

# Getting It Right: World Bank Statebuilding Efforts in Fragile and Conflict-Affected States

*A Study of Reformed FCS Programs*

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## **Abstract**

This thesis seeks to uncover whether reformed World Bank statebuilding efforts in fragile and conflict-affected states (FCS) are producing satisfactory results. Fragile and conflict-affected states are known to be particularly tough contexts in which to conduct statebuilding and development, due exactly to the very factors that cause and sustain their fragility; weak institutional capacity and the inability or unwillingness to offer services to the people. After taking criticism both from observers in the development community and from within its own organization in the early 2000s, the World Bank reformed its statebuilding programs in fragile and conflict-affected states. Evaluations of these efforts show that the early takeaway is that the reformed programs are still failing to meet the goals of improving capacity and governance. I look at the concrete findings of such evaluations in order to shed light on why the World Bank is not succeeding to the extent one would expect. I use Liberia and Sierra Leone as examples throughout in order to gain insight into what the lessons are at the local level. I find that while there is some progress, the World Bank is failing to live up to its own ambitions and goals for statebuilding programs, resulting in programs that are often irrelevant to the local context and unsustainable for the future. In many respects, the World Bank is simply not following its own recommendations or strategies for how programs should be implemented. It is failing both to evaluate programs upon completion and to incorporate the few fragility analyses it conducts into programs. Thus, the World Bank continues to have too little sensitivity to local contexts and their needs.



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Oslo, May 2018

Mari Hidle Simonsen





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# **1. Introduction**

Fragile and conflict-affected states are considered to be among the toughest development challenges the world is facing today. FCS, as they are conveniently abbreviated, are crucial to pay attention to for a number of reasons. First, what makes them fall into the category of fragile states is most often that they lack important institutional structures or that these are weak, rendering the authorities unable or unwilling to offer the population sufficient levels of security and services (see e.g. Kaplan, 2008, p. 5, Stepputat and Engberg-Pedersen, 2008, p. 8). As a result, these countries continue to suffer from poverty; the population is often malnourished and lack access to healthcare services and proper education. The World Bank estimates that 2 billion people today live in countries that are affected by fragility, conflict, and violence (World Bank, 2018a). Second, as the 2011 *World Development Report* (WDR) establishes, there is a close link between state fragility and the risk of conflict. Third, there are potential spillover effects impacting neighboring countries and regions, such as refugee flows and illicit arms trade. Fourth, states with weak institutional structures are known to be more susceptible to breeding non-state armed groups or terrorist groups, due to the inability of the state to keep these groups under control and also due to the unrest and revolt caused by poverty and lack of opportunities of employment (see e.g. Schneckener, 2004). Development actors are therefore increasingly emphasizing the security aspect of developing these countries. Some also see fragile states as being on a continuum, where the ultimate outcome on the one end of the scale is so-called state failure or state collapse. This is rarely seen in the world today, but an example such as Somalia shows that once a state has collapsed, rebuilding it with strong and robust political and economic institutions in the image of the liberal ideal state is a very difficult task.

## **1.1 Why Study the World Bank and Statebuilding in FCS**

The World Bank is been heavily engaged in assisting fragile and conflict-affected states. As it is estimated that 2 billion people live in contexts that are strongly associated with poverty and generally poor standards of living, assisting these

countries is a given task for the World Bank, an organization mandated to “reduce poverty and support development” (World Bank, 2018b). In keeping with the New Deal that was developed in 2011 as “a key agreement between fragile states and partners to change the policy and practice of engagement” (International Dialogue on Peacebuilding and Statebuilding, 2018), as well as recommendations made in the 2011 WDR, the World Bank has made efforts to reform its programs that are directed to FCS in order to better the assistance for statebuilding through strengthening capacity in these countries. With tremendous resources going into programs directed to fragile and conflict-affected states, it is an important task to investigate how the World Bank is performing in these efforts. Is the World Bank capable of achieving its goal of assisting FCS in building capable and resilient institutions that can help take states off the road toward state collapse and instead move in the direction of development and improved living standards for the population? The literature on how to effectively conduct development, and particularly statebuilding, in fragile states is small, despite the increased focus on these as a great development challenge, as well as the emphasis that is being placed on the security threat they are potentially posing locally, regionally, and globally (Carment, Prest & Samy, 2008, p. 17). According to Carment et al., aid effectiveness in fragile states should be given much greater attention. This is what I aim to do in this thesis with the focus on World Bank statebuilding in FCS.

A great portion of the FCS is found in Africa. In order to be able to not only say something about the renewed World Bank statebuilding programs in general, but also point to some lessons from concrete examples, I will look specifically at two cases of FCS throughout my chapter on findings and analysis, namely Liberia and Sierra Leone. The World Bank has been engaged in rebuilding and statebuilding efforts in these two countries since the end of their civil wars and continues to apply statebuilding programs in order to increase capacity and maintain stability. I will look at how the renewed programs perform in these two states.

There are numerous challenges facing those agencies working to find ways to assist in fragile and conflict-affected states. Taking sufficiently into account the challenges of

inclusive institution building in societies where extractive institutions as well as governance encouraging and maintaining a patrimonial system is the norm, as is the case in several African countries, needs to be a crucial part of such efforts. Corruption is also often pointed to as a factor in explaining why development projects in FCS may fail to work: corruption is found both on the recipient and the donor sides. In most of the FCS we see today, the web of informal economic transactions within and across state borders must be seen as the main source of corruption, and as a possible reason why loans and grants are not contributing to leveling out inequalities and lifting people out of poverty as intended. These practices are facilitated through the neopatrimonial power structures which influence many of these countries. However, challenges are also present on the donor side. As evaluations of the World Bank FCS programs propose, there seems to be a problem of wanting too much too soon, and the World Bank struggles in great part due to a failure of properly sequencing the various provisions to ensure stronger and more capable states. In addition, the World Bank does not seem to be immune to the critique of aid being too detached from local context and needs.

It is said that the study of peacebuilding tends to privilege the role of external actors (Sending, 2011, p. 56). Sending argues that peacebuilding is studied by looking mainly at the interveners and what they are doing wrong and where they fail. Instead of this perspective, he holds, we should look at the local actors and the relationship between them and the interveners. He holds that it is necessary to “factor in the agency, interests and power of different types of local actors”, and suggests “a shift of focus to the character of the relationship between external and local actors, and to explicitly account for the interaction between them” (ibid.). In keeping with this argument, I choose to look at the topic not just from the perspective of the donor, but also from the recipient side and investigate what conditions are present in FCS that complicate the interaction with donors like the World Bank with regards to statebuilding.

## 1.2 Research Question

The goal of this thesis is to understand whether the reformed World Bank programs for statebuilding in fragile and conflict-affected states are having the desired effect of contributing to building stronger political and economic institutions through which development and poverty reduction is made possible. My research question is as follows:

*Are the World Bank's statebuilding efforts in fragile and conflict-affected states producing satisfactory results through their reformed programs for these contexts?*

Based on this research question, a new question quickly arises: What are satisfactory results? In order to determine this, I will measure statebuilding efforts through the FCS programs based on the following four criteria of what constitutes the modern state and find out to what extent World Bank efforts have contributed to the strengthening or consolidation of these: rule of law, institutionally capable government, effective revenue collection, and the successful penetration of society by the state and provision of services.

As the topic of World Bank attempts of statebuilding in fragile and conflict-affected states is a very comprehensive one, I choose to limit it in scope by giving examples from experiences in the two fragile and conflict-affected states of Liberia and Sierra Leone, in addition to presenting findings on the overall effectiveness of the efforts. Both countries are on the World Bank's List of Fragile and Conflict-Affected Situations for 2018. Being next-door neighbors, they share a similar history and they have both recently come out of devastating civil wars. The wars left the two countries in state collapse, from which they are making attempts to recover - in great part through international assistance. The impact of World Bank FCS statebuilding programs in these contexts thus makes for an interesting and important area of study.

It is also necessary to limit the topic in time. The World Bank has been engaged in development and reconstruction efforts since its inception in 1944, albeit with a much greater focus on statebuilding in the past few decades. Between 2002 and 2006, the World Bank used the term low-income countries under stress (LICUS) for the most vulnerable countries in its portfolio, and then changed it to fragile and conflict-affected states, thereby including a few more countries. Thus, the programs that I focus on in this thesis are the ones that came about after the LICUS Initiative programs were evaluated in 2006, when a new approach was taken.

Statebuilding is inherently challenging. This is important to keep in mind when assessing the attempts that have been made to conduct statebuilding. External statebuilding is a particularly challenging subject to assess, as statebuilding by external actors has never actually been fully accomplished and is merely a result of development paradigms such as the liberal peace and the idea that developed states can and must help develop underdeveloped states. There are no examples where external statebuilders have been able to fully rebuild states through measures such as increasing capacity. This lack of past experience must be kept in mind when examining whether such efforts by the World Bank have been successful. I also recognize that statebuilding in FCS is a long-term endeavor that requires decades of commitment and involvement, as well as adaptation to ever-changing local circumstances. In order to measure the progress of the World Bank, I look at the goals of the FCS efforts as they are laid out in strategy papers and compare with what is found in evaluation reports. Monitoring progress is pivotal, as no one benefits from massive and costly programs that are moving in the wrong direction, particularly not the staggering amount of people living in fragile and conflict-affected states today.

### **1.3 Theoretical Framework**

There are some key theoretical concepts that must be defined in order for this thesis to contribute in a meaningful way to the debate on state fragility and aid. First, an account of what constitutes the modern state is called for, as I will base my analysis of World Bank statebuilding on the criteria of the modern state. Further, state fragility,

statebuilding, and institutionbuilding are all concepts that must be properly accounted for and contextualized. Chapter 2 is devoted to this, apart from definitions on state fragility, which are presented in Chapter 3. In chapter 3 I also explain the concept of neopatrimonialism and the impact it may have on development in FCS.

My theoretical framework is influenced by debates on the liberal peace and statebuilding. I will account for these in Chapter 2. The liberal peace paradigm suggests that it is the responsibility of the liberal states of the world to intervene in fragile and conflict-affected states in order to introduce liberal policies such as free markets and democratic rule. This perspective enjoyed much attention in the post-Cold War era, as the world saw a number of international interventions rooted in the liberal peace idea. However, the critique of this approach became particularly loud in the 1990s, following many failed interventions and reflecting the sense of an overruling of local needs and participation. The critique of the liberal peace points to the fact that donors are introducing or imposing institutions and policies that are not relevant to local contexts, and that they are operating in such a way that they are rendering the recipient states dependent on donors, as well as making governments accountable to donors, instead of governments being accountable to their populations. In addition, it seems the efforts have been shifting from peacebuilding to external statebuilding. Increasingly, it is accepted that development in fragile and conflict-affected states must involve some degree of institutionbuilding and strengthening of governance capacity, because a state's fragility is explained in part by weak institutional capacity. The critique then is directed toward the way in which institutions are constructed and implemented from an outsider's point of view, with little consideration or understanding of local contexts in terms of history, tradition, and ethnicity.

International development aid has long been considered the only way to alleviate poverty and ensure better livelihoods for the world's population. However, in the past decade or two, a new competing paradigm has emerged that calls for a rethinking of the entire concept of aid, particularly that in Africa. The main argument is that aid merely renders states dependent on Western loans and grants and leaves them unable



to develop on their own. In addition, some scholars argue that the very fact that some governments depend in great part on aid grants or loans makes their accountability to the population is very low (Moyo, 2009a). Therefore, it is argued, these governments further their incentives to uphold extractive political and economic institutions which hinder economic growth and alleviation of poverty.

It is not the purpose of this thesis to assess whether development aid as a whole is the way to tackle poverty and fragility. Rather, with the theoretical framework I aim to place the World Bank's statebuilding approach in a broader discussion on aid in order to understand the rationale behind its programs to fragile and conflict-affected states and how this corresponds with existing theories and perceptions on development. This is needed in order to give a meaningful account of which perspectives may be missing from the approach and what changes are necessary.

In order to understand the debate about statebuilding, governance and institutional capacity, it is necessary to address what institutions are, what is meant by governance, what constitutes good as opposed to bad governance, and how to build capacity. In the debate on statebuilding and institutionbuilding, some argue that talking about the state and institutions with the liberal state model in mind does not make sense in some of the poorest functioning countries today, particularly in Africa. I address this debate as part of my theoretical framework, as it has important implications for how one views World Bank statebuilding in FCS.

#### **1.4 Research Design**

The aim of my research is to understand whether the World Bank is able to produce satisfactory results in their statebuilding programs in fragile and conflict-affected states. My research is thus a qualitative case study of statebuilding programs, more specifically the programs I conveniently name FCS programs, designed and implemented by the World Bank in fragile and conflict-affected states. As Gerring notes, all case study research requires a consideration of what the case is a case of (2007, p. 13). World Bank FCS programs are a case of international development aid

programs. With a general international perception that is in keeping with the development aid imperative, it is useful to study cases of such development programs and learn what factors cause them to be successful and what makes them fail at their objectives. If there are important inherent implications in the FCS contexts that the World Bank does not consider in their programs, it is interesting to further investigate how such implications are addressed in the development programs of other agencies. As a major and leading development actor, the World Bank and its programs constitute a relevant case based on the influence it has on other development actors. Lessons made from World Bank experience may be transferable to others.

For the purpose of gaining meaningful insight, I have limited the scope by focusing only on the renewed FCS efforts and programs implemented since the LICUS programs were evaluated. The findings from the evaluation greatly influenced the 2011 WDR, which marked a change in the World Bank's approach to these contexts. Additionally, I narrow the scope of this thesis by making Liberia and Sierra Leone support cases in my study. For my research question, I am interested in aggregated lessons in order to be able to say something about the approach as a whole that the World Bank takes to statebuilding in FCS. However, FCS programs are implemented in a number of countries, which all differ in context, background and needs, and local implications for the development efforts are likely to be highly varied. I therefore apply examples from Liberia and Sierra Leone throughout my analysis. By doing this, I am able to dive into two specific cases to see in detail how some of the Bank's approaches are implemented and what the experiences are in these states specifically. Both Sierra Leone and Liberia are on the path from post-conflict reconstruction to long-term development, and are therefore interesting cases when looking at how the World Bank is performing in FCS. Taking advantage of progress in such cases as Liberia and Sierra Leone must be considered crucial, since these cases may provide valuable lessons learned for the remainder of the countries in the World Bank's FCS portfolio.

In order to successfully answer my research question, I rely mainly on document analysis to investigate how the World Bank's FCS programs have performed, and also to see what the intentions were when the programs were renewed. Bowen explains document analysis as "a process of evaluating documents in such a way that empirical knowledge is produced and understanding is developed" (2009, p. 34). Document analysis requires both data collection and data selection. Selecting which documents to use has an obvious impact on the results of the research. Collecting documents is rather straight-forward when the sources are readily available and open to public review, such as the documents that are used in this thesis. The data selection process is crucial. For the purpose of this thesis I have selected documents that say something about the expressed need for renewed World Bank programs in FCS, as well as documents that outline the statebuilding strategy in question, and finally documents where these programs are evaluated. Findings of how the Bank has performed are based in large parts on the Independent Evaluation Group's evaluation of the World Bank's FCS efforts, as well as other external reports and country strategy progress reports.

An obvious advantage of document analysis is the availability of sources, at least for this thesis. However, the World Bank produces a vast amount of documents that are made publicly available, and it is quite the task to sift through and retrieve those relevant for the research question at hand. This requires gaining knowledge in advance to the extent that one is able to spot which documents are relevant and which can be disregarded.

A possible limitation to document analysis is the potential of biased selectivity (Bowen, 2009, p. 32). There is a chance that the chosen documents are selected in a way that makes the analysis biased, particularly if the collection of documents is incomplete. There is also a risk that the documents that are available only show part of the picture, and hence cause bias in the research project. For the purpose of this thesis, I have attempted to avoid biased selectivity by clearly defining and limiting the documents needed in order to investigate my topic. In regard to bias, caused by

potentially unavailable records that tell a story different from those available to the public, this is difficult to guard oneself from entirely. The World Bank has in recent years focused greatly on making information, e.g. about programs and implementation, publicly available. However, it is imperative to know what one is looking for in order to make meaningful use of the online database of information that is available.

As part of the document analysis method, I employ content analysis. Bowen explains content analysis as “the process of organizing information into categories related to the central question of the research” (2009, p. 32). As I have studied various reports and papers for this analysis, I have read and re-read precisely in order to categorize and systematize the information in the best way in order to gain a clear understanding and to make sure I have covered the topic thoroughly.

When conducting document analysis, it is crucial to be mindful of the documents at hand. Being critical to sources is important in any research, not least in document analysis. Somewhat counterintuitively at first glance, the World Bank FCS programs’ approach is evaluated by the Independent Evaluation Group (IEG), which is an independent unit within the World Bank Group. The mandate of the IEG is to “help the World Bank Group build on its successes and avoid unnecessarily repeating past mistakes” - in other words: making sure the World Bank is getting things right (Independent Evaluation Group, 2018). It is important to read the IEG evaluations not as internal World Bank critique, but as findings based on external and independent research.

