STATE FRAGILITY

CASE STUDIES AND COMPARISONS

Edited by
Nematullah Bizhan

"In this fascinating book, Nematullah Bizhen draws out what we can learn about rebuilding after conflict or in situations of fragility from Afghanistan, Lebanon, Burundi, Pakistan, Sierra Leone, Papua New Guinea and Rwanda. The core message is that the legitimacy of the state needs rebuilding and that means don't rush to hold elections but focus on nation building and institutions. An important contribution which takes us up close to the complex local politics of fragile contexts."

Ngaire Woods, *Founding Dean of the Blavatnik School of Government and Professor of Global Economic Governance, Oxford University, UK*

State Fragility

Presenting case studies and comparisons across seven countries, this book addresses key questions as to the nature of state fragility, policies used to mitigate it, assessment of outcomes and prospects.

It offers a novel empirical contribution in examining a range of distinct but interdependent dimensions of state fragility, not only focusing on questions of state legitimacy, capacity and authority, but also involving the economy and resilience to political and economic shocks, as well as at vital questions of context and diversity. Examining Afghanistan, Lebanon, Burundi, Pakistan, Sierra Leone, Papua New Guinea and Rwanda within the context of their different local circumstances, and within broader questions of global security, the book identifies unique factors that have played a part in their specific context and explores key drivers and dominant features.

This book will be of key interest to scholars and students of state fragility and more broadly to students of politics, public policy, development studies, state–society relations, political economy, state-building, peace and conflict studies, international studies, security studies regional studies, as well as NGOs and international organisations.

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For all the women and men who work to make our world a better place. And for all the women and girls in Afghanistan.

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Acknowledgements

1   Introduction

Nematullah Bizhan

Fragile states expose their societies to the risk of meltdown or collapse, endangering the lives of their citizens and leaving them unable to sustain ordinary life. When this happens, famine, violent disorder and economic distress can displace many millions of people, with consequent impacts on surrounding regions. State fragility can also threaten global security by providing safe havens for terrorist groups and for drug and human traffickers, and by increasing the threat of disease pandemics and mass migrations.

Fragile state as a concept has gained currency since the 1990s, characterised as distressed states that generally have weak capacity to perform state functions and drive development.[1] International institutions apply various approaches in defining state fragility. The World Bank uses an institutional approach. Accordingly, fragile states are those that suffer from weak policies, institutions and governance.[2] Others, such as the United States Agency for International Development (USAID), also emphasise legitimacy.[3] However, the precedence of the institutional approach in assessing state fragility has been criticised for underestimating the role of (local) perceptions of the legitimacy or the state and society relations.[4] Some scholars, such as Migdal, Brinkerhoff and Ikpe,[5] emphasise state–society relations in understanding state resilience and weaknesses. This calls for a holistic approach in studying state fragility, which can account both for state capacity and authority as well as legitimacy.

States can be fragile due to deficiencies across three distinct but interdependent dimensions: legitimacy, capacity and authority. State legitimacy can be assessed based on the ability of the state to obtain the consent of the population to the state's dominance. State capacity can be measured by the ability of the state to provide essential public services, and state authority can be measured by the ability of the state to control the use of physical violence within its territory. While these dimensions are crucial, we may fail to offer an accurate account of state fragility without accounting for its economy and national resilience. The former is key to stability and development, while the latter determines how resilient a state can be to internal and external shocks.

Fragile states vary. Some are currently in a state of collapse. Others have decisively escaped the risk of collapse but remain fragile as the risk of *further* failure remains high. In addition, as this book shows, no country is "entirely"

fragile or "entirely" resilient. Within a single country, pockets of fragility and resilience may coexist. In addition, the nature of fragility may vary vertically within institutions or horizontally across internal regions. This situation can be referred to as heterogeneous fragility and requires deeper examination than the simplified approach that only assesses state fragility at the macro or national level. As the case studies in this book demonstrate, heterogeneous fragility can be observed in Pakistan across different internal regions, in Afghanistan across various government institutions and in Lebanon across different sectors.

This book uses a multidimensional approach. Unlike other methods which rely on indices to quantify state fragility, this book uses a qualitative method. It investigates the nature of state fragility, policies being employed to reduce it and lessons learned. Precedence is given to vital questions of diversity and context to delve deeper in unpacking the drivers and nature of state fragility in each context. The book thus uses case studies and comparisons across seven countries from four regions—Africa, the Middle East, South Asia and the Pacific—that have a recent history of state fragility. The case studies cover Afghanistan, Lebanon, Burundi, Pakistan, Sierra Leone, Papua New Guinea and Rwanda, each facing different local circumstances, and each having significant impact on the security of its neighbouring region and broader questions of global security. They have all experienced some form of conflict in recent times; they all suffer from deficiencies in one or more critical areas—state legitimacy, capacity or authority—or have weak economies and remain vulnerable to shocks. Following the withdrawal of the United States (US) troops, the government in Afghanistan collapsed in August 2021. The case studies are organised so that each identifies unique factors that have played a part in their specific context. They also recognise and explore which fragility dimensions are dominant in each context.

International response

Since the end of the Cold War in the 1990s, failed and fragile states have emerged as a major area of concern for the great powers, international institutions and scholars. Foreign policy analysts introduced the concept of failed state in the context of the post-cold war era, when some scholars attempted to describe civil conflict, posing a danger of fragmentation of state institutions, economic meltdown and deterioration of security. The concept of "fragile state" has spread internationally among donors, international institutions and some governments in the area of development, humanitarian assistance and peacebuilding. The concept of fragile state has also been adopted by a large number of Western governments, international organisations and scholars since 2005, while failed and failing states remain more controversial notions.[6] The term "fragile state" has increasingly replaced the term "failed state". The Failed State Index, for instance, was renamed the Fragile State Index in 2019. The US Congress also now uses the term fragile

state.[7] Whether states are referred to as failed in the discourse on security, or fragile states from a development prospect, most analysts have agreed that new policies for international security would require a focus on the capacity of national governments in the South to control security within their territories and provide basic services to their citizens.[8]

After the tragic attacks on New York and Washington on 11 September 2001 (hereafter 9/11), the national security discourse in the US shifted focus. The US National Security Strategy of 2002 declared: "America is now threatened less by conquering states than by failing ones".[9] Similarly, the president of the World Bank described fragile states as "the toughest development challenge of our era".[10] The major concerns were that failed or fragile states harboured terrorists, provided safe havens for piracy and trafficking, and potentially triggered mass migrations of distressed populations. This policy shift represented a recognition that modern wars are "less a problem of the relations between states than a problem within states".[11] These developments led to a new era of security and economic intervention in fragile states.

The call to "bring the state back in" resonated in the late twentieth century[12] and became stronger post-2001 as policymakers globally became concerned about the impact of fragile states. In particular, the 9/11 attacks put the issue of then-failed states at the centre of international attention.[13] Governments and major international institutions prepared new strategies in response to state fragility. Scholarly works also focused on fragile state issues. Although academic discourse and policy interest peaked in the late 2000s, and development assistance and interventionism have been rewound across the board, as this book demonstrates, many nations still struggle with state fragility and its consequences. The horrific scene of two young people falling to their deaths from the undercarriage of a US military plane after take-off from Kabul airport on 16 August 2021 shocked millions of people around the world,[14] as did a suicide attack on 26 August 2021 in the same place killing 183 people, including 170 Afghan civilians and 13 members of the American military. Both incidents happened after a sudden collapse of the government in Afghanistan and a takeover by the Taliban insurgents, highlighting the consequences of state fragility and subsequent collapse.

