FERDI
FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL

Working Paper 175
November 2016
Development Policies

Fragile States and International Support

Paul Collier

Paul Collier is Professor of Economics and Public Policy at the Blavatnik School of Government and the Director of the Centre for the Study of African Economies at Oxford University. He is Senior Fellow at Ferdi.

1. What is a fragile state?

Fragile states, like Tolstoy's unhappy families, have little in common. They are best defined by what they are not: they are neither cohesive, common-interest states, nor effectively repressive autocratic states. These are the two types of state that are able to maintain order, and achieve compliance from citizens that enable a range of state functions. With rare exceptions such as North Korea, this is sufficient for the society to avoid mass poverty. Fragile states are not necessarily in open conflict, but there is no clear bulwark against large-scale disorder. So defined, it is evidently useful to spell out how common-interest and repressive autocratic states each maintain order.

… /…

LA FERDI EST UNE FONDATION RECONNUE D'UTILITÉ PUBLIQUE.
ELLE MET EN ŒUVRE AVEC L'IDDRI L'INITIATIVE POUR LE DÉVELOPPEMENT ET LA GOUVERNANCE MONDIALE (IDGM).
ELLE COORDONNE LE LABEX IDGM+ QUI L'ASSOCIE AU CERDI ET À L'IDDRI.
CETTE PUBLICATION A BÉNÉFICIÉ D'UNE AIDE DE L'ÉTAT FRANCAIS GÉRÉE PAR L'ANR AU TITRE DU PROGRAMME «INVESTISSEMENTS D'AVENIR»
PORTANT LA RÉFÉRENCE «ANR-10-LABX-14-01».

1.1. Common interest states

A common-interest state is the norm in the OECD and some other societies. 'Common-interest' is the term used by Besley and Persson (2011) to define a state in which those in power adopt policies that are in the 'common' interest. A more general form of a common-interest state is that people comply with the state without the high degree of open coercion needed for a repressive state, because they *perceive* those in power to be acting in the 'common interest'. The most reliable way in which this happens is indeed if the perception is correct. The condition under which it is *necessarily* correct is if the state is a well-informed democracy. However, more generally democracy is neither necessary nor sufficient for a common interest state. It is not necessary because those in power may act in the 'common' interest without being pinioned to such a course by democracy. China would be an example, as would Jordan. Nor is it sufficient: if voters are sufficiently ill informed, a minority may be able to run the state in its own interest.

Cohesion is probably necessary for a common interest state to function because many actions will not be in the individual interest of many people. For example, it is very hard to tell a story that it is in the individual interest of a rich person to pay for redistributive taxation. For non-coerced compliance, such people have to subsume their own interest in the collective interest: the 'common good'. For this, there has to be a 'common' to which these people belong: that is, there has to be a widely held sense of shared identity. This sense of shared identity and common interest is what turns power into authority: a radical reduction in the cost of enforcing compliance with the commands of the state.

The low cost of compliance resulting once power turns into authority makes it much easier to build the core organizations that are essential to an effective state: a tax administration and a security force. Building these institutions is an act of investment, (the key point of Besley and Persson), but the investment is much lower once the state functions by authority. Historically, the transition from power to authority has depended upon a very particular 'common-interest', namely a narrative of collective defense against an external enemy. This is no longer a credible narrative in most fragile states.

1.2. Repressive autocracies

Repressive autocracies depend upon two distinct forms of effective violence. One is the capacity to defend the territory from organized violence perpetrated either externally or internally. The other is the capacity to inflict sufficiently severe penalties upon individual subjects that do not comply with a wide range of state commands that compliance becomes the rational action. The former type of capacity depends upon the localized extent of scale economies of violence, while the latter is about the capacity to build state information systems.

