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Ending Civil Wars: Constraints & Possibilities



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Sovereignty Strategies: Enhancing Core Governance Functions as a Postconflict & Conflict-Prevention Measure

Clare Lockhart

Abstract: This essay contrasts the two extremes used to address civil wars and weak states: costly and ill-designed interventions (Approach A) or minimalist approaches in which international actors either stay away or engage only to broker a deal or depose a dictator, but fail to build institutions and consolidate peace afterward (Approach C). This essay posits an alternative, a sovereignty strategy (Approach B), which would see core functions established in a sequence carefully tailored to context and delivered through partnerships between state, market, and civic actors over a period of decades. It analyzes whether a sovereignty strategy could be both feasible and affordable as an alternative to Approach A or C, whose costs are also very real, taking into account the costs and benefits of each option.

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Our international order rests on the assumption that sovereign states will keep the peace within their borders. When this assumption proves wrong, and states begin to break down, or begin to fall into internal conflict that they are unable or unwilling to prevent, the international community is left with difficult choices. The community of nations can let the conflict run its course, attempt to alter its course, or end it by imposed or negotiated peace. A last option is to work to address the root causes of conflict so that it can be mitigated or avoided in the first place, or a newly established peace can be sustained.

Over the past decade and a half, the international community's inclinations have swung between two extremes: either intervening with military forces and large-scale civilian assistance, as in Iraq and Afghanistan, or standing at a distance, either in the hope that the fire will burn itself out, as in Syria, or in the misplaced hope that cutting a peace or independence deal or deposing a dictator without invest-

ing the appropriate resources to build institutions and sustain peace will be sufficient, as in South Sudan and Libya. Clearly neither extreme, in these simplified terms, has worked. Making a conflict-ridden country a long-term ward of the international community, with high levels of poorly planned and implemented external assistance, is neither feasible nor desirable, and often worsens the original conflict. On the other end of the spectrum, global neglect of a conflict and its aftermath can yield costs that are as great as those of large-scale intervention, leaving a vacuum that results in regional instability and vast human misery. Neither approach has proven effective for making and sustaining peace.

Somewhere between these two poles there remains a third approach, a *sovereignty strategy*: that is, helping internal actors establish or restore a core set of governance systems or institutions, building the legitimacy of the state over time, winning the trust and meeting the needs of the people, reducing the reliance of the country on external support, and contributing to the resolution of conflicts before they become violent. This approach, here called Approach B, is distinct both from the large-scale external aid model (Approach A) that has largely prevailed since 2001 and from the minimalist approach (Approach C).¹ The sovereignty strategy approach will not be possible or appropriate in all cases, as each context is unique and what is appropriate and feasible will, of course, depend on the characteristics of the situation. But it could prove more effective and less costly than other options in the right circumstances.

This essay proposes that the execution of Approach B involves the establishment or restoration of core state functions in a carefully sequenced way over an extended period of time. The goal of the sovereignty strategy would be to establish the performance of those functions required in a particular

context to meet the needs and earn the trust of its citizens as well as fulfill its international obligations. The strategy's legitimacy would accordingly be enhanced through its performance as a supplement or alternative to legitimacy through elections, which, as Jean-Marie Guehenno argues, is an inadequate basis for stability.² This approach would be phased over a ten- to twenty-year period, with a small number of functions or core systems under development at any given time as the state grows toward self-reliance and the full exercise of its responsibilities to its citizens and the international community. Among the most important state functions would be the generation of state revenue, diminishing the state's dependence on external assistance over time as it assumes an increasing proportion of its own costs and builds the essential accountability systems that can reduce corruption. At the heart of this strategy is a political or diplomatic plan to guard against any political settlement becoming unduly ossified, building in phases to adjust the incentive systems and rules of the game over time, as well as reaching a broad domestic consensus on a pathway, to which external support can be aligned.

While this approach would be consistent with the arguments articulated in the many expert reviews and recommendations over the last two decades, the last fifteen years have instead been characterized by the prevalence of an externally designed and led, resource-intensive approach to intervention and so-called capacity-building.³ This approach boils down to two elements. First, the plans (to the extent there are plans) are driven by a joint "needs assessment" prepared with very little consultation with the country's leaders or experts and often fragmented across multiple capitals and agencies. Second, while projects may be grouped under each agency into sectoral portfolios, in general, the unit of analysis, planning, management, and reporting is

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Sovereignty Strategies the project itself, leading to a proliferation of thousands or tens of thousands of individual projects, usually managed by a foreign aid worker.