The international response to state fragility has continued to evolve post-9/11. After its pioneering 2002 report, *Low-Income Countries under Stress,* the World Bank devoted its 2011 Development Report to *Conflict, Security and Development*. That report argued that a combination of internal and external stresses, coupled with weak institutions, increases the risk of violence. Given this challenge, the report suggested that it was important to strengthen legitimate institutions and governance. Countries need first to restore confidence in institutions and then to transform those institutions to provide citizens with security, justice and employment.[15]

Following the publication of the *Principles for Good International Engagement in Fragile States and Situations* (2007),[16] in 2011 the OECD

called on donors to take a *Do No Harm* approach to avoid undermining the process of state-building and contribute positively to state-building in situations of fragility.[17] The report stated that donors could unintentionally do harm when the resources they delivered, or the policy reforms they advocated, exacerbated violent conflict. The state was weakened as a site of decision-making or policy formation when donors directly deployed public resources. By not understanding the history and power dynamics within a country, donor intervention could also weaken the incentives for powerful elites to buy into state-building processes. The report suggested that donor intervention needed to focus on the endogenous political processes that drove state-building, the legitimacy of the state in society, the relations between state and society, the expectations society had of the state and the capacities of the state to perform its basic functions.[18] In 2015, the OECD warned that fragility posed critical challenges to achieving the 2030 Agenda for Sustainable Development and Peace.[19]

Governments also paid more attention to state fragility. In 2015, then-United Kingdom Prime Minister David Cameron committed to spending half of all UK aid on fragile states.[20] The United States has further adopted measures to address state fragility. In 2019, the US Congress passed the Global Fragility Act, aiming to stabilise conflict-affected areas, prevent violence globally and establish funds to support such efforts. The Act required the US State Department to devise a plan for the initiative, including its organisational structure and goals and nominated the USAID to lead in development, humanitarian and non-security policies. The State Department was also tasked to select priority countries and regions that were particularly at risk.

Overall, aid to fragile and conflict-affected countries has increased. Figure 1.1 shows a continuing upward trend since 2000 as the total net official development assistance increased from US$5 billion in 2000 to US$52 billion in 2018.[21]

Policy development on state fragility coincided with a similar shift in academic work. The trend can even be traced from the era of decolonisation. Anthropologists and political scientists had discussed similar issues to the fragile state agenda before it was picked up in mainstream international relations in the mid-1990s, though the major concern remained lack of capacities of fragile states in securing territories under their control and providing essential services to their citizens. Helman and Ratner's notable article, "Saving Failed States", helped in attracting attention among policy and academic communities for failed states. Their analysis was informed by the collapse of Somalia and the Socialist Federal Republic of Yugoslavia in the early 1990s. Helman and Ratner recognised three categories of states whose survival was threatened: first, failed states whose structures had been overwhelmed by circumstances; second, failing states where collapse was not imminent but could occur within several years; third, those newly independent states whose viability was difficult to assess.[22] The authors recommended a regime of conservatorship. They, however, did not delve deeply into the analysis of
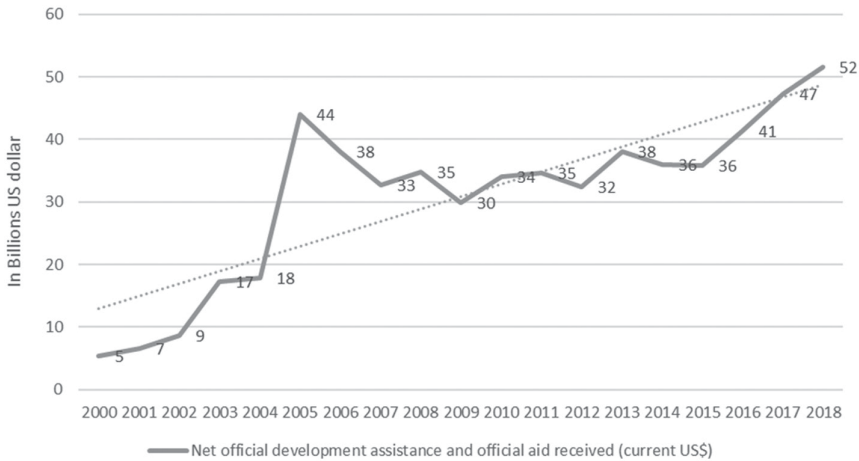
Figure 1.1 The flow of net official development assistance and official aid to fragile and conflict-affected states (current US$), 2000–2018.

Source: World Development Indicators, 2020. The data exclude the flow of security assistance to fragile states.

state failure and degrees of collapse. Zartman's work in 1995, while focused exclusively on Africa, provided a more nuanced analysis of state collapse. He defined state collapse as "a situation where the structure, authority (legitimate power), law, and political order have fallen apart and must be reconstituted in some form, old or new".[23] Rotberg and Fukuyama also focused on a similar agenda. Rotberg distinguished between failed states and collapsed states by applying several measures ranging from conflict to crime, flawed institutions, declining GDP and lack of legitimacy.[24]

Fukuyama, in his book, *State-Building*, focused on state-building in situations of weak statehood, arguing that a well-governed polity was a precondition for democracy and capitalism.[25] Fukuyama defined the strength of the state as "the ability of states to plan and execute policies and to enforce laws clearly and transparently".[26] He, however, distinguishes between the scope and strength of the state as important aspects of statehood. The smaller the scope of the state, the stronger it could be.[27] Fukuyama argued for external intervention to construct state institutions,[28] something which Helman and Ratner also recommended. Fukuyama's thesis for a small state was driven by the new liberal agenda, the "Washington Consensus". However, the focus of this discourse shifted from determining the "role for the state"—a vital question in the 1990s—to questions about commitment and capacity.[29]

Ghani and Lockhart's book *Fixing Failed States* revisited the problem of state failure. They, however, overestimated the role of formal institutions and

technical issues and underestimated the role of society and how to build legitimacy.[30] It was observed that then-President Ghani had tried to implement his book principles and framework in Afghanistan.[31] Such a policy orientation under his Presidency (2014–2021) by and large undermined the Afghanistan regime's survival.

For an economist such as Collier, the drivers and outcomes of state fragility matter. The real challenge of development is in dozens of countries, home to a majority of the world's population, which are fragile, falling behind or falling apart. These countries, as Collier argues, suffer from one (or often several) of four types of traps: the conflict, the natural resource, the landlocked and bad neighbours, and the bad governance. Collier recommends that aid should concentrate on fragile states and accept more risk; appropriate military intervention should be encouraged; international charters should be made to encourage good governance; and trade policy should be used to encourage free trade.[32] Collier emphasises an institutional approach, and external security and economic intervention to address fragility.

However, the state-centred approach to defining state fragility has been criticised for failing adequately to address the problem. Academic studies have emphasised two alternative approaches to a state-centred one—a hybrid model and a state-society approach. While the former has a limited application and oversimplifies context, the latter offers a more nuanced understanding of state fragility. Some scholars advocate hybrid models to promote stability and development.[33] Boege et al. argue that it may be misleading to regard the fragility of states as an obstacle to the maintenance of peace and sustainable development. They emphasise alternative non-state-centric approaches to governance, the control of violence, peacebuilding and development.[34] Hybridity, in this context, refers to situations in which different norms, institutions and actors coexist.[35] This concept views the state as only one of several institutional actors "claiming to provide security, frameworks for conflict regulation and other forms of welfare provision".[36] However, discussions of hybridity have often focused on the relationship between "international" and "local" versus "illiberal"; "modern" versus "traditional"; and "state" versus "non-state". Such binaries tend to homogenise categories, oversimplify contexts and, above all show the limits of hybridity as a concept.[37]

For scholars who emphasise the state-society approach, the precedence of the institutional approach in assessing state fragility fails to account for (local) perceptions of legitimacy.[38] While the state-centred approach is affected by the Weberian concept of the state, the legitimacy approach is more influenced by Durkheimian sociology. Scholars such as Migdal, Brinkerhoff and Ikpe emphasise state–society relations in understanding state resilience and weaknesses.[39] Lemay-Hebert calls for a balanced approach to incorporate nation-building in the process of state-building. He argues that modern nation-state is underestimated in the study of state collapse, leading to two different biases:[40]

> On the one hand, some exaggerate the novelty of the phenomenon, as if we are in the presence of a completely new political entity unrelated to modern processes of nation-state consolidation. On the other hand, others minimise the fundamental aspect of the interrelation between the state and the nation brought about by modernity, as if state building was nothing more than a process driven by coercion and capital, unchanged since the seventeenth century.[41]

A multidimensional approach is essential in studying state fragility, one which can account for state and society. Or in other words, state capacity and authority in the first case and legitimacy in the second.

