



State of the State

BUILDING A SHARED AGENDA FOR THE STATE IN THE 21ST CENTURY

LESSONS, CHALLENGES AND OPPORTUNITIES



Building a Shared Agenda for the State in the 21st Century: Lessons, Challenges and Opportunities

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Institute for State Effectiveness | 2018

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Introduction

Since 2006, the Institute for State Effectiveness (ISE) has worked to build consensus around the importance of an agenda for enhancing state effectiveness as a key element of international order and stability. Ten years after ISE's key conceptual frameworks on the role and functions of the state and the need for a new citizen-state compact were first validated at the World Bank-United Nations Development Program Greentree state-building meeting, there have been both successes and failures in the field. Several countries have confronted challenges and achieved breakthrough transitions, standing as examples to other reformers embarking on similar paths. Others have struggled to adjust to ever-evolving local and regional challenges, and some have descended into violence and disorder. Those who share ISE's viewpoint have moved from a small minority to a strong minority, but its principles have not yet been mainstreamed into practice. Today, a new combination of global challenges is undermining established orders and creating uncertainty in both developed and developing countries. The consequences of these disrupting factors, however, are not being met by a shared understanding and operating framework that can address the underlying causes driving instability and help navigate uncertainty.

ISE is in the midst of reviewing current practices and refining key concepts, approaches and tools to ensure that they effectively address the opportunities and challenges faced by leaders and organizations at the forefront of policy design and implementation. ISE's State of the State (SoS) process sets out to:

- Frame the current landscape, both in terms of broader trends and challenges for the state
- Consider what we have learned over the last decade
- Anticipate the opportunities and challenges for the decade ahead and help set a collective future agenda

This paper documents some significant trends identified by participants in our initial phase of SoS consultations. It draws on more than 40 interviews with key leaders in government, international organizations and civil society across the world as well as several convenings bringing together similar stakeholders.

Defining the Current Historical Moment

Past experience will always provide a good starting point for informing contemporary decision-making, but the current environment requires new thinking about current and future impacts on the role and functions of the state in the 21st century.

Participants agreed that there is an urgent and universal need to

develop an agenda and framework for rebuilding and reimagining the state's ability to meet rising citizen expectations and help ensure global order. In every part of the world, to varying degrees, citizens are losing confidence and trust in their governments, the ruling establishment, the political process and international governance institutions.

In many places, young, tech-savvy generations are breaking with a history of unquestioning acceptance and demanding changes from their leaders. They do not hesitate to press their case in the streets and form new movements, both on and offline, to push for an end to long-tolerated problems like corruption and economic and social inequality. This disconnect is not confined to the youth – there are many signs that older populations are also feeling anxious about their failure to adjust to the impact of globalization and rapid technological change.

Increasingly frequent expressions of citizen disaffection highlight a growing crisis in state legitimacy and a crisis of leadership in addressing the issue. The failure of states to respond to their peoples' demands reinforces feelings of popular discontent, stokes resentment of elites and further widens the political disconnect. Closing the sovereignty gap – the gap between our recognition of the state as the legitimate unit of global order and its capacity to meet its citizen's needs – is a central challenge for leaders navigating transformation and adaptation. A renewal of the state that is driven by responding to the needs of citizens has the strongest chance of success in these uncharted waters.

The clear urgency of the situation, however, has not been adequately matched by new ideas and improved policies and practices to produce better outcomes. A key problem emphasized by participants is that the conversation among policymakers lacks a coherent intellectual and practical agenda that can help guide and shape approaches for re-envisioning the state-citizen compact and for supporting locally-driven reform processes.

Global Trends Shaping the State: Understanding the Current Environment

The three core systems that have guided global development for the last 300 years – the nation-state system, representative democracy and carbon-fueled economic development and industrialization – are all showing signs of anachronism and need to be reimagined for the 21st century:

- The **crisis of the nation-state**, where states seem to be under stress everywhere. In many parts of the world, we see a “hollowing out” of the state, driven by a combination of migration, corruption, competitive pressures from the private sector and disruption in traditional career paths.
- A **crisis of representative democracy** is characterized by

a fundamental disconnect between citizens around the world and the elected officials and party platforms that are supposed to represent them. The consequence is a pervasive and growing distrust of political establishments, the dramatic rise of populist politicians, a growing polarization between left and right politics and a decreasing willingness to engage in civil and meaningful public discourse.