Given that the “fiduciary risk” of budget support of the country’s systems is too high, projects are managed through parallel structures in a parallel world of air-conditioned offices, SUVs, and security protection. In many cases, they are contracted out to profit-seeking firms, who give their personnel contractual incentives to expand their work, thus aligning the incentives of the project to the decline of rather than the increase in institutional quality and outcomes in the particular country or organization. This mass proliferation of projects then produces a “crisis of coordination,” prompting layers of donor meetings chasing the impossible dream of building a coherent system out of microprojects. Furthermore, the salary disparity between citizens hired to work for government (whether ministry or municipal) institutions or to support the aid industry is stark, leading to a mass outflow of talent from government to the aid industry, further undermining the core functions and services of the state. Capacity-building projects have also led to a proliferation of fragmented technical assistance interventions that serve mainly to confuse, undermine, and corrode their counterparts.

This aid approach may sit alongside a political mission of the United Nations or other actors that, in some circumstances, is directed to plan an approach to build institutions or restore state authority and/or legitimacy. But, in reality, this political mission is dwarfed by and unable to control or influence this influx of fragmented resources. The political process tends to follow a set formula of hastily organized national dialogues and elections that further entrench a political elite who are divorced from the requirement to provide services to the people, which in turn cre-

ates the conditions for tension between the political and humanitarian tracks.⁴

After a while, corruption increases, donor fatigue sets in, scandals emerge, politicians and their taxpaying publics question the results, the aid machine draws down, the services provided dwindle, the employment market contracts, and the veneer of legitimacy that was buying peace through public participation in these projects erodes, exposing an inefficient and ineffective political settlement. Many of the people who work in this set of institutional arrangements are well-meaning, hard-working, and often make significant personal sacrifices to do their work. But as a system, this approach delivers results neither to the taxpayers who fund it nor to the country’s citizens they are attempting to benefit.

The damage of this approach to the administrative structures, processes, and personnel of the country concerned cannot be overstated. This “big aid” approach has sometimes been labeled state-building, but instead it leads to the deterioration of state institutions. And it has distorted the mechanism of short-term humanitarian response projects into a longer-term regime of the perpetuation of a large aid machine. This phenomenon is a tragedy in four ways. First, it is an enormous waste of taxpayer money, leading rightly to the kinds of questioning that the Special Inspector General for Iraq Reconstruction and the Special Inspector General for Afghanistan Reconstruction have recently brought to the attention of the American public.⁵ Their work has echoes of the Senate Committee to Investigate the National Defense Program, also known as the “Truman Committee,” which was founded in 1941 after contract mismanagement, inefficiency, waste, and corruption were found to hamper the U.S. war effort. This scrutiny is overdue. Many of the contracts provided – whether to large beltway firms or to UN agencies – have so many layers of profit and/or overhead mar-

gin that only a small portion of the total goes anywhere near the intended project.

Second, it fails to meet the policy intentions of the policy-makers, who mistakenly think they are investing in sustaining or promoting peace. To be fair, those advocating for Approach A are well-organized, well-funded, and vocal, whereas those advocating for Approach B are much less so; it is understandable why policy-makers are so quick to adopt Approach A. As a result, peace is not sustained and the root causes are not addressed in a way that might have made a difference, leading to a gap between policy intention and implementation outcomes.⁶

Third, and worse, this large aid machine corrodes institutions in the name of building them. Poor management systems offer opportunities and incentives for corruption. As the budget – a country's primary institution for managing resources according to an agreed-upon set of rules – is bypassed, fragmented, and made irrelevant, the political elite become largely powerless to deliver results through their domestic institutions, even if they wanted to. To deliver to the public, they must proliferate projects and manipulate them outside the budget framework. This regime, in the name of avoiding the fiduciary risks of the country system, reinforces a “closed access” order. The public – and particularly the educated elite – have every incentive to work for, maintain, and expand this parallel aid system, undermining their bonds of loyalty and commitment to the state. Their career incentives now lie in promotion through their employer bureaucracies to other countries. And the thousands of projects overwhelm nascent or weak bureaucracies in the fruitless task of coordination. In the name of capacity-building, this regime is asset-stripping and fragmenting the institutions it is mandated to support. And it is no wonder that, in these circumstances, large numbers of the public of these coun-

tries lose hope and, lacking loyalty or voice, *Clare Lockhart* opt for exit.⁷

Finally, this type of intervention has operated under the broad claim of “development” with no meaningful attempt to distinguish between types of institution-building that have been more effective and less costly and those that have performed poorly, leading to an understandable pessimism on the part of Western policy-makers, media analysts, academics, and the public that closed access orders in conditions of endemic conflict and corruption are credible, feasible, or affordable, even if they might be desirable. And “recipient” citizens find it unbelievable that the United States, the nation that put a man on the moon, cannot seem to build a road or operate a school.