Dimensions of state fragility

State fragility is a multidimensional phenomenon. When compounded by a weak economy and a vulnerability to shocks, deficiencies in state legitimacy, authority and capacity create a fragility syndrome in which any one dimension can exacerbate the others.

State legitimacy depends on the ability of the state to obtain the consent of the population to the state's dominance. In fragile states, a lack of legitimacy is evident when a significant proportion of the population does not regard the state as the legitimate institution for exercising power. According to Max Weber, a political regime is legitimate when its participants have certain beliefs or faith in regard to it. "[T]he basis of every system of authority, and correspondingly of every kind of willingness to obey, is a belief, a belief by virtue of which persons exercising authority are lent prestige".[42] Weber distinguishes three main sources of legitimacy: tradition, charisma and the law.[43]

Legitimacy shapes behaviour regarding deference to the law and decisions by the authorities; it also shapes citizens' cooperation with government, acceptance of government authority and support for the authorities politically. Legitimacy is complex and context-dependent: "What makes power legitimate in one society may differ from others, and … the criteria for legitimacy in one may be rejected by another".[44] The legitimacy dimension of state fragility recognises the limits of institutional approach, influenced by the Weberian concept of the state. Effective state-building needs above all not only to emphasise consolidation of central state institutions, but also to put emphasis on the importance of sociopolitical cohesion in the process or legitimacy.[45] The institutional approach is by and large concerned with state-building, while the legitimacy approach with nation-building.[46]

While it is desirable for governments to be viewed as legitimate by their populations, leaders often have trouble establishing and maintaining legitimacy. Process and performance are the two main sources of legitimacy, referred to as procedural and performance legitimacy. In terms of process, David Beetham identifies three criteria for legitimacy: conformity to rules, justification of rules in terms of shared values and legitimation through expressed

consent.[47] In terms of performance, a government's performance affects citizens' perceptions of the government's legitimacy. Further, it matters not only how legitimacy is built but also how it is maintained; this depends on ongoing institutional performance and interactions between government, elites and the public. As observed in the Burundi and Afghanistan cases, state capture by elites and organised groups erodes state legitimacy. In these situations, the state is seen as a prize to serve the interests of a small group of people or a particular ethnic group, rather than all citizens. Moreover, the quality of governance affects state legitimacy. In cases where corruption is widespread, it undermines the compliance of citizens with laws and procedures and their perception of government. While these outcomes can result from weak state capacity, a lack of legitimacy, in turn, exacerbates state weakness, as Bizhan discusses in Chapter 2 in the case of Afghanistan. The question, therefore, is not only how to build legitimacy but also how to maintain it.

While closely associated with legitimacy, authority is also deficient in fragile states. Authority can be defined as "[t]he right or capacity, or both, to have proposals or prescriptions or instructions accepted without recourse to persuasion, bargaining or force".[48] Fragile states have very limited authority in the use of physical violence. They lack a monopoly over the use of force—an important feature of the modern state, referred to as "monopoly over the legitimate use of force".[49] Non-state actors, such as illegal armed groups or insurgents, exert influence through violence, disrupting order and economic activities. On the other hand, the state security apparatus can also become abusive in the absence of checks and balances. The ultimate task in situations of fragility is to build up domestic security and establish (minimal) checks and balances so that state authority can be seen as acceptable to the people.

External drivers of fragility and insecurity, though important, are underestimated. Support by foreign governments to non-state armed actors can prolong and deepen conflict and fragility. This situation is observed in Afghanistan, Lebanon, Sierra Leone and Rwanda. Pakistan supported and provided safe havens to the Taliban insurgent group after its ousting from power in Afghanistan in 2001; the Taliban fought against the Afghan government and US and NATO troops in Afghanistan. In Lebanon, while the Taif Agreement ended the war in 1989, it reinforced a sectarian-based government system that enabled Saudi Arabia and Iran to maintain leverage over their respective client groups. In this case, there is a risk of the recurrence of conflict. Neighbouring countries also played a critical role in pre-genocide Rwanda, Burundi and Sierra Leone, contributed to regime change and conflict.

State capacity can be measured by the ability of the state to provide essential public services. Tax extraction can also be a proxy measure of state capacity.[50] Two forms of state fragility can be distinguished. The first includes polities where the state lacks the capacity to guarantee service delivery throughout its territory. In the second, the capacity exists but is negated by the abuse of power, such as corruption or repression, by the country's leaders. States with weak capacity struggle to deliver public services, the risk of failure is high and,

in these contexts, many state-building efforts fail to achieve their intended results. This situation can be due to a combination of factors, including lack of political will or a constituency for reform, approaches that ignore society and context, overly short timeframes and inflexible operating models focused on solutions rather than on addressing fundamental problems.

The structure of national power has significant influence on institutional competence. Patronage and factional politics can paralyse institution building. Approaches that focus on capacity development as a technical process, and those that overly rely on formal institutions to build the state, rarely succeed. Also, the role of external actors affects institutional capacity and resilience. When foreign donors or domestic actors bypass the state, establishing parallel institutions to deliver aid or security or services, they can undermine state capacity and legitimacy. This situation could be observed in both Afghanistan and Lebanon.[51] In the former case, not only did foreign donors largely bypass the Afghan government, delivering aid through non-state actors during the process of state-building, but the US bypassed the Afghan government in signing the Doha agreement with the Taliban. The former prolonged state weakness, while the latter contributed to regime collapse (August 2021) in Afghanistan. In Lebanon, informal networks of militias undermined the role of the state and the need to reform it.

US President Bill Clinton's famous line, "It's the economy stupid!", is just as applicable to the escape from fragility as it is to American elections.[52] If the economy grows and raises living standards, people acquire a greater stake in their society and state revenues, capacities and legitimacy all increase. Private-sector development is the engine of economic growth, generating employment, hope and tax revenue. But the boundary between public and private sectors is often blurry, whether due to the use of political positions for economic patronage, or potent private sector lobbies, or interventionist industrial policy. Political elites can also overlap with the business elite, using their political positions to support private investments and networks of economic patronage, which in turn can reinforce their power. This situation was observed in "developmental states", which directed industrial policy to reach into new sectors and activities; this often worked to solve coordination problems and de-risk certain investments. For example, South Korean governments used conglomerates controlled by politically connected elites to achieve economic development.[53] In fragile states, however, government economic control/policy is, by and large, distorted by patronage, which mainly aims at rent-seeking rather than at achieving economic development.

Foreign aid is an important instrument in funding fragile states. However, despite the increasing attention to and allocation of aid for reducing state fragility, key indicators suggest that progress is stagnating. Unlike the fight to reduce global poverty, attempts at reducing state fragility have generally not been successful. Displacement and refugee flow (a proxy measure of enduring conflict and failing economies), corruption and poverty rates are at record levels in fragile states. Currently, half of the world's poor live in fragile and

conflict-affected countries. According to the World Bank, "[by] 2030 [these countries] will be home to up to 2/3 of the world's extreme poor. Both low- and middle-income countries are affected by fragility risks, some far away from where the problems start."

