

Joachim Krause

Charles King Mallory IV (eds.)

International State Building and Reconstruction Efforts

Experience Gained and Lessons Learned

A Publication of the Aspen Institute Germany

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Introduction

Joachim Krause and Charles King Mallory, IV

Post-conflict efforts by the international community focusing on state-(re)building and reconstruction of society and economy have become a more-or-less regular feature of international affairs since the early 1990s. It seems that the demand for such international efforts is rising rather than diminishing. All have in common a consensus among sizeable and powerful states that the establishment of sound state structures and livable economies furthers international peace and stability. The group of states that have become subject to international state-building and reconstruction efforts (ISBRE) is impressive: starting with Namibia, Angola, Haiti and Somalia in the early 1990s the list now also includes Bosnia and Herzegovina, Kosovo, Macedonia, Afghanistan, Timor Leste, Iraq, Liberia, Sierra Leone, Burundi, Mozambique, the Democratic Republic of Congo (the former Zaire) and also the Palestine National Authority. Possible future candidates include Lebanon, Sudan (South Sudan, Darfur), Chad, Zimbabwe, Sri Lanka, Myanmar, North Korea, Nepal, Eritrea and others. Additionally the efforts by the EU and the OSCE to reconstruct state institutions and national societies in the Baltic States after their independence in 1991 belong to ISBRE. The increased demand for ISBRE is related to the sharp increase in intra-state violence and of conflicts with their roots in the domestic situation in certain countries – mainly in failed or failing states, or states that have been taken over by dubious forces.

The increased number of intra-state conflicts is usually attributed to the end of the cold war. This is surely true, since the collapse of the Soviet Union and its empire ‘unfroze’ several conflicts which it had successfully contained. It also left some former Soviet allies in the “Third World” feeling unrestrained. However, the occurrence of most of the current intra-state wars, or of the few international state conflicts, is more or less unrelated to the end of the East-West conflict. Rather the following developments have contributed to this increase:

1. *The collapse of Yugoslavia, which was solely driven by its internal dynamics*: Due to the resort of Serbian politicians to violence as a means of resolving disputes over the future of the federation three major wars

(Croatia and Slovenia, Bosnia-Herzegovina and Kosovo) broke out. Two further wars may have been prevented through international mediation (over the secession of Macedonia and of Montenegro).

2. *The collapse of the post-colonial state model in most parts of Africa:* Most states in today's Africa are either failed or failing states. This is not an African problem alone, as there are other cases of failed statehood after colonization: the state of Haiti was the first to be released from colonization (in 1810) and still is a deplorable example of failure to establish a functioning state and civil society. However, nowhere in the world are there such a huge number of failing or failed states as on the African continent.
3. *The increasing violence within the Muslim world mainly caused by extremist Sunni Islamist ideologies:* This violence has become endemic in states such as Algeria (in the 1990s), Iraq, Afghanistan, Pakistan, Sudan and many other places. It has destroyed or weakened existing state structures in most of these countries or – in the case of Afghanistan – led to a radical Islamic Republic. Iran, too, is a source of – Shiite – extremism and violence.
4. *The indirect consequences of globalization, which is tantamount to the global spread of capitalism:* Globalization offers underdeveloped states the opportunity to speed up their economic development and to engender economic growth, provided they are ready (and able) to open their markets to international competition. So far only a limited number of states have successfully embarked on this path (Singapore, China, Taiwan, South Korea, Thailand, Malaysia, Brazil, and most recently India and Vietnam).¹ On the other hand, globalization “punishes” states with closed markets and poor governance in a way that may further internal strife. This explains many of the economic problems African states are experiencing today.

International efforts towards state-building and reconstruction are not a recent historical occurrence. During the 19th and the early 20th century the states cooperating within the framework of the *Concert of Europe* in a few cases created states or established state authorities in disputed areas. Greece (1830-32), Belgium (1831) and Albania (1912/13) were created in this way. After World War II, West Germany, Austria and Japan were rebuilt as well.

What brings the international community (or at least a sizeable and powerful group of states) towards caring about the internal predicament of a given country and to cooperate in order to establish state structures and to reignite its economy? In looking at history one can find at least *three different strategic reasons*:

1 Cf. The Commission on Growth and Development: The Growth Report – Strategies for Sustained Growth and Inclusive Development (Washington, D.C.: The World Bank, 2008).

