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Expert Opinion

„What can be done with fragile states? Options for development policy and beyond"

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State failure has become a relevant topic within development policy at the beginning of the 21st century. In large parts of the world, primarily in sub-Saharan Africa, in the Arab world, in the Caucasus, in Central and South Asia, as well as in the Andes, the daily life of most citizens is shaped by the effects of precarious statehood. The state's performance in crucial functional areas is deficient (security, political system/judiciary, administration and welfare): hence it is not or only partially able to establish a legitimate monopoly of power and protect its citizens from violence. Effective political control of power is lacking, and the legal system is barely existent. State services and the levying of taxes function in urban areas at best, and here are also flawed. The satisfaction of basic social needs is only guaranteed at a rudimentary level, and the economy lacks reliable framework conditions.

The *Country Policy and Institutional Assessment* (CPIA) – a tool that the World Bank uses to evaluate recipient countries – provides an empirical approximation of those states that can be considered fragile. This instrument is based on four dimensions: economic management; structural policy; policies of social inclusion/exclusion; management of the public sector. The different dimensions as well as the overall performance are evaluated on a scale of 1 (very good) to 5 (very bad)[1]. On the basis of these World Bank data, the British Department for International Development (DFID) has compiled a list of 46 countries which received an overall CPIA rating of bad or very bad during the period from 1999 to 2003 (*see box*). This includes the following countries: Afghanistan, Angola, Azerbaijan, Ethiopia, Burma (Myanmar), Burundi, Cambodia, Cameroon, Central African Republic, Chad, Côte d'Ivoire (the Ivory Coast), Djibouti, Dominica, the DR Congo, Eritrea, the Gambia, Georgia, Guinea, Guinea-Bissau, Guyana, Haiti, Indonesia, Yemen, Kenya, the Comoros, Congo-Brazzaville, Kiribati, Laos, Liberia, Mali, Nepal, Niger, Nigeria, Papua New Guinea, Sâo Tomé & Principe, Sierra Leone, the Solomon Islands, Somalia, Sudan, Tajikistan, Timor Leste (East Timor), Togo, Tonga, Uzbekistan, Vanuatu, and Zimbabwe[2].

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1 The aggregate results for 2003 are available under: World Bank, 2003 Country Policy and Institutional Assessment (CPIA), on the internet: <http://siteresources.worldbank.org/IDA/Resources/Quintiles2003CPIA.pdf> (last accessed 15/09/2004).

2 See DFID, Why We Need to Work More Effectively in Fragile States. London: Department for International Development (January 2005), p 7 (notes) as well as pp 28-29 (table).

The identification of "fragile states" solely on the basis of the CPIA values raises a number of questions. By using this method DFID includes countries which can no longer be seen as merely fragile, but instead have already collapsed (e.g. Somalia, also Liberia for some time). On the other hand, certain countries whose statehood certainly is not sufficiently consolidated to remove them from the category of "fragile states," such as Pakistan, Rwanda or Uganda, are missing from this list. From a methodological point of view it is problematic that the World Bank data are only available in an aggregate form, which makes it almost impossible to verify the evaluations. This 'policy of secrecy' is due to the fact that the CPIA was developed as an internal tool. Obviously, there is reticence with regard to publishing the evaluations in detail, as they are politically delicate. Despite all of these points of criticism, the DFID list is useful as a first and preliminary approximation.

In comparison with other Low Income Countries (LICs) which fare better in the CPIA ranking, the social situation in this problem group is dramatic: the per capita income is only around half of the control group's figures. Child mortality is twice as high, and mortality among mothers in childbirth three times as high. Around a third of the population is malnourished, and large sections of the population are plagued by malaria[3]. It is almost impossible for these fragile states, which comprise around 870 million people or 14% of the world's population, to attain the *Millennium Development Goals* (MDGs) in time.

State failure and the downhill movement of state decline challenge traditional perceptions of 'development partnerships': governments in weak and fragile countries are barely able to implement consistent policies to reduce poverty and provide basic social goods. Besides the lack of institutional capacity and poor performance, the political elites in fragile states often do not have the desire to pursue a development-promoting policy. Instead they profit from the status quo and use external resources to reinforce their own power rather than provide for the needy parts of the population.

Against this background, the following study investigates how development policy can react to the problem of fragile statehood. The first chapter poses the question whether external actors should co-operate with poorly functioning institutions and scarcely legitimized governments or search for their own priorities and new points of contact. The second chapter discusses concrete reform and assistance strategies in four functional dimensions of statehood (security, political system/judiciary, administration, and welfare). The third chapter deals with challenges facing international actors. The conclusion summarizes the most important results.

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[3] See DFID (note 2), p 9, table 1.

1. "Stay engaged, but differently" - or: What is the best approach to dealing with "difficult partners"?

In the 1990s donors were reluctant to become politically and financially involved in countries confronting state failure and collapse. There were good reasons for this: The chances for success of external engagement are, as numerous empirical studies have shown, low as long as recipient countries violate the principles of good governance or lack the capacities needed for a properly organized state. This is why, after the Cold War, development co-operation focused primarily on "good performers" that were moving in the direction of market-oriented democracy. This approach finds particularly succinct expression in the Millennium Challenge Account (MCA) - a program that was launched by the Bush Administration in March of 2002 and is to provide, by the year 2006, an additional US$ 5 billion in development assistance.[4]

In comparison with other LICs, fragile states have received relatively little development aid, as noted in January 2005 by the UK Prime Minister's Strategy Unit in its study "Investing in Prevention":

> "The overall level of development funding is significantly low in such countries, with 'difficult partner countries' receiving an average of $17.5 per capita per year, compared with $24.6 per capita per year for other low income countries"[5].