### **1.5 Composition of the Thesis**

In Chapter 2, I present the theoretical framework within which I place my research topic and research question. A section on the modern state opens the chapter. I then account for the two main theoretical discourses on the subject, namely the liberal peace discourse and the statebuilding debate. As peacebuilding has increasingly become synonymous with building states and institutions, despite the lack of a good

track record in this regard, both of these debates are important in order to frame my research on the World Bank's reformed programs in FCS. An explanation of the background of both state fragility and the role of the World Bank in fragile and conflict-affected states in general, and in Sierra Leone and Liberia in particular, is given in Chapter 3 as I describe the increased focus on conducting statebuilding and capacitybuilding in these contexts, particularly by the World Bank. In addition, I explain the concept of neopatrimonialism and why this may matter a great deal when accounting for the recipient side of the statebuilding equation. Chapter 4 is devoted to the analysis of the World Bank statebuilding programs in FCS, with an emphasis on Sierra Leone and Liberia. I analyze evaluation reports of the programs conducted by the Bank's Independent Evaluation Group (IEG), as well as other assessments of the World Bank's approach to building capacity in these countries. In Chapter 5, which concludes my thesis, I answer my research question by summarizing the contents including my findings. I also present policy implications and give recommendations for further research.

It is not my objective with this thesis to discourage any effort to improve conditions in fragile and conflict-affected states, where improvement is much needed. But as Mills (2014) rightly claims: "Getting it right depends on answering why we so often get it wrong".

## **2. Theoretical Framework**

In this chapter I will lay out the theoretical framework that is needed in order to place my research topic into a wider scholarly context. As the mandate of the World Bank seems to have moved increasingly in the direction of statebuilding as opposed to development aid alone, the scholarly debate on statebuilding is important to account for. As an overarching debate, the liberal peace theory is important, particularly considering the intervention aspect; the debate about whether it can be justified to be involved in countries to the extent that the World Bank and other donors are, and to what benefit they are doing it. Statebuilding may be considered a more interventionist

approach than traditional aid and statebuilding is the overarching focus of the World Bank with its FCS programs. So when these programs are not yielding the intended results, is there anything in the statebuilding or liberal peace theories that can help explain this failure? The debates on statebuilding and the liberal peace raise such questions as: should we intervene in fragile and conflict-affected states? On whose conditions are we intervening? Who benefits from statebuilding? And who participates in these processes? What kind of ideals are the states being built upon and how do the ideals correspond with local contexts and needs? How do international financial institutions such as the World Bank make recipients of loans and grants apply policies and models of governance that are not in line with local institutions – and are these externally constructed arrangements sustainable beyond the project phase? First, however, it is necessary to establish what the modern state – the ultimate goal of any statebuilding process – really is. It is to this task I now turn.

## **2.1 The Modern State**

How one defines the state has important implications for how state strength and statebuilding is perceived and managed. According to Lemay-Hébert (2010), there are two different approaches to statehood and statebuilding: an institutional approach and a legitimacy approach. The institutional approach is based on Weber's classic definition of the modern state as "a human community that successfully claims the monopoly of the legitimate use of physical force within a given territory" (1948, p. 78). On the other end, in the legitimacy approach, we find the more sociology-inspired definition represented by Durkheim, namely that the state "is the very organ of social thought", and that it is made up of "the sentiments, deals, beliefs that the society has worked out collectively and with time" (1957, p. 79). Whereas the institutional approach places its focus on security and state institutions, the legitimacy approach acknowledges that in addition to institutions and the ability to provide security, the state must also be judged based on its legitimacy (Lemay-Hébert, 2010, p. 8). Hence, we can say that according to the institutional approach the strength of the state is found in its institutional capacity, while in the legitimacy approach the same strength is rooted in the right to rule: the stronger the legitimacy the state and its institutions enjoy

within society, the stronger the state's capacity. Lipset defines legitimacy as the political system's capacity "to engender and maintain the belief that the existing political institutions are the most appropriate ones for the society" (1963, p. 77), whereas Tilly's definition concludes that "legitimacy is the probability that other authorities will act to confirm the decisions of a given authority" (1985, p. 181). The legitimacy approach focuses on the social contract binding the citizens and the state together. The importance of institutions is not neglected in the legitimacy approach, Lemay-Hébert argues, but this approach also gives room to the importance of socio-political cohesion and the role of the state as part of society, not separate from it (2010, p. 1). Here, the state's strength is found primarily in its right to rule. The importance of how the state is defined is accounted for in the following way by Lemay-Hébert: "One's conception of what to rebuild – the state - will necessarily impact the actual process of state-building" (ibid.). He further claims that "the tenants of the legitimacy approach tend to follow Durkheim's attempt to eliminate the antithesis between the state and society" (ibid.10). This relates to Migdal's "state-in-society" approach, where it is argued that the state must be seen as a part of society as opposed to separate and distinct from it as is the case in the institutional approach (1988, p. 29).

Modern states today are characterized by effective control over territory, the ability to tax its population and to penetrate society, as well as the ability and willingness to cooperate with other states in the international community. According to the Montevideo Convention of 1933, "the state as a person of international law should possess the following qualifications: a permanent population, a defined territory, government, and capacity to enter into relations with other states" (Montevideo Convention on the Rights and Duties of States, 1933). While this is the customary law definition of statehood, another trait of modern states today is the ability to rule through a high degree of centralization of power. Modern states also depend on the establishment of effective rule of law. Organizing polities in the like of what we today know as modern states is not something new; we can point to both the old city-states in Europe and tribal state-like communities in Africa as only two examples of this.

According to Migdal, “the difference in the modern period has been how state officials have acted to impose one set of rules over so large a territory and how this has spanned the globe” (1988, p. 16). His ideal-type definition of the state is “an organization, composed of numerous agencies led and coordinated by the state’s leadership (executive authority) that has the ability or authority to make and implement the binding rules for all the people as well as the parameters of rule making for other social organizations in a given territory, using force if necessary to have its way” (ibid.19). Migdal does not see the state as separate from society, but rather as one of many constituents of society: his model sees society not with a dichotomous structure – such as center-periphery or modern-traditional, but rather as composed by a variety of social organizations (ibid.28). In this model, the state is one organization among many. The ability of the state to penetrate society is important even in Migdal’s state-in-society approach: “With high levels of social control, states can mobilize their populations, skimming surpluses effectively from society and gaining tremendous strength in facing external foes” (ibid.32). According to Migdal, the more “compliance, participation, and legitimation available to state leaders, the higher the level of social control to achieve state goals” (ibid.33). He argues that in some developing countries “the inability of state leaders to achieve predominance in large areas of their countries has been striking” (ibid.). Hence, this inability of the penetration of society is one of the problems that must be mitigated in order to develop into strong modern states.

## **2.2 The Liberal Peace**

The liberal peace makes up a great part of the development discourse that emerged after the Cold War. Instead of the major political powers using countries in their power struggles, a new paradigm evolved, called the liberal peace. It applied the moral claim that sovereignty could be put aside if there were good reasons to do so in terms of intervening to create peace. Chandler describes the liberal peace in the following way: “the attempt to institutionalize a new international security framework which emphasizes the development of international norms and the promotion of democracy and human rights, by interventionist means if necessary” (2007, p. 60). According to



Richmond and Franks, “[the] constituent parts of the liberal peace include democratization, human rights, civil society, the rule of law and economic liberalization in the form of free-market reform and development” (2009, p. 3).

Peacebuilding quickly became a highly prioritized task of the United Nations, with the goal of fostering not only peace, but also liberal values such as democracy, social justice and development (Sabaratnam, 2011, p. 15). The peacebuilding approach has since developed into an approach geared heavily towards statebuilding, particularly concerned with principles of so-called good governance and institutional capacity. As I will return to later in the chapter, liberal peace and statebuilding are now often justified more through security claims, rather than the moral imperative of improving the livelihoods of the millions of people living in fragile and conflict-affected states.

### **2.2.1 Critique of the Liberal Peace**

Despite the goals of peacebuilders of lifting people out of poverty through ending the vicious cycles of conflict, many interveners have failed in establishing democracy and other traits of liberal societies, most recently in Iraq and Afghanistan (Campbell, Chandler & Sabaratnam, 2011). As a consequence, a number of scholars have grown increasingly critical of the liberal peace. Some view it as an excuse to hide behind what really is a cultural imperial approach on the part of Western powers (Kaplan, 2008, p. 36), and further that the interventionist approach promotes a Western-dominated world order and serves to undermine the sovereignty and legitimacy of the states that are subject to intervention (Chandler, 2007, p. 60). Much of the critique of the liberal peace revolves around the claim that liberal peace and liberal institutions cannot come from intervention. Critics note that liberal democracies cannot be created unless local elites desire their creation and are able to create them (Campbell, 2011, p. 101, Campbell et al., 2011, p. 6). In addition, path dependency often makes it very difficult for external actors to impose any significant change toward inclusive institutions or to achieve reforms (Fukuyama, 2005, p. 42).

In countering the basic assumptions on which the liberal peace agenda is built, Eriksen argues that “the idea that a liberal state can be created anywhere, regardless of the specific social and political conditions found in a given country must be rejected” (2009, p. 664). As he asserts, “in conflict-ridden societies where many groups benefit from the reproduction of conflict and state weakness, and where there are no strong groups with an interest in the establishment of such a state, this may simply be impossible” (ibid.).

Among the main claims of those skeptical of the liberal peace paradigm and its increasingly prominent statebuilding approach is that change must come from within local societies and cannot be imposed from outside (Kaplan, 2008, p. 8, Collier, 2007, p. xi). Elaborating on this argument, Kaplan writes:

Instead of seeking to impose a Western-style blueprint unsuitable for local conditions, international action should be first and foremost about facilitating local processes, about leveraging local capacities, and about complementing local actions, so that local citizens can create governance systems appropriate to their surroundings. States work effectively when they are a logical reflection of their underlying sociopolitical, historical, geographical, human resource, and economic environments, and when they are deeply integrated with the societies they purport to represent, able to harness the informal institutions and loyalties of their citizens. (2008, p. 49)

Further, it is claimed that fragile states are in need of “state models and structures that can be adapted to take advantage of [their] resources” (Kaplan, 2008, p. 49). This is not to say that fragile states will not benefit from international assistance, but that such assistance must be focused on “facilitating local processes to enable them to foster the cohesive societies and widely accepted institutions necessary for societal governing systems to work effectively” (ibid.:50). It is difficult to imagine development to be successful in a country where the institutional structures are not a reflection of the diversity of ethnicities, religious groups, languages and historical identities that the country consists of, as well as the contextual realities of the country (ibid.). As noted, some critics of the liberal peace argue that Western policy in fragile states and the

developing world in general is essentially a new form of colonialism (ibid:36).

Richmond and Franks make the point that the liberal peace, while promoting the ambition of an emancipatory endeavor on behalf of fragile and conflict-affected states, has in fact brought with it a new form of power and control; one that is inevitably held by donors (2009, p. 4).

Mac Ginty provides a summary of the view of critics of the liberal peace by stating that “moving beyond liberal peacebuilding does not mean the end of the liberal peace but enabling its reconnection with its subjects in widely divergent contexts” (2011, p. 228). Further, he makes a case for how peacebuilding in a post-liberal peace paradigm will necessarily be much more sensitive to local contexts through the recognition of local customs, traditions, ways of organizing society, and traditional institutions (ibid:240). In other words, Mac Ginty argues for lifting local ownership from the very abstract buzzword that it is often seen as today, to a new level of actually guiding and informing all decisions made by aid agencies when developing strategies and implementing these in fragile and conflict-affected states. This approach, he argues, has the potential of fostering efficient institutions and elites that are more inclined to work towards inclusive structures rather than extractive ones, thus lessening corruption as well as actually providing the population with services and security (ibid.). Without such ownership and participation, critics also point to the risk of recipient governments being left in a position of simply accepting the policies and programs that are developed by international financial institutions:

(...) leading states in the global north that control the World Bank and the International Monetary Fund (IMF) have been able to use this power to discipline states through the use of aid conditionalities, structural adjustments and poverty reduction strategies papers. National governments in societies coming out of civil war or authoritarianism are often left in little doubt that they must accept the advice of their international mentors. In this way, the national government becomes an agent of the liberal peace, and in turn compels municipalities and citizens to adopt prescriptions that were ultimately recommended by international bureaucrats *whose loyalty and legitimacy lie outwith the target country*. (Mac Ginty, 2011, p. 213, emphasis added)

This has progressively become the case in the post-9/11 era, with an increased securitization of the development effort (Mac Ginty 2011, p. 213). Further, the fact that too much focus is placed on the recipient states and too little on donors may make us miss the level of corruption and problematic behavior associated with donors: “Perpetrators of governance interventions often develop a comforting and self-affirming narrative that non-Western governments and practices are corrupt and require rectification under Western tutelage. Of course, such narratives are oblivious to the corruption associated with Western polities and enterprises” (ibid.220).

Liberal peace critics claim that “Western intervention is inevitably reproducing hierarchies of power due to the structural constraints of neoliberal market relations – opening up societies and economies through the demands for democratization and the free market”, and further that “in serving the interests of dominant Western powers and the international financial institutions, the policies of the liberal peace inevitably reproduce the conditions and possibilities for conflict” (Chandler, 2011, p. 176). As Pugh (2005) claims, the political discussion of which economic approach is more likely to lead to the desired results in post-conflict societies is put aside as the neoliberal approach has become cemented as the only alternative, although it may not necessarily be the best in contexts where economic institutions are weak and extractive. Critics therefore argue that we need to look more closely at what is often presented in policy reports as very technical, pragmatic, and neutral solutions with no ulterior motives (Chandler, 2011, p. 176).

Paris underlines the need for “institutionalization before liberalization” if there is to be any hope for fragile and conflict-affected states to steer in the direction of liberal markets and democratic rule (2004, pp. 179-211). This is, however, difficult to achieve and requires considering alternative forms of institutions, as it is challenging to make a case for Western style institutions without also implicitly arguing for liberal values. Chandler holds that “the founding assumptions of the liberal peace are the problem: attempts to universalize Western contexts will merely reproduce, and maybe even

exacerbate, the problems of conflict and instability” (Chandler, 2011, pp. 179-180). In an extension of this argument, Zakharia claims that “what Africa needs more urgently than democracy is good governance”, as democracy may serve as an excuse to continue a de facto authoritarian rule in disguise (2007, pp. 98-99). However, good governance in the eyes of development agencies is not freed from liberal ideas and conceptions of the ideal modern state.

While some of the criticism against the liberal peace and peacebuilding missions in particular has been that they have been too superficial, others criticize the opposite, namely that they have been so massive that they have suffocated local participation and reforms. The former notion is explained in the following way: “The failure of recent attempts by the international community to build new institutions in failed states such as East Timor, Haiti, and the Democratic Republic of the Congo (DRC), despite the outlay of billions of dollars in some cases, can easily be explained by the brevity of such efforts” (Kaplan, 2008, p. 31). Bosnia is considered an example of the latter kind of peace-building mission (Paris, 2011, p. 35). Such heavier cases helped promote the call for greater local ownership and participation, and the argument of so-called light footprint operations.

The post-Cold War liberal peacebuilding agenda makes it clear that it is no longer enough to just make wars end; it is now a goal that states, through external assistance, rebuild into democratic and economically stable countries after conflict. Inarguably, fragile and conflict-affected states moving in the direction of stability and democratic development face tremendous challenges due to their lack of resources or capacities needed for such political institutions to be implemented or sustained (Zürcher, 2011, p. 71). This is not to say that external assistance is needed in general, but that in the pursuit of such grand reforms and great institutional changes that are argued for by the liberal development community, the challenges cannot entirely be managed locally all the while that states remain fragile and at low capacity.

## 2.3 Statebuilding

As we have seen, a clear characteristic of the liberal peacebuilding approach and how it has evolved over the past decade and a half or so is that it has essentially become an approach of statebuilding, with the implications this has for how development concerns may be put aside while security concerns are more emphasized. This can be seen as a result of the assumed connection between weak state structures or low capacity and the increased prevalence of extremist non-state armed groups. The state is central in all aspects of development aid: “Liberal peace interventions often revolve around rebuilding the state, reforming the state, managing how the state controls the economy, and managing how the state accommodates different factions within a society” (Mac Ginty, 2011, p. 215). In the 1990s there was an increased awareness about the fact that ‘simply’ establishing peace was not enough. After some years of failed attempts at peacebuilding, such as in Kosovo and East Timor, it was argued that intervention was not sufficiently effective to create the ideals of good governance or stable institutions as prerequisites for strong states. Statebuilding came to be the new objective of development agencies.

