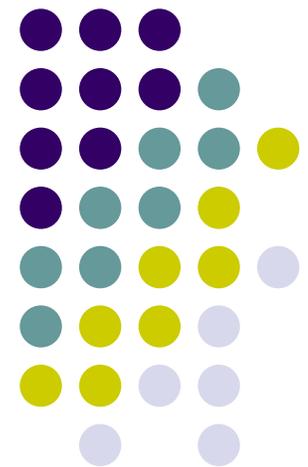


Fragile States Strategy Research

Status Report, November 19, 2003

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What is the Impetus for this Work?

- National Security Strategy
 - Greater attention to development and failing states
- USAID Expectations
- Need for New Business Model, Bold New Approaches:
 - Arrest slide of weak states toward failure
 - Jump start failed states toward recovery
 - Sustain Recovery



What is Our Approach?

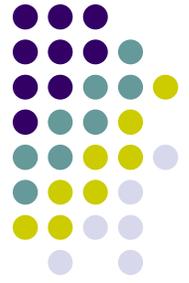
- 1) Identify class of fragile states
 - Failing
 - Failed
 - Recovering
- 2) Identify drivers and symptoms
 - Groups of countries
- 3) Create analytic scenarios that capture the internal dynamics of fragile states
 - What is the story of cause-effect, symptoms?
- 4) Identify interventions that have worked for fragile states
 - Neutral ground, etc.
- 5) Join analytic scenarios and interventions together
- 6) Review USAID substantive program
- 7) Assist USAID to develop a strategy

Slide 4

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Glimmers of a USAID Fragile States Strategy



USAID will :

- **Be a fragile states agency and a development agency**
- **Be a central contributor globally of a framework and analytic capability on fragile states and provide long-term intellectual leadership for all players**
 - Distill and understand the central problems to be solved
 - Shape a protocol of interventions and actors to effectively address these core problems
- **Prioritize its efforts and resources to address critical drivers of failure in critical places sooner**
 - Selectively address critical drivers and places
 - Be creative in shaping and carrying out interventions
 - Act in a timely way

Glimmers of a USAID Fragile States Strategy (cont'd)



- **Organize itself to succeed with fragile states and be decisive in achieving success**
 - Agree on the central problem to be solved and stick with it
 - Develop internal structure with appropriate authority and funding
 - Create sufficient flexibility internally
 - Match resources and problems effectively
 - Arrange and use adequate internal, USG and global operating and coordination mechanisms

