The Political Economy of State-building in Situations of Fragility and Conflict: from Analysis to Strategy
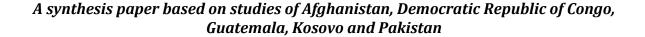
A synthesis paper based on studies of Afghanistan, Democratic Republic of Congo, Guatemala, Kosovo and Pakistan

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Abbreviations

CICIG	International Commission Against Impunity in Guatemala
CRU	Conflict Research Unit
DDR	Disarmament, Demobilization and Reintegration
DFID	Department for International Development
DRC	Democratic Republic of Congo
GDP	Gross Domestic Product
INCAF	International Network on Conflict and Fragility
ISAF	International Security Assistance Force
KLA	Kosovo Liberation Army
MONUSCO	United Nations Stabilization Mission in the Democratic Republic of Congo
NATO	North Atlantic Treaty Organisation
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
SSR	Security Sector Reform
UNMIK	United Nations Interim Administration Mission in Kosovo

Executive summary

Fragile states have been at the heart of Western development and security strategy for over a decade. But the most recent assessments by international bodies show how far this engagement is from meeting its objectives. **Donors have still to make good on their pledges** to achieve greater co-ordination, local ownership and sustainability in their investments in fragile states. The changing shapes of violence and insecurity, and the appearance of new transnational armed actors involved in crime or terrorism in places that emerged from conflict only a few years ago, make a compelling case for deep changes in the way the international community responds to the plight of these countries.

This paper brings together **the findings of five studies of states that are considered, in one respect or another, to show clear signs of illegitimacy or of a weak capacity to govern**. Studies of Afghanistan, the Democratic Republic of Congo, Guatemala, Kosovo and Pakistan, each based on extensive fieldwork involving numerous political and social actors, aim to shed light on the roots and dynamics of fragility by placing the spotlight on the way political power works. Bringing together the most significant insights from the case studies, this paper highlights the issues of political economy that give rise to weak or fragile state institutions, freeze or reverse attempted reforms, create public insecurity and paralyse economic development. Where some progress towards establishing stronger state institutions has been made, the reports highlights how this was possible, as well as explaining the emergence of any undesired side effects generated as a result of the reform process.

In so doing, the paper echoes the concern of a major school of recent research in development, which has emphasized **the crucial role of political economy and informal institutional practice in determining the outcome of efforts to strengthen economic growth and government efficiency**. The paper also aims to explore recent contributions from the World Bank and the Organisation for Economic Co-operation and Development to a growing literature on how accountable and responsive states can be built, and supported by donors, in contexts marked by violent political competition and grassroots disaffection.
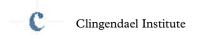
The paper explores the historical background of the five states, before establishing a broad typology of fragility based on three paradigms: the common-interest state, the redistributive state, and the weak or failing state. Movements from one type to the other depend largely on the way political leaders steer the bargains and deals made between different groups in poor and highly fragmented societies. **The role of the political marketplace here is crucial**. If resources are distributed to the leaders of discontented groups, or modest but effective public services are established, then it is possible that a state that represents most if not all interests can be created. On the other hand, if leaders seek to exploit entrenched inequalities, create special revenues for their own use, and default to traditional or alternative sources of authority rather than generating public goods, then the state may succumb to waves of violent competition for resources and power.

Evidence from the case studies indicates that the political marketplace is playing an ever more crucial role in determining the destiny of fragile states. **Greater electoral competition, institutional complexity and the entry of new players and sources of ready cash – including foreign donors, natural resource exports and organized crime – are driving new conflicts**, and alienating the public from their rulers. Where great progress appears to have been made, whether in the *loya jirga* of post-Taliban Afghanistan, the transition to independence in Kosovo, or the end of conflict and the inclusion of Mayan communities in Guatemalan political life, it has also brought with it alarming new quandaries. In each case, the new inclusive character of political life gave rise soon after to the empowerment of armed groups and criminals, or the spread of clandestine practices in government.

This paper sifts the evidence from the case studies to understand why certain forms of political management based on patron–client relations, armed violence, the exploitation of ethnic difference and rent-seeking by power-holders remain so prevalent – and may even be getting worse. **The states under study can be considered fragile, and politically unstable in certain regards, but their governance arrangements also reveal astonishing continuities over time**. Even where peace processes have begun and major plans have been initiated to change the way the state works – through civil service reform, security and justice reform, electoral competition and economic development – the underlying logic of informal power tends to reappear.

At the same time, the political economy approach adopted throughout the paper underscores **the supreme relevance of the 'interests and incentives' of players involved in the political game**. Institutional reforms that do not align with the prevailing interests and incentives of power-holders, or do not redirect these incentives so as to support the new formal arrangements, are liable to be subordinated to and incorporated within the logic of informal power and the political marketplace. The World Bank's recent emphasis on an 'experimental best-fit' route to reform of the state is a sensible acknowledgement of these difficulties.

For donors aiming to support the emergence of inclusive, common-interest and development-oriented states, the challenges are thus enormous. But the paper concludes by outlining **a number of suggestions that may help guide a pragmatic and realistic approach**, in which the challenge of managing fractious and deeply divided political systems is paramount.

Donors must be **constantly sensitive to the structures of power, interests and incentives** that may capture and subvert new formal governance arrangements. They must ensure that a shared strategy aimed at building a common-interest state is created, and provide sufficient resources for this while avoiding contingency-led decisions. They must learn to withstand fierce political competition and rapidly changing alliances in the political marketplace by supporting constitution-building processes, political party development and participatory public debates. And they must support service delivery and official accountability while at the same time understanding that a grassroots-level, bottom-up approach, too small-scale to be attractive for the interference of larger players, may do least harm and be more effective.

1. Introduction

Fragile states have loomed large in the concerns of the international community over the past decade. Despite ongoing debate over whether the label of 'fragility' is a valid, appropriate or fair description for these states, the concept of a group of poor countries where the structures of power and authority fail to deliver basic public goods is one that has proved extremely resonant.

Aid agencies, multilateral donors, security organizations, military forces and civil society bodies have all responded, in one way or another, to what they perceive to be the causes and effects of fragile and failing states. Although each of these sectors has focused its concern on a different aspect of fragility – such as the effects on regional or global security, the impediments to reaching the Millennium Development Goals, or the obstacles to economic development – they have agreed on the importance of recognizing the weaknesses of states as potential threats to international peace and stability.

Numerous programmes, projects and initiatives have followed in the wake of this surge in interest. However, the international consensus on the importance of supporting fragile states, which has been reflected in myriad political declarations and high-level official meetings, appears not to have yet been translated into an effective policy response. Increasing flows of resources to fragile states – which now account for 30 per cent of total annual development aid from countries in the Organisation for Economic Co-operation and Development (OECD) – have resulted in few fundamental improvements in donor engagement in these environments (OECD-DAC 2011). Aid remains highly volatile, and seemingly dependent on the short-term political interests of donor nations. New and important sources of aid, particularly from the emerging countries of the Global South, have added to the diversity of strategic approaches rather than fostering a more cohesive response.

With the global economy remaining in a period of turbulence, and with government budgets in Europe and North America under threat, the donor community's commitment to supporting fragile states is certain to be challenged. At the same time, donors have still to

make good on their pledges to achieve greater co-ordination, local ownership and sustainability in their investments in fragile states. Furthermore, as the World Bank's *World Development Report 2011* argues, the evolutionary dynamics of violence and insecurity, and the appearance of new transnational armed actors involved in crime or terrorism in places that earlier endured more traditional conflicts, make a compelling case for deep changes in the way the international community responds to fragile states (World Bank 2011).

A host of issues concerning aid management, state-building, state–society relations and strategies for economic development naturally arises in any consideration of what can be done in fragile states. This report aims to provide a contribution to these debates by focusing on one crucial element in assistance to fragile states. Almost all the policy prescriptions for aid to fragile states, including the OECD's 10 principles for international engagement in fragile states as well as its recent guidance on state-building (OECD-DAC 2007 and 2010b), various European Union (EU) declarations and reports (EU 2007 and 2009), as well as the work of bilateral aid agencies and bureaux in Britain, the United States and the Netherlands (DFID 2010, USAID 2011, MFA 2008) and a number of scholars (Kaplan 2008), stress the supreme importance of sound analysis of the country context before any donor programmes are introduced. This call for context-specific knowledge is in turn a response to the realization that political factors are crucially important in determining the possibilities for reform and development in a fragile state environment.

It is these issues of politics and governance, including the architecture of the political system, the make-up of parties, the distribution of power between classes and groups, and the nature of state–society relations, that are at the heart of this paper. Bringing together five separate country studies carried out by the Conflict Research Unit (CRU) of the Clingendael Institute, the report highlights the issues of political economy that give rise to weak or fragile state institutions, freeze or reverse attempted reforms, create public insecurity and paralyse economic development. Where some progress towards establishing stronger state institutions has been made, the reports highlights how this was possible, as well as explaining the emergence of any undesired side effects generated as a result of the reform process.

Using evidence from the case studies, the report aims to place these political and economic variables in a broader context, considering both the historical roots of fragility (often found in the era of European colonization), and the possible influence of more recent policies and trends. To try to understand the different trajectories that fragile states may eventually assume – degenerating towards conflict and crisis, remaining in stasis, or achieving development – a broad typology of states is sketched. The central argument of the paper is that political variables, and the interests and incentives of power-holders who compete and collude in a political marketplace, are crucial to determining the path that any given fragile state takes. Ignoring or avoiding these political questions seriously risks wasting aid money on unsustainable or unproductive aid.

Lastly, the findings from the case studies also provide a means to explore some of the recent policy prescriptions for engagement in fragile state. Recommendations for donor engagement have moved on from purely technical approaches to state-building, which involved, for example, training of civil servants and the creation of a basic ministerial infrastructure. The new strategies emerging from multilateral institutions, aid agencies and scholars now acknowledge the key roles played by formal and informal political institutions, state–society

relations and public expectations in determining the fate of any reform process, and the future integrity of public institutions supported by foreign donors. However, this new approach still tends to look to a small number of success stories for inspiration. The validity for other fragile states, potential drawbacks, and the costs of implementing a fully politically aware aid programme, have not yet received the full consideration they deserve. Using the case studies, the paper suggests some first insights as to the merits and flaws in the emerging orthodoxy.

The background to the report

This report brings together the conclusions of a major multi-country research programme undertaken by the Clingendael CRU, which aimed to provide the Netherlands Ministry of Foreign Affairs with policy advice on how to strengthen governance in situations of fragility and conflict. The project has been funded by the ministry, and builds on earlier work by CRU on strategic assessments of stability and governance in fragile contexts.[1]

CRU's research in this area has profited from constant interaction with policy analysis carried out by International Network on Conflict and Fragility (INCAF), part of the OECD's Development Assistance Committee, particularly its recent guidance report on *Supporting Statebuilding in Situations of Conflict and Fragility* (OECD-DAC 2010b), and prior to that, the *Principles of Good International Engagement in Fragile States and Situations* (OECD-DAC 2007). In line with the first of these principles, CRU's research has consistently focused on the political context within fragile states 'as a starting point … to develop a shared view of the strategic response that is required' for state-building efforts (OECD-DAC 2007, p. 1). This approach holds that a country's history and other structural characteristics (such as class or ethnic divisions, and sources of wealth), as well as formal and informal institutions and processes, are extremely important if international responses to state fragility are to fit the needs and capabilities of specific countries and regions. The research also sought to bridge the gap between context analysis and donor programmes on the ground by examining a number of different sorts of state-building interventions and their outcomes.

This report draws on the findings of the research programme's initial publication, which offered a detailed overview of the main issues shaping governance in fragile and post-conflict states, and the main tracks of donor responses (Anten 2009a). However, the core of this final report is made up of examples and lessons from the five country studies undertaken during the programme: Afghanistan, the Democratic Republic of Congo (DRC), Guatemala, Kosovo and Pakistan.[2] They were carried out between late 2009 and early 2011, and involved detailed desk studies and field trips during which interviews were conducted with a very broad sample of knowledgeable local representatives from politics (both formal and informal), business and civil society, as well as analysts, journalists and other opinion-formers. With the exception of the Afghanistan case, which was carried out by a non-governmental organization, The Liaison

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1 The instruments developed by CRU for context analysis at the country level include: the Stability Assessment Framework (SAF), 2005; the Strategic Governance and Corruption Analysis (SGACA), 2008; and the unpublished Fragile States Assessment Methodology (FSAM), 2008.

2 Schmeidl 2010; Anten 2010; Briscoe and Rodríguez Pellecer 2010; Briscoe and Price 2011; Mezzera, Aftab and Yusuf 2010.

Office (TLO),[3] all the other cases were conducted by CRU staff, in two instances[4] in direct co-operation with local experts. But in general, none of the case studies could have been satisfactorily completed without the active support and help of local researchers, analysts, domestic and international officials, and political and media representatives.

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3   For more information on TLO, visit: http://www.tlo-afghanistan.org/

4   Guatemala and Pakistan.

2. A political economy perspective on fragility

The study of economic development has focused to an ever greater extent over the past two decades on the obstacles to growth posed by institutional and political structures, and how these structures may themselves be grounded deep in a nation's history or geography, such as its natural resources endowments or colonial legacies. While part of this resulting literature has been devoted to understanding the success stories of the fastest-growing economies of the developing world – such as the 13 countries identified by the World Bank's Growth Commission (World Bank 2008) – substantial effort has also been directed at explaining the brakes on growth posed by features of a country's political economy, and more narrowly, the reasons for poor governance experienced by fragile states. According to one recent overview of this body of research, a generation of studies in political economy regards 'low levels of growth and development as symptoms of deeper concerns about the political and institutional foundations on which societies are built, and hence on the economic policy choices that emerge' (Adam and Dercon 2009).

This paper, and the case studies on which it is based, use the framework of political economy to provide an empirically grounded analysis of the variables and trends shaping governance in fragile states. In essence, the political economy perspective used throughout this programme of research considers the interactions between institutions, politics and economic interests and incentives to be the primary influences on the nature of governance. Who gains or loses from policies or political changes, or what common or contrasting material interests underlie political coalitions or competition, are among the most important questions to be asked in order to understand how a fragile state is governed.