Fukuyama defines statebuilding as “the creation of new government institutions and the strengthening of existing ones” (2005, p. xvii). In the words of Chandler and Sisk, “statebuilding is about expanding over time the autonomy, authority, legitimacy, and capacity of the state” (2013, p. xxii). Statebuilding thus includes strengthening administration and security sectors, but also governance, rule of law, human rights, and democratization and elections (Eriksen, 2009, p. 653). Eriksen breaks statebuilding down in the following way:

The end is to create a liberal state (with rule of law, protection of human rights, good governance, market economy), and the means employed are: establishing a government of national unity, capacity-building, training of officials, financial support and human resources. This support to the government is to be provided on conditions determined by the donors. (Eriksen, 2009, p. 662)

Eriksen further asserts that “in liberal peace theory, both the possibility and the desirability of the establishment of a liberal-democratic state are taken for granted” (ibid.). In a historic perspective, there is “the progressive growth of democratic and accountable government, on the one hand, and the emergence of a state apparatus that had both the capacity and the legitimacy to extract an increasing amount of revenue from society, on the other” (Moss, Pettersson & van de Walle, 2006, p. 17). Pointed to by Moss et al., “taxation is a useful indicator of state capacity”, as it is the best way to sustainably fund a state’s activities (ibid.10). They assert that “the key determination of whether a state moves from aid dependency to economic self-sufficiency is the degree to which the state learns how to tax” (ibid.10). Taxation is critical both to statebuilding and the sustenance of the state (ibid.17).

Much of the critique of statebuilding efforts has been grounded in the notion that external actors from the Western world forfeit solutions and policies that do not match the experiences or needs of fragile and conflict-affected states, particularly due to high levels of ethnic and linguistic fractionalization (Migdal, 1988, p. 37). Migdal argues that “the presence of regional elites even in the more developed areas, the maintenance of economic ties between internal and external groups with minimal participation by the state, all point to a very limited penetration of society by the national center” (ibid.40). In such contexts, an externally driven statebuilding process may prove not only irrelevant but also next to impossible.

Eriksen points to an increase in statebuilding missions over the past few decades, while the success of these has generally been insignificant (2009, p. 653). It is argued that one of the main failures in development is that the institutional arrangements and governance models are imposed from outsiders and with little relevance to the local population. Further, they are claimed to be too heavily influenced by ideals that do not necessarily make sense in the local contexts: “the fragile and failed states agenda is permeated by Weberian ideals of what a state should look like in terms of monopoly of force, legitimate authority and clear-cut distinctions between state/society, public/private and civil/military” (Stepputat & Engberg-Pedersen, 2008, p. 29). Kaplan

argues that this lack of relevance is caused by efforts that have been entirely out of touch with traditional governing arrangements and have not been about how to mitigate causes of conflict through institutional means in order to make it less likely for them to reoccur (2008, p. 18).

According to the UN, successful institutions are those that are “both legitimate in the eyes of the citizens *and* effective and efficient in their ability to undertake the development agenda and governance functions” (UN Office of the High Representative for the Least Developed Countries, Landlocked Development Countries, and the Small Island Developing States (UN-OHRLLS) and United Nations Development Programme (UNDP), 2006, p. 51, emphasis added). This is in line both with Migdal’s state-in-society approach and Lemay-Hébert’s favoring the legitimacy approach. Hence, Western-style institutions are not necessarily ideal for fragile states, as they may not have the relevance or legitimacy with the population that is needed for them to be accepted and successful in development, not to mention sustainable.

External statebuilding is criticized by many and often deemed unfeasible because, the way it is often conducted by development agencies today, it does not have the potential of sustainability. This is precisely due to the fact that the efforts are external and not sufficiently rooted in local context. As Chandler and Sisk establishes, the state that such efforts produces is externally dependent (2013, p. 136). Ottaway explains it in the following way: “[governmental organizations set up by external actors] will only become significant and established – i.e. institutions – when the relevant actors believe that they provide solutions to real problems” (2002, p. 1004). In other words, when they enjoy legitimacy. Critics of the liberal peace and the interventions made based on it argue that what is lacking in statebuilding by Western donors is an understanding of culture, both that of fragile states and of the donor.

Furthermore, critics argue that donors pursuing statebuilding on behalf of fragile states do not recognize that these states are in a very different situation when it comes to statebuilding than was the case for the highly industrialized countries when they



embarked on their journey of statebuilding. While the latter was a process that for some took a good two or three centuries, we seem to expect today that so-called ‘quick fixes’ in the shape of external aid and various programs for institutionbuilding will do the trick and that fragile states will become robust almost overnight, as long as they follow the prescriptions made by development agencies (Kaplan, 2008, p. 19-20). It is also considered necessary to understand how identities and loyalties based on ethnicity, religion, tribes, and clans drive much of the behavior, and that these alone are not the causes of state fragility. Rather, they, combined with the weak formal structures of the state, create states that have low institutional capacity (Kaplan, 2008, p. 20).

Eriksen claims that since fragile states are defined merely based on how they are lacking in features of the liberal modern state, they can “only appear as ‘a flawed imitation of a mature Western form’” (2009, p. 663). He further argues that it is problematic that the creation of the liberal-democratic state is taken for granted in any context, as a possible failure to build it is blamed not on the effort to build it, but on the local perceptions that are flawed for not desiring such a state: “By operating with a fixed, non-negotiable conception of what the state eventually should look like, and by refusing to let the domestic political process determine the nature of the state, donors in practice undermine the nature of the states they seek to strengthen” (ibid.).

### **2.3.1 An Increased Focus on Good Governance**

The development of conflict trends that we have seen in the post-Cold War era, with hardly any inter-state wars, but instead a high number of intra-state wars, has contributed to the complex problem of state fragility. These latter kinds of conflict have to a greater extent contributed to the erosion of state capacity and the ability or willingness of the state apparatus to perform basic services to the population. Given this development, and given the institutionalist focus of development agencies, governance has come to have great significance in the new statebuilding agenda. As stated by Boutros Boutros-Ghali on the implications of intra-state wars in his *Supplement to An Agenda for Peace* of 1995: “Not only are the functions of

government suspended, its assets are destroyed or looted and experienced officials are killed or flee the country. (...) It means that international intervention must extend beyond military and humanitarian tasks and must include the promotion of national reconciliation and the re-establishment of effective government” (1995, section 13).

The World Bank has defined governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development” (World Bank, 1992a, 1). In 1989 the Bank began to focus specifically on the importance of good governance, and towards the end of the 1990s it made it a core element of its development programs (Santiso, 2001, p. 2). Both the extensive corruption in recipient countries, as well as lack of commitment by the recipient governments to adhere to policy reforms, which resulted in inefficient aid, brought on the emphasis on good governance (ibid.5). However, the main focus of the World Bank for a long time was the economic dimensions of governance; a strategy that has been criticized for not taking into consideration that economic governance is intrinsically linked to power politics and political dimensions of governance. This limited focus has been considered much of the reason why the World Bank’s market-oriented economic reforms in the 1980s and 1990s produced such feeble results (ibid.6).

The focus on good governance is based on the understanding of quality of governance as a key determinant of the ability to develop in a sustainable manner. The World Bank considers the following to be dimensions of good governance: voice and accountability, government effectiveness, lack of regulatory burden, the rule of law, and independence of the judiciary (Santiso, 2001, p. 5). As we see, the consideration of legitimacy through socio-political inclusion, ensuring the representation of all relevant fractions of society, is not among the dimensions presented by the World Bank. The focus on good governance has greatly influenced the financial development institutions and it is argued to be a necessary component to include in order to be efficient in the development field (Sabaratnam, 2011, p. 18). This more regulatory approach of development assistance has been expressed through increased

involvement in “legal reforms, reforms within the state, the promotion of civil society and so on” (ibid.). Focus on good governance has also led to “a rapid expansion of sectoral activities and a much deeper embedding in the governments of recipient states, such that they became part of the permanent state apparatus itself” (ibid.). From this development followed the notion that state sovereignty was not only a right, but also a responsibility, a notion that was used to legitimate the interventionist agenda that evolved in the 1990s.

Collier explains how there are limits to good governance and policy reform: “Good governance and policy help a country to realize its opportunities, but they cannot generate opportunities where none exist” (2007, p. 64). He argues that, at the end of the day, “the government must transform its money into public services” (ibid.66). It is particularly challenging to achieve change in the shape of good governance in states that have traits of neopatrimonialism<sup>1</sup> because leaders in these contexts do not have the incentives to do just that. In that regard, Collier argues that “governance and policies matter, conditional upon opportunities” (ibid.). Under the auspices of improving governance in states that have institutional weaknesses, critic of the good governance approach, Hameiri, argues, external actors employ approaches to “limit the spectrum of political choices available to the governments and societies of intervened states” (2011, p. 200). Finally, it is worth noting Doornbos’ description of the concept of good governance as “essentially judgmental and potentially controversial” (2008, p. 251).

### **2.3.2 Accountability**

The aspect of accountability in relation to statebuilding is crucial to address. As Kaplan explains, accountability is intrinsically linked to taxation: “where a government must depend on taxes from local businesses and citizens, it, in turn, becomes more accountable and responsive to a population’s needs” (2008, p. 21). However, in many of the fragile states where the government lacks capacity and/or

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<sup>1</sup> Characteristics of a neopatrimonial state include highly personalized rule, no distinction between public and private norms, and an emphasis on personal loyalties as opposed to institutionalized relations (Gazibo, 2012, p. 2). I will address neopatrimonialism and its implications for development and statebuilding in FCS in Chapter 3.

legitimacy, accountability is not achieved through the traditional social contract between population and government, whereby the population pays taxes in return for an expected level of protection and provision of services by the government. Many fragile states rely on aid for a greater part of their national budgets: in a number of African countries, over 70 percent of government spending came from aid in the period of 1970-2002 (Moyo, 2009b). This huge influx of aid removes the foundation for the social contract and replaces it with a dependency on donors (Moss et al., 2006, p. 14, Chandy, Seidel & Zhang, 2016, p. 2, Muriaas, 2011, p. 98). This is particularly so when aid is given through conditionalities, whereby donors in effect dictate policies through loans and grants. Governments are consequently to a great extent detached from their populations. This may fuel grievances and lack of trust in authorities. It could also result in implementation of reforms and policies that are not in keeping with the opinions of the population. This is a clear breach of principles of ownership and broad participation, and may serve to undermine accountability. Ownership, participation, and accountability are all stated as main objectives by aid agencies (Moss et al., 2006, p. 14).

A government dependent on the support of the population will not last long if it displays non-inclusive neopatrimonial behavior; the accountability achieved through taxes provides the government with an incentive to behave responsibly. Taxation makes the government accountable to its citizens and leads to a more effective state, yet one in which the wealth and power of those in government is constrained by institutions (Kaplan, 2008, p. 25). An important consequence of making post-conflict governments more accountable to their populations would be that rulers would potentially begin to rule “by consent rather than oppression” (Collier, 2007, p. 177). Statebuilding implies creating a new social contract on which to base accountability for the government toward the population (Chandler & Sisk, 2013, p. xx). This is an important task that must be achieved if the statebuilding effort is to be sustainable in the long term. In order to achieve this, states must rely on citizens for raising public revenue, instead of relying on aid or rent-seeking behavior (Moss et al., 2006 p. 10).

### 2.3.3 Local Participation and Ownership

As part of the critique of the liberal peace approach, many have criticized the low degree to which donors include local governments and local populations in the design and implementation of policies directed to fragile and conflict-affected states.

Responding to the critique, donors have been quick to promote their efforts as reformed into local ownership or local participation oriented approaches. Through labeling their efforts in this way, they seek to communicate that the local communities are indeed involved in the processes, from consultations to implementation.

Proponents of local ownership, however, do not seem convinced that this is actually the case. Kaplan elaborates on the need to encourage local participation and ownership:

Whereas a successful state uses local identities, local capacities, and local institutions to promote its development, a dysfunctional country's state structures undermine all of these indigenous assets. As a consequence, a dysfunctional state cannot leverage its people's histories and customs to construct effective formal institutions with wide legitimacy; nor can it draw on the social capital (...) embedded in cohesive groups to facilitate economic, political, and social intercourse; and nor is it able to employ the traditional governing capacities of its citizens to run the affairs of the state. (Kaplan, 2008, p. 8)

According to Kaplan, sustainability of legitimacy, capacity, rule of law and other crucial aspects of the state is contingent on "redesigning governing bodies to better fit local conditions" (ibid.9). Further, Kaplan argues that intervened-in states today are in an unhealthy way autonomous from and have little relevance to their populations. Societies, he holds, are empowered through "fostering accountability loops that make politicians responsive to small population groups, using tax systems to make governments dependent on their citizens, basing more laws on local customs, adopting traditional symbols, and constructing governing structures around identities" (ibid.10).

In the debate on ownership it is important to note the distinction between local ownership, which is ownership by the local populations such as through civil society

organizations, and national ownership, meaning ownership by the state's government (Campbell, 2011, p. 100). The reason why we tend to refer to local ownership as opposed to national ownership is that power elites may have highly self-motivated interests that do not necessarily represent ownership on behalf of the population as a whole. It follows from this that when actors such as the World Bank claim the use of local ownership as a principle, yet work based on regulations that essentially only require for them to consult with actors on the government level, they are in fact taking part in empowering the very state and state structures that their development programs seek to change (ibid.).

No doubt, achieving local ownership in development assistance processes is difficult. It is time-consuming and logistically challenging to achieve interaction with all the various civil society actors that need to be taken into account if one is to truly talk about local ownership of and broad participation in the design, implementation, and monitoring of the development programs and reforms. Having more actors involved in the process means expectations from an increased number of points of view, as it makes development institutions accountable to a wider population in a more transparent way.

Ensuring local ownership is costly and requires great effort. International financial institutions and donors conducting development projects are constricted by budgets and by the expectations that results will be delivered quickly. However, development takes time, especially the development that, in order to be sustainable, includes as broad a spectrum of society as possible: "Engaging with the various national actors in a way that encourages their buy-in and ownership requires a high degree of sensitivity and adaptation to the context, as well as a willingness to adapt peacebuilding aims" (Campbell, 2011, p. 91). Adaptation of peacebuilding aims may mean adjusting the goals for what should be achieved if this does not correspond well with the expressed needs of the national actors. This is why participation in all stages of the process is important, so such misunderstandings are avoided.

The development community will agree, “peacebuilders’ role is to support, rather than impose” (Campbell, 2011, p. 92). But in reality this is often not the case, Campbell claims, as development agencies are concerned with meeting their goals and tend to be highly sensitive to their own context and far less sensitive to the local context (ibid.). Supporting means adapting to local needs, even if this does not correspond with what has been spelled out in the plans – and the plans have often been laid in the office, in Washington, D.C. in the case of the World Bank, where being in touch with local contexts and needs is possible only to a marginal extent. Often, the same strategies that have been used before are reapplied, even if they may not fit well with the context in question (ibid.95). One of the great problems is that development agencies are accountable not to the local population, but to their own offices. Therefore, it is necessary to do what pays off in the short term when it comes to reaching goals that have been set, or spending the full amount of funds that have been allotted to a project, without too much concern for the degree of success or how it is being perceived by local communities. The short-term goals that are supposed to be reached may dilute the focus of more long-term, sustainable social progress (ibid.98).

It is important to note that in many states with weak institutions, the actual service providers of much of the basic services are the civil society organizations. In some contexts they can even be more efficient in providing services to the people than the state is (Mac Ginty, 2011, p. 222). It is therefore considered imperative to collaborate with these organizations when conducting development programs if one is to ensure that resources are actually directed towards the areas and sectors where they are needed and managed by actors that are capable of reaching those who will benefit the most from the programs (Paffenholz, 2011, p. 150). For the same reason, looking to civil society organizations for how to build locally relevant institutions and state capacity may be an important part of the puzzle. Instead of effectively dealing with the massive variation in the different development contexts in post-conflict societies, the strategy has been to deal with non-liberal states in a way that creates a ‘one size fits all’ type of approach that establishes a much greater gap between external actors and local actors and take away from local autonomy because it is an easier way to manage

the different contexts (Chandler, 2011, p. 183, Eriksen, 2009, p. 660). Such an approach, critics of liberal peacebuilding hold, results in “the development of weak, internationalized states in which state and society are not organically connected” (Hameiri, 2011, p. 195).

## **2.4 Summary**

The critique of the liberal peace and interventionist statebuilding based on Western ideals of the liberal state is summed up in Richmond’s notion that statebuilding “should be drawn from its subjects, not from its managers” (2013, p. 134). After having been the leading paradigm for how to deal with conflict and post-conflict situations since the end of the Cold War, the liberal peace has recently stood much criticism for its interventionist and, according to some, colonialist approach, as well as the associated failure to effectively ensure local participation and ownership in development processes. In the time following 9/11, liberal peacebuilding has not only revolved around statebuilding to a much greater extent; the moral justification for intervention and statebuilding has increasingly been replaced with the security argument. Donors more often emphasize the need to reduce poverty and increase growth to remove conditions that may lead terrorist networks to form and grow, and also contribute to increase institutional capacity and encourage good governance in order to keep such movements at bay. How statebuilding is thought of and what policy advice comes from it depends greatly on how the state is viewed. The prescriptions for statebuilding according to a legitimacy approach may differ greatly from those based on an institutional approach.