An analysis carried out for the "DAC Learning and Advisory Process on Difficult Partnerships" (LAP) additionally gave evidence that – compared with other developing countries -- per capita support of fragile states has decreased in the last decade. Until recently some of the fragile states were in danger, as Levin/Dollar formulate it, of becoming "forgotten states"[6].

However, it is increasingly understood that it is simply not feasible to disengage fully from countries whose political elites are unwilling or unable to adopt a course of constructive action. So what can be done to stabilize such fragile countries and counter the risk of state failure that they pose? Experience gained in recent years has brought us closer to an answer to this question. One important contribution has come from a World Bank unit that has, since 2001, been concerned mainly with low-income countries under stress (LICUS). The OECD's Development Assistance Committee (DAC), which speaks of "poor performers" or "difficult partnerships," has adopted a similar

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4 See http://www.whitehouse.gov/infocus/developingnations/ millennium.html (15/10/2004).

5 UK Prime Minister's Strategy Unit, Investing in Prevention: An International Strategy to Manage Risks of Instability and Improve Crisis Response. A Prime Minister's Strategy Unit Report to The Government. London: Prime Minister's Strategy Unit, Cabinet Office (February 2005), p 27, on the internet: <http://www.strategy.gov.uk/downloads/work_areas/countries_at_risk/cri_report.pdf> (22/05/2005).

6 Victoria Levin/David Dollar 2005: The Forgotten States: Aid Volumes and Volatility in Difficult Partnership Countries (1992-2002). Summary Paper, prepared for DAC Learning and Advisory Process on Difficult Partnerships. London (6 January, 2005), on the internet: <http://www.oecd.org/dataoecd/32/44/34687926.pdf> (22/04/2005).

approach (OECD/DAC 2001). The key message is, "Stay engaged, but differently." [7]. As both have noted, "ignoring" crisis countries is a policy fraught with risk.

a) Co-operation with vs. circumvention of partner governments

Merely increasing aid is not a promising approach, as development assistance does not have only positive effects, but can easily support "predatory regimes," reinforce problematic governmental structures or undermine local capacities. Does the 'traditional' conditionality of development aid offer a way out? Unfortunately, this too has not led to any significant improvements or changes:

> "Extensive studies of IMF/World Bank policy and financial conditionality in structural adjustment programs in the 1980s and 90s show that even extremely large economic incentives (up to 50% of governmental budgets) were not able to change policies if the country's elite – or at least reforming elements within it – were not already aligned. The fact that conditionality was seen as overly coercive reduced the incentives' political legitimacy and produced a culture of 'gaming the agreements' which undermined their effectiveness."[8]

In dealing with fragile states, development co-operation can no longer afford to cling to standardized models of intergovernmental co-operation. One approach that now appears particularly problematic is to seek to push for, or indeed to force, reforms by imposing political or economic conditionalities. Structural adjustment, liberalization, or privatization programs are bound to fail if a country's political-administrative system has not already reached a certain level of effectiveness and efficiency. Fundamentally reasonable measures aimed e.g. at trimming a bloated public sector and privatizing state-owned companies have prospects of success only when there is "domestic demand" for them and there are institutions in place that are in a position to define and implement bodies of rules.

As far as possible, donors should co-ordinate their development policy with partner governments. Otherwise they will be faced with a major risk that parallel and hybrid structures may undermine partner governments' capacity to act effectively. In speaking of this approach, the OECD's Development Assistance Committee uses the term *alignment*: Its aim is to match donor strategies, policies, and budget planning with the standards and procedures used by recipient governments. The intention is on the one hand to promote "ownership" and on the other to support the effective

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[7] See World Bank, World Bank Group Work in Low-income Countries under Stress: A Task Force Report. Washington, D.C. (September 2002), on the Internet: <http://www1.worldbank.org/operations/licus/documents/licus.pdf> (05/10/2004); OECD/DAC, Development Co-operation in Difficult Partnerships. Paris: OECD (16 May 2002, DCD/DAC (2002)11/REV1, 10-May-2002), on the Internet: <http://www1.oecd.org/dac/Evaluation/reserved/pdf/WPMtg_May02/Engdocs/DCD_DAC (2002)11_REV1.pdf> (29/05/2004).

[8] UK Prime Minister's Strategy Unit (Note 5), pp. 112-113.

implementation of measures provided[9]. At the same time, however, lack of development-oriented strategies, widespread corruption, or markedly repressive rule among recipient governments may make development co-operation with such governments a highly problematic proposition since development assistance may serve to bolster the legitimacy of an existing regime. In such situations it will also be necessary to engage in co-operation "beyond the state," i.e. with non-state groups, the private sector, and local governments.

Whether and to what extent external actors should work together with or "beyond" a government in power will depend in large measure on two factors: the effectiveness of state institutions and their political legitimacy. The first factor depends on opportunities for societal participation in political processes (input legitimacy), while the other is closely bound up with the extent to which a regime pursues development-oriented strategies (output legitimacy) (*see Table*). Translating the matter into a typology, we can distinguish four different constellations here:

(1) There are relative advantages in situations where the institutional capability of the state shows some deficiencies but are not in a state of collapse ("mere" state failure). If a state's institutions are still functioning reasonably (unstable states), and if its government enjoys a more or less high level of legitimacy, donors should focus largely on existing structures and closely co-ordinate their policy priorities with the governments (*systems and policy alignment*). Budget support may make good sense in this framework; project work should largely be integrated within sector programs, so that the results do not simply "fall flat," but gain an effect over a large area. The countries in this group are generally on the threshold of moving from fragile to partially consolidated statehood.