Defense of territory from internal organized violence depends upon the existence of sufficiently powerful scale economies of violence that any proper subset of the territory over which the state has nominal control is weaker than the whole. This situation can change as spatially distributed natural resources are discovered or become more valuable, (Berman *et al.* 2014), or as transport connections are built or decay. In contrast, defense from external attack depends upon the opposite: that scale economies have been exhausted and union with another state would result in a territory that would be too large to be able to maintain an internal monopoly of violence.

This balance between internal and external violence occurs naturally in states that have gradually grown to their current boundaries and are in equilibrium, as in Europe. But colonization followed by decolonization has created many states that are not militarily organic. Quite possibly, they are both too large and too small at the same time, in the sense that were they part of a much larger entity scale economies would enable the entire territory to be secure, both internally and externally, but at their current size they are too large to maintain an internal monopoly of violence.

The capacity for coercion of individual subjects depends upon an administration that is able to marshal information about the assets and behavior of individuals and then link it to the modest on-the-ground violence necessary to inflict coercive penalties.

Exploiting scale economies of violence and gathering information about assets both require large organizations: an army and a civil service. The capacity to build such organizations depends both upon the underlying skill of the population, and upon the ability to maintain motivation. Evidently, the skill needed for an army is less demanding that that for a civil service, but for both the key constraint is likely to be motivation.

An army faces an acute incentive problem: to win battles its soldiers must be prepared to risk their lives. It is radically difficult to incentivize people to take such risks: the rational behavior for a soldier is to leave the dangerous stage of fighting to others and if this is widespread the army will lose regardless of its size. Indeed, large size may become an impediment to an effective force as the incentive for free riding increases. Motivation in an army depends upon something other than material self-interest. It depends upon the soldier wanting the esteem of his peers, and the self-esteem that comes from actions that enact an identity that he has adopted. Most armies are effective and so building these sources of esteem cannot be very difficult. For self-esteem to motivate risk-taking requires the soldier to have adopted the identity of 'a good soldier'. Peer esteem requires that a sufficient number of soldiers have internalized the norm 'a good soldier is one who risks his life when necessary for the success of the army'. This identity and this norm have to be built by role models of 'heroes' and supporting narratives. In many cases the armies of fragile states are ineffective not primarily because they are too small, but because of a lack of motivation. The identity and norm have not been built.

A civil service faces a yet more acute problem of motivation. Many situations in which the state needs to coerce compliance depend upon a civil servant being assiduous in gathering information, and honest in using it in the interest of the state rather than for personal gain. Being assiduous takes effort, which is costly, and being honest instead of exacting a bribe is likely to be even more costly. Hence, self-esteem and peer esteem need to be invoked, with their supporting mental constructs of an identity, 'I am a good civil servant' and norm 'a good civil servant puts the state interest over his own' (Akerlof and Collier, 2016).

Since a repressive state cannot rely upon the appeal to common interest, because most of its actions are not in the common interest, it will struggle to overcome either of these problems of motivation. The military motivation may be easier because the army can collectively be presented as an elite; and the level of personal risk may rapidly become negligible if motivation can temporarily be overcome because the motivation of the army is difficult to observe by potential rebels (and costly to underestimate). While the civil service can also be presented as an elite, it is far larger (and so less elite), and its behavior can be continually stress tested by ordinary subjects at negligible personal cost: such cost depends not upon the civil servant refusing the bribe, but on successful prosecution.

Those repressive states that are effective have two means of building motivated cadres of soldiers and civil servants. Some, such as North Korea, rely on a sense of shared identity built on nationalism. In turn, nationalism is usually aroused by provoking an external threat that is presented as overarching and creates a common interest with those in power that trumps the many respects in which elite interest is opposed to the common interest.

Others, such as Saddam Hussein's Iraq, or apartheid South Africa, rely upon creating a clear identity for an ethnic or religious sub-group that is large enough to staff the army and the civil service. The sub-group is given some rewards. Perhaps more potently, it is put in a position where, being complicit in the power of the autocracy, were the autocrat to be overthrown they would become the victims of vengeance.

