Fixing Fragile States: A New Paradigm for Development

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Purpose and Scope

- Explain what makes states successful
- Introduce an alternative framework and a set of tools to analyze countries and their potential for fragility
- Critique the existing international aid paradigm
- Propose an alternative strategy to bring security and development to fragile states
- Offer some examples of framework in action
My Perspective

- A businessman who has spent 15 years working in developing countries.
- My articles have appeared in major American journals and newspapers and I have made presentations at workshops in the United Kingdom and United States.
- Someone with great faith in local people’s capacity to enhance their own lives—if only their states could be partners with them.
- Someone with great skepticism of international efforts to impose stability and development on conflict-prone societies.
Key Elements of Successful States

- Social cohesion is necessary to create a development-oriented state
- State institutions must be representative of underlying sociopolitical, geographical, human resource, economic, and informal institutional reality
- State must be structured so as to take advantage of local governance capacities and identities
- Security is a prerequisite for progress
- Business environment must sustain and support private investment, low-cost transactions, and low-cost property rights (and these depend on high levels of social capital)
Development

- Although usually equated with economic growth, development is really a process of transforming the system of how the members of a society work together.

- A country’s ability to advance is crucially tied to its citizens’ ability to cooperate—both among themselves and in partnership with the state—in increasingly sophisticated ways.

- Development is fundamentally about a society’s capacity to nurture productive risk-taking, which in turn depends on providing an environment in which private assets are secure and private transactions inexpensive.

- It is a country’s system of institutions—especially its system of informal institutions—that shapes its citizens’ behavior and defines how its political, economic, and societal life evolves.
Social Cohesion

- Social cohesion is a necessary—and underappreciated—prerequisite for building stable and prosperous states, especially in the absence of strong state institutions.

- Cohesive groups are far better at informally regulating the security, political relationships, and economic ties of group members than are divided societies.

- Shared informal institutions and built-up social capital significantly increase the level of interpersonal trust that exists in a society, and thus reduce the cost of transactions and of holding property, greatly increasing the incentives for companies and individuals to invest in the future—especially in the absence of strong formal state governing bodies.
Inappropriate Institutions

- Inappropriate institutions are a major cause of state fragility
- Fragile states are plagued by two structural problems — political identity fragmentation and weak national institutions—that together preclude the formation of any robust governing system, severely undermining the legitimacy of the state and leading to political orders that are highly unstable and hard to reform
- The usual prescription for development—elections, economic reform, administrative training, and foreign aid—ignores local societal conditions and capacities. In fact, aid has in many cases only prolonged these countries’ agony by preventing any reorganization of the state so as to make it better suited to local conditions and more connected to its surrounding society
Failure of Existing Strategy in Fragile States

- Does not focus on communal aspect of development; no effort to foster and leverage social cohesion
- Promotes a one-size-fits-all model of state building—insufficient adaptation to local circumstances
- Excessive focus on targets—for aid, poverty reduction, macroeconomic reform, etc.
- Too much emphasis placed upon national elections, national government, and humanitarian crises
- Too little effort to build state capacity (especially local government capacity)—too much dependence on NGOs
- Ideological dislike of private enterprise
- Little effort to leverage local identities, institutions, and capacities
Fostering self-sustaining, locally driven governing systems—that is, connecting the state with society—is the only way to jumpstart development in fragile states.

States cannot be made to work from the outside. International action should be first and foremost about facilitating local processes, about leveraging local capacities, and about complementing local actions, so that local citizens can create governance systems appropriate to their surroundings.