How might Approach B be pursued? What types of policies, requirements for analysis, and range of instruments might be utilized in its pursuit? First, this approach requires a strategy or policy framework that is agreed upon and endorsed by national political actors, to which external actors align their policies and instruments. It cannot be externally imposed or driven (although there are cases in which a plan has been cocreated). Tanja Börzel and Sonja Grimm argue, in the cases of postconflict states acceding to the European Union, that state-building should be understood as the dynamic interplay between external and internal actors and instruments.⁸ In the EU accession cases, success is evident in cases in which the state-building instrument was applied consistently and coherently. The alignment of the Colombian government strategy with U.S. support in Plan Colombia is another vivid case of such a framework.⁹ But the alignment of a country's strategy with that of a major external actor varies, such as the role of Australia in Timor-Leste and the Solomon Islands, the UN and the United States in Liberia, and the UK and the UN in Sierra Leone. Alignment of the politi-

Sovereignty Strategies cal road map with regional actors and interests as well as the ability of leaders to build and communicate plans with the participation of the local public will be crucial.

This strategy or framework must envisage a long-term process, in which standards and milestones need to be met on an empirical basis over time. As pointed out by Guéhenno, attempts to cut a one-time deal, rather than establish a process that can be adjusted over time, have been less successful. The international community's current focus on political settlement (an end state) risks freezing arrangements, as in the Dayton Agreement; it is preferable to build processes that have flexibility to adapt over time. Further, isolated policies are unlikely to produce results unless they are part of an "overall coherent and consistent strategy"; it is the intelligent orchestration among goals that is important.¹⁰

Second, Approach B is focused on establishing core systems of governance, or functions of government, that are carefully sequenced over a long period of time. A more detailed exploration of which core systems, functions, or institutions are necessary in a particular context is required. My and my colleagues' own analysis of countries that have established and improved core functions shows some variation in both type and sequencing.¹¹ Early functions include security, law and order, budget and financial accountability systems, human capital, internal government coordination, municipal and district management, social policy programming, some regulation of market activity and management of key natural resources, a firm formation, and growth. Exact functions and their sequencing depend on each context, but security, public finance, and education all featured very early.

Core functions can be carried out across all levels of government, whether municipal, district, provincial, regional, or village, depending on the administrative boundaries and the functions required. The ques-

tion is the framework of rule sets that allocate personnel, information, funding, and decision rights to the appropriate level of government; in some cases, a radical decentralization will be appropriate. Many functions will evolve over time. For example, a public finance function in an initial postwar phase or in a context of extensive criminal co-option of government organizations may initially focus very simply on revenue collection, budget preparation and execution, procurement of large items, and payroll. It could subsequently evolve to focus on improved and longer-term programming, banking system reform, and development of instruments of trade finance.

The establishment of core functions does not require that they be carried out by the state or government alone. Rather, and especially in challenging contexts, functions can and should be carried out by establishing platforms for collaboration and cooperation. The World Bank's National Programs that have been implemented in many post-conflict contexts are a case in point: the Kecamatan Development Project (KDP) in Indonesia, the National Solidarity Program (NSP) in Afghanistan, and the Magdalena Medio Project in Colombia are all examples of country-wide partnership programs in which the government set the rules of the game and policy framework and implemented them in a highly decentralized way through communities, the private sector, NGOs, and other civil society actors.¹² This approach is consistent with Thomas Risse and Eric Stollenwerk's call for the delivery of public goods by a range of actors in "limited statehood" contexts.¹³

Third, while the overall time period will likely last two to three decades, each three-to five-year phase will focus on a limited set of goals or core functions. This recognizes the limited availability of attention from leaders to focus on solving problems, formulating and agreeing to policies, and building necessary political consensus. And

while only a certain number of functions may be addressed in any one phase, to narrow the overall long-term goal to a limited set of functions will be insufficient. Maintaining a long-term goal of full establishment of state functionality, within the budget envelope of the country, is important for many reasons, including, from a practical perspective, that any one function is deeply dependent on and integrated with many others. For example, it is not possible to build a functioning army unless its members can also receive medical treatment, are literate, and budgeting and payroll systems are in place to pay them. And an army cannot move quickly around the country unless there are roads. It is not possible to raise revenue that is adequate to foster self-sufficiency unless the key natural resources of the country can be accessed, processed, and transported, or sufficient services are provided to convince segments of the public to pay their taxes. Moreover, in our globalized media world, citizens will simply vote with their feet if the possibility of a better life for their children and an expanding social contract are not at least in view as a long-term goal. From both a values and an interest perspective, maintaining the long-term goal of full sovereignty across a set of core functions for all states in the world is essential.

