An Agenda for State-Building in the Twenty-First Century

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INTRODUCTION

Stability in the twenty-first century will only be achieved when trust is established between citizens and their states across the globe. Decades of persistent conflict have exposed millions of people to insecurity, loss of opportunity, and increased risk of falling into poverty. Failure or fragility of the state has been at the heart of this crisis of governance and human rights violation.

Loss of legitimacy is the primary cause of the fragility and failure of states. The vicious cycle begins with loss of trust in the state to create an inclusive political, social, and economic order made predictable by rule of law. Some of the markers coincident with loss of legitimacy are: an increase in illegality, informality, and criminality in the economy; ineffective delivery of basic services; failure to maintain or expand essential infrastructure; increase in corruption; and appropriation of public assets for private gain. As a result, administrative control weakens and the bureaucracy is seen as an instrument for abuse of power, in turn leading to a crisis in public finances—where both revenue and expenditure are unpredictable and budgeting becomes an exercise in emergency management. The ultimate

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marker is the loss of legitimate use of violence by the state and emergence of armed groups that openly mock the authority of the state and gain control of various areas of the country.

Loss of control by states over their functions or territory has taken place through a variety of ways: institutional disintegration at the center (as in Nepal); separatist movements in multiethnic states (Yugoslavia, Ethiopia); persistent conflicts (Democratic Republic of the Congo, Liberia, Somalia, Uganda in the 1980s); intense repression to quell dissident movements (El Salvador, Guatemala, Sudan); and foreign invasions (Afghanistan, Lebanon).

The legacy of the Cold War has been an important contributing factor. During that period, political, military, and financial resources were provided to unrepresentative regimes depending on their orientation toward the then-superpowers. Accountability, effectiveness, transparency, and rule of law—the interlinked concepts that are now considered the basis of good governance and economic development—were absent from the lexicon of the Cold War. The emphasis of external support was on personalization of rule rather than on institutionalization of authority, as particular individuals were considered the lynchpins of alliances. Those demanding accountability were imprisoned, marginalized, or repressed, and some developed countries allowed their banking systems to be used to launder stolen public funds. As a result, a systematic dismantling of state institutions and the diversion of massive public assets for private gain took place in a large number of countries. With this external support removed at the end of the Cold War, these regimes have since shown their fragility, proven unable to embark on processes of reform to rebuild the institutions of the state and, accordingly, continued to repress the aspirations of their people.

Despite expenditure of billions of dollars and deployment of tens of thousands of international peacekeepers, the risk of state-failure in fragile states or in postconflict countries remains high. About 50 percent of countries that have entered a peace agreement after persistent conflict have descended to conflict again within 10 years. [1] In our view, there are four major reasons for the failure of the international community to deal successfully with the challenge of failing and fragile states. First, the constellation of factors that assume a distinctive institutional pattern in countries in persistent conflict has not been analyzed. Second, as a result, the nature of the transitions required from persistent conflict to sustainable peace has not been recognized. Third, the necessary functions of a state that afford

it legitimacy, both at home and abroad, have not been delineated and agreed upon. Fourth, as building of inclusive states has not been the goal of international political, development, and security organizations, their interventions have been pursued in stovepipes, and policies and practices designed for more stable states have often had the unintended consequence of undermining state-building programs.

In this paper, we propose first to offer an anatomy of the institutional patterns that arise from persistent conflict. We examine the challenge of transitions from conflict to stability, posited as being similar in magnitude and complexity to the problem of transition from a command to a market economy and from an authoritarian system to a democratic polity. We then delineate 10 functions that an inclusive state needs to perform in today's world and outline an approach to creating state-building strategies. We conclude with some observations on the roles that the international system can play in supporting these state-building strategies.[2]

A closer look, however, reveals an institutional syndrome of formal and informal relationships under conditions of persistent conflict.

A comprehensive discussion of a development strategy with state-building as its ultimate goal requires equal attention to the creation of the market and the constitution of civil society because functioning states, markets, and civil societies are all essential ingredients of a developmental paradigm. As civil societies and markets depend by definition on the existence of a stable and functioning state for their security, an enabling environment, the first rounds of this discussion are focused on the state. A series of similar discussions would need to engage the topics of the market and civil society in order to complete the picture.

THE INSTITUTIONAL SYNDROME OF PERSISTENT CONFLICT

Whereas the notion of the state conveys order and stability, persistent conflicts are associated with disorder. A closer look, however, reveals an institutional syndrome of formal and informal relationships under conditions of persistent conflict.[3] As every conflict is unique, the weight and combination of each of these factors will vary, but basic characteristics of a postconflict syndrome can be distilled from the analysis of patterns across multiple cases.