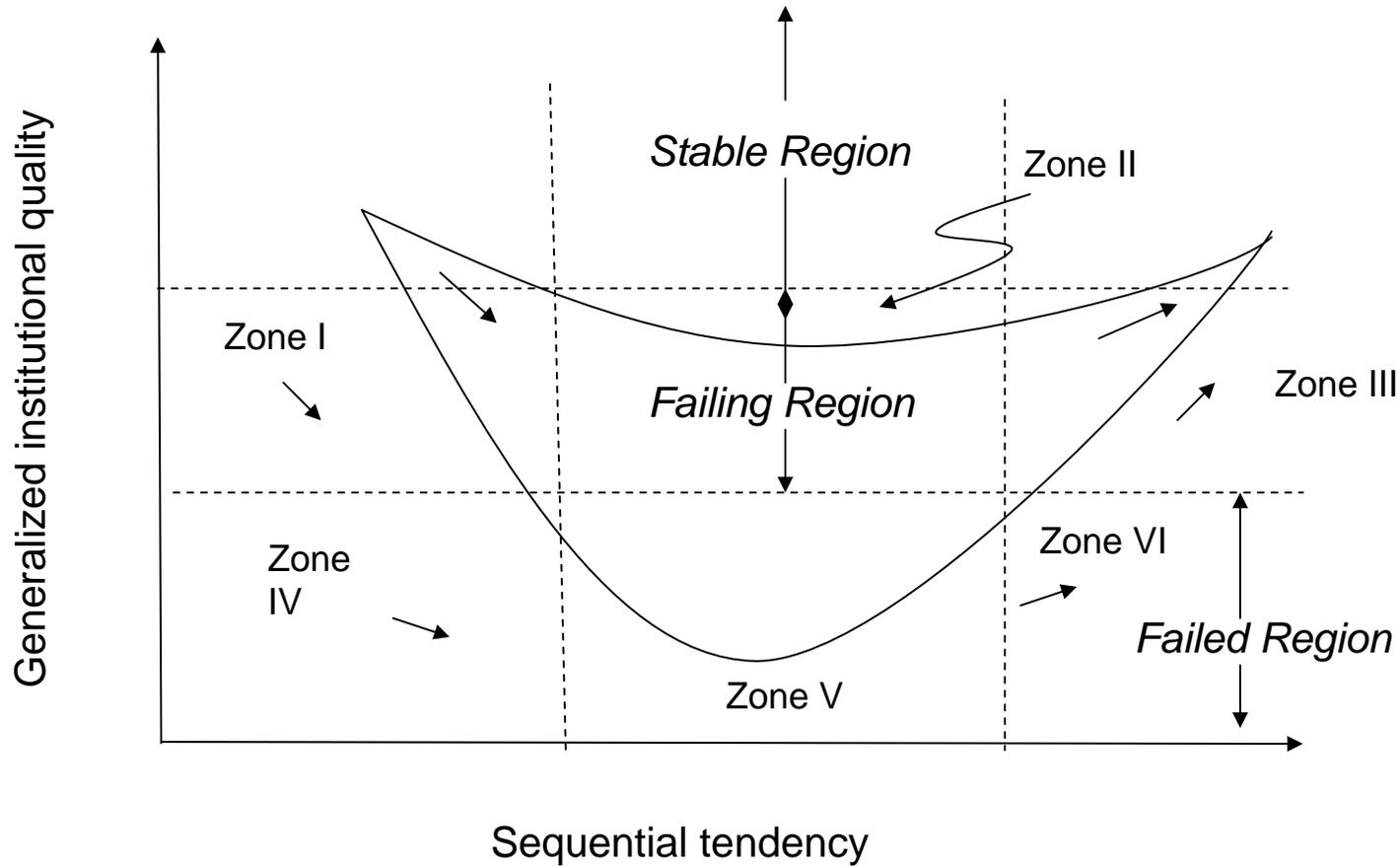
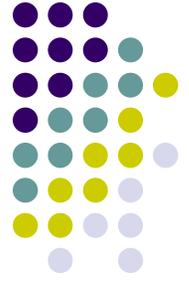
What Countries are Fragile?