(2) If governments in unstable states have a rather low political legitimacy, the priorities of donors and recipients will probably differ. Here a mere *systems alignment* is to be recommended. Budget support should be avoided, since the danger of abuse is too high; sector programs are possible under strict conditions and monitoring mechanisms. Additionally, emphasis on the promotion of "change agents" *(see next section)* seems to be worthwhile.

(3) A third constellation is made up of countries whose institutions have largely disintegrated (perhaps due to violent conflict), while their governments have nevertheless embarked on a course of reforms supported by the population. In such cases donors should provide proactive support for efforts to (re)build state institutions, closely co-ordinating their policies with partner governments. In such situations *policy alignment* sometimes has better prospects of success than systems alignment in that the task at hand will be to reconstruct or reform institutional structures. The donor-side policy agenda should be reduced as far as possible to a limited number of core

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[9] See OECD/DAC, Senior Level Forum on Development Effectiveness in Fragile States. Harmonisation and Alignment in Fragile States. Draft Report by Overseas Development Institute (ODI), United Kingdom, for a Meeting in London, 13-14 January 2005. Paris: OECD 2004 (DCD(2005)3, 17-Dec-2004), para. 6.

measures that are in fact realistic and verifiable and can present visible successes to the population ("quick impact"). For this approach the World Bank has coined the term "zero-generation reforms"[10]. Reform should start out by "skirting" contentious issues so as not to provoke the resistance of "veto players" or "spoilers" at the very start of a process of reconstruction or transformation.

Table: Donor behavior in cases of fragile statehood

	Political legitimacy tends to be high	**Political legitimacy tends to be low**
Reasonably functional institutions (unstable states)	(1) Systems and policy alignment; budget support a reasonable option (e.g. Georgia, Jordan, Mongolia, Namibia, Nicaragua, Tanzania, Uganda)	(2) Political conditionality of development assistance, systems alignment, sector programs only under strict conditionalities; concentration on change agents (e.g. Algeria, Azerbaijan, Cambodia, Cuba)
Breakdown of institutions (states at risk) or: post-conflict reconstruction of institutions	(3) Accent on institution-building, "zero-generation reforms"; policy alignment sometimes a better option than systems alignment; avoidance of contentious reforms (e.g. Afghanistan, East Timor, Sierra Leone)	(4) Partnership-oriented development co-operation questionable, possibly better to bypass the state sector; project work; shadow systems alignment as feasible option (e.g. Burundi, Haiti, Liberia, Myanmar, Nepal, Zimbabwe)

Source: Compiled by the author, in part borrowing from OECD/DAC (note 9), paras. 9-12; DFID (note 2), p. 8.

(4) The greatest problem cases among the fragile states are those countries in which the process of institutional breakdown is significantly advanced and whose governments at the same time lack sufficient political legitimacy. In some cases - e.g. Myanmar or Zimbabwe - development co-operation may generally be questionable. One possibility for action consists of ceasing financial co-operation which finances goods in the form of cheap or non-repayable credits. Instead development assistance can concentrate on selected measures involving technical co-operation, which is designed to improve the skills and capacities of individuals and organizations and

[10] See World Bank (note 7).

which can be abused less easily. If, however, donors, having conducted a detailed cost-benefit calculation, decide to stay engaged to one extent or another, co-operation with structures beyond the state may often prove necessary. Project-oriented measures are the vehicle of choice here; humanitarian aid will also be often needed. What is referred to as *"shadow" systems alignment* can be a promising way to avoid the establishment of parallel systems, with their negative consequences. This is, in effect, an attempt to bring development co-operation measures, at least over the medium to long term, closer to alignment with a given country's institutional system - e.g. by designing support measures in such a way as to gear them to existing budget classifications, planning cycles, reporting and accounting procedures, or to established administrative units[11]. This approach may prove effective at a later stage when qualified non-state or sub-state personnel transfer to the government sector.

b) Influencing the elite and strengthening "change agents"

The behavior of political elites in recipient countries is initially a "given" for external actors. In the medium term, however, through the strategic co-ordination of development co-operation and diplomacy, external actors can exert some influence on these elites. For instance, the UK Prime Minister's Strategy Unit recommends that the promotion of "aspirational clubs" can motivate elite groups to introduce reforms. Some of these clubs require particular conditions for membership. The example *par excellence* is the European Union, which has political and economic reforms as conditions of membership. Other clubs, such as for instance the African Union (AU) and the New Economic Partnership for Africa's Development (NEPAD) offer its members such instruments as the Peer Review Mechanism in order to bring about improvements in the direction of good governance[12].

If the dominant elite is lacking in reform capabilities and political legitimacy for the foreseeable future, the support of other "change agents" becomes relevant. The World Bank and OECD/DAC now recommend that civil society leaders and open-minded officials within the government (e.g. technocrats who are open for changes) be approached directly. An important role may also be played by scientists and scholars with a certain measure of independence[13]. Logically, external actors will speak up clearly for freedom of information and other civil rights, in order to support parliamentarians, independent judges, journalists, union representatives, and professional associations in their efforts to combat abuses of power. The work of political foundations and academic exchange programs can also contribute to capacity-building among such reform-oriented forces. If a country in crisis has politically sealed

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[11] OECD/DAC (note 7), paras. 19-20.