This syndrome is characterized by: (1) emergence of armed groups that engage in conflict with each other; (2) strong regionalization within the country, with particular concentration on resource-rich or ecologically difficult terrain suitable for guerrilla movements; (3) networks of support and provisioning that often operate on the margins of the law; (4) relations with neighbors that often assume the form of patron-client dependence and have a tendency to give rise to humanitarian crisis; (5) opaque decision making, dependence on charismatic leaders, and the dominance of a small elite; and (6) erosion of and loss of trust in state institutions. The politics of anti-colonial or anti-authoritarian resistance movements often stand in sharp contrast to this syndrome, as the objective of those movements was the takeover of state institutions from colonial or authoritarian states.

TABLE 1: PATTERNS OF PERSISTENT CONFLICT

1. The emergence of armed groups
2. Regionalization of national territories and identities
3. Private networks of support
4. Ungovernable flows of people and aid across borders
5. Opaque decision making and dominance by a small elite
6. Erosion and loss of trust in formal state institutions

Persistent conflict crystallizes these patterns in a way that serves the interests of various stakeholders, and these patterns therefore become institutionalized. If the relationship between these informal rules of the game and the interests of stakeholders is not correctly analyzed and addressed, the goal of building stable states could be seriously compromised. Identification of these patterns will help avoid two common traps: the call for a return to a golden, preconflict age, as remembered particularly by exiles, and the assumption that a postconflict condition is a *tabula rasa* where anything can be written. A more detailed examination of the components of the syndrome follows:

Armed groups, largely composed of young men trained in use of violence, are formed into organizations pursuing power and wealth. The resulting militarization of society devalues distinction through education or other pursuits. Generally sidelined from public life, women pay a heavy toll for persistent violence, both in denied opportunities and direct abuse. The armed groups are usually organized around a charismatic leader and

do not develop formal administrative structures. Their relationships with the civilian population range from demands for food, logistics, and housing to forced military service. Sometimes these groups also offer community protection from predatory security forces associated with repressive governments.

As persistent violence usually produces stalemates, **control of territory** is ephemeral and continually shifting. These constant shifts in territorial control result in a lack of developed administrative and judicial systems in armed groups' nominal areas of control.[4] Nonetheless, they are capable of denying territorial access to rival governments. With control of different areas falling to different groups, regional identities can become oppositional. The category of citizen weakens and is replaced by the identities of patron-client, resistance-oppression, and regional power-holders.

Armed groups require a **supply of arms and provisions,** the flow of which may continue even after a peace agreement has been reached. In most conflict conditions, local and global networks have combined to provide arms to groups that can pay for them. Payment for arms, in turn, has brought about a focus on those commodities that fetch high values on the international market, ranging from antiquities, timber, and drugs to precious stones, such as diamonds and emeralds. Armed groups therefore forge persistent alliances with economic actors, who either engage directly in illegal activities or tolerate doing business with illegal networks. It is these relations that have often resulted in the criminalization of postconflict economies. Dealing with these actors is thus an important challenge, both for the international community and reformers. Persistent violence also results in militarization of public revenue, which often leads to the privatization of public revenue in the postconflict phase. Trade in nearly all postconflict conditions is taxed by armed groups, and due to the absence of hierarchical organizations, the boundaries between public and private use of resources are blurred.

The involvement of **neighboring countries** with a failing state can range from direct support for one or more of the warring factions to acting as mediators and catalysts for the peace process. Several other aspects of this relationship also stand out. Refugees are an inevitable product of any conflict and, depending on the conflict's intensity and duration, the flow of refugees to neighboring countries can become an important aspect of the conflict itself. Repatriation of these refugees during the postconflict phase and the humanitarian support required during conflict are part of

the pattern of conflict. Groups of exiles, ranging from laborers to intellectuals and politicians, form in neighboring countries, as much of the human capital of a country in conflict usually flees to neighboring nations. The relationship between armed groups and neighboring governments becomes one of client to provider, resulting in demands for special privilege by the neighboring governments after the conflict ends.

As security conditions often prevent the deployment of the **humanitarian community** in fragile states, an entire infrastructure of logistical support develops in neighboring countries to deal with complex humanitarian emergencies. Prevented from working inside a conflict country, the humanitarian community instead engages intermediaries from the country and its neighbors to act as supervisors and managers of its operations inside the country. Actors in these networks have to confront and come to terms with the reality on the ground and find modalities of accommodation with the armed groups that control territories where humanitarian aid needs to be delivered. While externally such actors may embrace the ideal of civil society, it should be clear that the context of their operation is not always governed by norms that allow and promote the degree of accountability required by the notion of civil society.

Secrecy permeates the operations and thinking of armed groups, as their survival depends on it. When strongmen become the key mediators of resource acquisition from neighbors and other powers, they become patrons determining economic opportunity through redistribution of spoils, rather than leaders accountable to their followers for their actions. Family members, close kin, and affiliates of such strongmen are part of the network of mobilization and redistribution of resources and thereby are partners in movements that resemble private enterprises. As representatives of these groups constantly seek access to the powers that be, their first interlocutors are members of intelligence agencies, who are often the only individuals professionally assigned to track and analyze the activities of such armed groups. Transactions in such conditions typically offer cash or other commodities and are often based on a handshake. As a result, when people who have become leaders under such circumstances face the demands of international aid organizations for transparency and accountability, they may find the transition rather difficult.