## **3. State Fragility and the World Bank**

The following chapter serves several purposes: First, it gives an overview of the concept of state fragility, what the characteristics of fragile states are, and what separates them from failed states. The chapter also addresses issues such as how states become fragile and what routes there are out of state fragility, and it discusses how fragile states are increasingly considered a security concern rather than merely a



development challenge. Further, the concept of neopatrimonialism is explained, as it is present in many of the fragile and conflict-affected states in which the World Bank operates, and is thought to be an impediment to development and statebuilding. I describe the role that the World Bank has taken in development in fragile states and the methods it applies, and account for its recently reformed programs for statebuilding in fragile and conflict-affected states.

### **3.1 State Fragility**

The World Bank programs I focus on in this thesis are the programs directed toward fragile and conflict-affected states. So what does it mean that some states are considered fragile? The international community operates on the understanding that the ideal state is one that falls into the definition famously put forth by Max Weber, namely that the modern state is “a human community that successfully claims the monopoly of the legitimate use of physical force within a given territory” (1948, p. 78). There are many definitions of what constitutes a fragile state and they depend on how one defines the state. For those who base the strength of the state and thus its existence on its institutions and governmental capacity, a fragile state will consequently be one that is low on institutional capacity and/or displays poor governance. Sometimes the term fragile state is used interchangeably with the term weak state, generally with the understanding that it is the institutional capacity that is weak. Ezrow and Frantz present the following definition of state strength versus state weakness: “State strength is weighed in terms of a state’s capacity to penetrate society, regulate relationships, extract resources and appropriate or use resources in determined ways. Weakness is a syndrome characterized by corruption, the collapse of a state’s coercive power, the rise of strongmen and the segmentation of the political community” (2013, p. 17). By some, states are understood as being on a continuum, where the deterioration of states is seen first in the shape of weak states, before they gradually potentially become fragile, and if the situation further deteriorates they may become failed states, and finally collapsed states (Rotberg, 2003, in Muriaas, 2011, pp. 35-36). Others use the terms fragile and failed states interchangeably without clear distinctions between the two. Rotberg holds that “it is according to their performances

– according to the levels of their effective delivery of the most crucial political goods – that strong states may be distinguished from weak ones, and weak states from failed or collapsed” (2004, p. 2). According to Kaplan, while failed or failing states are those in which the state is about to become or has become completely dissolved, fragile or weak states are states in which there are “institutions so dysfunctional that they perform many of their tasks badly – or not at all” (2008, p. 5). This distinction is important because state institutions may be far from collapsing, even if they are not providing the population with basic services (Muriaas, 2011, p. 37). The state of North Korea is an obvious example of this. As Kaplan further argues, many developing countries may have these traits of incapacity, but the category of state fragility comes into use only when the incapacity of state institutions is systemic enough to be causing instability (2008, p. 5). In other words, the formal institutions are seen as key for the delivery of services to the people. When these institutions do not function properly, are not developed in a way that reflects traditional means of administering territories, or are permeated with corruption and often with traits of neopatrimonial rule, states are considered fragile.

The OECD (2007) offers a straightforward definition of fragile states, based on provision of services: “those failing to provide basic services to poor people because they are unwilling or unable to do so”. Fragile states are fragile to external and internal shocks because they have weak state institutions to cope with those shocks, or because they are lacking some of these institutions altogether, or because they have an unwillingness or inability to provide basic services to the people. Fragile states typically have a combination of “fragmented political institutions, weak social structures, and a low degree of social mobility” (Risse-Kappen, 1995, quoted in Dokken, 2008, p. 47). As Stepputat and Engberg-Pedersen put it, “[the term fragile states] is increasingly being recognized – in the donor community at least – as a common descriptor of states that represent persistent challenges for the donor community by not living up to Weberian expectations and by foreshadowing the risk of collapse in the future” (2008, p. 22).

### 3.1.1 Two Approaches to Statehood and Statebuilding

In his article on the debate on statebuilding, Lemay-Hébert (2010) accounts for the two different approaches on state, state collapse, and statebuilding: the institutional and the legitimacy approaches. He claims that scholars can be placed into either of these categories based on how they define the state, and thus also how they define state fragility and what policy recommendations are made in terms of statebuilding. As explained in Chapter 2, the institutional approach is rooted in the notion that the power of the state is synonymous with the power and capacity of its institutions. Hence, fragile states are states that lack institutional strength or capacity. From this argument it follows that the prescription for statebuilding in fragile states is strengthening of state institutions. An argument against leaning too heavily on this approach is that it neglects the legitimacy that the state has or lacks with the population and how important this basis is precisely for the strength of state institutions and the provision of services. The legitimacy approach embraces this aspect and calls for an understanding of the power of the state as rooted in its legitimacy.

As we see from this distinction between two competing approaches, most of the definitions of state fragility listed above can easily be attributed to the institutional approach. This has clear implications for how statebuilding is conducted by development agencies. Policy prescriptions according to the institutional approach are to strengthen the state's institutions. As a scholar whose view can be attributed to the institutional approach, Fukuyama asserts that "the underlying problems caused by failed states or weak governance can only be solved through long-term efforts by outside powers to rebuild indigenous state institutions" (2006, p. 2). The immediate question to this statement is, of course, how *outsiders* can rebuild *indigenous* institutions. Lemay-Hébert argues that this approach does not manage well the social impacts of such policies. The institutional approach tends

(...) to differentiate between state- and nation-building, arguing that it is possible to conduct state-building operations from the outside without entering into the contested sphere of nation-building. In other words, it is possible to target the institutions of a

given state, to reconstruct the state capabilities, without engaging in the realm of socio-political cohesion of ‘society’ in general. (Lemay-Hébert, 2010, p. 15)

This makes statebuilding “a scientific, technical and administrative process” (ibid.). This is the opposite of the legitimacy approach (and of the approach taken by e.g. Migdal), as it holds that it is possible to conduct statebuilding in the form of capacitybuilding in fragile states without considering the socio-political cohesion of society. Fukuyama also includes legitimacy into his definition of state weakness, as he defines it as “a lack of institutional capacity to implement and enforce policies, often driven by an underlying lack of legitimacy of the political system as a whole” (2005, p. 130), but as we have seen, this attention to legitimacy does not apply in his approach to the statebuilding efforts that follow.

All the different definitions of state fragility show that it is a somewhat contested concept. Since the purpose of this thesis is to investigate the World Bank’s efforts in fragile states, it makes sense to use the organization’s own classification. I therefore use the World Bank’s 2018 Harmonized List of Fragile Situations to determine what states are fragile and conflict-affected states. The World Bank couples fragile states with conflict-affected states as a particularly vulnerable group of countries that are challenging to develop, and annually publishes the Harmonized List of Fragile Situations. The countries/territories on the list either have a harmonized average CPIA<sup>2</sup> country rating of 3.2 or less or the presence of a UN and/or regional peace-keeping or peace-building mission during the past 3 years (World Bank, 2018c). For 2018, the list includes Afghanistan, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Congo, Côte d’Ivoire, Djibouti, Eritrea, Gambia, Guinea-Bissau, Haiti, Iraq, Kiribati, Kosovo, Lebanon, Liberia, Libya, Mali, Marshall Islands, Micronesia, Mozambique, Myanmar, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Syria, Togo, Tuvalu, Yemen,

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<sup>2</sup> The CPIA, Country Policy and Institutional Assessment, is the World Bank’s rating of states based on 16 criteria concerning economic management, structural policies, policies for social inclusion, and public sector management and institutions. Countries are rated on a scale of 1 (low) to 6 (high), based on the level of performance in a given year (World Bank, 2017).

West Bank and Gaza, and Zimbabwe (ibid.). As we see, out of the 35 countries/territories on the list, 21 are African.

Carment et al. hold that statehood can be assessed based on three aspects: authority, legitimacy, and capacity (2008, p. 5). They make the claim that fragile states do not necessarily display weaknesses in all three of these; in fact, most do not. While some fragile states are lacking in legitimacy, others are experiencing state fragility based on lack of authority or capacity. The ratings of fragile states based on this framework result in quite different lists of least and most fragile states compared to the World Bank List of Fragile Situations. It is nonetheless a useful distinction to keep in mind when addressing policies aimed at fragile states, as it makes it clear that states become fragile for various reasons and in various aspects. This is particularly clear as few fragile states rank high on all three aspects (ibid.).

### **3.1.2 Why Are Some States Fragile?**

There is no clear-cut answer to why some states become or remain fragile, but we do know that they are characterized by both political fragmentation and weak national institutions (Kaplan, 2008, p. 37). Needless to say, these traits do not lay the basis for a stable governing system. In *Why Nations Fail*, Acemoglu and Robinson (2013) account for the history of modern states and how some states have ended up prosperous with well-developed institutions and democratic principles, while others seem to be indefinitely stuck in a quagmire of poverty and economic stagnation. The authors claim that popular explanations of the differences between states such as geography, culture, and ignorance simply do not hold, and point instead to the fact that some states have been successful in developing inclusive political institutions, whereas others have developed extractive institutions. They argue that the latter contributes to a continued inequality for the population and hinder broad political representation and contestation. Leaders in states where the extractive institutions prevail benefit from these arrangements and thus have no incentive to move toward more inclusive institutions. This is considered a direct impediment to economic growth. Consequently, Acemoglu and Robinson argue, it is pivotal for poor fragile states to

build inclusive institutions, as it is only through these that economic institutions can thrive and benefit the population as a whole.

Carment et al. point to what they call the mutually reinforcing nature of poverty and state failure: “weak governments deprive the poor of the basic means of survival even as the desperately poor are forced to engage in illicit conflictual activities such as drug production in order to survive” (2008, p. 2). They emphasize, “poverty is usually a symptom of a host of more fundamental causal factors related to a state’s authority, capacity and legitimacy” (ibid.). While the majority of the countries on the World Bank list of fragile and conflict-affected states are in fact low-income countries, there are a number of other factors also contributing to their fragility, such as “unequal distribution, poor service delivery, and weak governance” (ibid.).

Kaplan points to the fact that fragile states are usually characterized not only by weak formal institutions, but also by weak or altogether nonexistent social cohesion due to their diverse populations: “The absence of social cohesion and the lack of a set of shared, productive institutions prevent states from fashioning a robust nationwide governing system, yielding instead a host of chronic problems, ranging from state illegitimacy to political instability to economic impotency” (2008, p. 34). Kaplan underlines that the combination of weak social cohesion and weak and incapable institutions are not necessarily a recipe for civil war and instability, but that they are a given combination for halting any efforts made at development and economic and social prosperity, due to the fact that they hinder the development of strong, unified, and representative national governance (ibid.32, 34). The problem of elite predation is also highly relevant in fragile state contexts, explained as “the efforts of elites to capture the state for their own personal or narrow ethnic group or territorially based interests” (Chandler & Sisk, 2013, p. xxi).

### **3.2 Developing Fragile and Conflict-Affected States**

So why does the international donor community take so much interest in fragile states and their development? For the past decade and a half, the security agenda has partly

taken over for the moral claim that the developed world must assist in fragile states in order to improve the livelihoods of people and eliminate poverty. Increasingly, statebuilding in fragile and conflict-affected states has become more than a development practice. In fact, especially since the terrorist attacks of 9/11, there has been a significant focus on security in relation to statebuilding, perhaps at the expense of the humanitarian aspect (Carment et al., 2008, p. 1, Fukuyama, 2005, p. 2, Hameiri, 2011, p. 200, Sabaratnam, 2011, p. 24). Fragile states are progressively considered potential threats by the Western world. The threat is mainly thought to consist of extremist groups that form and breed relatively freely in fragile and conflict-affected states, that tend to use terrorism as their method, and that make civil conflicts more complex and difficult to manage. Fragile states naturally tend to be less capable of monitoring such groups and counteracting them. In addition, the greed that fuels such groups is frequently found in states with low institutional capacity, where insurgent groups fight over power and influence, and where resources are very unevenly dispersed. As the World Bank list of FCS displays, a great number of fragile states are African. A trait of African states that makes them more likely to be fragile and remain fragile is the instability of the system of states, as compared with typical Westphalian states: “African states today have porous borders and shifting centers of power. The increasing privatization is exacerbating this phenomenon” (Dokken, 2008, p. 7). Further, fragile states become excellent territories for terrorist groups due to the combination of weak state institutions, corruption, and poverty (ibid.16). The link between strong regimes with weak states and informal, transnational relations is as follows: “the strong regimes make political opposition impossible, at the same time as the weakness of the state makes the borders ‘porous’ and paves the way for increased interaction across borders” (ibid.46-47).

Since 2001, there has also been a quite marked shift away from peace and reconciliation, toward governance and statebuilding. Post-9/11, statebuilding as an independent concern was greatly increased (Sabaratnam, 2011, p. 24-25). Collier also points to the increased interest in fragile states after the 9/11 attacks: in the U.S., the aid budget increased by 50 percent after the 2001 terrorist attacks, with a main goal to

fix these states (2007, p. 73). Both the United States Agency for International Development (USAID), the World Bank, and the Organization for Economic Cooperation and Development (OECD) began to include statebuilding and good governance as important objectives in their development agendas (Sabaratnam, 2011, p. 23). According to Sabaratnam, the increased focus on statebuilding has been catalyzed by “a new security agenda, the substantive political problems faced by the coalitions in Iraq and Afghanistan, and changing political discourses about the origins of conflict” (ibid.). The following quote by former U.S. Vice President Joe Biden underlines the great focus on state fragility and security:

Weak states are cracks in the foundation of our international system. Left unattended, they can threaten the entire edifice of political and economic stability. (...) Those states can destabilize their neighbors and whole regions, creating humanitarian crises as severe as any natural disaster. (...) We have both a humanitarian obligation and a national security mandate to pay attention. (Joseph R. Biden, Jr., quoted in Kaplan, 2008)

Kaplan also points to the double threat that fragile states pose: not only are they compromising the livelihoods and development of communities and leading to a stagnation of poverty and inequality, they also pose a security threat to the international community (2008, p. 1). The 2002 U.S. National Security Strategy made it clear that “poverty, weak institutions and corruption can make weak states vulnerable to terrorist networks and drug cartels” (The White House, 2002, p. 4). According to The United States Agency for International Development (USAID),

Fragile states (...) are now recognized as a source of our nation’s most pressing security threats. There is perhaps no more urgent matter facing [us] than fragile states, yet no set of problems is more difficult and intractable. Twenty-first century realities demonstrate that ignoring these states can pose great risks and increase the likelihood of terrorism taking root. (USAID, 2005, p. 1)



The U.K. Prime Minister's Strategy Unit stated in a 2005 report that fragile states have "a significant impact on the achievement of a wider range of domestic and international objectives, including security, humanitarian assistance, promotion of human rights, poverty reduction, terrorism, trade and prosperity, asylum, energy security and organised crime" (2005, p. 27).

As part of the new focus on fragile states as a security threat, there has been an increase in the research on fragile states and how best to 'fix them'. According to Kaplan, what all the recommendations appear to have in common is the prescription to "hold elections, reform economies, and increase aid to nongovernmental organizations (NGOs), all within a relatively short time" (2008, p. 6). However, there seems to be disagreement on just how to achieve this. The World Bank's Independent Evaluation Group (IEG) states that "past international engagement with [fragile states] has failed to yield significant improvements, and donors and others continue to struggle with how best to assist [them]" (World Bank, 2006, p. ix).

### **3.2.1 Aid and Statebuilding Effectiveness**

The effectiveness of aid in fragile state contexts is highly contested. Some studies even show that aid may have a negative impact on both accountability and the implementation of political and economic reforms (Baliamoune-Lutz, 2009, p. 879). According to Moss et al., "states which can raise a substantial proportion of their revenues from the international community are less accountable to their citizens and under less pressure to maintain popular legitimacy. They are therefore, less likely to cultivate and invest in effective public institutions" (2006, p. 1). Further, Bain, Booth and Wild argue that operating with a 'one size fits all' approach makes institutional reform ineffective, as it ignores the unique realities of each case (2016, p. 13).

The importance of social cohesion is emphasized by Baliamoune-Lutz and Mavrotas (2009), as they show that aid effectiveness is affected positively by social cohesion. Performance in FCS by the World Bank and other international financial institutions must be examined with social inclusion in mind and social cohesion must be a focal

point when designing and implementing new programs. As Baliaoune-Lutz shows, social cohesion influences not only aid effectiveness, but also the effectiveness of political institutional reform (2009, p. 886). Consequently, attempting political institutional reform without first working on improving social cohesion may be unproductive. Baliaoune-Lutz recognizes that the possibility of aid contributing positively to social cohesion “depends on the degree of willingness (and ability) of the donor community and policymakers in recipient countries to emphasize social inclusion/cohesion, and on the willingness of the elites in recipient countries to foster social inclusion” (ibid.887). One proposed strategy to achieve this is to shift aid funds from military spending to enhancing social cohesion, as the latter has a positive impact on conflict levels and risk of violent outbreaks (ibid.). Additionally, it is claimed, “social cohesion could also reduce political opposition to economic reform programs which are often needed for aid effectiveness” (ibid.).

