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Dealing with fragile states

Entry points and approaches
for development cooperation

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AUSA	Association of the United States Army
BMZ	German Ministry for Economic Co-operation and Development
CPIA	Country Policy and Institutional Assessment (World Bank)
CSIS	Center for Strategic International Studies
DAC	Development Assistance Committee
DC	Development Cooperation
DCD	Development Co-operation Directorate
DFID	Department for International Development
EITI	Extractive Industry Transparency Initiative
EU	European Union
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICRC	International Committee of the Red Cross
LICUS	Low-Income Countries Under Stress
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organizations
ODI	Overseas Development Institute
OECD	Organization for Economic Co-operation and Development
PRS	Poverty Reduction Strategy
SMEs	Small and Medium-scale Enterprises
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
ZEF	Zentrum für Entwicklungsforschung

Acknowledgements

Abstract

Fragile states are characterised by a great potential for crisis that endangers human security and the achievement of the Millennium Development Goals (MDGs). It is increasingly being recognized that external actors should stay involved, either directly or indirectly; at the same time, though, new entry points and approaches are needed (the "stay engaged, but differently" principle).

Donor behavior in cases of fragile statehood can be based on two key parameters: (a) the effectiveness of state institutions, (b) the legitimacy of the respective government. In order not to create parallel and hybrid structures, donors are well-advised, in general, to focus on existing structures and coordinate their political priorities with the governments (systems and policy alignment). However, lack of development orientation, widespread corruption, or markedly repressive rule may make such a cooperation a highly problematic proposition. Thus, it will in a substantial number of cases also be necessary to engage with partners "beyond the state," i.e. with nonstate groups, the private sector, and local governmental units.

A major task for development cooperation is the (re-)creation of capabilities in six governance arenas: security, political, judicial, administrative, social, and economic governance. This must be approached on a country-by-country basis, based on empirical assessments of the current situation, and preferably drawing on the knowledge of local experts. Despite this qualification some cross-cutting priorities are identified within the study: (re)establishment of the state monopoly on the legitimate use of forces and efforts to combat ordinary crime; a functioning separation of powers (horizontal checks and balances); respect for the rule of law, and "legal empowerment" of citizens; efforts to combat corruption and to eliminate criminal economies.

Donors' ability to have a positive impact on fragile states remains limited, unless they pursue coherent policies on the national level and coordinate more effectively on the international level. The development of common country strategies, the clarification of responsibilities as well as harmonised analysis and decision-making mechanisms in the case of 'states at risk' are steps in the right direction.

1 Introduction

As the 21ˢᵗ century gets underway, development policy finds itself faced with a number of new challenges. On the one hand, it has, in the Millennium Development Goals (MDGs), set itself a number of ambitious targets geared to improving the living condition of broad segments of the world population. On the other hand, a significant number of countries, a total of over 50, are blocked by chronic state failure, if indeed they are not faced with the threat of drifting into processes of state breakdown. It has come increasingly to be recognized that the key to both socioeconomic success and efforts to stabilize fragile states must be sought in efficient, transparent, and accountable governance structures that pave the way to real citizen voice and participation. In this connection, promotion of good governance not only means providing support for state institutions, it also involves support for nonstate institutions at the local, regional, national, and - increasingly - transnational level. At the same time, though, "governance beyond the state" can be seen as a reasonable proposition only in extreme situations. As a rule, the sine qua non for viable development and transformation is state institutions that show at least signs of rudimentary or partial consolidation.

Functioning statehood has, not least since the 9/11 terrorist attacks in the US, come more and more to be seen as a necessary core element of any strategy pursued by development, foreign, and security policy. A certain measure of functioning statehood is also an essential precondition for global governance. Following Christopher Clapham (2001), the present study proceeds on the assumption that

> "the state remains the only plausible building block on which any project of global governance can be constructed; and the absence of the state – even in areas of relative insignificance to their main economic and strategic interests – is therefore widely perceived as constituting a 'threat' to core zones of the global system" (Clapham, 2001, p. 2).

The present study looks into development-related approaches to dealing with fragile states from a conceptual perspective. It starts out by defining what is meant by the term fragile states and specifying where the central problems must be sought. Apart from poor or virtually nonfunctioning institutions, one of the most important factors behind the phenomenon is often a lack of political legitimacy or development-orientation on the part of a government. Chapter 3 then goes on to ask how, despite all adversity, external actors can still become engaged: How far can and should development cooperation (DC) go in adapting to existing institutional systems and political priorities? On what actors should it focus its cooperation efforts? Should DC concentrate more than it has in the past on critical "turnaround situations"? Our point of departure is that DC should, as far as possible, seek points of contact with existing state institutions and governance systems, although it may, at times, also be necessary to work around

the latter. In the end, however, the only realistic approach to permanently overcoming fragile statehood is to build and develop effective institutions that are also anchored in local developments and traditions. Chapter 4 deals in detail with this guiding orientation, which differs from both conventional notions of the strong security state and the neoliberal concept of the minimal state.

Chapter 5 then goes on to discuss development-related approaches in six governance arenas (security, political decision-making and checks and balances, the judiciary and conflict mediation, administration, basic social services and distributive justice, business and the economy). There is no magic formula to determine which arena calls for special attention in a fragile state; this is a question that must be decided on the basis of specific givens. To cite an example, restoration of the state's monopoly on the legitimate use of force will be a sine qua non in countries struggling with collapsing state structures or pervasive criminality. But - to name another possible scenario - in other states plagued by authoritarian power elites appropriating rents from natural resources or development assistance, efforts will have to focus on restoring the rule of law and consistently combating corruption. Chapter 6, finally, discusses the rules to which external donors must adhere if they are to engage constructively in fragile or failing states. At present such engagement is all too often based on faulty analyses, incoherent strategies, and a general lack of mutual coordination.

2 Fragile states – a central challenge for development policy

The state can, in the words of Baker and Ausink (1996), be defined as:

"a political entity that has legal jurisdiction and physical control over a defined territory, the authority to make collective decisions for a permanent population, a monopoly on the legitimate use of force, and a government that interacts or has the capacity to interact in formal relations with other such entities" (Baker and Ausink, 1996).

A properly functioning state will, in essence, fulfill six core functions: It will guarantee collective and individual security (security governance); legitimate political decision-making processes subject to horizontal and vertical checks and balances (political governance); institutionalized conflict mediation and enforcement of the law (judicial governance); law-bound implementation of legislative decisions and effective taxation (administrative governance); distributive justice and provision of basic social services (social governance); the basic infrastructural and legal conditions needed for the development of economic activities (economic governance).

Fragile states are countries that are hobbled by marked deficits in producing these "goods," and this in turn implies that the population will as a rule have to contend with a severe lack of security and basic social services. In view of the great number of different types of countries affected, it would appear reasonable to attempt a more differentiated breakdown into two subtypes (see Tab. 1):[1]

1. Countries that lack, to one degree or another, rule of law, protection from violence, and social infrastructure will be referred to as unstable states; the literature in the Anglo-Saxon countries generally speaks here of weak or strained states. While such countries have in large measure maintained their sovereignty and monopoly on the legitimate use of force, their political and administrative systems are hampered by structural deficits that render them ineffective and weak. Their judicial systems do not function properly, and large segments of the population lack sufficient access to them; while they maintain some basic social services, provision is susceptible to disruption; economic forces are unable to develop on account of underdiversified production structures and faulty or inadequate incentive systems. In such countries corruption is as a rule endemic and physical infrastructure tends largely to be highly underdeveloped. Examples of such countries struggling with state failure would

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[1] See the useful typologies defined by Erdmann 2003; and Schneckener 2004, whose terminology differs on certain points.

include Albania, Egypt, Guatemala, Zambia, and Vietnam.

