



Citizen-Centered Approaches
to State and Market



Statecraft for the 21st Century: Learning from Success

COMMONWEALTH MINISTERS REFERENCE BOOK 2010

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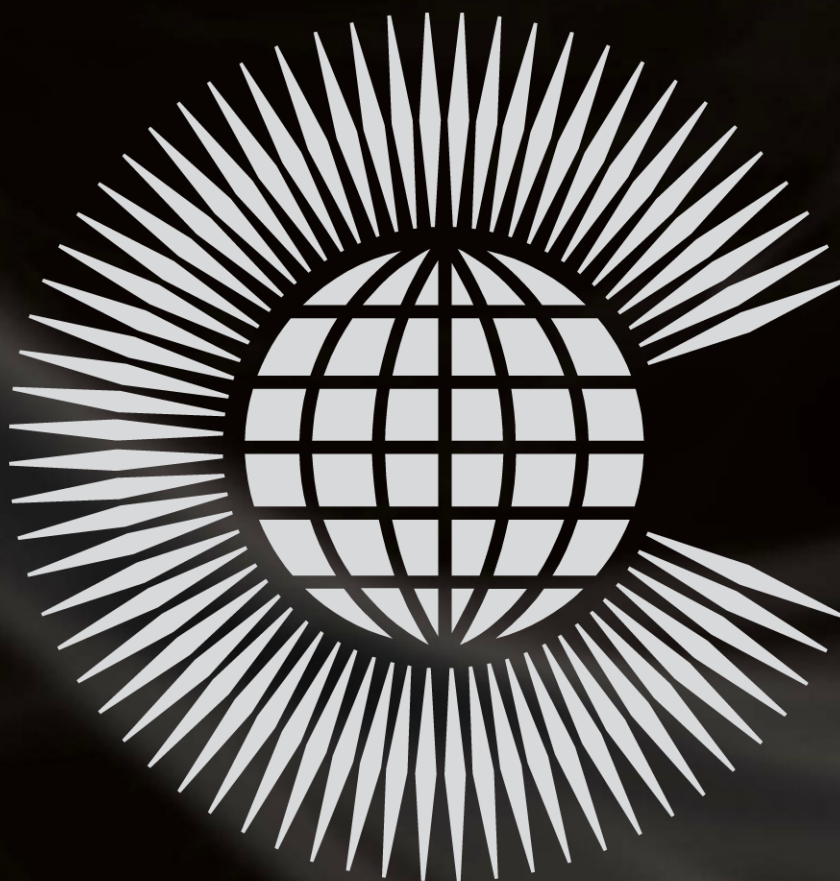
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City Skyline, Marina Bay, Singapore.

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Statecraft for the 21st century: learning from success

By **Clare Lockhart**, Co-founder and Director, and **Sam Vincent**, The Institute for State Effectiveness

We live in one world. The UN Charter and the Universal Declaration of Human Rights embody our collective aspirations. Yet for billions of people, who are fully aware of the living standards enjoyed in developed countries, the realities of their daily lives are insecurity, lack of rights and absence of opportunities. The Millennium Development Goals (MDGs) have successfully built political consensus around a set of targets to improve human living conditions throughout the world. However, with just five years to go the UN has reported that overall success is still too slow to meet the targets for 2015.

Billions of dollars are being spent on 'development' of the poorest countries by the taxpayers of the wealthiest, but the outcomes fall short of the goals. A renewed approach to securing peace, security and prosperity for all citizens in all countries, building on what is proven to work, is now urgently required.

At the heart of these shortcomings is the ineffectiveness or failure of states throughout the world to perform core functions for their citizens. The international system assumes that states are the guarantors of the security, rights and wellbeing of their citizens. The reality, however, is very different. Today between 40 and 60 states are classified as 'fragile': they are failing to fulfil their duties to their citizens or to the international

community. According to the UK Department for International Development, 22 of the 34 countries furthest from reaching their MDGs are classified as 'fragile' states. Functioning states are a critical missing link between the theory and the reality of a stable international order.

International development institutions initially responded by attempting to bypass state institutions, delivering standard developmental assistance either directly or through third parties. That assistance has taken the form of countless individual projects, which are not fully integrated components of a coherent overall approach. The results on the ground have been uncoordinated, fragmented and unsustainable.

It is increasingly recognised that bypassing state structures and establishing parallel organisations has further contributed to undermining the state. There is now a welcome, recent trend among some donors to re-examine their partnership arrangements to ensure that their engagement reinforces domestic leadership, vision, and processes, based on a concept of mutual accountability.

Effects of globalisation

Globalisation unleashes forces of ‘creative destruction’, which the most advanced economies struggle to harness and manage. But in fragile states, unable to control their borders, where the rule of law is weak, and where the state is unable to create the enabling conditions for a functioning lawful market, criminalisation of the economy has been a serious and recurrent problem. Criminality and corruption (at all levels of society), combined with a lack of licit opportunities, feed on and reinforce instability and malfunctioning state institutions. This underlines the critical importance of states in the creation and governance of the market as well as in establishing and maintaining the rule of law.

However, globalisation complicates statecraft, creating challenges to traditional state powers and capacities from above and below. These forces can create vicious cycles that undermine nascent state-building processes. Globalisation is also redefining what the state is best placed to do: would-be state builders are aiming at a rapidly moving target.