Loss of trust among actors within a society and between members of a conflict-affected society and external actors is a strong legacy of this syndrome. Consequently, both in the design and implementation of

peace and political agreements, serious attention must be paid to short, medium, and long-term measures that would not only engender trust, but also contribute to confidence-building among the key decision makers and the citizens.

The politics of resistance has other patterns. Resistance flows from systematic patterns of exclusion. In the Organization for Economic Co-operation and Development (OECD) countries and former colonial states, resistance movements often mobilized specific stakeholders around social agendas of inclusion and working conditions or around political issues, such as voter eligibility and broadening of citizenship rights. These popular movements were eventually met by state accommodation, resulting in strengthening of the bond between citizen and society, which increased rule of law and delivery of citizenship rights and

Resistance flows from systematic patterns of exclusion.

strengthened state institutions. In fragile and conflict-affected conditions, the root causes are similar, as politics of resistance present the legitimate and systematically denied demands of certain segments of the population for inclusion. The difference, however, is that state institutions are too weak in these conditions to repress and not open enough to accommodate. Thereby, the violence of both resistance and repression becomes randomized and privatized, and the vicious circle of institution weakening deepens.

THE NATURE OF TRANSITIONS FROM CONFLICT TO PEACE

What are the implications of these patterns for the subsequent transformation process? The patterns delineated above provide a constraint to state-building, which can be removed but must be recognized. The challenge is that the creation of institutions that fulfill citizens' aspirations to lead secure lives requires rupture and transformation of the institutional syndrome formed during the conflict period. Actors that have been empowered and networks created during the conflicts of the 1970s to the 1990s may persist to determine the dynamics of state, market, and civil society institutions in the postconflict period.

Movement from persistent conflict to stable peace requires coming to terms with both the patterns formed during conflict and the root causes of conflict. Other actors—both domestic and international—in a postconflict

context may not have an understanding of underlying causes of conflict, but their well-meaning recommendations and actions, derived from more stable environments, could exacerbate tensions and undermine the pursuit of stability. International actors cannot simply resume their activities after a period of absence, behaving as though the period of conflict has been a temporary hiatus and accepting that those in positions of authority in immediate postconflict conditions have the legitimacy or capacity to govern. Far from being a *tabula rasa,* the conflict syndrome makes the task of institutional reform urgent; hence the need for state-building strategies.

Whether marked by a political settlement or peace agreement, the cessation of hostilities is only the beginning of a series of simultaneous transitions. Ten such transitions are outlined here, although others may be evident in different contexts. Unless this multiplicity of transitions and the need for an overall strategy of state-building are recognized and acknowledged as central goals, interventions based on lessons learned from more stable contexts are likely to produce unintended consequences that could obstruct the path to peace and lead to renewal of conflict. It is apparent that there is a range of types of transition that may confront domestic and international actors in the immediate wake of a political settlement.

TABLE 2: TRANSITIONS FROM CONFLICT/ FRAGILITY TO STABILITY

conflict —	politics and security
charisma —	management
opaqueness —	transparency in the management of public finances
absence of service delivery —	nurturing of human capital
oppositional identities —	citizenship rights and formation of a civil society
destruction —	creation of infrastructure
subsistence and war economy —	a market economy
diversion and privatization of state assets —	creation of public value
marginalization and illegitimacy —	international relations as a responsible member of the international community
rule of the gun —	rule of law

For politics to replace conflict as the means of resolving differences, critical actors must both agree on mechanisms for voicing and resolving disputes without recourse to violence and establish organizations that guarantee a monopoly on the means of violence. The nature of the political agreement entered into upon the cessation of hostilities, its objective, its time horizon, and the resources mobilized for its realization therefore are critical in determining whether the outcome is a virtuous circle of stability and prosperity or a vicious circle of descent to conflict. A peace agreement should therefore be distinguished from a political agreement. While the former is about the laying down of arms, the latter is about a path to enfranchisement of the voiceless majority and gradual expansion of the civic, political, and economic space for the emergence of new actors and relationships. Unless the root causes of a conflict are addressed, a political agreement establishing the dominance of one of the contending parties is only creating an interlude between conflicts.

When embodied in a constitution that has been the result of a political process of consensus-building, the probability that these rules will lay the basis for stability is increased. Regular elections will provide the ultimate test of whether the rules enshrined in the constitution will become the formal or actual rules of the game. Limited terms of office for heads of state will be an extremely important issue to avoid personalization of power.