Both the means of statebuilding, such as policies and strategies, and the ends, i.e. what kind of state one is building, is important when it comes to actively taking local context into consideration (Eriksen, 2009, p. 661). Eriksen argues that the success of statebuilding efforts depends on that the goals of the donors are in accordance with those of the key state actors: “If regime survival does not depend on strengthening the state (and may even be threatened by it) and regimes have alternative strategies for political survival, then state-building is not likely to be pursued” (ibid.). As we will see, these circumstances are often present in neopatrimonial states: “In a neopatrimonial system, there is no clear separation between the private and the public, or between the personal interests of officials and the interests of the institution to which they belong” (ibid.662). As Eriksen points out, where donor policies are the opposite of the interests of political elites and other key actors, the prospects of statebuilding projects achieving the intended goals are slim (ibid.).

A key prescription by donors in statebuilding in fragile and conflict-affected states is the encouragement of good governance. It is a paradox worth noting that in many fragile states, the informal institutions are serving the people far better than the poorly

functioning formal institutions, yet it is the latter that are being propped up by development aid, often unable or unwilling to serve the population with any significant services (Kaplan, 2008, p. 23). Stepputat and Engberg-Pedersen point out that the term good governance is criticized, as the focus on it is “a-historical and not supported by evidence (...) as a strategy for statebuilding” (2008, p. 24). A further concern is that “in much of the developing and postcommunist world, patterns of clientelism, corruption, and patrimonialism coexist with (and often subvert) new democratic, market, and state institutions” (Helmke & Levitsky, 2004, p. 725). Informal institutions persist due to path dependency, and it may be very difficult to instigate a change where formal institutions take over the role that the informal ones have had. On the topic of informal institutions, it is important to note that they can be part of the solution and thus must not be misinterpreted and dismissed by development practitioners as simply corrupt and clandestine (Institute of Development Studies, 2010, p. 11).

Kaplan suggests that fragile states are unable to establish good governance because “their foreign-imposed formal institutions are weak and conflict and compete with – and also lose to – the informal institutions that drive much behavior” (2008, p. 24). In other words, whereas the informal institutions may enjoy legitimacy among the population, the formal institutions lack this. When outsiders attempt to create formal institutions there is a continued lack of legitimacy that further feeds the underdevelopment of the country. North explains how local rooting is crucial when conducting institutionbuilding: “Putting in place the formal institutions that have undergirded the spectacular growth of the developed world does not produce the desired results. That is because the formal rules must be complemented by informal norms of behavior (and enforcement characteristics) to get the desired results” (2000, pp. xi-xii).

### **3.2.2 Development through Conditionalities**

The development strategy of conditionality, sometimes with the prefixes aid or policy, “using aid as an incentive for policy improvement”, was introduced in the aid

discourse in the 1980s as a tool for the international financial institutions to condition governments to reform their economic policies in return for more aid (Collier, 2007, p. 108). We can distinguish between ex-post and ex-ante conditionality: either aid is given first with governments committing to follow up through certain policy changes, or aid is given only to those governments that have already displayed an ability to make recommended policy changes, rewarding these after the fact with aid resources (ibid.). Collier explains that conditionalities are rarely heavily enforced due to lack of incentive for donor agencies to enforce them: “People get promoted by disbursing money, not by withholding it” (ibid.). This has led to more use of ex-post as opposed to ex-ante conditionality.

Collier explains the pitfalls of conditionality and why it is proving not to have the desired effect: “Nobody likes to be coerced, least of all newly powerful local elites that are hypersensitive about sovereignty and see their gravy trains threatened. (...) Governments discovered they only needed to *promise* to reform, not actually do it” (2007, p. 67). Carment et al. argue against the use of conditionality in fragile states, as it will disadvantage states with poor policies through its “rewarding countries with good policies with increased aid since they can presumably use it more effectively” (2008, p. 14). They further hold that aid conditionality ignores important factors that play a crucial role in the development or lack thereof of institutional capacity, such as conflict history and political regime type (ibid.). They list the following as reasons why we still have not seen the desired improvements even after decades of involvement and aid in these countries: “lack of enforcement of conditionality, the failure of aid to ‘buy’ reforms, the volatility of aid flows, lack of absorptive capacity, and fungibility” (ibid.15).

Santiso claims that it is widely recognized that conditionality has not been successful in promoting policy reforms at a substantial level (2001, p. 8). According to Killick, conditionality fails because it is not able “to create an incentive system sufficient to induce recipient governments to implement policy reforms they otherwise would not undertake, or would undertake more gradually” (1998, p. 163). Collier points to how

conditionality in its extended form of a “continuous process of general economic policy-making” has a potentially dysfunctional effect as sovereignty is transferred development agencies (1999, p. 319). Conditionality has led local governments and societies to oppose potentially very beneficial policies, Collier argues, because they have not been able to implement them within the timeframes set by donors (2007, p. 109). In addition, conditionality has had huge implications for accountability, as governments have often seen themselves as simply going by the donors’ orders, and thus could not be held accountable for their policies by the public (ibid.). Another point made is that conditionality “undermines democratic processes by supplanting public policy-making”, and that it “tends to undermine countries’ ownership of the reforms and delay its implementation” (Santiso, 2001, p. 9). As it is recognized that a prerequisite for reform is having the capacity of pursuing it, it is a notable paradox that it is precisely the states that need state reform the most that have the least capacity and thus the least ability to implement such reform (ibid.15).

### **3.2.3 Neopatrimonialism in Fragile and Conflict-Affected States**

As explained, there are many opinions about whether or to what extent external statebuilding is an appropriate approach for intervention in fragile and conflict-affected states. As it is the dominant development policy in the world today for these states, it is useful to look at what challenges external intervention to promote institutionbuilding meets. The theory of Acemoglu and Robinson as laid out in *Why Nations Fail* is grounded in the idea that a state’s formal institutions in themselves are not enough. Institutions must be inclusive rather than extractive<sup>3</sup> in order for a state to level out inequalities and ensure economic growth that makes prosperity possible for the majority of people rather than for a narrow elite (2013, p. 81). But if the recipe is that straightforward, why is it that many states in the world today remain fragile and

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<sup>3</sup> Extractive institutions “concentrate power and wealth in the hands of those controlling the state [and] directly contribute to the gradual failing of the state by neglecting investment in the most basic public services” (Acemoglu & Robinson, 2013, p. 376). “[Extractive institutions] place few constraints on the exercise of this power” (ibid.81). “Inclusive political institutions, vesting power broadly, would tend to uproot economic institutions that expropriate the resources of the many, erect entry barriers, and suppress the functioning of markets so that only a few benefit” (ibid.).

experience major inequalities? The answer is thought to lie partly in how these states are governed. Equality and prosperity for the great majority of the population is not in the best interest of many power holders in fragile states, particularly not in neopatrimonial societies such as those we find in parts of Africa (ibid.66). The reason is quite simple: Their power is most often legitimated not through popular support but through heritage, personal relations, or coups. They can remain in power for decades, even if lacking legitimacy through popular support. And because they are not dependent on popular support, they can afford to spend any public funds in virtually any way they like. Public funds are thus often spent in ways that maintain the power structures in the state and that provide the people with little of the services they need, such as proper access to healthcare, education, and security. It is possible for these states to experience economic growth, but wealth is often not channeled through formal institutions and therefore does not benefit the general population due to the nature of the extractive economic institutions (ibid.81). States that have inclusive political and economic institutions can afford to include, and in fact depend on including, the population because power holders are kept in check by the voters.

A neopatrimonial state differs from the impersonal modern state in the sense that it does not make a distinction between public and private norms, and it is a state in which “personal loyalties prevail over institutionalized relations” (Gazibo, 2012, p. 2). Also, with much relevance to our topic, Gazibo iterates that neopatrimonial states are characterized by “low accountability of the leadership and a lack of incentive or commitment to adopt developmental policies” (2012, pp. 2-3). In these states, there are no clear incentives to display good governance and uphold strong and capable institutions, because the population does not have a firm grip on the power holders through popular support and cannot easily vote someone else into power; the power holders are to a low extent accountable to the people. Leaders in neopatrimonial societies have a personal interest in keeping the people uneducated and in channeling their spending through informal mechanisms in highly non-transparent ways, as this contributes to their remaining in power and further accumulating their personal wealth (Collier, 2007, pp. 66-67). According to some, aid helps exacerbate this problem, as

“political elites have little incentive to change a situation in which large amounts of aid provide exceptional resources for patronage and many fringe benefits” (Brautigam & Knack, 2004, p. 263).

What the rulers of neopatrimonial states fear is that wealth will end up in the hands of those who may threaten to challenge the power of the rulers. It is therefore an advantage for these rulers to depend as heavily as possible on external actors instead of being accountable to the state’s own population. The definition used by Reno suggests that a weak state “signifies a spectrum of conventional bureaucratic state capabilities that exist alongside (generally very strong) informal political networks” (1998, p. 2). If the internal resources are seen as less attractive than what is available through cooperation with external actors such as development agencies, then the incentive to work for the collective interest of the state may be severely weakened for rulers of fragile states. This also means that the available choices of rulers of these states depend much on the actions of other states and the degree to which they are willing to enter into economic relations with them (ibid.3).

Externally driven economic reform is argued to be next to impossible to promote and achieve in neopatrimonial societies because of the “political economy of political survival among political elites in post-conflict countries” (Sending, 2011, p. 60). In addition, neopatrimonialism consists of such elements as corruption and elite seizure of state power, resources and institutions, which naturally do not make up a conducive environment in which to conduct reform (Gazibo, 2012, p. 86). There is also the interaction between external and local actors that in many cases is highly challenging and can contribute to the difficulties of such efforts of external reforms. We also know that local actors have a wide range of mechanisms to manipulate the processes of external actors if they do not see their needs met, “with which to mimic, evade, and ultimately undercut the ability of external actors to shape outcomes” (ibid.62). It is also not a secret that in many fragile states and states that are affected by neopatrimonialism, the prescriptions made by actors such as the World Bank are being manipulated and the loans and grants are taken advantage of (Reno, 1998, p. ix). These

kinds of economies are run by elites that are more concerned with personal economic gain than with the growth and social prosperity of the state and the population, and they have a disregard for formal institutions and laws (ibid.).

The 1989 *World Development Report* established that Africa needs both less and better government (Reno, 1998, p. 1). However, Reno argues that in his case studies of Liberia, Sierra Leone, Zaire, and Nigeria, the debilitating warlord politics that emerged did so precisely because of less government. In countries that have highly personalized rule it is likely that power will continue to remain in the hands of very few and managed in a highly personalized manner (ibid.15). This indicates that state fragility cannot be considered without also considering the personalized power structures of a great number of fragile and conflict-affected states. Cammack argues that the neopatrimonial states that are labeled as dysfunctional by external actors are in fact organized in ways that make sense both to them and when we view them through the lens of neopatrimonialism (2007, p. 599). This, however, does not mean that they make sense developmentally: “In states labeled neopatrimonial or hybrid, real power and real decision-making lie outside formal institutions. Instead, decisions about resources are made by ‘big men’ and their cronies, who are linked by ‘informal’ (...) networks that exist outside (...) the state structure, and who follow a logic of personal and particularist interest rather than national betterment” (ibid.600). The main priority in these cases is to gain or remain in power, and democracy is usually not a likely occurrence here, considering the great drive for power for the advantage of oneself and one’s own elite network (ibid.).

With the access to wealth that the manipulation of aid gives the rulers, they can control and thus limit the amount of resources that can get in the hands of their opponents (Reno, 1998, p. 21).

Notions such as those of state or society and public or private become blurred as regimes presiding over patronage systems focus increasingly on controlling all kinds of accumulation and translating resources into political power. This strategy permits



elites in Africa's most heavily patrimonialized economies to avoid relying on citizens' support to rule, since it denies citizens autonomous control over resources the regime needs to manage strongmen. (Reno, 1998, p. 22)

As Sindzingre argues, in order to escape the trap of neopatrimonialism, it is crucial to develop public institutions of a fundamentally impersonal nature, which all parties must find to be credible (2012, p. 104). In other words, institutions need to not only be strong in capacity and authority, but also in legitimacy. Admittedly, this is a process that requires significant time and effort.

### **3.2.4 Challenges to Development Aid in Neopatrimonial Fragile States**

Scholars propose new ways of organizing the economy in fragile states that are affected by neopatrimonial structures (see e.g. Reno, 1998). This need is argued for based on the presence of corruption, illicit arms trade, smuggling and the like that exist in many fragile states today. Neopatrimonial elites use this economic structure to legitimate their own political authority and hence to undermine any attempts that are being made toward building inclusive institutions and becoming more accountable to their own citizens (Reno, 1998, p. ix). Already two decades ago, Reno pointed out that a much greater focus on changing these economic structures is needed if development agencies such as the World Bank are to be successful with their reforms in these countries (ibid.). Even earlier, the World Bank had pointed to the need for reform of their economic programs in these countries, due exactly to challenges of highly personalized rule and extractive, informal ways of organizing the economy. They also emphasized their wish in these contexts to “make things right this time” (Callaghy & Ravenhill, 1993, p. 524).

Both aid and natural resources are unearned rents that end up in the hands of the powerholders in neopatrimonial states. Such unearned income “undermines incentives to build local institutions and perhaps a social contract with the population” (Moss et al., 2006, p. 4). Moss et al. question why the large amount of aid directed towards capacitybuilding to mitigate the challenges posed by neopatrimonial and corrupt

regimes has not had a bigger impact on improving their capacity and making them more in keeping with the Weberian modern states, as all agencies seem to argue that this is the strategy to steer by (ibid.6). They point to several studies showing the possible negative effects of aid and aid dependency in these countries: it may “undermine the ability of recipient governments to budget appropriately”, “the fiscal uncertainty of dependence on external assistance makes long-term planning extremely difficult”, and there is also a possible negative effect of “the government’s ‘ownership’ of the country’s purported development agenda” (ibid.7). They emphasize that in cases of aid dependency, there is a risk that government spending becomes excessive, reaching levels that are highly unsustainable (ibid.). Moss et al. demonstrate how the potential macro-imbalances caused by aid impact neopatrimonial states:

Resource volatility contributes to macroeconomic instability, which complicates public policy making in vital areas such as budgeting and planning, and tilt public spending toward consumption rather than investment. These can exact a negative effect on the quality of the civil service, public services, and infrastructure, all indirectly undermining the ability of the state to transition from patrimonialism to a more ‘developmental’ path. (Moss et al., 2006, p. 8)

According to Moss et al., “because local officials are not included in policy planning, they often come to view aid projects as little more than a set of scarce private goods to be allocated”; a notion that underscores why ownership and participation is crucial to mitigate and break cycles of neopatrimonialism (ibid.9). It is further claimed that an inflow of aid “reduces the incentive to adopt good policies and reform inefficient institutions, and thus weakens the government’s developmental performance and encourages rent-seeking”; a particular challenge in neopatrimonial states (ibid.15).

### **3.3 The World Bank in Fragile and Conflict-Affected States**

While originally established in 1944 as an institution through which to reconstruct post-war societies, the World Bank of today is an organization charged with the overarching mandate of working for global elimination of poverty. The Bank’s engagement in fragile and conflict-affected states as a particularly targeted area goes

back to the 1990s. The World Bank currently uses its Harmonized List of Fragile Situations to determine which countries are fragile and conflict-affected. Both the concept and the list have gone through changes since the original list in 2006, called Low Income Countries Under Stress (LICUS) List. The term LICUS came about in 2001 when the World Bank sought to “examine the challenges faced by low-income countries with particularly weak policies, institutions, and governance” (World Bank, 2014, p. 1). The result was a recommendation calling on the Bank to “maintain a more consistent engagement in LICUS, and that it improve the quality of its political and economic analysis, policy advice and dialogue, capacity-building programs, frameworks for donor coordination, and aid delivery mechanisms” (ibid.). As it followed, the list was created to determine which countries would be eligible for this additional support. However, the LICUS term was soon deemed inconsistent with the rest of the development community’s classifications. LICUS was also criticized due to a lack of focus on politics and violent conflict, and also because indicators were influenced by a liberal ideology and a use of good governance as a criteria, which lacked evidence as a productive strategy in terms of statebuilding (Stepputat & Engberg-Pedersen, 2008, p. 24). LICUS was replaced with the term fragile states in 2009. The 2011 *World Development Report* (WDR) marked an increased focus by the Bank on fragile and conflict-affected states, as it asserted that the insecurity and crime that persist in these countries are a great challenge and threat to peace and development. It established that building legitimate institutions is crucial, particularly those that enable citizen security, justice, and jobs – the three main focal points of the report. The report recommended the development of robust national institutions in FCS. In response to this, as well as several reports by the Independent Evaluation Group finding that the the World Bank’s track record in these contexts was surprisingly disappointing<sup>4</sup>, the Bank overhauled its FCS policies and made it a goal to make its financial support and expertise work better for the populations in fragile states. As argued, “risks of violence are greater when high stresses combine with weak

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<sup>4</sup> See IEG, 2008: Public Sector Reform: What World and Why? An IEG Evaluation of World Bank Support, and Migliorisi & Wescott, 2011: A Review of World Bank Support for Accountability Institutions in the Context of Anti Corruption, IEG Working Paper.

capacity or lack of legitimacy in key national institutions” (World Bank, 2011c). The report “called for a paradigm shift in the development community’s work on FCS” (Stepputat & Engberg-Pedersen, 2008, p. 24). One of the main takeaways from the report was its assertion that “violence and other challenges plaguing FCS cannot be resolved by short-term or partial solutions in the absence of institutions that provide people with security, justice, and economic opportunities” (ibid.2). The effort to operationalize the report, among other measures, led to the term and list as they are currently known: fragile and conflict-affected states and the Harmonized List of Fragile Situations. The World Bank uses Country Policy and Institutional Assessment (CPIA) scores, in addition to considering which countries have had the presence of a peacekeeping or peacebuilding mission during the past three years, to determine which states are fragile and conflict-affected. This classification system has been criticized, especially due to its lacking ability to account for the new drivers of fragility and conflict that have emerged (ibid.4). The 2011 report on operationalization of the 2011 WDR gave the recommendation that the Bank develop “a more suitable and accurate mechanism to classify FCS” (World Bank, 2011b, p. xi). As the World Bank recognizes, “it has been acknowledged (...) that definitions built on the CPIA and peacekeeping missions are insufficient to the task” (ibid.4).