Policymakers and scholars have profound disagreements about the different pathways for reducing state fragility. These highlight ongoing tensions between realism and idealism, between local and international priorities, between working with governments and bypassing governments, and between the choices of focus on state-building versus nation-building. Moreover, mismatches between the underlying nature of societies and the state structures that govern them remain another area of ongoing tension.

Book structure and focus

This book focuses on those dimensions of fragility that seem to be proximate causes of fragility and are usually more amenable to policy actions; geography and history, for example, are not particularly amenable to change. While the cases systematically explore the different dimension of state fragility, they start by analysing the context to examine the key drivers and dominant features. Each case study examines the country's initial conditions and provides a description of the official strategies adopted to reduce fragility. They also investigate why those particular strategies were selected over other possible approaches and follow with a description and assessment of the outcomes, and lessons learned. The case studies also discuss the extent to which the different dimensions of state fragility are interrelated, one aspect compounding another.

The country case studies in this book show considerable variation in respect of political, social and economic development (Table 1.1). In 2018, Afghanistan, Burundi, Sierra Leone, PNG and Rwanda were ranked low on the human development index, while Pakistan was ranked medium and Lebanon high. All these countries have/had some form of democracy but are ranked low in the Democracy Index. Although PNG ranks higher than others, it is nevertheless categorised as a flawed democracy. It has free and fair elections, and basic civil liberties are respected. However, it suffers from significant weaknesses in governance, an underdeveloped political culture and low levels of political participation. Pakistan, Lebanon and Sierra Leone are categorised as "hybrid" democracies. Elections in these countries are marked by substantial irregularities that often prevent them from being free and fair. Government pressure on opposition parties and candidates may also be common. Despite having representative political systems, Afghanistan (before 2021 regime collapse), Rwanda and Burundi are categorised as "authoritarian",[54] where state political pluralism is absent or heavily circumscribed, and elections are generally not free or fair if and when they are held.[55]

While each case study offers unique insights into the dimensions of state fragility and their interconnectedness, a number of common themes

Table 1.1 Select indicators of country case studies, 2018 or as indicated

Country	Population (in millions)	State structure	Type of regime	Democracy index score (2020)	Region	Conflict and civil wars	GDP per capita (in US$)	GDP (in billion US$)	Human Development Ranking	Literacy rate, adult total (% of people ages 15 and above)	Maternal mortality ratio (modeled* or national** estimate, per 100,000 live births)
Afghanistan	36.3	Unitary state	Presidential democracy (2002-2021)	2.85	Officially South Asia (but is a cross route located between Central, South and East Asia and Middle East)	Political independence from British, third Anglo-Afghan war (1919), Soviet Invasion (1979), Civil war (1978-2001), US military intervention (2001), Insurgency (starting in 2002)	494	18.4	0.496	43	638* (2017)

Table 1.1 Cont.

Country	Population (in millions)	State structure	Type of regime	Democracy index score (2020)	Region	Conflict and civil wars	GDP per capita (in US$)	GDP (in billion US$)	Human Development Ranking	Literacy rate, adult total (% of people ages 15 and above)	Maternal mortality ratio (modeled* or national** estimate, per 100,000 live births)
Lebanon	6.0	Unitary state	Parliamentarian democracy	4.16	Middle East	Civil war (1975), Syrian troops enter Lebanon to restore peace (1976), Israel invade southern of Lebanon (1978), full-scale invasion of Lebanon (1982), end of civil war (1990)	8025	55.0	0.73	95	46*
Burundi	11.2	Unitary state	Presidential democracy	2.14	Africa	Belgium invasion (1916), Burundi is separated from Rwanda (1962), Ethnic conflict and civil war (1993-4)	272	3.0	0.423	68 (2017)	548*

Pakistan	200.8	Federal	Parliamentarian democracy	4.31	South Asia	Partition from India and independence (1947), war with India over disputed territory of Kashmir (1948), civil war and partition of Bangladesh from Pakistan (1971), low level ongoing insurgency and separatist movements.	1482	314.6	0.560	59 (2017)	140** (2017)
Sierra Leone	7.7	Unitary state	Presidential democracy	4.86	Africa	Independence from British (1961), Military coup (1967), civil war (1991), military coup (1992)	**534**	**4.1**	**0.438**	43	1120* (2017)
PNG	8.4	Unitary state	Parliamentarian democracy	6.1	Pacific	Independence from Australia (1975) without major conflict, Bougainville conflict (1988-97)	**2801**	**24.1**	**0.543**	**61 (2010)**	145* (2017)

Table 1.1 Cont.

Country	Population (in millions)	State structure	Type of regime	Democracy index score (2020)	Region	Conflict and civil wars	GDP per capita (in US$)	GDP (in billion US$)	Human Development Ranking	Literacy rate, adult total (% of people ages 15 and above)	Maternal mortality ratio (modeled* or national** estimate, per 100,000 live births)
Rwanda	12.5	Unitary state	Presidential democracy	3.1	Africa	Rwanda proclaimed republic (1961), About 20000 Tutsis were killed following by ethnic conflict in the next three decades, Rwanda and Burundi presidents killed, which followed a 100 days of violence and genocide (1994), Rwanda invaded Democratic Republic of Congo (1996-2003).	**783**	**9.6**	**0.536**	**73**	248* (2017)

Sources: World Development Indicators, 2021; United Nations, 2021; Economist Intelligence Unit, 2020, UNDP, 2019. Also, see Chapters 2–8.

can be observed across them. They all recognise the importance of history, society, institutions, politics and the economy—and the interconnectedness between them—and the tensions that can arise amongst them during the state-building process. While each case study examines state fragility from the standpoint of state legitimacy, authority and capacity, and the state of the economy and resilience, the case analyses give the greatest weight to the context. This is notable in the cases of Pakistan and Rwanda in particular. The chapter on Pakistan analyses dimensions of state fragility at the national and state level. Being a federal state, this approach provides a more accurate account of state fragility in Pakistan. Rwanda's case is divided into three major periods, the first shaped by an extreme form of state fragility, deteriorating into conflict and genocide, the second showing an escape from fragility and the third consolidating legitimacy by improving government performance and development outcomes. The case of Rwanda, which is the last chapter in this book, is relatively lengthy. It offers a detailed account of the different periods, shows how a strong state can benefit or endanger the lives of citizens and the lessons learned. The major strength and contribution of the book is its empirical depth in assessing state fragility in each context.

In Chapter 2, by looking at the case of Afghanistan between 2001 and 2021, Nematullah Bizhan argues that drivers of state fragility in Afghanistan have remained multifaceted, including the persistence of exclusive political and economic institutions, elite rivalry and fragmentation, unsustainable fiscal bases of successive regimes, a weak economy, the landlocked nature of the country and its complex social mosaic. Great power rivalry and multiple invasions of Afghanistan have exacerbated or added to its problems. Bizhan argues that in 2001 significant progress was made in building a representative government, public institutions and legitimacy, expanding public services and guaranteeing the fundamental right of people. The period was also marked by US military intervention, massive foreign military and economic aid to Afghanistan and paradoxical policies. Nevertheless, the state remained highly fragile before the regime collapsed in August 2021, showing a path dependency in the process of state-building. Bizhan argues that Afghanistan will remain exposed to domestic and external shocks, with great power rivalry affecting it significantly. Building a stable polity in Afghanistan requires a settlement among different local actors and regional and global powers that would bring an end to conflict and external spoilers supporting the conflict through their proxies, and a transition from exclusive politics and development to a more inclusive politics and development.