As in business life, 'political activity often consists of mutually beneficial exchanges between self-interested persons or groups' (Clark 1991, pp. 4–5). This is a hallmark of politics in all country contexts, fragile or highly developed. But this paper will also contend that the competitive and increasingly fractious political marketplace, as it is now being experienced in a number of extremely fragile states, or in countries whose political and economic systems are being exposed to high levels of criminal infiltration or illicit revenue-seeking, is a useful

concept that helps focus attention on the flows of money, power and violence across the social and political system (de Waal 2009). The case studies and this synthesis paper are thus particularly concerned with the ways in which the operations of these marketplaces, in environments characterized by relatively weak state institutions, perpetuate sub-optimal levels of governance that hinder economic development (Moore 2011).

Understanding the fragile state

A consensus has emerged in international policy circles over the broad definition of a fragile state, and what is needed to salvage a state from this condition. The INCAF, which has in recent years taken the lead in formulating a clearer conceptual apparatus and new policy recommendations on these issues, describes a fragile state as having a 'weak capacity to carry out basic functions of governing a population and its territory', and lacking 'the ability to develop mutually constructive and reinforcing relations with society' (OECD-DAC 2010b, p. 21). In its *World Development Report 2011,* which is devoted to the issues of conflict and security, the World Bank defines fragility as 'periods when states or institutions lack the capacity, accountability, or legitimacy to mediate relations between citizen groups and between citizens and the state, making them vulnerable to violence' (World Bank 2011, p. xvi). Both definitions take care to join the issue of state capacity with that of legitimacy, understood as a key part of a fluid and robust set of linkages between state and society. Research from the London School of Economics' Crisis States Research Centre stresses the significance, in any analysis of fragility, of a state's projection of authority over its own territory, whether this is measured by its monopoly of force, its capacity to collect taxes, or the legal system. Fragile states are thus political authorities that are unable to assert complete authority in these areas because they are 'vulnerable to challenges from rival institutional systems' (Putzel 2006, p. 4).

The five countries chosen for this research programme all featured on the Dutch government's priority list of fragile states in the years 2008 to 2010. Each of them undoubtedly manifests serious shortfalls, in varying degrees and combinations, in their political legitimacy, administrative capacity and basic territorial authority. At the same time, they stand some distance apart on the Fragile States Index of the Fund for Peace, or for that matter on many of the other indices devised to assess levels of governance and stability in different countries (German Development Institute 2009).[5]

Despite the distinctive features that inevitably characterize five countries from four continents, some common patterns of fragility are nevertheless recognizable. Informal systems, rather than formal rules and legal institutions, dominate the way governance is shaped, and the ways in which power-holders and social groups perceive their interests. 'Neo-patrimonialism', a contemporary outgrowth of the systems of kinship power and loyalty originally described by Max Weber (1968), involves a mixture of rational bureaucratic power and the more personal

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5   Afghanistan, Pakistan and the DRC are all in the top 12 most fragile states according to the Fund for Peace's Failed States Index for 2011. Guatemala is placed 73rd, although it claims one of the world's highest murder rates. Kosovo is not rated. See http://www.foreignpolicy.com/articles/2011/06/17/2011_failed_states_index_interactive_map_and_ra nkings.

style of control exercised by a traditional patron. Its effect, as witnessed in several case studies, is to reshape political and administrative systems based on a rational Western model so as to service personal or group loyalties (Clapham 1985).

The penetration of neo-patrimonialism within supposedly modern governance systems brings with it chronic corruption, and capture of the public sector by interested groups. In many cases, the provision of public goods based on social need or development priorities – the nominal goal of the formal state structure – is a mere façade for bargaining in the political marketplace, where state provision is bought and offered in order to secure allegiances and favours, and public sentiment is mobilized by populist, ethnic or exclusionary appeals (Collier 2009). In other cases, the formal state structure may conceal beneath it a parallel or shadow set of institutions that hold real power (Briscoe 2008). As a consequence of this hollowing-out of formal public space, and of the widening gap between the discourse of a legitimate and capable state and the reality of everyday political management, public disaffection and divisions can mount, and in the most extreme cases degenerate into armed conflict. Meanwhile, the perpetuation of low per capita income ensures that a country is more likely to descend into violence, since economic development is one of the very few indicators that are clearly correlated with conflict (Human Security Report Project 2011, p. 38). Or, as in the case of Guatemala, this process of deteriorating public provision fosters the rise of criminal actors, who can take advantage of the alienation of the population and the absence of a functioning state to establish their illicit businesses.

At the same time, and contrary to what the term 'fragile' might suggest, most of the states characterized by weak governance systems and outbursts of public disaffection and internecine violence show incredible resistance to change. As Francis Fukuyama has recently argued, social institutions and conventions, imperfect as they may be, prove surprisingly resistant to change across all human society (Fukuyama 2011, p. 440). In the case of fragile states, however, exceptional reasons underlie the perpetuation of informal governance mechanisms that are manifestly ill-suited to bringing about effective state structures operating in the public interest. Fragile states are often grounded in a bargain over the division of revenues between different and rival parts of a country's elite – such as leaders of different tribes, ethnic groups or social classes – that serves to maintain a basic level of peace (North et al. 2007 and 2009).

These systems have evolved to protect the interests of a restricted elite, who will in turn seek to preserve the system from potentially disruptive attempts at reform. It could even be argued that such dysfunctional systems achieve, at times, a considerable degree of resilience, particularly when this term is applied to the successful pursuit of regime survival and conflict containment. At the same time this resilience serves to damage a country's prospects for future development (Putzel 2006), and over the long term undermines the balance of reciprocal trust between the people and their respective state institutions.

Structure of the paper

Each case study in the research programme followed the broad methodological approach developed by CRU in its work on governance and stability assessments. Field and desk research sought to extract the recurrent characteristics and causes of fragility, and order them along three analytical dimensions: foundational factors, political and economic structures, and

policies and processes. Foundational factors, which are discussed in Chapter 3, include the historical conditions of the state's creation, its geographical characteristics, and the patterns of external intervention that have affected its development, all of which represent profound influences on a country's governance and are impossible to alter.

Deep-seated political and economic structures, which are addressed in Chapters 4 and 5, may also be regarded as part of these foundational factors, since they refer to the quality of state–society relations, the kind of political order that has been dominant in the country's history, entrenched inequalities, economic structures and sources of revenues for the state, and the level of interaction between formal and informal institutions. In many cases, these factors are so deeply assimilated into public and political understanding of the way the country works and power is managed that they are assumed to be unchangeable, or are simply discounted from debate. However, a number of developmental states since 1945 have shown that the rapid overhaul of existing political and economic structures is possible. At the same time, research for the *World Development Report 2011* has indicated that processes of state transformation undertaken by even the fastest reformers generally last for dozens of years (World Bank 2011, p. 11).

Chapter 6, on the issue of policies and processes, discusses the areas in which formal and informal actors and processes can have some sort of impact on how fragility emerges or is reduced. The areas 'are more amenable to change than foundational factors and are likely to involve changes to both formal and informal rules' (CRU 2008, p. 7). In addition, changes in these areas can prove very relevant to state-building strategies as they 'can result in fundamental changes in the incentives of political actors' (Ibid.). Among the policies and processes considered in this part of the report are the character of the post-conflict political settlement, economic and development policies, and a number of possible reforms to formal institutions and to informal political practices.

Lastly, Chapter 7 tries to draw out some more general lessons from the various case studies, and uses them to offer some pointers as to future policies.

3. Foundational factors

Foundational factors shape the conditions for state-building in a particular country context. These are deeply entrenched, rooted in the distant past, and include, as explained below, geographical and historical factors, as well as recurrent patterns of external intervention, which tend to be particularly relevant for a number of small states.

Geography

A number of geographical factors are statistically correlated with greater incidence of civil war or state fragility: the size of a country, a large population, a landlocked position, and mountainous areas. For example, there are now 44 landlocked countries in the world, and the effect of their lack of coastal access is estimated to take at least 0.5 per cent off yearly growth, thereby increasing the risks of poverty and conflict (World Bank 2009, p. 101). The effect of size, coupled with difficult access and communication resulting from the presence of mountains and other geographical barriers, is apparent in the DRC. In addition, the destruction of this country's physical infrastructure during years of neglect and war has added to the existing problems of remoteness and inaccessibility.

Similarly, in Pakistan, 'the mountainous character of Baluchistan, FATA [Federally Administered Tribal Areas] and much of NWFP [North West Frontier Province], and the extended desert areas in southern Punjab, eastern Sindh and parts of Baluchistan, pose significant challenges to transport, communication, the delivery of goods and services, and the provision of administration and security' (Mezzera and Aftab 2009, p. 13). Neighbouring Afghanistan shares the same geographical obstacles to governance along the border, as well as through most of the country.

These geographical constraints cannot be overcome except by massive investments in infrastructure, but they do call for specific provisions in governance arrangements. Some form of decentralization may be a possible option, though the case of Pakistan warns against hasty

conclusions that aim to identify linear relations between power devolution and the emergence of 'good' governance. Stronger regional co-operation and trading links offer another way to compensate for landlocked situations or population densities that are too low to allow for dynamic domestic markets.

History of state and society formation

The case studies show how certain causes of persistent fragility go back to colonial times and even earlier. The extreme breakdown of the formal political order, which is a characteristic of persistently fragile states, is usually the result of a complex interplay of internal and external factors over a long period of time. A historical approach helps to single out the factors that account for a country's institutional set-up, identify the origins of relationship patterns between different groups and between these groups and the state, and finally to trace the origins of the fault lines separating social groups.

History is not linear, and there is no single developmental path that all countries follow. However, awareness of the most relevant transformative and modernizing processes that tend to shape countries' development, such as industrialization, state formation, urbanization and democratization, and of their time frames, helps to generate realistic expectations of reform, and to identify which process of economic or political change may be viable at a given moment. Many of the world's fragile states are still pre-industrial rural societies, and cannot be expected to develop into market economies overnight (North at al 2009, p. 264).

A historical analysis helps also to find path dependencies.[6] Path dependencies limit the options open to a society because of the way development is preconditioned through choices made in an earlier epoch, such as sub-Saharan Africa's failure to embrace competitive domestic production and investment in the decade after decolonization (Mkandawire 2001). The five case studies included in this research confirm the relevance of placing any analysis of current fragility in the broad historical perspective. For instance, the Afghanistan paper provides a short overview of governance in the country, emphasizing in particular the 'constant interference of non-state (armed) actors in political affairs' (Schmeidl 2010, p. 8). The study also points to the lasting consequences of population policies by Afghan kings, who centuries ago 'used all tribes and ethnic groups against each other when it suited their needs' (Ibid., p. 10), thereby shaping the current ethnic and tribal composition of the country, and of Uruzgan province in particular.[7] The same paper also takes a historical perspective in the analysis of leadership formation in Afghanistan and Uruzgan, differentiating between three sources of power – either inherited, achieved or appointed – and unpicking the origins of each of them.

The DRC paper follows the same pattern, by tracing a short history of governance in the country from the Mobutu era onwards and analysing the root causes of the conflicts that have afflicted the country, and in particular in the eastern district of Ituri,[8] since 1996. In the case of

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6 Broad historical accounts of political development have recently returned to vogue. The most notable examples include Bates 2011, North et al. 2009, and Fukuyama 2011.

7 Uruzgan, a province in the centre of Afghanistan where NATO forces were under Dutch command from 2006 to 2010, is the main geographical focus of the Afghanistan study.

8 The main geographical focus of the DRC paper.

Guatemala, the historical retrospective starts in the mid-1980s and focuses on 'the main contours of governance since the military and elite-led transition to democracy' in that period (Briscoe and Rodríguez Pellecer 2010, p. 3). Analysis of the root causes of fragility in Kosovo singles out its long history of ethnic division and segregation as one central factor. 'Different interpretations of historical events that go back many centuries' have produced 'competing historical narratives …, with both Albanians and Serbs claiming ownership of the territory' (Briscoe and Price 2011, p. 5). Finally, the Pakistan paper, in its assessment of decentralization efforts, examines the 'systems of local government' in the country, and locates their roots 'in the colonial policies relating to the government of villages in British India' (Mezzera, Aftab and Yusuf 2010, p. 5).

External influences

In each of the country studies, historical patterns of external influences have strongly affected the current context of governance and state formation. Geopolitical motives, often related to economic interests such as access to energy supplies or regional power balance, played a large role, both during the Cold War and after, in determining the way external players established relations with these countries. In particular, they led to international support for regimes that might otherwise not have survived. The effect was generally to reproduce and consolidate the emerging neo-patrimonial political orders by providing resources and a certain amount of legitimacy, as witnessed in the DRC. In Afghanistan, external influences have contributed to the emergence of a perennial cycle of war by reducing the country to a pawn in the 'Great Game' of geostrategic interests, whether under the British Empire, the Cold War or the 'war on terror.'

During the Cold War, development aid was usually subordinated to major powers' geopolitical interests. It often became a structural component of military strategies aimed at weakening or defeating the enemy in one of the ongoing conflicts of the period. The tendency to combine military with development assistance has great contemporary relevance, as shown by the steady flow of financial resources that since the terrorist attacks on the United States in September 2001 have been channelled by the US government to Pakistan, as well as other countries in Asia and Africa. While these funds have been in principle earmarked as either security- or economic-related, both have been conceived as part of the same counter-terrorism and counter-insurgency strategy.

Finally, the Kosovo case study sums up various aspects of the effects of external influences on a country's governance. Its genesis as an independent country is grounded in NATO's massive intervention in 1999, and the presence of the international community that followed the expulsion of Serbian authorities. But prior to that external influence, which could also be formally defined as short-term and therefore not a foundational factor, there was an extended period in which Kosovo was a province of the former Yugoslavia, a political entity often perceived as an external authority. Later on, as Yugoslavia disintegrated, neighbouring Serbia became a dominant and coercive presence. The rise during this period of an armed ethnic Albanian insurgency and the creation of parallel institutions of governance proved enormously significant in shaping Kosovo's post-conflict political landscape.

4. Types and trajectories of fragile states

If flawed governance and poorly performing institutions are a central component of state fragility – as almost all scholars and experts now agree – then it becomes important to identify the types of governance systems and practices that are more prone to create public institutions that are manifestly ineffective, to determine the reasons why they do so, and to understand why such patterns of governance continue to exist.

