutions – they struggle to avoid (or overcome) collapse. The task of situating an aid programme in a turbulent social environment is at least as important as the technical aspect of producing primary education, sanitation and so forth. Contextual analysis requires improved methods to:

- Link the overall fragility scenario to features of each service sector and subsector.
- Develop countrywide, localised and sector-specific indicators of fragility and recovery.
- Develop better indicators to monitor programme results, both short term (i.e. output, delivery) and long term (i.e. systems, capacities).
- Develop effective analytical tools in the areas of sector mapping, patterns of fragility and monitoring of transitions (for example, into and out of fragility or violent conflict).

Further learning is needed to implement this principle. Discussion in this field depends to a large extent on general scenario descriptions and scattered lessons from idiosyncratic contexts. The evidence base is thin and lacks rigour: findings come more often from self-reported success stories and anecdotes than from professional evaluations. This is, however, beginning to change. Donor organisations need to develop and share a more complete record of documented experience in the field. Evidence-based findings will be important in determining what interventions can be effective in meeting specific challenges, such as delivering services while enhancing longer-term accountability, strengthening capacity for governance and service provision and building peace and social cohesion. Further, regular inter-donor meetings should take stock and refine approaches to the Principles for Good International Engagement and review experiences in addressing each of the Principles.

Programmatic strategies and sequences need to be carefully thought through and there needs to be greater flexibility in the use of resources and management of midcourse corrections. All fragile settings are not alike.

Post-conflict situations present unique opportunities: for turnaround, building back better service sectors and using service interventions to build peace, reconciliation and political legitimacy. Entry points for long-term reform must be rapidly identified and exploited. Evidence shows that these lessons have been learned; it remains for donor agencies to develop appropriate structures and guidelines and inter-donor cooperation mechanisms, to take better advantage of them.

A more thorough *risk/benefit analysis of intervention options in each sector* needs to be incorporated into policies and practices. Sectors have unique features, with implications for programming risks and opportunities. Justice/security and education appear to be the most transformative kinds of services in a fragile setting, but they are also the most prone to polarisation and manipulation. Healthcare and water/sanitation, the most politically neutral sectors, seem to offer the best opportunities for cooperation across communal lines, as well as for civic-governmental partnership. Risk/benefit analysis must also pay close attention to specific social factors. More focused and rigorous research into the potential for different interventions across sectors and contexts would reap real rewards.

Long-term focus on governance and state building

The choice of donor approaches must balance near-term and longer-term considerations. The near-term concern is to ensure essential services to those urgently in need. Even with regard to short-term results, fragile settings make it difficult for donors to recognise and respond to changed situations and assure equitable access. There are a number of ways to ensure that the service delivery mechanism is resilient (*i.e.* relatively impervious to the instability and other problems posed by fragility). The key long-term objective is to strengthen public institutions for sustained development. In order to balance these competing near-term and long-term priorities, *donor programming for service delivery, state capacity and governance needs to be integrated.* For example, an integrated approach to education would link schooling to security, public finance, health, sanitation and the economic basis of livelihoods.

It is critical for donors to realise that *decisions made today have long-term implications*, creating path dependencies that shape – and limit – future options. Will today's humanitarian aid *prevent* or *facilitate* a timely transition to sustainable, accountable service delivery systems? What long-term considerations should guide programming in the near term? In each case, the *options should be tested for their consistency with the overarching objective of state building.*

Donors need to take a long-term strategic view of assistance to fragile states and develop tools that will implement this vision. That will entail flexible programming designs; innovative coordination, including joint long-term financing mechanisms; and refined procedures for alignment and hand-back of functions to governments. Donors are active stakeholders in recipient countries' governance (as illustrated in Figure 4) and therefore need to be more accountable to citizens and agencies of partner countries. Better understanding of the sustainability of services, in terms of both governance and resource mobilisation, needs to be incorporated into donor practice. To further this agenda, *coordination and coherence must become central objectives of programming.* Whole-of-government approaches and increased dialogue between humanitarian and development actors is essential in this regard. There is also a continuing need to improve instruments for coordination across donor countries and international agencies, including SWAps and PRSPs.

Critical decision points in the design of interventions are whether the state can be a viable aid partner and what the appropriate level of engagement and alignment is with state systems. Equally important, aid *programmes should be structured from the start in such a way as to promote a timely transition to sustainable service delivery and accountable governance.* The politics of services are linked to the ability of clients to be heard and to "vote" – by exercising choices linked to the quality of service outcomes. Information flows and client perceptions must be kept carefully in mind and service programmes designed with built-in feedback mechanisms.

In settings where there is some willingness and some (even very modest) capacity at the central government level, the national government can be a partner. *Pro-poor policy making should be strengthened where this is feasible.* This means finding *entry points* to build "political will" and to leverage change, wherever prospects exist in ministries or local governments. An entry point might come from the goodwill of key officials, or perhaps from strong donor leverage in a given situation.

Since aid programming in fragile states is complex and multilayered, *engagement with the state is not a question of either/or but rather of degree.* Where the state is unwilling, the case can nevertheless be made that partnering with the public sector is likely to be worth the risk. An array of state-centred assistance models addresses the range of variation in government capacity and willingness – from unconditional budget support to ring fencing and various public-private hybrids. Even so, sometimes the state is simply not a viable partner and alternatives must be found. Assistance can be designed to limit state involvement to coordination or contract oversight functions – or to bypass the state altogether.

Central government needs to remain involved in local-level programming, as long as some capacity for policy coordination exists (*e.g.* in declining contexts). Experience shows that surprising gains can be made even in difficult post-conflict settings. Multilayered strategies can provide creative mixtures of state and non-state provision. In the near term, local and non-state approaches may be the only feasible options for participatory development in very difficult environments. But over the longer term they may, if continued, set a pattern of working around – and even de-legitimising – government and result in lost opportunities to promote learning and accountability.

Efforts at the level of national government need to be balanced with programmes linked to local and non-state actors. Even in exceptionally difficult and conflict-laden contexts, where work with higher levels of government may face intractable problems, there are opportunities at the local level for creative programming. Community-based approaches should be supported where appropriate, especially those that can bring together local government and civic organisations. Such donor-supported initiatives include community-driven development and programmes to strengthen local organisations, *e.g.* parent-teacher associations, health action councils and water user groups. Social funds can be used to give communities and user groups a voice in project planning, budgeting and supervision, while boosting capacity for self-governance at the base. These approaches may be constrained by low social capital – but where the potential exists, the projects can focus on realising that potential.

Service delivery interventions (like many other development efforts) have a political dimension that should be carefully considered in donor agency programming. Therefore *donors need to find ways in which their support for alternate forms of provision can also improve community monitoring and voice.* But working with alternative providers presents challenges that call for more focused attention. What monitoring and accountability systems are most appropriate? How can donors ensure that their work serves the objectives of

state building and reducing fragility? More specifically, what are the most effective methods for managing hand-back to the state and for absorbing community-driven programmes into local government?

The programming mix should include strengthening markets for services, with initiatives to promote efficiency and access. Such initiatives could involve microfinance, enterprise development, technical assistance to private service providers in such areas as quality control and regulatory reform in the service sectors. Programming should aim, wherever appropriate, to develop well-governed and competitive markets in essential services.

Managing transition and hand-back

Fragile states are in flux – more so than other countries. The international community constantly struggles to recognise and cope effectively with changed environments. *Donor agencies must recognise when a country changes status – and adjust their strategies accordingly.* This is especially challenging at the onset or termination of a violent conflict or other crisis. Key points of transition for donor programmes are the *humanitarian to development aid* transition and the movement *from non-state providers to primary government responsibility* for service delivery. Donors need to be adept at documenting and mapping existing providers and adapting their mix of support for international NGOs, local community providers, community driven development efforts, user groups and traditional organisations.

Experience recommends early intervention by the donors to strengthen service delivery in stabilising contexts – and this includes policymaking functions. Vaux and Visman (2005) suggest that early engagement is important in post-conflict settings, to allow for the capacity development that will be necessary for a successful transition. Examples of this come from Mozambique and Timor-Leste, where major policy changes were charted with the future governments before the fighting concluded, so that they could be rapidly implemented once peace was declared.[1]

The international community increasingly recognises the need to incorporate capacity development and sustainability into programming in fragile states. This includes humanitarian aid funnelled through INGOs. The trend is shifting towards donor and INGO engagement with government and local civil society, countering the traditional emphasis on near-term supply of relief and avoidance of government involvement (Berry, Forder, Sultan and Moreno-Torres, 2004; Laurence and Poole, 2005). This has led to hybrid approaches, where INGOs align with or hand off to governments – either central or local. In this context, *donors need to develop mechanisms for ensuring that the providers they support will implement programmes within the alignment framework.* And in general, donors should promote mechanisms of accountability for large NGOs, ensuring that both public sector contracts and privately funded operations make optimal use of local capacity, skills and resources.

Transition planning should be built into programmes and aid systems. In stabilising contexts, government ministries should be active participants in planning and programme development. Contracts for non-state providers should include transition planning and allow the alignment of state administrative practice, donor systems and humanitarian principles. Donors can promote investment in local community organisations, always with the recognition that there may also be issues of exclusion and capture at the local level. Donors can also work to identify potential linkages between humanitarian mechanisms and longer-term development, governance and state building goals.

In a *post-conflict* setting, sound strategy requires the recipient country and its partners to *maintain a consistent focus on the objective of turnaround.* This means not only sustained peace but also continuous, shared economic growth – which in turn requires establishing the conditions for market-oriented reform. Economic reform must be managed in such a way as to retain the support (or at least the neutrality) of elites, beginning with "zero generation" reforms, such as economic stabilisation and basic restructuring and moving on to more ambitious governance changes (Rosser, 2006). A key goal of support for the conflict-to-peace transition should be to speed up the move from external provision of services, in the early community-driven reconstruction phase, to resumption of public responsibility for services in the longer term (hand-back), though not necessarily state production. Improved service delivery, as discussed above, can influence state fragility – but sustained improvement will depend on a broader turnaround (Box 11 above).

The end of conflict offers unique opportunities for rebuilding and reform, in the service sectors as elsewhere. In this phase, focusing efforts on improving the social policy framework is critical – and this can be done even while frontline service delivery is in the hands of NGOs. Social policy reform can enhance the impact of aid and thereby reduce conflict risk. Unfortunately, this insight has not been incorporated into practice. When the focus on rebuilding diverts energy away from policy improvements, including budget allocations for key services, the opportunity for reform is lost. *Recovery from crisis also presents opportunities to revisit issues of social exclusion and inequity.* For example, gender mainstreaming can be made an integral part of donor interventions.

A decade-long perspective is needed for a post-conflict transition, to take into account the fragility of peace settlements and the need for social cohesion and government legitimacy in all phases of programming. Too short a time perspective has led to regular failures in the "transition phase", *i.e.* donor funding drops suddenly and the risk of renewed conflict increases (Laurence and Poole, 2005; U.N. Institute for Social Development, 1993). It is essential to recognise that "transition" is a stage in itself, with a time frame that can last several years in terms of adjusting governance and service arrangements. An example of the sequencing of service delivery assistance during such a period is given in Box 12.

Transition also requires the adjustment of parameters. *Sustaining the transition to peace requires a context specific balance of technical and political considerations.* In a post-conflict health programme, for example, technical analysis may give highest priority to vaccination programmes, whereas the need to meet local expectations in order to sustain the transition to peace may dictate a different priority, *e.g.* the establishment of clinics, as a visible signal that normalcy has returned.

Situations of deterioration pose special challenges. Governments in decline may become increasingly unreliable as they yield to polarisation, perhaps taking a side in a social conflict or engaging in repression. Here, the donor countries must make choices about reinforcing the sitting government, or conversely withdrawing support as a sanction and signal of distancing. This transition and the modes of adapting aid to it are less well documented than the post-conflict transition.

Examples of work in such deteriorating contexts come from the GTZ experiences with water in Eritrea and Yemen, USAID work in health in DRC and education in Guinea and the DFID assessment of HIV/AIDS programmes in Myanmar (BMZ/GTZ, 2007a, 2007b; Berry and Igboemeka, 2005; OECD/DAC, 2006; Waldman, 2006). Experience suggests that in a declining setting, donors could create an external group or "cabinet" for coordination on sector issues, without close engagement with government officials.

Box 12. **Post-conflict service sector rebuilding sequence: Healthcare in Timor-Leste**

International donors supported a phased transition strategy to rebuild healthcare services. The strategy consisted of the four phases described below. The process lasted about two years (early 2000 to end 2001). The case illustrates the sequencing of post-conflict service delivery activities.

Emergency reestablishment of services: NGOs reestablished essential services disrupted by the violence. An Interim Health Authority (IHA) was established, with a team of senior Timorese health professionals in Dili and one in each district, along with a small number of international experts. IHA staff made assessment visits to all districts in preparation of a first sectoral planning exercise.

Establishing the policy framework and planning: The health authority started work on the establishment of a policy framework, as well as on medium-term planning and national preventive programmes, including immunisation campaigns. Memoranda of understanding were signed with NGOs for each district, formalising district health plan service standards.

Hand-back and capacity development initiated: The Ministry of Health took over the financing of a majority of the NGOs in the districts. The first round of recruitment of health staff was completed and included many who had previously worked with NGOs. Several senior staff members in the department were also sent for public health management training.

Hand-back completed: At the request of the government, NGOs gradually withdrew from the districts and the Ministry of Health assumed management control of all health facilities. International doctors replaced departing NGO practitioners while Timorese doctors received training overseas. A few NGOs remained to provide specialised services on a countrywide basis.

Source: Brinkerhoff, 2007.

In *declining situations where the threat of violent conflict or other crisis looms*, donors are faced with critical decisions concerning their programme planning horizon. Should they continue to promote public governance reforms, or shift their emphasis to strengthening local communities and households? In the worst situations, all options for alignment with government may have to be abandoned and programmes must bypass state mechanisms (at least at the national level). These contexts may be addressed through multilateral agencies such as UNDP, IFRC and UNAIDS. Some examples of donor-supported interventions include rule of law support in Sudan (Maguire, 2006), HIV/AIDS programmes in Myanmar (Berry and Igboemeka, 2005) and basic services in Puntland (World Bank, 2003).

Examples of work in such deteriorating contexts come from the GTZ experiences with water in Eritrea and Yemen, USAID work in health in DRC and education in Guinea and the DFID assessment of HIV/AIDS programmes in Myanmar (BMZ/GTZ, 2007a, 2007b; Berry and Igboemeka, 2005; OECD/DAC, 2006; Waldman, 2006). Experience suggests that in a declining setting, donors could create an external group or "cabinet" for coordination on sector issues, without close engagement with government officials.

In *declining situations where the threat of violent conflict or other crisis looms*, donors are faced with critical decisions concerning their programme planning horizon. Should they continue to promote public governance reforms, or shift their emphasis to strengthening local communities and households? In the worst situations, all options for alignment with

government may have to be abandoned and programmes must bypass state mechanisms (at least at the national level). These contexts may be addressed through multilateral agencies such as UNDP, IFRC and UNAIDS. Some examples of donor-supported interventions include rule of law support in Sudan (Maguire, 2006), HIV/AIDS programmes in Myanmar (Berry and Igboemeka, 2005) and basic services in Puntland (World Bank, 2003).

Equally challenging *is a sudden downturn in a country that has been stabilising.* Donors experience pressure for aid reductions based on human rights and governance criteria, even as urgent human needs call for continued engagement. There may be scope for working through selected ministries that maintain some credibility with donors and communities. Such initiatives may have the unintended effect, however, of enhancing the legitimacy of a disfavoured government.

Fragile states present donors with dynamic, complex, even chaotic conditions. Thus, *the capacity to analyse changes and to respond to transitions is of paramount importance,* as the experiences discussed in this paper illustrate. As a more extensive body of learning develops, the guidelines and tools for service delivery assistance in fragile states will gain greater precision. This paper and the service delivery work stream as a whole are intended to contribute to this process of learning.

Note

1. This also occurred in Bosnia. World Bank officials consulted with Bosnian officials for months before the ceasefire was signed. The World Bank was thus ready to move once the fighting ended (Haughton, 2002).

Bibliography

Alley, K., J. Richardson and J. Berard (1996), "Haiti Country Program Evaluation 1992 mid1996: Program Choices in Political Crisis and Transition", UNICEF, December.

Aron, Janine (2002), "Building Institutions in Post-conflict African Economies", United Nations University, World Institute for Development Economics Research, Discussion Paper No. 2002/124, December.

Azfar, O., T. Gurgur and P. Meagher (2004), "Political Disciplines on Local Government: Evidence from the Philippines" in Mwangi S. Kimenyi and Patrick Meagher (eds.), *Devolution and Development: Governance Prospects in Decentralizing States*, Ashgate, Aldershot.

Bardhan, P. and D. Mookherjee (1998), "Expenditure Decentralization and the Delivery of Public Services in Developing Countries", IED Discussion Paper, Boston University.

Berry, C., *et al.* (2004), "Approaches to Improving the Delivery of Social Services in Difficult Environments", DFID PRDE Working Paper 3, October.

Berry, C. and A. Igboemeka (2005), "Service Delivery in Difficult Environments: Issues Arising from DFID Support to Health Sector Interventions in Burma, Afghanistan and Nepal", DFID, London.

BMZ (Federal Ministry for Economic Cooperation and Development, Germany) (2007), "Observations on Service Delivery in Fragile States and Situations: The German Perspective", Special 145.

BMZ/GTZ (2007a), "Eritrea Case Study", in *Observations on Service Delivery in Fragile States and Situations: The German Perspective*, BMZ, Special 145, p. 11.

BMZ/GTZ (2007b), "Yemen Case Study", in *Observations on Service Delivery in Fragile States and Situations: The German Perspective*, BMZ, Special 145, p. 31.

Bray, J. (2005), "International Companies and Post-Conflict Reconstruction: Cross-Sectoral Comparisons", World Bank, Social Development Papers, Conflict Prevention and Reconstruction Paper No. 22, February.

Brinkerhoff, D. (2007), "Capacity Development in Fragile States", Maastricht: ECDPM Working Paper 58D**.**

Brocklehurst, C. (ed.) (2002), "New Designs for Water and Sanitation Transactions: Making Private Sector Participation Work for the Poor", May, *http://www.wsp.org/filez/pubs/312200792648_NewDesigns4watsantransactions.pdf.*

Bruck, T., V. Fitzgerald and A. Grigsby (2000), "Enhancing the Private Sector Contribution to PostWar Recovery in Poor Countries (Part I – Comparative Analysis)", QEH Working Paper S45(1), Oxford University.

Carlson, C., *et al.* (2005), "Improving the Delivery of Health and Education Services in Difficult Environments: Lessons from Case Studies", DFID Health Systems Resource Centre, London, February.

Cliffe, S. and S. Guggenheim (2003), "Community Driven Reconstruction as an Instrument in War-toPeace Transitions", CPR Working Paper No. 7, Social Development Department, Environmentally and Socially Sustainable Development Network, World Bank.

Collier, P. (2007), *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It,* Oxford University Press, New York.

Collier, P. and A. Hoeffler (2004), "Greed and grievance in civil war", Oxford Economic Papers 56: 563595.

Commission on Weak States and US National Security (2004), "On the Brink: Weak States and US National Security", Center for Global Development.

Debiel, T. and U. Terlinden (2005),"Promoting Good Governance in Post-conflict Societies", Federal Ministry for Economic Cooperation and Development, Project on Democracy and the Rule of Law, State and Democracy Division, Discussion Paper.

Harcourt, E. d' (2006), "Health Service Delivery in Fragile States", International Rescue Committee, May.

Haughton, J. (2002), *The Reconstruction of War-Torn Economies and Peace-Building Operations*, Suffolk University and Beacon Hill Institute.

Hendricks, L. and P. Meagher (2007), "LWA Pilot on Women's Property and Inheritance in Mozambique: Report of Research and Fieldwork", Draft Report.

Hills, A. (1996), "Towards a Critique of Policing and National Development in Africa", *Journal of Modern African Studies*, Vol. 34, No. 2, pp. 271291.

International Rescue Committee (2002), "Leveraging Learning: Revitalizing Education in Post-Conflict Liberia, *http://www.ineesite.org/uploads/documents/store/econ/repec/mdl/ancoec/0220.pdf*

Isham, J. and S. Kahkonen (2002), "Institutional Determinants of the Impact of Community -Based Water Services: Evidence from Sri Lanka and India", Middlebury College Economics Discussion Paper,

http://www.middlebury.edu/services/econ/repec/mdl/ancoec/0220.pdf.

Joshi, A. and M. Moore (2002), "Organisations that Reach the Poor: Why Co-Production Matters", Institute of Development Studies, University of Sussex, October.

Keefer, P. and S. Khemani (2003), "Democracy Public Expenditures and the Poor", Development Research Group, World Bank, June.

Kimenyi, M. S. and P. Meagher (eds.) (2004), *Devolution and Development: Governance Prospects in Decentralizing States*, Ashgate, Aldershot.

Laurence, C. and L. Poole (2005), "Service Delivery in Difficult Environments: Transferable Approaches from the Humanitarian Community", Report to Merlin UK, April.

Leader, N. and P. Colenso (2005), "Aid Instruments in Fragile States", PRDE Working Paper 5, DFID, March.

Macrae, J. (1996), "Dilemmas of Legitimacy, Sustainability and Coherence: Rehabilitating

the Health Sector" in Krisha Kumar (ed.), *Rebuilding Societies After Civil War: Critical Areas for International Assistance*, Lynn Rienner Publishers, Boulder.

Maguire, S. (2006), "Report of the Independent Assessment of the Project: Strengthening the Rule of Law and Sustainable Protection", UK, February.

Malone, C. (2004), "Changing Metaphors: Communication for Peacebuilding", CARE Sri Lanka, January.

Manor, J. (ed.) (2006), Aid that Works: Successful Development in Fragile States, World Bank Publications.

Meagher, P. (2004), "Roads to Somewhere: Localizing Governance and Rural Infrastructure in Nepal", in M.S. Kimenyi and P. Meagher (eds.), *Devolution and Development: Governance Prospects in Decentralizing States*, Ashgate, Aldershot.

Meagher, P. (2005), "Service Delivery in Fragile States: Framing the Issues", Working Papers on Fragile States No. 5, USAID/PPC.

Mercy Corps Central Asia (2003), "Ferghana Valley Field Study: Reducing the Potential for Conflict Through Community Mobilization", May, *http://www.mercycorps.org/files/file1134154677.pdf*

Moreno-Torres, M. (2005), "Service Delivery in a Difficult Environment: The Child-Friendly Community Initiative in Sudan", DFID Policy Division, January.

OECD/DAC (2005), "Service Delivery Concept Note", Fragile States Group, OECD, Paris.

OECD/DAC (2006a), "The Challenge of Capacity Development: Working Towards Good Practice", OECD, Paris.

OECD/DAC (2006b), "Synthesis Paper on Good Practice: The Challenge for Donors", Fragile States Group, Work Stream on Service Delivery, draft paper, September, OECD, Paris.

OECD/DAC (2007a), "Enhancing the Delivery of Justice and Security in Fragile States", OECD, Paris.

OECD/DAC (2007b), "Whole of Government Approaches to Fragile States", OECD, Paris.

Olson, M. (1982), *The Rise and Decline of Nations*, Yale University Press, New Haven.

Pavignani, E. and A. Colombo (2001), "Providing Health Services in Countries Disrupted by Civil Wars: A Comparative Analysis of Mozambique and Angola, 1975-2000", World Health Organization, Department of Emergency and Humanitarian Action.

Paul, S. and S. Sekhar (2000), "Benchmarking Urban Services: The Second Report Card on Bangalore", Public Affairs Centre, Bangalore.

Picciotto, R. (1997), "Putting Institutional Economics to Work: From Participation to Governance", in C. Clague (ed.), Institutions and Economic Growth: Growth and Governance in Less-Developed and Post-Socialist Countries, Johns Hopkins University Press, Baltimore and London, pp. 343-367.

Pially, R. (2003), "Halting the Downward Spiral: Returning Countries with Special Development Needs to Sustainable Growth and Development", Report to UNDP, Institutional Development Group of Bureau for Development Policies.

Pritchett, L. and M. Woolcock (2002), "Solutions: When the Solution is the Problem:

Arraying the Disarray in Development", Center for Global Development, Working Paper No. 10, September.

Reinikka, R. and J. Svensson (2000), *Survey Techniques to Measure and Explain Corruption*, World Bank.

Rosser, A. (2006), "Introduction: Achieving Turnaround in Fragile States", *IDS Bulletin*, Vol. 37, No. 2, pp. 113, March.

Silva, S. de (2000), "Community-based Contracting: A Review of Stakeholder Experience", World Bank.

Slaymaker, T. and K. Christiansen with I. Hemming (2005), "Community-based Approaches and Service Delivery: Issues and Options in Difficult Environments and Partnerships", Overseas Development Institute, February.

Spencer, R. (2006), "International Medical Corps Experience in Service Delivery and Governance in Fragile States", World Bank/InterAction Workshop on International NGOs, Service Delivery and Governance in Fragile States, May.

Standing, H. and G. Bloom (2002), "Beyond Public and Private? Unorganised Markets in Health Care Delivery", Institute of Development Studies, University of Sussex, October 2002; presented at the workshop "Making Services Work for Poor People", World Development Report, 2003/2004, Oxford, November.

U.N. Institute for Social Development/Programme for Strategic and International Security Studies (1993), "War Torn Societies Project", Graduate Institute of International Studies, Geneva.

Vaux, T. and E. Visman (2005), "Service Delivery in Countries Emerging From Conflict", Centre for International Cooperation and Security, Department of Peace Studies, University of Bradford, Final Report for DFID, January.

Waldman, R. (2006), "Health Programming in Post-Conflict Fragile States", BASICS for USAID, Arlington, VA.

Wang, C. *et al.* (2006), "Providing Water and Sanitation Services in Fragile States", May.

World Bank (2003a), *World Development Report 2004: Making Services Work for Poor People*, World Bank, Washington, DC.

World Bank (2003b), "Somalia: Community Health Service Recovery", background paper for *World Development Report 2004*, CD-Rom, World Bank, Washington, DC.

World Bank (2007), World Development Report 2007: Development and the Next Generation, World Bank, Washington, DC.

World Bank Group (2002), "World Bank Group Work in Low-Income Countries under Stress: A Task Force Report", September.

World Health Organization (in coordination with the World Bank) (2004), "Achieving the Health Millennium Development Goals in Fragile States", High-level Forum on the Health MDGs, Abuja, December.