Examples of reconstruction

There are, however, good examples in recent decades of states that have emerged from instability and conflict by redefining their role and the balance between state, market and civil society. Examples are abundant, but Singapore, Ireland and the states of the American South are illustrative. While each case is unique, distinctive patterns emerge from these cases. First, a capable and determined leadership team, which formulates and conveys a national vision to its citizenry, has been critical. In 1965, Singapore’s prospects were bleak. Expelled from the Federation of Malaysia in 1965, its government machinery was ineffective and corrupt, and it faced widespread communist insurgency. However, Lee Kuan Yew’s leadership team identified opportunities in the midst of crisis. In 1968, noticing a lull in financial market activity between the San Francisco market closing and the Swiss market opening, Singapore realised that

it could use its location to fill the gap. Doing this meant battling to establish international confidence in Singapore’s integrity, competence and judgment. Similarly, Ireland – one of the poorest countries in Western Europe in the 1960s – enjoyed strong leadership that reoriented the state from protectionism and stagnation, aiming to identify and harness emerging opportunities. Ireland took advantage of its westernmost location in the European Union and set out to become an IT hub, attracting American international corporations such as Apple to establish European headquarters in the country.

Imagination was tempered by pragmatism and a focus upon implementation. Inheriting corrupt government machinery, Singapore’s leaders focused upon progressively extending accountability across government, beginning with the large-scale weaknesses of the system. This was prerequisite to attracting multinational corporations and gaining the reputation Singapore needed to establish itself as a leading financial centre. Ireland had access to Europe’s structural and cohesion funds following accession in 1973. In using this money, Ireland took care to design an integrated plan for economic and social development that improved infrastructure and focused on equipping the population with the requisite skills to turn Ireland into a leading centre of information and communications technology.

Investment in human capital has been a hallmark of the transition in the southern states of the US, which overcame the deep-seated exclusionary practices of segregation, and profound economic stagnation. These states have been refashioned to identify emerging opportunities and respond accordingly. Focusing on innovation as a source of competitive advantage, emphasis has fallen on investment in higher education and training to nurture a talented workforce and equip the leaders and managers of the future.

Designing mechanisms for spending public money have also been critical. In Singapore, the strategy focused upon improving infrastructure and living standards in order to demonstrate the government’s ability to deliver, and in order to cement the social contract. The government chose to collaborate with the private sector to deliver infrastructure. It entered into supply chain management to ensure that contractors had reliable access to supplies at predictable prices. It created a housing corporation, partnering with contractors, progressively moving Singaporeans out of slums into modern accommodation. A mandatory



proportion of all citizens' wages was directed into savings and pensions accounts in the Central Providence Fund, to finance housing and other public investments. Innovative relationships between state and private sector organisations helped deliver promises and generate employment, building institutional capacity in the process. The state became a coordinator, planner and steward, assessing and reassessing what it should be doing, and how it should be achieved. In this way, the balance between state, market and civil society adapts to changing requirements.

"Each case of successful transformation has been underpinned by a flexible conception of governance."

Each case of successful transformation has been underpinned by a flexible conception of governance. The social contract between citizen and state is essential in generating and sustaining the political legitimacy necessary for stability. In practice, this entails delivering services to meet the needs and aspirations of the people. In the current context, the task of governance involves an orchestration of actors and assets to perform multiple functions, using the state (and different levels of government) but also involving multiple actors.

The international community still struggles to partner successfully with fragile states. Some lessons might be drawn from these examples. With vision, leadership and competent implementation, states and markets can reorient themselves to serve the needs of citizens. Accountability is the foundation for the kinds of partnerships needed to break vicious cycles and to take advantage of opportunities. Investment in systems of national accountability is urgently needed: both between citizens and their governments, and the country and the international organisations and bilateral partners that seek to support them.

A shared strategy

Partnering with countries to achieve common development objectives means co-production of a strategy shared and implemented by multiple stakeholders. To bring coherence to the work of all actors, activities need to be orchestrated. Rather than taking each development project as the unit of analysis, government and international actors could instead produce a set of

national programmes, the goal of each being the fostering of the state's capability to perform its core functions. Singapore's approach to infrastructure and housing illustrates how government can use rules to harness and mobilise disparate assets to achieve development objectives – building institutional capacity in the process.

Genuine partnership between international organisations and fragile states requires supplementing lending or donating money with a much broader conception of development and the available assets that could be put to work in its service. Investment in human capital is a recurrent theme in all cases of successful transition; and while the MDGs rightly emphasise primary education, international organisations could start to think about the kinds of partnerships – using universities, agricultural colleges, firms, retired civil servants – that might be created to build human and institutional capital in developing countries. Additionally, investing in a capability to make skills audits in developing countries, so as to identify deficits, would be useful.

Contact Details

Clare Lockhart is co-founder and director of the Institute for State Effectiveness. She is the author of *Fixing Failed States* with her ISE co-founder Dr Ashraf Ghani, and a frequent contributor to the media. Clare has lectured widely at universities, public debates and think-tanks and has served on a number of reviews and panels relating to security issues.

The **Institute for State Effectiveness** (ISE) uses a citizen-centered perspective to rethink the fundamentals of the relationship between citizens, the state and the market in the context of globalisation. Stability and prosperity in our interdependent world demand a new global compact to ensure that the billions of people currently excluded become stakeholders in the emerging political and economic order.

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