

A NEW APPROACH TO STATE FRAGILITY

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EXECUTIVE SUMMARY

On June 28, 2018, CIFAR, the International Growth Centre, and the British Academy convened thought leaders in government, the private sector, and civil society for a robust conversation about Escaping the Fragility Trap – the 2018 report of the LSE-Oxford Commission on State Fragility, Growth and Development. This report summarizes the key discussion points from the event.

PANELISTS

Professor Sir Timothy Besley, CIFAR Senior Fellow, Fellow of the British Academy, Professor of Economics and Political Science and W. Arthur Lewis Professor of Development Economics at the London School of Economics and Political Science

Dr. Rachel Glennerster, Chief Economist for the UK Department of International Development

Dr. Adnan Khan (moderator), Research and Policy Director at the International Growth Centre and Co-Chair of the LSE-Oxford Commission on State Fragility, Growth and Development

Professor Roger Myerson, CIFAR Advisor and holder of the Glen A. Lloyd Distinguished Service Professorship of Economics at the University of Chicago

INTRODUCTION TO THE COMMISSION AND REPORT – DR. ADNAN KHAN

We have witnessed a profound policy failure regarding state fragility over the past few decades. People living in fragile states are in peril; the path out of fragility is too important for global actors to neglect. However, established approaches have not worked. There has been a huge gap between the rhetoric of ‘ownership not donorship’ and the reality of a limited government struggling to deliver donor-imposed stringent policy conditions.

Each state facing fragility must forge its own path out of the fragility trap. No country has lifted itself out of poverty based on the vision of external actors. They have done it themselves – often with external support, but never under the control of others. Analytical frameworks, evidence and external actors can all help, but the struggle has to be owned by domestic actors. Sovereignty must be restored to where it belongs: the people and policy actors in fragile states.

The Commission’s report is distinctive in its framework and its boldness. The Commission gathered a group of top academics and practitioners and undertook country studies, open evidence sessions, and frank discussions. Past reports on the subject are often filtered to the point that they lack innovative, substantive or bold ideas. The Commission’s report is distinct in its analytical framework and its break with strategies of the past.

ESCAPING THE FRAGILITY TRAP

THE REPORT

Escaping the Fragility Trap identifies six features of state fragility and makes twelve recommendations to domestic actors and the international community.

6 FEATURES OF STATE FRAGILITY

1. A security threat is present from organized non-state violence.
2. The government lacks legitimacy in the eyes of many citizens, making it harder to govern. An example would be modern-day Libya, which effectively has two governments with legitimacy split in the eyes of the citizenry and the international community, respectively.
3. The state has a weak capacity to deliver core functions and public services, such as raising tax revenue and enforcing property rights.
4. There is a very unattractive environment for private investment.
5. The national economy is highly exposed to shocks with little resilience. For this reason, even relatively small shocks are liable to derail progress in the economy.
6. Deep divisions exist within in the society of the state in question.

12 RECOMMENDATIONS FOCUSING ON THE ECONOMY AND TRANSFORMING POLITICS AND SECURITY

1. Help build government that is subject to checks and balances and works for common purpose.
2. Help build domestic security, including through a phase of international and regional security.
3. Capitalize on pivotal moments.
4. Establish limited and purposive long-term goals.
5. In the short-term, look for quick wins.
6. Focus on economic governance, not policies.
7. Use aid to support private investment for job creation.
8. Adopt distinctive international financial institution (IFI) policies for fragile states.
9. Use international means of building resilience.
10. Build institutions to support the private economy.
11. Invest in urban infrastructure for energy and connectivity.
12. Use domestic means of building resilience.

REPORT INSIGHTS, PROFESSOR SIR TIMOTHY BESLEY

The countries with the greatest struggles to generate sustainable development need the greatest attention, but common approaches are not effective.

Typical approaches prioritize through lists that single out individual countries for special measures and increased policy attention. The Commission's view is that this approach encourages a view of fragility that does not reflect reality. The report therefore does not include priority lists.

Knowing the root causes of state fragility does not mean you can solve it. Deep historical factors often underlie fragility, but these may have limited

relevance for formulating suitable policy solutions to address fragility in its current context.

An integrated approach to addressing state fragility must integrate government areas that are often disconnected. The range of risks and contributing factors at play in fragile situations triggers the attention of government players with different priorities, mandates, and approaches, such as departments of foreign affairs, international development, and national security. Lack of integration between these areas poses a challenge to effective response.