World Vision International (2005), "Grassroots Efforts to Prevent and Resolve Violence", http://meero.worldvision.org/docs/59.pdf

Zartman, I. W. (ed.) (1995), Collapsed States: the Disintegration and Restoration of Legitimate Authority, Lynne Rienner Publishers, Inc., Boulder.

Annex

Fragile State Scenarios

Category	Scenario	
Declining	*Arrested development*	Stagnation with low levels of effectiveness and legitimacy
	Deterioration	Declining levels of effectiveness leading to lower legitimacy, rising risk of violence or collapse
Stabilising	*Post-conflict transition*	Low levels of effectiveness, transitory legitimacy, recent violence, humanitarian crisis
	Early recovery	Rising levels of effectiveness and legitimacy, declining international resource requirements, emergence from conflict or other crisis

Declining

Situations of stagnation or worsening conditions, where the risk of collapse is increasing

Arrested development is one of two entry points into state fragility. Here, a state that may have been relatively capable has either stagnated for some time or has just experienced a major reversal, whether due to a shock or to rigid authoritarian rule. External shocks take various forms. The shock might be a major setback in the terms of trade, as where reliance on a limited range of commodity exports for economic growth and revenue exposes the state to severe risk. Such a commodity price shock may undermine the state's ability to perform core functions and thus challenge the legitimacy of the regime – whether or not it is formally democratic. A financial crisis may have a similar impact, especially if corporate and financial governance are weak and if there has been a build-up of risky (or even corrupt) undertakings in the banks. Another version of this scenario occurs when an authoritarian regime squelches economic and political initiatives that seem to threaten its control. In this setting, heavy-handedness, economic stagnation and international isolation may sap the regime's effectiveness in maintaining itself.

The loss of capacity/effectiveness is the precipitating cause of fragility, but impaired will or legitimacy is also a factor. What may have been an acceptable level of progress gives way to stagnation. Mismanagement by a flawed or autocratic government is increasingly understood as the cause of the current malaise. This may result in further popular discontent and the defection of key elites. The critical issue is whether regular, institutionalised processes can reverse the trend before a coup or revolt occurs. In the authoritarian

version of this scenario, political and social processes are not sufficiently free or developed to address the problem. Social capital is limited, diminishing the likelihood of either a peaceful alternation of power or adaptive non-state responses to the need for public goods.

Deterioration is the second entry point into state fragility. In this setting, low state capacity/effectiveness, whether chronic or due to a period of arrested development, combines with an erosion of legitimacy. Developmental indicators show a decline over time and the state cannot control all of its territory or guarantee even an imperfect rule of law in core areas. Continued deterioration breeds hardship among the majority of the population and the state's ineffectiveness leaves it unable to respond to voices of discontent – or for that matter, to effectively suppress them. The state is on a downward slope towards failure and an external shock or an illegitimate transfer of leadership could provoke a crisis. The misalignment between state policy and evident social needs, such as poverty reduction, shows the inadequacy of channels of political expression, mechanisms of accountability and administrative capabilities. At the same time, the society may have the capacity to respond on a limited scale to government failures through voluntary self-organisation.

Stabilising

Situations of emergence from crisis, where the risk of collapse is static or receding

Post-conflict transition describes the situation where a state has gained some control, but the situation remains unstable. This is a precarious situation, where combatants have stood down but may not yet have disarmed. The devastation – physical and emotional – is raw, but the situation is stable for now. An accord on a new governing framework is in place and perhaps an initial election may have taken place. But there is little in the way of effective government, beyond an international presence and the beginnings of a new regime. Will and legitimacy are not yet in evidence – although the population, exhausted by conflict, may be ready to place their hopes in the emerging new order. The recent experience of polarisation and violence makes extensive social cooperation problematic, although informal coordination within status groups may be effective. Thus the society's trajectory is essentially flat, with an equal chance of moving upwards to recovery or sliding back into failure.

Early recovery refers to a setting where failure has occurred (whether due to civil war, natural disaster or economic meltdown), but the situation has stabilised sufficiently for a government to be in place and have its basic state functions re-established. From a modest starting point the capability of the state is growing and the national leadership is demonstrating will and legitimacy in helping society remerge from crisis. This leadership may lead the way to full recovery – or it may have reached the limits of its capacity. The performance of government is extremely weak in terms of policy development and implementation. The society is still coping with trauma (and, if civil conflict was a precursor, mistrust). Depending on the nature of the recent breakdown, society may be either polarised (but exhausted) or united by a shared experience of suffering. The country is on an upward path from crisis, but still at risk of slipping backwards.

Part II

Concepts and Dilemmas of State Building in Fragile Situations

From Fragility to Resilience

Abstract: This paper aims to fill a significant gap and bring greater clarity to the policy discussion about state building. It offers important insights into the causes and features of fragility, and how states can reach stability and resilience over time. The report highlights that state building needs to be seen in the context of state formation and state-society relations. It provides practical recommendations for donors that wish to support national state-building processes.

Acknowledgements: This report was prepared by the DAC Fragile States Group Secretariat of the Policy Co-ordination Division, Development Co-operation Directorate. Any comments or queries should be addressed to <dac.contact@oecd.org>.

Table of Contents

Executive Summary 65
Core considerations 65
Implications for policy and programming 66
Implications for bilateral and multilateral organisation and financing 67
Conclusion 68

Chapter 1
Rationale, Background and Key Concepts 69

International engagement in fragile states 70
Key terms and concepts 70
What state building is not 71
Putting state building in the context of state formation 72

Chapter 2
The State, Stability and Fragility 75

Defining fragility 76
Causal factors in state fragility or resilience 77
A dynamic concept of fragility 78
Summing up 80
Pathways to stability and resilience 80
Stability through political process reform 80
Democratisation and hybrid regimes 81
Stability through growth 82
Beyond stability – other OECD goals 82
Summing up 83

Chapter 3
Implications for Response: Policy 85

The need for political analysis: Assessing the state of the state 85
Priorities, trade-offs and sequencing 85
Influencing legitimacy 86
Regional organisations 87
Response to different facets of fragility 88
Dealing with political division 89
State building in post-war states 90
State building in authoritarian states 92

Chapter 4

Implications for Response: Programming. 95

Implications for political processes 95
Implications for governance programming 97
Accountability 99
Decentralisation and centre-periphery relations 99
The rule of law 100
Administrative capacity 101
Implications for programming in key sectors 102
Security 102
Service provision 102
Economic growth 103
Corruption and organised crime 104
Taxation 106

Chapter 5

Organisational & Financial Implications: Recommendations for Bilaterals and Multilaterals . . 109

Implications for bilaterals: Financing and mode of delivery 109
Risks associated with whole-of-government approaches 109
Engagement with non-OECD actors 110
Aid mechanics: Financing, co-ordination and mode of delivery 111
Implications for multilateral institutions 113

Conclusion. 117

Bibliography 119

Further Reading. 127

Annex A

A Brief History of State Formation 131

Origins of the contemporary state 131
The contemporary state 134

Annex B

Programming in Key Sectors: Security, Service Delivery, Economic Growth 139

Providing security 139
State capacity and services: Providing welfare services 142
Creating the conditions for growth 144

Boxes

Box 1. Key terms and their usage 71
Box 2. Are all poor states fragile or does poverty cause fragility? 76

Executive Summary

Policy makers are increasingly concerned by what appears to be a growing body of "weak", "fragile", or "failing" states. This is understandable, as few issues are so central to contemporary international politics – to questions of development, management of the global commons, and human and collective security – as the issue of well-organised co-operation between effective states. States retain central responsibility for assuring the safety and security of their citizens, protecting property rights and providing public goods to enable a functioning market. Many states do more, taking on critical welfare functions for their populations.

It is also true that states can be a source of oppression and *in*security, both domestically and internationally. To many communities, the history of state formation and the process of state building is one of violent suppression of ethnic or religious identity, forced compliance with national laws and norms set by distant and unrepresentative élites, and enforced taxation with few services delivered in return. Many such communities have limited and cautious expectations of the state.

International actors have not yet adequately incorporated into policies or practice a sufficiently nuanced understanding of the dynamics of fragility and its variations, or developed appropriately contextualised strategies for state building in relation to it. This report seeks to help clarify the discussion of fragility and to examine implications for state building, including as a framework for international engagement.

Core considerations

The OECD Principles for Good International Engagement in Fragile States and Situations (OECD/DAC, 2007a) assert that state building is the central objective of international engagement in fragile states and set the ambitious goal of assisting in the building of "effective, legitimate and resilient states". The Principles also assert that state-building efforts should be "concerted, sustained and focused on building the relationship between state and society". This requires a nuanced understanding of the causes of fragility and its various manifestations, as well as an appreciation of how this understanding should shape both the policy and practice of state building.

The central contention of this paper is that fragility arises primarily from weaknesses in the dynamic political process through which citizens' expectations of the state and state expectations of citizens are reconciled and brought into equilibrium with the state's capacity to deliver services. Reaching equilibrium in this negotiation over the social contract is the critical if not sole determinant of resilience, and disequilibrium the determinant of fragility.

Disequilibrium can arise as a result of extremes of incapacity, élite behaviour, or crises of legitimacy. It can arise through shocks or chronic erosion and can be driven alternately

by internal and external factors. Resilient states are able to manage these pressures through a political process that is responsive. States that lack effective political mechanisms may be unable to manage the consequences – social disruption, unrest and violence – that can arise when the state does not meet social expectations.

Implications for policy and programming

Successful state building will almost always be the product of domestic action, though it can be significantly enabled by well-targeted, responsive international assistance. Deeper, context-specific analysis of the historical and contemporary dynamics of social contract negotiations must be the basis for state-building efforts. This paper elaborates a series of policy implications related to interventions around various facets of fragility, including weak capacity, illegitimacy and political division, as well as specific challenges of post-conflict settings and authoritarian states.

In short, the overarching priority of state building must be a form of political governance and the articulation of a set of political processes or accountability mechanisms through which the state and society reconcile their expectations of one another. A focus on governance structures that address inequities and inequalities and promote accountability is likely to promote stability over time. This includes informal as well as formal institutions.

The core functions and services of the state – including security – need to be viewed through the lens of a dynamic model of fragility, which places capacity and service delivery alongside societal expectations of the state and the process for reconciling them. The question of whether security will be provided in a way that meets the needs of citizens, or will function primarily as an instrument of oppression, will not be dictated by capacity, but shaped – indeed, often usefully constrained – by the basic political process of state-society contract formation and reformation.

More broadly, a focus on state building, if understood as support for the state-society contract and its gradual institutionalisation, is equally, if not more, important than poverty reduction as a framework for engagement. This is particularly true in divided or post-war states, where poverty reduction remains a goal but is perhaps not the most appropriate overall framework for engagement. Rather, overall state-building strategy processes should frame, and not replace, post-conflict needs assessment (PCNA) and poverty reduction strategy paper (PRSP) mechanisms. If properly developed, the new integrated peacebuilding strategy process at the United Nations, supported by the World Bank, might serve as a more appropriate locus of strategy and co-ordination, by framing and supporting the PRSP's focus on poverty reduction.

Generally, the degree of resilience of the social contract should shape state-building strategy. Where the state leadership has a credible strategy for fostering the social contract, a state-building approach would strongly emphasise forging a joint, multi-donor strategy with the government and then providing direct support to the state budget. Likewise, where an assessment suggests that a source of disequilibrium lies in the state's inability to extend the rule of law, supporting the long-term development of legitimate security and justice structures should be a core goal. Where a basic social contract is not in place, or is weak or highly exclusionary, our analysis suggests the need for a two-part basic strategy. This consists of political collaboration with the government in order to generate the necessary political reforms and support to service-delivery functions of the state, if viable, or alternative delivery mechanisms to meet human needs where not.

Post-war states present both a major challenge and a major opportunity. Three dimensions of policy should be the focus of post-war engagement: political processes that legitimate the state; the development of the framework of the rule of law, including with respect to economic governance; and the re-establishment of a framework of security, including but not limited to reconstitution of the state security apparatus.

A critical question for international policy is how to develop institutional or political arrangements before, rather than after, the outbreak of violent conflict or crisis. The challenge of state building in the context of authoritarian political systems is thus acute. At the very least, our analysis suggests that policy on authoritarian states should seek to identify some opportunities for engagement with state institutions where that engagement may have only minimal impact on state legitimacy – for example, in health provision. This may extend regime survival – but only at the margins, and it may have a positive impact in terms of reducing the likelihood of state collapse in situations of rapid political transition. More broadly, in such contexts, diplomatic/political mechanisms, not development assistance, should be the primary mode of bilateral and multilateral engagement.

The paper also briefly sets out the implications of this state-building lens for a range of current aid practices, including programming relating to decentralisation, accountability, the rule of law, taxation and the establishment of frameworks for economic development.

Implications for bilateral and multilateral organisation and financing

The report identifies a number of implications concerning organisational and financing issues and makes recommendations to bilateral and multilateral institutions. The first recommendation is for sustained policy engagement with the major emerging economies and regional actors, which are becoming increasingly relevant in many situations of fragility. Without this engagement, OECD policy will become less relevant in several fragile state contexts.

Second, the perennial issue of donor co-ordination remains salient. The launch of a "One UN" process in several countries is a starting point, but must be matched by greater coherence among the donors. The co-ordination challenge would be substantially eased if donors did more to pool their funds – perhaps through the "One UN" process.

Donors need to address weaknesses in the financing for rule of law and justice sector support to fragile states – both at the multilateral and bilateral levels. Related to this is the acute problem of a lack of multi-year funding. Donor governments should also engage with their legislative oversight bodies to make the case for a greater emphasis on accountability between the partner government and their societies, rather than on state-donor accountability.

Multilateral institutions have substantial comparative advantages in dealing with fragile states, but need to be better equipped to support state-building functions. Given the increasing importance of peace operations in the provision of support to post-conflict states in the rule of law, the UN Department of Peacekeeping Operations and the UN Special Committee on Peacekeeping should engage in a major reform effort to improve the speed of recruitment, training and retention of civilian personnel for peace operations. The World Bank has already agreed to increase its personnel in the field in fragile and conflict-affected states; staffing for those new positions should take appropriate account of the political sensitivity of fragile state contexts and the need for negotiating skills. We also believe that it is important to strengthen the UN Development Programme's role in political governance, the rule of law and security sector reform as core areas of development engagement in fragile states.

Conclusion

State building in fragile states is a critically important and highly challenging endeavour. The complexity and context specificity of the state-formation process, as well as limits of external influence, means that sustained, serious efforts as well as research and policy innovation are needed urgently. Successes will contribute to human security, development and international stability – benefits requiring substantial national and international engagement.

Chapter 1

Rationale, Background and Key Concepts

Few issues are as central to contemporary international politics as that of co-operation between effective and legitimate states. Independent, sovereign states are the bedrock of the international system, with critical roles in development, management of shared and scarce global resources, and human and collective security. At a minimum, states have legal and normative responsibilities for assuring the security of their citizens,[1] protecting property rights and providing public goods to enable the functioning of the market. Many states do far more than this, providing social services, particularly education, health and sanitation.

States also can be a source of insecurity. It is states, by and large, that make war, and in the six decades since the founding of the United Nations, states have been responsible for more violent deaths than insurgents, separatists and terrorists combined. For many communities, the history of state formation and the process of state building are marked by violent suppression of ethnic or religious identity, forced compliance with national laws and norms set by distant and unrepresentative élites, and enforced taxation with a minimum of services delivered in return.

Although states have often been a source of insecurity, their weakness, collapse or absence can give way to violent disorder and collapse of basic services, causing direct and indirect harm to livelihoods.

States, then, are part of the foundation of international and national life, but also intrinsically problematic.

Recent years have seen increasing concern among policy makers about weak, fragile, or failing states. This concern has been driven by three primary factors: first, a post-Washington consensus recognition that the state has an important role in development; second, new attention to human security coupled with changing norms concerning the domestic responsibilities of states to protect their populations; and third, a post-9/11 concern about weak states as vectors of transmission for terrorism, organised crime and other threats. These factors have been underpinned by globalisation – of people, goods, capital and norms – which is subjecting all states to some form of increased pressure to perform both domestically (due to rising expectations) and internationally (due to market demands and requirements to comply with a range of new normative standards).

This report accepts the premise that developmental, human security and international order goals require healthy states able both to fulfil key international responsibilities and to provide core domestic goods, including security. The report has three main goals. First, it aims to bring greater clarity to the policy discussion about fragile states. A second objective is to affirm that this discussion needs to pay greater attention to the process of state formation, to state-society relations and to the substance and process of social contract negotiations, which are a critical determinant of resilience, a notion developed in subsequent

sections. The third goal is to examine the implications of such a focus for international state-building efforts, especially as these relate to democratic governance, support to key state functions, and strategies for international engagement in fragile states generally.

We argue that the processes of state formation are largely domestically driven and international state-building assistance has a limited role to play. However, acquiring a better understanding of the complexities of state formation – particularly the factors and processes that produce a social contract between state and society – is critical for all forms of international assistance if they aspire to reinforce rather than undermine healthy states and to secure equitable outcomes.

International engagement in fragile states

There is actually a spectrum of fragility; it is found in all but the most developed and institutionalised states. While state fragility may be manifest in various forms and degrees, discussed further below, the chief concern animating renewed focus on fragility is the risk of conflict or humanitarian disaster. We presume the opposite of fragility not to be stability, though this has often been the goal of external actors, but rather resilience – or the ability to cope with changes in capacity, effectiveness, or legitimacy. Resilience, we argue, therefore derives from a combination of capacity and resources, effective institutions and legitimacy, all of which are underpinned by political processes that mediate state-society relations and expectations.

External actors have responded to fragile states in various ways. International development actors, including the OECD/DAC, have engaged in ongoing efforts to understand state fragility and adapt traditional development instruments accordingly. Much of this work has centred on the subset of fragile states emerging from conflict or seen to be at risk of conflict, a focus that has occasionally led to a combination of state building and peacebuilding. International political and security actors have focused more on the consequences of fragility and especially on armed conflict, but with varying degrees of appreciation of whether and how fragility and conflict are related.

These two arenas of engagement converge in the context of post-conflict peace operations, which have increasingly taken on objectives related to state building and incorporated development activities, although often undertaken under different conceptual rubrics.[2] Some bilateral actors have also approached fragile states through the prism of counterterrorism and anti-crime efforts. These differing responses reflect not only different interests but also varying – and sometimes confused – understandings of state fragility, its causes and effects, and how these can vary over time and geography.

Key terms and concepts

The OECD Principles for Good International Engagement in Fragile States and Situations argue that state building should be the central objective of international assistance, and that it should support the building of effective, legitimate and resilient states. The Principles mark an important conceptual and policy shift, both from the legacy of earlier development strategies that tended to minimise the role of the state, and from the singular focus on state fragility in the context of post-conflict peacebuilding. They also require the donor community to consider explicitly questions of strategic coherence with international engagements that are more conventionally political.

State building as a concept is not new to development, but its prominence in discussions about development assistance is more recent and notable. The currency of state building also coincides with the increase in form and scale of international interventions in conflict-affected societies; these have led to a proliferation of sometimes confusing concepts and terms, against which it is important to clarify the boundaries of state building.

What state building is not

First, state building is not peacebuilding, which itself has been defined in multiple ways. We use the Call/Cousens definition of peacebuilding as "actions undertaken by international or national actors to institutionalize peace, understood as the absence of armed conflict and a modicum of participatory politics" (Call and Cousens, 2007). According to this definition, peacebuilding is primarily associated with post-conflict environments, and state building is likely to be a central element of it in order to institutionalise peace.

Second, state building is not nation-building, a term often used broadly. Conventionally, nation-building refers to deliberate strategies – usually by domestic élites – to forge a common national identity (against plural identities) around the idea of the nation, whether defined in an ethnic, cultural, historical or political sense. Historically, nation-building has usually been undertaken in the service of a parallel state-building project. Recently, and largely as a result of engagements in Iraq and Afghanistan, "nation-building" has also been associated with the idea of international assistance provided in a militarised environment (Dobbins, 2007).

Box 1. **Key terms and their usage**

- **Peacebuilding**: Actions undertaken by international or national actors to institutionalise peace, understood as the absence of armed conflict and at least a modicum of political process. Post-conflict peacebuilding is the subset of such actions undertaken after the termination of armed hostilities.
- **Peace implementation**: Actions undertaken by international or national actors to implement specific peace agreements, usually in the short term. Where operable, such actions usually define – and either enable or constrain – the framework for peacebuilding.
- **Nation-building**: Actions undertaken, usually by national actors, to forge a sense of common nationhood, usually in order to overcome ethnic, sectarian or communal differences; usually to counter alternate sources of identity and loyalty; and usually to mobilise a population behind a parallel state-building project. May or may not contribute to peacebuilding. Confusingly equated with post-conflict stabilisation and peacebuilding in some recent scholarship and US political discourse.
- **Stabilisation**: Actions undertaken by international actors to reach a termination of hostilities and consolidate peace, understood as the absence of armed conflict. The term dominant in US policy, usually associated with military instruments, usually seen as having a shorter time period than peacebuilding, and associated with a post-9/11 counterterrorism agenda.
- **Reconstruction**: Actions undertaken by international or national actors to support the economic and, to some extent, social dimensions of post-conflict recovery. Also a familiar term in the World Bank and US policy circles (*e.g.* Office of Stabilization and Reconstruction) and reflects roots in the experience of post-war assistance in Europe after World War II.

Source: Call and Cousens (2007).

Putting state building in the context of state formation

This report proposes that state building needs to be seen in the broader context of state formation, which we understand to be the dynamic, historically informed, often contingent process by which states emerge in relation to societies. State formation is a process, not a deliberate strategy of action. It can be violent or peaceful, though there are few historical episodes of state formation without some form of violence at some stage. It is not historically determined, despite frequent myths to the contrary. It is also ongoing in all states – stable and fragile alike. No state-society relationship is ever permanently fixed, though the relationship can be extremely stable and resistant to change, depending on the degree to which state-society relations are institutionalised and reinforced by culture and history.

We propose to define state building as purposeful action to develop the capacity, institutions and legitimacy of the state in relation to an effective political process for negotiating the mutual demands between state and societal groups. Legitimacy will be a principal outcome of the effectiveness of such a process over time, although legitimacy may also be embedded in historical identities and institutions – a point to which we return below. Together, capacity and resources, institutions, legitimacy and an effective political process combine to produce resilience. Successful state building will almost always be the product of domestic action, but it can be significantly enabled by well-targeted and responsive international assistance.

We place particular emphasis on state-society negotiation and the fact that state-building strategies need to appreciate that states are comprised of more than formal institutions. To understand any contemporary state requires understanding the historical movements and moments that have shaped it, recognising that the nature of the state is dynamic, and appreciating that the bargains and relationships that affect comparative weakness, fragility or failure are continually shifting and renewing.

This contrasts with definitions of state building that focus more narrowly on institutions, *e.g.* state building as actions "… to establish, reform, or strengthen the institutions of the state" (Call and Cousens, 2007); "… the creation of new government institutions and the strengthening of existing ones" (Fukuyama, 2004); or "… the process of establishing the key institutions for a functioning state" (Fritz and Menocal, 2007b). We propose that these activities are described more precisely as capacity development or institution-building.

Our broader understanding is closer to the OECD's approach to state building that emphasises, beyond effectiveness, questions of legitimacy and resilience.

Notes

1. We frequently use the term citizen, though we use it loosely as we recognise that in many contexts the idea of the citizen is contested and how communities relate to the state may be understood very differently than classical notions of citizenship. See Call and Cousens, 2007.

2. For discussions on state building and peacekeeping, see for example Center on International Co-operation, 2006; Center on International Co-operation, 2007; Chandran, 2007.

Chapter 2

The State, Stability and Fragility

A brief history of the turbulent, contested and frequently violent process of contemporary state formation is attached as Annex A. This begins with the origins of the state in Western Europe's pre-Westphalian wars and traces its often bloody export during the colonial era; its internationalisation and institutionalisation in the period after World War II; and its adaptation to the Cold War – including the rise of the developmental state and the related increase in expectations of the state. Annex A also examines the choices made by leaders to adapt to the end of the Cold War, either by adopting a range of processes of political opening and inclusion, or by mounting new campaigns of exclusion and oppression, resulting in a new generation of wars. Finally, Annex A reviews in the post-9/11 era an increase in expectations of the state as a result of new norms, treaties and Security Council resolutions – in particular pertaining to security, both internal and external.

The contextual histories of the state-formation process must inform state-building policy in specific contexts, a point we elaborate below. But there are some general patterns from the contemporary state-formation process that inform our understanding of the causes of state fragility – and the response to it.

First, the history of state formation is neither distant nor abstract. Indeed, the state-formation process is ongoing. Moreover, for the majority of contemporary states, the longer history of state formation is recent and still resonant, for better or for worse. In many contexts, post-colonial or independence struggles were within the lifetimes of contemporary leaders.

Most importantly, this history shapes societal expectations of the state. In many societies, the colonial state shattered pre-existing relationships between citizen and authority, and the post-colonial process was often extremely violent and characterised by state capture by certain élites. To many communities, the process of state building was one of violent suppression of ethnic or religious identity, forced compliance with national laws and norms set by distant and unrepresentative élites and enforced taxation with few services delivered in return. Consequently, the state is still a suspect and distrusted entity in many societies.

This means that within a given society, there will likely be sharply different experiences and expectations of the state. Some social groups will not expect the state to deliver either security or other services, and indeed will not trust the state to do so. This last point, in particular, highlights the centrality of the ongoing process of harmonising social expectations with state function and capacity.

We therefore insist on an approach to fragility that emphasises the importance of processes for articulating and mediating state-society expectations, which we abbreviate as social contract negotiations. The strength and inclusiveness of that process are the primary mediating variables that shape the manner in which states respond to their peoples' needs,

often through the provision of basic services, and that shape the ability of states to manage potential shocks or stresses, whether acute or chronic, in a stable and nonviolent way.

Defining fragility

The term *fragility* has been widely criticised as both historically and analytically imprecise – a criticism that applies even more to its less nuanced correlate *failed state.* A common political criticism is that the term reflects unrealistic and largely northern expectations that young and mostly southern states can avoid the violence and repression that characterised state formation over centuries in the European and American contexts.[1] This concern is compounded by anxiety in the wake of the wars in Afghanistan and Iraq that the label fragile or failed state may be a precursor to external intervention.[2]

An analytical criticism meriting greater attention is that the term is used for too wide a set of countries, glossing important variations in state and regime type (Stewart and Brown, 2007). Certainly, any category that can encompass North Korea and Malawi, or Syria and Côte d'Ivoire, is vulnerable to criticism that it paints with a broad brush. It is important to recognise that fragility exists on a spectrum and takes different forms that may require varying policy responses.