This last question is acutely important, since it seeks to explain what makes these political orders so enduring, even as they give rise to states that are weak and subject to frequent crises, instability and outbreaks of conflict. Why, for example, do the same two regionally based political parties that were created in the wake of independence from Britain in 1961 still compete for power in Sierra Leone, despite an intervening period of authoritarian rule, economic collapse and brutal civil war? Why do inter-tribal politics continue to dominate the way governance is handled in numerous fragile states, such as Somalia, Yemen and Afghanistan, without appearing to contribute much to economic development or social welfare? Numerous examples attest to the relevance of this question in many different regions and contexts.

It must be stressed, however, that if there is any correlation between types of political order and state fragility, the relationship is based primarily on the *informal* characteristics associated with these political orders. Formal political systems are very often transfigured by a limited number of social groups or interests which bypass or violate the official procedures of the state in order to favour political factions, form clandestine public–private partnerships, discriminate against particular social or ethnic groups and distort public policy in support of material accumulation by vested interests. States in the developing world are thus very often 'facades', concealing shadow, parallel or patronage-based systems of rule (Bayart 2009, O'Donnell 2004). At the same time, evidence points to certain links between the *formal* aspects of the governance system and the emergence of conflict and fragility. Recent research, for example, has identified a link between the onset of civil war and the actual level of democracy: countries with partial democracy, also known as an anocracy, run a greater risk of violent rebellion than

democracies or autocracies, while moves towards or away from democracy are also correlated with an increased probability of civil war (Fearon 2011).

Three types of fragile state

A schematic framework for the classification of various kinds of political system, including their formal as well as informal characteristics, can help in understanding the different manifestations of state fragility. One recent paper by development economists has identified two main pathologies that appear to constitute threads linking cases of state fragility in different contexts: '*state ineffectiveness* in enforcing contracts, protecting property, providing public goods and raising revenues, and *political violence* either in the form of repression or civil conflict' (Besley and Persson 2011, p. 3).

On the basis of these pathologies, and the responses adopted by government and political rulers to counter them, it is possible to trace the outlines of the main types of fragile state. The World Bank, the US State Department and the British Prime Minister's Strategy Unit have embraced a categorization of fragile states based on perceived levels and types of instability or on diachronic trends in governance (i.e. the tendency towards improvement or deterioration over time) (Patrick 2007, Anten 2009b). Other bodies, by contrast, have opted for a more static labelling system that focuses on grading the capacity and legitimacy of the state. The typology offered below falls into the latter category, and is partly inspired by the classification provided by Britain's Department for International Development (DFID 2005), which distinguished four idealized groups of states on the basis of two dimensions of governance: their capacity and their political will to improve performance.

The typology used for this paper considers three main variants of state fragility: the 'common-interest state', the 'redistributive state' and the 'weak state'. In a *common-interest state*, political institutions are cohesive despite limited capacity and resources, and manage to prevent power-holders from using the state to make transfers solely to their groups of supporters. Investments in state capacity guarantee that all the basic functions of the state perform according to the best standards that can be expected at a given level of economic development and in the interest of the entire population, with little or no systematic discrimination. The countries of East Asia that have grown fast since the Second World War, such as South Korea and Taiwan, are examples of common-interest states, as are most of the other cases considered by the World Bank's Growth Commission.

In a *redistributive state*, the government may still decide to invest in overall state capacity and provision of public goods, but revenues from taxation and other state activities are largely redistributed to specific groups. These targeted transfers seek to buy or maintain the support of these groups by showing the ethnic preference of political leaders, addressing historical grievances and causes of discontent, as has been the case with populist Latin American leaders since Juan Domingo Perón, or seeking to dampen potential sources of future violence, as India under the post-independence rule of Nehru exemplified. In such a context, political stability may be assured – indeed this is likely to be the main goal of a selective redistribution of resources – but institutions are weakened, the provision of public goods is undermined and conflict may simply be postponed to a later date. Political decision-making for its part is conditional on a bargaining process between constituents and their representatives, in a

democracy, or between a ruler and supporting parties or groups, in an autocratic system (North 1995).

However, regardless of the political system in place, redistribution of state resources is negotiated through formal and informal institutions, and through a complex interaction of political actors. Depending on the existing level of institutionalization and enforcement of the rule of law, these means will be more or less legal. Redistributive tactics may also prove to be the most effective way 'to keep together different sections, communities and areas of the state space' in those situations where the state is 'unable to overcome alternative legitimacies and authorities, due to lack of economic or administrative resources or lack of cooperative relations with other actors in society' (Bellina et al. 2009, p. 28).

Membership of a power-holder's preferred group can be on the basis of shared ethnic, religious or regional identity, but also through a purely patron–client relationship, as is common in Latin America. In most cases, however, a basic material transaction underwrites the shared interests: leaders are expected to protect their clients in return for loyalty. Citizens and social groups try to get the greatest benefits, in the form of protection against violence or access to land, water, jobs or money, for the lowest cost, namely their vote in formal or informal elections, or contribution to an armed struggle.

The last category is that of a *weak or failing state,* which can be distinguished from the preceding two categories in that it does not serve the public interest, nor does it manage to satisfy entirely a group interest (though it may try to). Weak states, many of which are now to be found in sub-Saharan Africa, suffer from a lack of institutional cohesiveness and bouts of political instability, while their leaders tend to have few incentives to invest in state capacity. One notable consequence of a weak state is that society and the political system are vulnerable to violent competition for the control of resources, with political elites seeking to benefit as much as possible from their access to state resources. With few cohesive political institutions, and with repression generating diminishing rates of return for rulers, fragmentation of society along various fault lines and even civil war are possible outcomes. At the other extreme, these states can preside over such a marked deterioration in their legitimacy that public expectations of their governments become minimal, and citizens resort instead to alternative means of coping and survival, including informal economies, migration and crime.

Predation, repression and the political marketplace

Of these three categories, the redistributive state is in many ways the most volatile and unpredictable, able to move in certain cases towards the common-interest paradigm or to degenerate into a weak state. Although it is fundamentally geared towards ensuring political stability through targeted transfers of resources between competing groups, the redistributive state's internal dynamics make it prone in certain circumstances to a rapid descent into violent and unmanageable competition, and thus to the condition of a weak or failed state. This makes this sort of state particularly relevant to the international community because of its potential effects on development, state-building and global security.

There are various ways in which a redistributive state becomes exposed to higher levels of armed conflict and institutional fragility. Such a state might become *predatory* if an incumbent,

and his or her entourage, accumulate and disburse state revenues for personal and political gain. In general, these states are more likely to emerge in countries that are rich in natural resources, or which are able to attract large amounts of foreign aid: Mobutu's Zaire, for instance, was able to draw on both sets of resources. But this sort of state simultaneously tends to invest decreasing revenues in providing its citizens with basic security, law and order, economic functions and services. According to one recent study, 'predatory states … are especially at risk, from two forms of activity: criminal organizations that operate for profit's sake, and organized criminal activities conducted by other actors – political parties, terrorist organizations, insurgent groups – that seek to generate funds as a means to political ends' (NYU et al. 2008, p. 33).

Where public revenues are collected and distributed in a discriminatory and predatory fashion, the desire to gain access to public office in order to profit from the flow of rents, or to rectify the unjust distribution, grows correspondingly stronger. One possible outcome is *repression*. The incumbent in a repressive state seeks to marginalize competition by emasculating democratic institutions. Typically, the security services are strong and turned into mechanisms of social control. Citizens are intimidated into submission and political opposition is made impossible. Repressive, authoritarian systems tend to be fairly stable as long as the dominant power position of the incumbent remains intact. But in order to enhance that stability, 'the benefits are allocated … to increased military force and accrue disproportionately to the incumbent group' (Besley and Persson 2011, p. 24). Thus, these regimes are vulnerable to the extent that they do not provide citizens with basic security and services, and may thus undermine the loyalty of low- and middle-level officials in the state and security services. Numerous examples exist of the effects of this loss of loyalty at the middle and lower levels of the state and security apparatus, including the Cuban Revolution of 1959, as well the collapse of Ben Ali's regime in Tunisia and Hosni Mubarak's in Egypt in 2011.

Instead of a change in regime, intensified competition in redistributive and predatory states may also degenerate into recurrent outbreaks of violence. The *violent political marketplace* can be characterized by incessant armed confrontation and bargaining between the ruler and lower-level, local leaders for a stake in central power and access to resources: 'Each [provincial] elite member controls a unit: a tribe, a militia, an insurgent group, a commercial operation, or something similar. The ruler controls most of the resources, including foreign aid… In states where violence is an option, it can be used both by the ruler and the elites' (de Waal 2010). In this context, which may be regarded as typical of large, poor and fissiparous states such as the DRC, Nigeria, the Sudans and Afghanistan, the ruler is in control of most of the sovereign rents, but is not strong enough to impose his or her monopoly of violence on sub-state groups throughout the land. Formal political institutions are entirely subordinated to this bargaining process, and 'the only semi-stable outcome is an inclusive buy-in of all elites by the best-resourced actor in the marketplace' (de Waal 2009, p. 102).

A violent confrontation erupts when the ruler is challenged by lower-level leaders who demand a larger share of national power and revenue. The government reacts either by defeating the claimant, or by recognizing the claim and conferring increased resources or status, depending on the conflict in question. The outcome will depend on the balance of power between them and on their respective negotiating skills, with the ruler seeking to minimize the price for loyalty by reducing competition while the other political actors use violence or other means to strengthen their bargaining position.

However, a peaceful outcome is not always possible. Where there is no established balance of power between contenders (or rather, where there is perceived to be a zero-sum game between them), and in the absence of consensus on the rules of the game or the existence of a minimally legitimate sovereign ruler who can act as an arbitrator, then violence in the political marketplace can escalate into civil war. If competitors for state power are so evenly matched in power and weaponry that none can dominate the others, the state may cease to function altogether. Instead, it unravels into various groups competing for power, as has been the case in Somalia following the demise of President Siad Barre in 1991.

The bargaining process in large and fragmented states tends to eat a substantial amount of national revenues, with very little left over for productive investment or service provision. Furthermore, violent political marketplaces are highly volatile, since any change in internal or external conditions may alter the balance of power and thereby trigger a new bargaining process. It has been argued more recently that economic globalization (particularly of commodity markets and finance), liberalization, democratization and the growth of cross-border criminal activities have expanded these marketplaces by increasing the revenues accruing to political elites, and by introducing cash payments as the principal means for transactions to take place (de Waal 2010, Moore 2011). As a result, far from solving political disputes by making economic settlements between contending parties simpler, countries such and Afghanistan, the DRC and the Sudans are suffering from a rise in the price of loyalty to central government demanded by sub-state groups, and a consequent worsening in chronic levels of violence. Furthermore, political rulers might be more inclined to plunder public goods or 'sell off' their sovereignty and territory to foreign powers or transnational criminal cartels as a means to obtain more resources.

The Afghanistan case study illustrates the operations of a violent political marketplace that has emerged from the decay of a redistributive state. The current system centres around two connected platforms for bargaining, which are 'political networks and access to government and international development and security funds' (Schmeidl 2010, p. ii). Inclusion in personal, informal networks linked to President Hamid Karzai and his entourage, or to other provincial and national actors (including the Taliban and tribal groups), as well as international military and development actors, is considered to be essential to obtaining financial resources that can strengthen one's power and position. Strategic use of violence can serve to gain access to official security contracts and to establish protection and mafia rackets, and, in the case of the Taliban, to recruit those tribes who feel excluded from the new post-2001 political settlement (Ibid., pp. 14–15).

The DRC can also be described 'as a 'political marketplace', meaning that political loyalties at any level are up for sale to the highest bidder' (Anten 2010, p. 10). Power-holders at both central and regional level show a keen interest in, on the one hand, preserving the status quo of the current system of governance, and on the other, maintaining a certain degree of instability and state fragility. The use of violence becomes functional to achieving both objectives. As noted above, access to formal institutional power provides important opportunities to draw on sovereign rents, such as aid money, and must be defended against competitors by force if necessary. At the same time, a certain level of lawlessness and lack of territorial control enhances the chances of accessing natural and other illegal resources.

Guatemala and Kosovo offer a rather distinct example of a political marketplace. These two countries are small, and are not subject to the same threat of territorial fragmentation caused by strongly entrenched ethnic or regional groups that bargain with central power; however, their political life is dominated by a series of public–private transactions, whose importance has increased alongside the introduction of elections at multiple levels of governance, the ease with which financial deals can be made with political parties, and the entry of new sources of revenue. Both cases appears to confirm a trend towards *violent monetization* of the political marketplace.

In the case of Guatemala, the main actors in the bargaining process are political parties. Electoral democracy, which was introduced prior to the 1996 peace agreement and imposed from above, 'has generated a range of new possibilities, in terms of participation, ideological experimentation, and interest agglomeration, which are being explored and exploited by a number of political actors' (Briscoe and Rodríguez Pellecer 2010, p. 27). The country's political parties, or those loose combinations of political entrepreneurs that define themselves as such, have been skilful in occupying the spaces for enrichment and influence-trafficking created during the democratic transition to a post-civil war political settlement. Parties have become 'pure electoral vehicles' for ambitious political operators, who are increasingly able to draw on a range of different income streams, including criminal contributions, to fund extremely expensive campaigns (International Crisis Group 2011). Defection levels among parties' members are extraordinarily high, and the parties themselves are often the result of intra-elite bargaining processes, doomed to very short lifespans (just the time necessary to deliver the expected results).

Political parties play an equally central role in the marketplace of Kosovo following the country's unilateral declaration of independence in 2008. They can be considered, in the words of political economist Mushtaq Khan, as 'personality-driven patronage networks that buy or secure the loyalty of clients in various ways' (Khan 2005, pp. 718–719). Despite a formally open and transparent electoral process that should guarantee fair competition, the parties that control political life are those with strong roots in the ethnic Albanian armed insurgency of the late 1990s. Following a process of recognition and assimilation under the tutelage of the UN peacekeeping mission in Kosovo, these new elites now stand at the core of 'formal political life, participating in numerous official institutions' (Briscoe and Price 2011, p. 17). Behind this official façade, however, they often maintain parallel party structures that perform intelligence activities and entertain numerous linkages with shadowy businesses in the apparent hope of accumulating a war chest for patronage.