- The **crisis of a carbon-fueled economy** is producing a new consensus on the urgency of addressing climate change and recognition of familiar challenges, such as water conflicts. Especially after the 2008-9 financial and fiscal crisis, and deep concern over growing inequality and the impact of new technologies and globalization on the ability of economies to support employment and inclusive growth, the confidence of the 1980s and 1990s' neo-liberal, laissez-faire economics has now evaporated. It leaves open the question of what paths to economic growth and industrialization are likely to be most successful.

These three crises are compounded by the fact that **globalization** – the free movement of ideas, capital and to some extent goods and people – **continues to surge ahead while the rules of the game have become unfit for purpose**. Across the world, popular anger and backlash to unfettered globalization are taking different forms. In advanced economies, whole sections of the population are losing their place in their respective economies. With new technologies and patterns of trade, developing countries' traditional paths to economic development are now uncertain.

Additional key trends that are shaping relations between states and posing fundamental questions about the state and the functions that it is set to deliver include:

The rise of global competition and new actors has led to significant shifts in state interaction, with geopolitics taking center stage, coupled with the larger retreat and fragmentation of global governance. These changing configurations of power have reduced the political capital for tackling shared problems like migration and climate change and led to a growing focus on bilateral relationships. There appears to be a slowing down and, in some cases, a reversal of supranational integration: the EU crisis, the failure of the Doha Round, the polarization of the U.N. Security Council and even the inadequacies of the latest Paris accord on climate change.

The anemic global recovery from the 2008-9 financial and fiscal crises has largely continued downward pressures on public budgets. The continued global atmosphere of fiscal restraint is limiting the tools available to governments to increase economic growth and employment. The economic landscape looks vastly different across the world – with technological change for advanced and emerging economies and the displacement of traditional types of employment coupled with growth in new areas.

Growing levels of inequality within and between states despite exponential growth. A dramatic rise in income inequality is observable in developed and developing nations alike, and extends to gender, region and ethnicity, among other areas. A key concern expressed at the meeting was the close integration of the private sector and the government at the expense of the public interest.

The rapid pace of technological innovation and the centrality of technology in our modern lives have become major disruptive forces in politics, societies and economies. Major advances in information and communication technologies have placed unprecedented amounts of information in the hands of citizens, consumers and businesses, offering the promise of economic progress through better access to global knowledge and finance. At the same time, technological innovation seems to be one driver of the growth of social movements, both progressive and regressive in response to uncertainty and changing circumstances. Technology provides exciting ways for citizens to participate in democratic decision-making, but if the appropriate avenues and architectures are not in place, it can also enable feelings of polarization, dashed expectations and general negativity.

Demographic shifts, including growing young populations in some countries, large elderly populations in others, rapid urbanization, and large-scale and often involuntary migration. Aging populations in mature economies in Europe and Japan bring to the fore issues of how to replace a shrinking workforce and pay for increasing costs of elderly care. Youth bulges in Africa, the Middle East and Asia carry implications for political stability and legitimacy, and the ability of services to meet growing demand. Across the world, the pace of rapid urbanization and the emergence of mega-cities with changing patterns in mass international migrations also carry significant economic, social and environmental impacts.

The hollowing out of the state and the growth in criminality and corruption. A number of countries are becoming overwhelmed by criminality and corruption, whose perpetrators endanger citizens and steal state resources to enrich interests at the nexus of criminal networks and powerbrokers. For example, across patches of Latin America, notably the Northern Triangle of Honduras, Nicaragua, and Guatemala, violence and criminality are growing at breathtaking levels, forcing nearly ten percent of the region's 30 million inhabitants to flee. In parts of the Balkans, progress is threatened by weak institutions and criminalized political economies.

The emergence of violent, ideologically driven extremism. Whether based on religious, ethnic, social or political grounds, violent extremist movements driven by narrow interpretations of grievances are growing and continue to attract new followers. New waves of violent attacks are taking the lives of thousands of

civilians and exploiting larger conflict dynamics, especially in weak states. Approaches to countering and preventing violent extremism, however, must go beyond security dimensions – which often tend to reinforce these ideologies – and also address governance-related causes and solutions to this phenomenon.