[12] See UK Prime Minister's Strategy Unit (note 5), p 99.

[13] OECD/DAC, Poor Performers: Basic Approaches for Supporting Development in Difficult Partnerships. Paris: OECD 2001 (DCD/DAC(2001)26/REV1, 27-Nov-2001), on the internet: <http://www.oecd.org/dataoecd/26/56/21684456.pdf> (29/05/2004), paras. 21, 22.

itself off, it may even be appropriate to make contact with influential members of the diaspora.

However, it is important to ensure that support of "change agents" serves to overcome cleavages, not to deepen them. In predominately Muslim countries, for instance, religious-fundamentalist forces are often arrayed against secular forces. If external donors insist on rapid modernization, dormant or open mistrust between societal groups may be further aggravated. Democratically oriented forces should, thus, be capable of bridging ideological divides[14]. Another point that should be kept in mind: Support for change agents should not be restricted to the capital city but should also extend to provincial towns and the local level. Otherwise there is a risk that external actors may further exacerbate the alienation between Western-oriented population segments, which speak the "same language" as the donors, and the general population.

2. Overcoming fragility in core dimensions of statehood

It is not possible to define focal points and priorities for development co-operation with fragile states on the basis of one-size-fits-all blueprints. Indeed, the task must be approached on a country-by-country basis, based on empirical assessments of the current situation in the respective country, and preferably drawing on the knowledge of local experts[15]. Despite this qualification some priorities can be identified across the functional dimensions of statehood (security, political system/judiciary, administration and welfare)[16].

a) Monopoly on the use of force and legal control of the military, police and the secret services (security)

Re-establishing the legitimate monopoly on the use of force in an appropriate and effective manner is of high significance in fragile states. If a recipient country has suffered from decades of armed conflict, the control of small arms and the demobilization of ex-combatants deserve particular attention. Sustainable and reliable progress in the security sector requires a clear-cut division of competencies between the police, the military and secret services. The political priority must be on better equipping and training of the police, so that they receive full responsibility for matters of internal security. Training programs should contain modules on human rights, on gender-sensitive behavior and on a new ethos, so that the police see the protection of

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[14] OECD/DAC, A Development Co-operation Lens on Terrorism Prevention: Key Entry Points for Action. Paris: OECD 2003 (DAC Guidelines and Reference Series, A DAC Reference Document), p. 14.

[15] See here for example one study which set the pattern: Goran Hyden/Julius Court/Kenneth Mease, 2004: Making Sense of Governance: Empirical Evidence from Sixteen Developing Countries. Boulder, Colorado.

[16] On the particular challenges in post-war societies see Tobias Debiel/Ulf Terlinden, Promoting Good Governance in Post-Conflict Societies. In collaboration with Tim Dertwinkel, Armin Nolting, Martha Gutiérrez. Eschborn: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ Discussion Paper; January 2005; commissioned by BMZ).

the local community as its primary obligation. In view of illegal action of security forces as well as their entanglement in criminal machinations, an independent judicial body and free media are essential, so that the violation of human rights by the police, the army and the secret service can be uncovered, punished and prevented.

What are needed to prevent the security sector from disrupting transformation processes are subordination, accountability, and responsibility to the civilian authorities. Looked at from the perspective of development policy, there is a crucial need for measures designed to bolster the expertise of civilian actors (members of government, parliamentarians, researchers, watchdog institutions). Crucial in this connection is a transparent state budget, the reason being that concealed subsidies and illegally redirected funds are often used to form "shadow powers."

b) Participation and conflict regulation (political system/judiciary)

One issue that has proven contentious in recent years is how best to secure popular participation under the conditions of fragile statehood. In the first half of the 1990s the idea of rapidly democratizing developing countries and countries in transformation experienced a considerable boom[17]. Since then, however, a growing number of critical voices have pointed to the considerable potential for violence inherent in democratization processes - and this has been substantiated by econometric studies[18]. Fragile and, in particular, failing states often lack rule-based conflict-negotiation institutions, a fact that makes them vulnerable in the context of elections: civil society is not necessarily liberal in orientation, indeed it may also be marked by intolerance and tend in some respects to polarize democratization processes. "Ethnic entrepreneurs" are capable of instrumentalizing existing social cleavages to propagate and deepen nationalist ideologies.

This may be seen as an indication that it is not necessarily advisable for external actors to push all too hard for democratization processes[19]. Since democratic transitional processes create vulnerabilities, it may be preferable to initially set aside far-reaching concepts of 'good governance' and 'structural stability' and instead focus on a more minimal standard of *'good-enough' governance*[20]. This would involve the strengthening of core political institutions, such as a functioning legislature, a

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[17] See e.g. Larry Diamond, Promoting Democracy in the 1990s: Actors, Instruments, Issues and Imperatives. Report to the Carnegie Commission on Preventing Deadly Violence. New York, N.Y. 1995.

[18] See State Failure Task Force, State Failure Task Force Report. Phase III Findings. Prepared by Ted Robert Gurr et al. Center for International Development and Conflict Management at the University of Maryland, College Park, MD 2003, on the internet: <http://www.cidcm.umd.edu/inscr/stfail/SFTF%20Phase%20III%20Report%20Final.pdf> (10/01/2004).