By the OECD/DAC's own definition, "States are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations" (OECD/DAC, 2007a). In practical and political terms, international actors have tended to focus either on capacity or will, perhaps reflecting the instruments available to them. Relatively few incorporate questions of legitimacy in any operational sense. Each of these, however – capacity, will, legitimacy – is critical to a more accurate and dynamic understanding of fragility and its causes.

Box 2. **Are all poor states fragile or does poverty cause fragility?**

The question of poverty (and/or lack of resources) deserves mention, as it is often treated alternatively as a feature, cause or consequence of fragility. One could argue that poverty is an indicator for fragility since a non-fragile state should be able to ensure creation and distribution of sufficient wealth. One could also argue that pressures of poverty and lack of resources cause or increase the risk of fragility. Because impoverishment is also a common consequence of fragility, it is tempting to treat poverty as a proxy of fragility.

While poverty can stand in all these relationships to fragility for different states at different times, our review suggests that it is generally more salient as both cause and consequence, albeit only one of several, than as a defining trait of fragile states.

We propose modifying the OECD/DAC definition of a fragile state, simply as one unable to meet its population's expectations or manage changes in expectations and capacity through the political process. Whether and to what degree these expectations entail poverty reduction, development, security or human rights will depend on historical, cultural and other factors that shape state-society relations in specific contexts. Questions of legitimacy, in embedded or historical forms, will influence these expectations, while performance against expectations and the quality of participation/the political process will also produce (or reduce) legitimacy.

Fragility thus arises from substantial disequilibrium in state-society relations. It has multiple underlying causes, both chronic and acute, and it can produce multiple consequences, most worryingly vulnerability to internal conflict, inability to cope with humanitarian disaster and high risk of state collapse. There are extreme events or shocks that might produce fragility in even apparently resilient states; our greater concern is with chronic fragility, which renders states less resilient to shocks.

Causal factors in state fragility or resilience

The reality that multiple, interacting factors can undermine the social contract means that there is no simple test to determine which states will experience fragility and which will be resilient. However, certain factors are critical and play out in the form of the negotiation of the state-society contract.

The social contract, we argue, emerges from the interaction between a) *expectations* that a given society has of a given state; b) *state capacity* to provide services, including security, and to secure revenue from its population and territory to provide these services (in part a function of *economic resources;* and c) *élite will* to direct state resources and capacity to fulfil social expectations.

It is crucially mediated by d) the existence of *political processes* through which the bargain between state and society is struck, reinforced and institutionalised.

Finally, e) *legitimacy* plays a complex additional role in shaping expectations and facilitating political process. Legitimacy is also produced and replenished – or, conversely, eroded – by the interaction among the other four factors. Legitimacy has various domestic forms and sources, which are not always mutually reinforcing: embedded or residual legitimacy, deriving from prior state formation or other historical dynamics; performance legitimacy, which derives from effective and equitable service delivery; and process legitimacy. Legitimacy can also derive from international recognition and reinforcement, although this especially can be at odds with domestic sources of legitimacy.

Taken together, the interaction among these factors forms a dynamic agreement between state and society on their mutual roles and responsibilities – a social contract.

In stable, contemporary states, citizens need and expect certain goods from the state, including security, enabling conditions for the pursuit of economic livelihoods and public services such as education and healthcare. In return, they have obligations to the state to pay taxes and to accept the state's monopoly on coercive force and other curtailments of their freedom. Within any given society, and across societies, there are different and often opposing ideas of the relative value and preferred form of such needs as security, economic wellbeing, political participation and social relationships. There are also different ideas as to whether these needs should be met by the state, the community, or individuals. Reaching agreement – not only between the state and society but also among societal groups – on their mutual obligations is thus a dynamic process of negotiation. In stable states, although some groups may be unsatisfied with specific outcomes, this exchange is generally perceived as legitimate.

Iteration of the negotiation process progressively reinforces and institutionalises the social contract. Equilibrium of this social contract, especially when progressively institutionalised, constitutes the fundamental source of state resilience.

The process of establishing and maintaining a mutually agreed social contract – of reaching a state of dynamic equilibrium between the expectations of society and state

capacity to meet these expectations – is intrinsic to the process of state formation. It is also a core ingredient of legitimacy. If the social contract functions and is seen as legitimate, it enhances the ability of the state to manage change.

Resilience, to reiterate, is a feature of states and more precisely social contracts. It is defined here as the ability to cope with changes in capacity, effectiveness or legitimacy. These changes can be driven by shocks – sudden changes – or through long-term erosions (or increases) in capacity, effectiveness or legitimacy.

Resilience derives from a combination of capacity and resources, effective institutions and legitimacy, all of which are underpinned by political processes that mediate state-society relations and expectations.

It is resilience in the social contract that creates stability in a state. This does not mean that the government is necessarily stable – a point to which we will return. Governments may rise and fall, but if they do so without creating the risks of violent conflict, humanitarian crisis or ungoverned spaces, that concern international actors, then the state is stable.

A dynamic concept of fragility

Fragility, then, resides at the opposite pole of resilience, which implies the ability to cope with change while maintaining the bargain of the social contract. If the process of reconciling citizens' and states' expectations is the bedrock of resilience, then *fragility for the most part occurs in the absence or insufficiency of political processes for managing changes in the state-society contract*. A focus on the political processes through which state and citizen expectations are negotiated and reconciled provides an essential lens, both for defining the core features of fragility and for understanding the potential problems that may arise from international support for the state-building process.

Of course, life is not so easy as to allow for a simple, one-part model of fragility. A more dynamic model incorporates the relationship between the political process described above and the attributes of the given state in question, including its organisational capacity, resources, the will of its élites, its intrinsic or historical legitimacy and its resource base.

Fragility, first of all, can arise at the *extremes* of any one of these features. A state with substantial capabilities and resources that has extremely weak internal legitimacy can come under intense political pressures that interfere with the stability of state and citizens' expectations and can pose a political (and often violent) challenge. Iran under the Shah was a telling example of this phenomenon. Where the legitimacy challenge is not so great and capabilities and resources are high, the state can use these capabilities and resources to suppress or manage political pressures.

More commonly, a state – even one with a well-developed political process for matching services to expectations and for generating compliance with state obligations – can be fragile if its organisational capabilities are extremely low, or its resource base extremely thin. Mozambique - which has been well governed since the end of its civil war, but which is still heavily dependent on external aid and international support to service delivery - is perhaps an example.

Changes in expectations can also generate fragility. If people expect a different relationship with the state from the one the state delivers, then there is an immediate political problem that needs resolution through the political process. The levels and nature of expectation are shaped by history and experience, and this can be a negative or positive

dynamic. Recurrent experience of a rapacious and non-service-oriented state is likely to reinforce conceptions of the state as a distant, negative entity associated with coercion and taxation – but may also dampen political opposition to the state.

An OECD example illustrates this argument, although at a very different point along the spectrum of capacity. Consider the widely different levels of social service provided by France and the United States. Were the French state suddenly to opt out of providing universal healthcare, cut wage levels and rescind education subsidies – or even reduce them to American levels – one would expect social upheaval. But this hardly means that the lower level of service provision by the American state is a source of political instability. Not only do church and community groups fill some of the space that would in France be occupied by the state, but there is also in the United States a strong libertarian tradition that actively opposes the extension of the state into the community or the family. Each society, notwithstanding different interests within it, has comparatively different expectations of its state, reinforced by historical experience; its resilience in a social contract derives from a broad equilibrium between expectations and delivery. Such differences are also to be found in less developed economies.

But in many contexts, fragility appears to arise from the *interaction* between these features and specifically from the paucity of the political systems through which stable states reconcile state and citizens' expectations, adapt service delivery to changing needs and manage shocks. It is in the political process that resilience lies, variously bolstered by deep reservoirs of legitimacy, extensive capabilities or expansive resources.

The most severe form of fragility – which sometimes leads to actual collapse of state institutions – appears to develop when all of these features are in play. This can happen where the legitimacy of the state is challenged, where the states' capabilities and resources are low and where there are only rudimentary or fractured political processes for handling the resultant tensions. Haiti seems to be a paradigmatic example.

Models of fragility must allow for the substantial variation in the forms that fragility can take. Call (2008) is useful here in identifying five types of state fragility that have different vulnerabilities to violent conflict or humanitarian crisis: *weak states,* which exhibit low levels of administrative control either across an entire territory or in portions of it; *divided states,* which manifest substantial divisions between national, ethnic or religious groups; *post-war states*, which have experienced violent conflict; *semi-authoritarian states*, which impose order through coercion absent in political legitimacy; and *collapsed states,* whose core national institutions do not function at all.[3] One could add to this mix fully authoritarian states, which, despite a track record of sometimes long periods of stability, are vulnerable to violent transitions.

While Call treats these as categories of states, we believe these distinctions more accurately identify dimensions or facets of fragility. Importantly, states can exhibit several such facets simultaneously. Myanmar comes to mind, for it exhibits weakness in the sense that state institutions have limited geographical scope; division, in that ethnic or other sub-national groups reject the legitimacy of the state; and semi-authoritarian practices that undermine the state-society contract. Moreover, each of these features presents a spectrum: states are not either divided or not, or weak or not, or authoritarian or not, but have degrees of division, weakness and authoritarianism. Even the category post-conflict is problematic, given the question of war recurrence – although we certainly accept that states immediately after conflict exhibit a specific and particular form of fragility.

Summing up

In short, multiple factors are in play, but at the core is the central dynamic between societal expectations of the state and vice versa, which determines where a state lies on the spectrum between fragility and resilience. The ability to manage state-society expectations and to keep expectations and capacity in equilibrium is a critical determinant of a state's resilience to shocks or stress. This process draws on historical sources of legitimacy but also produces its own: every time tension in the state-society relationship is managed successfully, legitimacy is reinforced, perception of the state's capacity to manage change is enhanced and the resilience of the state increases.

It is also more accurate to describe states as experiencing fragility, rather than as being fragile. All states are susceptible to situations of fragility; the concern of the international community arises when the social contract is insufficiently resilient – when political processes cannot manage change – and the risk of conflict and/or humanitarian disaster is high.

Pathways to stability and resilience

If fragility is found primarily in weak political processes through which the state-society contract is managed, how can states reach stability and resilience?

Stability through political process reform

Perhaps the best empirical study on political instability – its risks, its opportunities – is the work undertaken by Goldstone *et al.* for the Political Instability Task Force (PITF). On the basis of a comparative study, Goldstone finds that the two most influential variables for stability are the character of political competition and the extent of checks on executive authority. Regarding the former, he argues that factionalised, restricted, or repressed political competition is closely linked to instability. In such situations, political parties fail to bridge or mediate conflicts between different social groups; instead they reinforce and amplify social differences. Factionalised systems are also often polarised due to an uncompromising winner-take-all competition over central authority.

Similarly, Papagianni (2008) argues that political processes tend to reinforce the legitimacy of the state when they are inclusive of all major political forces and open to public participation. She argues that consultative mechanisms at the élite level provide arenas for mediated negotiation to find a compromise that protects various interests. As they engage, actors develop a stake in the system, which reinforces its legitimacy and gives them an interest in sustaining it. Evidence suggests that at significant stages of reform and renegotiation, such as in post-conflict situations, consultative and inclusive mechanisms that facilitate bargaining and negotiation among élites contribute to public acceptance of transitional political processes and their outcomes (Papagianni, 2008).

This is consistent with earlier literature on the role of élite pacts in transitions from authoritarian rule (see for example O'Donnell and Schmitter, 1986). Compromises that include group-based provisions and guarantees, however, can run the risk of generating contradictory outcomes. Many critics have argued that such arrangements reinforce group differences and have a polarising effect on politics. When élites have no incentive to look beyond their traditional constituency for support, they tend to focus on parochial interests rather than on developing policy agendas that address the public interest more broadly. This

is one of the most common critiques of the constitutional arrangements contained in the Dayton Accords for Bosnia-Herzegovina.

To avoid this dilemma, Horowitz (1985) recommends an integrative approach that forces élites to develop coalitions and compromises prior to electoral contestation, by creating electoral incentives for them to appeal across factional divides. In Nigeria, for example, political parties are required to include representatives of two-thirds of the country's states on their executive councils, and are restricted from using communal or regional references in their names, mottos and emblems. Similarly, a new electoral law in Indonesia requires political parties seeking to compete in parliamentary elections to establish offices in two-thirds of the country's provinces. Within those provinces, parties must also establish offices and recruit at least 1 000 members in two-thirds of the districts and municipalities.

Beyond participation, the other key feature of stable regimes, according to the PITF, is checks on executive authority. Executive authority is constrained through vertical and horizontal accountability, as discussed below.

Participatory processes, therefore, reinforce the resilience of the state by providing a non-violent means for mediating conflicting interests and by constraining the power of rulers or élites. When faced with external or internal shocks, democratic processes offer a mechanism for devising collectively agreed strategies to address those shocks and for ensuring that individual and group rights and interests are protected in the process.

Inclusion, participation and accountability make it more likely that citizens will trust the state in times of crisis rather than fearing it and seeking alternative means of authority, protection, or support. It is through inclusion and participation, in particular, that political processes secure the ability to identify and respond to changes in needs and expectations, delivering on the promise of responsiveness and creating resilience; such robustness is not static, however, and can erode if the state lacks the capacity to deliver a response to a shock or fails to meet citizens' expectations.

Democratisation and hybrid regimes

External and internal pressure for democratisation has produced hybrid regimes that, while possessing some democratic features, stop short of becoming fully democratic or liberal democracies. Regimes that hover in this grey zone have become increasingly prevalent in the past several decades and endure (Ottaway, 2003). This is not a monolithic group; many of these regimes display varying features of democracy and authoritarianism, which have resulted in more and less stable systems. Moreover, as both Carothers (2002) and Ottaway (2003) have argued, it would be a mistake to view all such countries as being "in transition to democracy". Many such regimes could be described as semi-authoritarian (Ottaway, 2003; Carothers, 2002) or partial democracies (Political Instability Task Force) and many have proved to be both stable and durable.

Nonetheless, as noted above, the PITF found that partial democracies are the most unstable regime type. This is consistent with Mansfield and Snyder's research, which finds that the chances of war increase substantially in democratising countries when state institutions –particularly those that regulate political participation – are weak. They argue that the early stages of democratisation entail intense competition among many social groups and interests. In the absence of strong institutions to manage mass participation and political competition, élites use nationalist rhetoric to garner popular support and to legitimise their control of the state apparatus. They may also foment external conflict in order to bolster

their position as the guardian of the state. Mansfield and Snyder argue that mass participation must, therefore, be anchored in strong democratic institutions. In their absence, mass participation should be delayed while the international community promotes "the rule of law, impartial courts and electoral commissions, the professionalization of independent journalists and the training of competent bureaucrats" (Mansfield and Snyder, 2002).

Stability through growth

Not surprisingly, the PITF found that poor economic performance undermines regimes of all types. This is consistent with the findings discussed above, whereby dissatisfaction with democracy was highly correlated with poor government performance. In normative terms, the destabilising effect of poor economic performance on autocracies might be considered a positive outcome since it may weaken their legitimacy and spark popular support for democratic transformation. The dilemma is that the legitimacy of new democracies is just as susceptible to erosion from poor economic performance. New democracies were found to be several times more likely to backslide to authoritarian rule if they experienced an annual decline in GDP per capita – as illustrated in recent reversals in Latin America.

The PITF also found that higher per capita income does not necessarily improve the prospects for democratic transitions. Conventional wisdom asserts that increases in income produce an educated and entrepreneurial middle class that will eventually demand control over its own fate. Sooner or later, even repressive regimes are forced to give in to these demands. However, the empirical evidence for this process is ambiguous. The oft-cited work by Przeworski *et al.* (2000) demonstrates that once democracy is installed, its sustainability is highly correlated with per capita income. In authoritarian regimes where democracy has not taken hold, however, wealth significantly decreases the chances of a democratic transition.

Bueno de Mesquita and Downs (2005) argue that the durability of the world's rapidly growing autocracies like China and Vietnam can be attributed to their astute manipulation and suppression of "co-ordination goods". Co-ordination goods are "… those public goods that critically affect the ability of political opponents to coordinate but have relatively little impact on economic growth". These include political rights, more general human rights, press freedom and access to higher education. They are distinct from public goods such as transportation, healthcare, primary education and national defence, which, when restricted, have a substantial impact on both public opinion and economic growth. Indeed, as both countries show, significant economic growth can be achieved and sustained even while the government restricts co-ordination goods (Bueno de Mesquita and Downs, 2005). Although data limitations prevent conclusions as to whether growth will generate momentum towards democracy in the long term, there is growing evidence that, in the short term, economic growth stabilises regimes.

Beyond stability – other OECD goals

Stability is not the only goal of OECD member engagement in fragile situations. According to the OECD Principles for Good International Engagement, the long-term vision for state building in fragile states is to help national reformers build states that are not only stable but also legitimate. And most OECD members have further commitments that guide their interventions – to human rights and to democratic norms. OECD states, in short, will not be neutral about the relative merits of the economic versus the political pathway to stability.

The findings from recent research, however, make clear that *external actors will face significant limitations on their ability to shape the pathways to stability and resilience*. Not only do pathways to resilience exist that do not require political governance reform, but there are significant actors beyond the OECD willing and able to finance such non-democratic transitions and market growth. Among other consequences, OECD states will need to engage more vigorously in policy dialogue with emerging powers and regional actors to forge common strategy where possible.

These and other implications of the analysis are explored in the next section.

Summing up

Fragility, we argue, is primarily a function of disequilibrium between state functions and capacity on the one hand and social expectations on the other. It arises either from the paucity of the political process for managing agreement on the social contract (issues of political governance) or from extremes of incapacity or illegitimacy.

The political process by which the social contract is forged and renewed therefore offers a core lens for state builders. A stable state must be able to effectively deliver services that match its citizens' expectations (and collect revenue to do so); equally important, however, it must be able to manage changes in those expectations and changes that arise either from an increase or decrease in resources – and do so while remaining a legitimate source of authority and coercion. When the state cannot meet these requirements, the social contract that forms its foundation is at risk and so too is the state. None of this is absolute – there are degrees of risk, degrees of legitimacy and degrees of effectiveness of process – and hence degrees of fragility. The resilience of the social contract is founded on the ability of a society to negotiate the changes that characterise the reality of continual conflict over limited resources.

Notes

1. This concern was repeatedly expressed to the authors during consultations with southern interlocutors – interestingly, as much by civil society actors as state actors.

2. While we have no intention of wading into the debate over whether Iraq currently constitutes a failed state, a collapsed state, a civil war, an insurgency, or a terrorism problem (or all of the above), we do note that some of the recent literature on Iraq – notably Bouillon *et al*. 2007 – argues that Iraq was a weaker state, prior to the war, than is generally assumed.

3. Call has a further category – *states at war* – but this seems to us less a category of fragility than acknowledgment that states at war have important constraints on their capacity.

Chapter 3

Implications for Response: Policy

The need for political analysis: Assessing the state of the state

If fragility is primarily found in the state-society contract, and if that state-society contract is historically formed, then the first implication is that *state-building policy in any given fragile state must be grounded first and foremost in a specific, historically informed assessment of the state of the state*. General typologies may be of value in helping to identify relevant pathways and lessons, but only at the broadest level.

This assessment should take note of *informal and non-state service provision* and security mechanisms, as well as those of the state, and pay due regard to informal and non-western forms of organisation, rule-making and conflict resolution, whether religious or communal.

Of course, if each actor in a given country conducts such an assessment, each will reach slightly different conclusions – which is unhelpful if each then develops a strategy with the government based on that assessment. *Integrated or joint assessment* would create more likelihood of shared strategy.

As important as locally and historically informed analysis – although more amorphous as a point of policy – is the need to recognise that state building is a process of negotiation among contending interests. This requires *ongoing political analysis* of the shifting dimensions of the state-formation process. The concept of state building as negotiation should inform bilateral and multilateral policy.

Priorities, trade-offs and sequencing

If the maintenance of security within the territory is the legal foundation, first responsibility and key feature of contemporary states, then should building the state's security capacity be priority number one? This paper argues it should not. Security, as a core function and service of the state, still needs to be viewed through the lens of the dynamic model of fragility, which places capacity and service delivery alongside social expectations and the process for reconciling them. The question of whether security will be provided in a way that meets the needs of citizens or will function primarily as an instrument of oppression will not be dictated by state capacity, but by the political process of state-society negotiation. Security will be reached through a process that enables the state and society to reach agreement on the form and function of the security apparatus, and which gives society a role in holding the state accountable to this outcome.

In short, *the overarching priority of state building must be political governance:* the articulation of a set of political processes or accountability mechanisms through which the state and society reconcile their expectations of one another. A focus on governance

structures that address inequities and inequalities and promote accountability is likely over time to promote resilience.

Where a combination of intrinsic or embedded legitimacy and an ongoing political process *is* producing a stabilising state-society contract, or where an assessment suggests that a source of disequilibrium lies in the state's inability to extend its security reach (Afghanistan), supporting *the long-term development of legitimate state security structures should be a core goal of state-building policy.* At present, adequate funding is not available for core state-building activities in the security sector. This is partially because of the nature of the definitions of official development assistance; the fundamental importance of these activities to the state-building effort argues that alternative mechanisms must be found.

More broadly, a focus on state building, security and the gradual institutionalisation of the state-society contract is arguably at least as important as poverty reduction as a framework for engagement. This is particularly so in post-conflict societies, where poverty reduction of course remains a goal but is perhaps not the most appropriate framework. The Poverty Reduction Strategy Paper (PRSP) process may be inappropriate, or at least insufficient, in framing strategy. *If properly developed, the new Integrated Peacebuilding Strategy process at the UN, supported by the World Bank, might serve as a more appropriate locus of strategy and co-ordination* – framing and supporting the PRSP's focus on poverty reduction.

Such strategies will have to grapple with the choice between prioritising and sequencing key reforms (the "sequential" approach) or adopting a "gradualist" approach by which many reforms are implemented simultaneously, but in piecemeal steps. Overall, we find slightly more evidence in the literature and in recent cases to support gradualist rather than sequentialist approaches, but only at the broadest level. It would be an error to make a definitive statement about the efficacy of sequencing and gradualism; the relative merits of the two approaches must emerge from context-specific analysis.

Moreover, international actors will have to recognise that some domestic state actors have choices about pathways to stability, some more compatible than others with human rights and democratic values. The viability of the case for the democratic pathway to stability where alternatives are available will be shaped in part by economic performance. Thus, international actors should have a political incentive to create economic incentives – perhaps through trade, perhaps through investment in economic capacity development – while working, where relevant, on improving public finance management.

Given the limits of aid in helping to produce growth, moreover, this argument has important implications for trade policy. While an examination of trade policy *vis-à-vis* fragile states is clearly well outside the scope of this study, further examination of the links between trade openness and political development is warranted. There is, *a priori*, a case to be made that restrictive trade policy, especially as it relates to agriculture, textiles and government services, is at odds with attempts to encourage economic growth.

Influencing legitimacy

We argued above that legitimacy plays a role in buffering states against fragility and that extreme illegitimacy can contribute to instability. Yet historical or embedded legitimacy is essentially resistant to external action or influence.

Scharpf (1999) distinguishes between input legitimacy, focused on the participatory nature of the decision-making process, and output legitimacy, which is concerned with the problem-solving quality of laws and rules. Our analysis reinforces the lens that Scharpf

offers, but considers these forms of legitimacy an outcome of the ability of the political process to resolve conflict and of state capacity to deliver on negotiated solutions. This more effectively captures the dynamic nature of legitimacy within the social contract.

Of the many facets of legitimacy, international legitimacy is the most susceptible to outside action. It is probably the least important for stability and resilience, but it is not unimportant – especially in places where state élites have traditionally relied on international legitimation to compensate for the absence of a strong state-society contract, such as in parts of the Arab world.

International legitimacy can be conveyed in straightforward ways – visits of the UN Secretary-General, photographs with world leaders at summits, statements of support, etc. Conveying illegitimacy is much harder because the state system is predicated on stable states and lacks systems that are responsive to fragility. The most assertive mode by which the international system conveys illegitimacy is through UN Security Council resolutions – most dramatically, of late, in UNSCR 1701 which stripped Syria of any legitimacy in maintaining its occupying presence in Lebanon. The difficulty of securing agreement to such statements among permanent members of the Security Council (over Myanmar, over Iran) is but one measure of how difficult it is for the international system as a whole to express itself against the legitimacy of a state or its government. Such statements can also backfire: international condemnation can rally nationalist sources of support to a state.

Regional organisations

The process of influencing legitimacy is not limited to international actors – *regional organisations* can play a critical role. Of course, this varies greatly from region to region – for example, whereas the Association of South East Asian Nations (ASEAN) is deliberately hands-off in relation to security issues, the African Union (AU) has transitioned from an organisation founded on the principles of non-intervention and the sanctity of borders to one increasingly prepared to intervene militarily and politically in regional conflicts. This variation explains in part the continuing tensions concerning such concepts as responsibility to protect at the UN.

Regional organisations have also been in the forefront in terms of articulating norms around internal governance. Most notable is the New Partnership for African Development (NEPAD), launched in October 2001 as a vision and strategic framework for African development, a mechanism that recognises the need for collective action to overcome the small and interdependent nature of many African economies (Elbadawi and Gelb, 2003). Second is NEPAD's African Peer Review Mechanism (APRM) to encourage collective action to promote standards relating to governance, accountability or sound economic management, and to signal to domestic and foreign investors and aid providers that the environment is low-risk. The first countries to put themselves forward were Rwanda, Ghana, Kenya, Mauritius and South Africa. Both NEPAD and the APRM have faced challenges; the latter is seen as a weak arrangement that can do little about the worst regimes who refuse to participate – although the same criticism could easily be applied to most international policy processes.

It is perhaps because regional organisations have been in the forefront of this process that they appear to have the greatest moral persuasion in specific contexts. Perhaps, on the other hand, it is simply the fact that countries have to live with their neighbours more directly than they do with distant governments that gives regional bodies a particular weight in the implementation of these norms. A positive example is the increasingly assertive role played by the AU, as well as the Economic Community of West African States (ECOWAS),

in rapidly responding to and rolling back coups (a process that the Organisation of American States, by contrast, has for a long time engaged in). A negative example is the refusal of many regional leaders to criticize Mugabe's management of Zimbabwe's economy and land rights, which has clearly reinforced and protected the government, notwithstanding consistent western and UN pressure.