Intensifying nationalism and authoritarian nostalgia. The mobilization of traditional identities and nationalism has grown as questions of sovereignty and national identity are taking shape and coming to the fore, largely in response to the uneven and inequitable patterns of growth. In places as diverse as the UK, Greece, Catalonia and the United States, to China, Russia and Turkey, people are demanding protection against the perceived social, economic and political dislocations of globalization. Related, there appears to be a growing trend of ‘authoritarian nostalgia’ across the political spectrum, premised on the notion that authoritarian or quasi-authoritarian leadership can navigate these challenges and deliver services more effectively than democratic leadership.

The Traditional State, Now in Flux

Across the world, global trends are dislocating traditional patterns of governance, economy and society, and upending longstanding relationships between the citizen, state and market. The state is being redefined in multiple ways across different contexts. An early taxonomy of states and the challenges and opportunities they face may include:

- **Organisation for Economic Co-operation and Development (OECD) countries** highlight how the financial crisis has shaped the relationship between the state and the economy, while also bringing to the fore the role of the state in setting rules for managing globalization. Across the developed world, states are struggling to regulate markets and adapt to changing circumstances while meeting the needs and expectations of their citizenry. Rising resentment over the fallout of globalization and the effects of the financial crisis of 2008 has exacerbated the erosion of the middle class and widened inequality, which has shaped citizen attitudes and deepened divisions along recognizable lines – urban vs. rural, college-educated vs. non-college-educated and young vs. old, among others. In response, we have seen the rise of right- and left-wing populism and nationalism and an increasing disconnection from political establishments and parties in parts of the world.
- **Fragile and conflict-affected states** are bringing back the question of state effectiveness from both security and development perspectives. Peace agreements in Burundi and Mozambique have relapsed. Newly established countries are under strain – South Sudan has collapsed into conflict and Kosovo’s young people are voting with their feet and leaving in large numbers for European neighbors. Despite a laudable push to “build back better”

in Haiti, the billions spent on the effort largely bypassed the Haitian state and left the same levels of poverty and institutional corruption in place. While Sierra Leone and Liberia successfully beat back the Ebola threat, its outbreak exposed both country’s threadbare health and disaster response services despite a decade of post-conflict recovery. Key questions include how to equip reformist leaders and citizens for the best chances of success and how to rethink donor policies to best support national agendas and institutions.

- **Middle-income countries** face a range of challenges, from the “middle-income trap,” the just demands of a rising middle class for social protection, damage to the environment from rapidly growing economies, the challenges of uneven development without instruments for inclusion and rising demands from a young population for employment opportunities. Many countries struggle with the post-Soviet legacy; others are grappling with the global economic slowdown after a period of rapid growth; still, others are discovering that a lack of what ISE terms “national accountability systems” has allowed significant resources to be diverted from the public purse for private gain.
- Responses to **Western Asia and North Africa (WANA) transitions and conflicts** have so far been insufficient to resolve the size of the challenge or adequately address the underlying causes driving radicalization, violence and conflict, namely the lack of inclusive, effective and legitimate systems of governance in the region. ISE identified several broad groupings of countries with different challenges and opportunities. One, the oil exporters (Algeria and the Gulf Cooperation Council, GCC, countries), which are beginning to recognize the need to rethink current governance systems due to dropping oil prices and the financial constraints this imposes on subsidies. Two, the countries of Tunisia, Lebanon, Jordan and Morocco, where reforms are promising but growth and development remain low, making them even more susceptible to spillovers from the conflicts. And three, the countries mired in conflict (Libya, Syria, Iraq and Yemen) that will require different approaches to resolving conflict, together with planning for the recovery and reconstruction of the state.

What Should We Know by Now?

The international response to weak states remains focused on mitigating the consequences and applying “Band-Aid” solutions to the problem. The way that international assistance is delivered regularly works at cross-purposes with state building, as it often fragments and undermines the rule of law and institutional capacity. Plenty of leaders of organizations may have willingly signed up to new principles, such as the New Deal for Engagement in Fragile States, but policy instruments and skill sets have not been aligned to the task – especially regarding timelines, national ownership and donor flexibility. As a result, it seems that these initiatives have

changed the language and substance of policy commitments, but not practice or outcomes.

The current discourse on state building has become increasingly pessimistic and overly technical. The less-than-successful experiences in Iraq and Afghanistan have discredited ideas of peacebuilding and state building for many – largely missing opportunities for building on lessons of success *and* failure to produce better policy responses and to adapt tools that can support locally-driven processes of reform and change.