In preparing a political agreement, a careful balance must be struck between bringing into the political process existing actors who control the means of violence and the gradual enfranchisement of other interest groups and broader society. Success of the political process depends on the attention paid in the political agreement to balancing short, medium, and long-term horizons; on the nature of the external forces, particularly military, that can be enlisted to lend confidence to launching an implementation process; on the mobilization of human and material resources; and on the negative specter of sanctions. Realistic, achievable benchmarks that are tied to specific dates can be critical instruments for creating momentum and reinforcing trust in the process. Care must be taken not to freeze the existing arrangements; rather, a political transition can harness time to a sequence of decisions that increasingly empower those stakeholders that believe in the process through the creation of formal institutions. A focus on future goals that people can strive for, through a road map, can become the route toward trust and confidence in the process.

PROPOSED FRAMEWORK FOR FUNCTIONS OF THE STATE

While a peace agreement may provide the foundation for cessation of hostilities, the rupturing of the conflict syndrome and the creation of an inclusive political, social, and economic order embodied in rule of law require a broader focus on a strategy of state-building. There are five reasons for this focus. First, states are the constituent units of the international system, and the strength of any system is judged by the fragility of its weakest links. Global security and well-being are now critically dependent on functioning states. Second, both international and national law recognize and depend on the state as a mechanism to create rights and obligations. Third, as the state is an object of loyalty and sentiment of its citizens, it is still the most effective mechanism for creation and enhancement of security. Fourth, both competitive markets and vibrant civil societies depend on capable states for creation of their enabling environments. Fifth, poverty cannot be reduced or eliminated without the mobilization of citizens around agendas of wealth creation and investment in human security. The pivotal role of the state at this juncture of world history requires clear delineation of functions to be performed by the state in the twenty-first century.

Global security and well-being are now critically dependent on functioning states.

Up to this point, the dominant response to these multiple transitions has been a proliferation of separate initiatives and operations, separately designed by actors grounded in different organizational cultures, usually in reaction to immediate needs and pressures that carry inherently short-term time horizons. This mode of operation is both ineffective—as witnessed by the reversion of a significant number of countries from situations identified as postconflict to conditions of persistent conflict—and inefficient, since resources mobilized for single initiatives do not leave sustainable solutions to the overall challenge facing the country. For a country to move from conflict to stability, it must build a state that fulfills the aspirations of its citizens for inclusion and development. Until there is agreement on the functions to be fulfilled by the state in the twenty-first century, actors' energies will not be harnessed to this goal and will work at cross purposes.

What is the role of the state in the twenty-first century? It is to produce and re-produce an inclusive political, social, and economic order

underwritten by the rule of law. In today's interdependent world, states must perform a constellation of interrelated functions ranging from provision of citizenship rights to promotion of the enabling environment for the private sector. This is in marked contrast to the one-dimensional function of ensuring security, which states performed in the nineteenth century. This section outlines 10 core functions we propose a state must perform in the modern world.

TABLE 3: THE 10 FUNCTIONS OF THE STATE

1. Legitimate monopoly on the means of violence
2. Administrative control
3. Management of public finances
4. Investment in human capital
5. Delineation of citizenship rights and duties
6. Provision of infrastructure services
7. Formation of the market
8. Management of the state's assets
   (including the environment, natural resources,
   and cultural assets)
9. International relations
   (including entering into international contracts
   and public borrowing)
10. Rule of law

A **legitimate monopoly on the means of violence** has long been accepted as the primary criterion of statehood. In practice, this criterion has often been reduced first to a simple monopoly on violence and then to little more than control of a capital city. Control of the army, in practice, became a new norm during the Cold War, where all opposition was suppressed, and large areas of territory took arms against authorities, leaving only the capital under their control. However, it is the legitimacy of the state's monopoly on violence, as perceived by the citizens of the state, that is the key to using this monopoly as a criterion of statehood; if the polity rejects the legitimacy of the state's monopoly on violence, then that monopoly is inherently unstable. Therefore, the state's monopoly on the means of violence must be balanced by the presence or creation of credible institutions providing checks and balances on the use of force, and the

state itself must be constituted through, and accountable under, the rule of law. In states that do not fulfill their sovereign functions, military spending and related security expenditures typically continue to increase, without being transparent to the citizens or the international community, nor producing any security or peace dividends. In measuring the degree of state control over the means of violence within state borders, then, both the extent to which the state can protect persons and property, along with the legitimacy of this protection, must be assessed.

Administrative control, as defined by both the breadth and depth of a state's authority over its territory, is the second dimension of sovereignty. In order to establish and maintain administrative control, a state requires the following: the existence of a coherent set of rules determining the division of responsibilities horizontally and vertically across functions of the state and between hierarchical levels; the recruitment and regulation of civil servants; the spatial and functional division of administrative roles; and flows of resources. The extent to which a state's citizens accept that the promulgation and enforcement of these rules serves the interest of the majority is crucial to engendering trust between the state and its citizens and to giving citizens a sense of belonging. Sound administration requires predictable, transparent, and accountable decision making, with appropriate participation from citizens at every level of government. This function could also include information management and regulation of the media. In the modern era, there are immense opportunities to rethink the way information is collected, analyzed, and used to inform policymaking.