Response to different facets of fragility

In organising state-building policy, it is relevant also to return to the point that there are different dimensions of fragility. To recap, we argued that states can be weak – *i.e.* have extremely limited capacity and resources – and that weakness can manifest itself in broad but patchy state presence, *i.e.* a presence throughout the country, but with minimal capability (*e.g.* Ethiopia) or in a geographically bounded state presence, usually within a limited radius round the capital (*e.g.* Mozambique). Even here, however, there are important differences. Low capability can arise from limited human capital, particularly in the form of higher education, legal or high-end technical training (Timor Leste), or simply a lack of institutional arrangements in which such human capital can be used (*e.g.* Iraq). All of these forms of weakness are present in states with good basic governance and those without. Generally, an assessment of the resilience of the social contract should shape state-building strategy.

Where a resilient settlement is emerging, or where the state leadership has a credible strategy for developing it, a state-building approach would strongly emphasise the kind of strategy argued for by Ghani *et al.* (2005): *forge joint, multi-donor strategy with the government; and then provide direct support to the state budget without undue interference as to the prioritisation or allocation of that support*. The management of that budget and the allocation of state assets to citizens' needs and to the economic and institutional development of the state are central acts of state legitimation. Donor interference in that process, by stipulating the focus of spending or the balance between sectors, is more likely to undermine state legitimacy than to develop state capacity – and thus to contribute to fragility.

Where the state lacks the basic will to negotiate a resilient social contract, our analysis suggests a two-part basic strategy: political engagement with the government to *seek to generate the necessary political reforms and support to service delivery functions of the state, if viable, or alternative mechanisms of service delivery to meet human needs where not*. This strategy is far more likely to work if there are also incentives on offer – perhaps in the form of more substantial support to state security functions or substantial economic incentives. The rationale is this: in conditions with limited good governance, *i.e.* where élites have captured the state for their own rather than the public interest, holding out the promise of increased aid to social welfare functions is hardly likely to raise élites' interest or influence their choices. They may well be more interested in support to the security function and to significant economic openings.

Here, of course, OECD donors must acknowledge that they are operating in a context where non-OECD actors are now exercising significant political, economic and commercial leverage over fragile states, especially in Asia and the Middle East but also in Africa – and this may limit the viability of the strategy just suggested. This is particularly so when western donors exhibit an excessive attachment to specific western forms of state sovereignty and fail to recognise the significance of alternative forms of legitimation or articulation of the state-society contract. Diplomatic engagement with non-OECD economic and political actors will be a necessary additional part of strategy, as discussed below.

Dealing with political division

State-building policy must recognise the additional challenge posed by existing political divisions. Where significant sub-national groupings exist within the state (be they religious, ethnic, tribal, linguistic) and where state-society processes have to date reinforced those divides, generated inequalities or specifically excluded sub-national groups from the economic and political processes of the state, *the risk of conflict is likely to be high and should specifically inform state-building policy.*

Mediation in pre-crisis and post-crisis situations – the latter usually undertaken by the UN through its peacekeeping operations, the former usually undertaken by bilateral or EU diplomats – is also an important form of assistance.

In post-conflict settings, multi-dimensional peace operations and mediation processes increasingly serve as vehicles for designing and implementing governance interventions. Peace agreements routinely include complex power- and resource-sharing mechanisms that have significant and explicit implications for the rules of the game. Peace operations, which have a much more explicitly political mandate than development agencies, are then mandated to implement these agreements, including the first phase of institutional design and capacity development activities. As with the rule of law, there is little evidence of adequate civilian capacity in peace operations.

There are important cases where international mediators have embedded concepts of political process or institutional arrangements that are incompatible with the specific context, or are too ambitious in scope or their timetable. As noted, there is increased caution about the timing of elections in post-conflict settings; similar research is needed on the risks of single-party systems, ethnic division along party lines and other drivers of fragmentation. Mediators who are grounded and furnished with an understanding of the dynamics of the society in question, including gender equality issues, are more likely to avoid such errors.

Engagement in pre-crisis situations is more complex and runs the risk of interference with sovereignty. There are, however, numerous cases where leaders have sought assistance from experienced counterparts – bilateral or multilateral. As an ambassador from a small, conflict-prone state said recently, in defence of conflict prevention activities, "Why do we have to wait until we have a war to get help with transformation of our justice system or our military?"

A critical question for international policy is therefore *how to further develop institutional or political arrangements so that this kind of mediation of political process can more frequently precede rather than follow the outbreak of conflict or crisis*. This question is linked to another, increasingly salient one: is it possible to shift the dynamics of authoritarian or semi-authoritarian states through external pressure or incentives? The need for research on these issues is urgent and immense.

Here, the potential use of security sector reform (SSR) policy as a preventive tool is an area warranting further exploration. Indeed, a process that increases the sense of democratic process or at least the public interest among the security services may be a precondition for conflict resolution at a broader level. However, SSR policy is unlikely to have this kind of preventive effect if élites within the security service do not see a political and economic horizon beyond state capture – if they do not see an emerging interest in reformed economic and political institutions. Here, then, gradualism – the simultaneous but gradual movement along political, security and conflict-resolution tracks, and ideally

alongside economic progress – would produce the most favourable outcome. That, however, is an abstract theoretical statement: getting these processes to move in gradualist sequence is a trick of political complexity rarely achieved in practice. Further applied research into the variations of gradualism in state reform processes is needed.

More broadly, development assistance in such contexts should not be the primary mode of bilateral or multilateral engagement – diplomatic and political mechanisms should be the drivers of engagement with authoritarian or semi-authoritarian states.

State building in post-war states

Post-war states will almost by definition be divided, and many which were weak (institutionally and in resource terms) before the conflict are even weaker after it. Post-war states simultaneously represent significant opportunities and a major challenge for state building.

Since Versailles reshaped Europe, post-war settlements have been used by external powers to reshape the form of the state (Ikenberry, 2000). The post-war moment is a major opportunity. By definition, the core institutions of the state have failed – to maintain a monopoly on the use of force, to deliver a stable social contract, to protect citizens and, in most cases, to secure a functioning market. The process of war itself further disrupts state functioning, although in many cases it also gives rise to significant new forms of organisation at the sub-state level, new economies and new relations of patronage and loyalty. All of these must be taken into account during the process of forging new élite pacts, new or revitalised institutions and a new state-society contract.

But the Versailles reference is deliberate and instructive: the processes of reforging élite relationships, refashioning core state institutions and reframing the state-society contract all contain within them the potential for new conflict. Often, expectations are raised past the point that a re-emergent state can deliver. Groups that held power in the old order may see their power reduced or balanced. Élites that had captured the state may lose hold of it and seek to regain it; groups that found new economies in the shadow of war may resist giving them up. Moreover, in wars in which the population is a target of either state or rebel predation, the basic trust in state structures – often already weak – may be shaken or destroyed.

International engagement in post-war states has an *enormous impact* on these issues, far more so than in the regular process of engagement with fragile states. Peace agreements in their modern form are, for the most part, not just mechanisms for a cessation of hostilities. They are also quasi-constitutional documents that establish a new political deal between the state and its competitors – a deal with major implications for the state-society contract and the prospects for political stability (Stedman, Cousens and Rothchild, 2002). It is recognition of this broad impact that has led the UN – often the final, if not the first, pen on a peace agreement – to emphasise the light footprint, *i.e.* a restrained role for external political actors in the forging of this new compact. *The path-creating impact of specific provisions of peace agreements warrants focused research, perhaps by or in support of the UN's new Mediation Support Unit* within the Department of Political Affairs.

The relationship between post-war states and external actors continues well past the process of negotiating peace agreements. More and more, peace operations play substantial roles in supporting, and in some cases supplanting, core state functions after wars end.

This is particularly true in terms of security provision. At present, the UN, NATO, the EU and the AU combined have more than 170 000 troops deployed undertaking post-war

stabilisation, peace support, peace implementation and protection of civilian functions. This represents a massive shift in global governance arrangements: the direct international provision of security support to the state and its citizens in over 20 post-war or quasi-post-war countries. Not only have these numbers been rising steadily in recent years (the UN alone has seen a 600% rise in its troop levels in the last six years and is set for further rises), but the scope of the security mandate has also been broadening. In most peacekeeping settings, operations are now mandated to undertake protection of civilian functions (*e.g.* in eastern Democratic Republic of Congo and Darfur) and to resist and combat spoilers (*e.g.* Taliban). That they are not always equipped to do so is a major concern for peacekeeping institutions.

But peace operations play broader roles in the state-building process as well. Three are particularly important. First, peace operations are now a major vehicle for governance and rule of law support to the state, in conjunction with more traditional aid actors such as UNDP and the World Bank. Second, in some cases, peace operations are a source of economic policy support and/or economic regulatory support, again usually in conjunction with the World Bank as well as the IMF. Third, peace operations are increasingly the locus of multi-donor strategy – a point to which we will return.

UN peace operations, specifically, often have broad mandates in this regard, albeit ones not yet consistently matched by resources or technical capacity. Especially problematic is the fact that the Security Council has been hesitant to authorise substantial capacity development programmes within missions and the UN's Budget Committee has not approved budgets for operational expenditure by missions. This leaves a critical gap between mandates and activities that cannot predictably (at current levels of financing) be fulfilled by the UNDP or other UN agencies. Improving the financing for capacity development within or around peace operations will be a central challenge. The UN Peacebuilding Commission (PBC) was explicitly established to address the challenge of the development/security nexus. It should devote particular attention to the question of how to finance UN staff capacity development, especially in the rule of law, public administration and economic governance, within or in conjunction with peace operations.

What priorities should guide post-war state-building operations? The subject could be a report in itself; any answer to the question must start with a strong caveat about the wide variety of causes and types of war and the range of settlements that emerge from them. However, in broad terms, there is a growing consensus in the literature that *three dimensions of policy should be the focus of post-war engagement: political processes that legitimate the state; development of the framework of the rule of law, including for economic governance; and the re-establishment of a framework of security,* including but not limited to reconstitution of the state security apparatus (see *inter alia* Barton, 2004). Although there is some debate in the literature between a sequential and a gradualist approach to these priorities, the preponderance of evidence suggests a *gradualist* approach that sees linked developments in these three areas. Efforts to achieve security first – for example in the Palestinian territories – in the absence of legitimate political governance have repeatedly failed.

This set of priorities will be controversial, especially among audiences with a commitment to or focus on economic recovery and transitional justice. We do not propose to ignore those areas. However, comparative experience suggests that while transitional justice can be delayed for some period, restoration of legitimate governance cannot. In some cases, the process of transitional justice is part of how the post-war state legitimates itself and where such an interaction is possible, it is likely to be a strong source of stability. However,

where there are conflicts, analysis of comparative peace implementation suggests prioritising governance, security and the rule of law over transitional justice – at least in terms of sequence.

It is important that support to central state mechanisms not lead to a result where the government that emerges from elections reverts to patterns of exclusion or domination. This has been an issue in recent operations. In the DRC for example, support to central state mechanisms was not adequately contextualised by efforts to develop civil society and an independent media; following the intensive competition of internationally supported elections, the country risks a return to a winner-take-all mode of government.

More generally, the arrangements necessary to establish basic political legitimacy, order and security after wars may not be the best arrangements for longer-term state building. There is a strong likelihood that peace agreements will contain provisions for power-sharing based on parties' military prowess, not their political programme, as well as wealth-sharing arrangements that are designed to buy in spoilers, not create effective markets. These decisions are frequently a necessary feature of peacemaking, but do not lay the foundation for effective state building. Here, the option is to seek to build a second phase of negotiations into peace agreements – *i.e.* to set out only transitional arrangements and, critically, to ensure that not only those rewarded in the first phase with state power are represented in second-stage negotiations.

Similarly, while economic recovery is an important part of prospects for stability, research findings by Collier (2008) and others suggest that early investments in economic recovery may not reap rewards and that delaying intensive spending until core economic and political institutions can be established will be more effective. As both Forman (2000) and Collier have noted, however, donor spending patterns tend to be the opposite: lots of upfront spending, with real disbursement problems and a steady decline in spending and attention after roughly three to four years – precisely the period when renewed investment may have a chance of generating productive economic activity. This is as yet far from definitive research however, and warrants significant further analysis.

These are broad patterns and should not be regarded as strict guideposts for engagement in any specific setting. Every state has a unique history – both of the state-formation process itself and of the course of its conflict – and this must shape strategy.

State building in authoritarian states

A very different enterprise – almost unrecognisable in its modes, but similar in theory – will take hold in respect to authoritarian or semi-authoritarian states.

The first question will be, of course, why engage in state building in authoritarian and semi-authoritarian states? There are four reasons: there is a difference between the government and the state; authoritarian/semi-authoritarian states exist on a spectrum and should not just be assumed to be unreformable; it is possible to work with sub-state actors, creating a base of confidence and a base of knowledge; and failure to engage in some limited form probably increases the odds that when political transformation does occur it will be accompanied by state collapse and humanitarian disaster – the experience of pre-9/11 Afghanistan and the dilemma currently faced in North Korea and Myanmar.

For the most part, western engagement with semi-authoritarian states has explicitly rejected a state-building lens. Here, the political trumps broader state-building objectives. This is not to suggest that western policy on authoritarian states, even major human rights

abusers, has been consistent. Far from it: security and geopolitical interests matter as well. But in any case, state building is often neglected in favour of a focus on government policy and performance.

Take, for example, Myanmar. There is almost no development aid going into Myanmar because of its human rights record. The dilemma is that aid to the state would risk reinforcing a government with severe domestic and international legitimacy problems and an appalling human rights record. However, the absence of aid appears to be reinforcing a process by which most state resources go to the security sector and investment in health and social welfare services is negligible. UN analyses show severe deprivation and signs of risk of humanitarian crisis in parts of the country. The question becomes: even if political transformation occurs (for example democratisation under pressure from popular demonstration or a negotiated settlement with the democratic opposition), will it result in the collapse of core state services and risk humanitarian crises?

A related question is whether external pressure can produce positive change in authoritarian or semi-authoritarian states. There is no clear-cut answer. For all of their negative reputation, sanctions have on occasion worked in the past – over time. For example, the arms and limited trade embargoes against South Africa in the 1980s certainly appear to have contributed to the apartheid regime's ultimate willingness to negotiate power-sharing arrangements. But more often, sanctions have failed.

The picture is thus a complicated one. But at the very least, our analysis suggests that policy on semi-authoritarian states should identify opportunities for engagement with state institutions where that engagement may have only minimal impact on state legitimacy – for example in health provision. This strategy may, at the margins, extend regime survival – but only at the margins, and it may have a positive impact in terms of reducing the likelihood of state collapse in situations of rapid political transition.

Of course, in reality the overall balance between state-building support on the one hand and alternative means of service delivery to meet human needs on the other will depend at least as much on politics as on assessment or state-building theory. International engagement in fragile states will always be heavily driven by political questions about the relationship to the government – especially when dealing with authoritarian, semi-authoritarian or divided states, or states in geopolitically sensitive areas, including the Middle East. Those political realities may force a mode of engagement that is either more supportive or less supportive of government policy than an analysis based on state-building theory would recommend.

Again, all the above are merely broad sketches of the kinds of trade-offs, dilemmas and potential priorities that could guide external engagement with various forms of fragility under differing conditions. A more articulated typology, with sub-typologies and adequate variation, could be developed – but it is likely to create so many categories as to be nearly a one-to-one match to actual states. In short, a specific, historically grounded analysis of the features of the local state must be the starting point for state building.

Chapter 4

Implications for Response: Programming

There is little in international law that defines the key functions or features of the state – although there is much that dictates how states should behave, beyond the provision of security within the territory. From Weber to Tilly's foundational notion that "states make war and war makes the state" (Tilly 1985), to contemporary negotiations in the UN's Sixth Committee over the definition of terrorism, the notion that only the state has the right to wield force remains the central, irreducible concept of statehood in the modern era.

However, as outlined in Annex A on the history of state formation, there is increasing consensus that the state has a broader set of responsibilities to meet social needs. Some have drawn a distinction between survival functions (security and the raising of taxes to finance its provision) and delivery functions. At a more basic level the literature recognises five broad sets of functions for which the state has responsibility: political processes, governance functions, security functions, economic functions and social welfare functions. States also have important international relations functions.

We examine international programming around these areas, in three sub-sections. Given the centrality of political process issues to questions of fragility and resilience, we first examine political processes and political settlements. We then look at governance-related programming, and finally at the implications of our analysis for programming round the security, economic and social functions of the state. The study does not examine programming related to developing the international relations capacity of the state – an area, perhaps, for further examination.

In doing so, we do not commend the approach that separates out the process, for example, of delivering services, from the political reality that drives decisions as to who receives what services where. This paper calls for greater integration and strategic analysis of these political questions across the various facets of international intervention.

Implications for political processes

The options for direct intervention to support political processes appear limited and uncertain. The literature presents few convincing models to inform and guide policy, focusing rather on anecdotes. The basis for political processes and the ensuing political settlements is the successful management of contestation in three spheres: the political, or the power to make and enforce decisions; the economic, primarily in the control and distribution of goods, services, capital and natural resources; and the social/cultural, or the ability to influence and shape social norms and narratives.

The process that guides these negotiations requires a set of rules as to how citizens and élites understand, express and resolve differences and expectations, with each other

and with government. Acceptance of these rules can be grudging; it can even be somewhat coerced – but stability of rules at some level is necessary for agreements to be reached. Questions of power influence the abilities of groups to shift both the outcomes of the agreements and the fundamental rules themselves – élites with control over security forces can, for example, impose a social contract and a non-participatory system with ease. A group with strong economic power – or territorial control over natural resources – may be able to leverage the system to secure more profitable distribution of resources, but may not have the clout to alter the system fundamentally.

Contestation is not in itself unhealthy – it is a fundamental feature of society. Likewise, coercing members who fail to abide by the rules of the game is also a fundamental feature of society. The idea of resilience as deriving in part from inclusion, participation and responsiveness argues that political processes that exhibit these features are less likely to experience problematic contests, and therefore less likely to drive some groups to seek redress through violence. In practice, total inclusion is never possible; more and more frequently, complex power- and resource-sharing agreements, such as in Indonesia and Nigeria, are necessary to preserve stability.

The mechanisms through which international intervention supports political processes appear to focus around four key areas: i) support to élite pacts; ii) support to constitution-making processes; iii) support to building conflict-resolution skills and processes at the local levels; and iv) direct mediation in times of mounting crisis or transition.

We have discussed *élite* pacts earlier in the section "Pathways to stability and resilience". As noted, the post-war moment provides an opportunity to reshape political processes towards greater consultation and inclusivity. Simultaneously, strong group-based provisioning in peace agreements can create greater risks of instability. Further research on the typologies and consequences of élite pacts in peace and power-sharing arrangements is needed.

On the question of *support to constitution-making*, there is a considerable body of research and expertise. The level of international support to such processes is commendable; we would only echo the concerns of Carothers (1999) and others that short time lines risk encouraging constitutions that fail to reflect the narratives of conflicting parties and thus often fail to be effective. Constitutions are reflections of the political settlement that underpins the social contract – given their importance to stability, adequate investment to ensure that this process is as participatory and inclusive as feasible is welcome.

Support to conflict-resolution skills and local-level political processes is a more recent feature of the development landscape. There have been no systematic evaluations that demonstrate the impact and effectiveness of the few techniques and programmes that are emerging. However, OECD member states appear to have recognised this shortcoming and are in the process of producing guidance on how to evaluate conflict prevention and peacebuilding activities (see OECD/DAC, 2008). The careful – and self-critical – implementation of such analysis by independent actors could contribute significantly to increasing international understanding on these issues.

The post-Cold War era has also seen a dramatic expansion in *international and regional mediation* during mounting or incipient crises and in periods of transition. A range of international actors are often involved, including bilateral diplomats, NGOs and international envoys. Such mediation efforts sometimes occur under a UN rubric, as in Myanmar and Lebanon, and at other times operate through a regional organisation, such as with the EU's role in the Ukraine. Although third-party mediation has attracted a growing body

of research and policy best practice, little of it has concentrated on the question of state or regime transition, focusing instead on the mediation of active war. A critical examination of the roles of international, regional, bilateral and national actors in preventive efforts to manage regime transition or forestall regime crisis would help to identify areas for policy concentration. Even a cursory examination of recent efforts, however, again highlights the central role of neighbours, regional actors and the emerging economic powers in shaping the diplomatic and economic options available for policy.

Ultimately, political processes are features of national landscapes and are driven by local leaders. International intervention can provide technical assistance to such processes. New entities such as the Mediation Support Unit at the UN Department of Political Affairs are recognising the importance of this assistance.

Implications for governance programming

There is little coherence in international approaches to governance; important gaps remain between theory/definitions and programming. While some early definitions of governance within the aid community stressed the political nature of governance, in practice more technocratic approaches to creating bureaucratic effectiveness have come to dominate governance programming (see for example Evans and Rauch, 1999).

There is an economic argument for this approach, grounded in empirical evidence that posits that countries with administrative apparatuses that closely approximate bureaucratic forms of organisation are characterised by higher rates of economic growth (Evans and Rauch, 1999, p. 748).

Seen from a state-building perspective, however, this approach is problematic – as stressed by a broad empirical study undertaken by the Centre for the Future State (CFS) (Moore, 2005). In its five-year report, CFS charges that approaches to governance have been "… ahistorical – there has been virtually no attempt to understand the processes whereby current institutional models were negotiated, or the social, economic and political circumstances in which they were conceived" (Moore, 2005, pp. 1-2). Consequently, donors have "… ignored the need to build a social and political consensus", while assuming that assistance should involve "little more than the supply of material resources and technical assistance" (Moore, 2005, p. 1). This critique is in line with that of Rueschmeyer (2005), Ayoob (2001) and others who emphasise that the underpinnings of the modern bureaucratic state are the result of a complex process of negotiation over ceding power in exchange for protection and reconciling competing values and norms – a process still very much under way in much of the developing world.

Against the reality of persistent state capture, state failure and a falsified process of state formation, the continual adherence of development agencies to an institutional vision of governance has been problematic. The result has been a gradual conceptual shift away from institutions towards good governance – and more recently towards good enough governance.

Good enough governance, advocated by Grindle (2004, pp. 525-548) and others, is defined as "… a condition of minimally acceptable government performance and civil society engagement that does not significantly hinder economic and political development and that permits poverty reduction initiatives to go forward." This is, again, a definition that separates the political processes that establish the terms of the social contract from the delivery of services as agreed. As such, it does not escape the criticism of the CFS above.

Importantly, UNDP (2005a, p. 12) has recently articulated a broader definition of governance: "… the exercise of political, economic and administrative authority to manage a nation's affairs. It is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences." This definition goes further than its predecessors in capturing the dynamic of the relationship between citizen and state and the possibility of differences – connecting the political with the technical.

In this sense, governance encompasses all relations between state and society – from the means of articulating and reconciling needs and expectations, to mechanisms of service delivery – or the entire social contract. In practice, however, governance programming deployed under the rubric of "state building" has focused on building institutions of the state in order to extend its authority and reach.

The distance between the concept of governance, as implemented, and the theory of governance as the all-inclusive notion of the relationship between state and society lies at the heart of many challenges to state building in practice. Recognition of the complexity of the social contract and the role of political processes in balancing the elements of expectations, capacity and legitimacy is an explicit objective of our argument.

The challenge for policies and programme that focus on institution building is that, according to Fukuyama (2004), experience suggests that Weberian institutions and democratic processes cannot simply be uprooted and transplanted to developing countries. (The exception may be conditions of extreme shock, such as in the aftermath of war, though even this is problematic.) Literature on the sociology of the state reinforces this point, emphasising that the underpinnings of the modern bureaucratic state are the result of a complex process of negotiation over ceding power in exchange for production and reconciling competing values and norms. As Rueschmeyer (2005) and Anderson (1983) have argued, social contracts cannot be effective without the non-contractual underpinnings, as states have conceptual, not just organisational, foundations.

Thus, *countries need to create their own institutions through processes of contestation and deal making between the state and society*. Such processes can take decades. At the same time, it is clear that many countries face immediate crises in governance, the potential consequences of which are violence or humanitarian disaster.

A growing interest in and willingness to work with local institutions of governance – such as *shura*s in Afghanistan – is also welcome. Traditional systems, which may not be recognisable in western states, may still perform the same functions and generate the same outputs as formal state institutions. Respect and willingness to accommodate such systems – bounded by the realistic recognition that these "outmoded" forms may have led or contributed to conflict – can be helpful in restoring governance.

We stress that the choices made in governance programming cannot be based on abstract policy, but must be based on a deep understanding of the political and social fabric of a country – hence our emphasis on the assessment of the state of the state as a critical step in state-building policy.

The theoretical confusion over governance is problematic. In practice, however, programming driven by deep and thorough analysis and recognition of the limitation of imported models for institutions will improve the quality and sustainability of the outputs, irrespective of the objective of the programming. Nonetheless, some co-ordination and effort to clarify terms would be useful.

Accountability

Accountability describes the obligation of public officials to explain and justify their behaviour to society and/or face sanction. In programming, accountability is divided into the vertical (the ability of individuals or social groups to influence how government responds to their social demands) and the horizontal (the separation of powers and the system of checks and balances among different branches of government).

Research has identified lacunae in models of accountability. Eyben and Ladbury (2006) observe that the delineation of a clear boundary between state and society does not reflect the reality that decision makers are embedded in society, nor that informal resources and power relationships can bridge gaps between government institutions and the state and society. There is also little mention of power relations in accountability, despite the latter being "ultimately about the contestation of power between unequal actors" (Eyben and Ladbury, 2006, p. 7).

Given the importance of participation to creating resilience in the social contract, investment in mechanisms that provide both vertical and horizontal accountability would appear logical. The building of rule of law is starting to receive substantial attention, with a welcome focus on the role of informal institutions and their interaction with state institutions. Mechanisms for improving citizen participation in planning and budgeting processes, in contrast, are considerably weaker.

Among the more powerful tools for accountability are *elections.* A considerable body of literature explores the question of the timing of elections in post-conflict countries; there is significantly less literature on the consequences of elections in fragile states. The deterioration of Côte d'Ivoire suggests that more attention must be paid to this question. In general, electoral processes are a way of extending participation and of legitimating a particular government.