Fourth, the appropriate instruments for building and improving the operation of core functions must, of course, be in place. The literature on cases in the postcolonial era reveals a number of different approaches that leaders and managers and their external partners have used to establish and foster the necessary organizations and institutions to deliver on a particular function. These include a “champion” or visionary leader, legislative frameworks and rule books that are formulated specifically for the context or borrowed and adapted across countries, investment in education and training by the staff, “twinning” other

bureaucracy staff, and the creation of management systems that gather and review appropriate data and build incentive and promotion systems around this data. Many of these were used in the EU accession cases. In other cases, line management functions have been “bought in” via specialized firms, an approach liberally used in many Gulf Cooperation Council countries and some African countries. Technical assistance has been applied successfully in some instances, but only when very carefully designed and well-managed, with incentives built in for the individual or firm to deliver the outcome of a functioning institution. The key difference is that, while Approach A focuses on delivering projects directly, bypassing domestic institutions, Approach B focuses on building the institutions, processes, and people that can solve problems, deliver services, and manage projects themselves in a sustainable manner. In all of these cases, a long-term approach stretching across at least a decade is required as well as external staff with deep knowledge of the language, culture, and context.

Fifth, Approach B requires empowering domestic actors to make decisions, do the work, and gain the necessary education and training. Much of Approach A assumes that the people of the country concerned are largely without capability. Approach B, in contrast, assumes: first, that most people will do the right thing when incentives are appropriately aligned; second, that people have many capabilities and talents that are not usually counted or seen by outsiders; and third, that appropriate education and training can create technical competence. Two examples of this can be seen in the billions of dollars’ worth of projects implemented with virtually no leakage and few outsiders through the KDP in 80,000 Indonesia villages after the fall of President Suharto, and through the NSP in 23,000 Afghan villages after the initial fall of the Taliban. These countries

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Sovereignty Strategies started early on with an investment in a cadre of people to acquire a range of necessary skill sets, including accounting and public finance, engineering and industrial production, and medical skills, among others. Many were initially sent abroad for education and training and were then required or incentivized to return to train others, growing the skill sets within their society.

By contrast, the development fashions that drive Approach A have insisted on an allocation of the education budget to primary education at the expense of investment in secondary, tertiary, and vocational training, partly to meet the UN's Millennium Development Goals, resulting in a vast deskilling of populations and then a heavy reliance on a prohibitively expensive technical assistance model. A much cheaper approach is to design programs that the people of the country can run without this vast aid influx, and to train cadres of the country's own people to be the health care workers, doctors, and teachers without relying on parallel systems.

In Approach B, the limited substitution of a function by an external actor may be appropriate, as long as safeguards and incentives are in place for the function to be transferred from international control and delivery once certain standards are met. For example, peacekeepers may carry out the internal security function for a period of time until domestic law enforcement can take over. External actors may supervise or have dual key control over the budget until certain standards have been institutionalized, as in the case of Liberia's Governance and Economic Management Assistance Program Trust Funds.¹⁴ But if functions are substituted, it would be rare that these can be contracted out to private companies successfully, unless very strong regulatory capacity is in place to guard against moral hazard and perverse incentives.

Finally, this approach pays great attention to cost-effectiveness and efficiency.

The major cost drivers of recent international engagements have been the thousands of projects with multiple contractual layers of subcontracting and oversight, large technical assistance efforts, and a long tail of logistical, security, and administrative support. In Approach B, this is not required. Important in this approach is what is *not* done: there will be a limited number of programs and a very limited number of projects, in contrast to the tens of thousands that are common in crisis environments.

A couple of further observations may be useful. A visionary and charismatic leader with an apparent road map in mind will make the road seem clearer. But the approach could start with actors who are less acclaimed. In these circumstances, there will need to be a clear political strategy, diplomatic framework, or road map, and the alignment of resources and incentives to create rule sets that constrain and incentivize the behaviors of those actors, and/or change their identity, interests, and positions over time. Concessions may be needed, and actors who were part of the fighting and may be spoilers may need to be brought in to reduce, avoid, and resolve conflict. But such concessions should minimize the extent to which the state is treated as the spoils of war to be divided between elites in perpetuity. There is usually considerable room to negotiate the precise terms of the agreement, particularly regarding how resources are to be governed. Agreements could require and enforce much higher standards of management and accountability in the use of resources, especially in cases in which external actors are providing a substantial part of the bill. When the political agreement is geared toward service delivery and building core functions, and resources are programmed through the budget (with tough conditions and international oversight where necessary) rather than through

parallel systems, the tension noted by Richard Gowan and Stephen Stedman between the political and Humanitarian Assistance and Disaster Relief tracks should lessen.¹⁵

Second, the character of the state matters. State-building – or restoring state functions – cannot be blind to the degree of effectiveness and legitimacy in how those functions are already geared toward meeting citizen need. The effectiveness would need to be measured in terms of the performance of various core institutions, as well as outcomes in meeting citizen need. This would require a further articulation of the domestic sovereignty dimensions of Stephen Krasner's definition of sovereignty to include a type of conditional sovereignty, in which a state's rights, such as access to markets and finance, would be dependent on meeting institutional benchmarks over time.¹⁶ Such a measurement could form the basis of an understanding of a risk profile for a country, and an understanding of how risks can be reduced, increasing the confidence of both the public and the markets in order to make capital available.