1. A territory without functioning state authority and that is subject to conflicting claims by neighboring states is rendered effective statehood in order to make it viable and, thus, safe against foreign claims (Albania, Macedonia, Kosovo).
2. A state that has been torn apart by domestic war or ethnic strife, and which has been thrown into a spiral of economic downturn and violence, is resuscitated in order to avoid further suffering and, in particular, to prevent contagious effects (Bosnia and Herzegovina, Sierra Leone, Haiti, Somalia, DR Congo).
3. A state which was a threat to others because of its failing political institutions and which has become subject to an international intervention (the notorious phrase “regime change” is almost unavoidable) is re-established in a way that future threats to international peace can be avoided (Germany and Japan after WW II, Iraq under Saddam Hussein).

However, looking at recent cases of ISBRE, one is left with the impression that strategic logic is involved only to a limited degree. Rather, it seems that the international community (mainly the Western states) begun its state-building and reconstruction efforts in the early 1990s without much strategic forethought. Pressure from public opinion and the logic of ceasefire agreements often drove these efforts. Indicative of the lack of strategic reasoning has been, for instance, the stress on exit-strategies, the fear of mission creep, or the build-up of artificial limits and taboos instead of long-term reasoning about the strategic opportunities and risks of ISBRE. The most conspicuous event in this regard was the announcement of the Bush Administration that it would not engage in “nation-building” at a time when it was preparing for regime change in Iraq.

Only recently has serious reasoning about the strategic dimension of ISBRE been undertaken, both in the US and in Europe. This reasoning was caused by the problems the international community is facing in Afghanistan, Kosovo and Iraq (although there the situation has been different, since only a small group of states have been involved). Both Afghanistan and Iraq pose a special category of problem: the ISBRE are confronted with a sizeable insurgency and with terrorist attacks directed at those who are there to help the country. In many states in Europe, as well as in the US and Canada, these developments have led policy makers and experts to question the whole logic of ISBRE. Some favor a rapid withdrawal from Afghanistan and Iraq; others have stated that they prefer to up the ante, to send more troops and to invest more money in the given country.

There has been also an informed debate among the academic community, the NGO-world and interested governments and politicians about the overall balance of ISBRE and its strategic relevance. So far, this debate has focused on:

- How to measure success or failure of ISBRE with regard to individual countries?
- How to draw general lessons from cases of ISBRE?
- How to draw operational conclusions from various lessons?

The purpose of this book is to address several pertinent questions relating to the strategic and policy dimension of ISBRE. One has to be aware that there are different kinds of questions involved: those include *operational issues* (such as how to improve civil-military cooperation, or how best to finance infrastructure projects); *policy issues* (e. g. how to reform the security sector of a given state; how to support democratic institution building) and *strategic issues* (i.e. is it really possible and strategically imperative to engage in ISBRE? If we want to continue with ISBRE, what strategic choices do we have to make?). Behind everything there also loom “the” real big issues: *Afghanistan and Iraq*. This book deals mainly with the *policy issues* and with the *strategic decisions* which have to be made, albeit both cannot be disassociated from the operational issues. At the core are the strategic imperatives of ISBRE. What will be the relevant criteria for the international community (whatever that term really means) to get engaged in ISBRE? Most likely, the interest in strategic stability will be the most salient aspect, but which other aspects merit consideration? Is the idea of externally engendered stability through ISBRE a promising one? What, if any, are the alternatives to ISBRE?

This book assembles papers that were written on the occasion of the first conference of the Aspen European Strategy Forum (AESF), which was held at the Petersberg in Königswinter, near Bonn, in September 2008. The forum brought together leading experts from academia, government and international organizations. The list of participants is attached to the end of the book. The contributions highlight the state of the international debate and identify the major problems. Recommendations are summarized in the final chapter.

The Aspen European Strategy Forum (AESF) was created in 2008. Its purpose is to convene experienced top and emerging strategists twice in order to discuss a strategically relevant issue and to develop and promulgate policy recommendations. The individual discussions are structured through high-quality, academic papers commissioned by Aspen in advance of each forum. The work of the AESF is chaired by three outstanding persons: Horst Teltchik, the former convener of the Munich Security Conference, Karsten Voigt, Coordinator of German-North American Cooperation at the German Federal Foreign Office, and Guenther Nonnenmacher, Senior Editor of the prestigious German Daily “Frankfurter Allgemeine Zeitung”.

