

What effect does the choice of economic strategy and aid policy have on the State?

A few remarks

1. Below are a few remarks in preparation of the April 3-4 workshop. In line with the Terms of Reference, these remarks aim to highlight some of the issues associated with State-building activities in post-conflict countries. I deliberately kept them short, in no particular order, and focused on potential questions that could be worth further investigation. They reflect the perspective of a practitioner with about ten years of experience in both the Balkans and Central Africa.¹

What is State-building ?

2. The consensus around the need to help rebuild functioning States is partly based on a series of ambiguities – and one could argue that these ambiguities are in part what is making the consensus possible. It is important to note that for the consensus to have operational value, it has to include not only the aid community but also local elites, who typically have a very different set of assumptions, experiences, and theoretical background, and have their own understanding of what State-building might entail and lead to.

3. Stakeholders (both in country and among development partners) typically have very different views about what is meant by “State” (administrative organization, sense of legitimacy, location where political ambitions can bargain, rent distributor, service provider, monopoly of violence, etc.) – which has important consequences when time comes to translate this notion in specific aid programs.

4. Similarly, the notion of “building” or even “rebuilding” the State is potentially misleading, as there is rarely a clean slate to start from, but rather an aggregation of layers of structures, practices, and social representations inherited from the past and transformed through the years of war (even where there is no administrative apparatus there is often a common understanding broadly shared by the society of what the apparatus should look like). The ignorance of the “starting point” is often one of the key reasons for the failure of State-building efforts.

5. Furthermore, the definition of a “functioning State” also leaves plenty of room for interpretation – as one could argue that many developing countries suffer from “dysfunctional States”. In this context, it may be useful to define what a “minimally functioning State” would consist of – i.e. what key State functions need to be rebuilt as a priority in a post-conflict environment.

6. Overall, it is worth noting that many aid agencies are looking for “best practices” in State-building, successful examples that could be replicated. The question, however, is whether (and to what extent) such “best practices” can be identified – i.e., to what extent State-building is a technical exercise for which universal models can be developed, and to what extent it is so intrinsically linked to the specifics of each individual society that it needs to be learned anew every time.

¹ Please note that these remarks represent my own views only and should not be taken as representing the views of the World Bank or its Board of Directors – nor as the prevailing views among World Bank staff.

Is there a success story ?

7. While a consensus has emerged around the need to help rebuild functioning States in post-conflict environments, there have been surprisingly very few cases over the last few years where this has actually happened. There are hence very few cases from which extensive lessons can be drawn, especially as there has not been any major effort to document the few success stories (or at least to disseminate in aid agencies the results of such an effort). As a result, most of the assumptions and recommendations are essentially drawn from theoretical considerations, and from the vast body of failed experiments rather than from positive sources.

8. I would argue that Rwanda in the post-genocide years is an example of such a successful transition. Key elements of success in this case include a strong political leadership (both internally and vis-à-vis donors), a true commitment to the country's rebuilding by its new elites, the effective mobilization of the diaspora, substantial technical assistance programs, and a large degree of sympathy in foreign capitals. This is however a short list that does not pretend to provide "the" answer but rather to shed some light on some (not all) of the factors that may need to be studied. Mozambique may be another example.

9. It is also important to note the difference that exists between two types of post-conflict situations – the high-visibility ones (where the international community deploys very large amounts of resources, and often takes a hands-on interventionist approach – e.g., Balkans, Afghanistan, Iraq, etc.) and the lower-visibility ones (where external resources are scarce and international involvement less direct).

How important are aid policies ?

10. Traditional views tend to often exaggerate the importance and potential impact of aid policies, especially in an area as sensitive as State-building. In practice aid is often just that: aid. And unless there is a capable leadership to be aided, the impact of donor assistance is often sub-optimal. National leadership (in a broad sense) is the first and foremost element that determines success or failure.

11. Aid often remains at the surface in post-conflict countries, especially in environments where the reach of public authorities does not extend far beyond the main city. Its impact is hence often far more limited than was intended. But this impact can be significantly increased if it triggers policies and decisions by the Government or if it is focused on a few key institutions. Selectivity and focus in the design of aid policies is hence the second key element of success.

What type of State are aid policies trying to promote ?

12. It is often surprising that while there is a consensus on the need for State building, there is far less consensus among aid agencies on what this does entail in a specific situation. Priorities, areas of focus, and sometimes policy recommendations typically differ among donors. State-building assistance is typically provided in a fragmented

manner, without much consistency across donors (or over time), and with little predictability.

13. It is difficult to qualify in a few sentences the type of State that is being advocated by donors in post-conflict situations. It is however noticeable that in many cases aid officials start with policy prescriptions that are part of the prevailing “development paradigms” that is typically applied in “peaceful” developing countries – and while these may be adjusted over time they constitute the “base model” from which to depart. This includes notions that may be adapted in “peaceful” developing countries, but can sometimes be seemingly at odds with other efforts aimed at building a functioning administration – e.g., decentralization (in countries where there is little administrative capacity at central level, and even less at local levels).

14. Furthermore, donors are also at times frustrated by the very result of the policies they have been advocating – e.g., when a Parliament, duly elected as part of a pro-democracy effort, is slow at making decisions or is making the “wrong” decisions.