Lastly, Pakistan also conforms in several ways to the models of the redistributive state and the political marketplace. The case study reveals a complex web of alliances, loyalties and competing interests that form the framework in which government institutions function. Bargaining processes take place at all three levels of governance: federal, provincial and local. The federal government is suspected by provincial authorities of a plan to sideline them, and the political parties that compose provincial power structures, in favour of tighter links with local authorities. But local government ranks, in turn, are also faced with loyalty obligations towards tribal and feudal networks. They may therefore use the apparent rivalry between the federal and the provincial level to obtain concessions for their local constituencies. Finally, provincial governments have shown a particular determination to exploit the distribution of favours and resources in the attempt to win back support from local governments.

Conclusions

This brief overview of certain types of fragile state, as well as various sorts of political system and arrangements that underpin these states, has highlighted some critical issues. First, the paradigm of the common-interest state, although a relatively rare occurrence in the developing world, stands out from the other types in that its authorities seeks to identify and serve a general public interest rather than a group or private interest. While there is no doubt that the conditions giving rise to such a state are unusual, and in the case of East Asia involved a series of strong pacts between government, producers and the public (Adam and Dercon 2009, p. 181), there is a general expectation in the international community that fragile states may be able to achieve a basic social consensus that is enough to launch a process of state-building and growth. Recognizing that these states may not always be perfectly democratic, the *World Development Report 2011* labels this starting point as an 'inclusive enough coalition', and finds some evidence for the existence of such a coalition in cases such as Colombia, South Africa and the Indonesian province of Aceh. OECD-DAC for its part talks in terms of a similar 'inclusive political settlement' (OECD-DAC 2010b, p. 64).

However, a second issue emerges more clearly from the examples shown in the case studies. It is important to view state fragility, as well as outbreaks of political instability and armed conflict, against the larger backdrop of an evolving political order than can itself be relatively stable over time. Extended periods of civil war and democratic transition in Guatemala and Kosovo, and the extreme turbulence of Afghanistan over the past three decades, have caused state and population dislocation, displacement of former power-holders (most notably in Kosovo), and the emergence of significant new sources of social power. But the recent history of these countries has at the same time shown that neither the sources of legitimacy claimed by political and social leaders, nor the styles of political management, have been altered in any of a number of important ways. Traditional bargaining between centre and regions, or between rival social groups, has been modernized in contexts such as the DRC and Pakistan by flows of economic resources, reforms to formal political institutions and the emergence of new constituencies, as well as by a propensity to the use of violence. In both cases, however, the new mechanisms of the political marketplace and the manipulation of formal institutions have enabled traditional power-holders to maintain their grip on the state.

All the fragile states studied for this research programme have incorporated features of political and economic modernization such as electoral democracy and liberal constitutions, generating expectations in the international community that they might move towards the common-interest ideal. But the evidence suggests that these formal adaptations have been carried out within an order that encourages the continued use of violence, discrimination and patrimonialism, and which is rooted in political and economic structures that remain largely impervious to change.

5. Political and economic structures

The resilience of the political order in fragile states can be explained by reference to historical conditions as well to a number of other structures in political economy. Drawing extensively on the case studies, this chapter looks in depth at some of these structures, including the existence and entrenchment of inequality, the existence of hybrid forms of governance, and the nature of a country's productive structure and sources of income. In combination these various factors shape the rules of the political and economic game, and are fundamental to moulding the expectations and perception of power-holders and social groups at the grassroots. The case studies show how states governed according to narrow interests, with little proficiency in the production of public goods and with limited real authority over their societies, can become a routine part of the way citizens understand and experience political power.

Horizontal and vertical inequalities and political exclusion

Conspicuous inequalities in economic, political, social and cultural opportunities can be regarded as another basis of state fragility. Social inequalities may be classified as vertical and horizontal. 'Vertical inequality consists of inequality among individuals or households, while horizontal inequality is defined as inequality among groups, typically culturally defined – e.g. by ethnicity, religion or race' (Stewart, Brown and Cobham 2009, p. 3). Inequalities tend to reinforce themselves over the course of history in an inequality trap (Ferreira and Walton 2005), whereby they become entrenched in people's minds and behaviour as well as in the structure of the economy. Historical inequalities give important information about the deep fault lines in a society, which tend to reappear, often with extreme violence, in times of tension.

Persistent horizontal inequalities tend to increase the risk of state fragility. The Failed States Index uses 'uneven economic development along group lines' and 'legacy of vengeance-seeking group grievances or group paranoia' as two of its twelve indicators of state failure

(Fund for Peace 2010). Horizontal inequalities are of particular relevance in conflict-prone societies, since there is growing evidence that their nature and level 'are important determinants of the risk of violent conflict' (Stewart, Brown and Cobham 2009, p. 3), and that the sorts of conflict they produce are particularly difficult to resolve.[9] Group grievances can be used to mobilize people for protests, and such mobilizations are even more likely when inequalities are both economic and political in nature. Political inequalities affect mainly the leaders or representatives of these groups, who may be excluded from power, but economic inequalities have a much wider reach, affecting most group members in their daily lives.

Horizontal groups may be formed along ethnic lines, but ethnicity is a flexible concept. In a political marketplace, alliances and group formation can shift easily. Ethnic identities can be adapted (for instance to include new groups, or exclude others) so as to fit political choices. This flexibility may explain why there is no unequivocal correlation between ethnic diversity and the risk of civil war, except possibly when there is one ethnic group that forms the majority of the population (Collier 2007, pp. 25–26).[10]

But what is the nature of the relationship between inequalities and political orders? Most importantly, to what extent do horizontal inequalities constitute patterns of identity and social division that exist irrespective of political conditions, or represent constructs that are nurtured and exploited by political groups and leaders? If the answer is the latter, then it would appear that the political order shapes patterns of horizontal inequality, and that any assessment of the effects of inequalities on the state should be based on consideration of how the political order mediates this relationship. The typology in the previous chapter suggests such a correlation, with common-interest states likely to lead to lower horizontal inequalities than redistributive states, where the political imperative would be to mobilize ethnic identity and rivalry.

At the same time, reverse causality cannot be excluded. Societies with deep inequalities tend to settle for neo-patrimonial, redistributive political orders with limited democracy. The economists Daron Acemoglu and James Robinson, in their schematic account of the origins of democracy and dictatorship, hold that inequality and pressures for redistribution are important factors in conditioning the emergence of democracy. In particular, they identify a non-linear relationship between inequality and the materialization of democracy: '[T]here is an inverted-U-shaped relationship between inequality and democratization. Highly equal or highly unequal societies are unlikely to democratize. Rather, it is societies at intermediate levels of inequality in which we observe democratization … having democratized, democracy is more likely to consolidate in more equal societies' (Acemoglu and Robinson 2006, p. 244). Where inter-group inequality is very large, and particularly where it is centred on a land-owning oligarchy, any attempt to democratize would automatically lead to pressures for redistribution, which tend to be intolerable for the elite. Under such mounting redistributive pressures, land-

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9   According to information from the Center for Systemic Peace, in recent years inter-state wars have lasted on average three years, civil wars five years and ethnic wars ten years (Centre for Systemic Peace 2011).

10 It should be noted that Collier, in his more recent work, insists that there is a more straightforward relationship between ethnic diversity and the risk of violence (Collier 2009, p. 130). These issues have generated a lively and unresolved debate (Habyarimana et al. 2008).

based elites are more willing to engage in repression and coups than capitalist elites.[11] At the same time, a controlled or limited democracy can prosper in the presence of extreme inequality, as in the post-Pinochet transition in Chile, and can provide greater guarantees of elite stability than an overtly repressive regime.

The relationship between type of political order and scale of inequality in all likelihood represents a case of mutual reinforcement, where vicious circles and self-perpetuating traps are created. In some of the countries studied in this project, particularly Afghanistan, Pakistan, and the DRC, redistributive, patronage-based political orders tend to confirm and deepen horizontal inequalities between various groups. The Afghanistan case study, for instance, highlights how a regional political marketplace controlled by the landed elite and *jihadi* leaders provides access to resources and factional networks to tribesmen and to the members of a specific *jihadi* group respectively. All those outside these networks are left out of the redistributive process. A similar situation can be found in Pakistan, where local leaders tend to be selected from relevant tribal, ethnic and religious groups. Because of marketplace politics, these leaders tend to shift alliances and join new coalitions in search of the highest price for their loyalty. The greater their power, in terms of the number of followers and the resources they can mobilize, the higher their price. This constant bargaining implies that these leaders, and their constituencies, may drop in and out of the ruling coalitions, but in the long run, the share of resources these leaders get will tend to match their power. This leads to increasing and lasting inequalities between these select groups and those left out.

Access to land plays also a vital role in the way the DRC's political marketplace functions. The introduction in 1973 of new legislation on land created a 'vast class of landless or land-insecure people' that has ended up looking for protection from those 'same elites who were responsible for the existing conditions of insecurity. Through this protection the elites gained control over both land and the local population.' A strong link thus developed 'between control over land and control over the people's allegiance' (Anten 2010, p. 28). In addition, the emergence of land insecurity on such a large scale triggered conflicts that were mainly fought between different ethnic groups.

Extreme inequality is also a prominent feature of Guatemala's political marketplace. A country of huge ethnic and income inequalities, in a continent that stands out for being the most unequal in the world (World Bank 2003), the period before and after the end of civil war saw 'the economic elite [increase] its hold on political parties and the machinery of state…[while] the population as a whole, whether through conviction or fear, accepted the logic of the minimal state' (Briscoe and Rodríguez Pellecer 2010, p. iii).

The elite's tight control over the economy and the state, its connections to the global economy, and a fundamental scarcity of public goods and services, have accentuated vertical

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11   The authors cite three reasons why a land-owning oligarchy may be less inclined to democracy than an industrial one: first, land is easier to tax than capital; second, social turbulence is more damaging to capital assets than to land; third, a number of institutions that are possible only in agrarian systems, such as slavery, make shifts to democracy more costly.

inequalities within society to an extraordinary degree.[12] At the same time, there are signs that the breach between indigenous peoples (who make up around half of the population) and those of mixed or European descent has been reduced through the rise of new Mayan entrepreneurs and political actors, indigenous participation in elections and official efforts to reduce discrimination. However, all those who are not part of the economic elite but still want to gain some benefits from the current system have learned that informal and even illicit activities provide these opportunities, thereby reinforcing a political system in which access to power depends primarily on financial resources.

In the case of Kosovo, it has been mainly cultural and political inequalities between ethnic Albanians and Serbs that have shaped their relationship, and the resulting conflict of the 1990s. Ethnic-based segregation has continued since the creation of the new Kosovar state, despite legal frameworks for minority protection. Since 1999, however, intra-Albanian inequalities have also grown in importance. Persistent poverty and a strong tradition of patronage have encouraged the emergence of local bosses and overlords, who have taken up the responsibility of ruling over localities and negotiating with central power. In exchange for these services, they expect loyalty from their clients and undisputed control of the local economy. This informal governance contract has cemented widespread distrust of state institutions, especially those responsible for the distribution of public goods. As also noted in the case of Guatemala, 'it is simply assumed that private individuals will eventually acquire these [public goods] for their private benefit' (Briscoe and Price 2011, p. 16).

How, then, do horizontal inequalities lead to state fragility? In general, the evidence from the case studies suggests this happens in two ways. Excluded groups have a reason for grievance. Yet, their very exclusion implies that they lack the means and power to protest effectively, let alone launch a revolution. The case studies of Afghanistan and the DRC show that excluded groups form easy targets for any leader looking for followers – whether a serious politician, a greedy political entrepreneur or an insurgent armed group – since the price of their allegiance is low (Collier 2009). In these cases, the great risk is manipulation of excluded groups by unscrupulous and violent leaders.

Furthermore, a long history of inequalities can also undermine the legitimacy of formal state institutions and the rule of law. When horizontal inequalities and resulting grievances are then reduced, as in Guatemala and Kosovo, the process gives rise to new elites from previously marginalized groups who may feel themselves justified in using illicit methods to secure and consolidate power.

Hybrid political orders: formal versus informal orders, and uncontrolled territories

The five case studies highlighted many forms of 'political hybridity'. The concept of hybridity is useful in bringing to the surface two key elements of governance: historically embedded

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12 According to sociologist Edelberto Torres-Rivas, Guatemalan society is structured in five highly unequal segments, spreading from the indigenous bottom to a rich and globalized upper stratum, and passing through a precarious middle class (Torres-Rivas 2008).

disconnects between formal and informal institutions, and geographical areas that have been historically outside of state control.

The five case studies show major *historically embedded disconnects between formal and informal institutions*. Such entrenched disconnects exist when formal institutions have, for decades, functioned not so much in line with their formal mandate – which is usually geared to serving the public interest – but rather according to the logic of an informal political order that responds to narrow particular interests. Hybridity helps explain, for instance, how a constitutional democracy can function as a political marketplace, in which stakeholders make use of formal institutions such as elections to bargain informally for power and resources, for example by selling or buying votes. In all the countries analysed, informal rules historically have been either equally relevant or even stronger than formal ones.

Traditional leaders have played a historical role in keeping communities together in Afghanistan, especially in remote areas where the central state had hardly any presence. But one outstanding consequence of the international intervention following the expulsion of the Taliban in 2001 is the emergence of just such a *hybrid political order*. An initial failure by the international community to recognize the relevance of different levels of governance in the country, instead concentrating its development and state-building efforts exclusively on the central government, was followed a few years later by the impulse to bypass those central authorities, which were considered inefficient and corrupt, in favour of informal 'sub-national governance structures … in order to get 'things done'' (Schmeidl 2010, p. 9). This has created a situation in which formal and informal governance systems are recognized and relied upon. The same ambiguous approach has also contributed to the seemingly endless protraction of Afghanistan's state-building project.

In the DRC, the district of Ituri has long been considered 'an ineffectual hybrid order, where large areas have consistently remained outside state control'. The insecurity generated by violent conflict 'has led the great majority of the population to rely on their customary leaders for governance' (Anten 2010, p. 18). The central state, meanwhile, has supported recognition of those leaders through their position as *collectivité* chiefs. However, the informality characterizing these sub-national entities has generated confusion, tensions and grey areas, with different ethnic groups contesting the boundaries of the chiefs' jurisdiction. The powers of these chiefs have been challenged, as they do not always translate into effective government services. Moreover, following the introduction of new land legislation a significant disjunction has emerged between modern and traditional law, with neither of them entirely in charge of customary land management.