2. In cases in which states have not fully established, or indeed have lost their sovereignty over large parts of their territory, or in cases in which countries are caught up in the vortex of state breakdown, we speak of states at risk or failing states. Here the state is unable to adequately fulfill its basic functions in the areas of security, politics, administration, justice, social services, and the economy. Such conditions often encourage the development of cases of "parastatehood" or "parasovereignty"; that is, cases in which nonstate institutions or traditional, local leaders have assumed some sovereign state rights or the responsibility for providing both core state services. The formal economy will - with the exception of states with abundant natural resources (e.g. oil) - play a far less important role than the informal or criminal economy. Examples of such countries in the grip of state failure would include Haiti, the DR Congo, Zimbabwe, or Myanmar. Similar conditions are also encountered in post-conflict situation, where the main concern is to reconstruct state structures (recovering states).[2]

The term "fragile states" does not cover failed states whose public institutions have come close to total collapse and which are virtually unable to provide services.[3] However, a country in the process of "recovering" from armed conflict or near collapse will again fall under the category of "fragile states."

The World Bank's Country Policy and Institutional Assessment (CPIA) provides a good approach to taking a first look at the group of fragile states[4] - e.g. if we start out by focusing on the countries with poor and very poor CPIA values. These countries on average achieve poor results on key socioeconomic indicators. Per capita incomes in these countries are only about half as high as they are in other low-income countries. Child mortality is twice, maternal mortality three times as high. Roughly one third of the population is undernourished; large segments of the population are plagued with malaria (World Bank, 2004; DFID, 2005, p. 9, Tab. 1). De facto, the Millennium Development Goals (MDGs) are beyond the reach of these countries.

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[2]   The present paper deals only selectively with such post-conflict countries. For a detailed and systematic treatment of this subcategory, see Debiel and Terlinden, 2005.

[3]   The present study also leaves out of consideration countries with well-advanced development and transformation processes; these would include e.g. Argentina, Brazil, South Africa, and Thailand. These countries are marked by relatively stable and consolidated (i.e. not "fragile") state structures, and they have the potential to make the leap to the status of market-oriented democracies within the foreseeable future.

[4]   Using the CPIA, the World Bank assesses countries on the basis of four clusters (economic management; structural policy; policy of social inclusion/exclusion; public sector management); the scale extends from 1 (very good results) to 5 (very poor results). In an overview the countries are then broken down into quintiles based on the scale (World Bank, 2003a, 2003b).

Table 1:   The quality of governance in fragile states: an illustrative overview

6	1) Unstable states ("weak states"; "strained states")	2) Failing states ("states at risk"); a similar case: post-conflict states ("recovering states")
a) Security governance (collective and individual security; control over the security sector)	Reasonable security by daylight; often arbitrary behavior on the part of security forces; danger at night and in special situations (demonstrations, strikes, etc.); sometimes widespread ordinary crime and mafia-style violence, especially in urban centers	Formation of regions with different levels of security; clan-based and ethnically rooted security of growing importance; often mafia-style violence (intimidation, extortion, and abductions) and paramilitary organizations; border security not guaranteed; often systematic violations of the rights of the civilian population
b) Political governance (political decision-making; vertical and horizontal checks and balances)	Executive und legislative to some degree operational; deficiencies in participation and checks and balances; reasonable potential given for civil society voice (control) and free media	Authoritarian, fragmented, or neopatrimonial systems of rule, with very low effectiveness; participation and checks and balances very limited in scope; civil society often still in its "infancy"
c) Judicial governance (judiciary and informal conflict settlement)	Minimum rule-of-law standards given at least in formal terms; continuing existence of informal conflict-mediation institutions (legal pluralism); access to the judiciary difficult for the population at large; widespread extrajudicial influence on the judiciary	Rule of law severely impaired; insufficient personnel und material capacities in judicial system; marked limits on access to the court system; large and often growing role played by traditional conflict-settlement mechanisms, in particular at the local level; irregular justice, sometimes even cases of lynching
d) Administrative governance (bureaucracy)	Implementation of legislation and execution of administrative decisions more or less possible, town-country differential in the provision of public services; administrative decisions not always law-bound; efficiency generally blocked by systematic corruption	In rural regions state administration either lacking or fully absent; offices largely filled on the basis of patronage or cronyism; service provision hobbled by systematic corruption
e) Social governance (basic social services; distributive justice)	Possibility largely given to satisfy basic needs in the fields of education and health; possibility generally given to reach out to vulnerable groups – with the exception of humanitarian and environmental disasters; epidemics (e.g. AIDS) overstrain given capacities	Especially in local areas, basic social functions tend – if at all – to be fulfilled informally; vulnerable population groups are often not reached; humanitarian and environmental disasters lead to complete collapse
f) Economic governance (economy and finances)	Property rights governed by law, but not always enforceable; insufficient economic diversification; fiscal base generally fragile; rampant informal and - in some cases - criminal economies; reforms largely blocked for lack of institutional capacities; foreign direct investment in need of development; high degree of vulnerability vis-à-vis the world economy	Property rights often open to question; formal economy quite insignificant compared with the informal and criminal economy; tendency toward retreat into subsistence economy; at best, foreign direct investment in extractive industries; often overdependence on individual agricultural goods or aid funds; very great vulnerability vis-à-vis the world market

Source: Compiled by the author, borrowing in part from Debiel and Terlinden, 2003.

3 "Stay engaged, but differently" – or: What is the best approach to dealing with "difficult partners"?

In the 1990s donors were reluctant to engage politically and financially under the difficult conditions of state breakdown and failure. 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 cooperation 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 was intended to provide, by the year 2006, an additional US$ 5 billion in development assistance.[5]

However, it has come more and more to be realized that it is simply not feasible to disengage fully from countries whose political elites are unwilling or unable to opt for 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. One important contribution has come from a World Bank department that has, since 2001, been concerned mainly with Low-Income Countries Under Stress (LICUS) (World Bank, 2002). The OECD's Development Assistance Committee (DAC), which speaks of "poor performers" or "difficult partnerships," has adopted a similar approach (OECD/DAC, 2001). The key message is, "Stay engaged, but differently." As both have noted, "ignoring" crisis countries is a policy fraught with risk. The US State Failure Task Force (2003) set up in 1994 by then US Vice President Al Gore noted that e.g. attempts to politically isolate countries faced with marked ethnic conflict lines are bound to increase the risk of state failure.

In dealing with fragile states, development cooperation no longer has the option of clinging to standardized models of intergovernmental cooperation. 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. Furthermore, experiences from the 1980s and 1990s have shown clearly that neopatrimonial regimes prove to be surprisingly flexible when it

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[5]   See http://www.whitehouse.gov/infocus/developingnations/ millennium.html (accessed 15 Oct 2004).

comes to shoring up their clientele structures in the face of external pressure to reform. Put in a nutshell: 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. Political conditionality can bring about results only when strong social groups in a recipient country call for such measures.

What, concretely, does 'engaging differently' imply for bi- and multilateral donors in their dealings with the governments and formal institutions of fragile states? What can external actors do - in particular when facing governments with low legitimacy and weak development orientation - to promote social and political change? What follows will address these two questions.