1.3. Why fragile states are fragile

Having set out the two means of building states than securely maintain order, fragile states are the residual of those societies that are unable to pursue either route.

The common interest state may be infeasible for four distinct reasons. First, the state may be controlled by an elite that serves its own interest, (and that lacks the means to deceive the population into thinking that it is doing otherwise). Secondly, even if the state is run in the common interest, the society may lack sufficient social cohesion to have a shared identity so that the key organizational building blocks of an army and a civil service do not function properly. If the polity has become a democracy prior to a shared identity being forged it may be impossible to build shared identity. The political parties inherent to electoral democracy are most likely to be built on the existing fractures of identity, and the prevailing narratives of vilification of opposing parties which democracy inevitably generates will thereby work against the emergence of common identity. Thirdly, the polity may be militarily unviable, either because it cannot control internal order or because it cannot protect against external threats. Finally, the society may lack the skills necessary to build an effective army or civil service.

The repressive autocracy may also be infeasible for four distinct, and somewhat similar reasons. First, the revenues captured by the state might be insufficient to be able to reward a sub-group large enough to staff an army and a civil service of the required scale. Second, the society may lack social cohesion and the state cannot build a shared identity because there is no credible external enemy on which to build a sense of nationalism. Third, the polity may be militarily unviable, due to either internal or external threats. Finally, the society may lack the skills necessary to build an army or civil service.

The above yields eight varieties of fragile state. There may well be more. What all have in common is that they, or the collapse into state failure to which they are vulnerable, are equilibrium conditions: there is no clear autonomous process whereby such states become secure states, whether of the cohesive, common interest variety, or the repressive autocratic variety. Fragile states are not simply at an earlier stage than secure states; they are stuck in circumstances that secure states were never in.

The emergence of the typical European state, an analysis pioneered by Tilly (1975), set out a clear trajectory. While that is not the only trajectory, it is an important one. Along it, states grew until the scale economies of violence were exhausted, national identities were built through inter-state conflict, and effective armies and civil services emerged through a process of natural selection. Only after this did democratization take place, turning the states into common interest ones. Today's fragile states are simply not on this trajectory.

2. So what can be done for fragile states?

On this analysis, fragile states will remain fragile unless some external intervention gives rise to substantial change. I will suggest three aspects of external intervention: political, security, and economic. In each case, the pertinent time frame is the short-term. Visions of the long-term are easy to conjure: in the long-term the society should look like a common-interest state. The challenge is to specify a viable path towards this end and the most difficult steps are the first. The first steps are the most difficult because this is when the options are the most severely constrained. In a fragile state it is useless to navigate by what is wrong: almost everything is likely to be wrong. Yet because the state is a broken entity, its capacity to implement effective change is extremely limited. Further, because of past failure, people do not expect policy interventions to work so that any intervention that is dependent upon a coordinated change in behavior by many people is likely to fail. The route out of fragility is not an instant leap into a common-interest state. Rather it is an ingenious search for the few actions that can actually be implemented and that will provide a rapid, perceptible improvement to many people's lives. The pertinent timeframe is unlikely to be longer than two years. If the state manages its communications with citizens properly, it will lower expectations to only this very limited set of actions and pre-commit to doing them. As it delivers and claims the credit due, citizens and public officials will slightly revise their expectations of what government can achieve. This in turn modestly opens up the scope for slightly more demanding action, and step-by-step the state craws out of fragility. Along this arduous path, visions of the ultimate goal may be detrimental, because they tempt politicians into leaping ahead, at which point they return to failure.