[19] Roland Paris recently arrived at similar results in a comparative analysis of UN peace operations. His empirically grounded quintessential finding: as a tendency the construction of functional institutions should be given priority before speedy political and economic liberalization ("institutionalization before liberalization"). See Roland Paris, At War's End: Building Peace after Civil Conflict. Cambridge 2004.

[20] UK Prime Minister's Strategy Unit (note 5), pp. 83-89.

politically neutral bureaucracy, an effective and independent judicial system, constitutional rules, and a civil society with some degree of self-organization. This must be supplemented by the reinforcement of the rule of law, mechanisms to counterbalance ethno-political conflicts, security sector reform and improved provision of services.

Deficiencies encountered in judicial systems are often so severe that the population regards the public administration of justice as non-existent. Inadequate training, clandestine structures, lack of co-ordination between investigating authorities and police, and widespread cronyism and corruption among political, military, and judicial elites prevent many criminals from being brought to justice. Moreover, access to the judicial system is highly unequal for different social groups, depending on social status, ethnicity, religious affiliation, and whether one lives in an urban or rural environment.

In order to implement the rule of law and to secure an independent judiciary which is in the position to monitor executive decisions and administrative acts, a critical political dialogue is needed. Donors can and should exert pressure and provide incentives to promote transparent hiring procedures, so that key positions in the judicial system are awarded according to applicants' merits and qualifications, not their political loyalties. Furthermore, "legal empowerment", i.e. helping disadvantaged and poorer population groups understand and assert their rights, is crucial. In cases of far-reaching state failure or even collapse, conflicts may also be resolved by drawing upon informal institutions based upon local traditions (e.g. mediation by village elders; jirga processes of the kind found in Afghanistan and Pakistan; Islamic jurisdiction).

c) Efficient service provision and anti-corruption measures (administration)

Under the conditions of fragile statehood, the administration is often scarcely present in rural areas. Basic measures such as the construction of a reliable data base on public employees, the introduction of a simple salary system or the establishment of effective control procedures can be important first steps. As soon as measures in this regard have become established, further efforts should take care that the recruitment and promotion of state employees be on the basis of qualifications and merits ("meritocracy") and not on the basis of patronage. Moreover, "customer orientation" must become the overall guideline for the executive and public servants, in other words: access barriers for citizens must be removed, procedures must be simplified and citizens must be strengthened in their right to demand transparency and accountability from bureaucratic bodies ("citizen voice").

In many cases corruption goes beyond 'petty corruption' and instead has become an integral component of the overall system ('systemic corruption'); state, economy and society can then be virtually paralyzed. Widespread corruption is not limited to state employees and company managers. On the contrary, from time to time NGOs also take an active part. In such a context, even attempts of external donors to circumvent the state are doomed to failure.

One-time policies or (often politically motivated) public relations campaigns are simply not enough to effectively fight corruption. Rather, appropriately designed packages of measures are necessary. Important policy approaches could include: (1) promoting mutually co-ordinated donor self-regulation and self-control; (2) establishing anti-corruption institutions (ombudspeople, inspectors, dedicated authorities, and the like); instituting transparent public procurement procedures and reducing red tape; (4) ensuring that legislative measures are implemented and enforced by independent prosecutorial authorities and courts; (5) supporting parliaments, the media, and civil society organizations (watchdogs) in their efforts to achieve more transparency in the preparation and expenditure of public budgets; (6) establishing rules requiring transnational corporations to make public whatever payments they make to government institutions ("publish what you pay"); (7) supporting swift ratification and implementation of the UN Convention against Corruption of December 9, 2003.

d) Basic social services, predictable economic frameworks and the transformation of economies of violence (welfare)

In numerous countries with authoritarian and/or corrupt governments, the local or national elites neglect basic social services. They are partly responsible for the fact that people living in poverty are insufficiently provided for in the areas of health, education, water, sanitary facilities and electricity. Donors have for this reason often had highly unsatisfactory experiences in dealing with conventional government channels. Under these conditions it is necessary to explore complementary and alternative options, and above all to cooperate with non-state and sub-state actors. Of course these actors are not all "good performers" but include "black sheep" as well, which is one reason why these actors must be carefully selected and evaluated. In addition, assistance programs should be designed so that they can be transferred back to the state level in the medium to long term.

In the 1980s and 1990s the important postulate of a need for reliable economic frameworks was reductively redefined to mean improved macroeconomic management of the formal economy, cuts in the size of the government apparatus, privatization of publicly owned enterprises, and a policy of "getting the prices right." Some elements of this structural adjustment policy proved entirely successful; these would include in particular anti-inflationary fiscal policies and a market-oriented currency policy. At the same time, though, structural adjustment suffered some striking setbacks, because the customary recipes for economic recovery were based on misconceived assumptions: To cite an example, premature privatization of state-owned enterprises led to the formation of powerful oligopolies and often served in effect to strengthen the criminal sector. The reason for this was that the countries concerned simply lacked the effective government management capacities and social structures needed to engage in fair public procurement procedures. What is needed under the conditions of fragile statehood is thus a functioning legal framework that creates reliable expectations, is familiar to economic actors, and, not least, gradually embeds the informal economy in

a legal context. Its pillars include guaranteed property rights, simplified approval procedures, and a fair and effective taxation system.