3.1 Policy alignment versus a policy of bypassing partner governments?

As far as possible, donors should coordinate their development-cooperation measures with partner governments. Otherwise they will be confronted with a major risk that parallel and hybrid structures may undermine the capacity to act of partner governments. 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 standards and procedures subscribed to by recipient governments. The intention is on the one hand to promote "ownership" and on the other to support the effective implementation of measures provided (OECD/DAC, 2004, para. 6). At the same time, however, lack of government development orientation, widespread corruption, or markedly repressive rule may make development cooperation with such governments a highly problematic proposition since such cooperation may serve to bolster the legitimacy of an existing regime. In such situations it will also be necessary to engage in cooperation "beyond the state," i.e. with nonstate groups, the private sector, and local governmental units. Some instruments that have proven useful in this connection include e.g. "multidonor trust funds" and social funds that involve, by mutual agreement, both partner sides (matching funds). If a given country has closed itself off politically, one promising approach may be to establish contact with members of the diaspora. However, it is essential here to ensure that in a later phase of development these measures will prove amenable to integration into existing institutions.

Whether and to what extent external actors should work together with or "beyond" a government in power will depend largely on two factors: the effectiveness of state institutions and their political legitimacy. The first factor depends on the degree of participation opened up to the population (input legitimacy), the second is closely bound up with a regime's development-orientation (output legitimacy) (see Tab. 2). Translating the matter into a typology, we can distinguish four different constellations here:

(1) 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 coordinate their political 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.

(2) In unstable sates whose governments severely lack legitimacy, the priorities of donors and recipient government may well be divergent. In such cases a policy of systems alignment would be recommendable. Budget support should not be given consideration; sector programs would be possible if they involved strict conditionality and monitoring mechanisms. In addition, it would also appear reasonable to set an accent by providing support for "change agents" (see the following section).

(3) A third constellation is made up of countries whose institutions have - due, e.g., to armed conflict - largely disintegrated, although their governments have 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 coordinating their political priorities 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 re-construct or re-form institutional structures. Sector programs are recommendable here; whether or not budget support is a reasonable option is something that will have to be decided on a case-by-case basis. The donor-side policy agenda should be reduced as far as possible to a limited number of core measures that are in fact realistic and verifiable. For this approach the World Bank has coined the term "zero-generation reforms" (World Bank, 2002). In the end the aim should be to reduce complexity with a view to achieving "quick impacts," at least in some target areas, and to present visible successes to the population. 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.

(4) The greatest problem cases among the fragile states are those countries in which the process of institutional breakdown is far advanced and whose governments at the same time lack sufficient political legitimacy. In some cases - e.g. Myanmar or Zimbabwe - development cooperation may generally be questionable. If, however, donors, having conducted a detailed cost-benefit calculation, decide to stay engaged to one extent or another, cooperation 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 DC 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 (OECD/DAC, 2004, para. 19-20). Another, presumably quite effective interface may emerge in connection with later efforts to transfer qualified nonstate or substate personnel to the government sector.

Table 2:   Donor behavior in cases of fragile statehood

	Political legitimacy tends to be high	**Political legitimacy tends to be low**
Reasonably functionable institutions (unstable states)	(1) Systems and policy alignment; budget support a reasonable option (e.g. Georgia, Jordan, Mongolia, Namibia, Nicaragua, Tanzania, Uganda)	(2) Conditionalized cooperation, 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) Development cooperation often generally questionable, probably better to bypass the state sector; project work; possibly shadow systems alignment (e.g. Burundi, Haiti, Liberia, Myanmar, Nepal, Zimbabwe)

Source: Compiled by the author, in part borrowing on OECD/DAC, 2004, paras. 9-12; DFID, 2005, p. 8.

3.2 Strengthening "change agents" and flanking support in "turnaround situations"

It is precisely in situations where a given government lacks both the will to reform and sufficient political legitimacy that it is important to decide whether and in what form it may make sense to support "change agents." The World Bank and the OECD/DAC have been arguing, more and more openly, for a policy of directly addressing representatives of civil society and reform-minded forces in government (e.g. technocrats who are open to change). An important role may also by played by scientists and scholars with a certain measure of independence (OECD/DAC, 2001, nos. 21, 22). Logically, external actors will speak up clearly for freedom of information and other civil rights, supporting 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 qualifying such reform-oriented forces.

However, it is important to ensure that support of "change agents" serves to overcome cleavages, not to deepen them. In predominately Islamic countries, for instance, religious-

fundamentalist forces are often arrayed against secular forces. If external actors press for rapid modernization, their efforts may endanger "social capital" (Putnam, 1993), i.e. mutual trust between individuals and social groups, based as it is on a great variety of socioeconomic and cultural interdependencies. In supporting democratically oriented forces it is therefore important to ensure that these forces are capable of bridging ideological divides (OECD/DAC, 2003, p. 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 - in any case virulent - alienation between Western-oriented population segments, which speak the "same language" as the donors, and the rest of the population.

In the future development policy will have to gear its efforts more to "turnaround situations." To cite an example, a change of political power may offer new elites a one-time chance to set processes of profound change in motion. In this "honeymoon period" (see e.g. Haggard and Kaufman, 1995)

> "the interests associated with the old regime (may be) discredited and disorganized, thus providing an opportunity for reform that would not otherwise be there. In the longer run, however, the opportunity structure closes, as reformers must appeal to a broader spectrum of potential beneficiaries" (Hyden et. al., 2003a, p. 12).

Under such conditions efforts should be made to engage in fields like lifting trade barriers, debt relief, aid commitments, technical support in constitutional matters, political symbolism, and selected cooperation projects in central reform areas (anti-corruption efforts, freedom of the media, the judiciary, parliament) as a means of making good use of windows of opportunity and providing massive support to assist countries that have been faced with blockades to make the leap into a new era.

Processes of incisive change are fraught with risk. In critical situations - e.g. situations involving calls for release of opposition leaders or for fair and free elections - nothing less than a country's future may be at stake. Cooperation between elites ("elite pact") is often the key to efforts to replace a ruling regime. Problems are quite likely to emerge when the power question is played out with exclusive-confrontational means and competition among elites is structured asymmetrically (Merkel et al., 2003, p. 229, Tab. 21). In such situations external actors may gain constructive influence by providing mediation forums, promoting conflict-resolution mechanisms in the country concerned, and working actively for a reconciliation of interests. Furthermore, advisory services can be used to support the elaboration of new political rules, which will, generally speaking, be anchored in a new or revised constitution. In this connection donors should throw their weight behind efforts conceived to ensure that political competition is structured as symmetrically as possible, i.e. to prevent one side from playing the dominant role.

If they are to remain credible and not be perceived as partial, external actors should not concentrate too much on individual contact partners that have been identified as reform-minded.

4 Effective, locally adapted statehood – orientations beyond the minimal state and the Leviathan

In the 1980s the term "the State" largely evoked negative associations in both mainstream development studies and development policy. The state was generally seen as socioeconomically inefficient and bureaucratically bloated. Economic structural adjustment programs were devised and imposed to counter this effect. Operating under the motto "Get the prices right," these programs pushed for privatization of state-owned enterprises, trade liberalization, and "leaner" state administrations. It cannot be denied that the approach, referred to as the Washington Consensus, was in line with an number of important realities. But at the same time the approach neglected to pay sufficient heed to the state's core operational and regulatory functions. This ideological bias induced structural adjustment to indiscriminately target the state apparatus. Instead of selectively pruning bureaucratic excesses and taking steps to strengthen essential action capacities, the final outcome was often reduction of core state functions that ran counter to development interests (see Fukuyama, 2004). Today we have come to see: Development cooperation must neither worship nor demonize "the State." The concern must instead be to translate two guiding orientations into practice: (a) State institutions must be effective, but without overplaying their hand by assuming functions beyond their reach. (b) The integrity, effectiveness, and legitimacy of state institutions must be anchored locally and should never simply be imposed by means of top-down approaches.