2.1. Building the polity

For the past 25 years, the strategy that international actors have promoted to build the polity in fragile states has been multiparty electoral democracy. Above, I have suggested why this is liable to be a cul-de-sac unless the society already has a shared identity. The disaster of democracy in Iraq is an example: the result was a Shia extremist government that lacked the military capacity to maintain order, resulting in large-scale violence. Insistence upon early national elections is part of a larger strategy adopted by both donors and leaders to try to accelerate the construction of centralized authority by creating symbols of the nation state: a directly elected president, an elected national assembly, and a conventional array of government ministries. This fails to achieve its objective of turning power into authority, (because outside exceptional circumstances such as international warfare, it is not possible to do this rapidly), but it does create delusions of legitimate power among national office-holders. Since it is not possible, at least in the short term, to govern a fragile state by means of central authority, it is safer to avoid the symbols that suggest that such authority exists. Heads of government, and national assemblies are safer if they *manifestly* possess little legitimacy, so that it is evident to office-holders that the remit of political power is very limited: amounting to a few decisions that can be implemented because they are not significantly controversial.

While to date donors have made major mistakes in forcing polities into a form that is unlikely to be viable, nevertheless, they should play a central role in shaping the post-conflict polity. It is unlikely that any predominantly internal process will generate a viable outcome, because accumulated hatreds will typically prevent the give-and-take necessary for genuine negotiation: the continual failure to reach consensus in Libya being a current example. The donor error has not been to direct the outcome, but to impose an outcome that is usually unviable in a post-conflict context.

Government in a fragile state should, I think, be built on two pillars: power sharing and decentralization. Only after a common identity has been built at the national level can national multi-party democracy work, and this is at best a slow process (and may turn out to be infeasible).

2. 1. 1. Decentralization

Fragile states typically start with a localized spatial structure of identities. This structure is at best slow changing, and so over the pertinent horizon – the early post-conflict years – it should be taken as given. Mismatches between the spatial structure of power and that of identity lead to three types of state dysfunction: repression (the state exerts power through effective coercion), violent conflict (the state tries to exert power but is frustrated by violent opposition), and theatre (the state abandons the attempt to exert real power and settles for the appearance of power). Hence, in a fragile state decentralization is likely to be the least-bad option.

Nevertheless, decentralization of power carries risks that regional politicians build self-serving autocracies. This can be moderated by requiring power sharing at all levels of government, by making the regions somewhat dependent upon the center for revenues, and by imposing effective donor scrutiny to maintain the integrity of budget processes.

Regions will vary greatly in their capacity to generate revenue, and there is no simple way of resolving the issue. While on some criteria the ideal is national pooling of all revenues, and redistribution according to regional needs, attempting to impose this ahead of building shared identity would risk centripetal forces. Revenue and expenditure sharing formulae have to recognize the spatial structure of identities and accommodate it. Restraint in prospecting is advisable, because discoveries have the capacity to create strong secessionist pressures. Clearly, Iraq would have been less disastrous had generous revenue sharing been agreed early on. The state may need to delay centralization until after it has become a cohesive, common interest polity.

Decentralized power sharing may also enable good politicians to reveal their talents at local level, gradually building the experience and reputation by means of which a subsequent phase of centralized power could become productive.

2. 1. 2. Power sharing

Almost inevitably, power sharing at the national level will be both messy and unattractive. This is a further reason for favoring decentralization. It will be messy in that people who have opposing interests and hate each other will need to work together in government: they will do this only grudgingly, and so government will not work very well. The advantage, however, is that only by needing to work together (as a condition for aid and security assistance) can powerful people gradually learn the gains of cooperation: changing their mindsets from a zero-sum to positive-sum perspective on the world in which they operate.

It will be unattractive in that some truly unsavory people will have to be included: representation will be closer to 'one gun, one vote' than 'one person, one vote'. Often this will imply that 'transitional justice' will be little more than token: guilty people will not be punished. However, social psychological research has established that victims and culprits systematically assess the magnitude of appropriate punishments very differently. The human mind is ingenious at self-justification. Hence, the punishments regarded by victims as appropriate are seen by culprits as excessive. This then generates a further round of grievance and vengeance (Haidt, 2012). Hence, pursued vigorously, transitional justice risks reigniting the conflict (as it did in Iraq). Inclusion of as many militarily significant groups as possible makes the security challenge more manageable. As Libya has demonstrated, leaving such interests excluded can lead to catastrophic outcomes.