Countries must be built bottom-up, for they will rarely succeed top-down in the divisive environments of fragile states. Helping underdeveloped countries should not be about propping up the state, but rather about connecting it—and making it accountable—to its surrounding society.
A More Balanced International Aid Agenda

International development agencies often have a narrow and inflexible agenda for fragile states, focusing on some issues but ignoring others. A more balanced agenda would have better results. Specifically, agencies should:

- Empower cohesive communities while strengthening the state’s central organs
- Bridge ethnic and religious divides while introducing democracy
- Ensure security while promoting individual rights
- Leverage traditional social structures and networks while building a Western-style governing and economic system
- Foster cohesive communities while introducing economic and political reforms
- Integrate local institutions into the state while modernizing the governance system
- Build capacity at the bottom tiers of government while using NGOs to deliver services
- Energetically promote all kinds of private investment while trying to reduce poverty
Some Suggested Policy Innovations

- Focus on building alliances of groups rather than unfettered political competition
- Contract with multinationals to manage security around mineral sites, provide public services to local population, build/manage infrastructure, and construct/manage export-processing zones
- Build states bottom-up with confederate model (see Switzerland)
- Focus on urban- and regional-based development, especially in sprawling, weakly unified countries (see precolonial Africa)
- Leverage and increase social capital wherever possible (often embedded in identity groups)
- Use local languages extensively in education and official business
- Have international actors co-manage critical institutions such as higher levels of judicial system, government finances (see Liberia), security (see Sierra Leone), currency (see CFA), etc.
- Build regional governance institutes to develop local skills and self-help capacity, reducing costs and making training more useful
Example: Somalia

- Vividly illustrates the inappropriateness of Western, top-down state building model (14 attempts and $8b spent since 1991)
- A wiser approach would be to replicate Somaliland example by building state horizontally, area by area, using bottom-up model
- Create national government that requires consensus among leading clans and minority representatives, and that controls very few items (currency management, free trade); add more items as trust grows
- Integrate traditional clan identities and institutions into local and regional state bodies
- Formalize traditional conflict management mechanisms
- Given current situation, start in a few places and replicate over time
- Biggest challenge: breakdown of traditional structures in south
Example: The DRC

- Difficult political geography, weak government capacity, limited infrastructure, divided society, and unsecured natural resources make unified approach highly problematic.
- Better to focus on major cities and build regionally.
- Multinationals are the only organizations with the capacity and the incentive to secure major mineral sites and provide public services near them.
- Elections exacerbate fractures; better to seek ways to share power and resources, build alliances, and foster accountability through ways that do not engender conflict.
- Troubled areas need immense institutional help to document land and resource claims and equitably adjudicate.
- Accountability systems likely to be far more effective on small, local level than on national stage.
Example: Bolivia

- Divided ethnically, culturally, and geographically between indigenous highland and Westernized lowland
- Bolivia should institute a more equitable distribution of petrochemical rents (based in lowland areas) in exchange for much greater decentralization, enabling each area to manage its own affairs
- State should adopt symbols of both groups, especially those of the long-disenfranchised indigenous groups
- Highlands need to integrate traditional concepts about land, adjudication of disputes, etc. into state systems; make better use of local languages in education and state business
- Richer lowlands could concede national power and equitable proportion of rents to majority if given enough security of assets and freedom to set economic and education policies
Example: Syria

- Has the potential for similar societal fractures to those experienced in Lebanon and Iraq
- Government facing growing financial crisis from declining oil revenue, endangering safety net that limits social frictions
- Introduce a national security council along Turkish pattern to institutionalize partnership among major groups, ensuring unity of state and consensus on major policy issues; limit any activity that might inflame intergroup tensions
- Buy off elites in exchange for slow but steady reform of business climate and government bodies and slow introduction of accountability mechanisms
- Decentralization might work with Kurds, but other groups too intermingled for it to be effective
- Introduce economic and political reforms in ways that do not disrupt fragile social cohesion or provoke violence
To Sum Up . . .

- Fragile states are systemically disadvantaged because of their inappropriate formal institutions—and only by reforming these can fragile states be helped.

- Development is fundamentally a group process—and only by fostering socially cohesive communities aligned with matching state structures can development be advanced.

- Local peoples in Africa, the Middle East, South Asia, and Latin America have enormous reserves of social capital, institutional knowledge, and governance capacities—but states are not structured to take advantage of those assets.

- Private investment must be the driving force behind development—but fractured societies with low social capital discourage investment in human capital and fixed assets.

- These countries badly need outside assistance to progress—but the current international aid agenda does not focus on the issues that need to be addressed if they are to progress.