4.1 Effective statehood with limited scope

In bringing about effective statehood the concern is neither to trim publicly perceived functions with a view to creating a "minimal state" or to create an all too powerful state that bullies its citizens and chokes off the governance capacities of economy and society. The concern must instead be to find the right balance between an effective state sector and a society capable of controlling the state and articulating its own interests. This in turn means that the state needs a certain measure of autonomy to realize, in given cases, coherent strategies against the resistance of particularist interests in society. At the same time, civil society needs a level of self-organization sufficient to enable it to monitor and exert pressure on politics and administration.

In considering which state functions should be supported and which reduced, the terms "scope" and "strength" provide a useful differentiation (Fukuyama, 2004, p. 6-14). The term

strength designates in this connection the state's ability to plan and implement policies and legislation in a transparent fashion. The term scope, on the other hand, denotes the reach of state activities, the functions and goals for which a government sees itself responsible. The latter can be hierarchized in a certain form. If e.g. state structures are disintegrated, or state institutions are in no more than a rudimentary state, initial efforts will focus on minimum functions, i.e. provision of public goods like security and order or guarantees for property rights, but also protection of vulnerable population groups. If a state is able to fulfill its basic functions in a halfway reliable manner (unstable statehood), the government will be able to concentrate on regulatory functions (e.g. environmental and competition policy) and the development of social infrastructure and human security (education, health). It is only at a third stage, when state structures have been stabilized and consolidated, that the state will be able to play a meaningful, proactive role, e.g. in the sense of industrial policy or welfare-oriented redistribution policy (see Tab. 3).

Table 3:   The scope of state functions

Minimal functions	Providing pure public goods: - defense, law and order - property rights - macroeconomic management - public health Improving equity: - protecting the poor	In particular relevant for: "failing states"/ "recovering states"
Intermediate functions	Addressing externalities: - education - environment Regulating monopoly Overcoming imperfect education Insurance, financial regulation Social insurance	In particular relevant for: "unstable states"
Activist functions	Industrial policy Wealth redistribution	In particular relevant for: "take-off" and consolidated states *

Legend: * Not covered by the present study.
Source: Fukuyama (2004, p. 9, Figure 2); based in part on World Bank, 1997; column 3 added by the author.

4.2 Local anchoring instead of top-down approaches

As far as (re)building state institutions is concerned, it is more difficult to transfer experiences than is often claimed in the debate on "best practices." There are no per se optimal organizational structures. Instead, a central role is played here by historical traditions and sociocultural incentive systems. These constitute an important foundation for the legitimacy of state institutions, and they also have considerable influence on institutional design. In other

words, instead of seeking orientation in models from other regions of the world, the primary concern must be to identify local knowledge and to come up with local solutions.

International donors would thus be well advised to critically question their "'capacity-building' mantra" (Fukuyama, 2004, p. 29), which, in the end, is bound to fall back on readymade recipes. Only if international financial institutions, further bi- and multilateral donors, but also the international NGO community are familiar with local structures will they be able to provide effective, on-the-spot support for institutions, instead of undermining them. If, on the other hand, existing structures are bypassed - e.g. when public services are provided by external donors - the outcome will be that assistance programs tend more to weaken than to strengthen the local level.

Another factor that tends to further undermine the local level is that external actors are accustomed to dealing with partners in the capital city and tend to seek their contact points among the establishment or urban counterelites. This can serve implicitly to strengthen tendencies toward centralization or to create hybrid structures - if too many original and primary state tasks are delegated to nongovernmental organizations. This can very easily serve to shift the focus from the actual situation of broad segments of the population. And for this reason it is essential that project and program planning focus, from the very start, on the regional and local level as integral elements of statehood. This goes in particular for Africa south of the Sahara. According to the State Failure Task Force (2003), African countries marked at the same time by low per capita incomes and a relatively high degree of urbanization are faced with an especially high risk of state failure. External actors should for this reason avoid promoting any "unequal development" of this kind by concentrating their activities on capital cities.

As far as strained states or states in post-conflict situations are concerned, inclusion of the local and regional level requires external donors to rethink their norms and to reconsider their contact partners, the reason being that de facto the "modern state" in not present in large parts of such countries. In its stead, traditional institutions and dispute-settlement procedures have served to create functional equivalents of state structures. Development policy will have to do justice to this reality of "layered statehood." This is why the main short- and medium-term concern should be to transform and interlink these diverse (quasi-)legal and power spaces in such a way as to make them capable of integration into state structures. It is important in this connection not to take an all too narrow view of state-building and instead to integrate it into a more comprehensive governance concept that both recognizes and includes nonstate actors in efforts to come up with solutions to social problems.

5 Promotion of governance in fragile states: focal points and priorities

It is not possible to define focal points and priorities for development cooperation 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. Despite this qualification some priorities can be identified across the six governance arenas mentioned above. Apart from the need for functioning state institutions, the exact priorities set in the fields of security, politics, and justice will depend crucially on a government's political legitimacy (see Tab. 4). But the most important cross-cutting issues for the entire spectrum of fragile states are: (re)establishment of the state monopoly on the legitimate use of forces and efforts to combat ordinary crime, a functioning separation of powers (horizontal checks and balances), respect for the rule of law, and "legal empowerment" of all citizens.

Apart from the institutional capacities needed, the aspects of interest for defining priorities in the fields administration, basic social services, and business and the economy include above all a country's political economy. If, for instance, a country is in possession of considerable natural resources or receives sizable development-aid transfers, external actors place less emphasis on provision of basic social services or increasing the volume of transfers than on efforts to fight corruption, self-enrichment, and commercial crime. In poor countries without a natural resource base and social infrastructure, on the other hand, provision of basic social services and poverty reduction will be an important priority (see Tab. 5). Cross-cutting priorities which should always range high on the agenda of international donors when they engage in fragile states include efforts to combat corruption and to eliminate criminal economies.

Table 4:   Focal points and priorities in the arenas of security, politics, and justice

	Country type	Unstable states (= weak or strained states)		Failing states (= states at risk); similar case: post-conflict situations	
		Political legitimacy higher	lower	Political legitimacy higher	lower
Gov.-Are-na	**Support priority**	E.g. deficient democracy, semi-authoritarian regime with development orientation	E.g. authoritarian regime; neopatrimonial regime with self-enrichment	E.g. inclusive semi-authoritarian regime with development orientation	E.g. fragmented power oligopolies, authoritarian regime
Security governance	**Monopoly on force and fighting ordinary crime**	+/-	+/-	+	+
	Civilian control of security sector	+/**-**	+	+/-	+/-
Political governance	**Separation of powers**	+/-	+	+/-	+
	Participation/ democratization	+/**-**	+	+/-	+/**-**
Judicial governance	**Independent judiciary; rule of law**	+/-	+	+	+
	"Legal empower-ment"; inclusion of informal institutions	+/-	+	+	+

Legend: + = high priority, +/- = medium priority, - = low priority

Note: Priorities of overarching interest for fragile states in bold type. To qualify, the area in question had to have high priority at least twice in the table and never low priority.