The international community needs to “support societies to build institutions and a vision for their future,” rather than react to current challenges only through the use of force. The use of short-term security solutions, driven by the threat of counterterrorism and extremism, risks subsuming the broader state building agenda and exacerbating underlying political, economic and social grievances that drive violence and disorder at the national as well as regional and global levels.

Despite the prevailing pessimism, we know quite a bit more than we did a decade ago about the right starting points for successful post-conflict state building. Key lessons include:

Timeframes for success are much longer than previously appreciated. Some of the fastest transformations have taken upwards of 30 years to build and consolidate legitimate institutions, and to make qualitative changes in perceptions and attitudes more broadly across societies, as described by the 2011 World Development Report. Building consensus and peace is a dynamic process that moves both backward and forward as established elites compete with new or formally marginalized groups seeking voice and redress. This evolving appreciation for expanded time horizons, however, has not been matched by a corresponding shift in approaches by donor institutions, which continue to operate under short time horizons and remain focused on short-term tasks, such as dealing with a specific crisis and cutting deals to achieve a political agreement.

Development actors increasingly recognize the importance of politics in state building processes and its implications for development prospects. This rediscovery of politics emphasizes political economy analyses to better understand how different interventions and types of political settlements drive particular outcomes, especially with regards to violence, service provision and economic growth. Accordingly, donors and other institutions have developed a number of analytical frameworks and tools aimed at assessing the political and institutional contexts. Participants noted how privatization efforts immediately after conflict, for example, can create enormous opportunities for corruption that can help explain

why investment remains so low and why it has been difficult to generate new sources of employment and growth.

Related to the importance of politics are efforts to operationalize elite settlements. Open and inclusive political settlements have been identified as central to building stable and effective institutions as well as managing conflict in highly divided societies. Peace agreements negotiated among a set of narrow and self-serving elites may be necessary to end violent conflict but are insufficient in addressing many of the underlying drivers of violence. New Initiatives and mechanisms to promote public participation and a phased building of inclusive policies and institutions can create an important balance to elite-based politics and processes that tend to serve narrow interests. Yet many of these processes continue to fail – such as the Yemeni National Dialogue – because of pressures created by external interests and rushed timelines. This clearly requires a fresh look – in ISE’s view, understanding the phasing and sequencing of peace agreements and how to craft mechanisms to address underlying political issues do not garner sufficient focus.

Cities, towns, ministries and agencies and countries are making significant progress in the fight against grand and petty corruption.

In addition to the classic examples of Singapore and Hong Kong, more recent progress in Colombia, Indonesia and Georgia tells us that fighting corruption requires systemic changes in controls, incentives and monitoring arrangements that are embedded within an overall strategy that prioritizes and appropriately sequences efforts with institutional capacities and resources. These examples suggest that donor-supported anti-corruption efforts may want to incorporate more modest strategies and objectives, stronger implementation modalities, concrete prioritization of issues and a fuller appreciation of the role that development assistance can play in either creating or closing opportunities for corruption, among others.

A significant development in recent years has been the **establishment of collective bargaining fora**, such as the g7+ group that brings together fragile countries to share experiences and strengthen their collective voice in renegotiating the terms of aid based on national ownership with international institutions. The New Deal for Engagement in Fragile States endorsed in Busan in 2011 marked an important step forward on the commitment to align aid to national goals and to building national priorities through national budgets. So far, however, political commitments for real change have been lacking. The g7+ has faced challenges in delivering on its initial objectives while donor instruments are still not aligned to the task. While the principles of Busan and the g7+ are agreed by both donors and recipients, they are often far removed from the practicalities arising from day-to-day issues facing government

ministers and their donor counterparts. What keeps ministers awake at night is often several degrees removed from what worries donors.

Despite knowing more than we did five years ago, a gap remains between what we know works and the tools we bring to bear. **A key question that animated conversation at the meeting focused on why there has been such little uptake of newly acquired knowledge and instruments?** And what can account for the resistance to reform among many international organizations? The gap between what we know works and the tools we utilize can be partly explained by bureaucratic stasis, aided by the mentality of a world divided into developing countries and donor countries that creates obstacles to productive coalitions necessary for global stability and prosperity.