While criticizing the international community for neglecting fragile and post-conflict states, the World Bank in the beginning of the 2000s stepped up its efforts for these countries through increased funding and a focus on institutionbuilding and strengthening of the capacity of governance (World Bank, 2008). The need to focus on this particular group of countries is justified through the fact that countries that experience fragility and conflict are associated with a high degree of poverty, a low level of social mobility, highly unequal societies, and weak political and economic institutions. As we have seen, weak institutional capacities, often combined with traits of neopatrimonialism, make it especially difficult to develop and reform these countries and to experience growth. The Millennium Development Goal of halving poverty was not met by nearly two-thirds of the world’s fragile countries, and in general fragile states have consistently been underperforming in the progress of

meeting the goals (OECD, 2015). The World Bank has set the ambitious goal of eliminating extreme poverty by 2030 and holds that in order to achieve this, it is imperative to develop fragile and conflict-affected states. The list of FCS for 2018 includes 35 countries. In other words, the task appears massive.

In a speech in 2008, then President of the World Bank Robert B. Zoellick listed the top ten priorities of the Bank for dealing with “the toughest development challenge of our era”, i.e. fragile states: Focus on building legitimacy of the state, provide security, build rule of law and legal order, bolster local and national ownership, ensure economic stability as a foundation for growth and opportunity, pay attention to the political economy, crowd in the private sector, coordinate across institutions and actors, consider the regional context, and recognize the long-term commitment (World Bank, 2008). As is evident from the list, statebuilding is the overarching strategy for the World Bank in these countries.

From the perspective of a scholar, Kaplan proposes the following set of ten guiding principles for how to engage with and bring change and development to fragile states: adopt local models, closely integrate state and society, design institutions around identity groups, construct states bottom-up, exploit the advantages of regionalism, unify disparate peoples, supplement state capacity, reinforce and complement local processes, foster private investment and competition, and creatively and gradually increase accountability (2008, pp. 50-63). Here, also, much emphasis is on statebuilding, albeit with a much more local focus.

As we see, there are some differences between these two sets of strategies for how to develop fragile and conflict-affected states. Particularly the focus on identity and groups found in Kaplan’s principles is lacking in the priorities of the World Bank. However, the first point of the World Bank list emphasizes the importance of legitimacy, which has often been pointed to as lacking in attempts at statebuilding processes.

### **3.3.1 The World Bank's Emphasis on Good Governance**

Good governance is now a core element of the World Bank's development strategy. Nonetheless, the good governance approach has been criticized, as some have claimed it is only an attractive term used to conceal economic and political reforms imposed through conditionalities (Santiso, 2001, p. 3). The shift in focus towards good governance can be seen as a response to "declining aid budgets and increased scrutiny by civil society" and as a result, the World Bank "has given greater consideration to the pervasive effects of mismanagement and endemic corruption" (ibid.4). As Santiso remarks, reforming systems of governance of its subject states has traditionally not been included in the World Bank's core mandate: "The Bank's founding charter prohibits it from taking into account political considerations when designing aid programs" (ibid.). Santiso points to that through the increased focus on good governance, aid conditionality has come to be employed also in terms of political reforms, whereas it used to be reserved for the economic arena (ibid.3). It is important to note that the term good governance implies a normative aspect and that it is the international development agencies that own the definition of what is good in this case.

Good governance as a principle came about due to "the continuing lack of effectiveness of aid, the feeble commitment to reform of recipient governments and the persistence of endemic corruption in developing countries" (Santiso, 2001, p. 5). The focus on good governance is based in a "heightened awareness that the *quality* of a country's governance system is a key determinant of the ability to pursue sustainable economic and social development" (ibid.). Santiso argues that the World Bank focus on good governance favors effectiveness over equity and legitimacy: "The Bank's understanding of good governance continues to reflect a concern over the effectiveness of the state rather than the equity of the economic system and the legitimacy of the power structure" (ibid.4). According to Santiso, this understanding is rooted in a notion of governance as something that only concerns effectiveness and not politics, which means that it misses some of the important aspects of who rules, under what legitimacy, and to whose benefit. Santiso's argument is that the World Bank needs to

address more sensitive issues such as power and politics in recipient countries in order to succeed in improving good governance. However, the reluctance to do so is likely a result of fear of stepping outside its mandate (ibid.5). The more technical approach to good governance is criticized as standardized and unproductive, as it is only likely to have any impact if there is an actual commitment by key actors in the state to pursue such politics (ibid.19). It is interesting to note that good governance is included not only as an objective for development assistance, but also as a condition. This means that not only do donors such as the World Bank consider it important to develop good governance practices in the recipient countries; they also deem it necessary for these countries to have levels of good governance in place in order to receive loans and grants (Santiso, 2001, p. 3).

### **3.3.2 World Bank Use of Conditionality**

The World Bank has relied heavily on the tool of conditionality, particularly in the 1980s and 1990s. Through the use of conditionalities, the Bank will make resources available provided that the recipient “maintains an adequate macroeconomic framework, implements its overall program in a manner satisfactory to the Bank, and complies with the policy and institutional actions that are deemed critical for the implementation and expected results of the supported program” (World Bank, 2005, p. v). The World Bank has in later years directed more focus toward capacity building in their conditions. The number of conditions per development program was also reduced, according to the World Bank (ibid.).

### **3.4 Summary**

This chapter has laid out the basics on state fragility and the development of fragile and conflict-affected states, in particular by the World Bank. An increased focus on security and on the need to increase government capacity in these countries has supported the emphasis on such development practices as policy conditionality and approaches to build good governance. The challenges to development in fragile states are many, not least due to the neopatrimonial structures that are found in many of them. In the following chapter, I present findings from my analysis of the World Bank

statebuilding programs in FCS, as I view them through the lens of the modern state criteria and to what extent they are succeeding in strengthening these. I also look at the different reasons scholars and observers are pointing to for why the programs are not yielding the intended, desired, and much needed results.

## **4. Findings and Analysis**

The research question I seek to answer in this thesis is:

*Are the World Bank's statebuilding efforts in fragile and conflict-affected states producing satisfactory results through their reformed programs for these contexts?*

In this chapter, I present findings regarding the World Bank statebuilding programs for fragile and conflict-affected states and investigate to what extent they are fulfilling the objectives of statebuilding in regards to characteristics of the strong modern state, namely rule of law, institutionally capable government, effective revenue collection, penetration of society by the state, and the provision of services to the people. I also look at the aspect of fragility analyses and to what extent these are integral parts of the programs in FCS. Furthermore, I point to some general aspects to the World Bank efforts in FCS that seems to be explaining in part why the programs are criticized. As Liberia and Sierra Leone are chosen as support cases, I have emphasized experiences in these two countries.

I make use of information from several reports. The 2006 World Bank Independent Evaluation Group (IEG) report on low-income countries under stress (LICUS) evaluates the efforts that were made following the 2002 LICUS Initiative, which marked the start of the World Bank's special attention to the particular challenges of development in fragile states. In 2005, the LICUS approach was revised with a greater focus on statebuilding than the 2002 approach (World Bank, 2006, p. 8). The 2011 *World Development Report* (WDR) is also an important source, as it is considered the



main document for the new direction of the World Bank's operations in fragile and conflict-affected states. It marked the call for a paradigm shift in the way the World Bank addresses FCS, much due to the meager progress since the LICUS Initiative. The report singles out the most important areas of work in order to successfully conduct statebuilding in these countries. It also justifies the massive attention that has been given these contexts over the past decade.

The World Bank found that there were six main operational implications resulting from the recommendations made in the 2011 WDR. These are presented in *Operationalizing the 2011 World Development Report: Conflict, Security, and Development*. The six operational implications are: making country strategies more fragility-focused, strengthening partnerships on development, security, and justice, increasing attention to jobs and private sector development, realigning results and risk management frameworks, seeking less volatility in financing, and striving for global excellence (World Bank, 2011b, pp. iv-vi). The report that sprung out from this operationalization document is part of the empirical basis of this chapter: A few years after the 2011 WDR was published, the IEG conducted an evaluation of the Bank's efforts thus far, based both on recommendations from the report, the attempt to operationalize it, and actual work done on the ground in FCS: *World Bank Group Assistance to Low-Income and Conflict-Affected States. An Independent Evaluation*. Findings of this evaluation report make up the largest bulk of this chapter. In addition, I make use of reports from other external agencies, as well as the World Bank's own country strategy reports.

#### **4.1 Performances Measured by Characteristics of the Modern State**

As established, I will measure the World Bank's performances in FCS by characteristics of the modern state, namely rule of law, institutionally capable government, effective revenue collection, and penetration of society by the state and provision of services. The classic characteristic if one has the Weberian state definition in mind, namely the provision of security and control over territory, is included in the characteristic of institutionally capable government. World Bank statebuilding

programs in FCS work with this aspect implicitly through strengthening institutional capacity. Within each characteristic, I make use of the Worldwide Governance Indicators (WGI) as a benchmark for how the two cases of Liberia and Sierra Leone have been performing. Any improvement or decline on the WGI is obviously not to be interpreted as going hand-in-hand with World Bank performances in the country, as the World Bank efforts in FCS are only one of a vast number of variables determining the scores on the WGI.

#### **4.1.1 Rule of Law**

Efforts to strengthen rule of law through judicial reform has been a significant part of World Bank statebuilding efforts in FCS. It was stated as one of three main focal points for work in FCS in the 2011 WDR. However, there have been mixed results in this area. According to the Worldwide Governance Indicators (WGI), Sierra Leone's scores on rule of law have declined in the past few years from 21.1<sup>5</sup> in 2012 to 17.8 in 2014 (World Bank, 2016b). In Liberia's case, the rule of law score has had a steady increase: it went from 9.6 in 2008 to 20.7 in 2014 (World Bank, 2016a). Although it is a great focus in the 2011 WDR that the World Bank must make justice reform a priority in FCS, the 2013 IEG evaluation report finds that this has not been done; "(...) nor did stakeholders feel the Bank had a comparative advantage in the justice sector" (World Bank, 2013a, p. xv). This may be interpreted as the Bank not having a good enough track record in this field and that it has not managed to establish itself as a key actor in the improvement of rule of law in statebuilding efforts. The IEG gives the example of a failed judicial reform project in Liberia:

The small Liberia Capacity Building for Judicial Services Project was developed in response to a request from the Chief Justice for training judicial officers. (...) The Liberia project finished in 2011, following which the Bank did not commit to further work on judicial reform. The project did not reflect the specific priorities outlined in

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<sup>5</sup> Percentile ranking: Score refers to the percentage of countries ranked below the given country.

the justice-reform strategy, and had little to no impact on justice services in Liberia (World Bank, 2013a, p. 63).

Divon, Sayndee and Bøås point to a reason why justice reforms by external actors such as the World Bank may be unfeasible in Liberia, namely that the population has come to rely on the customary legal system after the statutory legal system ceased to function during the civil wars between 1990 and 2003 (2016, p. 4). The preference of the statutory legal system by international actors clashes with the customary legal system known to and preferred by most Liberians. Hence, the resulting task for actors like the World Bank of harmonizing these two makes justice reforms and strengthening the rule of law a particularly challenging part of statebuilding efforts in Liberia (ibid.). Divon et al. point to how the customary justice system “fills an important gap” when it comes to the weak institutional ability of the Liberian state (ibid.17). The World Bank establishes that “Liberia continues to struggle with inefficient justice institutions that are plagued by corruption. A lack of harmonization continues to exist between the evolving statutory system and traditional systems of justice” (World Bank, 2013b, p. 3). A failure by the Bank to recognize the importance and relevance of the customary justice system may be a possible reason for its inability to make more headway in rule of law efforts.

#### **4.1.2 Institutionally Capable Government**

As it is considered a main building block of the strong modern state, much of World Bank statebuilding in FCS has naturally revolved around strengthening institutional capacity. Projects of public financial management (PFM) and civil service reform, as well as the use of development policy lending, have been variants of capacity improvement efforts. Country data reports from the WGI show that Sierra Leone scores low on the indicator of government effectiveness at 10.6 in 2014, with very little increase since 2003 (World Bank, 2016b). Liberia’s scores on government effectiveness also remain low: after a sudden peak of 12.4 in 2012, it scores only 7.7 in 2014 (World Bank, 2016a). For both countries, the scores on the indicator of political stability have increased steadily since the ending of the civil wars in the early 2000s.

In Liberia there was a particular increase from 2009 to a peak in 2011 at 33.5, then a decline to 24.8 in 2014. For Sierra Leone, scores of political stability have been consistently higher than in Liberia, at 36.9 in 2014. The IEG report points to “relatively good progress on public financial management [PFM] in fragile and conflict-affected states in the last 10 years” (World Bank, 2013a, p. 36). But despite this progress, the IEG finds that the Bank has struggled with finding the right approach to such factors as weak capacity, infrastructure and services, as well as social tensions: “There are few examples where World Bank country strategies have successfully responded to these issues, effectively prioritized actions, and sequenced interventions to ensure the development of a sustainable state structure” (ibid.). The evaluation finds that the uncoordinated way in which the World Bank conducts institutionbuilding through PFM, such as public expenditure, procurement, revenue collection and management, civil service reform, and decentralization, has made statebuilding efforts *less effective* (ibid.). Nonetheless, “procurement, civil service reform, and revenue collection reforms and activities were found in 40 to 58 percent of operations approved in FCS”, while only 7 percent addressed decentralization (ibid.37). This reflects an inability by the Bank to identify and redesign approaches that are not working. In Liberia, progress is found to be slow when it comes to modernizing the public sector and implementing civil service reform (World Bank, 2013b, p. 14). Here, sequencing is important: “Limited public sector capacity has undermined the effectiveness of government for service delivery and policy formulation” (ibid.). Ensuring that there is capacity to take on reforms and implement them is crucial. With such capacity being a scarcity in FCS, it is imperative to begin efforts in this end.

The IEG criticizes Bank efforts: “Without adequately responding to the unique expenditure management problems of the various FCS and balancing the range of budgetary needs, progress in this area remains incomplete” (World Bank, 2013a, p. 38). However, Liberia is emphasized as an example where things are done right: “From a situation of total breakdown of the government’s fiduciary systems in 2006, the budget is now prepared on time and published annually. Recent budgets have been cast in a medium-term context, and public spending has grown from 11 percent of

gross domestic product (GDP) to 30 percent in three years, with improved controls” (ibid.39). Nonetheless, a major caveat is found: Because the Bank has focused its support on PFM reform within ministries of finance without also supporting other ministries and subnational entities, the central budgets may have improved while the delivery of public services has remained at the same low level. It is argued in the report: “PFM (...) should be seen as a starting point for a long-term, multipronged agenda for institution building which includes strengthening the ministries responsible for service delivery, civil service reform, and decentralization” (ibid.). It is established that “procurement issues in Bank operations within FCS continue to face challenges, despite attempts to provide technical capacity in this area”. The IEG points to challenges both in terms of “how the donors get things done” and “the approach to strengthening recipient government systems and building internal capacity in the longer term” (ibid.40).

The IEG further establishes that “Bank interventions have not focused sufficiently on strengthening the procurement systems of governments and using them for the delivery of IDA [International Development Association] investments” (World Bank, 2013a, p. 40). On a brighter note, the report calls the use of development policy lending (DPL)<sup>6</sup> “a significant part of support to FCS countries” and finds that it has been “a critical source of much needed budget support” (ibid.23). According to the evaluation, DPLs have helped promote institutional and policy reforms: “The IEG analysis shows a positive and statistically significant correlation between improvements in CPIA ratings with the number of DPLs received by the FCS” (ibid.). However, the IEG stresses that this does not indicate causality.