While donor money is needed as the incentive for cooperation, I think it is important to impose financial integrity on the budget process. This is for instrumental rather than ethical reasons. Though from a Western perspective corruption is manifestly immoral, the ethical code prevalent in a fragile society is quite different: taking opportunities for public plunder that help the family are widely seen as reasonable. The instrumental reason to impose financial integrity is that if money is embezzled it strengthens the position of crooked politicians who use the money to expand the patronage systems on which they depend. Only if starved of the money needed to maintain patronage networks, may such politicians gradually be weakened so that honest competitors can emerge. Nevertheless, politicians in government may need to be paid generously. If there is no money to be made in government then significant politicians are likely to withdraw and rely upon their localized military power to secure the revenues they need for patronage. The reward for being in government should enable personal enrichment, but not on a sufficient scale to maintain and expand a significant patronage network. In effect, participation replaces the need for such a patronage network. Gradually, such people become redundant.

Subject to the financial integrity of the budget process, so that neither revenues nor expenditures can be embezzled, politicians (both local and national) should be left to determine budgetary priorities and policies. Policy conditionality, in any form, political, economic, environmental, or social, is a mistake: it inhibits social learning and confuses responsibility for outcomes. In many instances it actually impedes internalization of donor norms due to the well-understood psychological phenomenon of 'reactance', whereby people subject to pressure to do an action reestablish autonomy by doing the opposite. In effect, donors should limit themselves to governance conditionality: the basic design of the polity (decentralization and power sharing), and effective fiscal scrutiny (the integrity of revenues and expenditures, tempered by generous pay for senior politicians and officials).

2.2. Building security

A pervasive sense of insecurity, generated by a recent history of violence and the credible prospect of further violence, is the essence of fragility. I will confine discussion to those fragile states that are at least momentarily at peace, or at least some approximation to it. Ending large-scale violent conflicts is a distinct challenge with a high degree of particularity.

Even at peace, fragile societies typically have considerable bottom-up violence. Traditional societies are usually characterized by cultures of violence (Pinker, 2011; Gat, forthcoming); and the limited introduction of aid projects and other modern economic activity generates new opportunities for predatory criminal violence. Political contestation sharply raises the returns to violence because of the benefits of capturing control of the state, and it is likely to infest ostensibly democratic national politics through the intimidation of voters (Collier and Vicente, 2012).

The fundamental technology of violence juxtaposes scale economies tempered by rising costs of spatial control. Large forces are likely to defeat small forces; but the cost of controlling territory rises with its area. In consequence, large, low-income territories may only be able to sustain highly localized monopolies of violence, but these small forces are unable to protect their territories against sporadic attacks from much larger external forces.

The fragile state hence faces two distinct security problems: it does not have an effective monopoly of internal organized violence within its own territory whereby it can impose peace within the society, and it cannot protect its territory against external threat. These require very different solutions.

Maintaining a monopoly of internal organized violence depends upon nipping rival sources of violence in the bud before they can grow into substantial forces that could only be countered by major armed force. This requires an on-the-ground observational capacity throughout the territory, supported by the capacity to muster modest force fairly quickly once incipient organizations of violence are detected. Given the incapacity of the state to maintain effective repression (if it had this capacity it would be a repressive autocracy, not a fragile state), a ubiquitous observational capacity depends upon the cooperation of the local population. This in turn implies that coercive force can only be reactive, not preemptive. Preemptive force is the most effective means by which repressive autocracies maintain control, but since it punishes the innocent (alongside those and who intend to engage in violence), it provokes outrage rather than cooperation. Even reactive force needs to be limited, for the same reason that transitional justice needs to be restrained: even when those who initiate violence recognize it as wrong, their estimate of the warranted punishment is self-serving, and exceeding this threshold risks generating a cycle of vengeance.