Operational Definitions

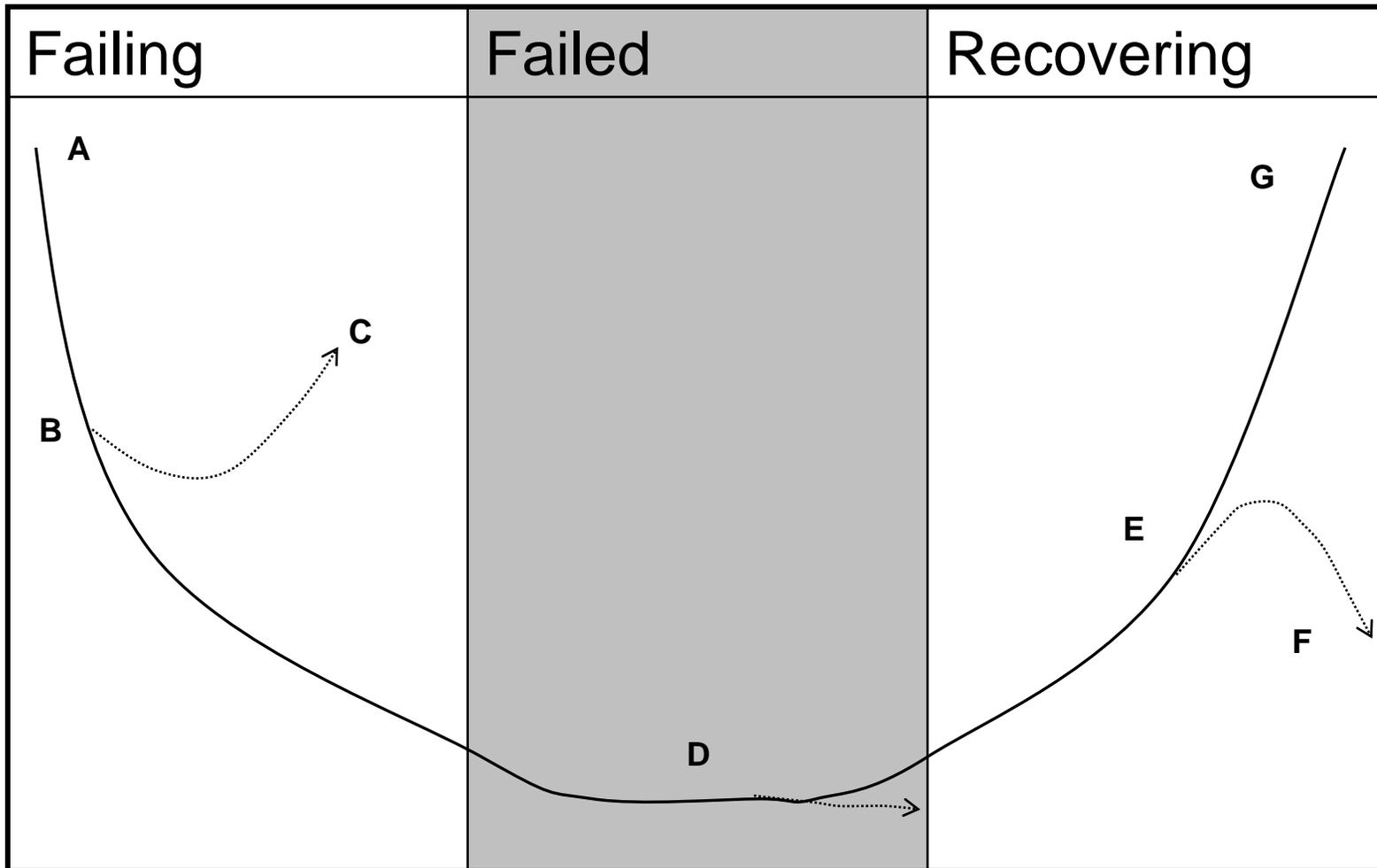


- **Failing**
 - Growing inability to provide even basic services and security to their populations and losing legitimacy; particularly vulnerable to shock such as economic downturns, conflict and humanitarian disasters
- **Failed**
 - The central government's loss of its monopoly on the use of force; loss of control over the country's territory; loss of legitimacy and the ability to provide security and vital services; serious erosion in societal cohesion that is usually accompanied by politically motivated violent conflict
- **Recovering**
 - Still weak, but on an upward trajectory in terms of stability and basic governance (in particular, reduction in political violence and restored capacity to provide basic public goods and security).

Six Zones of Dynamics for Failing and Failed States



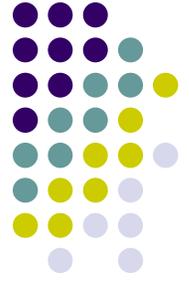
Critical Junctures in Failing, Failed and Recovering States





How Do We Identify Drivers of Failure?

- Need to look holistically at each country's situation
 - What is the external situation? What is the internal situation?
- Use analytic scenarios
 - “The principal set of interactions by which the governance equilibrium in a country is changing”
- Key failure scenarios for failing states
 - Escalation of communal violence
 - State predation
 - Regional or guerilla rebellion
 - Succession or reform crisis
 - Democratic collapse
 - External influences/shocks



What Drives Failure?