PANEL MEMBER COMMENTARIES AND GROUP DISCUSSION

REPORT COMMENTARIES

Dr. Rachel Glennerster, Chief Economist, UK Department for International Development (DFID):

Poverty reduction will increasingly focus on fragility.

The Commission and its report is timely and relevant. DFID estimates show that in the future, the vast majority of the world's extreme poor will reside in states currently classified as fragile.

Focusing on delivering 'quick wins' can work. Actions that result in visible and rapid improvements for ordinary citizens and in donors getting money back quickly have worked well, for example in Sierra Leone. Programs aimed at delivering quick wins seem to show persistent positive effects on the economy many years later.

The practical realities of a state functioning with limited capacity challenge the successful implementation of many important goals. Seeking to strengthen the state rather than build a parallel system is an important goal, but in practice a lack of state capacity makes this quite hard to accomplish.

- External actors overloading conditions on a fragile country that cannot deliver effectively is a challenge without a clear solution. Further consideration is needed about the system incentives that lead to this situation. A process solution is not clear, particularly when working with international financial institutions to identify concrete changes.
- Prioritizing the government's agenda over a donor's agenda is difficult when the government is unable to develop its own prioritized agenda. A government's agenda often has numerous priorities, and donors focus on priorities that align with their own. Improving donor coordination in engaging with the government could help, but a coordinated donor bloc greatly reduces the government's bargaining position.

Election timing is critical in the short- and long-term. To promote the resolution of open conflict, a focus on power-sharing rather than an immediate

shift to winner-take-all elections may not be the best way forward. Elections can build accountability and checks and balances. Even in countries where voting is highly ethnically-based, people will often change who they support based on how well the government is doing. For example, Sierra Leone recently witnessed its second change of government since the civil war, and democracy has become part of the national identity. Similarly, in India people often vote along ethno-religious lines, yet have shown willingness to shift their support for accountability reasons. The presence of ethnic voting does not necessarily mean that elections will not work.

- Delaying elections can undermine a longer-term transition to democracy. The end of a war is a valuable moment at which to introduce elections. Countries can find it highly challenging to transition to democracy later on, which can contribute to tensions re-emerging. If elections are delayed, careful thought needs to be given to what that transition path will look like.

International financial institutions (IFIs) need to signal fragility is a priority. If IFIs do not place their people into fragile states to understand the local political context, they cannot produce better solutions. This is not a human resources problem; there are many talented economists working on fragility, but they are not going to the International Monetary Fund, for example, because it signals that it is not interested in fragility. If the managing directors of IFIs change their priorities to focus more on fragility, the people within the organizations would be cued to change as well.

Roger Myerson, CIFAR Advisor; Glen A. Lloyd Distinguished Professor of Economics, University of Chicago:

Existing networks in fragile states can pose a challenge to new government cohesion. Elite networks can be too narrow to govern, and societal fractions too deep to come together to form a cohesive government. International assistance can inadvertently exacerbate this by channeling resources exclusively through the national government, allowing national leaders to retain privileged positions without negotiating with a politically and geographically

broad coalition. Destabilizing national rivalries can be perpetuated if different groups receive international military assistance, which can import external rivalries into the recipient country's politics.

A strong state needs a balanced constitutional relationship between national leaders and autonomous local leaders with support in their region.

Many successful countries devolve substantial state spending to subnational governments that are subject to national law but owe their positions to local politics. "The acid test of effectiveness" of checks and balances should focus on whether they reassure local leaders that they have a stake in national politics. The first focus for addressing state fragility must be building a more inclusive political system, including local leaders who can mobilize active supporters by distributing patronage and protection. These goals of political development deserve priority even over other worthy goals such as training, disciplined soldiers, lawyers and judges.

To introduce effective limits on the power of the national executive, it is better to positively delegate some power to autonomously elected local governments than to create negative veto players within the national government. In today's fragile states, narrow political elites have tried to maintain a monopoly over power. If the winner of a first election holds a strong popular mandate but faces an

opposition that tries to negate his or her authority by exercising formal veto powers, then a dangerous zero-sum game can emerge, with real risk that the winner will seek to assume dictatorial power and suppress the opposition. It is better to hold local elections first to ensure subnational representation, which can then have a stake in elections at the national level.