Sound **management of public finance** in today's interdependent world is probably the most critical indicator of a state's autonomy. No state can be sovereign while it relies on an external source to fund its ongoing operations. The ratio of domestic revenue to foreign assistance in a state's budget at any given moment, and the changes in this ratio over time, provide a straightforward measurement of the degree of state sovereignty and whether it is increasing or decreasing. Revenue trends—such as the number of taxpayers, the share of revenue received by the government from extractive industries as compared to more broadly differentiated economic activities, and even the relative share of rent obtained by the government from extractive industries such as oil—reveal the major characteristics of an economy's relation to its polity. On the expenditure side, the extent to which the government budget serves as the instrument for setting the country's priorities, the balance between ensuring growth and expenditure on service

delivery through redistribution, the extent to which the budget is subject to formal oversight by the legislature and judiciary, and the extent to which the budget is substantively transparent to the citizens of the state denote the effectiveness of the state in both wealth-creation and the redistribution of resources. The test of whether rents from extractive industries are included in public budgets or transacted off-budget can serve as a key measure of the accountability of rulers to their citizens.

The capability of citizens as actors in the economy, polity, and society is a product of the state's **investments in human capital.** Without these investments, different groups become disenfranchised, which undermines the economy's capacity to develop in the long term and, therefore, the state's capacity to fund itself in the future. The degree of consensus on the importance of a primary education, particularly for girls, is so broad that it does not bear repetition. The same is true of preventive health care. The importance of secondary and tertiary education in postconflict conditions, however, is not yet adequately recognized. Without higher education geared toward producing responsible citizenship and marketable skills in the economy, neither administrative reform nor competitiveness can be realistic goals. In a postconflict context, where there is likely to be a lost generation of youth denied an education, special attention to policies for youth is imperative.

Sound management of public finance in today's interdependent world is probably the most critical indicator of a state's autonomy.

The delineation of **citizenship rights and duties** that cut across gender, ethnicity, race, class, spatial location, and religion are critical to stability and prosperity. When social policy is perceived as an instrument for the creation of equality of opportunity, the social fabric can form a sense of national unity and a shared belief in common destiny, rather than giving way to other fields of oppositional identity. Social policy changes the emerging state from a mere organization into the community of sentiment and common practice that underlies the nation-state.

Investment in the **provision of infrastructure services** through the creation, operation, and maintenance of infrastructure is critical to overcoming inequalities of opportunity across the territory of a state and leveling the playing field between urban and rural areas. Providing transportation, water, and power are prerequisites to the state's ability to

provide security, administrative control, investment in human capital, and formation of the market. As the global economy depends on just-in-time production and distribution, the existence and management of reliable infrastructure is required for participation by a state and its citizens in the global economy and information networks.

While infrastructure is a prerequisite for the **formation of the market,** provision of an environment that enables the formation and expansion of the legal market has emerged as one of the most important functions of the state. This enabling environment depends on the establishment and protection of property and land rights, including the provision of enforceable contract, corporate, insurance, bankruptcy, land, employment, and environmental laws. Experience in postconflict conditions suggests that the market cannot be taken for granted as an institution; rather, in the absence of conditions that enable a functioning market, it is likely that criminalized networks will dominate the economy. In many countries, agricultural production, the extent to which value is added to products through the processing chain, and access to international markets are important measures of the performance of this function.

Experience in postconflict conditions suggests that the market cannot be taken for granted as an institution; rather, in the absence of conditions that enable a functioning market, it is likely that criminalized networks will dominate the economy.

A market economy is premised on the notion that wealth creation is boundless. Management of tangible forms of capital, such as natural resources and financial capital, is the obvious first target of wealth creation. However, **management of the assets** of the state—specifically, the state's ability to regulate and license—may in the long run be even more significant. How the state handles the licensing of particular industries will determine whether wealth is created or destroyed through the licensing process and will also give a clear indication of the nature of the state's governance both to the domestic polity and the international observer. In today's connected world, regulation plays an increasingly important role for harmonization in the global market (e.g., through quality standards) and therefore in the participation of citizens in value chains that produce greater wealth creation.

The state's authority over **international relations** enables it to enter into a series of international agreements, including membership in international organizations, treaties with other sovereign entities, agreements with corporations, and securing of credit from international markets. Effective **public borrowing** provides an opportunity for the state to make investments in human, physical, institutional, and social capital. If these investments are made wisely, their future returns will generate more than enough resources to cover the debt service and repayments associated with the initial loans. The financial health of the state and its effectiveness in managing risks and opportunities with public resources are subject to routine evaluation by international risk agencies (such as Moody's). The ability of a state to borrow from the international market is an indicator of the degree of trust placed in its financial stewardship. Concessional lending from international financial institutions and bilateral donors was designed to alleviate poverty and ensure the growth of healthy states. With the current crisis of indebtedness among the poorer states, however, the ratio of a state's debt service to social expenditures can serve as another measure of how public financial assets are being managed.