There are a range of cases in which variants of a sovereignty strategy have been wholly or partially applied in a postconflict setting. South Korea, Singapore, Colombia, Chile, Peru, Jordan, and Mozambique have seen core functions transformed over a period of two to three decades. Specific core functions have been institutionalized successfully in cases such as the public finance and revenue function in Timor-Leste, which, fifteen years after conflict, placed \$20 billion in its own Sovereign Wealth Fund, and the health function in Afghanistan, in which a country-wide program provided a package of health care services in an even-handed way through a partnership between the government and NGOs, funded in a common agreement by the United States, EU, and the World Bank. National programs have also been established in Indonesia, Myanmar,

Morocco, Afghanistan, and Colombia as a *Clare Lockhart* way to build trust rapidly after a transition, in a postconflict period, or as a preventative measure.

Adopting this approach would require attention to incentives for national political leaders, civil servants, and the country as a whole, and the fostering of a rule-of-law culture.¹⁷ It would also require serious attention to changes in the rules, practices, and skill sets of the international actors who negotiate, authorize, and fund such activities, in order to refine and expand the toolbox available.

An approach premised on developing key state functions would require, at the outset, an accurate and nuanced diagnosis of context to understand the institutional and organizational baseline; the political dynamics including major interest groups; the dynamics and potential of the economy to provide jobs and underwrite the revenue base over time; the level of illicit and informal activity in the economy and polity; and the skills of the people of the country. As William Reno describes, there may be cases in which information asymmetries and misaligned incentives mean that implementation of this approach will be too difficult.¹⁸

Diplomatic actors would be required to formulate, agree on, and commit to the contours of a broader political strategy that balance the short-term compromises necessary to broker a peace with the longer-term legitimacy required for a country's leaders to sustain a peace and win public trust and confidence. This broader political strategy would require a core set of partners to coordinate and integrate with each other and the national strategy across security, political, and economic lines. It is imperative that the nature of the political process, first, appropriately diagnose the political issue at stake and craft a political approach that tackles it (whether it is control of the center, decentralization, or gover-

Sovereignty Strategies nance inclusivity, legitimacy, or pluralism at the center).¹⁹ Second, it is imperative that such political processes do not unnecessarily sacrifice governance standards, sowing the seeds for the next conflict, in the pursuit of inclusion through mistaken means, especially when that inclusion can be addressed through budgetary allocations and social policy adjustments rather than sacrificing the public treasury and public trust to privatization, warlords, and private fiefdoms. Steven Heydemann argues that patterns of government dysfunctionality and corruption that often preexist civil wars are carried forward into the conflict by the warring parties; it is important that external actors do not assume the challenge is to get back to prewar conditions.

International Financial Institutions (IFIs) and other funding bodies would be required to condition their financial support and exercise leverage, contingent on meeting a limited set of standards over time. For the credibility of the conditionality regime, international actors would have to be willing to stay the course. This requires, over the longer term, operations and even periods of disengagement, if necessary (apart from a limited set of humanitarian and system support mechanisms). It could include other instruments of leverage and sanction, of which there are a wide variety available, if not in common use, including the compact mechanism adopted by the New Deal.²⁰

At the technical level, it would require the implementation of proven techniques for establishing and enhancing the performance and accountability of institutions and organizations. This would require resisting the temptation to launch the “big aid” approach in the mistaken belief that more projects and more people will lead to faster results. It would also require much greater focus on the cultural and social dynamics of the country, and a focus on the alignment of civil society, communications, and political party-building that

commonly operate in separate spheres and could be brought into a form of coordination on a broader common goal.

It would require leadership of the approach, and a mechanism for the intelligent coordination, monitoring, and management of progress and benchmarks over time. In the EU accession cases, this was provided by dedicated offices in the EU, with corresponding senior State Department leadership and a dedicated office for the Newly Independent States of the former Soviet Union. Creativity and good sense would be required in building such mechanisms; one could imagine a core group of U.S. senior officials working alongside the State and Defense Departments, a dedicated EU official, an IFI representative, and a UN envoy, who would jointly form the counterpart group for a country’s sovereignty strategy.

Finally, it would require a frank examination of the extent to which such an operation would be in the interest of the actor adopting it (whether the United States, the European Union, or the UN Security Council’s five permanent members).²¹ Five to ten countries that fit the policy priorities of the leading country or grouping could be selected.

Many countries over the last few decades have been able to restore, recover, or establish state functions. Historians can debate why and how such recovery is enabled. Certainly, some recoveries will depend on a rare combination of people, events, and conditions that align to create an opportunity. However, two underlying factors seem to be common. First, in most countries, there exists a basis of institutional “muscle memory,” including laws, practices, and trained personnel from a prewar era that provide an institutional basis for recovery. This baseline is often ignored. Second, behind many earlier eras of institution-building projects lies a set of doctrines, practices, and people. Many of these doctrines, authorities, and

capabilities already exist today, but are not necessarily in common usage or known to the current generation of policy-makers – a problem exacerbated in recent years in the U.S. context by the shift from the doctrine of DIMEFIL (diplomatic, informational, military, economic, financial, intelligence, and law enforcement) and PMESII (political, military, economic, social, information, and infrastructure) to the perhaps more limiting 3D construct of diplomacy, development, and defense. The international community would likely discover greater leverage in crises and conflicts and therefore open up a broader range of options by returning to some of these former doctrines. Many of the people who operated them in the institution-building projects of an earlier era are still alive, and capturing their oral histories would be a worthwhile endeavor.