In many countries, the legacy of fragmented state building, where a multitude of donor-imposed projects floods a country, constrains the ability of reformers to implement national priorities. The proliferation of international actors and instruments has led to further fragmentation, making international consensus at the policy level difficult, while also undermining institutional capacity, reform processes and national ownership. Within the donor community, the leadership and political will that are necessary to break the development system's problematic adherence to the project as the unit of delivery has not yet materialized. Related is the elusive issue of how best to measure success over the short, medium and long-term. In practice, the current focus on project completion by intermediaries tends to focus on easily identifiable *outputs* at the expense of tangible and measurable *outcomes* for citizens and the state in question. It is encouraging that the World Bank's strategy towards the WANA region is focused on supporting peace and stability strategically, rather than the implementation of diverse projects.

Successful experiences remind us that state building is a multi-year - even multi-decade - endeavor that requires a deep understanding of local conditions, stakeholder orientation and a strategy to craft pathways that create consensus. Cases of success, such as Colombia and Timor-Leste, can help deepen our understanding of the lessons, insights and capacities needed to support reformers and leaders determined to address citizen demands for reform and transformation. But these, as with all cases, cannot be applied randomly; the key challenge is to understand which are relevant to which circumstances. The question is how states, leaders and citizens can harness this knowledge and adapt and work together to produce the best chances of success. Large-scale national programs in the right contexts can establish effective service delivery and help enhance the legitimacy of the state. The absence of service delivery surely undermines stability and legitimacy.

The Role of the State in the 21st Century: Towards a Forward Agenda

The 21st-century challenge for nation-states and their governments is how they can become more responsive and accountable to citizens as a way of bolstering the citizen-state compact. The overarching question for citizens to answer is: what kind of state are they interested in having? In other words, what defining character of the state would make it most effective? Answers to those questions can help identify the functions that citizens expect their government to perform and at what levels - national, regional, municipal, district and village. These questions may seem abstract, but can be grounded by specific frameworks, such as ISE's then core state functions, which lays out ten functions that states must perform to be effective. The functions range from providing security to managing infrastructure and human capital to engaging with citizens. As specific core functions are strengthened, the state becomes more responsive and accountable.

Over the last decade of working with states to strengthen their core functions and institutions, ISE has learned and codified lessons that have value in a wide range of circumstances. First, if it is to meet its citizens' needs, each state must perform a core set of universal functions. The degree of importance of each function varies, as does its form. Second, the technical process of strengthening core functions requires reform-minded political leadership with the right political coalitions and sufficient political will to engage in the difficult, and at times unpopular, work of reform. Third, context dictates instruments. Different categories of states, such as those outlined above, experience different challenges at various times in their evolution and history. Endogenous factors such as a state's governance history, institutional legacy, demographics and geography mean that it will need tailored approaches. In essence, the challenge has been to understand each country's stages of growth and how phases of market building are sequenced with citizen participation and political processes.

While every state is unique, some current universal issues that will not change anytime soon. To anticipate and successfully handle these challenges, states may have to adapt their roles and strengthen their governance functions. Some specific issues worthy of further investigation in the years ahead include:

Rethink "thinking and working politically," political parties and inclusive politics

Recent trends suggest a deepening disconnect between citizens and democratic politics and institutions and a growing failure of political representation. People everywhere appear less committed

to national political systems and mainstream politics and have become more susceptible to radical parties and populist rhetoric. What lies at the heart of this disconnect? What are the opportunities available for citizens to intervene in public and political life? How can political parties and other political agencies reconfigure and develop, mobilize and connect with citizens?

The question of inclusive representative democratic politics is even more difficult to address in transitions from conflict or authoritarianism to democracy. There has been much debate about the relationship and sequencing of democracy, state building and development. While the importance of democratic culture in creating and sustaining quality institutions is widely acknowledged, a focus on holding elections quickly in the absence of other elements of democracy tends to worsen the prospects of reform by creating opportunities for corruption and subversion. In many cases, for example, parliaments turn into auction houses where votes and special interests are traded behind the scenes. Central to thinking through the sequence of political transitions is a deeper appreciation of the local political economy and the potential role that political party development or other mechanisms can play to enhance popular participation.

The U.N.'s agenda on "sustaining peace" recognizes the growing challenge of preventing conflict relapse or the emergence of new forms of violence in transitional and established contexts. Since the 1980s, there has been a historic surge in peace agreements, but many of them fail – some estimates put the failure rate at 50 percent. In conflict-affected contexts, narrow peace settlements or agreements may be necessary to end the violence, but they can often reproduce and inflame societal division if they are seen as entrenching the power structures that emerged from or helped caused the conflict, rather than as the beginning of a series of transitions.