The IEG finds that there has been “a lack of traction on civil service reform” in World Bank efforts in FCS (World Bank, 2013a, p. xiv). On the difficulties of civil service reform, the evaluation report establishes that “political economy interests and

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<sup>6</sup> “Development policy lending is rapidly disbursing policy-based financing, which the Bank provides in the form of loans or grants to help a borrower address actual or anticipated development financing requirements that have domestic or external origins” (World Bank, 2004).

bureaucratic inertia tend to weaken client ownership” and that “autocratic governments may be unwilling to share power or reluctant to accept accountability mechanisms” (ibid.44). Dependence on Bank-funded staff is a concern regarding civil service reform: “In many cases, the Bank (and other donors) filled the capacity gap by hiring long-term externally-funded advisers, often at very high cost, to perform basic functions of the civil service” (ibid.). As much as this was a necessity to begin with, the report finds that the dependence on outside experts has come to be detrimental to developing the civil service. However, Liberia has experienced a relatively successful civil service reform strategy:

The Bank has worked with the government to complete and implement a restructuring program in nine ministries and in the Civil Service Agency. This has reduced the number of employees and ghost workers from 45,000 to 34,000 in four years, and the linking of biometric identification to the human resource information system is ongoing to further systematize a sustainable approach. (World Bank, 2013a, pp. 45-46)

The IEG makes clear that it is this kind of systematic long-term sustainable effort that is imperative to implement in order to see a strengthening of capacity in FCS (ibid.46). Alongside the relative success in Liberia, the report points to the ineffectiveness of civil service reform in other FCS, and that nothing seems to be done to redirect resources and evaluate what is not working: “(...) while the Bank remains engaged in civil service reform through further lending and AAA [analytical and advisory activities], there is little optimism as to where gains are likely to be made. In these environments, the Bank needs to be much clearer in tracking what works, what doesn't, and where to expend its efforts” (ibid.46-47). The lesson is that ‘buying’ capacity in terms of civil service advisors must not be done without having put in place a strategy for how regular advisors will be recruited and replace them so sustainability can be ensured (ibid.47).

### **4.1.3 Effective Revenue Collection**

Revenue mobilization is intrinsically linked to jobs and growth. It also holds an important key to the subject of accountability. As established in ActionAid's report *Real Aid: Ending Aid Dependency*, "increasing domestic revenue is a key way that developing countries can increase their development resources as well as reduce their dependency on aid. Furthermore, it binds governments in a social contract with their people, ensuring improved accountability" (2011, p. 36).

The 2011 WDR points to the importance of job creation in order to address drivers of fragility and thus to contribute to ending the cycles of violence in FCS. Further, it is asserted in the IEG report: "Vulnerability caused by low per capita income and high unemployment is a major driver of conflict" (World Bank, 2013a, p. xv). The importance of creating jobs in fragile states is emphasized: "In the FCS context, jobs not only provide livelihoods to people but also reconstruct the social fabric of society (...). Therefore, jobs are at the core of restoring confidence and transforming institutions to break the cycles of violence, but interventions need to be tailored to country conditions" (ibid.67). In Liberia and Sierra Leone, as in many FCS, there is a significant youth population. This offers both opportunities and risks for the progress of development. Creating jobs for youth is pointed to as a major challenge in Liberia and Sierra Leone, since the youth possess little education or vocational skills as a result of the civil wars (African Development Bank, 2013, p. 6, World Bank 2013b, p. 9).

Despite the established importance, the IEG finds that job creation and growth has been slow in FCS, and also that growth in many cases has not been inclusive (ibid.xv). According to the report, the World Bank "lacks a realistic framework for inclusive growth and jobs that is based on economic opportunities and constraints in fragile and conflict-affected states and effective coordination and synergies across World Bank Group institutions" (ibid.xi). The report even concludes, "a jobs strategy appropriate to high-risk FCS environments has yet to be developed" (ibid.xvii).

While lack of both infrastructure, a business-friendly environment, bankable projects, and skills are halting the progress for the private sector in FCS, the World Bank has focused its efforts on investment climate reform. Although such reforms are necessary, they are far from sufficient, according to the IEG. The report calls Bank support for skills development “insufficient to address long-term human capital constraints” (ibid.xv). Further, the need to make programs dense and sustainable is emphasized, as fragmented interventions are found to impact long-term employment generation negatively (ibid.81).

The IEG finds that the World Bank has not addressed important constraints to private sector reform such as power, transport, and land rights, but rather focused exclusively on investment climate reform (World Bank, 2013a, p. 66). The report lists a number of factors that make firms reluctant to invest in FCS, factors that must be dealt with in a systematic manner if investment is to be improved: political instability, corruption, access to electricity, access to finance, and access to land (ibid.68). Findings of the IEG make it clear that efforts have been particularly disappointing in this area: “(...) the World Bank Group did not adequately address major constraints and did not have a holistic approach to private sector development in FCS” (ibid.). The IEG finds that “the considerable Bank Group engagement in infrastructure as a whole has had limited impact” (ibid.71). Additionally, in the area of investment climate reform where the Bank focused most of its attention, implementation was halted by “weak capacity, political economy issues, and internal Bank Group limitations; limiting the impact on improvements in business environments” (ibid.73). Failure of implementation was also found to be caused by local administration’s low capacity. This, again, demonstrates that sequencing has not been a focus to make sure capacity is in place before attempting to implement reforms. The IEG finds that “projects that focused on a few key priority issues and provided hands-on support to local institutions (...) had a better chance of succeeding”, again emphasizing the importance of strengthening local capacity and narrowing the scope.



The report is clear in its assessment of the overall work done in the area of growth and jobs:

The Bank Group lacks a strategic and effective framework for inclusive growth and jobs in FCS. During the period FY01-12 the Bank did not have a deliberate approach for job creation in FCS. (...) In the FCS context, a focus on employment would have been particularly pertinent given the disruptions of civil war and the potential to contribute to social cohesion. Although an emphasis on investment climate reform to foster growth is necessary, it is not sufficient to foster job creation. (World Bank, 2013a, p. 80)

On a positive note, the report establishes that “overall, the performance on the efficiency of revenue mobilization in FCS has been good”, and further that there has been a general increase of tax revenues in FCS (ibid.41). In Liberia, tax revenue increased from 12 percent of GDP in 2002 to 24 percent in 2011. In Sierra Leone, the increase was substantially more modest, from 9 percent in 2002 to only 12 percent in 2011. The African Development Bank finds that despite improvements in revenue collection in Sierra Leone, this is still an area where the country is lagging far behind potential (2013, p. 9). For Liberia, the World Bank concludes in a progress report that “revenue generation continues to suffer from deficiencies in accountability mechanisms and corruption” (World Bank, 2013b, p. 3). Part of the challenge in fragile and conflict-affected states is that they perform below non-FCS on monitoring and transparent reporting, the latter being elements that can have a positive impact on both revenue collection and management of extractive resources (World Bank, 2013a, p. xiv).

Support for skills development, the prescription for human capital constraints experienced by most FCS, continues to be limited and insufficient (World Bank, 2013a, p. 75). Efforts in Sierra Leone are used as an example of this: “(...) the country program focused on short-term jobs rather than addressing long-term human capital constraints, limiting the employment of Sierra Leoneans in private sector investments” (ibid.). When it comes to support to the agricultural sector, the IEG finds that it has

been very limited and “has not displayed a viable transition strategy from emergency rehabilitation to longer-term sustained growth in the sector”, despite the importance it has in FCS in terms of development, growth, food security, and conflict prevention (ibid.79).

The evaluation also criticizes efforts in addressing the extractive industries-derived resources: “Many FCS economies are highly dependent on extractive industries, yet the Bank Group has paid more attention to legislation and regulatory reform and less attention to the distribution of benefits and local economic development. The fragility risks associated with natural resource management have not been sufficiently addressed” (World Bank, 2013a, p. xvi). According to the IEG, the growth of tax revenue in Liberia is “fueled by returns on extractives and supported by better revenue management partly due to Bank programs” (ibid.42). However, the report also points to how revenue collection improving is not in and of itself a reason to celebrate, as it is crucial that revenue is not lost in corruption or poor governance traps: “The Bank needs to balance its support with a strong understanding of the political economy of revenue streams. Knowing how the politics of resource rents operates is central to finding the most effective way of equitably collecting revenues and sharing returns among citizens” (ibid.). The report establishes that “natural resource rents and the inequitable distribution of benefits from resource extraction have been a major driver of fragility and conflict in FCS” (ibid.76). The Bank has focused on assistance through plans of “reforming the regulatory environment to improve governance and transparency in concessions and revenues, increase investment in these sectors, and enhance revenue management and investing of revenues for development purposes” (ibid). It is emphasized that “reforms to improve the capture of resource revenues and invest them in human, physical, and social capital (...) are critically important for the jobs and growth agenda in FCS” (ibid.). The IEG criticizes: “Most Bank Group operations in FCS have not paid much attention to leveraging the investments in extractive industries to create spillovers in the economy. These are key challenges for promoting inclusive growth and jobs in FCS” (ibid.77). As for our two cases of FCS, “Liberia and Sierra Leone are also trying to leverage the mining sector to foster

services and other industries aimed at increasing benefits for the local economy” but, alas, with little support from the Bank at the time of evaluation (ibid.). The 2013 Country Assistance Strategy Progress Report for Sierra Leone describes the “extractives boom” as an unprecedented opportunity for the country to experience much-needed growth, while underlining the need to manage risks in this sector through “strengthening the regulatory and institutional capacity” in order to avoid the resource curse (World Bank, 2012, p. 12). Undoubtedly, the World Bank should seize this opportunity with Sierra Leone and develop long-term strategies for the management of extractive resources. Overall, as the IEG makes clear, the Bank has not met the challenge of creating jobs and inclusive growth with what is deemed the most effective tools.

#### **4.1.4 Penetration of Society by the State and Provision of Services**

Community-driven development (CDD) as a means to provide more and better services to the people, as well as to ensure local ownership to development processes, is among the success stories in World Bank statebuilding efforts: It works well and is well received. A significant part of Bank development assistance in FCS has been in the form of CDD programs. Projects have been aimed at providing public goods and services to local communities, building local institutions, and enhancing downward accountability to citizens (World Bank, 2013a, p. 58). Characteristics of CDD projects are that they are “demand-driven; involve some form of community organization and community participation; and are administered by a special entity established by the government outside the structure of line ministries” (ibid.). The 2011 WDR advocates strongly for CDD programs: “Experience from a range of applications suggests that CDD programs can signal a change in the attitude of the state to communities, even before physical projects are completed. They can thereby enhance state-society relations, increase citizen trust in institutions, and contribute to longer-term institution building” (World Bank, 2011a, p. 133). Furthermore, the WDR argues that CDD programs “can extend the state’s reach, especially in areas from which it has been absent during a conflict; reconstruct social capital and strengthen social cohesion;

signal inclusion of marginalized groups (such as women and youth); and contribute to decentralization, either by design or through adaptations over time” (ibid.).

The number of CDD projects in FCS more than doubled in the period of 2007-2012 compared with the years between 2001 and 2006 (World Bank 2013a:58). Given the right implementation, the IEG finds that “they have proved to be efficient vehicles for expanding the reach of the state and building state legitimacy” (ibid.). The report finds evidence that such projects “have played an important role in financing public goods and services to local communities”. CDD programs are found to be a crucial factor in the aspect of penetration of society by the state: “in several conflict-affected states, these projects have been the principal means of state engagement with distant communities. They have served to establish the presence of the state, and besides their short-term contribution to local economies, they have contributed to state legitimacy” (ibid.).

However, there are sustainability concerns tied to CDD programs. Community-driven development has been beneficial in the short term, but lacks mechanisms to make it sustainable for the long term. The IEG finds that “the reliance on project financing remains the Achilles heel of CDD programs, and without institutional evolution the (...) objectives of building local institutions and promoting downward accountability may not be achieved” (World Bank, 2013a, p. 59). CDD programs are also controversial, in part due to fear that they undermine local authority as they create parallel structures that are separate from local systems. In addition, there is a risk that the projects become subject to elite capture. The IEG refers to Mansuri and Rao whose 2012 report establishes that “most successful programs tend to be those implemented by local governments that have some discretion and are downwardly accountable.... Local participation appears to increase, rather than diminish, the need for functional and strong institutions at the center” (World Bank, 2013a, p. 59). CDD programs need to be “adequately and sustainably funded” (ibid.60), and must be “systematically linked to state institutions” (ibid.59). The IEG argues that CDD programs “appear to compete for the local governance space”, and thus do not act to strengthen the existing

systems (ibid.60). Further, it is a major concern that CDD programs are “projectized and function outside the sectoral structure of governments”. The evaluation report emphasizes that in FCS, “subnational governments, particularly local governments at the district and subdistrict levels, need to play a critical role as the Bank and its development partners seek to promote local accountability and increase efficiency in service delivery” (ibid.). As Ravallion puts it, “citizen participation is not a substitute for local state capacity” (2016, p. 89).

It is argued that a reason for reluctance at the country level to follow this prescription in terms of tying CDD programs to local governments could be that “development of local governments is sometimes seen as contrary to the objective of building a strong and effective state”, no matter how strongly the development community promotes decentralization (World Bank, 2013a, p. 60). The result of this reluctance to connect local government to CDD programs, as well as the lack of a way to ensure institutional sustainability, is that programs continue to depend entirely on donors. The IEG criticizes the World Bank for not having mitigated this problem: “The Bank has not instituted alternate mechanisms to ensure their viability beyond the life of the projects supporting them” (ibid.61).

Decentralization is another important part of the puzzle. Despite decentralization ambitions in order to help the state achieve a greater level of penetration of society, signs of Bank progress are moderate at best: “Decentralization is widely recognized as an important means to improve service delivery and enhance citizen accountability, but the Bank’s strategy toward decentralization in FCS remains ambiguous” (World Bank, 2013a, p. 47). The IEG finds that “some effort and results were recorded in the African Region” regarding efforts to decentralize in order to better both the state’s accountability towards citizens and the delivery of services to the more peripheral areas of states (ibid.xiv). Whereas Sierra Leone experienced advanced decentralization reforms with substantial World Bank contribution, Liberia saw few or insignificant reforms with insignificant contribution from the Bank (ibid.47). Sierra Leone has made progress on decentralization through “an innovative approach to legitimizing

local government”. The report explains the success of Sierra Leone in this case through the following lessons:

The importance of fiscal decentralization; the importance of sequencing interventions to generate early results and to continuously expand the constituency for reform; the power of transparency, participation, and internal checks and balance; the limitations of technical interventions if political will is lacking; and the need for a multipronged approach coordinated across the Bank’s different organizational units. (World Bank, 2013a, p. 48)

The World Bank explains why decentralization efforts have been and continue to be a challenge in Liberia: “A centralized state structure rooted in traditional system of divide and rule has supported elite control of resources while largely isolating the rest of the country” (2013b, p. 13). This has clear implications in that it serves to undermine state legitimacy. Furthermore, it is established that “(...) even the initial actions of decentralization will be challenged by severe lack of basic physical infrastructure, human capacity and service delivery systems in the counties” (ibid.). This is directly related to the problem of sequencing: External actors such as the World Bank will not succeed with decentralization efforts if the periphery is not ready to receive it.

#### **4.2 General Weaknesses in the FCS Programs**

Other factors with importance in World Bank FCS programs are fragility analyses, the use of CPIA ratings, selectivity and sequencing, and conducting thorough evaluations of projects when they reach the end of their term. Additionally, the overarching stated principles of any development processes today, such as local ownership and participation, as well as striving to improve accountability and legitimacy, must be considered in the context of World Bank FCS. I will account for what has been reported on these various issues.

### 4.2.1 The Use of CPIA Ratings

The first question is why the World Bank continues to use CPIA ratings in their current form to determine which states should be characterized as fragile and conflict-affected. The report on World Bank efforts in low-income countries under stress (LICUS) shows that already in 2006 the CPIA rating system was considered inadequate and a poor measure to account for fragility and conflict: “The CPIA (...) fails to capture some key aspects of state fragility (such as accommodation of political dissent) and conflict (such as political instability and security or susceptibility to conflict), and may need to be supplemented” (World Bank, 2006, p. xxvi). The 2013 IEG report points to that, as we in recent years have seen the emergence of new drivers of state fragility and conflict, the CPIA as an instrument for the World Bank to classify fragile and conflict-affected situations has become outdated and irrelevant. Despite this, the Bank continues to rely on CPIA ratings (World Bank, 2013a, p. xvi). While the report notes that “the World Bank Group has made significant efforts in understanding fragility and conflict drivers”, the continued use of CPIA ratings to determine state fragility tells a different story (ibid.xvii). As the report establishes,

(...) the characteristics of fragility and conflict appear to have evolved from those prevalent in low-income countries that are driven by ethnic or tribal divides, natural resource capture, or military coups to include fragility arising from dissatisfaction and the demand for political change in lower- and upper-middle-income countries. (World Bank, 2013a, p. 96)

However, the list of fragile and conflict-affected states “does not consider underlying causes of conflict or political instability” (ibid.96). The evaluation gives the following recommendations to alternatives or improvements that can be made to the classification of FCS: “expanding the list of indicators, supplementing the CPIA-based classification with other instruments, or substituting another instrument for classification purposes” (ibid.97).