Any state-organized military force has the incentive to be predatory on the local populations it controls, and to threaten the state itself. Thus, state provision of 'security' forces has the potential to worsen local and national insecurity.

The organizational form of the capacities needed for local security approximates to a gendarmerie. A well-functioning gendarmerie has a ubiquitous presence sufficiently embedded in localities to be able to observe information, a localized though modest coercive capacity, and an organizational culture that imposes voluntary restraints upon the exercise of coercion.

Building an organizational culture of restraint takes a long time. Fragile states do not have the luxury of being able to wait while long-term investments in security services come to fruition: they need interim solutions which provide security in the short term. A possible means of containing predation by public security forces against local communities is to decentralize the gendarmerie into local units that are subject to control by the decentralized political entities such as village councils. For example, the release of monthly payments to local gendarmes, (perhaps effected by transfers of mobile money), could be made dependent upon approval by the village council. This makes clear that the security forces are there for the local population.

To counter the risk that such localized security forces become baronies that can threaten the nation, control can be shared with the national government that will in any case be the proximate source of finance for salaries of the security forces (the ultimate source may be donor funding). Fragmented localized security forces, subject to financial control shared between local communities and national government limits the scope for a local commander to bid for national power.

However, making pay dependent upon satisfying the concerns of the local population will only work if the locality does not offer returns to predation that exceed the salary put in jeopardy. This depends in part upon salaries being reasonably high, but also on local opportunities for predation being modest. Since predation on a poor, heavily subsistence community is likely to be administratively difficult and yield little, the main threat comes from high-value natural resources in remote locations. Such resources enable local non-government groups to grow their capacity for violence to a viable scale (Berman *et al*, 2016), and tempt public security forces to go rogue and become predatory. This suggests fragile states should postpone resource extraction until the security situation is firmly under control.

Evidently, while small, decentralized forces may be able to nip rebellion in the bud, they do not provide protection against external forces. This threat requires a completely different solution: where possible, regional cooperation between governments to establish a common force supported internationally. The rules for the use of such a force should be exclusively under the collective control of the participating governments in the region, otherwise they would not trust it. Building such a force is a long-term project, but it can provide security immediately. Initially, the force securing the external safety of the territory is likely to be international, whether UN, France or South Africa. However, rather than planning 'exit' in favor of a supposedly revitalized national force as is currently the norm, external forces should gradually evolve (over a decade or longer) into a standing regional force with an integrated command and clear regional political control; external involvement being confined to finance and logistics.

2.3. Building the economy

Typically, the economies of fragile states are so unproductive that there are many uncomplicated ways of raising productivity. The problem is not finding actions that would help. It is partly a matter of finding those few actions that pay off quickly, providing visible benefits to many people, and are implementable within a short horizon given very limited state capacities. It is partly a matter of creating an organizational form through which donor finance can be channeled with sufficient confidence that the money will be spent to good effect.

The foundations of productivity are energy and connectivity. Typically, in fragile states energy is unreliable and expensive, and connectivity in all its aspects is slow. Both can be improved quickly and simply. The key issues are not technical but political and organizational.

2.3.1. *Technically feasible improvements in energy and connectivity*

I first consider energy. It is usually technically feasible to transform the supply of electricity to the capital city within a two-year timescale. Electricity generation uses standard technologies and there are many reputable international companies that can build and operate energy provision. The usual impediments are a political quagmire of suspicion of foreign private enterprise, corruption in awarding contracts, mispricing of official supplies, and fear on the part of foreign firms that once they have made an irreversible investment they will be subject to hold-up. For rural areas, grid-based power is uneconomic. The most appropriate technology for light is likely to be solar since unit costs are falling rapidly, but solar energy cannot meet the high-energy requirements of cooking. For this, the most viable option is likely to be a networked supply of bottled gas for cooking. The logistics network for bottled gas can be built quickly as a normal commercial venture.