Chapter 1:

Lessons Unlearned: Why Most International Reconstruction Efforts in the Past Have Failed

Ashraf Ghani and Clare Lockhart

From an afterthought, to the central problem

In the practice of international organizations, the state has been an afterthought. While states constitute their members and their borrowers, until the 1990s, those involved in reconstruction often bypassed the state entirely when formulating their projects and thus created parallel organizations. With the Washington Consensus of the 1990s, the task became the removal of the state from the economy. The decade of structural adjustment largely consisted of attempts to change the rules to allow for the entry of new actors into the economy. Though politically difficult, these changes in the posture of the state did not involve the necessary attention to institution-building. The lens of the Cold War still colored the outlook of many who viewed the state as an all or nothing proposition. But, for many who approached international reconstruction efforts from an economic perspective, the need to regulate market economies and to avoid corruption and collapse led to a re-discovery of the state. From Central Banks to policy ministries to line ministries, an effective state was found to be necessary for management of aid, harnessing of domestic resources, and opening a country to the global flows of finance and trade.¹

From the security side, the re-discovery of the state's centrality came from the debris of the Cold War. Genocide and ethnocide – phenomena that the world had promised itself in 1945 never to endure again – reared their heads from Rwanda to Bosnia. The carnage in FR Yugoslavia only ended with the NATO bombardment of Belgrade and the deploying of troops in Kosovo. Peacemakers had to develop detailed regulations on the use of force in these circumstances and the UN assumed jurisdiction over Kosovo. Peacekeeping's first forty years were largely devoted to keeping belligerent armies apart. Peacekeepers were deployed on borders or dividing lines and detailed protocols were developed to use peacekeepers as a buffer to prevent armies from facing each other. But the rise of networks of violence and criminality, an adverse result of globalization, gave rise to new threats, leading the UN High-level Panel on Threats to declare the need for effective states as the key

1 Commission for Africa. *Our Common Interest: Report of the Commission for Africa*, March 2005.

to containing these threats. In the process, states were redefined not just in terms of rights, but also obligations to their citizens and to the international community. At the same time, a significant number of peace agreements – particularly evident in the case of Latin and Central America in the early 1990s – directly posed the question of how the state was to perform its functions.

The dawning of international recognition of the importance of the state has gone hand in hand with the spread of state collapse. While estimates vary, most indices converge on a range of forty to sixty states classified as fragile or failing, encompassing more than two billion people. The symptoms of state collapse were first recognized in the form of humanitarian crises: flows of refugees, reemergence of internally displaced people, child soldiers, and massive systemic abuse of women. The extent and scale of the crisis is now becoming clear, and a number of international organizations and commissions have come to recognize that effective states are at the forefront of meeting today's challenges. The World Bank devoted its World Development Report of 1997 to "Rethinking the State: The World Over" and to "Reinvigorating Institutional Capability", recognizing the centrality of accountability and governance. More recently, the Commission on Africa, resulting from a collaboration between north and south, again emphasized the need for an effective state to overcome the twin challenges of instability and poverty in Africa, and the UN High-level Panel on Threats, Challenges and Change examined a wide range of threats to global peace and stability, but emphasized the centrality of the state in containment and eradication of these threats. The recent turmoil in the global financial markets has served as a vivid reminder that the state is essential to dealing with the consequences of market failures and providing the enabling environments for markets to function.

Therefore, there is a global consensus that functioning states are the key to both global stability and prosperity. The challenge, therefore, is no longer to explain why the state should be taken seriously, but how to deal with the path of building state capacity. First and foremost, a shift is needed from organizational cultures and practices that bypass, and sometimes inadvertently undermine, the state to those that can serve as a catalyst, co-producer and monitor of state-building processes. Such a shift cannot take the form of an add-on function but will require fundamental transformations in these organizations.

The double legacy of 1945

The statesmen of 1945 confronted a world haunted by the legacies of Depression and War, and faced the shadow of the nuclear threat in a deeply divided ideological world. Feeling "present at creation", as Dean Acheson aptly en-

titled his memoirs, they saw their task as securing half the world for democracy and free markets.² The collapse of the Berlin Wall and the implosion of the Soviet Union are a tribute to the inclusive order that those present at the creation established for half the world. During those first forty-five years, the nature of the state in North America and what was first Western Europe, then the European Community and, later, European Union was fundamentally transformed with rule of law being consolidated, large middle classes being created, and social compacts – though distinctive in national form – being enacted. Equally impressive was, first, the transformation of Japan, and then of Taiwan, South Korea, Malaysia, Singapore and Thailand as developmental states. The Cold War prevented their vision from becoming global – with many countries used as battlegrounds – but for half of the world the vision of these statesmen created an inclusive and expanding order.