Lebanon has endured a turbulent past and continues to suffer its consequences. In Chapter 3, Bilal Malaeb demonstrates that (formally) Lebanon had an open economy, an open political system, a large degree of diversity and relatively low poverty levels—at least in the years after independence was achieved in 1943. By examining the initial conditions that led to the 1975 collapse, the strategies for recovery and the causes of recurrent regress,

he argues that while Lebanon had decisively escaped collapse, it has become highly fragile and unstable in recent years. After the end of its civil war (1975–90), Lebanon managed to recover in many respects, largely due to its private sector and several reconciliation accords. However, although the country has seen strong economic growth and a degree of socioeconomic stability, it has since regressed into fragility due to regional spillovers, internal political deadlocks, institutionalised sectarianism and the effects of transnational militant groups. Malaeb argues that there is no escape from Lebanon's woes without moving to a system where the present exclusive economic and political institutions become more inclusive.

State fragility in Burundi has been both a cause and a consequence of the country's political instability. Janvier D. Nkurunziza argues in Chapter 4 that Burundi suffers from a lack of state legitimacy and effectiveness, an underdeveloped private sector, periodic episodes of violent conflict and is highly vulnerable to political and economic shocks. Since independence, Burundi has endured six episodes of civil war, two major failed coups and five coups that have led to regime change. Burundi's state fragility is traced back to divisive practices introduced by the colonial power, which were perpetuated by post-colonial elites; these are characterised by political capture and clientelism. Political volatility has led to repeated cycles of violence, resulting in the collapse of the country's institutions and its economy. This situation has crippled economic growth, leading to an underdeveloped private sector, an unstable investment landscape and severe financial constraints. This chapter suggests that reducing state fragility in Burundi will require robust peacebuilding facilitated by external actors who can also mediate with neighbouring countries to resolve regional spillovers and provide sustained financial assistance. Only in this way will Burundi be able to rebuild its economy, develop some level of resilience and create internal institutions that support social equity and affordable justice.

Umair Javed and Ijaz Nabi argue in Chapter 5 that Pakistan presents a complex case for the study of state fragility and its impact on economic growth and development. While there is evidence of fragility across five key dimensions—state legitimacy, state capacity, private sector, security and resilience—considerable variation exists between different regions and administrative units in Pakistan. The country has long been perceived to be at risk of macroeconomic and political instability, with continued militancy being an ever-present threat, especially along the western border. At the same time, Pakistan shows positive attributes not commonly found in fragile states. This case highlights the importance of probing state fragility below the country-level analysis and to consider how the issues play out at sub-regional levels and across institutions. Javed and Nabi argue that an analysis of the drivers of fragility at different tiers carries important implications for Pakistan's future trajectory. In particular, the country's historical pathway shows that it has struggled with two aspects that have inhibited its overall development. The first is an inability to build sustainably on periods of growth and stability,

while the second is an inability to resolve permanently long-festering political disputes.

Sierra Leone has historically had a hybrid political order with multiple loci of political power and cultural authority. These include traditional chieftaincies and "secret societies" (particularly in the rural areas), alliances of elites (particularly in the capital) and, to a lesser extent, religious bodies, all awkwardly coexisting. In Chapter 6, Herbert M'cleod and Brian Ganson demonstrate that in Sierra Leone the national government exists in a superstructure separate from the broader society. In this context, people's primary identity and loyalty are connected to their ethnic or other primary identity groups and their organisation and leadership. The social contract is formed within the political structures of these groupings rather than between the formal state and the population as a whole. M'cleod and Ganson argue that the construct of performance legitimacy and the state's consequent failure to meet popular expectations only partly explains Sierra Leone's current dilemmas. They argue, rather, that persistent historical dynamics underpin state fragility in the country, particularly the enduring structures of its hybrid political order, continued weak state capacity, the exploitation of public resources by the elite and an overdependence on the extractive economy.

Papua New Guinea (PNG) shows the difficulty of forging a national identity and creating effective state institutions in one of the most diverse societies in the world. In Chapter 7, Nematullah Bizhan and Emmanuel Guba Gorea argue that state weakness and societal divide in PNG are exacerbated by the "archipelagic" nature of the country. Politics in this context shows a stable-fragile characteristic. On the one hand, despite persistent political instability, democracy has survived in the past half-century mainly due to societal diversity and the consensual nature of decision-making embedded in PNG communities. On the other hand, even though PNG is a resource-rich county, successive governments have not converted the economic benefits of the mineral boom into effective development outcomes, and high levels of poverty and inequality exist. Many of these characteristics reinforce each other, trapping the country, for now, in a low-level equilibrium. Bizhan and Gorea argue that, while PNG can now be characterised as stable-fragile, it is undoubtedly still undergoing a politico-socioeconomic transition from a longer perspective.

Will Jones, in Chapter 8, argues that in Rwanda, a prolonged and bitter civil war was accompanied by a sustained and vicious campaign that stoked fear and hatred of the minority Tutsi ethnic group, resulting in the shocking genocide between April and July 1994. The civil war ended with the Rwandan Patriotic Front (RPF) assuming the government of the country in August 1994. In the years that followed, Rwanda made rapid and relatively sustained progress, establishing security and achieving improvements in economic growth, health and welfare and tackling corruption. Jones demonstrates that in Rwanda resilience and legitimacy are deeply interdependent with the state's capacity to deliver public goods, economic

development and security. Rwanda's achievements in removing the causes of state fragility are remarkable. Other countries on the continent regularly look to Rwanda's example for guidance and inspiration. Rwanda has an authoritarian government. Its success is, however, hard to replicate without firm commitment and the remarkable capacity of the country's reforming leadership. Also, the sustainability of the achievements in Rwanda remains uncertain in the long run.

In the Conclusion, Bizhan discusses the key findings and lessons learned from this study and revisits the concept of state fragility. He argues that attempts at reducing state fragility need to go beyond a narrow state-centric approach. In addition to state-building, governments need to prioritise nation-building and development. As these attempts at times may work against each other, they require a thorough understanding of the context and establishing a necessary balance among them.

Notes

1 Eghosa E. Osaghae, "Fragile States", *Development in Practice* 17, nos. 4–5 (2007): 691–699.
2 World Bank, *Engaging with Fragile States* (Washington, DC: World Bank, 2006).
3 Wade Warren, *USAID's Approach to Fragile States Programming in Africa* (Washington, DC: Advisory Committee on Voluntary Foreign Aid, 2006), p. x. Available at www.usaid.gov/sites/default/files/022206_african_fragile_states.pdf. USAID categorises fragile states into vulnerable or crisis states. The former are those states that are "unable or unwilling to adequately assure the provision of security and basic services to significant portions of their populations and where the legitimacy of the government is in question". The latter "are those where the central government does not exert effective control over its own territory or is unable or unwilling to assure the provision of vital services to significant parts of its territory".
4 Nicolas Lemay-Hébert, "Statebuilding without Nation-building? Legitimacy, State Failure and the Limits of the Institutionalist Approach", *Journal of Intervention and Statebuilding* 3, no. 1 (2009): 21–45.
5 Joel S. Migdal, *Strong Societies and Weak States* (Princeton, NJ: Princeton University Press, 2020); D.W. Brinkerhoff (ed.), *Governance in Post-Conflict Societies: Rebuilding Fragile States* (London and New York: Routledge, 2007); Eka Ikpe, "Challenging the Discourse on Fragile States", *Conflict, Security and Development* 7, no. 1 (2007): 85–124.
6 Olivier Nay, "Fragile and Failed States: Critical Perspectives on Conceptual Hybrids", *International Political Science Review* 34, no. 3 (2013): 326–341, 327
7 See US Congress, Global Fragility Act, 2019.
8 Sonja Grimm, Nicolas Lemay-Hebert and Olivier Nay, "Fragile States: Introducing A Political Concept", *Third World Quarterly*, 35, no. 2 (2014), 197–209, 200.
9 George W. Bush, *The National Security Strategy of the United States of America* (Washington, DC: Executive Office of the President, 2002), 1.
10 Robert B. Zoellick, "Fragile States: Securing Development", *Survival* 50, no. 6 (2008).