The particular challenges of a given context will necessarily inform whether or not such an approach will have a good chance of success, at a given point in time. Three examples of circumstances that will not allow for such an approach are when a country is in the height of conflict, when a regime is particularly entrenched in a period of rent-seeking, or when the interests between internal and external forces are misaligned. As Francis Fukuyama analyzes in his case study on England, preconditions of a culture of lawfulness and a set of rule-of-law institutions were essential before a successful elite deal could endure.²²

But in some cases, in which there are political inflection points and the formation of new peace agreements and their terms, and in which the resources that pay for the costs of the state are provided from outside and thus strong conditionality is an option, there is a basis for consideration of this approach. In some cases, a reformist leadership will create a significant opening for this type of approach. In most cases, there also exists a technical space of operation in

the bureaucracy, which, with some leadership support, can allow for the building of institutional capability. Finally, the experience of EU accession demonstrates that the incentive of EU membership with public pressure as well as international oversight to obtain certain standards acts as a powerful incentive for institution-building. The question is whether comparable incentives can be provided in areas in which EU accession is not possible.

The particular challenges of corruption and criminality must also be recognized. Where corruption and criminality are entrenched, the headwinds against reform programs will be very strong. But these are precisely the circumstances that will require the establishment of rule-of-law institutions to tackle crime and the means to manage public finance with diminishing leakage.

Often, the political settlement and the handing over of the sovereign authority of the country to a small group of actors is treated as a given and immovable constraint. This needs to be questioned. Groups are often put into positions of power from the very terms of the peace agreement, which often ossifies political actors, policies, and structures in place with little hope of change over time. The Dayton Agreement is a prime example of this. A survey of the recent history of peace agreements shows that the repertoire of peace-making and the terms of peace deals are much broader, and actually show that many peace agreements may have made short-term accommodations, but built in mechanisms to alter the political arrangements and create the space for a different destination and a different type of politics to emerge.²³ External actors often have far more leverage, particularly in limiting access to budgetary resources, than is commonly appreciated.

The question of affordability and cost-effectiveness should be considered in terms

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Sovereignty Strategies of the relative costs and benefits of the three models in question. The costs of large-scale intervention can be seen in the form of the interventions in Afghanistan and Iraq, as well as the large-scale humanitarian and peacekeeping efforts in Somalia, South Sudan, and Libya. Estimates suggest that, as of August 2016, the United States has appropriated, spent, or is obligated to spend around \$3.6 trillion on its involvement in conflicts in Iraq, Afghanistan, Pakistan, and Syria, as well as for homeland security (2001 to FY 2016).²⁴ The United Nations Mission in the Republic of South Sudan has a budget of over \$1 billion for FY 2017 alone, while concurrent peacekeeping efforts in Somalia, including the United Nations Support Office in Somalia, the United Nations Assistance Mission in Somalia, and the African Union Mission to Somalia, had an aggregated budget of just under \$1 billion in 2017.²⁵ Security efforts in Libya continue to require significant support.

The costs of a very limited model (Approach C) will be small in direct outlays. However, the second- and third-order effects of neglect, disengagement, or occasional engagement may have larger costs and, at times, will have catastrophic costs in terms of the loss of human life and of the destruction of a range of forms of capital. Putting a price tag on these may be difficult, but they must be counted if a cost-benefit analysis is to be complete.

A sovereignty strategy will have some costs in direct outlays, notably in building security forces, but many attributes are low-cost or cost-neutral, because they are catalytic and leverage existing resources. Furthermore, if a sovereignty strategy is successful, it will have a high return on investment, with the benefits accruing to the investors and the broader global community many times over.²⁶

The potential wealth in natural capital of the countries currently in conflict is immense; some 80 percent have a significant

capacity to generate income if their assets are appropriately harnessed. Evidently, many of these resources are not being used as legitimate economic assets, but rather are being diverted through the illicit and informal economy to drive a war economy and a criminal industry, and to fuel political competition. Ensuring that a greater share enters the legitimate economy and contributes to a value-add economy rather than a rent-seeking economy to underpin job creation, and is captured as legitimate revenue, will have several self-evident benefits.