Constructing legitimate governance and enlarging political participation is a long-term and dynamic process that requires further investigation into how different elements and instruments in a political transition are sequenced, a holistic view of the political economy and exploration of the role that other participatory mechanisms – such as national dialogues or national community-building programs – can play in complementing and strengthening democratic institutions. In established democracies, growing levels of political, economic and social polarization also require governance systems to evolve in ways that can better meet the needs of their citizens and economies.

The role of regional integration and cooperation

Regional cooperation and integration can play a significant role in

addressing challenges and maximizing opportunities across security, economics and governance. In particular, it can help overcome the dynamics of conflict and promote peaceful relations between neighbors. The experience of Europe – and more recent examples, including the African Union, the Mekong and recent initiatives in South/Central Asia – illustrate the potential benefits of deeper integration. In ongoing and future efforts to foster peace, stability and resilience, the role of regional integration and cooperation will warrant careful attention. For example, the potential of regional integration in Western Asia and North Africa was emphasized for strengthening trust and dampening the geopolitical conflicts that drive today's violence and conflict. Whether and how regional cooperation provides an opening for greater stability and enhances the performance of state functions in WANA remains to be seen.

Levels and functions of government

In many contexts, the issues of sub-national governance, decentralization and federalism loom large. The potential of decentralization is often emphasized when discussing strategies for closing the gap between citizen expectations and the ability of the state to deliver. Rapid urbanization and the emergence of mega-cities have added urgency to the question of municipal governance and decentralization.

The question of decentralization can often be too binary – in reality, neither centralization nor decentralization is the answer. In Latin America, for example, where a substantial proportion of revenue was directed to the sub-national level, problematic experiences ensued because form and function were not clearly defined and differentiated. A more relevant question, we find, is how to align state activities across levels – whether central, provincial, district or village – and across core functions. Which function of the state should or could be performed at which level and how do levels relate to each other? These types of questions lie at the heart of many peace processes, national dialogues and constitutional processes, including recent cases such as Yemen, Nepal, Somalia and Kenya.

The potential of working at municipal levels to support better governance, advance peace and accelerate development is important. When observing cases of government transformation, many of the most successful cases worked best on smaller scales, where leaders and local services can be more responsive to citizen needs. The span of control over local or urban areas to make improvements is more manageable than the span of control needed for a region or country.

Public economic and financial management and paying for social inclusion

Building credible and transparent systems for public financial management is critical to the success of overall reform and

development processes, as well as essential for managing all other functions of the state. At the national level, public financial management systems provide macro-economic stability to withstand global shocks. Internally, they balance social and economic disparities through development incentives. By making planning, expenditure and control more efficient and transparent, sound public finance management facilitates the national budget as the central instrument of policy coordination, which also provides essential means for preventing and tackling corruption.

In a constrained fiscal environment, redistributive struggles have emerged and raised concerns on the affordability of the social contract. Both aging societies and new countries with a growing youth bulge will confront questions about the distribution of resources across functional, generational and spatial levels. There is a great need for creativity in crafting instruments of social policy and programming that can turn demands and promises for inclusion into reality.

Citizenship, civil society, and social movements

There has been much focus on the rights of citizens, but far less on the responsibilities of citizenship. Part of a new compact between citizen and state is to bring to the fore the responsibilities of citizens – to the state and body politic, to the environment and to each other – that accompany fundamental rights. Interestingly, the Universal Declaration of Human Rights puts this centrally, but as human rights doctrine evolved, rights, rather than responsibilities, have loomed large.

More attention needs to be paid to the role of social movements and specifically, the role of civil society in supporting better governance and accountability. For far too long, civil society has been treated as an ad-hoc project by the international community, which tends to focus on NGOs in urban areas while often overlooking indigenous expressions of civil society. Today, many civil society groups tend to act as private contractors for service delivery, competing with one another and private enterprises for donor funds rather than assuming a more political and advocacy role. Even when civil society inclusion has been officially sanctioned in decision-making processes, representatives are either confined to parallel meetings or used to rubber-stamp predefined programs.

Further investigation into the changing role and functions of civil society – including citizenship, political participation and good governance, as well as the role of young people and women – is needed. Civil society plays a central role in generating demand-side accountability and ensuring governments and businesses adhere to collectively agreed on rules of the political and economic game through the monitoring of commitments and actions, as well as by

building an enabling environment for the development of citizenship and popular participation in decision-making processes. In today's world, stability is premised on states that have won and sustained legitimacy via the trust of their citizens in return for the rules and services they provide.