Political hybridity assumes rather different connotations in the Guatemalan context. It characterizes 'the emergence of a new sort of state, in which intense transactions between officials, operating with private interests, and non-state parties, representing group interests … have become the dominant modus operandi'. A new class of political 'entrepreneurs' has risen 'in a context of fragmented and highly competitive democracy', occupying the 'interstices between state offices and economic or social powers' that have been left unguarded by an extremely weak state. The lines between legitimate and criminal behaviour have been blurred, and the resulting 'informal accumulation of power' threatens ongoing efforts at state-building (Briscoe and Rodríguez Pellecer 2010, p. 4).

The Kosovo case follows the same pattern of hybridity witnessed in Guatemala. The private and, more importantly, the public sector are captured by a 'fluid, monetized form of patronage strengthened by increased corruption'. As in Afghanistan, the arrival in 1999 of the UN peacekeeping mission, UNMIK, contributed to an indirect legitimization of informal and criminal control of the country's main political and economic structures. UNMIK, in fact, 'decided soon after its arrival in 1999 to work with the dominant power-holders in the post-conflict landscape: the leadership of the Kosovo Liberation Army (KLA) leadership. This effectively incorporated in the new institutional arrangements a number of allegiances and informal alliances – including criminal networks – from the armed resistance' (Briscoe and Price 2011, p. iii). Some of these provided a basis for networks that currently permeate not only the government, but the economy as well.

Finally, in Pakistan, as in Afghanistan and the DRC, the remoteness of certain areas has led to the establishment of localized traditional forms of governance. 'The conspicuous absence of solid state institutions … and the established presence of parallel structures and mechanisms negotiating access to and control of power at the local level' have created the ideal conditions for the 'emergence of hybrid institutional contexts. Non-state institutions have often carved out an operational space that is considered legitimate and effective, if only because the state has been merely perceived as either repressive or an absconding entity' (Mezzera, Aftab and Yusuf 2010, p. 2).

With the launch of the devolution process at the beginning of the new millennium, the Pakistani state aimed, among other things, to incorporate these non-state institutions into a formal institutional framework. 'The Devolution Plan of 2001, like other decentralization efforts that went before it, was focused on creating new institutions that would replicate traditional decision-making structures, but would work through a more formal, transparent process, with documented processes, rules and regulations' (Ibid., p. 29). Despite this objective, 'the devolution process more or less completely missed the opportunity to integrate traditional structures of local governance. Some timid attempts were made, as for instance through the establishment of *Musalihat Anjumans* (conciliation committees)', or of dispute resolutions mechanisms that were supposed to be styled after the traditional *jirgas*. 'But these hybrid institutions never really got off the ground.' (Ibid., p. 40).

Another conclusion that can be drawn from the case studies is that, where informal rules dominate governance, *levels of institutionalization*[13] are generally low, and people have little trust in formal institutions, in turn undermining the possibility of achieving political reform through institutional redesign.

A clear example can be found in the DRC. The civil service, the security services, the legislative and the judiciary have since independence virtually never functioned as the common-interest, merit-based, competent and well-equipped services that their formal mandates proclaim them to be. Instead they have functioned, if at all, as vehicles at the service of the neo-patrimonial political order. The fact that DRC citizens – and this could also be said

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13 The level of institutionalization refers to 'the extent to which government, civil society and private sector organisations are 'institutionalised' – i.e. they follow public, transparent, known rules and procedures, so that their behaviour is routinised and predictable' (CRU and Unsworth 2008, p. 19).

of Guatemala and Kosovo – have never known formal services other than those serving particular interests, helps explain their extremely low expectations of state institutions.

A history of *'uncontrolled' or 'ungoverned' territories* represents an unmistakeable sign of state weakness and, when combined with the presence of trans-border ethnic communities as in the DRC, Afghanistan and Pakistan, may even cast doubts on the validity of the existing state's borders. These are symptoms rather than causes of state fragility. In the DRC, Pakistan and Afghanistan, the state has for long periods of its history not controlled the periphery of its territory: it has been very centralized but weak. Populations in these peripheral areas have relied on traditional customary political orders, and violent conflicts have exacerbated the weakness and absence of the state, while reinforcing parallel systems of governance and conflict resolution led by newly emerging warlords or by tribal elders. In Guatemala, the state's absence in the country's periphery, where 'the provision of public goods … on behalf of the population was and remains scarce and erratic', and where 'civilian security matters have been left in the hands of a [seriously understaffed] police force', has granted criminal networks the necessary space to fill the institutional vacuum (Briscoe and Rodríguez Pellecer 2010, p. 38).

These uncontrolled territories can be seen as part of a broader process through which traditional state sovereignty has been weakened under the effects of globalization (Clunan and Trinkunas 2010). They are thus highly relevant for state-building, and their frequently cross-border features compel any state-building intervention to take an approach that looks beyond national borders, and focuses on the regional context and beyond.

Embedded economic structures

The existence of a causal relation between low national income and the risk of civil war has long been debated and recognized. The assumption is that any country which has sustained decades of low economic development, or in which economic development is so skewed as to benefit only a small part of the population, is a strong candidate for the emergence of conflict. Furthermore, low levels of development are very often linked to a style of political competition in which patron–client networks seeking to advance their factional interests play a much bigger role than more ideological and issue-based parties mobilizing larger parts of the population (Khan 2005). Sudden sharp periods of economic growth, for their part, are held to reconfigure the distribution of power in society and politics by causing disruptive processes of urbanization, cultural modernization and inequality (Huntington 1968).

The political order of a country is thus connected to the level and speed of economic development in numerous ways. One fundamental linkage between the two, which is particularly relevant for the study of fragile states, is the perpetuation of *embedded unproductive economic structures* that serve political purposes. In Africa, for instance, post-colonial neo-patrimonial states, especially when they had access to rich resources, generally spent government revenues on buying loyalty rather than on productive investments, and on supporting uncompetitive industries at the expense of agriculture (Kohli 2004). Their economic structures are still deeply affected by these historical choices, and in the worst cases they suffer continued poor economic performance.

Pakistan and its mighty military establishment might be regarded, after a cursory glance, as an example of sustainable redistributive management within a national economy. During its decades in power, the military has established a powerful economic machinery that controls major sectors of economy. Without doubt, it has also promoted significant investments in strategic sectors such as the arms industry and nuclear energy. Eventually, however, its overall management of the economy needs to be seen for what it is: yet another way of redistributing state resources for the benefit of its own group and allies (Siddiqa 2007).

Within Guatemala, the farming sector is the backbone of the economy. It is there that the country's oligarchic nucleus has its origins. Some 50 to 150 families, descended from the Spanish conquistador aristocracy and from more recent waves of European immigration, have been able to control and absorb new sources of wealth, and today are 'involved in economic activities ranging from coffee production and agro-export to global finance' (Briscoe and Rodríguez Pellecer 2010, pp. 17–18, pp. 22–23).

Efforts by the military regimes of the 1960s and 1970s to create a developmental state were thwarted by systematic corruption and the sheltering of unproductive industries, as well as by the refusal of the elite to agree to pay higher taxes. Since the end of the civil war, the elite has taken a common stand on the need to support a 'low-tax, small-state settlement', based on the conviction that public revenues are always 'directed towards the poorest parts of society, or absorbed by corrupt officialdom'. As a result, the country remains saddled with high inequality and inadequate education and social services (given its per capita income of over US\$2,000 per capita), as well as an informal economy absorbing 70 per cent of the workforce.

However, the elite's capacity to adapt and absorb new sources of wealth seems insufficient to cope with the 'rise of lucrative criminal networks, and the penetration of narco-trafficking into the Guatemalan economy'. In this respect, Guatemala resembles the evolution of the political marketplace in Africa, where 'the spread and monetization of patronage systems in recent years have opened the doors to multiple new buyers, from aid agencies to criminal networks' (Ibid).

Finally, Kosovo's economy is also characterized by a pervasive informal sector, a phenomenon that flourished during the Yugoslav era. During that period, Kosovo functioned as a supplier of raw materials from mining and agriculture. Investment in infrastructure and industry was scant, contributing to its status as Yugoslavia's poorest province. The 1998–99 conflict delivered an additional blow to the region's ailing economy, which was only partially compensated for by the subsequent relief effort of the international community.

Kosovo's formal economy remains in a dismal state, with official figures indicating 'a gross domestic product (GDP) per capita of 1,766…, 45 per cent of the population [living] below the poverty line, and nearly half of the working population unemployed' (Briscoe and Price 2011, p. 2). However, the illegal economy and unrecorded remittances are estimated to represent 'approximately one-quarter to one-third of Kosovo's total GDP [with] about half of this … derived from illegal activities' (Ibid., p. 12). By making full use of informal links between state officials, political operatives and businesses, as well as connections to the criminal underworld, 'political elites increasingly resort to autocratic measures and use of patronage networks to consolidate control over the public and private sectors' (Ibid., p. 2).

Sources of revenue

Another economic factor that may push a country towards fragility is its endowment with natural resources, or access to other forms of sovereign rents without transparent and accountable management by the state. Many scholars have argued that dependence upon commodity exports, such as oil and diamonds, substantially increases the risk of state failure and civil war (Di John 2008).

Natural and mineral riches – in gold, coltan, oil and timber, to name a few – are a major cause of state fragility in the DRC. These resources have had a profound influence on the political order since independence. In 1960, the country inherited a relatively well-functioning economy and large mining companies. Attempts at secession in that same year by the two richest provinces in the Congo, Katanga and Kasai, immediately set off a Cold War geopolitical confrontation between the Soviet Union and the United States, with the additional involvement of UN peacekeeping forces, Western paramilitaries and mercenaries hired by mining companies to protect their interests.

The political instability produced an early coup by the end of 1960, when Colonel Joseph Mobutu overthrew the elected government and recaptured the two breakaway provinces. Five years later, he consolidated his grip on power by declaring himself president for an initial five-year period. But despite this process of 'forced' unification, regional disparities remained a considerable problem and the richest provinces continued to resent the influence of Kinshasa on their internal affairs, especially in terms of revenue distribution. Predation of the economy allowed Mobutu to maintain control over the strings of patronage for 30 years – with some help from his Cold War allies. During that period, the economy's productive structures progressively crumbled. Revenues to the government from resource extraction were only a fraction of what they should have been; industry and manufacturing left the country, mainly because of excessive demands for payments; and per capita GDP was so low that income and other taxes could not provide enough revenue to fund basic public services.

The riches in mineral resources cannot be considered the primary cause of the wars that have ravaged the country since 1996, although they did become a secondary factor in the protraction of the conflict. To date, natural resources in the eastern part of the country have enabled local militias to operate, often in collusion with regional business elites. Likewise, they determine the international community's posture towards the DRC government, with the main players vying for mining contracts and proving reluctant to put strong pressure on the DRC government for political reform.

In Afghanistan, the rich mineral resources that were discovered recently did not play a great part in the wars that have swept the country since 1978. Yet its strategic position in relation to access to and distribution of oil may well have been a factor (Rashid 2001). Furthermore, the illegal production and marketing of narcotics – Afghanistan has produced over 90 per cent of the world's heroin supply in recent years – have provided crucial sources of income to a variety of state and non-state actors, who have been able to maintain their positions in the country's patronage networks system and finance warlike activities.

Pakistan has not been bestowed with natural resources that could stimulate the appetite of international markets. Besides the main export crop, cotton, the country has some significant

reserves of natural gas, but they barely cover 40 per cent of the national energy consumption mix, and there are therefore no opportunities to start any international commercialization of this resource. Like Afghanistan, Pakistan's strategic position along potential pipelines running from Central Asia into South Asia has been mentioned.[14] These plans could indeed feed into the impressive economic growth and industrialization taking place in India. In addition, China is said to have ambitions of securing commercial (and perhaps even military) corridors to the Arabian Sea.

However, probably the most relevant issue in terms of the influence of revenue sources on the country's political order is the system of collection and redistribution among the country's four provinces. These procedures have in fact been regarded historically as unfair by the most peripheral provinces of Pakistan. Khyber Pakthunkhwa, as well as Baluchistan, have contested the criteria laid down by the National Finance Commission, which determines the redistribution of federal government taxes. Perceived discrimination in favour of the richer and more populous provinces of Punjab and Sindh is credited as one of the most important factors sustaining the low-intensity insurgency in Baluchistan since 1973 (Mezzera and Aftab 2009).

Another form of embedded rent income worth mentioning is international financial assistance. With the exception of Guatemala and Pakistan, the countries included in this project have received very large amounts of international financial assistance when considered as a proportion of their GDP. Although this assistance worked out differently in each country, in all cases it has arguably contributed to the consolidation of hybrid state institutions, the reproduction of patron–client political relations, and the intensification and monetization of political marketplaces.

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14 The most recent discussion concerns the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, which is supposed to 'transport approximately 33 billion cubic metres per year of natural gas 1,680 kilometres from the Dauletabad gas field in southeast Turkmenistan through southern Afghanistan, to Pakistan, terminating in Fazilka, India' (Foster 2008, p. 1). In December 2010, the leaders of the four countries involved in the project agreed to move forward with the risky plan to build the natural gas pipeline across rugged territory plagued by war and terrorism.

6. Policies and processes

A further layer of analysis through which to understand the state fragility is that of much more recent and dynamic phenomena. These polices and processes are more liable to change than foundational factors, political orders or deep-seated political and economic structures, and are likely to involve alterations to both formal and informal rules. This makes them the most interesting in strategic terms, since they offer entry points for any attempt to intervene, in the short or medium term, in support of state-building processes.

We have already seen how the ideal of a common-interest state informs the most significant recent contributions to the debate on state-building from the World Bank and the OECD-DAC. However the formation of an 'inclusive enough coalition' or 'an inclusive political settlement', hard as it may be, also requires tangible change in the activities and performance of state institutions for the new social pact to be regarded as credible, and for traditional sentiments of distrust of the state to be overcome. As has been documented in Chapter 4, the resilience of an underlying way of doing politics that is discriminatory, patrimonial and violent makes this step all the more difficult.

Shorter-term policies and processes can be expected to play a significant role in generating and sustaining a new relationship between state institutions and the wider public. Changes in the existing distribution of power – for example by empowering excluded groups, changing the relative weight of institutions in the decision-making process (such as parliament, the executive or local government), generating new economic opportunities, or altering patterns of income distribution and economic participation across regions, groups and social classes – may all be parts of a new approach. In terms of their impact on institutions, these changes may prompt shifts in informal rules and norms that shape the ways in which the state and social groups interact.