15. Some of the issues associated with State-building are also un-resolved, in the sense that there is no established way among major donors to think them through and deal with them. A typical example is associated with the building (sometimes euphemistically called “the reform”) of a functioning public service (ideally Weberian and based on merit) in an ethnically-divided society (where a distribution across ethnic lines while less effective may be necessary to ensure political stability). This issue has marred countries like Afghanistan or DRC for many decades. It will be interesting in this respect to compare over time the experiences of Rwanda (no official reference to ethnicity) and Burundi (an explicit sharing of positions along ethnic lines).

16. It could also be useful to take a close look at the issue of corruption – not from a moral perspective, but from a State-building one. To which extent is corruption an obstacle to or an instrument for State-building ? Are there different types of corruption in that respect ? And how should aid agencies deal with corruption, in environments where any large-scale project is likely to carry a high corruption risk, and where budget support is likely to “leak” at least in part ? What would be a tolerable level of risk and what would be the right balance between rapid and “corruption-safe” interventions ? There is no established consensus on how to think through such questions, while they are often key in the design of specific assistance programs.

17. Overall, it would be extremely useful to help build a consensus on the key priorities for “State-building” in a post-conflict country. This would in particular help focus external assistance and ensure stronger selectivity where resources are scarce. But what should be such priorities ? Looking at the historical steps that have accompanied the formation of Western States, one could argue that re-establishing a tax system, strengthening the management of public finance, and restoring State control over the armed forces (in a broad sense) are the key priorities. But what about natural resource management, elections, justice reform, business environment, civil service reform, social services delivery and the “quick wins” or “peace dividends” ?

The modalities

18. State-building assistance is often provided through technical assistance. There have been different formulas (capacity-building vs. gap-filling, use or non-use of the diaspora, etc.) – but the question is whether the design of these programs fully reflects the lessons learned over four decades in providing technical assistance to developing countries. While there is a vast body of experience (positive and often far less positive) on what makes technical assistance work, this resource seems to be insufficiently used. Yet, recipient countries often complain about the relative poor quality of technical assistance that is being provided – the disappointing qualifications of the assistants, their work ethics (especially in countries where there is less scrutiny), the time they spend in “internal processing and reporting” tasks vs. building capacity, etc.

19. Another way to support State-building is through budget support – essentially to help make key policy decisions and to provide resources to pay for the basic functioning of a State apparatus. It could be useful to examine whether there have been instances of success without such assistance (especially since many donors tend to be reluctant to provide such budget support).

20. Overall, it could be useful to evaluate the amounts of resources spent on capacity-building programs and to compare them with actual results. Technical assistance programs in Afghanistan run in hundreds of millions of dollars. Elections in DRC cost \$450 million dollar (almost 8 percent of GDP).

“How” is one of the keys: intended and unintended consequences of aid

21. Little attention is often paid to the “how” of aid delivery, as if it was merely a “logistics” issue, with no significant consequence over the nature of what is being done. In practice however, the reverse is true – and the “how” often conditions the “what”.

22. A first example of the potential impact of the “how” is the question of who (which individual) is being strengthened through the implementation of a specific donor program – typically the project director and his team, the key contractor, etc. This is especially important as these individuals are empowered and made influential through their control over donor money. Yet, most aid agencies are not equipped to scrutinize the past activities of their counterparts. It could be interesting to document in a few cases the “who’s who” (and who has become what) of aid delivery. Eventually the State will be built by individuals, and those who are the conduit of donor assistance are likely to play an important role in that effort.

23. Similarly, donors will typically prop up “civil society”, as a key stakeholder. But in many countries notions such as communities or NGOs carry a very different meaning from traditional donor understandings. In such a context, “civil society” rapidly becomes just a new way to do business in a transformed environment – from the children of Tito-time Balkan elites who are now NGO leaders to the Congolese custom agent asking how he could create his NGO to get a share of the business. Once again, little attention is being paid to both the specific individuals that are supported and the signals that are sent as to the type of functions that carry true authority.

24. The issue of donor-financed salaries is also an obstacle to the short-term rebuilding of the State. Such salaries are typically very high by local (or even by international) standards to ensure the highest degree of professionalism, to mitigate the risk of corruption, or just to compete with other donor agencies for a scarce supply of qualified project managers or specialized staff. The results of this situation are well known, with medical doctors leaving hospitals to become drivers... From a State-building perspective, it is often a major brain drain with dramatic consequences.

25. A related issue that has caused controversies within the donor community is related to the use of “project implementation units”, i.e. autonomous technical entities financed by donors to implement an operation. On one hand, this is often the pre-requirement for projects to be effectively implemented, a key objective in post-conflict countries. On the other hand, it creates a de facto parallel administration, with far better salaries and equipment and with de facto control over the investment budget, which further devoids the “normal” administration of its content.

26. It is also worth noting that the international donor system (especially in low-visibility countries) often entrusts a large part of the State-building functions to economic aid agencies, which are not equipped to deal with political issues. As a consequence, the de facto separation of political and economic functions becomes a key tenant of many State-building efforts. A further consequence is that many of the levers that diplomats would like to use to reward certain behaviors (e.g., municipality-level conditionality, stop-and-go approaches) just do not work.

In conclusion

27. Over the last few years, the international aid architecture has been transformed, especially for the poorest countries – with the multiplication of “vertical funds” and the emergence of China as a key player. These changes are likely to have a significant impact on the way State-building programs are conceived and implemented. Ignoring them would be a sure way to fail.