- Decline in effectiveness and/or legitimacy across the political, economic, social and security (PESS) dimensions, *plus*
- Emergence and continuation of conflict, which is more likely if
 - Country experienced recent civil war
 - Conflict in neighboring countries
 - Largest ethnic group comprises 45-90% of population
 - Major shocks (e.g. drought, export price collapse, etc.)
 - Multipartyism (in the short run only), although helps in longer-term
 - Government spending represents a low share of GDP, 10% or less

Map Countries into Drivers



Scenarios/Drivers

Countries

Escalation of communal group (ethnic or religious) conflicts	→	Rwanda, Liberia, Ivory Coast, Nigeria, Sudan
State predation (corrupt or crony corralling of resources at the expense of other groups)	→	Nicaragua, Philippines (1996), Iran (1979), Haiti (Duvaliers)
Regional or guerilla rebellion	→	Colombia, Indonesia, Georgia, Chechnya
Democratic collapse (into civil war or coup d' etat)	→	Nigeria, Pakistan, Haiti (Aristide), Bolivia
Succession or reform crisis in authoritarian states	→	Indonesia (Suharto), Nepal, Pakistan (1971) Soviet Union (1991)

Internal dynamics of fragile states



What is state effectiveness and legitimacy?

	Effectiveness	Legitimacy
Political	Control of disaffected groups	Ensure key groups in society are satisfied
Economic	Provision of economic growth	Equitable distribution of the benefits of economic growth
Social	Provision of services	Equitable inclusion of groups in governance and services
Security	Provision of security (law enforcement)	Equitable provision of security

Examples of Warning Signs That State Might Be Failing

State Capacity



Effectiveness

Legitimacy

Political	Elections, the results of which are contested or judged improper or unfair by international observers	One or more groups are systematically excluded from political access, or political office, or full citizenship
Economic	Inflation has accelerated for 3 or more years and is 30% or more per year	State is taking 45% or more of GDP or less than 10%
Social	Primary school enrollment is less than 60% and growing less than 5% per year	Specific groups are prevented from practicing their important customs or language
Security	1,000 people or more killed in political violence in prior 3 years	One or more groups systematically subjected to violence or deliberately not provided security by state

Examples of State Instability



Unstable State I - moderate to high effectiveness, low legitimacy

Key Focal Point:

Changes that undermine perception of state effectiveness will make state more unstable.

Unstable State II – low effectiveness, moderate to high legitimacy

Key Focal Point:

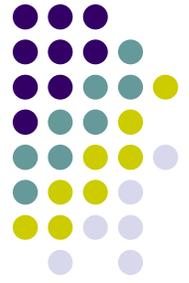
Changes that undermine perception of state legitimacy will make state more unstable.

Signs State Has Failed



- Ruling Regime has been overturned and replaced by mass and elite actions outside of constitutional or agreed-upon means, OR
- Ruling Regime has lost control of 20% or more of its territory or population to armed opposition forces, OR
- Civil or guerilla war with fatalities exceeding 1% of the population, or war refugees exceeding 5% of the population.

Example: The Use of the Analytic Scenario to Address Fragile States



What was the situation in Indonesia 1997-1999?

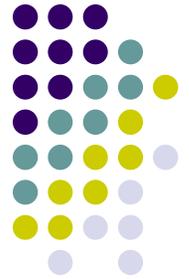
Use the PESS-EL Framework to identify, describe and analyze key factors in each dimension

	Effectiveness	Legitimacy
Political	High → Medium	Medium → Low
Economic	High → Low	High → Low
Social	High → Medium	Medium → Low
Security	High → Medium	Medium → Low

Finding: A state failing due to a succession or reform crisis (the analytic scenario). Its equilibrium as a stable state was breaking down, especially along the legitimacy axis.

Conclusion: Indonesia was moving from a stable state to an Unstable State, Type I (medium to high effectiveness, low legitimacy) as legitimacy collapsed and violence increased.

Example: The Use of the Analytic Scenario to Address Fragile States



What was the situation in Indonesia 1999-2003?