The route-maps out of state fragility laid down by the World Bank and OECD-DAC underline the difficulties in this process, while marking out a number of steps and signposts on the way. Two of these are worth a particular mention. The first revolves around the immediate

production of a series of commitment mechanisms and 'early results' from the state that secure the buy-in of as many citizens and power groups as possible by broadcasting a radical break with the governance patterns of the past. Examples can be found in immediate post-conflict periods in Mozambique and Liberia (World Bank 2011, ch. 4).

A second set of initiatives works towards cementing public faith in the new governance arrangements by generating further tangible benefits in crucial areas, whether security, justice and jobs in the World Bank's analysis, or in security and justice, jobs, revenue management and public service delivery according to the OECD-DAC. These confirm a government's good intentions, even if state capacity may have to be pragmatically supplemented by foreign donors and various non-state groups so that a meagre initial supply of public goods can be expanded. More importantly, a stream of gradual improvements in these area of public provision can be interwoven with political, economic and institutional reforms so as to generate a lasting change in the way the country is governed. How this is achieved depends, in the World Bank's analysis, on a pragmatic and flexible reading of the country's potential for reform, as well as the possible resistance this might meet on the way. 'Focusing on citizens' security, justice, and jobs means that most other reforms will need to be sequenced and paced over time, including political reform, decentralization, privatization, and shifting attitudes towards marginalized groups' (World Bank 2011, p. 164).

Although covering only a sample of fragile states, the five case studies generate some insights into the possible impact that these two sets of policies and processes may have on the core political and economic structures of fragile states. After a brief consideration of policies in the immediate post-conflict period, this chapter goes on to consider the progress and pitfalls made by deeper processes of change in the economy, in hybrid political orders, and in the structure of the state.

The aftermath of conflict

The immediate post-conflict phase is critical in any state-building process. This period is likely to see efforts to change the basic governance arrangements of the country that aim to eradicate the cause of the conflict, as well as efforts by parties to the conflict to gain a foothold in peacetime politics and consolidate their power base. Economic liberalization, institutional reforms and democratic opening – whether imposed from abroad or voluntarily applied by the country's rulers – are all likely to challenge the traditional distribution of power, and may be reversed soon after by forces wishing to resist any major change.

Peace processes and peace agreements: a new political settlement?

If there is a right moment for the international community to intervene in state-building, then it is at the beginning of any process leading to a negotiated and inclusive political settlement. The achievement of a peace agreement ushers in 'a new phase in the state building and reconstruction process, whereby the international community is offered a number of opportunities to engage and provide the involved parties with important inputs towards sustainable peace and democratization'. Even before a 'final settlement' has been reached, a whole range of in-between steps needs to be negotiated. It is during this phase that 'truces,

cessations of hostilities and ceasefires are agreed upon', as well as new power balances among the main stakeholders in the conflict (Mezzera, Pavicic and Specker 2009, pp. 4–5).

Research by the Conflict Research Unit has highlighted several 'lessons learned' from peace agreements, and the way they should be approached by the international community in order to shape the direction of the post-conflict state-building process.[15] These include the need to recognize the importance of informal processes and to deal with uncertainties and collective action problems, for which international actors may provide mediation, information, guarantees and protection.[16] Peace processes are more likely to succeed if they include, at least initially, all major power-brokers in a full power-sharing agreement, including warlords, albeit on the condition that they abandon the armed struggle. The first phase of the process, which is often characterized by an elite compact, has to move subsequently towards a social contract between government and citizens if it is to gain wider legitimacy. International interventions may be helpful or necessary throughout the process, but they will immediately become part of the political marketplace, hindering their exit. Realistic ambitions and time frames help prevent self-defeating interventions.

Evidence from the case studies points to the need to maintain a long-term commitment to any peace process after a settlement has been reached. In the DRC, for instance, a peace process was well under way in 2002, but further democratization stalled after the 2006 elections. The experience of the DRC also demonstrates the importance of co-ordinating national and local peace-building efforts. In Ituri, the opportunity to start a sustainable peace-building process was missed mainly because of obstruction by national power-holders and because of a lack of complementary legislation at the national level.

The Guatemalan case, as already pointed out, reveals the gap between formal agreements included in a settlement process and the informal forces that ended up by controlling the country's political landscape. 'Whereas the peace accords promised rural development, a stronger and wealthier public sector, and a dismantling of the structures of counter-insurgency' (Briscoe and Rodríguez Pellecer 2010, p. iii), the post-settlement reality enabled economic elites and criminal groups to take control of the state machinery and mould the implementation of the accords to their own liking. In addition, several counter-insurgent structures remained intact for years after the peace was signed.

Finally, Kosovo should also be mentioned, although its peculiarity as a 'unilateral peace settlement' enforced by the international community's military involvement means that many of the typical negotiated features of a peace agreement are not present. The reality of post-independence Kosovo confirms the importance of including all the main stakeholders in any

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15 Besides the already mentioned paper by Mezzera, Pavicic and Specker (2009), see also the CRU Occasional Paper by de Vries, Lange and Specker (2009) and the paper by Anten (2009a).

16 A telling example of the negative impact of the international community's intervention in a peace process is offered by the DRC. According to Anten (2010), the failure of that peace-building strategy can be completely ascribed to the lack of attention, by the international community, 'to the root causes of the violence in the east: local, politicized and ethnicized disputes over land and power… While the international community focused on organizing the presidential, legislative and provincial elections of 2006, it overlooked other critical post-conflict tasks such as local peace-building and overhauling the justice system' (p. 7).

peace-building process. 'Without EU-wide recognition of Kosovo, improved relations with Serbia and a peaceful inclusion of Serb enclaves in Kosovar public life', it is likely that security considerations will continue to dominate international policy towards the country and its relations with Serbia, demanding a protracted presence of the international community, especially in the contested north (Briscoe and Price 2011, p. 42).

Post-conflict inequalities

Group grievances usually play a large role in the ideologies and political discourses deployed during civil wars. Violent conflicts tend to reinforce group identities even further. Whether or not inequalities between groups are a root cause of the conflict, peace agreements can be expected to include power-sharing arrangements as well as provisions to protect minority or marginalized groups. These provisions normally aim to provide more equal opportunities to citizens across society. In certain cases, proactive policies, such as quota systems, are introduced to protect disadvantaged groups.

The evidence from the case studies suggest that progress has been made in dealing with these inequalities, but it is halting and incomplete. In the DRC, one of the major historical sources of inequality concerns the nationality of groups of Rwandan descent that settled in the eastern provinces decades ago. The issue was formally dealt with during the transition process, with Congolese nationality handed to all groups and nationalities that were part of the Congo at independence through provisions in the 1999 Lusaka ceasefire agreement, the 2003 transition Constitution and the nationality law passed in 2004. The law set the rules for the identification of Congolese nationals and for voter registration in the 2006 elections. It is likely that many citizens of Rwandan descent, living in the east of the country, have acquired Congolese nationality, although concrete data are lacking. At the same time, ethnic tensions have certainly not disappeared from the region, as the recurrence of violence in 2008 showed (de Villers 2009).

In Guatemala, the peace accords seem to have generated a perverse situation, where the post-conflict economic elite has managed to establish 'unparalleled control over all aspects of statehood and economic life'. However, as mentioned in the previous chapter, the position of the country's indigenous minorities has improved markedly in the wake of the peace accords. Members of Guatemala's 22 ethno-linguistic groups have been incorporated into the political sphere – turnout rates at election times have improved sharply, for example – but their involvement is often on terms dictated by traditional powers and political behaviour. 'Indigenous representatives tend to be anonymous and scattered across party lines.' Even at the local level, 'where indigenous politicians have long excelled', their action has been significantly weakened and delegitimized by 'the presence of patronage and private business interests' (Briscoe and Rodríguez Pellecer 2010, p. 30).

Ethnic contrasts between the Albanian majority and the Serbian minority remains a defining feature of post-conflict Kosovo, above all in the northern area of Mitrovica. Despite formal attempts to institutionalize 'respect for diversity and multi-ethnicity' through the Constitution and its declaration of independence, and 'institutional engineering by the international administration [leading] to the establishment of an array of mechanisms to promote minority participation', meaningful political participation of minorities in the central government of

Kosovo has until now remained weak (Briscoe and Price 2011, p. 33). The violent uprising against Serbs in 2004 deepened the spatial segregation of communities, while parallel Serbian municipal institutions remain in place in enclaves in the country, although recent evidence points to a pragmatic drift towards integration in Kosovo's new official governance structures.

Post-conflict security conditions

A crucial incentive driving the end of conflict and participation in a peace settlement is a desire by stakeholders to halt further bloodshed. Improved security, in turn, can be expected to enhance opportunities for economic development, and lay the groundwork for a fairer political system.

Building legitimate institutions that can offer 'a stake in society to groups that may otherwise receive more respect and recognition from engaging in armed violence than in lawful activities, and [punish] infractions capably and fairly' is a fundamental step towards preventing the recurrence of conflict (World Bank 2011, p. 8). This process, however, is strewn with setbacks: according to the World Bank, 90 per cent of civil wars over the last decade occurred in countries that had suffered a prior conflict during the previous 30 years. Providing a reassuring security environment in the immediate aftermath of conflict is regarded as the most effective way to prevent a relapse into war in the short term, and give the country a chance to embark on a process of state-building development (OECD-DAC 2010b, p. 68). Over the longer term, ensuring civilian oversight of the security forces, strengthening respect for human rights and ensuring much greater community involvement are all crucial components of transforming public perceptions.

Security Sector Reform (SSR) and Disarmament, Demobilization and Reintegration (DDR) programmes can potentially generate major changes in local power relations, and are the flagship policies of the international community in the initial transformation of institutions providing security. Although neither of these programmes was a focus in the five case studies, it is clear that both are highly political enterprises, and despite trying to fulfil their original intentions, must confront the entrenched interests and incentives of major stakeholders on the ground, as currently witnessed in Afghanistan, the DRC, Guatemala and Kosovo.

In Afghanistan, despite the security sector reforms that had been stipulated as part of the 2001 Bonn Agreement and subsequent accords, the Karzai government 'was dominated by military factions of the *mujahideen* and the civil war period', and ended up by conceding more power than it could actually manage to 'strongmen with a *jihadi* past'. 'The Afghan state-building project' suffered inevitably because of the forced accommodation of these 'pre-existing power structures very much focused on clientelistic political support' (Schmeidl 2010, p. 8).

Meanwhile, in the DRC, 'reform of the security sector has made only limited progress, and parallel chains of command continue to exist'. This limited progress is reflected in the serious human rights violations that are regularly attributed to elements of the national security institutions, in addition to those committed by local militias. The post-conflict security situation has seen improvements in the west of the country, while the eastern part, where the case study was concentrated, is still afflicted by violence perpetrated by foreign and Congolese armed groups.

Guatemala offers a very clear case of a process of SSR that was soon vitiated by corruption and political interference. Despite major investments by the international community following the peace accords, including financing the construction of a new police force, impunity for serious crimes and the influence of organized crime has reached historic extremes a decade after the end of conflict. Relations between police and local communities are often marked by extreme distrust, which is not helped by the involvement of certain officers in local protection and criminal rackets. Kosovo's SSR process, on the other hand, has been hailed as a success insofar as it has led to the formation of a reasonably reliable police force (International Crisis Group 2010), and to a sharp reduction in rates of violent crime since the time of the conflict – although this is in fact a phenomenon shared across the Balkan countries. However, the presence of a large EU mission working on issues of judicial reform and criminal investigation, EULEX, testifies to continuing weakness in the broader rule of law, and to the difficulties faced in rooting out corrupt practices in the new political establishment.

Economic development and job creation

Spurring on development and creating jobs is regarded by aid agencies and multilateral organizations as one of the most effective ways to create of much more legitimate and well-resourced states, even if it is also one of the hardest to manage. Although donor-funded job creation programmes are now common in the aftermath of conflict (World Bank 2011, pp. 157–164), it is extremely hard to ensure that they eventually give rise to self-sustaining businesses, the generation of human capital, and a solid investment environment.

Where economic structures are unproductive and the government is weak, divided or composed of the very interests that are at risk in any systemic economic overhaul, a process of economic reform is unlikely to take off. Chances of success are even slimmer if the government has access to significant rents, especially if it is supported by powerful international stakeholders who are equally afraid of sudden disruptions to the status quo. The clearest example among the case studies is provided by the DRC, where state control over land and the immense natural resources hidden underneath it provides those in power with abundant economic resources, and ultimately with control over the people living on the land. In the Ituri district, for instance, 'Congo's central government dominates the contracting for the exploitation of gold and oil, and hesitates to implement the decentralization process entitling Ituri to 40 per cent of the revenues' (Anten 2010, p. 29).

Intermediate stages in a state-building process could generate economic reforms which lead, over the medium to long term, to economic growth and a degree of redistribution. The classic 'developmental state' is one such an example, where the government is strong enough and has enough public support to undertake reforms towards rapid economic growth 'while at the same time enhancing opportunities to participate in the modern economy – most commonly through the expansion of public services such as education, health care and agricultural extension' (Fritz and Rocha Menocal 2007, p. 533).

Historical evidence shows that such processes of fast economic and social transformations, particularly in East Asia, have often been accompanied by a range of negative consequences, or that they may be possible only when restrictive political conditions are in place. Economic growth and technological progress may be concentrated only in specific sectors, considered as

strategic, to the detriment of other, more traditional economic activities. Such high-impact transformations may have huge destabilizing effects on large sections of the population. That is also the main reason why successful developmental policies have always arisen in combination with strong state machineries and leadership. Political freedoms, or attention to 'softer' matters, such as human and workers' rights, may have to be pushed to the background in order to concentrate on the key objective of rapid growth (Kohli 2004).

In contexts where elites have access to finite rents such as oil or minerals, they may see the benefit of allowing an entrepreneurial middle class to develop in order to stabilize their long-term income prospects. A more complex case is provided by cases in which political elites monopolize access to the population's primary sources of income and livelihood, such as land and water. The situation in the DRC has been mentioned above. In Pakistan, control over key natural resources is also in the hands of powerful elites. Influential landowners have managed to control land that is often situated at the heads of canal irrigation systems, where they can easily appropriate more than their fair share of irrigation water.