In a considerable number of fragile states the combating of criminal economies remains a central challenge. Since the beginning of the 1990s, the globalization of the world economy has not had only a positive impact in terms of increases in prosperity, market opportunities, mobility and new choices. Trade liberalization has instead increased the vulnerability of weak economies. Easy transportation as well as the lack of control on financial markets made it easier for grey illegal zones to develop. Under the conditions of such a "shadow globalization" money laundering flourishes, as does the illegal trade in drugs, diamonds, exotic woods or human beings. The countries particularly prone to destabilization include those in possession of abundant natural resources, those that have been shaken by armed conflict and state failure, and those that, due to their geographic location, are especially well suited as transfer points for contraband goods. Effectively combating the criminal sector requires greater transparency and accountability for income from natural resources, the reinforcement of the penal system, and socio-economic programs that provide the population with alternative, legal sources of income.

3. The external stabilization of fragile states

The measures discussed thus far have largely had to do with approaches to dealing with "difficult partners" and with governance reform in fragile states. But if the recommendations developed here are to be effectively implemented, donor governments will have to pursue a coherent policy, one that is closely co-coordinated at the international level and at the same time not undercut by ministerial or departmental rivalries, turf battles and competition. At the same time development policy can not be considered in isolation, but must be incorporated into an overall concept encompassing a wide range of activities. Four points deserve particular attention: greater coherence in the provision of development assistance; international measures to reduce the external vulnerability of fragile states; international regulations to combat the "resource curse", and recognition of the "responsibility to protect".

a) Coherence and effective action in development assistance

One of the first reasons why policies concerning fragile states often fail to achieve coherence is that individual donor countries accord too little priority to the problem or that political practice is strongly influenced by clashes of interest, interministerial competition, ad hoc decisions, and lack of co-ordination. What is called for in critical phases of breakdown or reform processes, though, is what the 2004 DAC High Level Meeting referred to as "whole-of-government responses". As one first step in this direction, ministries or departments responsible for key policy fields (e.g. security sector reform, support for political transitions, the establishment of judicial systems

based on the rule of law, anti-corruption efforts, containment of criminal economies) would have to reach agreement on joint guidelines and standards.

Along with increased coherence at the national level, it is of critical importance that international donors develop common strategies as well[21]. This can involve the formulation of common national strategies that clearly delineate the goals, instruments, contact partners and evaluation standards in dealing with difficult partners. These are beginning to be developed within the European Union (EU). If donors do not succeed in agreeing, and if they give out different or even contradictory signals, it is much easier for "veto players" or local "spoilers" to play external actors off against each other.

Frequently there are either too many or too few donor governments active in a fragile state. The British Department for International Development therefore correctly notes: "There is a need for an international mechanism to decide who does what, and where…. The lack of a single institution or process to guide global aid allocations is a major weakness in the way international aid is organized."[22] In assuming responsibility and working for international effectiveness, donor co-ordination must more effectively ensure that external engagement is not overly influenced by trends and fashions. Here the EU has an especially important role to play alongside the OECD's Development Assistance Committee (DAC). Only too often developing countries are either inundated with aid ("donor darlings") or find themselves in the role of victims of international disengagement ("donor orphans") (DFID 2005:17). If external actors are to come to effective terms with the phenomenon of 'donor orphans,' they should never, even in the most difficult of times, permit crisis-affected countries to stand alone, without international contact partners. One possibility is for individual donor countries to assume responsibility for a specific country that is in danger of becoming isolated from the international aid community.

b) Reduction of external vulnerabilities

Greater coherence and co-ordination in the development and implementation of development policy form important building blocks for an external strategy for fragile states. However, this should be supplemented by improved international control mechanisms which help to reduce the external vulnerability of (potential) crisis countries and ensure that neither the government nor (former) rebels are able to enrich themselves to any great degree and so procure themselves an economic power base. Two factors play a central role in increasing vulnerability to external shocks: embeddedness in regional "security complexes" and susceptibility to fluctuations on international markets for raw materials.

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[21] On the following see OECD/DAC (note 7), para. 6; OECD/DAC (note 9).

[22] DFID (note 2), p 17.

Fragile states are generally entangled within a "regional security complex"[23], in which mutual stabilization and destabilization as well as numerous transnational "spill-over" effects play a part. In the regionalization of political power a prominent role is played by (transnational) refugee movements, which frequently go hand-in-hand with competition for resources, crime, and trade in arms and drugs. If a return to armed conflict is to be avoided, a high priority must be placed on strengthening the regional components of global governance. Regional security is based essentially on arrangements that prevent mutual threats and intrusions among neighbors. Targeted support of regional and sub-regional organizations, as is currently being pursued for the continent of Africa, offers a correct starting point here – although for the foreseeable future the promotion of confidence-building diplomatic measures is likely to be far more effective than the replacement of UN peace operations with regional military missions.

It is precisely those poor countries that are dependent on raw materials that are most vulnerable to political and military pressure as well as socio-economic shocks. Any "international policy package" for fragile states would therefore have to include an instrument to cushion against the collapse of raw materials prices on international markets as well as disruptions of international financial markets. Collier et al. suggest three convincing alternatives which the Bretton-Woods institutions could undertake in this area:

> "First, the IMF could consider the case for a more concessional facility triggered at times of severe price crashes. Second, once the IMF had a system in place that signaled eligibility for such a facility, it could function as a guide to the provision of grant finance by bilateral donors, grants probably being the most appropriate cushion for large adverse shocks. Third, the World Bank could develop both risk-pooling and risk-bearing facilities. For example, pooling the risks oil exporters and oil importers face might be possible, because their price risk is precisely offsetting."[24]

c) Combating the "resource curse"

Monitoring of income from natural resources has received a great deal of attention with relation to the international stabilization of fragile states. This is based on the recognition of the fact that, in many regions of the world, (potential) perpetrators of violence are able to survive using the proceeds from illegal sales of valuable, easily lootable raw materials (the "resource curse"). Without adequate monitoring, income from natural resources can lead to self-enrichment by government officials.

