



Overseas Development  
Institute

# State-building and fragile states

Verena Fritz and Diana Cammack

**Development horizons: Future directions for research and policy**

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# Overview

- State-building and state capacity

*Why are some states more capable and more development oriented than others?*

→ why states matter

→ states and the current governance agenda

→ The evolving political economy of states in the developing world

→ states and the current aid system

- Fragile states

→ Main components of the donors' Fragile States agenda

→ Recent Work on Development in Fragile States

# States matter

- Institutions matter (cf North, Acemoglu, Rodrik, and others) = states matter
- In developed countries, *national* states are becoming less important – but: this happens in a context of other institutional structures taking on state tasks – the EU, international organisations, sub-national governments, etc.
- In the developing world, other institutional structures (regional, sub-national) are ‘thin’ – states are very important; aid institutions (official and NGOs) are the main alternative set of institutions
- Actual state capacity in developing countries ranges from collapsed (Somalia) to mixed (Ghana) to overpowering (North Korea)

# State-led development: success, failure, and changing fads

- **1950s and 60s: state-led development was a standard approach** (and used both in communist and capitalist economies); resulting in stunning success in some countries (S. Korea, Taiwan), but also in temporary (PR China – Great Leap Forward, 1958-1963), and/or chronic failure (SSA, Latin America)
- Distinguishing factors: leadership commitment (e.g. foreign policy driven); effectiveness of civil service; wider social structures (neo-patrimonialism)
- **1980s and 90s: roll-back of the state under the Washington Consensus** – liberalization of external trade and domestic markets, macro-economic stabilization, privatization; again with mixed outcomes
- **2000s: renewed emphasis on the state** in the context of a) more failed states and international security concerns, b) renewed drive at poverty reduction, c) an increasingly strong good governance agenda

# States and the governance agenda

	<b>Core aspect</b>	<b>Political regime</b>	<b>Political will</b>	<b>Role of the state</b>	<b>What to do on Monday morning?</b>
<b><i>Developmental State (Evans and others)</i></b>	Emphasis on state capacity and 'embedded autonomy'	No normative commitment; but many 'successful' developmental states were authoritarian	Concern for national goals; commitment of core leadership is essential	State should (actively) foster economic development, but avoid capture by particular groups	Create meritocratic civil service in key areas, imbued by esprit de corps, concern for national goals
<b><i>Good Governance (World Bank and others)</i></b>	Emphasis on transparency and accountability	Normative commitment to democracy Strengthening democratic rule is a key concern	Concern for rules as a basis for development (legitimacy, human rights, democracy, good investment climate)	No clear agreement among various proponents; state should set a framework (rule of law) for markets/for private actors	Broad and ambitious agenda: fight corruption, deepen democracy, improve judicial systems, improve PFM
<b><i>'Good enough' governance (Grindle)</i></b>	Emphasis on the minimal conditions of governance to allow development.	No normative commitment to any particular political regime.	Concern for incremental, progressive change; Alliance building and trade-offs in pursuing reforms	State should intervene to produce core public goods, but need for prioritization. Some state capture may be tolerated to achieve other goals.	Be explicit about trade-offs and priorities in a world in which all good things cannot be pursued at once; attention to contextual realities

# States, governance, and changes in the political economy

- The governance agenda adds a new layer of constraints to state-building/statecraft
- Establishing and maintaining good institutions is costly
- State-effectiveness and good governance: some areas of mutual reinforcement, some trade-offs

An evolving political economy:

## *Economic dimension*

- The economic role of states has been reduced, but is still substantial (privatization, foreign trade liberalization, etc.)
- Acute economic crises have been overcome in many countries
- Globalization poses new challenges for states

## *Political dimension*

- Far fewer states are governed by entrenched authoritarian regimes – but many are now governed by hybrid regimes (rather than consolidated democratic regimes)