Source: Compiled by the author.

Table 5:   Focal points and priorities in the arenas of administration, social affairs, and the economy

Gov.-Arena	Country Type / Support priority	Unstable states (= weak or strained states)		Failing states (= states at risk); similar case: post-conflict situations	
		Political-economy basis		Political-economy basis	
		Rent economy (natural resources, high develop-ment aid)	Formal sector reasonably functionable (market-oriented agricultural economy; infant industries; service sector)	Rent economy (natural resources, high development aid; possibly revenues from troop presence)	Formal sector not functionable (subsistence economy; deteriorating agricultural or industrial production structures)
Administrative governance	Efficiency and capacities	+/**-**	+	+/-	+/-
	Combating corruption	+	**+/-**	+	**+/-**
Social governance	Poverty reduction	-	+/-	+/-	+
	Distributive justice	+	+/-	+	-
Economic governance	Reliable economic framework	+/-	-	+/-	+/-
	Elimination of criminal economies	+	**+/-**	+	+

Legend: + = high priority, +/- = medium priority, - = low priority
Note: Priorities of overarching interest for fragile states in bold type. To qualify, the area in question had to have high priority at least twice in the table and never low priority.
Source: Compiled by the author.

5.1 Monopoly on the legitimate use of force and a security sector that is governed by law (security governance)

One dimension of state failure or state breakdown that was largely neglected until recently is a restricted or no longer existent state monopoly on the legitimate use of force. Here we find a profusion of de facto extralegal spaces and niches of violence for nonstate actors (Bendel and Krennerich, 2003, p. 12-13). In stable states these are normally restricted to urban and periurban zones or to parallel or shadow worlds, which are often segregated along ethnosocial lines. In cases of state breakdown warlords and other para- or substate actors may, in many parts of a country, be the only reliable guarantors of security - or the main producers of insecurity.

Measures in the security sector will always have priority in countries that

- are recovering from armed conflict or extensive state breakdown;
- are plagued by high levels of ordinary crime and paramilitary violence.

In fragile states the state monopoly on the legitimate use of force is often openly questioned or has in part been eroded by the gradual formation of insulated subsectors of society. Aside from the military and parastatal actors of violence, the major challenges encountered include mafia-style violence/organized crime, ordinary violence (normal crime, youth gangs), and extrastatal violence at the local level (citizen militias and vigilante committees) (Zinecker, 2001). Organized crime in particular has increasingly come to be bound into a transnational criminal economy (so-called shadow globalization). Organized crime is quasi magnetically attracted by state breakdown since it finds ideal prospects for establishing retreats and transfer points (Gros, 2003, p. 64).

What is needed to restore, in adequate and effective ways, the state's monopoly on the use of force is, first and foremost, an appropriate division of responsibilities among the different elements of the security apparatus. The army, normally very heavily armed, is often responsible for domestic security, while police forces often have too little authority and are underequipped for their tasks. With this in view, political priority should be given to the improved training and equipment which the police need to discharge domestic duties - which have often been in the hand of the military. As called for e.g. in Action 95 of the Action Plan "Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peace-Building" adopted by the Federal Government of Germany on 12 May 2004, such training programs should include modules on human rights and gender-sensitive conduct. If the aim is to respond flexibly to given local situations, one measure is to shift executive powers and personnel to the local level (Gros, 2003, p.72-73). However, deconcentration of this kind does not at all mean that security and

prosecutorial functions should be decentralized. Indeed, in the age of transnational networks there are good reasons to maintain a centralized state leadership function since any fragmentation of responsibilities may easily be exploited by actors of violence.

One factor crucial to the everyday lives of citizens is whether or not the state proves capable guaranteeing the physical integrity of the individual and security in urban districts, villages, and communities (DFID, 2001, 22-23). Here a key role is played by the police, which are often far removed from the everyday concerns of ordinary people. What is more important than purely technical support are efforts to foster a new police ethic geared to developing a sense of responsibility for protecting the local community. One promising approach may be seen in local partnerships between police, local authorities, and civil society forces along the line of community policing, an approach that may serve to strengthen ties to the population:

> "Local groups and local government can then supplement formal policing in an authorised and acceptable way. Such partnerships can be an effective way of providing on-the-spot security for dispersed populations in countries which cannot afford large police forces" (DFID, 2001, p. 22-23).

However, efforts aimed at restoring, or indeed establishing in the first place, the state's monopoly on the legitimate uses of force cannot be restricted to improving the effectiveness and local anchoring of the security apparatus; such efforts must also include targeted socioeconomic programs that offer "exit opportunities" for potential and real actors of violence and serve to contain the spread of criminal economies (social and economic governance). It would, furthermore, be foolish to equate a strengthened security sector per se with more human security. Often enough, police, military, intelligence services, and paramilitary forces are themselves major producers of insecurity. In view of the fact that security forces themselves are often involved in encroachments on people's rights as well as in and criminal dealings, what is called for is concrete measures (extending from protection of persons to legal arrangements) designed to secure and underpin an independent judiciary and free media, the aim being to make it possible to point openly to, to prosecute, and to prevent human rights violations committed by police, military, and intelligence serves (UNDP, 2002, p. 105).

Security-sector reform should also always bear in mind that influential forces in military and intelligence services often form powerful political "enclaves" and for this reason may constitute a threat factor for young and fragile democracies (Merkel et al., 2003, p. 249-250). A largely autonomous military may in such cases seek to bypass the responsible institutions or to block the democratic control and decision-making procedures for which they are responsible. If the army also assumes entrepreneurial functions and is able in this way to build an economic base of its own, the situation will be precarious (Merkel et al., 2003, p. 256, p. 260). What is needed to prevent the security sector from disrupting transformation processes is a clear-cut division of tasks as well as subordination, accountability, and responsibility of the security forces 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). One factor that should not be

underestimated in the connection is a transparent state budget, the reason being that concealed subsidies and illegally rededicated funds are often used to form "shadow powers." To prevent this, it is necessary to build parliamentary competence, one of the key functions of parliament being to decide on and control matters associated with the budget. This will as a rule call for an advisory apparatus that is able to build up application-oriented know-how. Cooperation projects between relevant research and advisory institutions from industrialized and developing/transfromation countries can provide an important contribution to building such advisory capacities.

5.2 Separation of powers and participation/democratization (political governance)

The central challenge in the field of political governance is to ensure that a functioning division of powers is in place (horizontal checks and balances) and to strengthen the input legitimacy of the political system by working for more participation and democratization. Efforts designed to improve political governance are especially relevant for countries

- which are governed by more or less authoritarian regimes or
- in which opposition groups are calling for transformation.

One important aspect of the separation of powers, civilian control of military, policy, and intelligence services, has already been discussed under the heading of security governance. A second problem is bound up with the fact that fragile states are often governed by presidential systems with a strong executive function. In such cases parliaments tend to be relatively powerless, government parties to see their role, in essence, as makers of government majorities (Merkel et al., 2003, p. 283). Under these circumstances DC should, first, seek to strengthen the self-perception of the legislative as being a body with control functions and an original responsibility to aggregate interests. Here support for regional parliaments should be used, among other things, as an instrument to encourage transnational networking. Second, DC should support independent media in order to secure further counterweights to overly autocratic or populist governance strategies adopted by a president or prime minister. Finally, bi- and multilateral DC actors should aim for pluralism in the makeup of their contact partners (government and opposition parties, advocacy groups, business representatives, independent labor unions, etc.), this being an indispensable approach to breaking up, at least to a certain extent, existing monopolistic structures in the political arena.