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[23] On this see Barry Buzan, People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era. 2nd ed. Boulder, Col. 1991; Barry Buzan/Ole Weaver/Jaap de Wilde, Security: A New Framework for Analysis. Boulder, Col. 1998.

[24] Paul Collier et al., Breaking the Conflict Trap. Civil War and Development Policy, Washington, D.C. 2003 (A World Bank Policy Research Report), <http://econ.worldbank.org/programs/conflict> (15/08/2005), pp. 180-181.

NGOs such as Global Witness have therefore long been exerting pressure to ban illegal trade (e.g., in valuable raw materials) and to establish transparency and accountability requirements. Such measures would help prevent hidden payments from companies extracting raw materials to the governments of developing countries. Initial successes have already been achieved through the so-called Kimberley Process, which aims to draw a clear distinction between legal and illegal markets in rough diamonds by means of clear certification rules. This approach could in principle be used for other raw materials such as coltan or timber; corresponding schemes are being even considered for the drugs market[25]. Another strategy consists of stricter monitoring of financial transactions in the area of raw materials. The "publish what you pay" campaign launched by Global Witness and George Soros is based on precisely this principle.

The *Extractive Industry Transparency Initiative* (EITI), which British Prime Minister Tony Blair announced in September 2002 at the World Summit in Johannesburg, tends in a similar direction. It is aimed at the disclosure of payments which transnational companies involved in the extraction of raw materials make to the governments of developing countries. One of the central challenges for the near future will involve the prevention of tax oases, money-laundering activities, and trade in raw materials and weapons from crisis areas through the effective monitoring of financial transactions. A helpful orientation as to how corruption can be criminalized is offered by the OECD anti-bribery convention[26].

d) Military stabilization and the "responsibility to protect"

Development policy, when combined with preventive diplomacy and economic stabilization measures, can provide an important contribution towards avoiding the continuation of crises in fragile states, and in the best case can support their transformation. At the same time there are situations in which the dynamics of state failure can only be counteracted by military means. Despite important failures (e.g., Somalia, Rwanda, the former Yugoslavia), the international community since the end of the Cold War has increasingly engaged in multilateral peace operations to de-escalate crises and stabilize transitional phases that are characterized by mistrust and the threat of violence – one reason why there is increasing talk now of *peace maintenance* or *peace support operations*.

The conditions under which military intervention on the part of the international community of states is legitimized were doubtless formulated in the most convincing

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[25] See Paul Collier/Anke Hoeffler, The Challenge of Reducing the Global Incidence of Civil War. Oxford University: Centre for the Study of African Economies 2004 (Copenhagen Consensus Challenge Paper; March 2004), <http://www.copenhagenconsensus.com/Files/Filer/CC/Papers/Conflicts_230404.pdf> (15/08/2005).

[26] The OECD Convention against Bribery of Foreign Public Officials in International Business Transactions came into effect in February 1999 and was ratified by 34 of the 35 signatory states. Further information can be found under: <http://www.oecd.org/department/0,2688,en_2649_34859_1_1_1_1_1,00.html> (24/09/2005).

manner by the International Commission on Intervention and State Sovereignty (ICISS). The report "The Responsibility to Protect"[27] argues that the concept of state sovereignty must be redefined to reflect the current practices of the international community, the increasing importance of human rights, as well as the discussion on "human security", which makes the individual the most important reference point for state actions. The traditional understanding of "sovereignty as control" has to be transformed into an understanding of sovereignty as a duty in a social contract between the state and citizens ("sovereignty as responsibility"). If the state is no longer in the position to protect its citizens from great dangers, or if it is itself endangering "human security", the responsibility is passed on to the international community. In such cases, the international community is to follow a gradated and integrated strategy. First, the international responsibility to protect involves the use of civilian instruments of conflict prevention. If this fails, military intervention is legitimate. This generally should be carried out with the agreement of the country concerned, but under certain conditions it is also legitimate as an imposed enforcement measure[28].

Recent studies on the success vs. failure of UN peace operations in post-war situations indicate that any attempt at stabilization must be conceived in a multi-dimensional manner and supported by a strong mandate. Diplomatic efforts that are not backed up with stronger enforcement measures have not tended to be particularly effective, while the traditional peacekeeping approach has been singularly unsuccessful.[29] These arguments are likely to apply equally to the stabilization of those fragile states that have not yet been affected by violent conflict. To achieve the goal of more effective stabilization, the respective concepts and capacities of the United Nations and regional organizations must be further developed. Relevant proposals have been provided by the Brahimi Report on the reform of peace operations[30], recent G-8 initiatives, [31] and the recommendations of the High-Level Panel on Threats, Challenges and Change[32].

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[27] ICISS (International Commission on Intervention and State Sovereignty), The Responsibility to Protect: Report of the International Commission on Intervention and State Sovereignty. Ottawa: International Research Centre for ICISS (December 2001).

[28] For military enforcement the ICISS uses a modernized, multilaterally grounded version of the "just war doctrine", insofar as six criteria must be fulfilled: (a) a just cause; (b) the right intention; (c) military intervention as the last resort; (d) the principle of proportional means; (e) reasonable prospects of success; (f) the right authority for the authorization (if possible the UN Security Council). Such an enforcement operation must also be driven by the willingness to contribute to the rebuilding of a country afterwards.