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12 Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol (eds), *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985).
13 Sebastian von Einsiedel, "Policy Responses to State Failure", in *Making States Work: State Failure and The Crisis of Governance*, ed. Simon Chesterman, Michael Ignatieff and Ramesh Thakur (New York: United Nations University Press, 2005), 13.
14 www.theguardian.com/world/2021/aug/16/kabul-airport-chaos-and-panic-as-afghans-and-foreigners-attempt-to-flee-the-capital
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18 Ibid.
19 OECD, *State of Fragility 2015: Meeting Post-2015 Ambitions* (Paris: OECD, 2015).
20 US Congress, Global Fragility Act.
21 OECD, *States of Fragility 2018: Highlights* (Paris: OECD, 2018), 11.
22 Gerald B. Helman and Steven R. Ratner, "Saving Failed States", *Foreign Policy* 89 (1992): 3–20. https://doi.org/10.2307/1149070.
23 I. William Zartman (ed.), *Collapsed States: The Disintegration and Restoration of Legitimate Authority* (Boulder, CO: Lynne Rienner Publishers, 1995), 1.
24 Robert Rotberg, "The Failure and Collapse of Nation-States: Breakdown, Prevention, and Repair", in *When States Fail: Causes and Consequences,* ed. Robert I. Rotberg (Princeton, NJ: Princeton University Press, 2003), 1–49.
25 Francis Fukuyama, *State-Building: Governance and World Order in the 21st Century* (Ithaca, NY: Cornell University Press, 2004).
26 Fukuyama, *State-Building,* 4.
27 This notion by and large conforms to Washington Consensus, which advocated for a small government. However, there has been a growing awareness that the orientation and effectiveness of the state are the critical variables explaining why some countries succeed, whereas others fail in meeting development goals. See Verena Fritz and Alina Rocha Menocal, "Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda", *Development Policy Review* 25, no. 5 (2007): 531–552.
28 Fukuyama, *State-Building*.
29 World Bank, *World Development Report*: *The State in a Changing World* (Washington, DC: World Bank, 1997).
30 Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World* (New York: Oxford University Press, 2008).
31 In a meeting, then-President Ghani mentioned to the editor of this book on 24 November 2019 in Kabul that he was implementing his book principles in Afghanistan. Kabul, 24 November 2019.
32 Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What can be Done about it* (Oxford: Oxford University Press, 2007).

33 Although Collier emphasises improving governance in addressing fragility, he also argues that trade and regional cooperation are crucial in fostering development in situations of fragility.

34 Volker Boege, M. Anne Brown and Kevin P. Clements, "Hybrid Political Orders, Not Fragile States", *Peace Review* 21, no. 1 (2009): 13–21.

35 Srinjoy Bose, Lia Kent, Joanne Wallis, Sinclair Dinnen and Miranda Forsyth, "Introduction", in *Hybridity on the Ground in Peacebuilding and Development: Critical Conversations*, ed. Joanne Wallis et al. (Canberra: ANU Press, 2018), 2.

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38 Lemay-Hébert, "Statebuilding without Nation-building?"

39 Migdal, *Strong Societies*; Brinkerhoff, *Governance in Post-Conflict Societies*; Ikpe, "Challenging the Discourse".

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50 See Francis Fukuyama, "What is Governance?", *Governance* 26, no. 3 (2013): 347–368.

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52 Commission on State Fragility Growth and Development, *Escaping the Fragility Trap* (London: Blavatnik School of Government, Oxford University, and International Growth Center, London School of Economics 2018), 10.

53 Alice Hoffenberg Amsden, *Asia's Next Giant: South Korea and Late Industrialisation* (Oxford: Oxford University Press, 1992).

54 The original report refers to these cases as "authoritarian regimes". Here, the term "authoritarian democracies" is used to avoid any confusion, as these countries hold regular elections.

55 *Democracy Index 2020: In Sickness and in Health?* (London: Economist Intelligence Unit, 2020). www.eiu.com/public/topical_report.aspx?campaignid= democracy2020.

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2 Building legitimacy and state capacity in Afghanistan

Nematullah Bizhan

This chapter demonstrates that Afghanistan has been greatly affected by the persistence of exclusive political and economic institutions, elite rivalry and fragmentation, unsustainable fiscal bases of successive regimes, a weak economy, the landlocked nature of the country and its complex social mosaic. Great power rivalry and multiple invasions of Afghanistan have exacerbated or added to its problems. From 2002 to 2021, significant progress was made in building a representative government, public institutions and legitimacy, expanding public services and guaranteeing the fundamental rights of people. The economy grew substantially, which sustained nearly a decade of strong growth until 2014. The period was also marked by US military intervention, massive foreign military and economic aid to Afghanistan and implementation of paradoxical policies. Nevertheless, the state remained highly fragile before the republic collapsed in August 2021, showing a path dependency in the process of state-building. Subsequently, the return of the Taliban to power reversed many of the gains achieved in the last two decades. This chapter argues that Afghanistan will remain exposed to domestic and external shocks, with great power rivalry affecting it significantly, where the flow and nature of foreign aid will remain crucial for the survival of the state and economy. Building a stable polity in Afghanistan requires a settlement among different local actors as well as among regional and global powers that would bring an end to conflict and external spoilers supporting the conflict through their proxies, and a transition from exclusive politics and development to a more inclusive politics and development.

Introduction

Afghanistan has been in a condition of crisis for most of its history since the eighteenth century, experiencing internal political and social upheaval and foreign interventions and invasions.[1] State-building has been frequently disrupted. By the beginning of the twenty-first century Afghanistan had a failed state: weak, fragmented and lacking domestic and international legitimacy. Other than Pakistan, Saudi Arabia and the United Arab Emirates, no country recognised the theocratic regime of the Taliban. The economy had contracted due to more than two decades of war and poor government

policies. In 2002 the World Bank estimated the total cost over the period of conflict, measured in terms of lost growth and the cost of humanitarian assistance as well as military expenditure, to be US$240 billion.[2] More than two-thirds of the population were either displaced or sought refuge outside Afghanistan, especially in Iran and Pakistan. A war economy had emerged which transformed the socioeconomic dynamic of the country, making post-2001 recovery and state-building a daunting task.

After the overthrow of the Taliban regime by the US-led coalition in alliance with Afghan resistance forces in late 2001, a new political order, which envisaged a liberal democracy and open market, was established. The immediate tasks in 2002 were to stabilise the country and build a legitimate and functioning state and a viable economy. Some significant progress was made in building state institutions and infrastructure as well as expanding public services. The war on terror, however, dominated the US and its allies' engagement in the country and a violent insurgency prolonged state fragility until the republic regime collapsed in August 2021.

In essence, while state capacity and legitimacy have significantly improved post-2001, Afghanistan exhibited some of the characteristics of state fragility across the dimensions of state legitimacy, state capacity, economy, security and resilience to shocks.

1. The Afghan government suffered from a deficit of legitimacy.
2. The state had weak fiscal and legal capacities.
3. Despite initial progress, private investment and economic growth have fallen dramatically since 2014. The economy came to the bring of collapse after 2021.
4. Insecurity and insurgency have reinforced both the state's weakness and deficit of legitimacy. The state exhibited low resilience to political, security and economic shocks.