Devolving power to local councils based on local politics can be a first step toward strengthening the base of the state. Local leaders in every part of the country can thereby acquire a stake in the political system. This process can also help guarantee the rights of minorities where they have a share of local power in districts where they are concentrated, as well as incentivize local leaders to make the common agenda salient as they look to eventually run for office at the national level.

The international community has not tried to build such a balanced political system in today's fragile states. Diplomats tend to focus on national and international politics but neglect political considerations at the subnational and local levels. The relationship between national and local politics is an important point of state-building. Such expertise is needed and can be developed again. The Commonwealth of Nations would be an ideal body to oversee such an agency for state-building.

DISCUSSION

Institutional design is important to carrying a public base of support through to an elected leader. When the international community makes the existence of a state possible in emergency cases, it is challenging to ensure that the supported political leaders have a base in local politics. That situation advances a parliamentary government design at the national and local levels, because international support strengthens the political position of the executive branch. If a parliament can dismiss the executive at any time, this helps guarantee a broader support base for the executive supported by the international community. Presidentialism in unstable contexts is by and large dangerous; presidential systems may be advanced to entrench the power of certain political leaders. Under a presidential system where the government is subject only to occasional elections

every few years, the government may become answerable only to the international community.

Some politicians gain economically from the status quo – balanced involvement at the local level supports success in escaping the fragility trap. Delivery by leaders who can successfully forge a relationship of accountability is much easier at the level of local politics. It is often effective leaders in municipal government who manage to create a positive relationship between delivery and political success. It's much harder to create that political will in concert with political outcomes at the national level.

- An excellent case study is the success in Sierra Leone after a grim history. The international aid community was involved directly with the district level of government and not just the national

one, beginning with Britain leading the state-building mission. That balanced involvement stood in contrast to previous involvement where the President had a monopoly on access to international assistance, and it helped lead to a more favourable outcome.

There are opportunities other than elections to re-engage people's trust in government representation

- but they must be handled carefully. People are supported by individuals with all kinds of agendas, and it is crucial for political leaders to convince the people that they are actually trying to turn the country around. Activities like a leader holding her or his own supporters to account (as opposed to merely jailing political enemies) is a powerful and credible message. Reconciliation processes - such as commissions - can work but must be handled carefully. There is some evidence that truth and reconciliation processes can retraumatize people by revisiting experiences. Sometimes these processes can be used to jail the opposition or delegitimize the only potential leaders that there are.

Producing new bureaucratic capacity is challenging when state capacity is limited or gone. The key to building state capacity in fragile settings is to bring new people into both the political space (through local elections and others), and the operational culture of government bureaucracies. However, introducing fresh civil servants to bring about culture change in government is very difficult; we know far too little about what to do and far too much about what not to do. External actors often suck up the limited capacity that exists, while path dependency can limit change in areas such as hiring structures. In the initial years post-conflict, one of the best sources of building capacity is attracting diaspora. This can provide a key source of human capital in the short-term.

- There is also the question of quick wins lower down in the state. For example, community-driven development approaches can let communities build what they need immediately post-conflict by bringing money to the ground level - such as creating new districts that become important in ensuring balanced power after elections. In some cases the national level is broken down but local level capacity is still organized, which entails a different response than in contexts where organizing ability is broken down at all levels.

- The success of political decentralization depends on the central Ministry of Finance to reliably manage the cash flow between the central and subnational governments. The Ministry of Finance should be a priority area of state capacity-building efforts.

Vested interests within the international community may conflict with resolving fragility. It is important to be open to the wide range of external actors who might not have the interests of the population at heart. External state intervention in a region may have beneficial effects but comes with strings. China may intervene in Africa to build infrastructure, but with an accompanying desire to maintain networks of relationships with existing politicians who are favourable toward struck deals. A Western country may support democratic elections, but may hold preferences for the outcome and so may not necessarily want to go with the will of the people. In many places, the internal dynamics of incentives for continuing fragility is the primary concern. That might include disorder by design, actors in the government who want the conflict to continue, or different external states backing internal rival factions and raising fears of proxy wars.

- As external actors, international community players are outsiders and in many contexts suggesting prescriptions is not appropriate. In other contexts, the international community may have a role to play in catalyzing new thinking amongst policy actors domestically. The Commissioners implicitly took the view that, overall, the international community, in players like the IMF and DFID, is trying to act benevolently. This is an important matter and the Commission did not come to a firm conclusion about what to do in situations where this is clearly not the case.