Control and implementation of development and economic policies are even more complex when state structures are infiltrated by illicit networks, as already touched upon in the cases of Kosovo and Guatemala. In Kosovo, the international community has had major problems in assessing 'the origins of much of the current Kosovar political class' especially because of the alleged criminal activities of militia commanders during the 1990s and of their links to 'allies who are now in positions of supreme political power in Pristina' (Briscoe and Price 2011, p. 13). The importance of identifying these links and backgrounds is related to the potential infiltration of criminal networks in the state's structures, and to the consequent distortion of economic activities to the benefit of shadowy businesses and their associates.

Guatemala's economy has witnessed a profound diversification away from its core agricultural commodities and a deepening of regional trading ties since peace was signed. At the same time, organized crime has made use of the pervasive transactional nature of the state, penetrated its key institutions, and begun to shape the decision-making process. US State Department estimates put the volume of cocaine transported through Guatemala each year at one-quarter of global production. Drug money ends up supporting friendly politicians and officials, and also tries to win grassroots public support through 'financial support for basic community facilities and, of course, the employment of young people from poor areas' (Briscoe and Rodríguez Pellecer 2010, p. 42). The influence of narco-trafficking has been detected in matters such as local development and infrastructure projects, as well as supposedly licit exploitation of land for intensive agriculture projects and resource extraction.

After a peace agreement, fast aid for early economic recovery can help ensure a 'peace dividend' for citizens and the successful reintegration and return of ex-combatants, but this sort of donor-driven programming must eventually give way to more structural economic development for it to become sustainable. This may require the country to overcome the obstacles posed by entrenched group interests of the sort found in the DRC and Pakistan, or to tackle large criminal and informal economies that are closely linked to the political establishment, as in Kosovo or Guatemala. These are huge challenges which economic growth, in and of itself, cannot respond to.

Furthermore, aid programmes that are poorly managed, or that are grounded in geopolitical strategy, can trigger rent-seeking behaviour and contribute to reproducing patron–client structures. General budget support to redistributive states may encourage repression of excluded groups and inflame social tensions. Direct military assistance, although covert, may similarly foster repression of political dissent and at the same time strengthen the security forces' capacity to control and intervene in the country's economic affairs.

Hybrid political orders and the role of informal actors

A major issue for state-building is the role of hybrid political orders, and whether they support or compete with formal institutions. One goal of current state-building projects is to move from a fragile context characterized by a mix of state and non-state authorities competing for resources towards a common-interest state, where non-state actors utilize their grassroots legitimacy to fulfil some of the state's responsibilities in the delivery of public goods, such as basic services, education and development initiatives (World Bank 2011, pp. 131–134). Co-operation with official institutions to carry out these tasks – along with a phased entry of these public bodies into service provision (OECD-DAC 2010b, pp. 72–73) – is also regarded as a means to strengthen public adherence to the state.

When a state lacks the capacity to perform such basic functions, it can decide to engage non-state bodies such as traditional, customary institutions or non-governmental organizations (NGOs) to fill these gaps. A fragile state whose population finds it wanting in its core functions, however, will not be keen to relinquish its responsibility to non-state actors, as these may one day become direct political competitors. As a result, efforts to increase the part played by non-state actors in the delivery of public goods within a fragile context are often dependent on the international community (Stel et al. 2012, p. 35). Such an approach has been applied with relative success to date in relatively uncontested domains such as community development, health and education. One example is provided by the National Solidarity Programme in Afghanistan, which works through informal village councils, while the national programmes for basic health and education largely operate through local NGOs (Ghani and Lockhart 2008).

The active involvement of non-state actors in politically more sensitive domains, such as public administration, justice and security, is rather more complex, with particularly acute doubts over the merits of the non-state provision of security. However, community mechanisms for the resolution of disputes over land and similar matters are widely used. In Pakistan, for instance, an attempt has been made to include informal institutions such as conciliation committees[17] in the overall decentralization efforts proposed by the 2001 Devolution Plan.

When a government lacks legitimacy, or when a transitional government after a peace agreement has yet to gain legitimacy, it is important to encourage public participation in the design and management of new institutions. Most societies traditionally have mechanisms to

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17 The so-called *Musalihat Anjumans*. They were expected 'to facilitate and mediate any dispute, civil or criminal, at the local level, whether or not it had been registered in a court of law' (Mezzera, Aftab and Yusuf 2010, p. 1).

counter abuse and personal enrichment, and to reach consensus over divisive issues, but these mechanisms may have been damaged by years of armed conflict, impoverishment and breakdown of social organizations. Revitalizing them could greatly enhance the legitimacy of the transition processes. An inclusive approach, which may take the form of multi-stakeholder processes for service delivery, should not only guarantee more support for any future reform process in the state, but also prevent too large a discrepancy between new and traditional rules, institutions and norms. At the same time, recent research has indicated that these processes, while contributing to state legitimacy in around one-third third of cases, remain heavily dependent on the financial support of foreign donors, and are also likely to be affected by the political cleavages and tensions of the surrounding society (Stel et al. 2012). Furthermore, it is important to be aware of the fact that not all traditional rules, norms and values are egalitarian, supportive of gender equality or respectful of individual rights.

Reforming the state

If the post-conflict context is favourable to major changes in the way power is handled and distributed, then new institutional arrangements may also be agreed and introduced over time. However, their sustainability depends greatly on the sincerity, pragmatism and long-term political vision of the parties involved in talks. If the original peace agreement was never meant to change anything, but was conceived as a tactical move in the political marketplace, or reached under great external pressure and without any internal legitimacy, then its lasting effects are likely to be extremely limited.

Four main types of initiatives aim to transform access to political power and the accountability of power-holders: electoral democracy, civil service reform, security and justice reform, and decentralization. Each of them seeks to make fundamental changes to the rules of the political marketplace by introducing new and fairer institutional arrangements, yet all of them face serious challenges from entrenched interests, as well as calculations based on political expediency and leadership survival.

Electoral democracy

Electoral democracy is a way to organize access to political power and to increase equality, inclusiveness, participation and accountability through competition for political positions on a level playing field. The competitive element, however, constitutes a risky process in deeply divided societies. Elections held after a conflict tend to reduce tensions in the period before polling day, when most parties still cherish hopes of a positive result. However, the situation is often overturned in the period following the elections, when competing parties may be reluctant to accept the results. The second round of elections in post-conflict contexts is even more risky than the first. Elections in Afghanistan in 2009 and Burundi in 2010 provide clear evidence of this phenomenon.

Elections on their own have limited value. If they are supposed to change in a significant way the rules of the game regarding access to political power, much greater changes need to take place in the political marketplace, where the tendency to redistribute state resources to narrowly defined groups may be deeply entrenched.

International support is often essential to break deadlocks and protect less powerful parties, although sometimes the opposite effect is achieved. In Afghanistan, the defeat of the Taliban by the Northern Alliance and a US-led international coalition, and the subsequent peace process, initially enjoyed great legitimacy among the population. The Bonn Agreement led to a transition phase in which a broad *loya jirga* drafted a new Constitution. The subsequent 2004 presidential elections were won by Hamid Karzai with a clear majority. However, fissures had already appeared. In the *loya jirga*, Karzai had successfully pressed for a presidential system, while others had advocated a power-sharing parliamentary or semi-presidential system as more suitable to an ethnically diverse country coming out of decades of war.

President Karzai continued to rely narrowly on his own sub-tribe in the southern part of the country – populated by the Pashtun ethnic group – and on warlords who had little legitimacy among the population. His strategies were largely supported by the NATO-led International Security Assistance Force (ISAF), which itself prioritized the struggle against the Taliban insurgency. With hindsight, it can be asserted that the strategy of Karzai and the international community contributed to fuelling the insurgency, and ate away at the government's legitimacy at the ballot box. The second round of presidential elections in 2009 were narrowly won by Karzai amid reports of power deals with former warlords and election fraud.

The international community also played a key role in Kosovo's post-conflict process by supporting a political compromise that partially upset the spirit of the electoral process. Guided by its strategic choice to co-opt the leaders of the winning movement in the conflict, the KLA, into its state-building project, the international community decided to press for a coalition agreement with 'the inheritor of the non-violent resistance movement, the Democratic League of Kosovo (LDK). The LDK had won a landslide victory … during the municipal elections in 2000 and originally emerged as the dominant political force in post-war Kosovo' (Briscoe and Price 2011, pp. 9–10). A year later, however, political deadlock over the formation of a majority government prompted the international community to intervene in favour of an inclusive solution. The negative, long-term effect of the UN mission's decision to include the KLA leadership in a political power-sharing arrangement was the insertion into Kosovo's transitional governance institutions of a number of informal and criminalized networks inherited from the armed resistance.

The UN peacekeeping intervention in the DRC,[18] although it initiated a peace process that can hardly be depicted as hurried,[19] led to elections that 'fuelled ethnic hatred and marginalized ethnic minorities, making the re-emergence of armed movements all the more likely' (Anten 2010, p. 7). The winner of the 2006 elections, Joseph Kabila, managed to sideline representatives from the western provinces of the country, in spite of the supposedly inclusive process of government formation. Similarly, 'the opposition was virtually excluded from governorships despite winning five provincial elections' (Ibid., p. 10). Kabila was thus able to circumvent the constraints on presidential power that had been built into the new Constitution, which in theory laid down a new system based on strong provinces, with separate legislative and executive bodies. His preferred course of action instead appeared to be a shift towards authoritarianism.

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18 First through MONUC and now through MONUSCO.

19 After the dispatch of the peacekeeping mission in 2001, the process involved a peace settlement in 2003 and the organization of presidential, legislative and provincial elections in 2006.

Finally, Pakistan is run under a formal system of parliamentary democracy that has been enshrined since independence, and was modelled on the British system. However, frequent interventions by the military in the country's political affairs have impeded the consolidation of democracy, and 'ensured that democratic systems of representation, even when they are in place, continue to be manipulated by the army and the civil bureaucracy' (Mezzera and Aftab 2009, p. 16). The most recent example was provided by General Pervez Musharraf's efforts, during his eight-year rule as president (1999–2007), to erode the 'already limited independence, impartiality and competence [of the Election Commission of Pakistan], reducing the institution to providing a façade of legitimacy to military rule' (International Crisis Group 2011a, p. i). Only in April 2010 did the national parliament succeed in undoing Musharraf's political legacy by unanimously passing the 18th amendment to the Constitution, which introduced new provisions aimed at strengthening parliamentary democracy in the country.

Civil service reform

In systems based on patron–client relations, appointments within the civil service tend to be made on the basis of political allegiance, with access severely restricted for groups outside the ruling coalition. As a result, public services are often ineffective, partisan and corrupt. Reforms aimed at laying the bases for the common-interest state often seek to build a more merit-based and capable civil service, ideally open to all groups in society. Civil service reform processes are often treated as a technical exercise that is outside the political spotlight, and tend to get bogged down by the resistance of vested interests. However, they represent one of the main components of any effort to overhaul the state.

In Afghanistan, the appointment and vetting of senior officials in government has long been recognized as important, but reform efforts have all failed. One bone of contention relates to the criteria that determine whether certain positions are to be considered political or technical (i.e. belonging to the civil service). While President Karzai, for instance, holds to the view that provincial governors are political positions, and subject to his discretionary powers of appointment, others want them to be regarded as civil servants. This struggle reflects the deeply conflicting interests in the Afghan governance system.

The lack of functioning state administration in the DRC, and the capture of public bodies by informal networks, hinders progress towards a fairer political system. The weak and poor are often left at the mercy of public officials, who are either controlled by business or ethnic elites, and their associated militias, or are corrupt and ineffective. The problem is particularly acute when it comes to land administration. Restrictions on the access to land, which represents the main means of economic survival, triggered most of the conflicts in the DRC, among them the Ituri war of 1998–2003. 'Land services have resorted to recruiting informal extra staff selected on ethnic or political grounds and allegedly mainly from among ex-militia members. In these circumstances it is almost impossible for the poorer segments of society lacking connections to secure their land rights… Land distribution has come to be regulated by an informal market, where the stronger/richer parties tend to win' (Anten 2010, pp. 27–28).

The Pakistan case confirms the neo-patrimonial and redistributive state's tendency to use appointments to the civil service as a means to buy allegiance within the political marketplace.

'On paper, there are a number of rules governing public sector employment, and entry to and promotion within the civil service is relatively routinised. The political independence of civil servants at all levels, however, has been eroded over the past several decades. Most senior civil servants enter the system through a comprehensive exam process. But, in the 1970s, Zulfikar Ali Bhutto created a system of 'lateral entry' into the civil service, through which he could directly appoint supporters to the bureaucracy. Loyalty to the political leader, rather than efficiency considerations, was considered as crucial for an appointment in the civil service. Subsequent elected and military regimes have used lateral entry as a way to populate the civil service with supporters' (Mezzera and Aftab 2009, p. 24).

The rule of law

The rule of law is considered by many a precondition for democracy, and a part of governance that needs early and urgent attention in any state-building process. In practice, however, it is often one of the more difficult areas to engage in, since rulers largely depend on informal patterns of behaviour to maintain their hold on power, and have no interest in accountability under formal and impersonal laws and regulations. Fragile states rarely have a judiciary that can stand up to the executive, and may suffer political faultlines that no judicial system is able to handle with sufficient neutrality. And because the judiciary does not function or is not seen as impartial, the majority of the population tends to seek justice through non-state actors, such as traditional courts or religious leaders (Scheye 2009).

A well-functioning judiciary could strengthen the government's legitimacy in post-conflict situations by prosecuting cases of severe human rights abuse or predation-related corruption. However, because the judiciary is generally weak, calls for transitional justice often go unheeded, while the international community and societies may have to choose between allowing into a power-sharing agreement leaders who have committed abuses in the past, or excluding them through judicial prosecution.

In the Ituri district of the DRC, the stabilization efforts after the 2003 outbreak of violence involved a bewildering mix of co-option of militia leaders, military offensives against them, arrests, sanctions by the UN Security Council and indictments by the International Criminal Court (the government of Congo having referred the situation in Congo to the Court). This confusing blend of measures shows how transitional justice decisions tend to get caught up in politics, even if they are formally taken solely on judicial grounds.

Reform of the justice system in Afghanistan fell victim to the same approach by President Karzai, who tended to include mainly strongmen with a *jihadi* past in the power-sharing agreement, scuppering a number of reforms[20] stipulated in the Bonn Agreement. The Afghan government's lack of interest in confronting predatory strongmen and in bringing them to justice was further confirmed by Karzai's quiet announcement of an amnesty law 'in March 2010 after repeated promises that he would not support it' (Schmeidl 2010, p. 37).