Therefore, despite the gradual recovery since 2001, security and political shocks in 2009 and 2014 were significant setbacks that increased the risk of collapse into a failed state. Nonetheless, the Afghan government and international community were able to mitigate the risk by establishing a National Unity Government (2014) and committing to maintain the flow of a modest level of aid and military support to sustain the gains already made (see Figure 2.1). However, the state did not survive the third shock, which included the full withdrawal of US and NATO forces and a military campaign by the Taliban. The US–Taliban agreement of 29 February 2020 wrecked the Afghan state. President Ghani escaped from Afghanistan and the regime collapsed on 15 August 2021, ending yet another era of progressive politics and development in the country.

It is crucial to note that some of the causes of state fragility have their roots in Afghanistan's modern history. These include exclusive political institutions, elite rivalry and unstable succession from polygamous rulers;[3] the unsustainable fiscal basis of successive regimes;[4] the subsistence-based economy;[5] and

Security, political
and economic
shocks

Security, political
and diplomatic
shocks

Regime collapse
August 2021

Security and
political shocks

Delaying a complete US troops withdrawal,
establishing a National Unity Government
and sustaining the flow of a modest level of
aid to Afghanistan.

Electoral irregularities and
fraud (2019), US-Taliban
peace agreement (2020),
US and NATO withdrawal
from Afghanistan (2021).

Increase in aid and
US troops

Failed state   Slow recovery

2001   2009   2014   2019   2021

Figure 2.1 Afghanistan transition, 2002–2021.

the landlocked nature of the country and its complex social mosaic, along with armed conflicts and the rivalry of great powers for domination of the region, resulting in multiple invasions (by Britain, the Soviet Union and the US in the nineteenth, twentieth and twenty-first centuries respectively).[6] Weak rule of law is also arguably a source of disorder in Afghanistan.[7] There are diverse views on the causes of recent conflict in Afghanistan. Seth G. Jones argues that lack of governance after the overthrow of the Taliban regime was a precondition for insurgency. "The Afghan government was unable to provide basic services to the population; its security forces were too weak to establish law and order; and too few international forces were available to fill the gap".[8] Some would refer to injustice as a source of disorder. Norah Niland, for instance, argues that "[i]t is not realistic to envisage an end to armed conflict and the development of democratic and accountable state institutions while impunity reigns".[9] Governance, as Jonathan Goodhand argues, is also perceived to have been at the heart of the Afghan wars.[10] Others perceive resource and power politics as the main drivers of insurgency. There was also a strong view that the Taliban acted as Pakistan's proxy, waging an undeclared war on behalf of Pakistan against Afghanistan.[11] These factors have all had a great impact on state and society in Afghanistan, trapping the country into instability and conflict.

While the key dimensions of state fragility varied over time, following the Soviet invasion in 1979, state fragility deepened. State and non-state violence and repression became prevalent and state capacity deteriorated. These developments hampered private-sector development and further increased the vulnerability of the country to political and economic shocks.

In late 2001, a new political order was established. A small number of US troops in alliance with anti-Taliban armed forces deposed the Taliban regime—which had hosted Osama Bin Laden, the leader of Al Qaeda—from power. The new government, with aid and technical assistance from the international community, implemented some major reforms. Efforts were made to reform key state institutions (e.g. finance, health, education, police, army and judiciary). The delivery of public services was also expanded.

While Afghanistan was on an upward trend between 2002 and 2005, the upswing slowed down thereafter. The US and its allies' attention was diverted from Afghanistan after the invasion of Iraq in 2003. The Taliban insurgents, with support from Pakistan, were able to reorganise and increase their attacks. In response to the deteriorating security situation, the US eventually increased the number of troops and boosted development and military aid directed to Afghanistan.[12] Additional aid and troops helped stabilise the situation to some extent, but the announcement of plans to withdraw from Afghanistan by 2014 created a sense of uncertainty. This situation, along with a sharp decline in the flow of aid to Afghanistan and a disputed presidential election in 2014, referred to as a triple transition, increased the level of threat and put many of the gains at risk. In response, the international community adopted some stabilising measures, such as sustaining the flow of a modest level of aid

and delaying the complete withdrawal of US troops. Afghanistan, however, still faced social-economic challenges and following the full withdrawal of the US and NATO troops eventually the regime collapsed in August 2021.

Historically, Afghanistan has remained highly dependent on foreign aid. Even though the country is potentially a resource-rich country, its resources, estimated to be around US$1 trillion,[13] have not been fully utilised—and doing so would require time and enormous investment. Where resources have been utilised, however, this has fuelled local conflicts and rivalry over the control of such resources. The informal economy is huge but is dominated by the opium industry that has fed and, in some cases, reinforced corruption and insurgency. Deteriorating security had increased the cost of investment and business, where the fall in private investment and economic growth are two examples. This situation created a sense of uncertainty and had forced a large number of Afghans to migrate, especially to Europe, leaving their communities behind. The situation further deteriorated with the collapse of the regime in 2021, the termination of aid to Afghanistan and the US sanctions on Afghanistan. The following sections examine in detail the five key dimensions of state fragility including policy responses and outcomes between 2001 and 2020 Afghanistan.

Reconstructing legitimacy

Two decades of war have severely undermined different sources of political legitimacy in Afghanistan. The reconstruction of legitimacy post-2001 was, therefore, a daunting task and one that, in particular, required a redefinition of legitimacy to take into account the sociopolitical changes. The different forms of political structures adopted in the late twentieth century (constitutional monarchy, republic, communism, Islamic theocracy) were all authoritarian and exclusive, failing to provide lasting stability. For most of its modern history, Afghanistan suffered from violent transfers of power, resulting in the deposition or killing of its leaders. Because of the role of political parties in armed conflict (since 1978), people lost confidence and trust in these parties, perceiving them as a major driver of factionalism and patronage.

External intervention has also affected state legitimacy. Following the military coup by the communist party of Afghanistan in 1978 and the removal of government from power, the Soviet invasion of Afghanistan in 1979 and the subsequent financial and military assistance of the US and its allies, including Saudi Arabia, to the *mujahidin* groups who fought the Soviet-backed Kabul government, had ramifications for legitimacy. On the one hand, this eroded the legitimacy of both the government in Kabul and the *mujahidin* groups in the eyes of people and, on the other hand, this situation created (or exacerbated) new forms of legitimacy through patronage and coercion. Conflict transformed both the economy and local actors. It replaced local notables, such as tribal chieftains and khans (landlords), with new actors

and commanders who had access to the international system and weapons. This situation helped the emergence of a war economy, in which military aid and revenue from the narcotic industry enhanced the coercive power of local actors and their fiscal autonomy from local communities.

The two distinctive questions post-2001 were how to build legitimacy and how to manage the lack of it. Elite bargaining and consensus-building through *ad hoc* mechanisms as well as traditional means of representation (such as the *Loya Jirga*, or traditional grand assembly) were used to achieve the latter, while elections were emphasised for the former. Reliance on traditional means of legitimacy partially presented the view of some of the local actors. But a belief in the building of state legitimacy through elections was something that donors, Afghan intellectuals and citizens by and large shared.

On 5 December 2001, the representatives of different Afghan groups in Bonn, Germany, agreed on a new political order based on the principles of democracy and Afghanistan's national and Islamic values. The Taliban group was excluded from the process, especially as there was a strong anti-Taliban mood in Washington and in Afghanistan because of its protection of Osama Bin Laden, its harsh policies against minority groups and women, and its general repression of the population. The Bonn agreement aimed to establish a new constitution, an independent judiciary, free and fair elections and protections for the rights of minorities (including women and religious/ethnic groups) and to re-establish a centralised security sector. A six-month Interim Authority and an 18-month Transitional Authority were established. The presidential elections, adoption of a new constitution in 2004 and parliamentary elections in 2005 succeeded this process. The constitution envisaged a hybrid system. It emphasised traditional and Islamic values as well as people's right to elect their government democratically. The US and UN emphasised a light footprint with the aim of enabling Afghans to take the lead in political transition, while the UN monitored the transition envisaged by the Bonn agreement.[14] This approach was by and large adopted because of the Afghans' reputation for resistance against foreign invaders.