Market building

Competitive markets depend on capable states for the creation of their enabling environments. In successful cases of transformation, the role of the state has been catalytic in market formation, facilitating and intervening where necessary to encourage growth, promote recovery or help the economy respond to longer-term challenges. How the state facilitates market formation is a human and institutional construct. The type of investments, rule sets and policies determine the shape of the function and incentives for firms and their activities. For example, serious attention to human capital in youth-heavy populations can spur growth and will have fundamental implications for the legitimacy and stability of state institutions, as well as larger global security.

The slow recovery from the 2008-9 financial crisis brought new pressures on governments' role in markets, as public trust has waned in the ability of the marketplace to deliver stability, combat economic inequities and address re-distributional struggles. Informality, illegality and criminality of the marketplace require urgent attention. A political framework based on expanded participation in the fruits of the market is needed, both through regional integration and cooperation, and the participation of the poor in the market. For emerging markets, the question of the role of the state vis-à-vis the market, and how to create and sequence the enabling building blocks for market activity, is essential – especially because the orthodoxies of the last decades do not provide solid ground.

Harnessing a more equitable and just globalization to make it a truly inclusive process could help provide an answer to addressing the rising populism and enormous discontent with some of the major re-distributional struggles spurred by global institutions' reluctance to reform. In today's environment, an open question exists as to the nature of the global economy, and questions of who will be eligible to set the rules, interpret the rules and change the rules are now at the forefront. How can leaders, citizens and businesses work together to innovate and design a system of rules that can both harness the benefits of economic globalization while also mitigating its most harmful consequences?

The importance of cultural heritage and national identity building

State building has produced distortions around the discourse of nation building, with a focus simply on strengthening state

administration without much consideration towards building an inclusive national identity. This is particularly problematic in countries where conflict and violence have significantly destroyed social trust and capital and war entrepreneurs have mobilized along sectarian and ethnic divides. A renewed focus on developing a shared overarching national identity and preserving cultural heritage alongside institution-building can provide important, even if intangible, benefits towards promoting state legitimacy, social cohesion and a larger sense of belonging which can underpin a healthy form of national pride, as one aspect of identity.

Digital government

The new reality of 24/7 communications has empowered citizens and enabled the rise of a global civil society. Advances in new technology and social media have changed the nature of politics, economics and society. Political actors and systems are continuously being forced to adapt to changing circumstances and pressures. Digital technologies are a transformational force, which, if harnessed effectively, can provide great opportunities for governments to improve governance and deliver better services to citizens. Countries like Moldova have made digital government central to their strategies for countering corruption and improving performance in the public sector. While the benefits of digitalization can be great, there are also significant challenges to realizing them.

Leadership, statesmanship, vision and political will

A convergence of forces has not only reshaped the global environment but also created a new context for leadership. Today, leaders are operating in an environment where dynamics are more complex, the pace of change is quicker and the flow of information that must be managed is on an order of magnitude never seen in human history. Rapid communications and feedback loops mean that learning new modes of communication and working harder to craft clear, simple messages that reflect a vision (not just a position) can produce dividends by resonating across different stakeholders and satisfying people's legitimate demand for access. At the same time, effective internal communication within government and across institutions is necessary to credibly convey the state's vision to the public and enable institutions to work towards a common purpose.

Collectively, we do not know enough about how to develop, support and sustain courageous leadership. Public sector leaders might learn from contemporaries in the private sector, as both often face similar issues in adapting to and managing the rapid pace of change in today's environment and have developed a set of universal principles and tools for thinking about organizational change. Real change requires new types of collaboration with

multiple stakeholders at different levels, encompassed in "poly-lateral arrangements" of how governments, the private sector and civil society can work together to build better governance.

Advancing a reform agenda requires the ability to assemble coalitions for reform and a clear articulation of a national vision that captures the imagination of the population. An effective framework delineates broad contours but also leaves flexibility and scope for more detailed mapping and room for improvisation and adaptation to context.

In the context of developing countries, the relationship between development institutions and reformers is also critical for success. That relationship should be collaborative and supportive of local political will to enact reform, recognizing that there is no one-size-fits-all approach. The rule sets for donor/partner engagement in fragile states clearly need to be re-examined, so that external engagement contributes to the advance of reform agendas, rather than the fragmentation of the rule of law