As all institutions are defined by the rules that delineate the field of play, the **rule of law** is the most critical indicator as to whether the formal rules are adhered to in practice. While a state capable of providing predictable rule of law can be denoted a stable policy environment, it is the constitution of the state itself through rules and its continuing subjection to them that marks the routinization of the rule of law.[5] The succession of rulers on the basis of rules and the persistence of policies from one government to another are good ongoing measures of the rule of law. As long as rulers and politicians at various levels of state authority are voted in and out of office by preference of the citizens, the stability of the system of governance will not become an issue of concern to investors and citizens. Another indicator of the routinization of the rule of law is the extent to which collective decisions are made according to the rules and enforced in a predictable manner.

Interdependence Between the Functions

Exercise of legitimate monopoly on the means of violence, long the dominant function of the state, is now critically dependant on the performance of the other nine functions. When these functions are performed in

an integrated fashion, a virtuous circle is created in which state decisions in the different domains bolster overall enfranchisement and opportunity for the citizenry. This process reinforces the legitimacy of the decision makers and their decisions, engendering trust in the system as a whole. By contrast, failure to perform one or many of these functions leads to the creation and acceleration of a vicious cycle. This results in the creation of contending centers of power, the multiplication of increasingly contradictory and ineffective decision-making processes, the loss of trust between citizens and the state, the delegitimization of institutions, the disenfranchisement of the citizenry, and, ultimately, the resort to violence.

These functions have been accumulated historically, but a state today is judged by the extent to which it performs these functions in an integrated manner. The 10 functions fall into the three components essential to a stable order: functions 1, 2, 3, and 9 are components of political order; functions 4 and 5 are components of social order; functions 6, 7, and 8 are components of economic order; and rule of law provides the glue that transforms an order into binding ties and obligations of citizenship in an inclusive state.

One argument for the goal of state-building recognizes that under international law the state is the primary duty-bearer of citizens' rights. As the experience of Europe shows, what Castells calls the "network state"[6] allows for the performance of different functions at different levels. No presumption is made here as to the current map of territorial boundaries or the allocation of responsibilities between levels of governance and, accordingly, as to what international, regional, or subnational agreements may be entered into to help reinforce these functions.[7] The key question of state-building strategy is performance of the functions, rather than the level at which they are performed.

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From Functions to Structure

Focusing on these functions enables the realization of the goal of an accountable and transparent state through the creation of specific processes that ensure participation of the citizenry in decision making. Consensus on these functions would allow the delineation of each func-

tion through a capacity-building program with timelines, benchmarks, and indicators serving both as goals around which the public can be mobilized and also as a means of accounting by which the momentum and achievements of the program can be reported to the public. This in turn creates an iterative process with feedback mechanisms for reflexive monitoring between the government and the governed. Such a process becomes critical to the establishment of trust between the state, as the organized power of society, and citizens, as both stakeholders and shareholders in the creation of public value and public goods. As more states converge toward sustainable state structures, their common goals and practices would also build trust among different states.

Beginning the building of capable states with substantive institutional reform and democratization of decision making, rather than only concentrating efforts on rewriting the formal rules of democracy as embodied in elections and constitutions, would actually consolidate the formal institution of democracy. This focus on clearly delineated state functions and achievable, assessable outcomes thus averts the danger of promoting flawed democratic structures without substantive democratization of government institutions and processes.

A STATE-BUILDING STRATEGY AND
THE ROLE OF THE INTERNATIONAL COMMUNITY

An agreement formally ending hostilities does not necessarily bring peace to a conflict-affected country, nor does it mean the automatic restoration of a functioning state. In the last two decades, the world has witnessed a series of interventions intended to end conditions of persistent conflict. Examination of postconflict conditions reveals a systematic pattern of interventions and events. International security forces have been deployed at costs running to tens of billions of dollars, usually without predetermined exit strategies. In the immediate wake of a political agreement, various organizations and actors in the humanitarian, security, political, and economic arenas are tasked with certain responsibilities. The United Nations has been forced to assume near-direct trusteeship in East Timor and Kosovo, resulting in difficult transitions for successor administrators. Large-scale humanitarian interventions have taken place, yet the consensus emerging in the literature of the field is that the underlying causes of crisis have remained unaddressed.