The same statesmen founded a series of new international institutions based on the principle of states as their members. Input and responsibility were shared among all, but to degrees based on varying principles of power and weight. These institutions were designed to be international, but the refusal of the Soviet Union to join the International Monetary Fund and the World Bank prevented them from becoming truly global. The constant exercise of veto by the Soviet Union and the United States at the UN during the height of the Cold War prevented the United Nations from fulfilling its vital mandate in the areas of peace and security. Tensions between the Security Council and the General Assembly resulted in a crisis of funding, causing a significant erosion of management capability and investment in systems of human resource management and financial accountability. Specialized UN agencies, originally designed to provide technical assistance to developing countries, found them selves in search of a new mandate or were asked to improvise solutions for the expanding humanitarian crisis of the 1990s. In the face of ethnocide in the Balkans and genocide in Rwanda, the relevance of these organizations was called into question.

The IMF, by contrast, was given a focused mandate with significant managerial autonomy and immense resources. Its original mission, however, significantly changed when the regime of controlled exchange came to an end in 1973. The fiscal crisis of Latin America provided it with a new mandate, making the Fund a central arbiter of both the fiscal and monetary policies of states that borrowed heavily, putting them under a much closer watch. Whether the Fund had the capability or mandate to restructure states in the manner that it did remains the subject of both scholarly and popular controversy. The decisive shift in regard to the capabilities of the Fund's prescriptions came with the Asian financial crisis of 1998. The Fund's responses to the Asian crisis have been widely criticized for a lack of understanding of the

2 Acheson, Dean. *Present At Creation* (New York, 1969).

systemic sources of the crisis and for basing its prescriptions on its past understanding of Latin America. Failure to understand the specific context in which they were operating has resulted in a build-up of substantial reserves by Asian states, rapid repayment of IMF loans, and a situation where the Fund cannot lend to many countries. Whether the Fund can maintain surveillance regime remains to be seen.

Though originally established as the Bank for Reconstruction and Development for Europe to deal with the reconstruction of Europe, the World Bank's focus changed once the completion of the Marshall Plan rendered its original task redundant. In the 1950s, it was largely an organization of developmental craftsmen funding a small number of carefully chosen projects. When Robert McNamara became its President in 1968, however, he fundamentally changed the mode of funding and operations of the Bank. Under McNamara, the market became a source of massive funding for the Bank, with its AAA ratings ensured through the sovereign guarantee by the borrowing governments. Under the aegis of the former Ford CEO, the project was standardized, bringing the assembly line to project preparation. During this period, the Bank also re-calibrated its internal incentives, judging the staff by the volume of their lending rather than the quality of the outcomes. The mass production of these projects generalized technical assistance into a massive industry, while reliance on project implementation units for Bank-financed projects created parallel institutions to state administrations. As decisions both on project preparation and project implementation for some of the poorest countries were increasingly concentrated in the Bank, mechanisms of internal accountability were undermined and weakened. Part of the implicit accommodation between borrowing agents and the Bank was that the Bank did not raise any questions regarding corruption in the partner country government, a word that was taboo until Jim Wolfensohn's break from this tradition. As the governance of the Bank is concentrated in the position of the President, Wolfensohn was able to re-orient the Bank towards poverty eradication, governance, anti-corruption and debt forgiveness for heavily indebted countries. The financial implosion of 1998, however, forced the Bank to devote the bulk of its resources for several years to structural support for middle-income countries in economic crisis.

Drawing on the Bank's analytical work, Robert Zoellick has made the question of fragile states one of his six priorities, thereby signaling the need for fresh thinking and new instruments for dealing with this critical issue of our times.

Thematically, the dealings of developmental actors can be categorized as having four distinct phases. In phase one, encompassing the 1950s to the 1970s, the state was seen as the key agent of development. The Bank and other aid providers helped finance state-owned enterprises and provided substantial funds for government-owned projects. While the East Asian deve-

lopmental states took full advantage of this support to build state capability and obtained impressive rates of growth, nepotistic regimes in Africa and Latin America abused or wasted the resources, thereby increasing the gap between the haves and the have-nots, ultimately producing a crisis of indebtedness. Phase two began with the structural adjustment phase in Latin America, where the initial goal was to take the state out of the economy. This model however, was not accompanied by careful thinking on the role played by the state in underpinning and regulating a functioning market, nor for the core state functions in the areas of human capital, citizenship rights or the management of natural resources and other assets.