In accordance with the idea of the social contract, elections can provide a government that has weak state capacity with legitimacy and breathing room to develop its capacity. This benefit of electoral processes is often underestimated or ignored in the literature. Conversely, elections can also increase the salience of a lack of social cohesion or agreement on the nature of the social contract.

More broadly, in post-conflict and low-capacity states, the international community places significant credibility on PRSPs as a mechanism for creating public participation and accountability. Considerable evidence suggests that without substantial participation, by women and men, in the planning processes, PRSPs and other development planning mechanisms may fail to secure the urgent accountability and attendant legitimacy benefits.

Decentralisation and centre-periphery relations

Decentralisation is commonly used in development programming to promote accountability at the local level by improving service delivery to local communities.[1] Three interrelated ideas support these efforts: a) where the central government has failed to provide services effectively, the principle of subsidiarity prevails (Ahmad *et al.,* 2005); b) relationships of accountability between citizens and local providers are presumed to be more direct at the local level; c) local sources of authority should be better able to gather information and respond to changes in expectations (Fukuyama, 2004, pp. 68-69).

Two debates currently inform the question of how best to decentralise: i) "big-bang" versus gradualism and ii) bottom-up versus top-down. The primary advantage of a big-bang

approach is that, if done correctly, it enables the necessary reforms while restricting the time available for opponents to co-ordinate a response. Gradualism tends to be advocated when capacity among local authorities is low, when combating ingrained élite-capture presents a significant obstacle and when citizen participation in politics is limited and civil society underdeveloped.

The general consensus is that a bottom-up process is more efficient, more enduring and more likely to strengthen the social contract. The theory, appropriately, is that the delivery of public goods should become more effective as supply gets closer to the source of demand.

Most decentralisation work, however, fails to adequately consider issues of centre-periphery relations and the complexity of centre-periphery political settlement, particularly in post-conflict countries. Often, the lack of attention to issues of political equity – as discussed throughout this paper – can result in local systems and structures being more prone to capture. Consequently, rapid decentralisation can serve to entrench vested, exclusionary and discriminatory interests and further fragment rather than unite. The general lack of concern over capacity – both of process and of delivery – that accompanies decentralisation programming is also alarming. Evidence from Uganda suggests a stalling of democratic decentralisation, in response to the near-complete inability of locally elected officials to deliver road maintenance.

In general, however, participatory processes help to legitimate the state in the eyes of its citizens. False decentralisation – when the shape of reforms and resource allocation decisions are determined by short-term political needs or by external assessments of the state – increase the likelihood of a failure to respond to the domestic bargain that is the social contract. Likewise, decentralisation without capacity – the ability to strike the bargain without delivering on promises – may pose greater risks than rewards.

The rule of law

The rule of law – both in the broad sense of accountable governance, but also in the specific sense of a strong judicial sector, including police – is a core process for developing resilient states. *International support to an effective judicial sector will in almost all circumstances be an appropriate locus for intensive engagement*. Whether that engagement should focus on convincing the government to establish a legal and political framework for an independent judiciary, on capacity development or on community-based processes will depend on the specific context.

The limits of the formal justice sector and its tendency to state capture have drawn welcome attention to the informal sector (Decker *et al.*, 2005; Carothers, 2003). For example, evidence suggests that the majority of African policing is conducted by non-state actors and that in half of all cases, people look to them rather than to state actors for protection from and investigation of crime (Baker, 2007). Informal dispute resolution mechanisms, such as customary courts and the *gacaca* system in Rwanda, also warrant attention.

In fragile states, the linkages between state and non-state institutions tend, however, to be problematic, and rivalry rather than co-operation characterises the relationship. Non-state legal systems are often part of the social fabric of communities. Attempts by the state – or by external actors – to introduce uniform, nationwide procedures and systems are almost destined to struggle, and are seen as attempts to impose external rule without

benefit to the ruled (Chirayath *et al.*, 2005, p. 25). Simultaneously, as corruption often benefits élites, reforms of the formal system may also be resisted and/or distorted by the leaders of the state.[2]

Judicial reform is profoundly political. Technocratic reform, which relies on experts to replicate or import laws and legal institutions from OECD countries, does little to address deeper problems. Often "the underlying maladies of the original institutions end up crossing over and infecting the new institutions" (Decker *et al.*, 2005, p. 3). Genuine change will only be achieved if state/non-state relations are renegotiated. In this regard, external assistance must focus on supporting dialogue aimed at better integration of state institutions and customary or other non-statutory systems – rather than simply on providing advice on the formulation of specific laws (Chirayath *et al.*, 2005; Scheye and Andersen, 2007).

Administrative capacity

Cutting across the elements described above and in the next section is the issue of the core administrative capacity of the state. Traditionally, much of this work has been executed under the rubric of public administration reform – and critiques similar to those for overall approaches to governance apply. As noted, most efforts to invest in public administrative capacity rely on an explicit Weberian model of the ideal institution. This model describes the most effective state as one that exhibits several particular features: a more or less steep hierarchy of offices with specialised tasks; impersonal and rules-based operations of these offices; appointment and promotion of officials on the basis of ability and performance; supervision that includes incentives and sanctions; and norms and structural features inducing loyalty within the bureaucracy.

In practice, however, the increase of bureaucratic institutions has not always been accompanied by the commitment to rules or to the depersonalisation of authority that such systems require. In many contexts the process by which élites gained and retained control of the state has led to patrimonial and personalised institutions that derive their authority from patron-client relationships. Such systems were actually comparatively stable, albeit corrupt and discriminatory. But it was precisely such structures that became untenable when the Cold War ended and the emerging global economy and structural adjustment policy combined to drastically reduce the external aid flows through which patrons maintained their clients – creating a sudden rupture in the equilibrium of state-society expectations.

Thus, in the absence of a careful understanding of the way in which the political and social fabric of society is expressed institutionally, investment in recreating or building new institutions that mimic the ideal Weberian form is often bound to fail. Rather, an open mind with respect to institutional arrangements and honest acknowledgement of the social foundations of existing forms of organisation is essential.

That said, investment in state capacity is not optional. Without core administrative functions – particularly in public finance – the state does not exist. Donors may need to consider that short-term investments in securing this capacity may not be sustainable and may need to create room for erosion as the societal basis for the state is restored, particularly in difficult cases such as Afghanistan or Somalia where there is little existing capacity. This should not be considered wasted expenditure; it is absolutely necessary to give the state space to establish itself and to ensure that local ownership leads to locally grown institutions.

Implications for programming in key sectors

Security

Security is a core obligation under international law, a core service that is demanded by women, men and children and the foundation for sustainable economic and social development. *Support for security sector reform (SSR) should be undertaken within a governance framework* and through reinforcement of the state-society contract and, thus, the legitimacy of the state.

Although international attention to and resources for SSR have increased substantially, achieving positive tangible outcomes remains a challenge (Scheye and Peake, 2005a). This is due to the inherently political nature of SSR, the frequent weakness of counterpart institutions (in terms of human capacity and financial resources) and the sheer breadth of change – and amount of time – required, as well as poor metrics for measuring change.

SSR programming naturally tends to focus on state structures, as the international system views the state as the sole repository of the right and capability to use force (Buzan, 1998, p. 52). Rivals to state authority are seen as illegitimate – criminals or bandits – when in fact they are often a response to *state* illegitimacy. As Ayoob (1995, p. 4) observes, "in most Third World states there are competing locations of authority; these are usually weaker than the state in terms of coercive capacity but equal to or stronger than the state in terms of political legitimacy in the view of large segments of the states' populations."

SSR processes should address both the issues of limited capacity and those of potential illegitimacy (Ayoob, 1995). A multi-layered approach needs to acknowledge that political processes exist at levels below the state and that these can and do manage services to their communities. In certain countries, the desired form of internal security provision may include non-state actors; failing to accept this form wilfully subverts the social contract.

This does not mitigate the irreducible role of the state in regulation and as the overall guarantor of the wellbeing of its population.[3] States also have a core function of external security (border integrity, protection from aggression), and further work is needed to develop innovative methods of providing this security where the capacity does not exist – whether through multinational organisations or the private sector.[4]

Service provision

There are basic services – health, education, water and sanitation – whose provision is essential throughout a state. Services reach the public in a two-step process: policy makers allocate the services and providers produce them. The manner and the extent of provision remains, as we assert, part of the political process through which the interests of clients, policy makers and providers are reconciled (OECD/DAC, 2008a, pp. 5-7[5]). Accountability, which emerges as a complex chain of relationships linking users, policy makers and service providers, is central in this regard, and the ability of clients to impose accountability on policy makers or providers will affect whether services are delivered effectively.[6]

The primary question facing donors under the rubric of expanding service delivery is whether to help reform and rebuild the public functions of the state or to work in parallel with it. In the absence of a willing and capable state, particularly in weak-capacity post-conflict countries, the strategy often deployed is the use of non-state entities (ranging from

private corporations to donor-funded NGOs) to fulfil some of the responsibilities of the state during a period in which the state is focused elsewhere.

The difficulty of this model is that without a clear and visible regulatory or fiscal role for the central state in service provision, legitimacy accrues to the service provider rather than the state. States achieve legitimacy when they deliver services in accordance with the social contract. When these services are financed and delivered by external actors, it is questionable as to whether this service provision "… strengthens the economy and the ability of the government to be effective in delivering services or weakens the government's legitimacy in the eyes of the public" (Newbrander, 2007, p. 16).

Two tensions in particular create a tendency to bypass the state. First, international actors are confronted by the humanitarian imperative to address people's basic needs in the short-term. Doing so quickly and efficiently frequently entails circumventing the state and relying on non-state providers, often international. Second, governments may be repressive, corrupt, or, in the worst instances, internationally illegitimate. While human needs press for continued engagement, supporting such regimes risks rewarding poor behaviour or giving political leaders the opportunity to win favour for improvements in living conditions to which they did not contribute.

The DAC has identified both these dilemmas and best practices for service delivery in fragile states (OECD/DAC, 2007a; OECD/DAC, 2008a). There is consensus that the first best solution is to support a willing government in its efforts to take responsibility for service provision.[7] Where inapplicable, the workstream argues that donors should assess the situation with regard to particular service sectors and geographic areas and where willingness exists, place a priority on strengthening policy making and implementation capacities with the goal of building back better institutions rather than recreating failed ones.

The implications of our analysis are simple: effective support to service delivery entails continually reassessing contextual information to adapt the mix of intervention tools, and integrating long-term capacity development plans at the outset. The challenge to state-oriented service delivery is to provide services fast enough and well enough to address the challenges of fragility; when choosing to use non-state actors to meet needs and deliver services, international actors must be careful to provide such support without undermining the legitimacy of the state.

Careful co-ordination, regulation and oversight of non-state providers are essential to ensure that they align with government priorities when appropriate, and to prevent them from overriding local capacity and resources. In certain cases – where, for example, a group has historically had an adversarial relationship to the state – the slow, local build-up of a service-delivery relationship can help build legitimacy; again, the ultimate goal of developing state institutions that deliver on the promise of a viable and resilient social contract must integrate with the shorter-term impetus of service delivery. A further, unanswered question lies in determining what level of services is a "minimum" level that is provided for humanitarian reasons, rather than in service of the state-building goal.

Economic growth

It is now widely recognised that the state is an essential facilitator of growth; how much so remains the subject of debate. As the Commission for Africa (2005) emphasised, "… the way states function is increasingly seen as one of the most important factors affecting development in the poorest countries" (Fritz and Menocal, 2007a, p. 531).

The argument over the importance of state institutions for growth ranges far beyond the scope of this paper. North (1989) and others indicate that institutions drive growth in the long run (Rodrik *et al*., 2007; Acemoglu, 2001; Pande and Udry, 2005). Rodrik (2003) concludes that institutions are critical for sustaining growth but not necessarily for catalysing it; Sachs (2003) and others differ. The entry point for a discussion of fragile states is that, irrespective of the causes of growth, there is agreement that good institutions help to protect against shocks.

Leaving aside the discussion of market models, it is clear that at minimum the state must play a regulatory and oversight role in the creation of an effective market. An enforceable legal framework that incorporates issues relating to property rights, commercial law, insurance, bankruptcy and land and banking law is essential to efficient market formation and functioning, while employment and environmental laws are important over the longer term to protect human and natural resources (Ghani, Carnahan and Lockhart, 2006). Managing state assets through regulation and licensing, especially in the natural resource sectors, is of fundamental importance given their enormous potential to create or destroy wealth (Ghani, Carnahan and Lockhart, 2006).

Wider issues of public finance have recently returned within the remit of development agencies – a welcome change. Attention to issues of revenue and sustainability cuts across service delivery, from the provision of security to the payment of school fees (Boyce and O'Donnell, 2007; Ghani, Carnahan and Lockhart, 2005; Carnahan and Lockhart, 2008). We share Ghani's contention that the budget is the government's primary planning tool and that *deliberations over the budget are a political process where priorities are identified and difficult decisions about the trade-offs between social and investment expenditure are made*. International aid must therefore recognise that undermining budgetary processes – through service-delivery decisions, poor co-ordination, off-budget financing and administrative overheads – undermines the social contract.

More generally, aid mechanisms have inadequately recognised that taxation and public expenditure have redistributive functions allowing for the state to correct horizontal and vertical inequalities over time. These features are particularly relevant in divided societies for ensuring stable and equitable growth.

The state also has an essential role in providing a stable supply of money – establishing a stable currency (or adopting one) to ensure price stabilisation, as well as a means for payments and financial intermediation (borrowing and lending) (Coats, 2007). Finally, the provision and maintenance of infrastructural services are necessary for economic growth and can be a tool for overcoming inequalities of opportunity across the territory of the state and levelling the playing field between urban and rural areas (Ghani, Carnahan and Lockhart, 2006).

Corruption and organised crime

In many fragile states, corruption and organized crime are rife. These dynamics are more consequence than cause, but once present they exploit and exacerbate state weakness. If not tackled early, corruption – and the public perceptions thereof – can undermine citizens' trust in the state and in international actors, and weaken state legitimacy.

As noted by Galtung and Tisné (2008), a rise in public perception of corruption can have a destabilising effect; it can also be an important source and stimulus for dialogue about the role of key actors in governments and the way in which governments conduct

themselves. Afghanistan clearly embodies these tensions, with both opposition parliamentarian Ramazan Basherdost and the Taliban campaigning against the inefficiency and corruption of the government and foreign NGOs.

Efforts to reduce corruption may also be destabilising. Enforcement-led approaches (with the aim of prosecuting corrupt individuals) are easily politicised – and are more often than not political when attacking figures and practices at the heart of fragile state institutions.

The enforcement-led approach is most often accompanied by interventions designed to create a public environment less permissive of corruption. These can also have the unintended consequence of eroding state legitimacy. Raising awareness of corruption creates expectations of reform. Failure to meet these expectations contributes to increasing cynicism about the state and politicians, in turn eroding legitimacy.

The risk that corruption and corrupt networks become entrenched with time and negative public perceptions grow is high. However, current solutions appear to focus most prominently on high-level corruption, which is not always at the point of contact most citizens have with their state and therefore not the source of grievances. Linked to this, international financial positions on civil service wage increases often place functionaries in a position where "illegal" service fees are necessary for survival. What are needed are more innovative strategies that structure incentives carefully to reward compliance rather than penalise it. Such strategies would involve local communities most affected by corruption and recognise the economic realities that drive low-level corruption. Investment in these areas is sadly lacking. Increasing information flows and the transparency of government and international actors could to some extent empower citizens in fragile states and address these grievances while simultaneously re-enforcing state legitimacy (Galtung and Tisné, 2008).

Predatory states and those with weak rule of law, particularly post-conflict countries, are especially at risk as a result of two forms of activity: criminal organisations that operate for profit's sake and organised criminal activities conducted by other actors – political parties, terrorist organisations, insurgent groups – that seek to generate funds as a means to political ends (Williams and Picarelli, 2005, p. 126).

With respect to the nexus of conflict and criminality, international responses to organised crime on the one hand and to conflict prevention, peacekeeping and peacebuilding on the other have been largely separate. Williams and Picarelli (2005, p. 126) argue that traditional diplomacy needs to be combined with law enforcement in innovative ways. They call for the development of conflict-resolution strategies that change the profit-to-risk ratio of criminal versus lawful opportunities, and for the integration of "peacemaking and peacekeeping activities with efforts to develop the rule of law, to contain organized criminal activities and to inhibit the development of – or to dismantle – parallel power structures."

Among the tools for this are financially targeted sanctions. To improve their efficacy, international and national law enforcement needs to be better incorporated into the design of regulatory regimes. Use of asset freezing and seizing by the international community can be an effective tool against criminal networks, particularly where the political will among domestic law enforcement actors for interdiction of individuals is lacking. The exact design of these measures must be context-specific – whether groups are politically driven, profit driven, or some combination thereof is a critical factor in how groups will react.

Combating organised crime also requires a concerted effort, since no single country or organisation has the requisite capacity or authority to conduct the full range of activities

necessary to effectively combat organised crime. Existing anti-crime and anti-corruption entities, like the G-8 Expert Group on Transnational Organised Crime and the Financial Action Task Force, could be strengthened with respect to the conflict-crime nexus.

Although post-conflict countries are at heightened risk from corruption and organised crime, peace operations – especially under Chapter Seven of the UN Charter – offer opportunities to strengthen national capacities and engage in robust countermeasures, such as placement of international judges and specialist law enforcement, *e.g.* the deployment of Italian Guardia di Finanza to Kosovo under UNMIK.

Taxation

Resource mobilisation through taxation was integral to state formation in the European experience, and formed the basis of bargaining between citizens and rulers over their mutual duties and obligations. A state dependent on taxation for revenue has a stake in its citizens' prosperity and creates incentives to promote economic development and improve public policies in ways that meet citizens' expectations. Men and women who interact with the state through taxation and observe a relationship between tax and services have a stake in the performance and accountability of state institutions and are willing to cede legitimacy to the government (Moore, 2007). Where taxation is coerced and the state is not service-oriented, perceptions of the state as distant and predatory are reinforced.

The OECD/DAC Network on Governance (GOVNET) notes that experience from Costa Rica, Mauritius and several East Asian countries demonstrates the value of this relationship, and that countries with limited tax revenues tend to exhibit bad governance (OECD/DAC, 2008b). The effects of low tax revenues have been documented across a variety of countries and regions.[8]

A critical dilemma for international actors is that persistent aid dependence creates disincentives to tax, severing the accountability relationship described above (Sindzingre, 2007). In addition, when citizens are not aware of the intensity of aid flows, the distribution of aid between grants and loans or the nature of aid-funded projects, the necessary information for effective accountability is missing. The disincentive to tax may also slow the development of domestic institutions, particularly the tax administration and other components of the public finance system (Brautigam and Knack, 2004). Excessive involvement of international actors in direct service delivery also distorts the basis of the taxation relationship.

To date, international assistance has focused primarily on enhancing the tax administration, with a strong emphasis on the establishment of semi-autonomous revenue authorities (OECD/DAC, 2008b). The result of these efforts has been mixed, indicating that an emphasis on the formal status of tax institutions is not a sufficient remedy. Rather, *state-building policy in fragile states should have the objective of supporting governments in their efforts to raise revenue by taxing a larger number of citizens and enterprises more consensually* (OECD/DAC, 2008b), acknowledging the trade-offs and challenges involved.

Notes

1. There are exceptions to this, however, where the focus is on political expediency rather than improving service delivery.

2. For a broader analysis of how inefficiency and dysfunctionality can work to the advantage of people in power, see Chabal and Daloz, 1999.

3. This necessitates a sufficient capability on the part of the state to restrain its own security forces, but also to check the actions of non-state/informal institutions/actors.

4. In effect, numerous states have conceded full or partial responsibility for their security; this is one aspect of peacekeeping through the United Nations, regional organisations, or other arrangement. Since the establishment of the UN, peacekeepers have been deployed to a range of countries to monitor ceasefires and observe peace processes. More robust deployments have attempted – usually successfully, though not flawlessly – to keep peace. In East Timor and Kosovo, the UN was vested with executive authority, serving as the government with blue helmets (and blue berets) as its security force. Moreover, in the DRC, the UN has helped the government to fly additional troops and ammunition to North Kivu, in part to defend Goma from attacks by rebels.

5. Using education as an example, the paper illustrates these competing interests. Clients (parents and students) want low-cost, accessible, safe and high-quality schooling that improves children's opportunities in life. Policy makers want to deliver social benefits at a low cost with high publicity value and an opportunity for political rewards. Providers (teachers) want technically sound curricula, decent salaries, respect and safety.[6] As the DAC workstream on Service Delivery highlights, users have two potential routes of accountability for securing essential services: a long route, via the policy makers who allocate services; and a short route, directly to the producers of services. In fragile states there are limitations to the long route as its functioning depends on a legitimate and effective state that listens and responds to the concerns of its people. In such situations service delivery is therefore likely to depend on short-route accountability, and service users must take an active role in engaging directly with service providers (OECD/DAC, 2008a).

7. USAID usefully distinguishes between service production (the physical delivery) and service provision (which can include funding or payment of the resources required for the former). Thus the state may have a direct role in provision but not necessarily in front-line delivery.

8. For a brief summary of studies that found a strong statistical relationship between aid dependency and deteriorations in governance, see Moss *et al.*, 2006.

Chapter 5

Organisational and Financial Implications: Recommendations for Bilaterals and Multilaterals

Implications for bilaterals: Financing and mode of delivery

Bilateral actors have increasingly recognised that it is necessary to take a whole-of-government approach to fragile states – *i.e.* to develop security, development, foreign and trade policies in relation to their impact on broader dynamics of state fragility or resilience (Stewart and Brown, 2007). Here we believe our dynamic model of fragility adds value, in creating a lens through which interactions can be viewed and understood.

For example, UK and Dutch policy processes for SSR are recognised as being at the forefront of effective whole-of-government approaches to strategy development. Critically, the United Kingdom and the Netherlands have developed mechanisms for creating a cross-ministerial integrated SSR approach, in addition to flexible funding mechanisms. However, in most cases, whole-of-government approaches are still in their infancy and as currently articulated contain some risks. Moreover, they have not yet convincingly translated into necessary changes in a) the way national budgets are organised for effective spending in fragile states or b) the manner in which national policy intersects with various multilateral institutions.

Risks associated with whole-of-government approaches

The first risk, with which the UN has had substantial negative experience, is that co-ordination can drive out strategy (Jones, 2000). Although effective strategy for engagement in fragile states clearly needs to combine the diplomatic, development, security and economic dimensions of policy, multi-actor co-ordination processes do not tend to generate high-quality strategy; rather, they force a premium on accommodation of bureaucratic differences to enable consensus. This outcome depends in substantial part on bureaucratic culture; there is as yet only initial research on these questions, but some early experiences suggest that processes that allow for contested advice prove more effective in generating both cross-actor buy-in *and* clear strategy decisions (Stedman and Gowan, 2006).

The second risk is that co-ordination within capitals can drive out co-ordination between capitals. Because of the need to bring a multiplicity of actors along on a given policy approach, the governmental co-ordination process can result in fixed positions that are then not amenable to further co-ordination with other donors.

Last and most important is the risk that whole-of-government approaches by donors can drive out whole-of-government strategy by recipients. As noted above, the act of shaping

overall government strategy – allocating the national budget and articulating state priorities – is an extremely important part of state legitimation, especially in weak, divided and post-war states. It is ultimately the responsibility of the state to perform this set of functions and if donor-driven strategy displaces those functions, the effect can be deleterious to state legitimacy and the stabilising effect of state-society contract negotiations. Of course, the extent to which this is true depends on the quality of national leadership and its ability to drive effective strategy. Nevertheless, the risk is real and warrants caution.

The actual effectiveness of whole-of-government approaches is also diminished by the fact that to date they concentrate heavily on post-conflict states, and only initial steps have been taken to test the performance of these units in preventive contexts (Stewart, 2000; Stewart *et al.,* 2007). Finally, whole-of-government approaches as yet have not been fully translated into appropriate financing mechanisms – an issue we return to below.

Engagement with non-OECD actors

OECD DAC development policy is still largely framed by processes that are formed through interaction among western states, not through interaction with southern states – either development partners or emerging economies.

Here again, OECD states will have to recognise that they are no longer operating in a context where they are the primary source of external income for many of the states in question. This is particularly an issue in dealing with authoritarian or semi-authoritarian states. Whether in Myanmar or Zimbabwe, authoritarian or semi-authoritarian states have allies and access to external sources of support and markets beyond the OECD area. Effective international engagement in such cases is likely to require concerted negotiation or discussion with these external supporters if it is to have a real effect. Absent sustained engagement with the major emerging economies, OECD policy will be decreasingly relevant in several fragile contexts.

Moreover, we suspect that there is much to learn from engagement with emerging economies and the rising powers. Several of them were in the not too distant past themselves grappling with transition from authoritarian or military rule (Brazil), with jump-starting their economies under the legacy of heavy state involvement in the economy (China), with nurturing still-young democratic institutions (South Africa) or with adapting the state to the challenge of maintaining vibrant growth while tackling widespread poverty (India). Encouragingly, these states are starting to engage in post-conflict programming (India in Afghanistan, China in Timor Leste, South Africa in Sudan, Brazil in Haiti). Some past south-south engagements in post-conflict peacebuilding suggest a direct relevance of contemporary national experience and a greater cultural sensitivity to the role of external engagement – a positive example having been Pakistan's troop contingent in Haiti during MINUSTAH (Cousens, Kumar and Wermester, 2000). There are of course less salutary examples – Chinese natural resource spending in the Pacific region comes to mind.

These issues will have a direct bearing on a region of high importance to the OECD and of mounting concern from a fragile states perspective: the Middle East. Arrayed against OECD policy and the mode of OECD member aid delivery are powerful social forces, including a resurgence of religious identity and economic forces. These social forces have contributed to a dramatic jump in sovereign wealth of the last ten years, most notably in Gulf Co-operation Council (GCC) countries. To date, in the intersection between western aid policy in the Middle East and these dynamic regional forces, the west is losing. Sustained engagement with the Gulf countries is the *sine qua non* of effective policy in this region.

Aid mechanics: Financing, co-ordination and mode of delivery

A further challenge for bilateral actors is that a state-building lens and a concern about fragility have not yet resulted in a shift in the mode of aid delivery. Three issues are of concern here: first, the continuing competition and lack of co-ordination between donors; second, the increasingly burdensome emphasis that donors place on accountability to themselves as distinct from partner state accountability to its citizens; and third, the lack of predictable, multi-year funding to programmes that require long-term strategy. Those include state capacity development, institution building and SSR – *i.e.* those areas that should be at the core of state-building processes.