As these actors are organized in stovepipes, each focused on distinctive priorities, they have a tendency to act in parallel rather than in tandem. As a result, coordination between and among these organizations and the emerging government can be a problem, leading to fragmentation of the strategic goals of both donors and the government. There is an emerging consensus that neither humanitarian interventions nor deployment of UN agencies and nongovernmental organizations (NGOs) in postconflict environments have resulted in creation of sustainable domestic capacity or in addressing the root causes of conflicts. By contrast, considerable evidence exists supporting the claim that the citizens of countries recovering from conflict desire, first and foremost, the restoration or creation of a functioning and accountable state serving their legitimate aspirations. Hence there is an increasingly bitter tone in exchanges between government spokespersons and NGOs and UN agencies in countries from East Timor, Eritrea, and the Balkans to Afghanistan and Sudan.

Given this systemic yet unintended pattern, there seems to be a need for a different process to bring these actors together and secure their agreement on a strategic path toward state-building. Framing state-building as the primary objective of postconflict reconstruction activities, therefore, should not be interpreted as a call to build upon the models posed by the repressive states of past decades or by states with a one-dimensional focus on functions such as social policy or market regulation. Rather, the type of state for which energies could be mobilized is one where the primary purpose of state-building is to create a system that is accountable for delivering human security and prosperity to its citizens and for fulfilling its obligations as a legitimate member of the international community. Accordingly, a truly legitimate or sovereign state would have to perform all the functions delineated above.

If there is consensus that state-building should be the goal in certain contexts, then appropriate approaches will need to be developed. These would include starting from agreement on the goal of state-building and functions the state should perform, timelines for creation of that capacity, and methods for institutional transformation.

A division of labor between local and international actors' priorities, sequences, and actions could then be more easily designed to maximize progress toward the goal of state-building in any particular context, instead of subordinating the common objective to the internal logic of individual organizations. An overarching strategy will ensure that maximum synergy

can be produced from the energies of key stakeholders. Because the support, advice, analysis, and monitoring provided by international and regional agencies will be critical to the process of state-building, these agencies will be more necessary than ever before; the question is through what roles and processes their interventions will be constituted, and what incentives and skills should be prioritized when structuring interventions and dividing labor between local and international actors.

If there is consensus that state-building should be the goal of the international community in conflict-affected countries, then there will be need to take the following series of actions:

- First, instead of the assumption of an institutional *tabula rasa,* begin with a stock-taking of existing assets and forms of capital, ranging from human, social, institutional, natural, financial, security, informational, and physical to political capital. The notion of the failed state is often premised on the assumption that institutional development in a postconflict condition takes place on a green-field site, with the common refrain that there is nothing there and everything must be created from scratch. An effective state-building strategy depends on how the existing assets are mobilized and supplemented, and how the liabilities are understood and systematically reduced. Therefore, a useful starting point for a state-building strategy will be to take stock of the various forms of capital that exist in a particular postconflict country. As each of these capitals can have positive and negative forms, a thorough assessment is needed to enhance the positive and diminish the negative.

- Second, clearly delineate the roles to be performed by actors in the international community based on transparent estimate of costs and benefits and a clear exit strategy. Clarity among the following eight roles can enhance trust among local and international actors: (1) direct administrator; (2) facilitator; (3) strategic adviser; (4) catalyst; (5) substitute provider of services; (6) monitor; (7) evaluator; and (8) referee. Depending on context, some or all of these functions might have to be performed by international actors, but the decisions must follow from the strategy of state-building.

- Third, significant resources must be committed early in the political process to invest in human capital, particularly leadership and management. The heads of state and holders of key leadership positions during the transition will need to transform themselves from their

previous roles—leaders of resistance movements, private citizens, intellectuals, managers, and professionals—into national leaders. How leadership skills are acquired, how teams are formed, and how new management capabilities are acquired may be critical determinants of success in a postconflict period. The technological and information age bring the costs of transportation and learning modalities down and bring new opportunities for investing in human capital so as to nurture such skills through training, exchanges, and mentoring. As technical assistance has been generally wasteful, expensive, and ineffective, special care must be taken to ensure objective quality assurance in its selection, use, and duration.[8]

• Fourth, when UN agencies and NGOs are given international resources to act as substitute providers of services to the state, donors should ensure that these organizations serve as models of good governance in their rules, attitudes, and practices. The current practice of UN agencies and NGOs in countries like Afghanistan is unacceptable. Despite the repeated requests of the government, they have refused to make their accounts and audit reports—presuming that such reports exist—public. This behavior must be transformed to complete transparency through benchmarking and comparison with the government as well as the international and national private sector.

• Fifth, to prevent the criminalization of the economy, the current myriad rules for purchase of goods and services falling under the category of procurement need to be revised to support the creation of a domestic private sector. This sector could be catalyzed through the harnessing of financial resources to infrastructure construction (if linked appropriately to supply chain management), small business support, and vocational training. Promotion of legal and formal economic activities in countries suffering from the persistent conflict syndrome requires creative and critical thinking. Standard economic theory, sadly, has little to contribute to overcoming the problems of illegality, informality, and criminality.