As state capacity in both Latin America and Africa weakened under the weight of internal pressures such as domestic social movements and structural adjustment, the aid community discovered the non-governmental sector. Developmental institutions contracted NGOs on a selective basis, limited to a part of the territory or a definite number of years to assume functions of the state in the delivery of social services. The limits of this model have been most intensively studied in Haiti, where the problems generated by resorting to NGOs to provide services when government proves weak or uncooperative have been documented by the American National Academy for Public Administration (NAPA). In a report on 'Why Foreign Aid to Haiti Failed' NAPA's analysis of the NGO model found "First, when assistance was channeled through NGOs, the Haitian Government became indifferent to programs... Second, building capacity in NGOs in Haiti created a brain drain in public sector employment as good people moved from government to NGOs where salaries were higher and mobility was facilitated. Third, NGOs tended to be numerous and difficult to coordinate... Fourth, operating parallel service delivery systems eroded legitimacy of Government... (and) substantially increased aid coordination needs. Fifth, once NGOs obtained power, they did not cede it back... And sixth, there was growing concern that NGOs were becoming increasingly political, extending well beyond their mandate, becoming advocates for causes."³

During the rapid expansion of NGOs in the modern era, an entire practice was developed to alleviate suffering without addressing the root causes of that suffering. The response of developmental institutions was to support non-governmental organizations as providers of basic services to communities even further, thereby creating parallel hierarchies competing with the states they ostensibly were sent to help. Overall, a schema developed that emphasized three phases of intervention: first, humanitarian action, then recovery, and finally development. Some more cynical commentators have observed that this schema nicely corresponds with the claim of UN agencies and NGOs to the first two phases, where foreign assistance is abundant and

3 Buss, Terry F. and Adam Gardner, *Why Foreign Aid to Haiti Failed* (National Academy of Public Administration, Feb. 2006) pp.20-21.

the capacity of the local government perceived as low. A contracting-out model has developed whereby core functions which might ordinarily be performed by the state are delegated instead to a range of actors from NGOs to UN agencies and private contractors, usually without clear accountabilities or a well-delineated exit strategy. By contrast, by the developmental phase, when national actors are ready to claim resources for a developmental agenda, aid fatigue sets in and the resources required for sustained development are unavailable.

The combination of these approaches has had several consequences. First, citizens have not been placed at the center of the agenda, but have been treated as clients to whom aid has to be redistributed by external agencies. Second, the open moments where citizens and the local elite had been ready to embark on paths of state-building and market-building have often been vitiated by the imposition of external agendas resulting from the allocation of aid to specific projects and themes of priority and the consequent failure to develop mechanisms of accountability through a compact between citizens, their government and the international community. Third, the concept of the budget as the mechanism to ensure development and implementation of policy has been bypassed, as aid flows remain opaque even within their country of origin. Development actors too often adopt a project-centered model without a strategy – in Afghanistan, USAID did not have a strategy until 2005, and subsequently it took the GAO four months to determine how much money was being channeled into Afghanistan from the United States.⁴ Fourth, as the efforts of the international community are not directed at strengthening the functions that the state performs in the twenty-first century, there has been little attention to developing the type of skills and capabilities of domestic actors across the state, the market and civil society to fulfill these functions. Instead, reliance on technical assistance, which is a multi-billion dollar unregulated industry, has turned capacity-building into an extractive industry that is producing resentment instead of real knowledge transfer and appreciation. Fifth, developmental actors have shown little understanding of the inter-relationship between the levels of government. This has resulted in a false debate on centralization or decentralization instead of considering at which level of governance which functions should be performed. Sixth, there has been confusion over which functions the international community should perform. Currently, it acts variously as referee, catalyst, and direct provider without a clear road-map as to which function is to be performed when and under which sets of accountabilities, resulting in endemic tensions and confusions. At the same time, the assumption of the neutrality of developmental actors places them in a position of privileged advice whilst in fact they are of-

4 United States Government Accountability Office (GAO): *Afghanistan Reconstruction: Progress Made in Constructing Roads, but Assessments for Determining Impact and a Sustainable Maintenance Program Are Needed.* (GAO-08-689, July 8, 2008).

ten in competition with the government and domestic institutions over resources. Seventh, as reliance on this tri-partite schema tends to place the economy on hold, the net result in a large number of post-conflict countries has been the criminalization of the economy and the emergence of a mafia elite that then results in a vicious circle of criminalization of politics and the constant threat of use of force in economic competition.⁵ Lastly, the division of international assistance into silos of security, development and politics has obscured the interrelationships among different parts of the state across security, finance and the economy.