Use the PESS-EL Framework to identify, describe and analyze key factors in each dimension

	Effectiveness	Legitimacy
Political	Medium → High	Low → High
Economic	Low → Medium	Low → Medium
Social	Medium (no change)	Low → Medium
Security	Medium (no change)	Low → Medium

Finding: A more stable state in the context of a succession or reform crisis (the analytic scenario). Its equilibrium as an Unstable State, Type I (medium to high effectiveness, low legitimacy) is being solidified by filling in its legitimacy gap.

Conclusion: Indonesia is averting failure, moving from an Unstable State, Type I (medium to high effectiveness, low legitimacy) back toward stability as legitimacy (and effectiveness) is enhanced in several PESS dimensions.

Example: The Use of the Analytic Scenario to Address Failing States



What was the situation in Rwanda 1994?

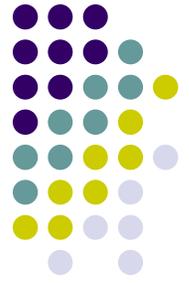
Use the PESS-EL Framework to identify, describe and analyze key factors in each dimension

	Effectiveness	Legitimacy
Political	Low	High → Low
Economic	Low	Medium → Low
Social	Low	Medium → Low
Security	Low	Medium → Low

Finding: A state failing due to an escalation of ethnic conflict (the analytic scenario). Its equilibrium as an Unstable State, Type II (low effectiveness, medium to high legitimacy) was breaking down along the legitimacy axis.

Conclusion: Rwanda was moving from an Unstable State, Type II (low effectiveness, medium to high legitimacy) to a failed state as legitimacy collapsed and violence escalated.

Policy Implications for Fragile States



Guidelines

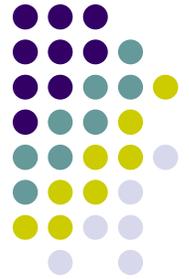
- Determine whether state is low legitimacy (Type I) or low effectiveness (Type II) unstable
- Low legitimacy (Type I) cases are most difficult to restore to stability (distinguish between internal efforts and donor efforts)
 - Often not possible-- efforts undermined by authorities who fear losing power
 - If trouble in one PESS dimension, may be able to correct failure in that dimension. Some PESS dimensions are more amenable than others to outside assistance.
 - If trouble in multiple PESS dimensions, situation is very difficult to correct

Policy Implications for Fragile States (cont'd)



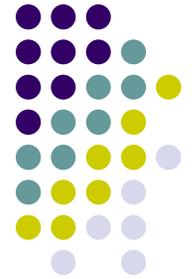
- Low effectiveness (Type II) cases are easier to restore to stability.
 - Legitimate leaders are more open to outside assistance
 - Identify areas of low effectiveness and seek appropriate remedies
 - In some cases, financial aid and/or organization assistance will suffice
 - Third-party intervention of neutral security forces to safeguard groups or property may be sufficient (*only in Type II states*)
- Examine assistance for impact on *both* effectiveness and legitimacy.
 - For example, military or financial aid to an unjust regime may improve its effectiveness and prolong it in power; but this aid may also undermine legitimacy and worsen instability.
 - Democratic processes and election may increase legitimacy but risk undermining effectiveness
 - a. if results are unacceptable to a major group or leader
 - b. if power is shared so widely it produces gridlock
 - c. if democratic leaders and institutions suffer from lack of capacity

Policy Implications for Fragile States (cont'd)



- Examine how actions may affect incentives and opportunities of leaders and groups.
 - E.g., resources can increase illegitimacy of rewards unless carefully monitored by donors or NGOs
- External intervention is most likely to avert collapse for regimes with moderate to high legitimacy but low effectiveness
 - In such cases, aiding the government in delivery of services or provision of economic or physical security is likely to restore stability
 - *If likely success is the criterion for intervention, these cases should have the highest priority.*

What Solutions for Each Scenario?



Build or reinvent the institutional framework

1) Transition or early phase

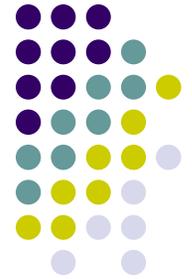
What can be done quickly without creating inappropriate path dependency?
One dimension will often be most important.