There is also abundant global capital available. Data show that government expenditures of the Organisation for Economic Co-operation and Development (OECD) member countries have actually been following an increasing trend from 2009 to 2015. In 2009, expenditures in OECD member countries were \$8.316 trillion and, in 2015, these expenditures rose to \$8.576 trillion (both years measured in constant 2010 U.S. dollars).²⁷ Between 2009 and 2015, there were only two years in which government expenditures ticked down from the previous year: 2011 and 2013. Otherwise, since 1970, each year has seen an increase of government expenditure among OECD members.²⁸ The availability of private global capital looking for investments – particularly in infrastructure – runs into the trillions of dollars.²⁹

Reducing the risk profile of countries through confidence-building measures as well as institutional change can release significant capital investments from both domestic savings and external investors. Colombia, Nepal – with India's investments into its “White Gold” – and Rwanda are three cases in point.³⁰ Some of this capital is risk-averse and only a small portion will be available to flow to the conflict-affected countries. But for many investors, there are ways to reduce and manage risk, and for some, the same set of countries are the emerging markets of the future.

There already exist a number of funds that have an international buy-in and burden-sharing construct. The World Bank's International Development Association (IDA) addresses development challenges of the world's poorest countries, providing loans at either zero or very low interest rates and stretching repayments over twenty-five to forty years. The most recent round of the IDA's replenishment, which concluded at the end of 2016, resulted in a record \$75 billion commitment toward the world's poorest countries and doubled resources to address fragile and conflict-affected states, amounting to over \$14 billion.³¹ These resources are earmarked to help countries emerging from conflict recover, address the root causes of conflict, build institutions, and follow the road to stability and prosperity.

A series of interviews with Special and Personal Representatives and Envoys of the Secretary-General supervising the implementation of peace agreements between 1985 and 2005 revealed that all of them admitted that the most significant lacuna in peace implementation, and the one that contributed to a relapse of the conflict, was the lack of attention to public financial management and revenue and the regulation of economic activity. They gave the following three reasons.³² First, the promises in a peace agreement would be empty unless they were underwritten by budgetary allocations to the country's budget. Second, an economy doesn't wait until peace

and security are institutionalized, but rather an informal or criminal economy already operates every day and will undermine the politics of legitimacy unless it becomes a serious focus of policy effort. Third, if young men don't have jobs, it would fuel a relapse into conflict. The costs could often be met by the country's budget, as many have observed, which is vastly cheaper than external actors providing the same service.

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With some notable exceptions, the United States, the UN, and their allies and partners are not putting their best foot forward in practice when they engage, as they will continue to do, in contexts affected by conflict. Rather, all too often, their engagements have been captured at the level of implementation by commercial interests and blunted by a lack of attention to detail. The academic and policy community has not yet had a careful retrospective to examine why some country transitions and transformations have succeeded, and others fared less well, to draw out practicable and implementable lessons. This essay points to one family of approaches that has proven less costly and more effective than either big aid or a minimalist approach. Yet these strategies have not yet been given serious, mainstream attention. If this approach were to be taken seriously, the accumulated knowledge from the last several decades could be examined and brought together, with some of the finest minds and practitioners assembled and dedicated to the task.

ENDNOTES

¹ A fuller exposition of a sovereignty strategy and its characteristics is set out in Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World* (Oxford: Oxford University Press, 2008).

² For a representative discussion on building legitimacy, see David Roberts, ed., *Liberal Peace-building and the Locus of Legitimacy* (New York: Routledge, 2015).

³ See United Nations, "Uniting Our Strengths for Peace – Politics, Partnership and People," Report of the High-Level Independent Panel on United Nations Peace Operations (New York:

- Sovereignty Strategies* United Nations, 2015); United Nations, “The Challenge of Sustaining Peace,” Report of the Advisory Group of Experts for the 2015 Review of the United Nations Peacebuilding Architecture (New York: United Nations, 2015); and Carnegie Corporation of New York, *Preventing Deadly Conflict: Final Report* (New York: Carnegie Corporation of New York, 1997).
- ⁴ See Richard Gowan and Stephen John Stedman, “The International Regime for Treating Civil War, 1988–2017,” *Dædalus* 147 (1) (Winter 2018).
- ⁵ There are many who have argued that the Special Inspector General for Afghanistan Reconstruction has, at times, been extreme in its critiques and engaged in cherry-picking the data it collects. This essay argues that the basis for such critiques do exist in reality, given the poorly planned and executed nature of much aid programming.
- ⁶ Ronald E. Neumann, “Implementation: A New Approach to Multinational Coordination in Afghanistan,” Policy Analysis Brief (Muscatine, Iowa: The Stanley Foundation, 2008).
- ⁷ See Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, Mass.: Harvard University Press, 1970).
- ⁸ Tanja A. Börzel and Sonja Grimm, “Building Good (Enough) Governance in Postconflict Societies & Areas of Limited Statehood: The European Union & the Western Balkans,” *Dædalus* 147 (1) (Winter 2018).
- ⁹ Council on Foreign Relations and Inter-American Dialogue, *Toward a Greater Peace and Security in Colombia: Forging a Constructive U.S. Policy* (New York: Council on Foreign Relations, 2000).
- ¹⁰ Jean-Marie Guéhenno, “The United Nations & Civil Wars,” *Dædalus* 147 (1) (Winter 2018).
- ¹¹ My colleagues and I at the Institute for State Effectiveness have undertaken a series of case studies to analyze the prioritization and sequence of core functions in building successful societies. Case study series can be found at Institute for State Effectiveness, www.effectivestates.org.
- ¹² Scott Guggenheim, “Crises and Contradictions: Understanding the Origins of a Community Development Project in Indonesia,” Working Paper (Washington, D.C.: The World Bank, 2015); and The World Bank, “Colombia – Magdalena Medio Regional Development Project” (Washington, D.C.: The World Bank, 2001).
- ¹³ Thomas Risse and Eric Stollenwerk, “Limited Statehood Does Not Equal Civil War,” *Dædalus* 147 (1) (Winter 2018).
- ¹⁴ Renata Dwan and Laura Bailey, “Liberia’s Governance and Economic Management Assistance Programme (GEMAP)” (Washington, D.C.: The World Bank, 2006).
- ¹⁵ Gowan and Stedman, “The International Regime for Treating Civil War.”
- ¹⁶ Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (Princeton, N.J.: Princeton University Press, 1999).
- ¹⁷ Roy Godson, “Guide to Developing a Culture of Lawfulness,” *Trends in Organized Crime* 5 (3) (2000).
- ¹⁸ William Reno, “Fictional States & Atomized Public Spheres: A Non-Western Approach to Fragility,” *Dædalus* 146 (4) (Fall 2017).
- ¹⁹ Ashraf Ghani and Clare Lockhart, “Writing the History of the Future: Securing Stability through Peace Agreements,” *Journal of Intervention and Statebuilding* 1 (3) (2007).
- ²⁰ International Dialogue on Peacebuilding and Statebuilding, “The New Deal,” <https://www.pbsdialogue.org/en/new-deal/about-new-deal/>.
- ²¹ Even the Marshall Plan, while designed as an altruistic development plan, was also conceived as a plan firmly in the U.S. national security interest. See George Kennan, “Certain Aspects of the European Recovery Problem from the United States Standpoint,” Top Secret Supplement to the Report of the Planning Staff (now declassified), July 23, 1947.
- ²² Francis Fukuyama, “The Last English Civil War,” *Dædalus* 147 (1) (Winter 2018).

²³ Ghani and Lockhart, “Writing the History of the Future.”

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²⁴ Neta C. Crawford, “US Budgetary Costs of Wars through 2016: \$4.79 Trillion and Counting: Summary of Costs of the US Wars in Iraq, Syria, Afghanistan and Pakistan and Homeland Security,” Costs of War Project, Watson Institute for International and Public Affairs, Harvard University, September 2016.

²⁵ The United Nations Support Office in Somalia received an approved budget of \$574,304,900 for FY 2017; the United Nations Assistance Mission in Somalia cites an annual budget of roughly \$48,000,000 (2014); and the African Union Mission in Somalia’s budget for 2017 was \$335,965,041. United Nations, General Assembly, “Approved Resources for Peacekeeping Operations for the Period from 1 July 2016 to 30 June 2017,” A/C.5/70/24, June 22, 2016; United Nations Assistance Mission in Somalia, “UN SOM Snapshot,” June 3, 2014; and African Union Commission, *2017 Budget Overview Paper* (Addis Ababa, Ethiopia: African Union Commission, 2016), 4.

²⁶ The Institute for State Effectiveness is currently undertaking work to understand and measure the return on investment in a project that is forthcoming.

²⁷ The World Bank, “General Government Final Consumption Expenditure (Constant 2010 US\$),” <http://data.worldbank.org/indicator/NE.CON.GOV.T.KD?end=2015&locations=OE&start=2007>.

²⁸ Ibid.

²⁹ Aaron Bielenberg, Mike Kerlin, Jeremy Oppenheim, and Melissa Roberts, “The Next Generation of Infrastructure,” McKinsey and Company, March 2016.

³⁰ Gopal Sharma, “UPDATE 1-India’s Modi offers Nepal \$1 Billion Loan in Regional Diplomacy Push,” Reuters, August 3, 2014, <http://www.reuters.com/article/india-nepal-idUSL4NoQ9O6F20140803>.

³¹ The World Bank, “Global Community Makes Record \$75 Billion Commitment to End Extreme Poverty” (Washington, D.C.: The World Bank, 2016).

³² Ashraf Ghani, Clare Lockhart, and Michael Carnahan, *Rebuilding Post-Conflict Societies: Lessons from a Decade of Global Experience* (Washington, D.C.: Institute for State Effectiveness, 2005).