Along with these steps, implementation of a state-building strategy requires entering into a double-compact between the international community and leaders of conflict-affected states on the one hand, and these leaders and their citizens on the other. Organized around the performance

of the 10 functions of the state, the first compact will contain detailed benchmarks and agreements on the roles, obligations, and resources that each party will provide and the timelines within which the agreed measures will be implemented. An important part of such a compact will be an agreement on a medium-term framework for allocation of international resources through a mechanism such as a multidonor trust fund.

In return for clear targets for enhanced mobilization of domestic revenue, the donors would agree to use the country's budget as the key instrument of policymaking, which brings policy and programming into a coherent field of play while also committing to enhancing government's accountability through agreement to use government rules and regulations. Once procurement rules are agreed upon and functioning, donors should then be able to transfer resources through a common channel of financing, relieving donors of the need to contract multiple agencies at very high costs for project implementation.

Drawing on the example of accession to the European Union, the international community should reach agreement on a code for entering into compacts of state-building with conflict-affected countries. The domestic compact would contain delineation of targets and benchmarks for moving toward an inclusive political, social, and economic order for the citizens. To mark a break with the persistent conflict syndrome, the adherence of rulers and elites to the rule of law should be subject to credible domestic and international monitoring and enforced through the double compact.

When a strategic framework is put into use, the key determinant of whether it will prove to be a useful management tool is whether there are clearly designated mechanisms for monitoring the implementation of strategy. Various options exist for evaluating progress toward goals. One idea would be to construct a state-effectiveness report, or sovereignty index, which would measure state effectiveness across each of the functions of the state and would thus provide an overall measure of the outcome of institution-building efforts. Another option would be to monitor the implementation of specific activities or actions that were designated as short-, mid- and long-term objectives in the initial strategy, which would provide a sense of the interim results achieved along the path to increased capability in the exercise of each function. Each of these mechanisms might prove useful in different ways.

Once the challenges of state-building in postconflict conditions are clearly recognized, it becomes obvious that international bodies are essential

to success and must acquire the capabilities to deal with the constraints in postconflict conditions. This recognition in turn necessitates a radical rethinking of the nature of cooperation and division of labor between international financial institutions, UN agencies, NGOs, and global and regional security organizations. It also requires investment from member states in the creation of capabilities within these organizations and in linking these organizations to networks of creativity within the private sector, academia, and the governments of developed countries.

CONCLUSION

As the patterns of both conflict and postconflict conditions become clearer through experience, they produce lessons that will help both to avoid the mistakes of the past and to delineate implementable strategies for the future. A political agreement that ends a condition of persistent conflict opens, for a historical moment, the possibility of different futures; in its wake, the attention of both domestic and international actors is focused on giving stability, prosperity, and political freedom real opportunities. However, these open moments do not last long, as critical actions taken or not taken create paths of dependency, which then require an immense mobilization of different forms of capital just to create the same type of open moment. While general lessons can be drawn from experience, no two countries are identical in their capital balance sheets, their hierarchy of functions, or their degree of dependence on or independence from international actors—to name only a few critical variables. Therefore, any state-building strategy must be precisely tailored to its context, in order to provide the ownership and momentum necessary to generate synergy among different actors and to expand the open moment into a lasting realization of the aspirations of the country's citizens and other stakeholders.

This is now a globally open moment. Because of the threats to global security and the recent events of New York, Madrid, and London, global attention can now be focused on the root causes of poverty and instability. If creative energy is mobilized to address this issue, this moment may well become an opportunity for a radically different world to emerge. ∎

ENDNOTES

1 Paul Collier, *Development and Conflict* (Oxford: Centre for the Study of African Economies, Department of Economics, October 1, 2004).

2 The framework summarized here has also been described in a number of other articles by the authors, including: "Closing the Sovereignty Gap: Making States" in *The World Today* (London: Royal Institute of International Affairs, July 2005); "Closing the Sovereignty Gap: An Approach to State Building," ODI Working Paper No. 253, September 2005; USIP Special Report, forthcoming; and presented at a number of conferences including the Fragile States OECD-DFID-World Bank-UNDP Conference on January 13, 2005, in London.

3 We are using the term "institution" in the sense of informal and formal rules of the game, as defined by various authors. See Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990).

4 While some of the national liberation movements aspire to deliver justice and services to their populations, they are not always able to realize this aspiration as they are consumed by the struggles of the day and may not have the necessary resources.

5 Thomas Carothers, "The Rule of Law Revival," *Foreign Affairs* 77 (2) (March/April 1998): 95–106.

6 Manuel Castells, *The Rise of the Network State* (Cambridge: Blackwell Publishing, 1996).

7 Stephen Krasner, *Problematic Sovereignty: Contested Rules and Political Possibilities* (New York: Columbia University Press, 2001), 27, 44.

8 Ashraf Ghani, Clare Lockhart, and Michael Carnahan, "Stability, state-building and development assistance: an outside perspective," paper prepared for the Princeton National Security Project, 2005.