	Effectiveness	Legitimacy
Political		
Economic		
Social		
Security		

Sample areas of intervention:

- Diffuse sources of violent discord
- Invent or adapt structures to address conflict and support public order
- Create ways to provide core public services
- Direct resources to support livelihoods
- Develop voice mechanisms
- Expand local empowerment
- Support institutions to keep government in check

What Solutions for Each Scenario? (cont'd)

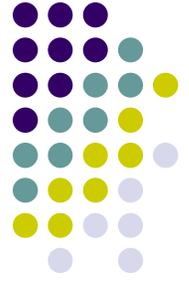


2) Second phase - to achieve stability and legitimacy

	Effectiveness	Legitimacy
Political		
Economic		
Social		
Security		

Sample areas of intervention:

- Constitutional order mechanisms (checks and balances)
- Administration
- Vertical power arrangements
- Substantive rule systems- administration, civil rights, property rights, markets, governance
- Security
- Dispute resolution



Four Next Steps

- **Provide failed and recovering states segment**
 - **What are failed states? What are their key features?**
 - **The significance of militarization/ military - like groups and conflict?**
 - **Analytic Scenarios: What caused instability and conflict? How did conflict end?**
 - External intervention
 - Negotiated settlement
 - Clear winner
 - Rebels contained by government
 - On-going state failure
 - **What treatments are appropriate?**



Next Steps (cont'd)

- **Provide intervention segment**

- **What interventions in fragile states have worked in the past?**
- **The significance of constitutional order– enabling the government to control the governed and obliging it to control itself?**
 - Diminish and control violence, including latent violence or coercion
 - Enhance the role and influence of impersonal principles and neutral institutions or persons
- **What unique aspects of the governance gap in fragile states need to be treated?**
 - E.g., conditions that spawn propensity to violence
 - Aspects of enabling environment for ethnic, religious, military and other entrepreneurship (to capture or leave state)
 - Conditions that unduly drain liberty from individuals and organizations

Next Steps (cont'd)



- **Review USAID programs**
- **Provide ideas for USAID strategy**

Extra Supporting Slides Follow





Warning Signs That State Might Be Failing

- **Political:**

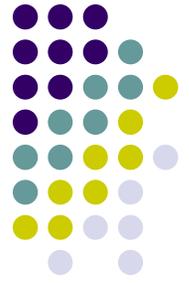
Effectiveness – elections that are violent, whose results are contested, or judged to be improper and unfair by international observers; attempted coup d'état; 3 or more presidents or prime ministers in one year; government revenue 10% or less of GDP; government loses effective control of at least 5% of its territory or at least 1% of its population.

Legitimacy – one or more groups are systematically excluded from political access, or political office, or full citizenship; political protests or strikes involving at least 0.5% of the population and repeated for 10 or more days.

- **Economic:**

Effectiveness – Country is low or mid-income by World Bank classification, and one or more of the following obtains: GDP/capita has fallen for 3 or more years, or is lower than 5 years ago; national debt is over 10% of GDP; inflation has accelerated for 3 or more years and is 30% or more per year; currency has been devalued 50% or more in the last 3 years; unemployment is over 20% for three or more years;

Legitimacy – One group (elite faction, ethnic group or subgroup, or family or cronies of state leaders) is corruptly dominating the economy for their private benefit; one or more groups face large-scale and systematic economic discrimination; state is taking 45% or more of GDP.



Warning Signs That State Might Be Failing

- **Social:**

Effectiveness – Primary school enrollment is less than 60% and growing less than 5% per year; government fails to act to alleviate consequences of natural or accident disasters.

Legitimacy – specific regions or groups of population are deliberately not provided with public services that are provided to others; specific groups are prevented from practicing their important customs or language; government seen as too dependent on foreign support or otherwise betraying or departing from nationalist aspirations.

- **Security:**

Effectiveness – More than 1,000 people killed in political violence in prior 3 years; more than 1% of population displaced by political violence in prior 3 years.

Legitimacy – One or more groups systematically subjected to violence or deliberately not provided security by the state.