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 and transformation countries experienced a considerable boom (see e.g. Diamond, 1995; Halperin, 1993). Since then, however, a growing number of critical

voices have pointed to the considerable violence potential inherent in democratization processes (e.g. Mansfield and Snyder, 1995) - and this has been substantiated by econometric studies (State Failure Task Force, 2003). Unstable and, in particular, strained states often lack rule-based conflict-negotiation institutions, a fact that makes them vulnerable in the context of elections (Paris, 2004, p. 159-168): 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 as long as a given fragile or strained state has not yet been consolidated to some extent. It is interesting in this connection to cast a glance at East and Southeast Asia. In countries like South Korea, Thailand, and the Philippines, for instance, the conclusion of state-building processes proved to be the functional condition required for democracy (Croissant, 2003).

Our emphasis on the effective, functioning state and the rule of law should not be misunderstood as an attempt to argue against democratization. Indeed, what we reject here is any export of democracy, in particular if it is backed by the threat of sanctions. This is no way to imply that states should be allowed to remain hobbled by autocratic structures. In fact, the real concern is to set appropriate accents and to come up with a well-conceived and effective sequencing. Before too much pressure is exerted on such states to get along with the process of democratization, it is important that state actors first acquire a certain measure of autonomy vis-à-vis social groups and that administrative staffs have sufficient capacities to act: But most importantly, the society in question should not be too heavily polarized. Democratization should thus be given high priority only when relevant countries are not immediately threatened by state failure and their societies have developed a social potential that is actually capable of sustaining the transformation process.

5.3 Functioning legal system and "legal empowerment" (judicial governance)

A recent study on the quality of governance in a broad spectrum of developing and transformation countries identified the judicial sector as one of the main sticking points (Hyden et al., 2004). Fragile states tend as a rule to have a very low level of legal security, and for this reason high priority should be given to establishing the rule of law and to reforming the judicial sector.

What, now, are the characteristics of a functioning legal system? Three elements can be identified: an independent and unbiased judiciary; the right to defense council and a fair trial; and strict adherence to the rule of law (e.g. the presumption of innocence). The problems besetting the judicial sector are often not primarily technical in nature but rooted instead in political blockades. In order to implement the rule of law, DC should concentrate on the following measures:

- a critical political dialogue that encourages and pushes the government in question to guarantee the independence of the judicial system and to permit it to review executive decisions and administrative acts;

- support for transparent hiring selection procedures, so that key positions in the judicial system are awarded according to applicants' merits and qualifications, not their political loyalties;

- efforts to strengthen media and human rights organizations in order to enable them to effectively play their role as watchdogs.

Deficiencies encountered in systems of justice are often so severe that the population regards the public administration of justice as nonexistent. Inadequate training, clandestine structures, lack of coordination between investigating authorities and police, and widespread cronyism and corruption among political, military, and judicial elites prevent many criminals from being brought to justice. This often gives rise to a culture of lawlessness and impunity. Furthermore, a lack of legal certainty and secure expectations often makes it impossible for businesspeople and investors to forge medium- and long-term plans. And not least, access to the judicial system is highly unequal for citizens, with social status, but also ethnic and religious factors, often playing a key role - on top of marked differentials between town and country (Bendel and Krennerich, 2003, p. 17). Poorer population groups or ethno-religious or ethno-regional minorities have difficulty in gaining access to the justice system, if it is not wholly closed to them. The justice system either does not operate properly or is simply too slow. Both cases are fraught with negative implications, for, as Hyden et al. (2003b, p. 16) succinctly put it, "justice delayed is justice denied." Under such conditions legal protection loses its character as a public good, becoming a private good that must be acquired through relationships rooted in loyalty or on the basis of bribes, i.e. corruption. In the extreme case this in effect means impunity, and it may induce people to take justice into their own hands (lynch justice).

In this context the main points of departure for DC should be:

- technical support for decentralization programs designed to assert law and order as well as the rule of law, precisely at the local level;

- training and advanced training programs for judges, prosecutors, defense lawyers, and justice officials;

- "legal empowerment" for poorer population groups that enables them to claim their rights;

- more flexible inclusion of informal institutions and more consideration for local traditions, especially in states at risk (e.g. mediation by village elders; jirga processes of the kind found in Afghanistan and Pakistan; Islamic jurisdiction).

5.4 Efficient service provision and efforts to combat systemic corruption (administrative governance)

Administration is the core operational sphere of statehood. In most fragile states it is either hobbled or at times even paralyzed by systemic corruption and inadequate resource endowments. It is precisely in rural areas that the state is often not sufficiently present. External actors can work for efficient service provision by supporting a personnel policy geared to qualifications and seeking to strengthen civil rights. But they must also call for, and practice, transparency and accountability as means of combating corruption. The bureaucracies of such countries are also in urgent need of reform because

- their administrative capacities are either markedly weakened or blocked by patronage, cronyism, and bribery;
- they have access to large rents stemming from natural resources or development aid and are therefore particularly prone to self-enrichment and corruption.

States are in need of an efficient system of service provision as a means of boosting their "output legitimacy" (Scharpf, 1998). It must generally be assumed that classic capacity-building holds little promise of success in fragile states, since the blockades with which they are faced are less technical than political in nature (Carothers, 2003; Kaufman, 2003; Hyden et al., 2004). Development cooperation should therefore focus on

- ensuring that civil servants are recruited and promoted on the basis of qualification and merit instead of patronage (meritocracy);
- boosting the "customer orientation" of administrations, that is, working to break down access barriers for citizens, to simplify and speed up administrative procedures, and to strengthen the hand of citizens in their right to demand transparency and accountability from bureaucracies (citizen voice).

Donors find themselves in a somewhat different position in states at risk and in post-conflict situations; here they often find no more than rudimentary administrative structures. If these bureaucracies are, in the short to medium run, unable to efficiently provide services, it may be necessary for donors to seek cooperation with nonstate organizations and traditional institutions. Under the conditions of state breakdown it will first be necessary to build elementary capacities if more extensive reform measures are to have any prospects of success. Instead of developing sophisticated designs, it makes sense in such contexts to focus on "the basics of sound administration" (Beschel, 2002, p. 4), e.g. on developing a reliable database on civil servants, on adopting a simplified pay scale, and on establishing effective control procedures.

Corruption is, in the truest sense of the word, a universal phenomenon. In fragile states it usually 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 paralysed. These phenomena are a feature typical in particular of the neopatrimonial hybrid regimes of sub-Saharan Africa, although it is also found e.g. in the Caucasian successor states of the Soviet Union (Stefes, 2003). One example of how pervasive corruption can be is Georgia, where even NGOs are part of the corruption game and where corruption is an important factor involved in blocking the formation of a middle class rooted in competitive entrepreneurship. In such a context, even attempts of external donors to circumvent the state are doomed to failure.. For this is no longer a problem merely of the state, it is one that concerns and affects all of society.