Donor Co-ordination. The pathologies of donor co-ordination are well established and need not be restated here (Forman and Patrick, 2000; Jones, 2000). What is clear, however, is that lack of co-ordination and donor competition for branding and ownership are all the more counterproductive in fragile state contexts. Where the state is comparatively strong, it will by and large be able to impose a degree of order on both donors and agencies; where the state is comparatively weak, incoherence among donors will reinforce incoherence of state strategy and incoherence among multilateral agencies and non-governmental organisations.

In this context, the launch of a "One UN" process in several countries is a starting point, although not a complete solution. Better co-ordination among agencies must be matched by tighter coherence and harmonisation among donors. The use of pooled funds (see below) is probably the most efficient way to achieve this result.

Many donor agencies have, for several years, resisted the kinds of changes required to fully implement a more coherent approach. The EU Common Framework for Country Strategy Papers (CSPs) is an early example of a concept for forging a joint multi-donor strategy across governments – an idea whose time has come. There are significant challenges and risks ahead in this as yet unproved process; the next few years will see more data emerge from the field on the efficacy and effectiveness of this approach.[1] There is perhaps a new opportunity, however, with governments recognising that their interests in fragile states extend beyond the remit of development assistance, and that there are national interests in improving results.

Financing. At the bilateral level, whole-of-government approaches have yet to demonstrate an impact on bilateral policy spending arrangements. A significant factor in this is the complex question of ODA eligibility and in particular a widespread reluctance to count certain expenditures as ODA. This is understandable from an economic development perspective; it remains essential, from a state-building perspective, that sources of funding are made available for these purposes, both ODA-eligible and not.

Certain portions of work in certain sectors, including parts of SSR and the civilian functions of peacekeeping, are covered by ODA. However, these are few in number, and essential security activities – such as supporting counterinsurgency and military training and provision of military equipment – sometimes experience financing challenges. Such activities are legitimate features of state authority.[2]

ODA-based spending is not, however, the only potential source of funds for these activities. Defence-budget-based programmes for SSR, such as train and equip programmes, can and do provide funding for these activities. The challenge here is in ensuring that those programmes fall under a whole-of-government approach to state building, as was stipulated in the original design for a new US Africa Command structure, since

abandoned. Mechanisms that secure adequate funding across a range of activities in the security sector will offer significant potential for improvement, but a key challenge will be to create adequate incentives to encourage improved co-ordination and coherence between ODA- and non-ODA-eligible expenditures for development objectives. In recent years a few flexible financing mechanisms have been created (in the United Kingdom, the Netherlands, Canada and the European Union) that incorporate both ODA and non-ODA financing. This is a welcome innovation and further work and assessment on these tools is necessary, both to understand how they work and to see what the incentives are for donors to establish similarly flexible mechanisms.

A glaring weakness is in rule of law and justice sector support to fragile states, both at the multilateral and bilateral levels. Three problems intersect. First, much of this support, especially in post-war states, is provided through peace operations, but without assessed budgets for spending under civilian functions. Second, spending on the civilian dimensions of peace operations is not entirely covered by ODA criteria. Third, funding aside, there is a dearth of available personnel for bilateral or multilateral operations.

Related to this is the acute problem of a *lack of multi-year funding*, especially for governance, rule of law and capacity development programming. The consequences that result for recipients when they are forced to plan only a year at a time – and, given the time scales on which donors provide rather than commit funds, often far less than a year – are well documented. In poverty reduction and economic growth terms, this is problematic enough. When it comes to engagement with and support to extremely sensitive, long-term processes of state-society contract negotiations or building the institutions of political governance, lack of long-term predictability is fundamentally detrimental. Donor governments need to engage with their legislative and parliamentary bodies to further elucidate the negative implications of short-termism in donor financing. That case should be made, in the first instance, not by aid ministries, who are often perceived as having a vested interest, but by whole-of-government units, foreign ministries, or others who can also speak to the broader national interests in supporting the state-building process and tackling state fragility.

It is worth noting that one area where governments have recently succeeded in improving funding structures is humanitarian aid – with the replenishment of the Central Emergency Revolving Fund (CERF) to USD 500 million and the initial success of common funds (Stoddard *et al.,* 2006).

Accountability to whom? Directly related to the question of multi-year funding is the question of donor-based accountability. Over the past several years, donor governments have understandably increased their reporting requirements and changed disbursement patterns to improve the accountability of recipients for the use of donor funds. The consequences of these changes, however, especially in contexts where multiple donors are providing support to states with limited financial management capacity, are twofold. First, these mechanisms place a substantial strain on states' financial management mechanisms and staff, taking attention away from strategy, inclusive negotiations and other priorities. Second, and even more perniciously, these mechanisms increasingly supplant the state's accountability to its citizens with state accountability to donors. The two are not mutually exclusive in principle. In practice, where capacity is strained, fulfilling donor reporting requirements – and more importantly, programming against donor rather than national priorities – can actively undermine state accountability and responsiveness, the opposite of state-building goals. Here, too, donor governments should be engaging with their legislative

oversight bodies to make the case for a greater emphasis on internal accountability, rather than state-donor accountability.

Pooling funds. Many of these difficulties would be eased if donors, relying on each other or a multilateral body to undertake the management and accountability processes, did more to pool their funds. One mode for this is being tested now – the pooling of resources through the use of common funds at the country level, in the "One UN" process. Further use of this or similar mechanisms would go a long way toward minimising the countereffects on state-building processes of current aid delivery, financing and accountability mechanisms.

Implications for multilateral institutions

The issue of state building in fragile states has substantial implications for multilateral actors as well. Multilateral institutions, particularly the UN and the World Bank, should – and do – bring substantial comparative advantages to bear. Three stand out.

First, because these actors are involved in just about every fragile state context, they have – at least theoretically – an ability to learn lessons and generate real, comparative expertise. This is in contrast to most bilateral donors (the largest donors are an exception) who increasingly focus their aid on a smaller subset of countries and may not have substantial expertise in fragile state contexts. At the UN in particular, engagement in fragile states is a huge part of the workload, so that over time the institution retains a number of staff with substantial field experience and policy knowledge relevant to fragile states. Multilateral institutions often also enjoy a legitimacy that is not attached to bilateral actors, though multilateral institutions are generally slow to recognise that they too face a version of performance legitimacy. Moreover, repeated underperformance erodes legitimacy in the eyes of both host states and donors.

Second, multinational institutions have, by necessity, multicultural staff, who can bring with them an appreciation of cross-cultural state forms and institutional arrangements. This is particularly so with the growing number of senior officials at the UN and the World Bank who themselves come from states with recent experiences of fragility or conflict (albeit usually from the élite strata of those societies).

Third, multilateral institutions have the opportunity, if not always the capacity, to pull myriad actors together under a common strategy. This can be done by a lead donor, and in a few cases – such as Australia's role in Timor Leste alongside such actors as Japan – has been successful. However, normally lead donors complicate political relationships with the state; state officials, however dependent on that donor in real terms (often for domestic political reasons) actively seek to avoid the perception that they are operating too closely under the large donor, especially in a country where there has been a colonial or interventionist past. Multilateral institutions can pull the various relevant donors together with other institutions and the state into joint strategy and decision-making processes. This has been done by the World Bank through its Consultative Group (CG) Post Conflict Needs Assessment (PCNA) processes; in post-conflict settings, this is increasingly done through peacekeeping or political missions (MONUC/Congo, UNAMA/Afghanistan, UNSCO/the Quartet.)

However, there are also important gaps in multilateral policy and capacity that will have to be filled in order to stimulate effective state-building support.

At present, no multilateral institution has an adequate capability for civilian support to the state, either in pre-crisis or in post-war contexts. Three institutions have nascent

capabilities: the UN's Department of Peacekeeping Operations (DPKO), which has a newly formed Office of Rule of Law and Security Institutions (but only a modest staffing table); the UNDP's Bureau for Conflict Prevention and Recovery (BCPR), which has a mandate and some experience but is still sharply limited in human resourcing for this function; and the World Bank, which of course has extensive financial resources, including for state building. To date the Bank's resources have been confined rather narrowly to public finance management and specific economic sectors. The EU as well has the potential to develop a substantial civilian capability, although to date this capacity has been more present in policy than actuality.

Secondly, strategic co-ordination processes within and among these institutions, between them and donors, and between external and internal actors – although improving – are still under-developed and episodic. There is emerging best practice, however. One example is the role played by MONUC's development co-ordination pillar in forging a common country strategy; another is the Timor Leste compact.

Questions remain, however, about the appropriate framework for such co-ordination processes. As noted above, the PRSP is unlikely to be an adequate framework to guide aid processes in divided or post-war states. Here, the recent decision of the UN Secretary-General's Policy Committee to have the Peacebuilding Support Office (PBSO) lead a process to develop integrated peacebuilding strategies is one that we welcome. The World Bank's support for this endeavour has been critical as well. *Increasingly, an integrated peacebuilding strategy process should frame and support post-conflict needs assessment and PRSP mechanisms.*

Thirdly, UNDP and the World Bank, potentially lead agencies in state building, both suffer from weaknesses in their field presences. UNDP is almost always present in fragile states, but often with limited funds and frequently with lead staff ill-suited to functioning in fragile state contexts. The World Bank also has problems with fielding appropriate staff, but not with the scale of available resources; the Bank's weakness is that it is frequently not in place in fragile states. Correctives in *both* directions – getting more, appropriate Bank staff in place and improving UNDP's core staffing – would help.

Moreover, just as the World Bank and UNDP (and the UN Development Group Office) have increasingly co-operated in post-conflict needs assessment, there is a strong case for joined operations, or joined field presences that can draw on the respective competencies of the two institutions. There is also a need for further research and evaluation on the strengths and weakness of each institution's governance practices.

UN Department of Peacekeeping Operations. Given the increasing importance of peace operations in the provision of support to post-conflict states in the rule of law, DPKO has appropriately created a new Office of Rule of Law and Security Institutions; a positive development that should provide the basis for better integration of the UN's activities in disarmament, demobilisation and reintegration, support to security sector reform and rule of law, and provision of civilian police. However, the UN's recruitment systems for civilians in field positions are woeful. DPKO and the UN Special Committee on Peacekeeping should engage in a major reform effort to improve the speed of recruitment, training and the retention of personnel.

The World Bank. The Bank has already agreed to extend its field personnel in fragile states. Staffing for these new positions should take appropriate account of the political sensitivity of fragile state contexts and the need for negotiating skills.

UNDP. We also believe that it is warranted to strengthen UNDP's performance and role in political governance, the rule of law and security sector reform, as core areas of development engagement in fragile states. UNDP's legitimacy with recipient governments is an important asset in this regard, and one to be carefully managed. UNDP should develop an organisational strategy for a) building its core competence in these areas and b) deepening its cadre of skilled Resident Coordinators for deployment to fragile state contexts. Donors should increase multi-year funding to UNDP, perhaps specifically to the Bureau for Conflict Prevention and Recovery, for work in these areas.

Notes

1. These CSPs are supposed to ensure EU co-ordination in fragile situations, particularly through joint programming that enhances predictability and facilitates synergies to fit partners' needs and priorities. Another example of EU efforts on co-ordination and complementarity in situations of fragility and to support state building is the EC/DFID Joint Strategy for support to Sierra Leone.

2. OECD directives on what activities qualify as ODA exclude "the supply or financing of military equipment or services and use of military personnel to control civil disobedience". ODA-eligible activities include: management of security expenditure; enhancing civil society's role in the security system; supporting legislation for preventing recruitment of child soldiers; improvement of democratic governance and civilian control; civilian peacebuilding, conflict-prevention and conflict resolution; and controlling small arms and light weapons. See OECD/DAC, 2005a.

Conclusion

If states have been a source of violence and oppression, so too has their weakness or their collapse. States remain a critical feature of orderly national and international life, but an intrinsically problematic one.

Therefore, whether from a human security or development standpoint, or from an international order perspective, the goal is to see the spread of states that both fulfil international responsibilities and maintain domestic order, and do so without excessive or unjustified coercive force – *i.e.* that do so in some form of resilient and ideally just contract with society.

State building in fragile states is a critically important function, then, but a highly challenging one. The complexity and context specificity of the process, as well as limits on external influence, mean that this will be a terrain requiring sustained, serious efforts as well as research and policy innovation. But successes will contribute to human security, development and international stability – benefits warranting substantial national and international engagement.

Bibliography

Acemoglu, D. *et al.* (2001), "The Colonial Origins of Comparative Development: An Empirical Investigation", *The American Economic Review,* Vol. 91, No. 5, pp. 1369-1401.

Ahmad, J. *et al.* (2005), "Decentralization and Service Delivery", World Bank, Policy Research Working Paper No. 3603, http://siteresources.worldbank.org/INTSAREGTOPDECENTRALIZATION/34004326-1095361015317/20915118/DecentandServDelivery.pdf, accessed 4 August 2007.

Anderson, B. (1983), *Imagined Communities,* Verso, London.

Ayoob, M. (1995), The Third World Security Predicament: State Making, Regional Conflict, and the International System, Lynne Rienner, Boulder, Colorado.

Ayoob, M. (2001), "State Making, State Breaking and State Failure", in C.A. Crocker, F.O. Hampson and P. Aall (eds.), *Turbulent Peace: The Challenges of Managing International Conflict*, United States Institute of Peace, Washington, DC.

Baker, B. (2007), "Non-state Providers of Everyday Security in Fragile African States", in L. Andersen, B. Moeller and F. Stepputat (eds.), *Fragile States and Insecure People? Violence, Security and Statehood in the Twenty-First Century*, Palgrave, New York.

Barnett, M. (1998), *Dialogues in Arab Politics*, Columbia University Press, New York.

Barton, R. (2004), "Pre and Post Conflict Stability Operations", a joint DARPA and CSIS Workshop, Summary of Proceedings, 22-23 June 2004, http:// www.csis.org/media/csis/pubs/040622_p2copssum.pdf, accessed 22 April 2008.

Birdsall, N. (2007), "Do No Harm: Aid, Weak Institutions and the Missing Middle in Africa", Center for Global Development, http://www.cgdev.org/content/publications/detail/13115, accessed 6 September 2007.

BMZ (Federal Ministry for Economic Cooperation and Development, Germany) (2007), "Observations on Service Delivery in Fragile States and Situations: The German Perspective", Special 145.

Bouillon, M.E., D.M. Malone and B. Roswell (eds.) (2007), *Iraq: Preventing A New Generation of Conflict*, Lynne Reinner, Boulder, Colorado.

Boyce, J. and M. O'Donnell (2007), *Peace and the Public Purse Economic Policies for Postwar Statebuilding*, Lynne Rienner, Boulder, Colorado.

Bratton, M. and C. Logan (2006), "Voters But Not Yet Citizens: The Weak Demand for Political Accountability in Africa's Unclaimed Democracies", Afro Barometer Working Paper No. 63.

Brautigam, D. and S. Knack (2004), "Foreign Aid, Institutions and Governance in

Sub-Saharan Africa", *Economic Development and Cultural Change,* Vol. 52, No. 2, pp. 255-285.

Brzoska, M. (2000), "The Concept of Security Sector Reform", in H. Wulf (ed.), *Security Sector Reform,* BICC Brief No. 15.

Bueno de Mesquita, B. and G. Downs (2005), "Development and Democracy: Richer But Not Freer", *Foreign Affairs,* Vol. 84, No. 5, pp. 77-86.

Buzan, B. *et al.* (1998), *Security: A New Framework for Analysis,* Lynne Rienner, Boulder, Colorado.

Call, C.T. and V. Wyeth (eds.) (2008), *Building States to Build Peace,* Lyenne Rienner, Boulder, Colorado.

Call, C.T. and E.M. Cousens (2007), "Ending Wars and Building Peace", Coping With Crisis Working Paper Series, International Peace Academy.

Call, C.T. and S.E. Cook (2003), "On Democratization and Peacebuilding" *Global Governance,* Vol. 9, No. 2, pp. 135-139.

Caparini, M. (2003), "Security Sector Reform and NATO and EU Enlargement", in *SIPRI Yearbook: Armament, Disarmament and International Security*, Oxford University Press, Oxford.

Carnahan, M. and C. Lockhart (2008), "Peacebuilding and Public Finance", in C.T. Call and V. Wyeth (eds.), *Building States to Build Peace*, Lynn Rienner, Boulder, Colorado.

Carothers, T. (1999), *Aiding Democracy Abroad: The Learning Curve,* Carnegie Endowment for International Peace, Washington, DC.

Carothers, T. (2002), "The End of the Transition Paradigm", *Journal of Democracy,* Vol. 13, No. 1, pp. 5-21.

Carothers, T. (2003), "Promoting the Rule of Law Abroad: The problem of Knowledge", Carnegie Endowment for International Peace, Rule of Law Working Paper Series No. 34, Washington, DC.

Center on International Cooperation (2006), The Annual Review of Global Peace Operations.

Chabal, P. and J.-P. Daloz (1999): Africa Works. The Political Instrumentalization of Disorder, James Currey, Oxford.

Chandran, R. (2007), *Peacekeeping, State-building and Strategic Planning*, Center on International Cooperation.

Chang, H.-J. (2000), "Institutional Development in Developing Countries in a Historical Perspective: Lessons from Developed Countries in Earlier Times," unpublished paper, University of Cambridge. Cited in Merilee S. Grindle (ed.) (2004), "Good Enough Governance: Poverty Reduction and Reform in Developing Countries", in *Governance: An International Journal of Policy, Administration, and Institutions,* Vol. 17, No. 4, p. 531.

Chirayath, L., C. Sage and M. Woolcock (2005), "Customary Law and Policy Reform: Engaging with the Plurality of Justice Systems", Background paper prepared for the *World Development Report 2006*, Washington, DC.

Cliffe, S. (2008), "Peacebuilding and Public Finance", in C.T. Call and V. Wyeth (eds.), *Building States to Build Peace*, Lynn Rienner, Boulder, Colorado.

Coats, W. (2007), "Currency and Sovereignty: Why Monetary Policy is Critical", in J.K. Boyce and M. O'Donnell (eds.), *Peace and the Public Purse: Economic Policies for Postwar State Building*, Lynn Rienner, Boulder, Colorado.

Collier, P. (1999), "Learning from Failure: The International Financial Institutions as Agencies of Restraint in Africa", in A. Schedler, L. Diamond and M.F. Plattner (eds.), *The Self-Restraining State: Power and Accountability in New Democracies*, Lynne Rienner, Boulder, Colorado.

Collier, P. (2007), The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It, Oxford University Press.

Collier, P. (2008), "Post-Conflict Economic Policy", in C.T. Call and V. Wyeth (eds.), *Building States to Build Peace,* Lynn Rienner, Boulder, Colorado.

Cousens, E., C. Kumar and K. Wermester (eds.) (2000), *Peacebuilding as Politics: Cultivating Peace in Fragile Societies*, Lynne Reinner, Boulder, Colorado.

Decker, K., C. Sage and M. Stefanova (2005), "Law or Justice: Building Equitable Legal Institutions", Background paper prepared for the World Development Report 2006, Washington, DC, http://siteresources.worldbank.org/INTWDR2006/Resources/477383-1118673432908/Law_or_Justice_Building_Equitable_Legal_Institutions.pdf, accessed 25 September 2007.

DfID Effective States Team (n.d.), "Governance and Transparence – Some Thoughts," think-piece, www.dfid.gov.uk/funding/gtf-thoughts.pdf, accessed 8 June 2007.

Dobbins, J. (2007), *Beginner's Guide to Nation Building,* Rand Corporation, Santa Monica.

Elbadawi, I. and A. Gelb (2003), "Financing Africa's Development: Toward a Business Plan", in N. van de Walle *et. al.* (eds.)*, Beyond Structural Adjustment: The Institutional Context of African Development,* Palgrave Macmillan, New York.

Evans, P. and J.E. Rauch (1999), "Bureaucracy and Growth: A Cross-national Analysis of the Effects of 'Weberian' State Structures on Economic Growth", *American Sociological Review,* Vol. 64, No. 5, pp. 748-766.

Eyben, R. and S. Ladbury (2006), "Building Effective States: Taking a Citizens' Perspective", Development Research Institute, http://www.drc-citizenship.org/docs/publications/reports/drccitizensperspective.pdf, accessed 18 July 2007.

Forman, S. and S. Patrick (eds.) (2000), *Good Intentions: Pledges of Aid for Postconflict Recovery*, Lynne Rienner, Boulder, Colorado.

Fritz, V. and A. Rocha Menocal (2007a), "Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda", *Development Policy Review*, Vol. 25, No. 5, pp. 531-552.

Fritz, V. and A. Rocha Menocal (2007b), "Understanding State-Building from a Political Economy Perspective", Overseas Development Institute.

Fukuyama, F. (2004), *Statebuilding: Governance and World Order in the 21st Century,* Cornell University Press, Ithaca, New York.

Galtung, F. and M. Tisné (2008), Integrity After War: Why Reconstruction Assistance Fails to Deliver to Expectations, Tiri, London.

Gellner, E. (1983), *Nations and Nationalism,* Cornell University Press, Ithaca, New York.

Ghani, A., M. Carnahan and C. Lockhart (2005), "Closing the Sovereignty Gap: An Approach to State-Building", Overseas Development Institute, Working Paper No. 253, London, www.odi.org.uk/Publications/working_papers/wp253.pdf, accessed 22 July 2007.

Ghani, A., M. Carnahan and C. Lockhart (2006), "Stability, State-building, and Development Assistance: An Outsider's Perspective", Princeton Project on National Security, Working Paper, http://www.wws.princeton.edu/ppns/papers/ghani.pdf, accessed 9 August 2007.

Goldstone, J.A. and J. Ulfelder (2004), "How to Construct Stable Democracies", *The Washington Quarterly,* Vol. 28, No. 1, pp. 9-20.

Grindle, M. (2004), "Good Enough Governance: Poverty Reduction and Reform in Developing Countries", *Governance: An International Journal of Policy, Administration, and Institutions,* Vol. 17, No. 4, pp. 525-548.

Harik, I. (1987), "The Origins of the Arab State System", in G. Salame (ed.), *Foundations of the Arab State,* Croom Helm, London, pp. 19-46.

Herbst, J. (2000), States and Power in Africa: Comparative Lessons in Authority and Control, Princeton University Press, Princeton.

Hobsbawm, E. (1999), *Industry and Empire: The Birth of the Industrial Revolution*, New Press, New York.

Hochschild, A. (1998), *King Leopold's Ghost*, Houghton Mifflin, New York.

Horowitz, D.L. (1985), *Ethnic Groups in Conflict*, University of California Press, Los Angeles.

Ikenberry, G.J. (2000), *After Victory,* Princeton University Press, Princeton.

Jones, B. (2000), "Strategic Co-ordination," in S.J. Stedman *et al.* (eds.), *Ending Civil Wars: The Implementation of Peace Agreements,* Lynne Reinner, Boulder, Colorado, pp. 89-117.

Kaufmann, D. *et al.* (2006), Governance Matters V: Aggregate and Individual Governance Indicators for 1996-2005, World Bank.

Kenny, C. (2007), "Infrastructure Governance and Corruption: Where Next?", World Bank Policy Research Working Paper No. 4331.

Kulipossa, F.P. (2004), "Decentralization and Democracy in Developing Countries: An Overview", *Development in Practice*, Vol. 14, No. 6, pp. 768-779.

Landell-Mills, P. and I. Serageldin (1991), "Governance and the Development Process", *Finance and Development*, Vol. 28, No. 3.

Mansfield, E. and J. Snyder (2002), "Democratic Transitions, Institutional Strength and War", *International Organization,* Vol. 56, No. 2, pp. 297-337.

Mayall, J. (1990), *Nationalism and International Society*, Cambridge University Press, Cambridge.

Montevideo Convention (1934), "Convention on the Rights and Duties of States – Montevideo Convention", *American Journal of International Law*, Vol. 28, No. 2, Supplement: Official Documents, pp. 75-8, article 1.

Moore, M. (1998), "Death without Taxes: Democracy, State Capacity, and Aid Dependence in

the Fourth World", in M. Robinson and G. White (eds.), *The Democratic Developmental State,* Oxford University Press, Oxford, pp. 84-123.

Moore, M. (2005), *Signposts to More Effective States: Responding to Governance Challenges in Developing Countries*, Institute for Development Studies, Sussex, http://www.ids.ac.uk/ids/news/signposts.pdf.

Moore, M. (2007), "How Does Taxation Affect the Quality of Governance?", Center for the Future State, Working Paper No. 280.

Moss, T. *et al.* (2006), "An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State-Building in Sub-Saharan Africa", Center for Global Development, Working Paper No. 74.

Newbrander, W. (2007), "Rebuilding Health Systems and Providing Health in Fragile States," USAID, MSH Occasional Paper, No. 7, http://www.msh.org/resources/publications/pdf/Rebuilding_Health_Systems_Fragile_States.pdf, accessed 25 April 2007.

North, D.C. (1989), Institutions, Institutional Change and Economic Performance, Cambridge University Press, Cambridge.

O'Donnell, G. (1998), "Horizontal Accountability in New Democracies", *Journal of Democracy,* Vol. 9, No. 3, pp. 112-126.

O'Donnell, G. and P.C. Schmitter (1986), Transitions from Authoritarian Rule: Tentative Conclusions About Uncertain Democracies, Johns Hopkins University Press, Baltimore.

OECD/DAC (1997), "Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance", OECD, Paris.

OECD/DAC (2005a), "Conflict Prevention and Peace Building: What Counts as ODA?", OECD, Paris.

OECD/DAC (2005b), "Lessons Learned on the use of Power and Drivers of Change Analyses in Development Co-operation", Review commissioned by the OECD DAC Network on Governance (GOVNET), Final Report, OECD, Paris.

OECD/DAC (2005c), "Security System Reform and Governance", DAC Guidelines and Reference Series, OECD, Paris.

OECD/DAC (2007a), The "Principles for Good International Engagement in Fragile States and Situations", OECD, Paris.

OECD/DAC (2007b), *OECD DAC Handbook on Security System Reform: Supporting Security and Justice*, OECD, Paris.

OECD/DAC (2007c), *Enhancing the Delivery of Justice and Security: Governance, Peace and Security*, OECD, Paris.