Connectivity can be improved in a variety of ways. It is technically feasible to scale up mobile phone provision rapidly: this was one of the early successes in the recent opening of Myanmar. It is also technically easy to piggyback payment services onto a mobile phone system. Kenya is the model here and it scaled up very fast. The combination of rapid flows of information and payments can make a substantial difference to farms and small enterprises.

Three aspects of physical connectivity can all potentially be addressed. Rural-to-urban connectivity can be improved by simple road building: in post-conflict Uganda early investment in such roads had an estimated rate of return of 40%, raising farm incomes through better access to urban markets, and raising urban incomes by reduced food prices. Typically, the capital city of a fragile state has experienced rapid population growth with no concomitant investment in transport routes. An early private response to peace is for the middle-classes to purchase cars. This completely congests the limited urban road network, causing gridlock for all users. From this disastrous situation, intra-urban connectivity can be improved rapidly by dedicating some roads to private minibuses to decongest them of private traffic. A further easy and rapid step is to legalize and encourage motorcycle taxis, which are far more efficient than cars. Connectivity to the world can be improved, (if the country is coastal), by changing the management of the port, which is typically an epicenter of corruption.

2.3.2. *The organization of public service delivery*

Each of the above actions is technically feasible. The challenge is that the state lacks the organizational capacity to deliver any of the above improvements in energy and connectivity to an adequate standard, and building organizational capacity is a very long-term process. Meanwhile, the state typically blocks private provision in various ways. The domestic private sector is typically too under-developed to generate competent organizations that can provide the services, and so the only feasible option is foreign private provision whether commercial or social enterprise. But reputable foreign private firms are reluctant to operate in fragile states: they do not want to put either their staff or their reputations at risk. In some cases, NGOs may be more feasible providers, but they should be required to organize the supply of basic services at replicated scale rather than their normal model of photogenic and idiosyncratic boutique operations. Again what is needed is not a long-term ideal, but a practicable arrangement that can work rapidly and adequately even if it looks nothing like the long-term ideal.

The approach I favor is the 'Independent Service Authority' (Collier, 2007). An ISA can take many forms (and names) but is basically an institution (or several of them) composed jointly of donors and the government (national or local). An ISA is a form of implementing agency. Policy decisions continue to be taken by political authorities, both national and local, but these decisions can then empower an ISA to implement them. For example, if the cabinet decides to permit the private generation of electricity, it can task an ISA with implementing it.

An ISA performs only three functions. First, it awards competitively bid contracts to private, social enterprise, community and public sector suppliers of specific services. Secondly, once contracts are signed, the ISA is the vehicle for ongoing providing finance; the money for needed by the ISA comes initially entirely from donors and is routed by advance agreement through the national budget. Over time, some finance may also come from government domestic revenues if the government so chooses. Thirdly, the ISA monitors the performance of the organizations contracted to deliver services. The ISA does not directly provide any services itself: its business is confined to contracting, financing and monitoring the services of other organizations. All services are branded as government services, not as private or NGO services. The Board of the ISA consists of both donor and government nominees. The number of nominees from each party is unimportant, but a decision rule might be that all Board members have the power of veto. This gives donors the reassurance to provide adequate finance, firms the reassurance that contracts will be honored, and government the ability to deliver fast on a limited range of government-branded critical services that make a rapid difference to citizens. ISA-provided services can operate alongside whatever the direct provision of government services might be, and can be replaced by direct provision at the end of the specified contract period, but their operation is determined by the contract with the ISA, not by day-to-day government policies.

Because an ISA is free standing, it is outside the civil service and so can be staffed to different rules and remuneration. Since it is newly created, it has an opportunity to build its own, elite-organization, culture of effectiveness and personal accountability. Since it is a hybrid between a government agency and a donor project, if it proves to be effective the government may decide to let it evolve into a permanent form of domestically financed public service delivery.