#### **4.2.2 Lack of Proper Evaluations**

The second point relates to evaluations upon completion of the term of a project: The IEG report criticizes the Bank's extensive use of Interim Strategy Notes (ISNs), which are applied instead of moving on to Country Assistance Strategy (CASs) after a maximum of 24 months. ISNs are exempt from the requirement of formal assessment of the program. The IEG shows that the World Bank uses ISNs for a much longer time than they are intended for, meaning that there is often no thorough evaluation of programs in these cases. Additionally, failing to move on to CASs means that new circumstances are not evaluated and accounted for, lowering the likelihood that programs will be sufficiently adapted and relevant. For example, "the post-conflict program in Sierra Leone was governed by three ISNs for a period of seven years" (World Bank, 2013a, 16). The report finds that when assessments of the programs are not required they are also not performed, which means that potentially ineffective strategies are continued over longer periods of time; an obvious misuse of resources and of the potential to improve conditions in FCS. The IEG calls this "a significant weakness of Bank programs in many FCS" (ibid.). Furthermore, even CASs are found to be "little more than post hoc rationalizations for the lending program, rather than decisive independent analyses of what needs to be done to assure more rapid progress against poverty in the specific context" (ibid.88). Additionally, it is found that "the majority of Bank lending operations still are not properly evaluated after they are completed" - in fact, the IEG finds that as much as three quarters or more of the programs are not evaluated upon completion (ibid.83). In many respects, this lack of evaluations seems to be indicative of a general inability or unwillingness by The World Bank to learn from past experience. The following quote from a World Bank report in 1992 could just as easily be used to describe the situation post the reformed FCS strategy: "Something is not working because the problems we are encountering in today's projects are the same problems encountered in projects many years ago. (...) we keep making the same mistakes because we did not learn from earlier experience" (World Bank, 1992b, p. 13). Clearly, a starting point in this regard would be to ensure proper evaluations of programs.



### **4.2.3 The Use of Fragility Analyses**

Yet another concern is that results from fragility analyses are not sufficiently implemented in CASs and that fear of addressing the causes of fragility makes fragility analyses redundant, as they are not reflected in programs. The IEG evaluation finds that CASs have lacked tailoring to fragility and conflict drivers, as well as mere realism (World Bank, 2013a, p. 16). Strategies are not adaptable or resilient in case of risks or risks materializing. While the IEG evaluation calls it a Bank strength to respond quickly in an immediate post-conflict context, the World Bank's more medium-term strategy is deemed to have a lower relevance due to "a lack of adequate strategic underpinning and focus" (ibid.17). The report on operationalizing the 2011 WDR makes clear that "to monitor progress in FCS, the Bank will develop results metrics that are sensitive to conflict and fragility, using a combination of objective data, governance progress indicators, and stakeholder perception surveys" (World Bank, 2011b, p. vi). However, the IEG report provides evidence that an increase in fragility analyses carried out has not resulted in better design of CASs: "The Bank has increasingly carried out political economy or fragility analyses, but until recently this has not been adequately reflected in the design of CASs. In part, this is because of the politically sensitive nature of the fragility assessments which in various ways point to acute weaknesses in governance and political structures" (World Bank, 2013a, p. 17). According to the evaluation report, a fear of addressing the very conditions that make fragility persist is what is contributing to the ineffectiveness of these programs: "The Bank needs to promote a more open discussion of these analyses, even if it may not always be politically expedient" (ibid.21). Additionally, Ravallion argues that "too often, [CASs] appear to be little more than post-hoc rationalizations for the lending program, rather than decisive independent analyses of what needs to be done to assure more rapid progress against poverty in the specific context" (2016, p. 88).

The IEG addresses the problem that in many FCS country programs sufficient priority was not given to the drivers and consequences of conflict, as in Liberia and Sierra Leone where acute gender-based violence against women was not addressed (World Bank, 2013a, p. 18). The IEG concludes:

While considerable efforts have been made to undertake and draw on fragility and conflict analyses to formulate country assistance strategies (CASs), the insights and lessons have not yet been applied to Bank Group operations. More work needs to be done to flesh out the operational implications of the analyses, and IFC, MIGA, and World Bank country teams need to be made aware of, and made capable of, applying them. (World Bank, 2013a, p. 127)

In the 2013 Country Partnership Strategy for Liberia, the need for fragility analysis is emphasized: “Each new operation will be ‘filtered’ through a robust analysis of their potential impacts on fragility to assure maximum impact on these stress factors” (World Bank, 2013b, p. ii). However, there is no reference to how it will be done differently to avoid the lack of proper analysis and follow-through of previous attempts of such analyses:

Acemoglu and Robinson criticize development agencies for their lack of understanding of underlying issues particular to fragile states, or lack of willingness to address them:

Though on their own many of these reforms might be sensible, the approach of international organizations in Washington, London, Paris, and elsewhere is still steeped in an incorrect perspective that fails to recognize the role of political institutions and the constraints they place on policy making. Attempts by international institutions to engineer economic growth by hectoring poor countries into adopting better policies and institutions are not successful because they do not take place in the context of an explanation of why bad policies and institutions are there in the first place (...). The consequence is that the policies are not adopted and not implemented, or are implemented in name only. (Acemoglu & Robinson, 2013, p. 446-447)

This is in keeping with the findings of the IEG, where the lack of fragility and conflict analyses is emphasized as a clear shortcoming of the World Bank efforts in FCS, in

addition to the flaw of programs continuing without the required evaluation of its effect.

#### **4.2.4 Lack of Selectivity and Sequencing**

Lack of selectivity is pointed to as one of the main reasons for the failure of World Bank efforts in FCS. The IEG finds it to be a great obstacle that selectivity and sequencing are sacrificed on behalf of rushing through a high number of programs in a short amount of time. Harrison calls the World Bank's approach "rather naïve", as the Bank seems to expect FCS reforms to be successfully implemented over a course of five or ten years (2005:255). Further, it is emphasized by the IEG that lack of selectivity is found to undermine otherwise encouraging efforts:

Bank FCS strategies in practice or explicitly include activities that address the key action areas relevant for fragility – building state capacity, social inclusion, and growth and jobs, but their relevance is diminished by a lack of selectivity and strategic focus. In all case study countries, there appears to be a rush to move into projects in each and every sector, often without underpinning by relevant sectoral analysis, and insufficient consideration of limits of state capacity and the need for strategic sequencing. (World Bank, 2013a, p. 18)

This is seen clearly in Sierra Leone, where the sustained effort that is needed to make an impact seems to be lacking (World Bank, 2013a, p. 18). This has critical implications, since a fragile state is particularly vulnerable and in need of sustained assistance if progress is to be continued. A seminal point in the report is the conclusion that "in general, Bank strategies in FCS look no different than they do in countries that are not FCS" (ibid.). This is quite remarkable, knowing the very distinct circumstances that are prevalent in FCS that make them indeed special cases of development, such as particularly weak institutions and contexts deeply affected by violent conflict. According to the evaluation, the weakness of state capacity in FCS makes it especially important that the Bank focuses on selectivity and strategic sequencing in these countries. It leaves us with a conundrum, then, why these renewed FCS programs are decidedly failing in this crucial aspect.

#### **4.2.5 Local Ownership, Accountability, and Legitimacy**

In order to create sustainable solutions that enjoy legitimacy, there is no circumventing the importance of local ownership to and participation in statebuilding processes. The foundation on which community-driven development (CDD) programs are built reflects this, and it is certainly encouraging that several of the World Bank's programs in FCS are CDD programs. However, as the IEG evaluation shows, momentum is not taken advantage of, as World Bank CDD projects are not followed through on or properly funded. They are also constructed in such a way that they cannot be sustainable and continue after funds subside. Hence, a development initiative that is proven to be particularly effective in FCS is undermined by poor policy choices and priorities within the World Bank. This seems telling for how the World Bank treats principles such as ownership and participation in practical terms.

Acemoglu and Robinson make the following recommendation: “structuring foreign aid so that its use and administration bring groups and leaders otherwise excluded from power into the decision-making process and empowering a broad segment of population” (2013, pp. 454-455). In other words, a call for community-driven development type projects, if conducted in the right way. As we have seen, projects must be integrated into local political structures to ensure ownership and sustainability, and their inclusiveness must be allowed to make ripple effects upwards to make political institutions more inclusive and made up of a broader segment of the population.

The legitimacy aspect is of great significance in statebuilding efforts. As already established, whether statehood is approached through an institutional or a legitimacy approach has important implications. What are the implications for a society when the state is not only a product of all that the society has developed together, but also a product of the institutions and policies put in place by actors such as the World Bank? How does it affect the legitimacy, not only of those who govern, but of the state as a whole? Whose state is it really if participation by the public in these processes has been next to non-existent? Inevitably, a state that does not enjoy legitimacy is not a

strong state. In light of this, it is imperative that the World Bank and other development actors make as much use as possible of prescriptions that encourage legitimacy for the state, such as truly rooting programs in local realities and needs. As we have seen, there is great potential for improvement in this regard for World Bank statebuilding programs.

### **4.3 Summary**

Since evaluations of the LICUS Initiative in 2006, the World Bank has had a stated objective to work strategically to better conditions in fragile and conflict-affected states, through extensive programs for statebuilding in these contexts. A renewal of efforts to specifically target the challenges present in FCS was presented, and in 2013 the World Bank's Independent Evaluation Group presented its findings from the evaluation of these renewed efforts. While the evaluation report points to some positive development, the main takeaway is that Bank efforts are disappointing in a number of aspects.

The World Bank is found not to have a comparative advantage in efforts relating to strengthening rule of law, and overall, rule of law has not been a priority in the statebuilding programs. There is also a failure to realize that local arrangements, such as customary legal systems, make the externally initiated ones irrelevant. Regarding efforts to promote institutionally capable government, the World Bank's failure to sequence programs and its uncoordinated efforts of institutionbuilding are found to have made statebuilding efforts *less* effective. The Bank is criticized for its failure of finding the right approach to weak capacity and social tensions. Despite the fact that programs are targeted specifically at FCS contexts, the World Bank is found to be lacking a context-specific framework for jobs and growth. Job creation and growth has been slow in FCS, and growth has partly been non-inclusive. Moreover, fragmented interventions are found to have a negative impact on employment generation. While efficiency of revenue mobilization has been good, there are concerns that such wins may be lost to corruption or merely result in non-inclusive growth. Success programs such as CDD programs are found to be efficient in building state legitimacy and

achieving penetration of society. However, as they are not systematically linked to state institutions, they are not made sustainable. Furthermore, as long as they remain donor dependent, they are not viable beyond the project phase. Finally, the World Bank is criticized for its continued use of CPIA ratings, its lack of proper evaluations, its poor use of fragility analyses to guide programming, and the lack of selectivity and sequencing of programs.

Throughout this chapter I have pointed to specific examples from Liberia and Sierra Leone. Harmonized average CPIA scores are 3.23 for Liberia and 3.28 for Sierra Leone, among the highest on the Harmonized List of Fragile Situations (World Bank 2018c). Thus, the right efforts have the potential of contributing to taking the countries off the FCS classification and further the path to strong, capable and resilient states. Reports show that results from World Bank support has been mixed. Two major challenges for Liberia and Sierra Leone are the creation of job opportunities for the large youth populations, and the management of extractive resources. The IEG shows that the support in Sierra Leone has been focused on short-term jobs, missing the importance of addressing long-term human capital constraints. Support in managing the countries' extractive resources has been poor, despite the major opportunity that this represents for inclusive growth and job creation. The general critique of lack of sequencing is representative for Sierra Leone and Liberia as well. As countries that have recently emerged from devastating civil wars, they are in continued need of strengthening capacity. The World Bank must be sensitive to this need in order to not waste efforts on reforms that there is not sufficient capacity to receive and implement.

As a very general summary of the statebuilding efforts, the IEG finds that there are “relevant Bank programs in some areas in some countries, but there are few examples where a measured and informed country strategy has built a sustained state-building model over time which meets the expectations of their citizens” (World Bank, 2013a, p. 50). In the following chapter I conclude the thesis by summing up my findings, listing some policy implications, and making recommendations for future research.

## 5. Conclusion

In this thesis I have aimed to answer the question of whether the World Bank's reformed statebuilding programs in fragile and conflict-affected states have produced satisfactory results. I have established a theoretical framework in which to place my research topic, and I have accounted for state fragility in general, and World Bank statebuilding efforts in these contexts in particular. I have found that while the intention, desire and commitment to successfully contribute to development and statebuilding in these countries seem indisputable, a number of faults in both the programming and implementation have led to rather disappointing results. I have shown through a comprehensive theoretical presentation on ideas and paradigms on aid and statebuilding that there are clear recommendations for how to approach fragile and conflict-affected states in sustainable ways. My findings show that the World Bank seems generally unable to fit these recommendations into their programs in ways that are also feasible when it comes to the actual implementation in FCS. Measured in terms of performance in characteristics of the modern state, the World Bank efforts seems to have to a limited extent contributed to significant improvements in rule of law, institutionally capable government, revenue collection, and penetration of society and provision of services.

When the development community called for a rethink of the way fragile and conflict-affected states were approached, many promises were made by the World Bank on what changes needed to be made in programs targeting these contexts. Unfortunately, as we have seen, despite the intention of getting things right this time, many of the same approaches appear to have been continued, while many of the new ideas for effective approaches have not been implemented. The fact that new ideas and approaches have been thought out but have not been implemented, or have been implemented in a way that does not produce change after all, makes the efforts in these contexts especially disappointing. Not particularly encouraging, Eriksen establishes that international statebuilding efforts have generally been insignificant (2009, p. 653).

The takeaway from such a claim is that while it does not make the case any better, the World Bank may be in good company.

I have placed great emphasis on a theoretical framework in this thesis. There is still much debate on the general effectiveness as well as the justification of international aid and external statebuilding. Simply investigating the World Bank's approach in FCS would not be meaningful to the general debate without placing the efforts in a greater discussion on external assistance. As critics of the liberal peace establish, statebuilding without true incorporation of the views of a broad spectrum of the population, through mechanisms for ownership to and participation in the processes, is likely to result in a continuation of extractive institutions and little improvement in conditions for the population. Additionally, programs implemented without a plan for sustainability and eventual graduation from external support are unlikely to foster accountability mechanisms between the government and the population. With this knowledge at hand, it is surprising that the World Bank has not been more successful in their efforts in these contexts. While the reformed programs for statebuilding in FCS promised a great strategic shift in how these countries are approached, it is apparent that much work remains. The World Bank has agreed to most of the recommendations made by the IEG, and the hope must be that it wastes no time to implement the recommended changes.

### **5.1 Policy Implications**

Not surprisingly, there are several policy implications that can be drawn from the findings of this thesis. However, these will most likely not be new to the World Bank. In fact, one of the main findings has been that the World Bank does not follow through on the necessary changes it has identified in order to improve efforts in FCS.

Nonetheless, to reiterate, the World Bank should make a number of changes to its operations in FCS. First, it should take fragility analyses seriously through conducting thorough fragility analyses in all contexts and making sure implications from these analyses are incorporated through all levels of its programs. Second, the World Bank should make approaches long-term, in order to allow for proper sequencing of



programs and reforms, true ownership and participation, and the transfer of capacity, legitimacy, and accountability to local governments and societies. Third, there should be a heightened awareness of the implications of neopatrimonial rule, with its traits of informal and extractive institutions. Conducting statebuilding in these contexts requires particular sensitivity and ability to make adaptations to local needs and realities. Fourth, the World Bank should learn from lessons made regarding community-driven development and work to improve the management of these in order to take advantage of their major potential to achieve decentralization, accountability and legitimacy.

## **5.2 Recommendations for Further Research**

Interestingly, throughout my research on this topic, a recurrent theme has been organizational issues in the World Bank as a possible explanation for the lack of progress in FCS statebuilding efforts. Since a focus on the organizational aspects of the Bank would be a different, albeit very interesting, angle, I have chosen not to delve further into this for the purpose of this thesis. However, it would make for a very relevant research topic in order to understand how many of the obstacles of development in FCS may present themselves right at the doorstep of the World Bank's offices in Washington. If the starting point is off, it is difficult to see how success could be achieved on the ground. Additionally, in order to investigate how much of the lack in progress can be attributed to the World Bank and how much should be ascribed to local conditions, an interesting angle to further contribute to research on the topic would be to make a comparison between World Bank efforts and the statebuilding efforts of another major development agency.



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