The judiciary is a key institution in post-conflict Guatemala, particularly in light of the country's extremely high levels of violent crime. However, like other public institutions, it has

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20 Such as reforms in the security sector and public administration.

suffered from a continuous threat to its independence from economic elites and criminal networks. The most prominent initiative to try to counter this institutional degradation in the judiciary, the security forces and the Guatemalan state was the creation in 2007 of the UN Commission Against Impunity in Guatemala (CICIG). Despite achieving some undeniable results, such as 'two proposed packages of legislative reforms... and a number of indictments and arrests in critical cases' (Briscoe and Rodríguez Pellecer 2010, p. 16), the Commission has been unable to halt the penetration of clandestine structures in the state. The resignation in June 2010 of the head of CICIG was generally interpreted as a sign of protest over the lack of commitment on the part of the highest institutions of the state to achieve one of the government's 'chief objectives: the clean-up of the judicial sector' (Ibid., p. iv).

Kosovo presents another case in which the failure to restore a functioning judicial system has had significant consequences for the capacity of state institutions to establish a solid and inclusive state-building process. Restoration of the rule of law in the north of the country, a task headed by the EU Rule of Law mission in Kosovo (EULEX), has been 'extremely weak, as the pursuit of criminal justice has fallen victim to political struggles over status issues and to violent resistance' (Briscoe and Price 2011, p. 38). 'The continued existence of a legal vacuum in the still UNMIK-administered north impedes the consolidation of the Kosovar state and increases the opportunities for organized crime to thrive. As a result, the north of Kosovo is a potential flashpoint that can undermine stability in Kosovo' (Ibid., p. 9).

As for Pakistan, 'the judiciary does not have a strong history of independence. Since 1958, the year Ayub Khan, the first military ruler of Pakistan, took power, the judiciary has been effectively integrated into the country's notorious 'establishment', playing a subservient role to the demands and wishes of the military and political class.' (Mezzera and Aftab 2009, p. 30). The public revolt against Musharraf in 2007, sparked by the resistance of the Supreme Court to the president's orders, suggested that this traditional subordinate role had ended, although since then the judicial system appears to have resumed its rather more passive role.

Most Pakistanis also face structural problems in accessing the justice system. These problems are partly caused by the formal system's limited capacity and reach, and partly by the existence of informal institutions and legislations. Customary systems of justice, like the *jirgas* or councils of elders, 'thrive in the void left by the failure of the formal system'. They are also reputed to be more efficient, especially as conflict resolution mechanisms at the local level. State institutions tend to maintain an ambiguous position towards these parallel systems, allegedly because they 'are often inextricably intertwined with the feudal social structures that form the basis of political power in Pakistan' (Ibid., p. 31).

Decentralization

Decentralization is often regarded by the international community as an effective way to share power, especially in large countries that are hard to control and with limited government capacity. It is advocated as a way to bring government closer to the citizens, increasing state accountability and legitimacy, and improving service delivery. But practice shows that decentralization is a highly complex undertaking, and that its political effects are not easily predictable. Especially in fragile contexts, processes of decentralization can incur numerous risks, including capture by local and national power-brokers with interests opposed to that of

true decentralization; rising costs of governance; dispersion of power and financial resources; proliferation of electoral structures and electoral fatigue; fiscal competition and confusion over responsibilities; secessionist tensions; unequal development among decentralized entities; and erosion of central power (Liégeois 2008).

Among the case studies, Pakistan offers the most detailed example of a process of decentralization that has only partially achieved its objectives. It also highlights the risk that a process of decentralization taking place within a dysfunctional governance system may reproduce at the local level the same dysfunctional factors observed at the national level.

This is precisely what appears to have happened in Pakistan following the implementation of the 2001 Local Government Ordinance. 'Local power-brokers, often with the direct support of state institutions bent on maintaining a strong grip on local contexts, hijacked those new processes of, on paper, participatory democracy. Local elections could be easily rigged or manipulated through intimidatory measures and the cultivation of patron-clientelistic networks.' (Mezzera, Aftab and Yusuf 2010, p. iii).

In the DRC, the transitional phase that followed the 2003 Sun City peace agreement led to a Constitution, adopted by popular referendum in 2005, that foresaw the creation of a decentralized unitary state, a half-way house between a classical unitary state and a federal state. It was considered by many as an important counterweight against the entrenched tendency of Congolese presidents to rule autocratically. However, implementation has not made any progress, and the final date foreseen in the Constitution for its entry into force passed on 15 May 2010. This disappointing result could partly be attributed to deficiencies in the original law and to the lack of a proper transition plan. Mainly, however, it seems to be the result of the government's reluctance to share power (de Villers 2009).

The Kosovo case, on the contrary, seems to offer a glimpse of hope concerning the potential of decentralization in terms of bringing democracy and service delivery closer to citizens, and of defusing intra-societal tensions. The decentralization component included in the Ahtissari Plan made provision for a system of local self-government that was expected 'to maximize the autonomy of Serbs within Kosovo'. Despite initial resistance by the Serb community, who did not want to support any initiative that could be regarded as an endorsement of independence, the process made considerable progress and, thanks in part to substantial financial support from the international community, managed to persuade an increasing proportion of the Serb community to become involved. The key to that turnaround seems to have been a significant improvement in the scale and effectiveness of service delivery at the local level, regardless of ethnic distinctions (Briscoe and Price 2011, p. 36).

Conclusions

This paper has attempted to build a bridge between the current knowledge of state fragility and state-building, and the way that these concepts have assumed concrete shape in five case studies included in the research project. Building upon that effort, it has then tried to pinpoint and elaborate on those processes deemed conducive to sound and sustainable state-building.

By taking a political economy perspective, it has identified the outstanding characteristics and causes of fragility and ordered them according to a number of analytical dimensions: foundational factors, types of fragility and political order, political and economic structures, and policies and processes. While inevitably failing to do justice to every single aspect of a country's history and institutional condition, the studies have shown that recurrent characteristics in the field of political economy shed some light on two central issues for fragile states.

In the first place, they provide a much better understanding of how extreme institutional weakness, perhaps surprisingly, can be connected to very stable systems of political leadership and management. This connection between state fragility and political continuity derives from rulers' dependence on established sources of revenue, which may derive from natural resources, foreign aid or illicit activities, and on short-term survival mechanisms, which include exploitation of hybrid political orders and tensions between horizontally unequal groups, as well as the need to bargain and possibly fight over the loyalty of sub-state groups.

Second, these case studies offer some valuable insights into the ways in which fragile states might assume varying trajectories of political development. For the fortunate ones, this might involve progress from the political marketplace towards a common-interest state, often with the help of a series of confidence-building measures, an expanding economic base, and a realization among power-holders and social groups that the political methods of the past were not sustainable. Although none of the countries studied here can claim to have escaped fragility entirely, a number of achievements in the direction of a common-interest state are

notable, including moves to political inclusion in Guatemala, police and municipal reform in Kosovo, and the initial post-conflict process in Afghanistan.

On the other hand, weak states also reproduce traditional patterns of social expectation and political behaviour by assimilating new institutions and political procedures – such as electoral democracy and a reformed security sector – within established patterns of power. In the worst-case scenarios, demonstrated in Somalia, countries may descend into conflict and violent criminality through an intensification of transactions in the political marketplace, or a breakdown in co-ordination between different power-holders.

The various case studies have placed particular emphasis on the concept of the 'political marketplace', which has been employed to analyse governance arrangements in the light of an intensification of political and economic transactions. In this respect, it is essential to bear in mind that various contributions of the international community to post-conflict states, or states in crisis – including humanitarian efforts, democratic processes and security reforms – may all feed back into an expansion and enrichment of this marketplace, thereby undermining the very objectives of the interventions.

But a number of other concepts are also highlighted throughout the paper and the case studies, and point to illuminating issues in the study of state fragility. The political economy approach, for instance, underscores the relevance of taking into account the 'interests and incentives' of players involved in the political game, and stresses the continuous repositioning of these motivations according to changing conditions in the political landscape. Institutional reforms that do not in some way align with the prevailing interests and incentives of power-holders, or do not redirect these incentives so as to support the new formal arrangements, are liable to be subordinated to and incorporated within the pre-existing logic of informal power. The World Bank's emphasis on an 'experimental best-fit' route to reform of the state is a sensible acknowledgement of these difficulties (World Bank 2011, p. 171).

Hybrid forms of both governance and political association have also emerged as a recurrent characteristic of fragile conditions, as well as a possible way to build alternative structures of institutional resilience. Finally, given the centrality of conflict-related factors in any discussion about state fragility, this paper has explored in depth the various phases following the settlement of a conflict, and their potential impact on state-building.

Suggestions for future policy

The presence of these overarching concepts has also made it possible to identify suggestions for state-building interventions in situations of fragility and conflict. Recent policy guidance from the OECD-DAC, the World Bank and various bilateral donors has already provided comprehensive strategic approaches towards rebuilding state–society relations in fragile contexts, with a strong emphasis on restoring confidence in government and delivering essential public goods such as security, justice and jobs.

At the same time, the case studies have concentrated on the political landscape that generates and reproduces weak states. On this basis, each study has given rise to its own detailed set of policy recommendations, which can be found in the individual country papers. In addition,

they have generated a broader set of suggestions for future policy which, while not covering all aspects of the state-building process nor offering detailed operational advice, focus on the difficult political issues and likely setbacks and counter-reforms that must be addressed. Several of these suggestion echo advice already provided by other multilateral organizations.

When considering the different options for international support to state-building, it is useful to regard violent conflict as a specific condition of state fragility, which requires equally specific policy measures. In such conflict-affected contexts, some of the most important pointers for the international community would include:

1. Whether or not there has been direct intervention through a peace-keeping operation, *make sure to be ready to play an active supporting role when negotiations for a comprehensive political settlement are about to start.*

2. *Make sure that as much attention is paid to the implementation phase of a peace agreement as to the design phase.* It is during implementation that many of the settlements face dangerous breakdowns, mainly due to the resurfacing of unbridgeable differences among the parties to the conflict, or to the lack of sufficient institutional development to accompany the progress of the settlement, especially with regard to the achievement of agreed socio-economic targets.

3. *Do not consider the political context as a static playing field, and be alert to the emergence of unexpected political forces.* Fragile and conflict-affected situations are in continuous evolution. Power balances are constantly challenged and renegotiated. Within such fluid contexts, the international community should remain alert about the emergence of new challengers to power and institutional control, and be willing to support judicial actors against major cases of corruption.

More general pointers for the international community's interventions in situations of fragility would include:

1. Make sure at every moment of support for the state-building process that *donor support is sensitive to the structures of power, interests and incentives in the context*, and to the possible capture and subversion of new formal governance arrangements by established groups and actors. Where this seems likely, donors must prepare to reconfigure their support.

2. *Make sure that the various international actors agree and act upon a shared strategy aimed at building a common-interest state.* Especially in highly unstable contexts, or those characterized by ongoing conflict, it is essential that development, political, and military actors reach a comprehensive agreement concerning how they can support domestic political efforts to reach an inclusive settlement. Too often, contingency-led decisions have led these actors to pursue differing if not contradictory strategies.

3. *Envision the appropriate institution-building for a country, not only by physically establishing the necessary institutions and mechanisms, but also by ensuring that they are put in a position to perform according to clear standards and expectations.* This would include the provision of sufficient resources and training for effective operations of key institutions, particularly in

the field of security and the judicial system. Improved and accountable service delivery would also be part of such an attempt at institution-building.

4. *Manage polarization*. Fierce political competition is a common attribute of fragile situations. Shifting power balances and rapidly changing political alliances often characterize the political marketplace, with new players always waiting for the right opportunity to enter the game. Within such an unstable context, *it is crucial to prevent outbursts of violence and attempts to overthrow legitimate power-holders*. The international community should support constitution-building processes, political party development, participatory public debates over future policies, election monitoring, voter registration efforts, and dialogue platforms with and among leaders.

5. When dealing with institution-building, *focus on both formal and informal actors and processes*. This is a recurrent lesson throughout the country papers. Especially in situations of fragility, where formal institutions have either collapsed or have been infiltrated by informal and often illegal actors, it is crucial to identify these informal forces at play, assess their influence and take them into consideration during the process of strategic formulation.

6. As criminal networks and illegal activities are often an intrinsic attribute of fragile states, *design and develop an approach to fighting corruption that aims at establishing competent, effective domestic investigation and prosecution capacities*. Monitoring agencies and parts of the judicial system concerned with administrative malfeasance should also be considered, together with a broader programme of support aimed at creating an institutional culture that respects transparency.

7. *Support domestic capacities for public accountability*. Whether it is through the delivery of effective and inclusive public services, or support to civil society and media organizations, which can represent a way of countering criminal elements' penetration of the state's administrative and political structures, innovative forms of state–society interaction should be encouraged so as to alter the incentive patterns of power-holders. The business sector should also be involved in these initiatives. Public accountability, or social pressure, could also be pursued against patronage systems, for instance through the application of public shaming or praise mechanisms.

8. Related to the aim of making service delivery more accountable and a means to bring the state closer to its citizens, *consider strengthening local government structures through decentralization processes, while devising institutional safeguards against illegitimate power-holders or the escalation of tensions between various government layers and political actors*. Another key aspect that needs to be assessed before embarking on a decentralization effort is the existing relationship between the local population and security forces.

9. In sub-national governance reform, *take into serious consideration the opportunity of following a 'less is more' approach*. In contexts where local strongmen can be attracted by the financial rewards of large-scale interventions, a grassroots-level, bottom-up approach, too small-scale to be attractive for these players' interference, may do least harm and be more effective than public administration reforms at the provincial level. In the same context,

international actors could also *consider the withdrawal of funding sources and other forms of support as a better incentive than continuously 'upping the booty'.*

10. *Provide technical support to governance reform initiatives.* In relation to the overall objective of institution-building, more specific support should be provided when technical reforms are launched that could lead to increased social and economic justice. Examples in this field would include tax reform initiatives, as well as attempts to establish integrated trade unions or associations of co-operatives.

11. *Assess whatever valid instruments and institutions are already in place, and support their further development, or their integration into the new governance system.* The case studies have shown that even in the most fragile situations, there are always parts of the governance system that, if properly supported, could greatly contribute to sound state-building practices. Regulations about female quotas in elected bodies in Pakistan and Afghanistan are one such example. Traditional structures of local governance, as witnessed in Pakistan, are another.

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