OECD/DAC (2008a), *Service Delivery in Fragile Situations: Key Concepts, Findings and Lessons*, OECD, Paris.

OECD/DAC (2008b), *Governance, Taxation and Accountability: Issues and Practice*, OECD, Paris.

OECD/DAC (2008c), "Guidance on Evaluating Conflict Prevention and Peacebuilding Activities – Working Draft for the Application Period", OECD, Paris.

Onibokun, A. (ed.) (1999), *Managing the Monster: Urban Waste and Governance in Africa*, International Development Research Centre, Ottawa.

Ottaway, M. (2003), *Democracy Challenged: The Rise of Semi-Authoritarianism*, Carnegie Endowment for International Peace, Washington, DC.

Palmberg, M. (1983), *The Struggle for Africa,* Zed Press, London.

Pande, R. and C. Udry (2005), "Institutions and Development", Economic Growth Center, Yale University, Discussion Paper No. 928.

Papagianni, K. (2008), "Participation and State Legitimation", in C.T. Call and V. Wyeth (eds.), *Building States to Build Peace,* Lynn Rienner, Boulder, Colorado.

Pfifer, S. (2007), "European Mediators, Institutions and Ukraine's Orange Revolution: A History and Lessons Learned", unpublished paper, commissioned for CIC/Brookings Institution/Stanford-CISAC Program on Managing Global Insecurity.

Political Instability Task Force (PITF), Task Force Reports Phases I-V, George Mason University, http://globalpolicy.gmu.edu/pitf/pitfdata.htm, accessed 30 July 2007.

Przeworski et. al. (2000), Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990, Cambridge University Press, Cambridge.

Reuben, W. (2003), "The Role of Civic Engagement and Social Accountability in the Governance Equation", *World Bank Social Development Notes*, No. 75, http://siteresources.worldbank.org/INTPCENG/214574-1118058447732/20526739/sdn75.pdf, accessed 11 July 2007.

Rocha Menocal, A. (2004), "Editorial", *Development in Practice*, Special Issue on Democracy and Decentralisation, Vol. 14, No. 6.

Rodrik, D. (2003), "Growth Strategies", National Bureau of Economics Research Working Paper No. 10050.

Rodrik *et al.* (2007), "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development", http://ksghome.harvard.edu/~drodrik/, accessed 10 August 2007.

Roth, B. (2000), *Governmental Illegitimacy in International Law*, Oxford University Press, Oxford.

Rueschemeyer, D. (2005), "Building States – Inherently a Long-Term Process? An Argument from Theory," in M. Lange and D. Rueschemeyer (eds.), *States and Development: Historical Antecedents of Stagnation and Advance*, Palgrave Macmillan, New York, pp. 143-164.

Sachs, J. D. (2003), "Institutions don't rule: Direct Effects of Geography on Per Capita Income", NBER Working Paper, No. 9490, http://www.nber.org/papers/w9490.pdf, accessed 11 August 2007.

Salame, G. (1987), *The Foundations of the Arab State*, Croom Helm, London.

Scharpf, F. W. (1999), *Governing in Europe: Effective and Democratic?,* Oxford University Press, Oxford.

Scheye, E. and L. Andersen (2007), "Conclusion: Toward a Multilayered Approach to Security", in L. Andersen, B. Moeller and F. Stepputat (eds.), *Fragile States and Insecure People? Violence, Security and Statehood in the Twenty-First Century,* Palgrave, New York.

Scheye, E. and G. Peake (2005a), "To Arrest Insecurity: Time for a Revised Security Sector Reform Agenda", *Conflict, Security and Development,* Vol. 5, No. 3, pp. 295-327.

Scott, J.C. (1998), Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed, Yale University Press, New Haven.

Sindzingre, A. (2007), "Financing the Developmental State: Tax and Revenue Issues", *Development Policy Review,* Vol. 25, No. 5, pp. 615-632.

Smith, A.D. (1991), *National Identity,* University of Nevada Press, Reno.

Stedman, S. and R. Gowan (2006), "Bypassing Bureaucracy: Executive Decision Making and Comparative Foreign Policy after 9/11", Center on International Cooperation Background Paper.

Stedman, S.J., E. Cousens and D. Rothchild (eds.) (2002), *Ending Civil Wars: The Implementation of Peace Agreements*, Lynne Reinner, Boulder Colorado.

Stewart, F. *et al.* (2007), "Promoting Group Justice: Fiscal Policies in Post-Conflict Countries", Center on International Cooperation Policy Paper.

Stewart, P. (2000), "The Donor Community and the Challenge of Postconflict Recovery", in S. Forman and S. Patrick (eds.), *Good Intentions: Pledges of Aid for Postconflict Recovery*, Lynne Rienner, Boulder Colorado.

Stewart P. and K. Brown (2007), Greater Than the Sum of Its Parts? Assessing "Whole-of-Government" Approaches to Fragile States, International Peace Academy.

Stoddard, A. *et al.* (2006), "Common Funds for Humanitarian Action in Sudan and the DRC: Monitoring and Evaluation Study", Center on International Cooperation, http://www.cic.nyu.edu/internationalsecurity/docs/H_Common%20Funds%20Monitoring%20and%20Evaluation%20Report%20December%202006.DOC, accessed 12 February 2007.

Tilly, C. (1985), "War Making and State Making as Organized Crime", in P. Evans, D. Rueschemeyer and T. Skocpol (eds.), *Bringing the State Back In,* Cambridge University Press, Cambridge.

Tilly, C. (1990), *Coercion, Capital and European States: AD 990-1990*, Cambridge University Press, Cambridge.

Tsai, L.I. (2007), "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China", *American Political Science Review,* Vol. 101, No. 2, pp. 355-372.

UN (2007), "Comprehensive Proposal for the Kosovo Status Settlement", S/2007/168/Add.1.

United Nations Development Programme (2005a), "UNDP and Governance: Experiences and Lessons Learned", http://magnet.undp.org/docs/gov/Lessons1.htm, accessed 3 December 2005.

Weber, M. (1919), "Politics as a Vocation", Speech given in 1919, http://www.ne.jp/asahi/moriyuki/abukuma/weber/lecture/politics_vocation.html, accessed 15 July 2007.

Weber, M. (1978), *Economy and Society,* University of California Press, Los Angeles.

Williams, P. and J.T. Picarelli (2005), "Combating Organized Crime in Armed Conflict", in K. Ballentine and H. Nitzschke (eds.), *Profiting from Peace: Managing the Resource Dimensions of Civil War,* Lynne Rienner, Boulder, Colorado.

Winer, J. (2005), "Tracking Conflict Commodities and Financing", in K. Ballentine and

H. Nitzschke (eds.), *Profiting from Peace: Managing the Resource Dimensions of Civil War*, Lynne Rienner, Boulder, Colorado.

World Bank (1989), "Sub-Saharan Africa: From Crisis to Sustainable Growth", Washington, DC.

World Bank (2003), *World Bank Development Report 2003: Sustainable Development in a Dynamic World*, http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:20227703~pagePK:478093~piPK:477627~theSitePK:477624,00.htm, accessed 13 July 2007.

World Bank (2004), *World Bank Development Report 2004: Making Services Work for Poor People*, http://web.worldbank.org/servlets/ECR?entityID=000090341_20031007150121&collection=IMAGEBANK&sitePK=477432, accessed 8 July 2007.

Yu-tzung, C. *et al.* (2007), "Authoritarian Nostalgia in Asia", *Journal of Democracy,* Vol. 18, No. 3, pp. 66-80.

Further Reading

Addison, T. and S. Mansoob Murshed (2006), "The Social Contract and Violent Conflict" in H. Yanacopulos and J. Hanlon (eds.), *Civil War, Civil Peace,* James Currey, Oxford, pp. 137-163.

Bosire, L. (2006), Overpromised, Underdelivered: Transitional Justice in Sub-Saharan Africa, Center for Transitional Justice, New York.

Carothers, T. (2007), "How Democracies Emerge: The 'Sequencing' Fallacy", *Journal of Democracy,* Vol. 18, No. 1, pp. 12-27.

Dahl, R. (1998), *On Democracy,* Yale University Press, New Haven.

Evans, P., D. Rueschemeyer and T. Skocpol (1985), *Bringing the State Back In,* Cambridge University Press, Cambridge.

Fearon, J.D. and D. Laitin (2004), "Neotrusteeship and the Problem of Weak States", *International Security,* Vol. 28, No. 4, pp. 5-43.

Francois, M. and I. Sud (2006), "Promoting Stability and Development in Fragile and Failed States", *Development Policy Review,* Vol. 24, No. 2, pp. 141-160.

Fritz, V. and A. Rocha Menocal (2006), "(Re)building Developmental States: From Theory to Practice", Overseas Development Institute, Working Paper No. 274.

Goetz, A.M. and R. Jenkins (2001), "Hybrid Forms of Accountability: Citizen Engagement in Institutions of Public-Sector Oversight in India", *Public Management Review,* Vol. 3, No. 3, pp. 363-383.

Grindle, M. (2006), "Modernising Town Hall: Capacity Building with a Political Twist", *Public Administration and Development,* Vol. 26, pp. 55-69.

Gros, J.-G. (1996), "Towards a Taxonomy of Failed States in the New World Order: Decay in Somalia, Liberia, Rwanda and Haiti", *Third World Quarterly,* Vol. 17, No. 3, pp. 455-472.

Herbst, J. (1996), "Responding to State Failure in Africa," *International Security,* Vol. 21, No. 3, p. 122.

Hutchful, E. (2000), "Understanding the African Security Crisis", in A.-F. Musah and K. Fayemi (eds.), *Mercenaries: An African Security Dilemma,* Pluto Press, London, pp. 212-225.

Jackson, R.H. (1987), "Quasi-States, Dual Regimes, and Neoclassical Theory: International Jurisprudence and the Third World", *International Organization,* Vol. 41, No. 4, pp. 519-550.

Junaid, A. *et al.* (2005), "Decentralization and Service Delivery", World Bank Policy Research Paper No. 3603.

Karl, T.L. (1999), "Perils of the Petro-State: Reflections of the Paradox of Plenty", *Journal of International Affairs*, Vol. 53, No. 1, pp. 31-52.

Krasner, S.D. (2004), "Sharing Sovereignty: New Institutions for Collapsed and Failing States", *International Security,* Vol. 29, No. 2, pp. 85-120.

Krasner, S.D. (2005), "Building Democracy After Conflict: The Case for Shared Sovereignty", *Journal of Democracy,* Vol. 16, No. 1, pp. 69-83.

Krasner, S.D. and C. Pascual (2005), "Addressing State Failure", *Foreign Affairs,* Vol. 84, No. 4, pp. 153-163.

Milliken, J. (ed.) (2003), *State Failure, Collapse and Reconstruction*, Blackwell Publishing, Oxford.

Moore, M. (2004), "Revenues, State Formation, and the Quality of Governance in Developing Countries", *International Political Science Review,* Vol. 25, No. 3, pp. 297-319.

Nathan, L. (2007), "Operationalizing the Principle of Local Ownership in Security Sector Reform", Publication commissioned by United Kingdom Government's Global Conflict Prevention Pool.

Ottaway, M. (1999), "Nation Building and State Disintegration", in K. Mengisteab and C. Daddieh (eds.), *State Building and Democratization in Africa: Faith, Hope, and Realities*, Praeger Publishers, Westport.

Ottaway, M. (2002), "Rebuilding State Institutions in Collapsed States", *Development and Change,* Vol. 33, No. 5, pp. 1001-1023.

Paris, R. (2002), "International Peacebuilding and the 'Mission Civilisatrice'", *Review of International Studies,* Vol. 28, pp. 637-656.

Piron, L.-H. (2005), *Donor Assistance to Justice Sector Reform in Africa: Living Up to the New Agenda*, Open Society Justice Initiative, http://www.odi.org.uk/Africa_Portal/pdf/Piron__Justice_Aid.pdf, accessed 25 September 2007.

Rotberg, R.I. (2004), "The Failure and Collapse of Nation-States: Breakdown, Prevention, and Repair", in R.I. Rotberg (ed.), *When States Fail: Causes and Consequences*, University Press, Princeton.

Samuel, P. (2002), Holding the State to Account: Citizen Monitoring in Action, Books for Change, Bangalore.

Scheye, E. and G. Peake (2005b), "Unknotting Local Ownership", in A. Ebnöther and P. Fluri (eds.), *After Intervention: Public Security Management in Post-Conflict Societies – From Intervention to Sustainable Local Ownership*, Partnership for Peace Consortium Working Group on Security Sector Reform, Vienna/Geneva.

Shah, A. and T. Thompson (2004), "Implementing Decentralized Local Governance: A Treacherous Road with Potholes, Detours and Road Closures", World Bank Policy Research Working Paper, Washington, DC.

Snyder, Jack (2000), From Voting to Violence: Democratization and Nationalist Conflict, Norton, New York.

Stewart, F. (2004), "Development and Security", *Conflict, Security and Development,* Vol. 4, No. 3, pp. 261-288.

United Nations Development Programme (UNDP) (2005b), "Promoting Conflict Prevention

and Conflict Resolution Through Effective Governance: A Conceptual Survey and Literature Review", New York, http://magnet.undp.org/docs/gov/mapexercise.htm, accessed 25 November 2005.

UNDP (2007), *Arab Human Development Report 2003-2005*, http://hdr.undp.org/, accessed 23 July 2007.

United Nations, *Charter for the United Nations, http://*www.un.org/aboutun/charter/, accessed 6 January 2006.

USAID (2006), *Service Delivery in Fragile States: Framing the Issues,* http://dec.usaid.gov/.

Wainright, E. (2003), "Our Failing Neighbor: Australia and the Future of the Solomon Islands", APSI Policy Report, http://hdl.handle.net/1885/41686, accessed 9 August 2007.

van de Walle, N. (2002), "Elections Without Democracy: Africa's Range of Regimes", *Journal of Democracy,* Vol. 13, No. 2, pp. 66-80.

Annex A

A Brief History of State Formation

Origins of the contemporary state

Definition of the state

If states are the bedrock of the international system, they are surprisingly under-defined in international law. Despite the frequency with which the term "state" is used in international affairs – thirty-four times in the UN Charter alone – the formal definition of a state remains underspecified. The Montevideo Convention of 1933 provides the only definition under international law: statehood requires a permanent population, a specified territory, a government and the capacity to enter into relations with other states – a minimalist definition by any standard (Montevideo Convention, 1934).

The lack of definition is not a historical accident. Coming to a shared view of what constitutes a state has proved difficult in negotiations and hence for the most part has not been attempted, even as the institution of statehood spread rapidly around the globe. It is illustrative that the United Nations, created by and for states, has no formal criteria for statehood other than recognition by other states – nor is there any provision for "decertification" of statehood in the event of failure to meet some set of standards, either of capability or performance (Herbst, 2000). In most of today's policy frameworks, peace agreements and human rights treaties, the existence of a functioning state is simply assumed, its intrinsic features nowhere specified.

Of course, academics and philosophers have not been so shy and have spawned numerous definitions and counter-definitions. Furthermore, an entire body of serious scholars argue (not without merit) that the very concept of the state is a figment of enlightenment imagination, one that obscures rather than illuminates the realities of political and economic systems.

The most widely accepted starting point for discussion of the state is still the early definition provided by German theorist Max Weber (1919). From Weber to Charles Tilly, the pre-eminent contemporary historian and theorist of state formation, to Ashraf Ghani, there lies a central intellectual thread built around Weber's oft-recited definition of the state as "… a human community that … claims the monopoly of the legitimate use of physical force within a given territory". Four essential concepts reside in this seemingly sparse definition: that of a human *community* (in modern form, usually a *national* community), the *monopoly of the use of force*, *legitimacy* and a bounded *territory*.

The state, war and territory

Of these concepts, the most persistent has been the idea of a state as an entity that maintains a monopoly on the use of force. The process of state formation in Europe arose out of the interaction between power-holders' desire to make war to exploit their power within their territory and the need to locate more capital to fund these wars (Tilly, 1985). As the challenge to secure capital became more complex, aims merged to support two primary processes: a) war-making, or securing external stability, b) state-making, or securing internal stability and the subsidiary processes required to secure capital for these activities and to protect allies (Tilly, 1985).[1] The formation of structures of modern states (such as banking systems) was initially driven by these goals alone (Scott, 1998). From Weber through Tilly's foundational notion that "states make war, and war makes the state" to contemporary negotiations in the UN's 6th Committee over the definition of terrorism, the notion that only the state has the right to wield force remains the central, irreducible concept of statehood in the modern era.

The more radical feature of Weber's definition was the association of the state with territory. Earlier systems of authority and control – for example the Caliphate and the Holy Roman Empire – had a far looser relationship to territory, ruling beyond the Metropolitan centre by articulating a moral or religious code adhered to by citizens of a wide range of territorial domains. (Echoes of these older allegiances can still be heard in contemporary political resistance to modernity and its bureaucratic forms.) Modern international law largely upholds this identification of the state and territory/population, since it distinguishes between "state recognition", meaning the recognition of a political community as self-determining, and "government recognition", meaning the recognition of a particular government as the ruler of that community responsible for the effective exercise of its sovereignty. In the UN Charter, the legal personality of the state resides in the political community, not the government that "represents" it (Roth, 2000).

Evolution of the contemporary state

The large majority of today's states gained sovereignty within the lifetime of their elder citizens, some merely within two generations. For these states, the history of state formation is not abstract but a vibrant contemporary feature of their present reality. And for many of those states, the first phase of contemporary state formation entailed a clash, usually violent, often brutal, between a European colonial expansion and pre-existing forms of political, cultural and economic order.

Not all states experienced this process similarly, for the territories conquered by Europe's colonial adventurers and statesmen were not a *tabula rasa* (Cliff, 2007/2008). Rather, European colonial authorities were grafted onto pre-existing sets of political authority relationships and state or state-like forms. Some of these were robust and similar in almost all respects to modern states' form, as for example in Ethiopia and Eritrea; thus the history of colonialism was simply one of comparatively brief occupation. In others, European colonialism imposed obligations and demanded loyalty from perfectly intact but comparatively weak kingdoms or empires, such as the Mogul empire in India.

But for many, particularly but not exclusively in the Middle East and sub-Saharan Africa, the post-colonial state-formation process was one of forging *de facto* states where either no prior form of authoritative rule was established (such as in Jordan[2]), or where those pre-existing forms were utterly smashed, or literally exterminated, by the colonial

presence (such as in the Congo[3]). In the process, the relationships between citizens and the authorities that governed them were fractured. Proxy governments put in place to manage colonial territories were accountable and responsible to external actors, whose control of funds managed the extent of service delivery allotted to placate populations. For the half-century to century that preceded independence in colonial territories, the state was a source of oppression, not service.

To much of the world, then, the term "state-building" calls to mind a bloody history of colonial repression and post-colonial violence.

Independence, nationalism and legitimacy

In the post-World War II era, there has been increasing identification of the "state" with the "nation." Now, "nation" is probably the only term in political theory more contentious than "state", and the issue of the identification between the two remains hotly debated.[4] There is no debate, however, around the fact that in the aftermath of empire – both the European colonial empires and later the Soviet empire – the concept of nationalism was a rallying cry that gave rise to mobilisation for independence and sovereign statehood. Nor is there much debate that nationalism and violence have been twinned from the outset.

In a few cases where the boundaries of a well-identified nation aligned easily with the territorial boundaries of newly independent states, nationalism was easily equated with independence from a foreign power and a powerful, positive source of mobilisation. Far more newly independent states, however, had within their new boundaries substantial ethnic, religious, linguistic or cultural minorities, many of whom rejected the identification of the state with a nation to which they did not feel they belonged. In many cases, these groups were subject to large-scale, semi-voluntary or forced expulsion (as during the creation of Pakistan) or internal suppression (as in Iraq.) Unsurprisingly, many sub-national groups chose to fight back, or to fight to get out. The result in many cases was that independence struggles were followed by civil, separatist or irredentist wars.

The impact of this sudden transformation varied substantially by region and regime type. Salamé, for example, makes clear that post-colonial state formation in the Arab world produced fairly strong states, but by and large ones in which the connection to society was tenuous, the state-society compact underdeveloped (arguably, to this day), and the state thus heavily reliant on international legitimation (Salame, 1987). In much of sub-Saharan Africa, the results were different. Many leaders were forged through the national independence process, which became an essential feature of their legitimacy in post-independence government – Nkrumah being the paradigmatic example. The legacy of this legitimacy in some cases survives to this day. A benign example is the legitimacy that still accrues to South Africa's ANC, or to the leaders of Fretilin in Timor Leste. But the same kind of legacy legitimacy applies as well to Robert Mugabe's ZANU/PF party, a fact that he has used to grave effect.

The Cold War and its aftermath

Of course, many decades have passed since the end of the colonial era. The first decades after, however, were framed by the Cold War. Many of the wars that followed independence were in turn fuelled or fanned by Cold War proxy rivalries, giving potency and staying power to opposing forces. Proxy warfare provided newly independent states with a source of sustained revenues and – importantly – a source of revenue that was

specifically and directly linked to control of the central apparatus of the state. This fostered a process of state capture, whereby élites that gained control of the state tended to use its attendant resource flows primarily to solidify their own control of the state rather than for the public good. This in turn created substantial incentives for opposition groups to fight for control of the state.

The end of the Cold War, and with it the end of proxy financing, created a stark choice for many state élites. Faced with a collapse of external resource flows, they either had to find new approaches to maintaining control of the state, such as pursuing a democratic mandate or seeking legitimacy through the extension of state services, or they had to find new ways to buy off or suppress their opposition. The choices made by these élites to pursue a political process or an integration process – or to adopt newly exclusionary processes that would allow them to retain their grip on the state and its resources – do much to explain the patterns of peace and war that followed. In such instances as South Africa, Namibia and Mozambique, new opportunities opened up for national reconciliation. In Somalia, Zaire, Liberia and Rwanda, more rapacious choices by leaders eventually led to bloody conflict, in some cases continuing to this day.

During this whole period as well, states were being born into – and shaped by – an international system far more developed than its predecessors. The growth of an institutionalised system of states has deeply altered the nature of state-state interaction. Tilly (1990) describes state formation in the 20th century as having been triply external: many states were originally formed as colonial possessions of other states, their governance institutions were built under the influence of another state and their existence was ratified and sustained by international recognition. As international institutions have evolved, states have started to act together on a much wider scale to regulate each other's affairs on a global level.

This change is striking. The international system now presents a collective set of obligations for all of its members through instruments such as human rights treaties. These innovations allow entities external to a state to have an explicit influence on the social contract beyond the normal exchange of ideas. The processes of globalisation and economic interdependence have accelerated this – but the effects and dimensions of the acceleration are not well understood. This applies in particular to many less developed economies, which on the whole have less structured connections to the global economy (at least, to the lawful global economy) and less voice within the decision-making processes of international institutions.

The contemporary state

The contemporary history of state formation concerns, of course, more than violent rebellion and nationalism. It has a further critical component, namely its relationship to community and in particular the growing norm of states' roles in promoting the economic and social welfare of its citizens.

States and community

This feature of statehood has grown progressively since Weber's day. At the time, states had few obligations to their citizens other than that of providing basic security against external aggression, in exchange for taxation, the initial "social compact". This began to change with the Industrial Revolution. As urban centres grew and public health risks ensued, so did the need to protect the health of the citizenry, who were needed in

ever larger numbers for war fighting. Sovereigns thus began to spend more resources on providing public order and sanitation services, such as managing refuse collection (one of the earliest manifestations of a bureaucratic state and still a resonant one, whose absence is keenly sensed in post-conflict or state collapse environments). Out of this grew institutions to manage these services. As prosperity grew, the idea of the state as a provider of public goods extended to such ideas as public education (Hobsbawm, 1999).

This evolution had two profound implications, in the form of notions that spread: the first was that there were certain services to which every citizen had a right; the second, that the provision of these services was an obligation of the government. Thus, the initial "social contract" – security for taxation – was expanded to include a far wider set of duties and obligations for both citizen and ruler. Citizens were, for the first time, consenting to be governed – an idea from which arose the modern concept of legitimacy, supplanting the notion that legitimacy of rule was derived from divine right or royal birth. These concepts would later be enshrined, at first through basic agreements and eventually solidified in constitutions and bills of rights. By the time Europe was spreading the idea of the state through its colonial presence, the idea that there was a contract between members of society on what they could expect from the government and what the government would require of them – the social contract – had solidified within the European space.

Of course, Europe's colonists felt no need to promote similar state-society contracts in the territories they ruled – at least, not in those they ruled primarily for resource extraction.[5] In the post-colonial period, however, the concept of state as provider of services or promoter of welfare has spread, especially around the concept of the developmental state.

The developmental state, the bureaucratic state

In the post-war era, in much of the world, the state took on an extensive role in economic development. At its most elaborated form, in the corporatist/welfare states of northern Europe in the 1970s, the state constituted the most important element of economic and regulatory life in many advanced industrial democracies.

In less developed countries, the concept of the state as an agent of development was also promulgated at this time. In part, this was a function of Cold War era competition – the west and the Soviet Union competed in their client states to demonstrate the ability of their respective ideology to deliver growth or poverty reduction. The idea of a social contract gained widespread traction, with almost all states at least giving voice to the notion that the state had certain obligations to its population, and thereby acknowledging at least tacitly that legitimacy was derived from the population at large. The nature of these obligations and relationships remained blurred and highly subjective, but influenced by the international community as described above (Hobsbawm, 1999).

Concurrently, the emergence of rights norms in the west has led to a sense that there are certain core services – primarily education, water and sanitation as well as health – and broader provisions, such as infrastructure, that the state must provide. States are thus tasked with functions of a new order of magnitude. In addition to the foundations of security, basic legitimacy and certain human rights obligations, in this model a state must also provide service delivery, economic performance and employment generation.

To fulfil all of these functions, many states have taken on ever more elaborate bureaucratic institutions. In Weber's theory, such institutions are features of the "bureaucratic state", characterised by rational/legal authority, "belief in the legality of enacted rules and

the right of those elevated to authority under such rules to issue commands" (Weber, 1919). Weber described the bureaucratic state model as the most evolved and effective form of government. The rational/legal model allowed for a clear transfer of authority, and was more stable as its authority was embedded in formal processes, rather than in individuals.

Several key features were required in order for the bureaucratic state to maintain its effectiveness: a more or less steep hierarchy of offices with specialised tasks; impersonal and rule-based operations of these offices; appointment and promotion of officials on the basis of ability and performance; supervision with incentives and sanctions at its disposal; and norms and structural features inducing loyalty within the bureaucracy (Rueschemeyer, 2005).