[29] See Michael W. Doyle/Nicholas Sambanis, Making War and Building Peace: The United Nations since the 1990's, New York, N.Y.: Columbia University; New Haven, Conn.: Yale University 2004, p 128-141. The papers used here are draft versions of the book of the same name, which is due to be published soon by Princeton University Press.

[30] See Brahimi Report, Report of the Panel on United Nations Peace Operations. Comprehensive Review of the Whole Question of Peacekeeping Operations in all their Aspects. New York, N.Y.: United Nations (A/44/305, S/2000/809, 21 August 2000), on the internet: <http://www.un.org/peace/reports/peace_operations/report.htm> (15/04/2001).

4. Conclusion

The most important results of this report can be summarized in five points:

- Fragile states are characterized by a great potential for crisis that endangers human security and that can extend into the medium term. The international community has not adequately prepared itself for the challenges presented by these states. External actors must attempt to maintain a presence within such countries, either directly or indirectly, even under the most difficult circumstances (the "stay engaged, but differently" principle). Since mere increases in development aid as well as traditional conditionality principles have shortcomings, new instruments for development co-operation have to be designed and implemented. These instruments should be oriented according to two key parameters: (a) the institutional capability of a particular fragile state and (b) the legitimacy of the respective government. The promotion "change agents" is also of particular importance.
- Measures in development policy should concentrate on the (re-)creation of capabilities in the four core dimensions of statehood (security, political system/judiciary, administration, and welfare). It is broadly a case of paying attention to the following priorities: guaranteeing a minimum level of public security; establishing law and order and functioning judicial mechanisms; implementing basic administrative acts and anti-corruption regulations; guaranteeing property rights; and bringing criminal economies under control. In fragile states where institutional decline is significantly advanced, a more far-reaching concentration is necessary on a few selected areas of reform, which must be decided appropriate to the respective case. In order to avoid the problems caused by unrealistic project goals and the too-distant ideal of market-oriented democracy, it is worthwhile to pursue the minimum aim of *'good enough' governance*.
- Unless they co-ordinate their policies and actions more effectively, donors' ability to have a positive impact on fragile states will remain limited. The development of common country strategies, the clarification of responsibilities as well as harmonized analysis and decision-making mechanisms in the case of 'countries at risk' are steps in the right direction. Admittedly, however, experiences to date can make observers pessimistic whether profound changes in the direction of more coherence can really be attained.

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[31] See for instance G8 Action Plan: Expanding Global Capability for Peace Support Operations' Sea Island Summit 2004, on the internet: <http://www.g8.utoronto.ca/summit/2004seaisland/peace.html> (15/08/2005)

[32] High-level Panel on Threats, Challenges and Changes, 2004: A More Secure World: Our Shared Responsibility. New York, N.Y.: United Nations (29 November 2004, UN Document A/59/565), on the Internet: <http://www.un.org/secureworld/> (15/01/2005).

- External actors can have an impact on improving the management of natural resource revenues ("publish what you pay", Extractive Industries Transparency Initiative, etc.)[33]. These measures can help reduce the inappropriate diversion of revenues, diminish the macro-economic distortions that result from a dependency on raw materials, and cut off a key source of financial support for perpetrators of violence. Another strategy involves the improved control of financial transactions and money laundering. The Federal Government of Germany has taken an important step forward in its "Action Plan for Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peace-Building," enacted in May 2004, which emphasizes the need to prevent tax oases, war-related money-laundering activities, and illegal trade in conflict zones[34]. The decisive task now is the implementation of these measures. It would doubtless be helpful if an international financial institution were to collect, evaluate and publish the information according to commonly agreed standards[35].
- If a fragile state goes into a process of decline and can no longer guarantee "human security", the "responsibility to protect" is transferred to the international community. Multi-dimensional stabilization operations and in extreme cases even *enforcement* operations may be necessary in order to prevent the situation from escalating further. Relevant studies and policy recommendations emphasize the need to increase the personal and financial resources of the United Nations and regional organizations, set clear and feasible mandates, priorities *institution building*, and establish law and order. The sustainability of multi-dimensional and multilateral operations could be increased if they were to be incorporated in a comprehensive concept of state-building as outlined in this paper. A new institutional framework for better harmonization of the various international actors in this area when violent conflicts arise could be provided by the UN Peace-Building Commission. The setting-up of this commission was unanimously decided on at the Millennium+5 summit in September 2005. It is to bring together not only the Security Council and the Economic and Social Council (ECOSOC) but also the most important donor states, troop providers and international financial institutions[36].

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[33] See Collier et al. (note 24); Collier/Hoeffler (note 25); UK Prime Minister's Strategy Unit (note 5).

[34] See Action Plan "Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peace-Building" adopted by the Federal Government of Germany on 12 May 2004, Berlin, Action 119, on the internet: < http://www.auswaertiges-amt.de/www/en/infoservice/download/pdf/friedenspolitik/AP%20EN.pdf > (14/01/2005).

[35] This suggestion comes from Collier et al. (note 24).

[36] See 2005 World Summit Outcome. Draft resolution referred to the High-level Plenary Meeting of the General Assembly by the General Assembly at its fifty-ninth session. New York: UN General Assembly (A/60/L.1; 05-51130 (E), 150905, 15 September 2005), paras. 97-105.