The fourth phase, which we are now entering, entails the rediscovery of the state. For example, a 2006 World Bank Country Economic Memorandum on Haiti stated that ‘State-building is essentially a political undertaking, but its goal can also be described in terms of the functions performed by an effective state’. Understanding the goal in terms of functions also yields an understanding of fragility in terms of dysfunctionality, the hallmarks of which we have previously described as vicious circles resulting in ‘the creation of contending centers of power, the multiplication of increasingly contradictory and ineffective decision-making processes, the loss of trust between citizens and state, the de-legitimization of institutions, the disenfranchisement of the citizenry and ultimately the resort to violence.’⁶ While the realization is beginning to spread, the implication has not yet fully sunk in that this will entail rebuilding our knowledge base, our capacity for designing to context, creating a new set of instruments, and forging a new type of vision. This is not merely another call to reform failing states, but a call to reform the reformers before we do more damage to those we seek to help.

Statecraft as Knowledge

Statecraft as knowledge is fundamentally about the ‘what’ and the ‘how to’ questions: ‘What should the state do?’, and ‘How should it do it?’. In gleaning an understanding of what the state should do, practice has been richer than theory. State-builders over the last sixty years have not confined themselves to particular theories, but rather, statecraft has been an evolutionary process. Core state functions have been defined in terms of the larger socio-political discussions between contending groups of stakeholders, and this has resulted in a process of agreement on the responsibilities of a particular state

5 Ashdown, Paddy. *Peace Stabilisation: The Lessons from Bosnia and Herzegovina* (London: Centre for the Study of Global Governance, London School of Economics and Political Science, Discussion Paper 27, December 2003).

6 World Bank, *Haiti Options and Opportunities for Inclusive Growth: Country Economic Memorandum* (Washington, D.C.: The World Bank, June 1 2006) pp.66-67.

in a particular time and place. This process is best exemplified by Franklin Roosevelt, who did not set out to put Keynes' deficit financing into practice in response to the Great Depression – on the contrary he was committed to a balanced budget – but the net result of the New Deal was a fundamental change in the positioning of the American state vis-à-vis society and polity.

State functions can be dynamically redefined, and indeed are redefined with regularity. In the United Kingdom, in the wake of the Second World War, there was a tendency to bring the state into the economy to such an extent that an argument could be made that the state became socialist. Prime Minister Thatcher repositioned the state and New Labour subsequently guided, but did not manage, the economy. Indeed, even classical liberals such as John Stuart Mill offered a flexible view of state functionality. Mill differentiated between the necessary and the optional functions of government: 'those that are exercised habitually and without objection by all governments' and those 'which have been considered questionable as to whether governments should exercise them or not.'⁷ Attempts to define the state in rigid terms are neither epistemologically nor historically justified, and it is clear that if we examine the practice of the state we arrive at a multi-functional view of its responsibilities. A close reading of Max Weber's *Economy and Society* reveals that Weber himself believed in a multi-functional state. Weber anchors legitimacy in 'functional competence based on rationally created rules'. He also articulates a clear functional view of the state, describing its basic functions as the legislature, the police, the judiciary, and the various branches of civil and military administration.⁸ One could even carry this argument back to Aquinas and the Venn Diagram that encompasses Natural Law and Human Law.

We argue that thematizing these multiple functions is useful to map existing state roles and responsibilities and to provide comparison and innovation. In the modern world, we argue that the state must demonstrate: i) a *legitimate monopoly on the means of violence*, long accepted as the primary criterion of statehood; ii) *administrative control*, as defined by both the breadth and depth of a state's authority over its territory; iii) sound *management of public finance* as no state can be sovereign while it relies on an external source to fund its ongoing operations; iv) *investments in human capital* to support the capabilities of citizens in the economy, polity and society; v) delineation of *citizenship rights and duties* that cut across gender, ethnicity, race, class, spatial location, and religion; vi) investment in the *provision of infrastructure services* through the creation, operation, and maintenance of infrastructure to overcome inequalities of opportunity across the territory; vii) *formation of the market*, through the establishment and protection of property and land rights;

7 Mill, John Stuart. *Principles of Political Economy* (London: Longmans, 1926) pp.796-797.

8 See Weber, Max. *Economy and Society*. (ed. Guenther Rosh and Claus Wittich) (New York: Bedminster Press, 1968).