One major advantage is that donors can have much greater confidence that their money is being spent effectively. Not only are in the kitchen of the organization alongside government in day-to-day decisions, a core function of the organization is to monitor the performance of the organizations contracted to deliver services. As a result, donors can provide far more money than has typically been the case in fragile states.

ISAs are not an instant solution to the deep problems of organizing public service delivery in fragile societies, but they are a flexible organizational form through which local initiatives can be empowered, and all parties, government, donors and service providers, can learn to improve. They are a fast-track alternative to the two standard approaches to the organizational deficiencies of fragile states: civil service capacity building, and project implementation units. The attempts to 'build capacity' in individual ministries have proved to be slow and usually unsuccessful. Fundamental reform of dysfunction faces a binding coordination problem: in a large existing organization staff seldom have any reason to expect that the behavior of other workers will be different today from what it was yesterday; in which case it would be quixotic to change their own behavior. Donor project implementation units face the severe limitations of being *ad hoc*, temporary and lacking government ownership. As such they are organizational cul-de-sacs.

3. Conclusion

Fragile states are the outstanding remaining development challenge. There is little reason to be confident that such societies will develop purely through autonomous, internal mechanisms. Nor is the much reason to be confident that globalized market forces and conventional donor approaches will work. I have suggested that fragile states are a distinct category: neither cohesive, common-interest states, nor repressive autocracies. There is no natural path along which they evolve into either of these stable forms of government.

Pressured by OECD electorates, development agencies have adopted an approach that essentially tries to build the institutions of a cohesive, common-interest state in a fragile state. I have argued that this approach inevitably fails: fragile states, though different one from another, lack key features than would enable such institutions to work as intended. Instead, the path out of fragility should be envisaged as a tortuous series of steps, each of which must pay off quickly, the success of which are preconditions for further steps. The standard practice of swiftly installing a multi-party democracy with a government accountable to citizens through national elections may make it far more difficult to discover and follow such a path. Instead, the priorities should be to establish an interim political governance of power sharing and decentralization; practical on-the-ground security for ordinary citizens; and basic improvements in energy and connectivity. Such a state will most likely tick few of the boxes that define governance in OECD societies.

Bibliographie

- Akerlof R. et P. Collier (2016) « Unpacking Organizational Dysfunction » *mimeo*.
- Berman N., Couttenier M., Rohner D. et M. Thoenig (2014) « This Mine is Mine How Minerals Fuel Conflicts in Africa » *OxCarre Working Paper*, n°5409.
- Besley, T. et T. Persson (2011), *Pillars of Prosperity The Political Economics of Development Clusters*, Princeton University Press.
- Collier P. (2007) *The Bottom Billion*, Oxford University Press.
- Collier P. et P. Vicente (2012) « Violence, Bribery and Fraud: the Political Economy of Elections in Sub-Saharan Africa », Public Choice, vol 153 n°1-2, p. 117-47.
- Gat A. (*prochainement*) *The Causes of War*, Oxford University Press.
- Haidt J. (2012) *The Righteous Mind Why Good People are Divided by Politics and Religion*, Vintage.
- Pinker S. (2011) *The Better Angels of our Nature*, Harvard University Press.
- Tilly C. (1975) *The Formation of Nation States in Western Europe*, Princeton University Press.

"Sur quoi la fondera-t-il l'économie du monde qu'il veut gouverner? Sera-ce sur le caprice de chaque particulier? Quelle confusion! Sera-ce sur la justice? Il l'ignore."

Pascal

FERDi

Created in 2003 , the **Fondation pour les études et recherches sur le développement international** aims to promote a fuller understanding of international economic development and the factors that influence it.

Contact
www.ferdi.fr
contact@ferdi.fr
+33 (0)4 73 17 75 30