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) mutually coordinated donor-self-regulation and -control; (2) development of anti-corruption institutions (ombudspeople, inspectors, dedicated authorities, and the like); transparent public tendering procedures and reduction of red tape; (4) legislative measures that are then in fact implemented and enforced by independent prosecutorial authorities and courts; (5) support for parliaments, the media, and civil society organizations (watchdogs) in their efforts to achieve more transparency in the preparation and execution of public budgets; (6) establishment of rules requiring transnational corporations to make public whatever payments they make to government institutions ("publish what you pay"); (7) support for swift ratification and implementation of the UN Convention against Corruption of December 9, 2003.

5.5 Basic social services and distributive justice (social governance)

Whether and to what extent measures designed to improve basic social services and enhance distributive justice can provide an effective contribution to stabilizing fragile states is a question that can be answered only for highly specific contexts:

- In countries that are in possession of reasonably functioning institutions and in which high rents are appropriated (revenues from sales of natural resources, high external aid transfers), the only situation that could justify any major donor engagement would be one in which population groups have become highly vulnerable - due e.g. to armed conflicts or disasters. But distributive justice should be given relatively high priority because financial resources are in fact available, even though they are not allocated for poverty reduction.
- The situation tends to be extremely complicated in states at risk in which there are sizable rents to be appropriated (e.g. from sales of oil, diamonds, or coltan). Here poor

population groups may be highly vulnerable in the aftermath of armed conflicts, ecological disasters, or epidemics (examples: Angola, DR Congo). Donors must in these cases insist on a just distribution of wealth, although they will often also have to commit additional funds of their own if they are not simply to abandon vulnerable people.

- In states at risk in which there are no appreciable rents to be appropriated, there will be relatively little wealth to redistribute. Basic social functions will be fulfilled only to a rudimentary extent, and social services will tend to be provided informally in local areas. It may not be possible to reach vulnerable population groups in crisis situations. Donor engagement in the provision of basic social services - in particular in the fields of health and primary education - deserve to be given high priority.

- In weak, but reasonably functioning states in which there are no appreciable rents to be appropriated, it will largely be possible to meet the population's basic needs, and thus there will as a rule be no need to deploy massive external funds - although the occurrence of epidemics (like AIDS) or humanitarian and ecological disasters may well overstrain national social-protection systems. External actors should for this reason focus on developing and reforming existing institutions with a view to enabling them to respond more effectively to crises. In addition, Poverty Reduction Strategies (PRSs) may be seen as an instrument well-suited to helping to secure a voice for the population in efforts to reduce poverty - and thus at the same time as a contribution to distributive justice.

What special factors must be borne in mind in efforts to secure the provision of basic social services? As noted above, this issue is one of special relevance for states at risk that lack sufficient financial resources or whose governments tend to ignore acute crises. In many cases local or national elites have little political legitimacy and are in part responsible for the fact that poor population segments have inadequate access to healthcare, education, water, sanitation, and electricity (World Bank, 2004). Donors have for this reason often made highly unsatisfactory experiences in dealing with conventional government channels. Under these conditions it is necessary to look carefully into complementary and alternative options, and above all to seek support among non- and substate actors. On top of the good performers, we of course also find black sheep here, which is one reason why conscientious selection and evaluation is essential. The satisfaction of basic needs should focus in particular on education and health. One of the greatest challenges is to prevent the spread of epidemics, which often have regional or indeed even international implications. Efforts in education should be geared mainly to primary schooling as a means of ensuring that times of crisis do not end up leaving a country with a lost generation.

There are three options available for cooperation with actors "beyond the state": a) recourse to existing institutions (ICRC, international and national NGOs, properly functioning municipal administrations); b) setting up of social funds, with, if possible, donors and government reaching agreement on matching funds; c) establishment of "multidonor trust funds" which are relatively autonomous and authorized to conclude contracts with private companies (in particular with small and medium-scale enterprises/SMEs), NGOs, and municipalities, based on

their specific cost effectiveness (World Bank, 2002, p. vi; OECD/DAV, 2002, p. 4-5, no. 18). But whatever approach is decided on by external donors: aid programs should be designed in such a way as to ensure that, over the medium to long term, and even under difficult conditions, the road remains open for a transition to government service provision ('shadow' systems alignment).

The task of supporting fragile states in bringing about distributive justice can be approached in three different ways: In countries well endowed with natural resources it is essential to increase transparency and accountability regarding concessions, taxes, and profit shares. It is only in connection with disclosures of this kind that decisions can be taken on how a state budget can best be used for poverty reduction and humanitarian support of vulnerable population groups. The second point of departure is the PRS processes mentioned above; they are one condition required for debt relief and new concessionary loans from the Bretton Woods Institutions. Since political priorities and the allocation of budget funds are bound up with PRS processes, much hinges here on the expertise and capacity for self-organization of civil society actors, which donors should emphatically support (Eberlei, 2003). A third point of departure may be sought in the question of land distribution, which constitutes the central issue of social justice in states at risk and in impoverished regions of unstable states.

5.6 Reliable framework conditions and elimination of criminal economies (economic governance)

The situation encountered on the ground in fragile states tends to differ extremely. The spectrum extends from resource-rich states that have reached a certain level of development in selected regions to resource-poor countries in which the formal economy plays a relatively small role compared with the subsistence economy, and sometimes even with the criminal economy. But there are a number of overarching factors working to obstruct any consolidation of statehood; these would include a lack of the reliable macroeconomic and legal framework conditions needed to develop economic potentials and the growing role played by transnationally networked criminal economies. It is especially important to set clear-cut economic priorities in countries

- whose economies are marked by a retreat into subsistence production and whose regulatory frameworks are no longer adequate to stimulate growth in economic activities;
- which are beset by persistent structures typical of economies of violence (criminal sector).

In the 1980s and 1990s the important postulate of 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 countries concerned simply lacked the effective government management capacities and social structures needed to engage in fair public tendering procedures. Furthermore, efforts to reduce the scope of state activities often neglected the fact that a retreat of the state from provision of social services tended to undercut government output legitimacy and for this reason had negative repercussions on noneconomic governance arenas. This translated out into an unnecessary risk for political stability. What is needed under the conditions of fragile statehood is thus a functioning legal framework that creates reliable expectations, is in fact familiar to economic actors, and, not least, contributes to gradually embedding the informal economy in a legal context. Its pillars include guaranteed property rights, simplified approval procedures, and a fair and effective taxation system.

DC measures should start out at precisely these points. One aspect that deserves special attention in this connection is the need to build effective tax administrations. Many countries are beset by a mutually reinforcing lack of state capacities and an effective system of taxation (the so-called double nexus): no functioning institutions, no transparent and effective tax administration; no appreciable government revenues, no affective state (Bönker, 2003, p. 81-89). If taxation is to be accepted by the population, it must be based on clear-cut and transparent criteria; and it is furthermore important that there is a close, visible connection between tax collection and the provision of government services. In addition, efforts to systematically frame tax systems should not lose sight of what taxes can realistically be imposed on economic sectors and population groups (share of direct versus indirect taxes, differentiated tax rates, etc.). Finally, it is important for the state to be able to credibly threaten to enforce sanctions for tax evasion, and here the largest, and often untapped, potential must as a rule be sought in the flourishing shadow economy as well as among companies that have accumulated high tax debts.