# States and the current aid system

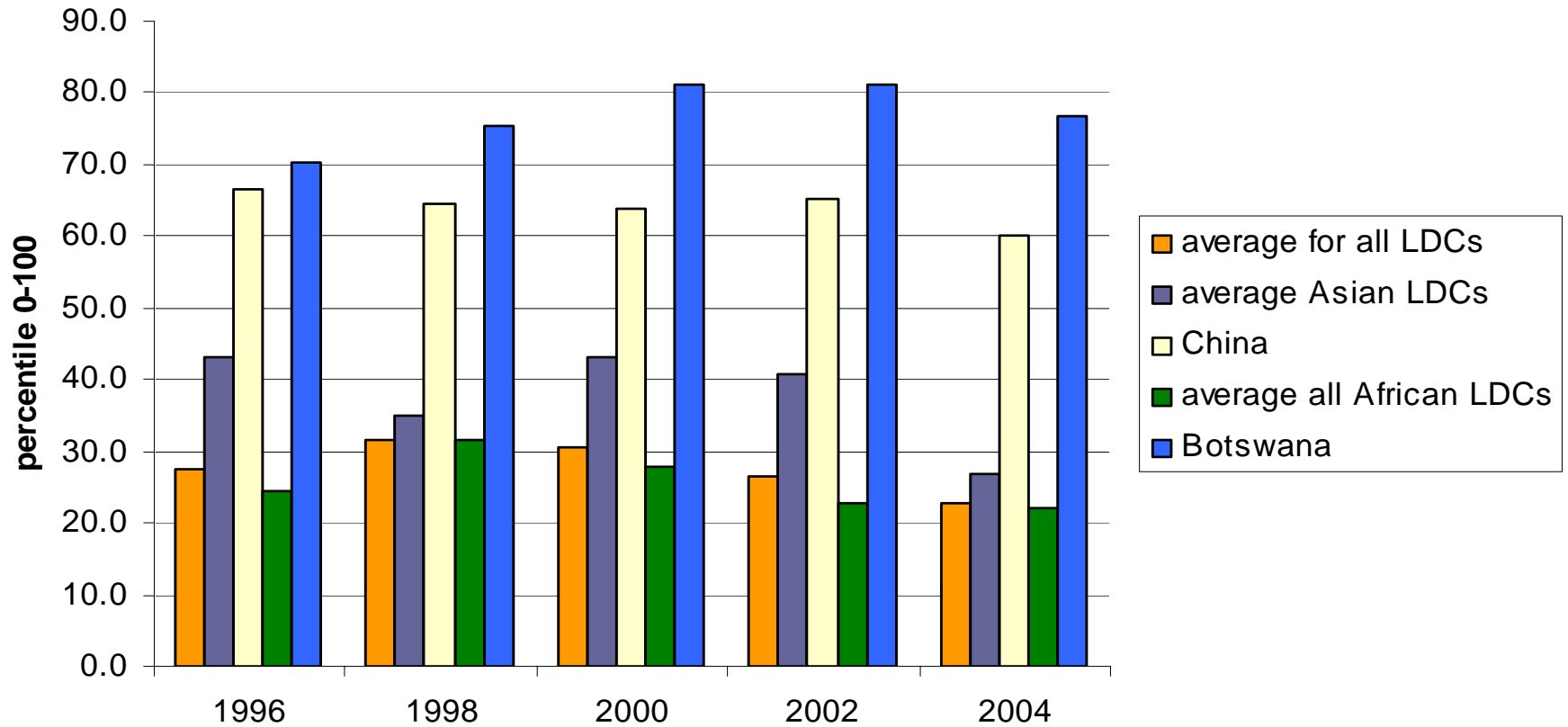
- Aid is effective where states are effective (e.g. Vietnam, Tanzania); but current aid structures are not well suited to make states more effective
- A large share of aid goes towards building state capacity – TA, IT-projects, sector and budget support → limited success

The Paris Diagnosis of why aid has not been more effective at building state capacity:

- Fragmentation of aid
- Lack of coordinated capacity building
- Lack of ownership (and encouragement of ownership by donors)

# Government effectiveness 1996-2004

Government Effectiveness



# States and the current aid system

## Beyond the Paris Diagnosis:

- Paris does not address the underlying PE and social structures of non-developmental or anti-developmental states
- Tendency of aid to support the *status quo* – even when leadership's commitment to development is waning (Uganda)
- More aid = less domestic effort? (Ostrom et al.)
- Aid is not the only or even the strongest external influence on state capacity in developing countries