In practice, however, the growth of bureaucratic institutions has not always been accompanied by the commitment to rules, or to depersonalisation of authority. Rather, in many contexts the process by which élites gained and retained control of the state has led to patrimonial and personalised institutions that derive their authority from patron-client relationships. Such systems were actually comparatively stable, albeit corrupt and discriminatory. But it was precisely such structures that became untenable when the end of the Cold War, the emergence of a global economy and structural adjustment policy combined to drastically reduce the external aid flows through which patrons maintained their clients – creating a sudden rupture in the equilibrium of state/society expectations.

The "ideal" state, the real state

Perhaps the most compelling normative account of contemporary statehood is given by Ashraf Ghani, both theorist and practitioner of contemporary state-building. According to Ghani *et al.* (2006), ten features of statehood constitute full *de facto* sovereignty. These are: i) legitimate monopoly on the means of violence; ii) administrative control; iii) management of public finances; iv) investment in human capital; v) delineation of citizenship rights and duties; vi) provision of infrastructure services; vii) formation of the market; viii) management of the state's assets (including the environment, natural resources, and cultural assets); ix) international relations (including entering into international contracts and public borrowing); and x) rule of law.

These ten features of full sovereignty can be conceptualised as falling into four categories: provision of security and order (monopoly of violence, administrative control, rule of law); delineation of the parameters of the social contract (citizenship and duties); protection and facilitation of the market (public finances, human capital, infrastructure, market and state assets); and international relations.

The ten points provide a useful encapsulation of contemporary normative thinking about the purposes and obligations of the state. However, Ghani's model does not present the minimum requirements of sovereignty or statehood, but rather provides a robust account of how states with full *de facto* sovereignty are supposed to function.

It should be clear that we are here straying from international legally defined concepts but nonetheless working within a broad consensus. Despite the complexity of this history, there is widespread agreement around the modern idea of the state spelled out herein. The state is bounded by the legal definition of the Montevideo Convention described above, and more so **by** strict international law. But in addition to this, by common consensus, the government – the legal authority over the territory – is now held to possess a certain set of obligations, both to its citizens and to the international community. The exact nature and extent of these obligations is the subject of debate; the question of their existence is not.

Those expectations have been growing, meanwhile, particularly in the realm of international security. Since 9/11, the UN Security Council has imposed legally binding obligations on all states to undertake significant internal steps to combat both terrorism and the availability to non-state actors of nuclear, chemical and biological weapons. And in 2005 the General Assembly stipulated, as did the Security Council soon thereafter, that states have a "responsibility to protect" their citizens, the non-observance of which can trigger Security Council-mandated intervention.

Notes

1. Tilly describes these additional processes as: c) protection, or the elimination or neutralisation of enemies of clients; and d) extraction: acquiring the means of war-making, state-making and protection.
2. On the formation of the Jordanian state, see in particular Harik, 1987 and Barnett, 1998.
3. On the impact of the colonial apparatus on authority structures in the Congo, see in particular Palmberg, 1983 and Hochschild, 1998.
4. For key sources on what constitutes a nation see Andersen, 1983; Gellner, 1983; Smith, 1991; Mayall, 1990.
5. European colonial administrations did promote constitutional arrangements and the development of state-society mechanisms in the so-called "white colonies", particularly Australia and Canada.

Annex B

Programming in Key Sectors: Security, Service Delivery, Economic Growth

Providing security

Current concepts

If a modern state's core obligation under international law is the maintenance of security, then strengthening that state's capacity to perform this function constitutes a critical element of state building. Moreover, the physical security of the state and its citizens is recognised as a *sine qua non* of sustainable economic and social development.

Recalling the propensity of states to violence and oppression, international actors have understandably set a broader goal for their engagement in the security sector. A widely shared objective of international support to the state's security function – or security system reform (SSR) in OECD parlance – is to achieve "efficient and effective security institutions that serve the security interests of citizens, society, and the state while respecting human rights and operating within the rule of law and under effective democratic control" (Caparini, 2003). In some contexts, reform may be better described as reconstruction or transformation.[1]

The notion that effective security provision is a condition for development and that, over time, development may be a condition for effective state function in security has propelled SSR up the donor agenda.

SSR encompasses four broad approaches: "a) establishment of effective governance, oversight and accountability in the security system, b) improved delivery of security and justice services, c) development of local leadership and ownership of the reform process, and d) sustainability of justice and security service delivery" (OECD/DAC, 2007b, p. 21). In practice, these approaches take a wide range of forms from country to country depending on historical experience, culture and legal environment. The SSR agenda in Afghanistan, for example, is markedly different from that in Ukraine or Yemen.

Although international attention and resources for SSR have increased substantially, achieving positive tangible outcomes remains a challenge (Scheye and Peake, 2005a). This is due to the inherently political nature of SSR, the frequent weakness of counterpart institutions (in terms of human capacity and financial resources) and the sheer breadth of change – and amount of time – required, as well as poor metrics for measuring change.

Problems with the "state monopoly" approach

Another key conceptual issue is the tendency to focus on state structures. In reality, especially in post-war contexts, the state may not have a monopoly of force and may be actively resisted as it seeks to extend its control. In such contexts, as Call argues, state-building objectives may directly clash with peacebuilding concerns.

Whether one takes a state-centric or multi-layered view of security has important implications for state building. In the former, the state is viewed as the sole holder of the right and capability to use force (Buzan *et al*., 1998). State-centric approaches treat rivals to state authority as illegitimate, labelling them criminals or bandits. In fact, armed rivals are often a response to state illegitimacy.

As Ayoob observes, "In most Third World states there are competing locations of authority; these are usually weaker than the state in terms of coercive capacity but equal to or stronger than the state in terms of political legitimacy in the view of large segments of the states' populations" (Ayoob, 1995, p. 4). Evidence suggests that in some fragile states more than 80-90% of security and justice services are provided outside the state (OECD, 2007c).

A focus primarily on strengthening state capacities is unlikely to be effective if the state has limited capacity, or is not viewed as legitimate by substantial sections of the population (OECD/DAC, 2007c). In such circumstances and depending on the extent to which the state-society contract is articulated, extending state security "services" may be tantamount to facilitating state oppression. Instead, the multi-layered approach acknowledges the capacity and legitimacy possessed by non-state security providers and attempts to integrate and bolster them where appropriate.

Finding an appropriate combination between state and non-state provision of security should be the outcome of negotiation. Ultimately, social processes must determine what is "effective" and appropriate. By contrast, much SSR programming is often perceived as foreign-driven, over-emphasising democratic governance and under-emphasising the need to meet citizens' security needs in a manner of their own choosing.

Nonetheless, the state does have an irreducible regulatory role *vis-à-vis* other security providers. In concert with the emerging norm of the responsibility to protect, the state also has a crucial role as guarantor of the wellbeing of its population. The argument for a multi-layered approach to security is, therefore, compelling in terms of the internal security functions of the state. However, it neglects the external dimension of state security – border integrity and protection from aggression. In this arena, the state also maintains a core function. In reality, there are many states that are incapable of adequately fulfilling external and internal security roles. This should not mean that the state itself is obligated to guard its own borders. It could contract out security functions through innovative partnerships with multinational organisations, private sector and collective security umbrellas.

Other options and dilemmas

Two contexts pose the greatest challenge for SSR: post-conflict countries and highly securitised, authoritarian states that depend on coercion to function. Elsewhere – for example, in cases of conflict prevention – states are likely to have greater institutional capacity and stability, enabling a wider, if not also deeper, reform.

Post-conflict countries face myriad challenges associated with the security sector. These include: i) a mismatch between the existing type and number of armed forces and

what is politically desirable and economically sustainable; ii) the need to integrate various forces into a single military force; iii) imperatives of internal security requiring that legal institutions be rebuilt and the penal system overhauled; and iv) small arms collection (Brzoska, 2000). As Afghanistan, East Timor and Haiti demonstrate, without effective, sustainable SSR, peace may be elusive. These challenges point to the following dilemmas.

Local ownership by whom? Local ownership is essential for sustainable reform. Élites responsible for the conflict are often present in transitional governments. Worse, they may continue to command security forces loyal to them and not the state. Few channels for citizens to voice their needs and concerns may exist, especially if civil society is nonexistent, is weak, or represents narrow sectarian interests.

Weak capacity for reform. In post-conflict contexts, core state institutions lack the basic human resources required to develop strategy and oversee operations (Scheye and Peake, 2005a). Financial resources, strained by low revenue generation capacity, further impede what is possible. Ongoing political disputes compound these obstacles. International actors therefore have an important role to play, by providing financing, undertaking training and capacity development, and facilitating negotiations between stakeholders.

Quality versus quantity. In insecure environments where peacekeeping missions are present, there is an inconsistency between the desire to quickly train up national forces, and the length of time required to train competent, professional forces that can perform effectively and win citizens' trust. This is an example of the broader dilemma of quality versus expediency. The time frame in which post-conflict states are expected to assume responsibility for provision of effective security is often incompatible with the amount of time that is required to institute meaningful change.

This inconsistency is starker when, as in Afghanistan, international guarantors of interim security are in short supply or limit the extent of their engagement. As Bosnia, Kosovo, Haiti and Timor Leste have demonstrated, an international security presence is often required well beyond the initial stated time frames. The UN Security Council has started to learn this lesson, keeping troops on the ground for longer periods. However, this constrains the overall supply of international troops.

Breadth versus depth. The SSR agenda calls for simultaneous system-wide reforms. Better co-ordination may simply not be enough. Rather, "it may be more productive to be less rather than more ambitious in order to achieve effective, measurable, SSR results" (Scheye and Peake, 2005a, p. 306).[2] However, there are few directives regarding priorities, and priority reforms will not necessarily be those for which local buy-in and implementation are easily secured. Nonetheless, early identification of priorities can help: in DRC, for example, training police to provide security during the 2007 presidential elections contributed to the legitimacy of the elections while demonstrating to society that the police could play a beneficial role.

Here, we see the importance of "gradualism" and ensuring that reforms in one sector do not too greatly outpace reforms in another.

In securitised, authoritarian regimes, available opportunities for SSR are likely to be limited. Entry points may need to be small and aimed at confidence building. For example, donors may choose to improve health provision in prisons or to tie their assistance to caps on military expenditure. Above all, donors must be cautious that reforms do not result in a more effective apparatus for repression.

When openings do exist, however, SSR can be an extremely important tool for conflict prevention. There is some evidence to suggest that where SSR processes are under way, the

resulting shift in political dynamics regarding the use of military force as an instrument of politics has lessened conflict-onset dynamics. This is an area demanding further research, for example by examining the role of SSR in keeping the army out of the Orange Revolution and similar events (Pfifer, 2007).

As noted above, SSR interventions are context-specific and need to be based on the needs, capacities and resources of recipient states. They should be historically, culturally and institutionally appropriate as well as responding to the nature of state fragility. SSR interventions also highlight the role of non-aid forms of engagement in fragile states through security policy and peacekeeping operations. Most of all, however, they should be seen in a broader context of the process of forging legitimacy and stability in the state-society contract – processes that encompass, in the first instance, the rule of law.

State capacity and services: Providing welfare services

Improving livelihoods requires, at a minimum, meeting essential needs through the delivery of key services including education, health, water and sanitation. But service delivery is not just a technical or humanitarian issue; it is part of the political process through which the interests of three groups of stakeholders – clients, policy makers and providers – must be reconciled (OECD/DAC, 2008a). (International donors arguably comprise a fourth group.) None of these relations is static, since expectations and the ability of different actors to respond are constantly changing.

Service delivery in areas such as health and education is at the heart of a debate between strategies of state support versus using alternative mechanisms of service delivery. Of course, these are not either/or options. In many contexts, donor programmes in health, education, water and sanitation, etc. fall somewhere between the absolutes of being organised through – and in support of – the state and direct provision to the population.

An important determinant of the appropriate approach is the impact of service delivery on perceptions of state legitimacy and accountability.

State fragility and declining service delivery – in access and quality – exert a reciprocal influence on one another. In low-capacity scenarios the government may be hampered by its inability to ascertain citizens' needs or by poor delivery capacity. Over time, deterioration of services will lead to reduced capacity (*e.g.* poor education or health of citizens weakens the civil service). In low-willingness scenarios, the "long route" to accountability from citizens to the policy maker may be disrupted by repression or by a political imperative to direct resources elsewhere, such as to military spending or to certain groups in order to service patronage networks. Low capacity and willingness often interact and reinforce one another. In these cases, service delivery will likely depend on "short route" accountability drawing on a mix of local government, local non-state providers (NSPs) and international providers.

If the state does not, or cannot, reconcile societal expectations, state legitimacy will erode. As services deteriorate and people struggle to meet their basic needs, they often withdraw altogether from engagement with public institutions. As localised political, economic and social groupings become more relevant, the state loses legitimacy as a source of resilience.

There is considerable evidence that service provision can strengthen technical capacities within government and provide an entry point for promoting improved governance. The key consideration for donors is whether their use of non-state providers "strengthens the economy and the ability of the government to be effective in delivering services or weakens the government's legitimacy in the eyes of the public" (Newbrander, 2007, p. 16).

Service delivery dilemmas

Among the many dilemmas faced by the international community with respect to service delivery in fragile contexts, two in particular create a tendency to bypass the state.[3] First, international actors are confronted by the humanitarian imperative to address people's basic needs. Doing so quickly and efficiently frequently entails circumventing the state and relying on non-state providers, often international. Second, governments may be repressive, corrupt or, in the worst instances, internationally illegitimate. While human needs press for continued engagement, supporting such regimes risks rewarding poor behaviour or giving political leaders the opportunity to gain credit for improvements in living conditions to which they did not contribute.

In low-capacity but relatively benign states, a central challenge is balancing immediate delivery of essential services with the long-term goal of strengthening public institutions. Efforts focused on short-term results can undermine long-term objectives if programming on service delivery, state capacity and governance is not well integrated. "NGO-isation" of services can effectively address immediate needs, but there is a risk of sacrificing capacity development to the imperatives of speed and effectiveness, as well as deepening aid dependence. If non-state entities provide services, the public may not credit government for the role that it does play. In post-conflict environments, quick impact projects (QIPs) in service delivery can build confidence in new governments. But without longer-term strategic engagement with the state, society may blame the government for failing to deliver sustainable livelihood improvements, risking renewed violence.

In states with corrupt, predatory or repressive governments, the decision to support or circumvent the state is more complex and depends on whether institutions actively contribute to violence and injustice. Selective engagement – such as in health, which is often relatively apolitical – can provide an entry point for broader engagement with the government and civil society to improve services and accountability (Newbrander, 2007). Situations of violent conflict or international illegitimacy raise further quandaries regarding engagement with non-state providers. Opposition movements frequently provide services to underserved communities in an effort to gain legitimacy and, hence, may have a strong political base. The "global war on terror" has further complicated engagement with local providers by designating some as terrorist organisations – *e.g.* Hamas and Hezbollah – even when these organisations are major service providers and have a strong local constituency (OECD/DAC, 2008a).

How to proceed: What lessons have been learned?

The OECD (OECD/DAC, 2008a) has identified several best practices and policy dilemmas facing donors in their support to service delivery in fragile states. There is consensus that the "first best" solution is to support a willing government in its efforts to take responsibility for service provision. Recognising that this may not be possible as an overall strategy, the work stream argues that donors should assess the situation with regard to particular service sectors and geographic areas. Where willingness exists in particular ministries or local governments, priority should be placed on strengthening policy-making and implementation capacities. Initial evidence suggested that decentralised approaches are well suited to balance short- and long-term imperatives and to deal with unwilling government partners (BMZ, 2007). In even the most fragile environments, sub-national actors are often the most resilient and may be sufficiently removed from intransigent politics at the centre to allow for progress on basic governance issues.

Effective hand-back for service delivery entails not only continually reassessing contextual information to adapt the mix of intervention tools, but also integrating long-term capacity development plans at the outset. Careful co-ordination and oversight of non-state providers is essential to ensure that they align with government priorities when appropriate and to prevent them from overriding local capacity and resources. Donors, INGOs and multilateral development agencies are at present applying a mix of approaches in fragile contexts. These include contracting out to non-state providers, promoting community-based approaches, and using improved donor co-ordination instruments, such as sector-wide approaches and multi-donor trust funds. Recognising the drawbacks inherent in interventions that bypass the state does not imply stopping these efforts altogether. Rather, they should be used as a platform to build or reinforce the state-society governance relationship. For people in remote rural areas or groups who have historically had an adversarial relationship with the state, it may be appropriate to build the relationship up from the local level. In such cases, the ultimate goal may be for non-state actors to provide certain services and to develop state capacity for regulating and monitoring the provision of those services, ensuring that standards are maintained and provision is equitable. In other cases, the state may be best placed for direct provision, in which case capacity development should be directed to this end while non-state providers offer a temporary stop-gap. In either case, service provision should not be treated as a matter of technical delivery; it is a process of reconciling expectations and building relationships of accountability.

Creating the conditions for growth

Development policy has witnessed considerable evolution concerning the role of the state in promoting economic growth. Although a strong focus on the state as the engine of growth in the 1950s and 1960s gave way to an even stronger reversal, shifting the focus to the market in the 1980s, the pendulum has come back to the centre. It is now widely recognised that, while the state should not be the engine, it is an essential facilitator of growth. As the Commission for Africa emphasised, "…the way states function is increasingly seen as one of the most important factors affecting development in the poorest countries" (Fritz and Rocha Menocal, 2007a, p. 531). As noted above, establishing a framework of rules can provide the enabling environment for the formation and functioning of the market. Economic development in turn can generate growth and provides incentives for citizens to cede the legitimate monopoly on force to the state. Growth also forms the basis for resource mobilisation through taxation, which can be translated into human, physical and social investments, ultimately reinforcing the legitimacy of the state.

The contours of an enabling environment: institutions and incentives

A substantial body of evidence (notably North, 1989) indicates that a cluster of "good" institutions matters for growth in the long run (see Rodrik *et al.,* 2007; Acemoglu *et al.,* 2001; Pande and Udry, 2005). Measures of "good" institutions or "institutional quality" vary across studies (Kaufmann *et al.*, 2006; Acemoglu *et al.*, 2001). Generally, institutional quality refers to "the rules of the game" and their conduciveness to desirable economic behaviour, the commonly cited components of which are protection of property rights and checks on government power. On the basis of this evidence, a general consensus has emerged among development economists that sound and stable institutions are a key contributor to growth.

Awareness of the time frame is essential for understanding this relationship. Growth over short periods has been quite common – resulting, for example, from high commodity prices (which explains growth in many African countries in the late 1970s) or recovery after war, drought or other crises. However, such growth has often not reflected sound economic fundamentals or growth-oriented political institutions. Rodrik (2003) concludes on the basis of several cases studies that institutions are critical for sustaining growth but not necessarily for catalysing it. This explains why the findings detailed above apply in the long run but not necessarily in the short run. In other words, countries may experience growth but, without good institutions, they remain vulnerable to internal and external shocks and cannot sustain growth beyond its initial acceleration.

Further research is required to determine the effects of specific institutional channels on growth and to understand the impact of institutional change. One study (Birdsall, 2007) argues that, in order to facilitate growth, the state should have at least one of two characteristics. It should be independent of interest group pressures, a model often associated with a competent and relatively impartial bureaucracy and civil service, as in pre-democratic East Asia. Or, the state must be directly accountable, a model typically associated with democratic institutions as in India.

Indeed, there remains considerable confusion in academia and policy circles as to what actually constitutes "good" institutions in relation to growth (Fritz and Rocha Menocal, 2007a). The "miracle" of East Asian developmental states provides fertile ground for inquiry in this regard. A new interpretation of developmental states is beginning to emerge with more emphasis placed "on the political character of state building, and the impossibility of approaching it with merely technocratic tools" (Fritz and Rocha Menocal, 2007a, p. 533). This view argues that "… [t]he political system and its political economy underpinnings are crucial in shaping commitment to development, as well as the reformist capabilities that are required to make change happen" (Fritz and Rocha Menocal, 2007a, p. 533).

In this view, the core feature of the developmental state may be described as "the intervention of the state in the economy but in the form of policies that are credible and oriented towards growth, not in the form of the ownership and direct control by the state of large parts of the economy" (Sindzingre, 2007, pp. 616-617). Research suggests that the key to growth in developmental states is a clear vision of economic objectives, strong leadership to implement those objectives, and the policies and allocation of incentives to specific sectors to realise that vision (Fritz and Rocha Menocal, 2007a). The state may not need to be broadly developmental; rather, it may choose to take a developmental orientation in particular sectors or institutional areas, and not in others. Critical to its functioning is that the developmental state is grounded in coalitions of rulers, élites and interest groups, with the common belief that long-term growth is in the interests of all, even if it is through collusion (Fritz and Rocha Menocal, 2007a). In contrast, many low-income and fragile countries exhibit a political economy based on the "divide-and-rule" principle.

The specific legal and regulatory features of an enabling environment

At minimum the state must play a regulatory and oversight role to facilitate the regulation of the market. As discussed earlier, an enforceable legal framework is essential for state stability. In focusing on economic growth, strong emphasis is often placed on the establishment and enforcement of property rights. However, a system of commercial law to support enforceable contracts as well as insurance, bankruptcy, land and banking law is essential to market formation and functioning; employment and environmental laws are

important over the longer term to protect human and natural resources (Ghani *et al.*, 2006). Managing state assets through regulation and licensing, especially in the natural resource sectors, is of fundamental importance given their enormous potential for wealth creation or destruction (Ghani *et al.*, 2006).

Public finance management is also crucially important and has only recently come to the fore as a critical issue in fragile and post-conflict environments (Boyce and O'Donnell, 2007; Ghani *et al.*, 2005; Carnahan and Lockhart, 2007/2008). Public finance entails a focus on both revenue and expenditure. We address many of the key issues surrounding revenue and expenditure in our discussions of taxation and service delivery. Of relevance here is the central role of budgetary management. In theory, the budget is the government's primary planning tool. It is in deliberations over the budget that priorities are identified and difficult decisions as to the trade-offs between social and investment expenditure are made. International aid has been widely criticised for undermining the budgetary process in fragile countries. The tendencies to bypass the state in service delivery, to implement fragmented and uncoordinated interventions, and to impose heavy administrative burdens on the state's weak public finance system divert the government from sound economic planning and management.

Both taxation and public expenditure have redistributive functions allowing for the state to correct horizontal and vertical inequalities over time. These features are particularly relevant in divided societies for ensuring stable and equitable growth (Stewart, 2007).

Also essential is the role of the state in providing a stable supply of money – establishing a stable currency (or adopting one) to ensure price stabilisation and serve as a means for payments and financial intermediation (borrowing and lending) (Coats, 2007).

Roads, transportation, energy, water and other infrastructural services are also integral to the formation of the market, not to mention to the state's ability to provide security, administrative control and investment in human capital. As Ghani, Lockhart and Carnahan (2006) argue, the provision and maintenance of infrastructural services is also essential for overcoming inequalities of opportunity across the territory of the state and levelling the playing field between urban and rural areas. While past trends have supported widespread privatisation of infrastructure services, experience to date suggests that the value of privatisation varies by sector and that there is an irreducible governance role for the state whether services are privately or publicly provided (Kenny, 2007).

It is worth reiterating here that the state also has a role in managing expectations. In countries recently emerging from conflict or other destabilising events such as regime transition, economic expectations of what peace and stability will bring are high. Collier (2007/2008) notes that "… [t]he bitter reality is that whereas bad politics can destroy an economy with great speed, even the best politics can only facilitate gradual recovery." In this respect, he argues that the best a government can do is to articulate a credible medium-term growth strategy – a vision of what the economy could look like in one to two decades (Collier, 2007/2008). Such a vision was present in East and South-East Europe through the prospect of European Union (EU) accession and it served as a stabiliser and an incentive for growth-oriented reform.

Here, too, it should be noted that efforts to assist states in developing the appropriate framework for economic development is, in post-conflict contexts, increasingly involving peace operations, as well as traditional actors such as the World Bank and the IMF. A notable example is the GEMAP process in Liberia, which saw the UN's peacekeeping operation, UNMIL, join forces with the World Bank to promote a "dual key" arrangement

for fiduciary responsibility over natural resources income. This is an important innovation, one potentially with wider application, as several weak and post-conflict countries face the dilemma of inadequate controls over state finance in a context where suspension of outside financing would likely have a very negative impact on peace process or stabilisation dynamics. GEMAP was, however, a sharply controversial programme at the outset, and efforts to apply its lessons elsewhere will have to be highly cognisant of sovereignty concerns.

Notes

1. The security sector comprises four clusters of actors: i) core security actors, like the armed forces and police service; ii) management and oversight bodies, such as the executive, legislature, customary and traditional authorities, financial management bodies, and civil society organisations; iii) justice and the rule of law institutions; and iv) non-statutory security forces, including liberation armies, guerrilla armies, private security companies, tribal militias and political party militias (OECD/DAC, 2005c, pp. 20-21).

2. This argument closely parallels the "good enough governance" approach advocated by Grindle (2004) in response to the overwhelming breath of "good governance" reforms called for by international donors.

3. The dilemmas and lessons learned with respect to service delivery in fragile states are detailed in OECD/DAC, 2008a.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(43 2008 03 1 P) ISSN 1816-8124 – No. 56761 2009

OECD Journal on Development

TABLE OF CONTENTS

PART I. Service Delivery in Fragile Situations: Key Concepts, Findings and Lessons

PART II. Concepts and Dilemmas of State Building in Fragile Situations: From Fragility to Resilience

The OECD Journal on Development brings together a unique record of recent development co-operation work undertaken by OECD's Development Assistance Committee (DAC). There are at least four issues a year.

The first issue of the year presents the Development Co-operation Report. It constitutes the DAC's annual overview of development co-operation efforts and policies, and its statistical annex includes key official development assistance data.

The other issues assemble individual DAC "Peer Reviews", i.e. in-depth country reviews of each DAC member's development co-operation policies and programmes, and a number of prominent, high-impact papers on development co-operation issues connected with the DAC's work.

SourceOECD is the OECD's online library of books, periodicals and statistical databases.
For more information about this award-winning service and free trials, ask your librarian, or write to us at **SourceOECD@oecd.org**.

Volume 9/3

OECDpublishing
www.oecd.org/publishing

ISSN 1816-8124
VOLUME 2008
(4 ISSUES)
43 2008 03 1 P

9 771816 812002