Aside from the need to provide for reliable economic frameworks, the second, increasingly important priority in a good number of fragile states is the need to combat criminal economies. Since the early 1990s economic globalization has not only led to welfare gains, new market opportunities, growing mobility, and new choices. Indeed, liberalization of financial and goods markets, new communication technologies, and far less costly means of intra- and transcontinental transportation have also increased the vulnerability of weak economies and paved the way for the emergence of gray zones beyond legality ("shadow globalization"). Money-laundering and illegal trafficking with drugs, diamonds, precious timber, or humans flourish in these "niches of the world economy" (Bayart, 1995). The countries particularly vulnerable include those in possession of abundant natural resources, those that have been shaken by armed conflict and state breakdown, and those that, due to their geographic location,

are especially well-suited as transfer points for contraband goods. The associated economies of violence follow an inherent logic of profit, power, and violence that at the same time obstructs civilian economic development and creates zones of insecurity, undermining or even usurping political authority (Kurtenbach and Lock, 2004; Kurtenbach, 2004).

But what measures are best suited to gradually "drying out" the criminal sector. The countries affected are in need of both efforts to strengthen systems of criminal prosecution and socioeconomic programs that develop alternative sources of income. But in the age of globalization international measures have a key role to play in this connection. The Extractive Industry Transparency Initiative (EITI) announced by Prime Minister Tony Blair in September 2002 at the Johannesburg Summit provides an important point of departure for tackling the political economy of violent conflicts. Under the initiative, transnational corporations active in the field of raw materials extraction would be obliged to disclose payments they make to governments of developing countries, which only too often are used for purposes of self-enrichment. Another such effort is the Kimberly Process Certification Scheme for rough diamonds. The central challenge for the immediate future is likely to prove to be efforts designed to contain tax oases, to combat money-laundering, and to stop the trade in raw materials and arms from crisis regions by brining the financial tractions involved under control.

6 Policy coherence and effective action: challenges for international actors

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-ordinated at the international level and at the same time not undercut by ministerial or departmental rivalries, turf battles and competition.

6.1 Interministerial policy coherence in individual donor governments

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.

For German policy the Federal Government's Action Plan "Civilian Crisis Prevention" provides a good frame of reference for improved coherence and more priorities for dealing with fragile states. The document accords high priority to the creation of reliable state structures and emphasizes strengthening the rule of law and support for an independent judiciary, paying special heed to post-conflict situations (Federal Government of Germany, 2004, Chapter IV.I, Actions 86 and 87). The document sets a second priority for the issue of combating corruption. Action 89 e.g. commits the German government to speeding up the process of ratifying and implementing the 2003 UN Convention against Corruption and providing support for anti-corruption efforts in the framework of technical cooperation. German development policy is also stepping up its efforts in the field in the framework of the Utstein Group.[6] And third, the document accords particular attention to reform of democratic control of the security sector. The present study also sees great relevance for all of these priorities. What remains to be done is to operationalize measures and define concrete regional priorities.

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[6] The Utstein Group was founded in 1999 by the UK, the Netherlands, Norway, and Germany; see http://www.u4.no/ (last accessed on 10 Jan. 2005).

To set the stage for a coherent, "all-in-one" policy, more thought should be given in the future to innovative, interministerial approaches. In this connection the British government has in recent years adopted an interesting new approach: the establishment of so-called conflict prevention pools (see Austin et al., 2004). Pool funds are released only if the ministries involved reach consensus on geographic and substantive priorities. Arrangements of this kind promote teamwork and the development of concrete thematic and country strategies, and they can be applied to coordinated strategies for dealing with selected fragile states. There is still a need for additional innovations at the operational level and in concrete crisis situations, e.g. special interministerial staffs or task forces for individual countries or subregions. In the end the concern is to make better use of windows of opportunity, critical junctures at which external engagement can achieve substantial results in times of change or turmoil. Coordinated strategies at the international level must be used to improve the effectiveness of donor governments, otherwise the risk may be that donors will succumb to the temptations of go-it-alone policies and the pursuit of purely national interests.

6.2 International coordination in analysis, strategy development, and assumption of responsibilities

Harmonization of donor policies is a task as necessary as it is difficult. At the international level there have been repeated attempts in this direction, a recent of which is the adoption of the "Rome Declaration on Harmonisation" of February 25, 2003 (OECD/DAC, 2004, para. 6). Harmonization is particularly important in cases where state institutions have largely lost their capacity to act and the government shows little interest in cooperation. Under such conditions attempts to achieve systems or policy alignment are doomed to come to nothing. Three aspects are of particular relevance if external actors are determined to come up with a unified line of action: (i) agreements on analysis of governance quality and identification of relevant contact partners and potential crisis factors; (ii) development of joint strategies and priorities; (iii) definition of responsibilities and efforts geared to ensure that donors are able to engage effectively.

Coordinated analysis is an issue highly important in dealing with "difficult partners." Otherwise it will prove very difficult to come up with concerted responses to crucial political changes - toward state breakdown or toward democratic regime change. One essential condition for success is common country strategies. The concern here must be to close as many "diagnostic gaps" as possible: In what areas may a government be seen as a legitimate and effective contact partner? Where might alternatives best be sought? What forces in government, opposition, society, and the media may be identified as reform-oriented? Which appear to be veto actors (actor and societal mapping)? In answering these questions donors should not only fall back on the expertise of international development agencies and external advisers, they should also

involve local think tanks, universities, and relevant NGOs. It would also make good sense to further develop the numerous instruments and mechanisms that have been devised to analyze country governance quality (e.g. CPIA) and crisis proneness as well as to seek to bring them closer into alignment with one another.

One condition required for joint strategy development is that donors reach agreement on goals, instruments, contact partners, and assessment criteria. If they fail to agree on coordination and harmonization, and if the signals they send out are not uniform, or indeed contradictory, veto actors or spoilers on the ground will have little trouble playing off one external actor against the other. Efforts to define and implement concrete targets for dealing with fragile states should, as far as possible, be aligned with regional and subregional approaches, this being a good way to boost the acceptance of standard-setting and monitoring. To cite an example, relevant peer-pressure mechanisms are an important frame of reference and means of leverage in efforts to achieve transparency and accountability in the framework of the New Partnership for Africa's Development (NEPAD) (OECD/DC, 2002, p. 6, no. 23). Apart from the higher-level country strategies needed to reach agreement on an overall political line, there is also a need for measures designed to counter any possible fragmentation of aid provided by the great number of different donors involved. If the chief problem identified in fragile states is institutional breakdown, or if such states are ruled by illegitimate regimes, instruments like budget support and sector programs will presumably not be an option. In such cases project work will prove more realistic and effective. To prevent any competition and overlaps between donors with very different approaches, it will be necessary to set common priorities and to reach agreement, from cases to case, on a division of labor (World Bank, 2002, p. viii). It would, for instance, be possible to agree on goal corridors for individual regions and sectors that the donors currently engaged could shape in accordance with their own best judgment.

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). What donors instead need to do is steer a reasonable middle course. 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 (OECD/DAC, 2002). Finally, at critical junctures it is essential to step up multilateral efforts to identify coordinated incentive and sanction strategies that could prove effective in gaining positive influence on processes of change. When a country is in a critical phase it is essential to ensure that elites are not subject to national security threats posed by neighboring countries and that effective efforts are undertaken to mitigate or compensate for external economic shocks. A possible means is technical and

financial support for subregional organizations in reaching - and implementing - agreements designed to prevent any mutual destabilization. Moreover, donors should reform the international financial institutions and induce them to make more use of conflict analyses in their program-related negotiations with fragile states and to develop, in the sense of "contingency planning," scenarios for the case that a fragile state is threatened by macroeconomic shocks in a situation of crisis and change.

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