# Supporting state development more effectively: 'Paris +'

- Ownership is not an easy answer where politics are difficult
  - Know the political economy: take politics and the analysis of politics seriously; and consider implications for all types of donor interventions
  - Act on the politics, but carefully – promote reduction of 'strongman' politics, foster the gradual development of a demand for good and effective governance; help to foster a public spirit
- Strengthen links between foreign and development policies: foreign policy should have long-term development as a key goal; development policy should be informed by foreign policy/diplomatic know-how (linking Paris to other international agendas)
- Re-shape capacity development and public administration reform
- Invest in learning what works in supporting 'statecraft' and good enough governance (even if it's frustrating!)
- Continue to re-think aid incentives → 'MCA plus'

# Main components of the donors' Fragile States agenda

<i>Focus/emphasis and goals</i>	<i>Underlying assumptions and views on causality</i>	<i>Types of "external" actors and approaches</i>	<i>Donors emphasising a particular component of the FS agenda</i>
<b>Local peace, human security and basic needs</b>	Politicisation of ethnic and religious divisions and of resource constraints cause conflict, and conflict undermines development.	Post-/conflict resolution specialists, peacekeeping agencies, CIMIC, agencies focusing on IDPs and refugees, security sector reform, DDR and development and humanitarian workers	DFID, UN Peacekeeping BMZ, EU, US
<b>Economic development and good governance</b>	State failure, collapse, weakness, under-performance causes poor developmental outcomes and vice-versa.	Differences in emphasis on:- economic development or political development - governance as a primary driver or a consequence of economic growth- short-term humanitarian needs or longer-term development aims	Range of development and humanitarian professionals, donor agencies. UN, IFIs, economic analysts, governance and human rights workers. DFID, AusAID, USAID, UNDP, IFI, OECD-DAC, BMZ, Netherlands agencies, EC
<b>Global security</b>	Poor quality of governance and economy in some weak states generates organised crime (e.g., drug trade), terrorism, immigration and social cohesion concerns, WMD threats, etc.	Development and good governance in these countries are instrumental to reducing global security threats	Foreign policy/diplomacy, security and defence actors, police; anti-drug trafficking, money laundering, arms specialists. US (DOD, State Dept. and USAID)UK (FCO and MoD) AusAID, UN SC, OECD, EC

# Recent Work on Development in Fragile States

<b>Type of work</b>	<b>Actors and Researchers</b>	<b>Findings</b>	<b>Recommendations for Donors</b>
<b>Service delivery</b>	OECD Water, Education, Health, Justice & Security committees & researchers At ODI: Tom Slaymaker	Fragility & service delivery are linked; National context is key; Find quality partners. Programme for context & conflict, and for short- and long-term goals & work with various partners.	Donors should programme for context & conflict, and for short- and long-term goals & work with various types of partners (states and civil society). Do not over-emphasise technical design and ignore political factors. Work coherently.
<b>Development &amp; governance</b>	UNDP in East Sudan with & ODI researchers - Sara Pantuliano and Sorcha O'Callaghan	Issues related to marginalisation & underdevelopment are key to explaining the conflict and the current state of tension and poverty in the region.	Process of PRS development should be designed to facilitate reconciliation & participation, e.g., joint Poverty Assessments, peace dialogues, land reforms, & HR training.
<b>Donor relations: coherence and systems alignment.</b>	OECD & ODI - Karen Christiansen & Clare Lockhart	Where absent or weak government systems, donors still need coherent approach to aid delivery.	'Shadow Systems' alignment to ensure most compatible delivery of aid that supports future systems development, and doesn't undermine peacebuilding process.
<b>New FS programme development</b>	JICA & ODI - Diana Cammack, Alina Roche Menocal, Karin Christiansen	Cannot do FS work successfully without awareness of causes of conflict. Political economy studies & politically astute planning needed. Need to rebuild state capacity to bring peace and development.	Donors should have 'joined-up' development plans; need to understand the root & immediate causes of conflict, of underdevelopment, weak institutions & the lack of state capacity and will to reform; need for continual monitoring and flexible planning