The process of constitution-making was swift. The participants of the constitutional *Loya Jirga*, among others, had divergent views on two issues. The first was whether Afghanistan should have a presidential or a parliamentary political system, with a prime minister and limited presidential power. The second was the type of electoral system Afghanistan should adopt: a single non-transferable system or a transferable voting system. Finally, the *Loya Jirga* agreed on a presidential and non-transferable voting system. The US supported this arrangement and had signalled its intention prior to the *Jirga* reaching an agreement.[15] The electoral system limited the role of political parties as it did not require candidates to be party members.

During the interim arrangement, the leadership in the new government represented different ethnic groups and regions. This arrangement helped

improve the image of the state and make it more inclusive. For example, the Chairman of the Interim Authority, Hamid Karzai, had four vice presidents representing four different ethnic groups (Pashtuns, Tajiks, Hazaras and Uzbeks). The balance of power therefore forced Karzai to mainly rely on consultation and consensus-building through the cabinet in deciding on major national issues. Most of the senior appointments in this period were made based on political allegiance and personal ties. To this end, elite bargaining and the existing mechanisms were used to improve the legitimacy of the new government. International military and development assistance, as well as international recognition, provided the interim government with new sources of legitimacy by expanding its capacity to deliver services. Despite the shortcomings in advancing an effective state-building agenda, this situation created an atmosphere of hope and revival among people and paved the path for building new forms of legitimacy through direct participation of citizens in the process, by electing the head of state and members of parliament. Reconstruction efforts and the expansion of the delivery of services further improved the image of the new government, as people had not witnessed a process on such a significant scale since the eruption of war in the late twentieth century.

The political parties and the state mirrored each other. The state was neopatrimonial, and the parties more or less represented networks of patronage. Senior appointments in public organisations were by and large made based on personal loyalty and political allegiance rather than merit, and political parties also suffered. The design of post-2001 state-building was based on short-term objectives of stabilising the country. This had adverse implications for institution-building in the long run. For participants of the 2001 Bonn meeting, it was important to accommodate different interest groups in the state. Each interest group would try to secure as many senior positions as possible. The government neglected the question of how to improve state effectiveness and define the key functions of the state. Many overlapping departments emerged. For example, post-2001 four agencies oversaw coordination of reconstruction efforts—the Ministries of Finance, Planning, Reconstruction, and the Afghanistan Authority for Coordination of Assistance. This, along with the rivalry among different ministers and senior government officials, made intergovernmental coordination much more difficult.

The role of elections in building legitimacy

Building of a modern form of legitimacy through elections post-2001 was a breakthrough in Afghanistan. People welcomed the idea of a transfer of power through ballots, not bullets. Despite the shortcomings of the system, elections were seen as the desired mechanism for building political legitimacy among the people.[16] Elections were not entirely new in Afghanistan; the country had held parliamentary elections under a constitutional monarchy in the 1960s but did not have a fully elected government. The first presidential elections

in 2004 (with 70% turnout including 40% of the eligible female population) and the parliamentary elections in 2005 (with 50% turnout) were a major success.[17] With few registered complaints about irregularities and fraud, those who did not win accepted the results. A Joint Electoral Management Body, which included the Independent Election Commission of Afghanistan and the UN Assistance Mission for Afghanistan (UNAMA), administered and oversaw the electoral process during the transition period.[18] The role of the UN as an impartial actor helped build the trust of different local actors at a time when society was highly polarised.

Elections, by and large, changed the concept of power and authority in the country. However, while the first presidential and parliamentary elections were a major success, subsequent elections did not achieve the intended outcomes. The electoral process soon lost its credibility due to fraud and irregularities. State weakness and corruption, as well as the *de facto* exclusive nature of the political system, presented major obstacles. Irregularities and fraud damaged the electoral process more than the threat posed by the ongoing Taliban insurgency. The government, however, failed to learn from "teachable moments" and deliver on its promise to implement necessary political and institutional reforms. The established political system increased both the incentive to commit electoral fraud and the likelihood of the losers refusing to accept the outcome of elections as standing for election tended to be very costly. In addition, the electoral administration lacked capacity. Voters were not properly registered. By 2010, 17 million voter cards had been distributed for 12.5 million eligible voters. Moreover, the way elections were designed was expensive and depended on foreign aid. The estimated cost of the 2004 elections (excluding International Security Assistance Force and NGO contributions) was US$200 million for over 8 million votes.[19]

The 2009 presidential elections went to the second round because of widespread allegations of fraud. In the first round, Karzai, according to the Independent Election Commission of Afghanistan, secured 49.67% of the vote. However, his opponent, Abdullah, who secured 30% of the vote, refused to run in the second round because Karzai would not accept his demands for reforming the Independent Election Commission of Afghanistan, including replacing the head of the commission. While Karzai was declared the winner, Abdullah refused to accept the outcome. This process severely undermined public trust in the Afghan government.[20]

The second round of the 2014 presidential elections further exposed the weakness of the electoral system. Despite threats by the Taliban to kill or cut off the fingers of those who voted, voter turnout was high at 58%. The Taliban did, in fact, cut off the fingers of 11 men in East Afghanistan because they voted in the first round of elections.[21] As none of the candidates secured over 50% of the vote, the contest—between Abdullah and Ashraf Ghani— went to a second round with the two candidates respectively securing 44.9 and 31.5 per cent of the vote.[22] However, allegations of fraud in the second round severely undermined the legitimacy of the upcoming government in

which Ghani, according to the Afghanistan Election Commission (which announced the result after the two candidates reached an agreement), secured 55.2% of the vote and Abdullah 44.7%. Abdullah threatened to announce a parallel government under his leadership. The Electoral Integrity Project of Harvard University categorised Afghanistan's election of 2014 as the third-worst elections worldwide, after those in Bahrain and Syria.[23]

Under pressure from Afghanistan's major development partners, who threatened to freeze aid to Afghanistan, and following mediation by US Secretary of State John Kerry, Ghani and Abdullah agreed to form a power-sharing system referred to as a National Unity Government, with Ghani as President and Abdullah as Chief Executive. This arrangement helped mitigate the risk of conflict. But this type of arrangement in the absence of necessary political reforms in the electoral system and governance practices made the new government ineffective and the future of regime more fragile. Lack of electoral fairness, as well as elite fragmentation, therefore posed a major challenge to consolidating legitimacy. By combining data from a randomised controlled trial designed to improve electoral quality in Afghanistan's 2010 *Wolesi Jirga* (lower house) elections, as well as data from a post-election survey of affected citizens, Berman et al. found that the fairness of "elections affect attitudes of citizens towards their government directly relevant to their willingness to be governed, a contributor to legitimacy".[24]

In addition, widespread corruption persistently eroded the legitimacy of public organisations. People needed to pay a bribe or rely on *waseta* (connection to government officials) in order to access basic government services. Corruption emerged as one of the most important problems in the country. According to the Perception of Corruption Index, Afghanistan moved up four points in its score—from 11 in 2015 to 15 in 2016, nearly doubling the score of 8 recorded in 2013 (Figure 2.2). It continues to rank as highly corrupt with the same score as in 2011 and 2008. A survey by the United Nations Office on Drugs and Crime (UNODC) in 2012 found that, after
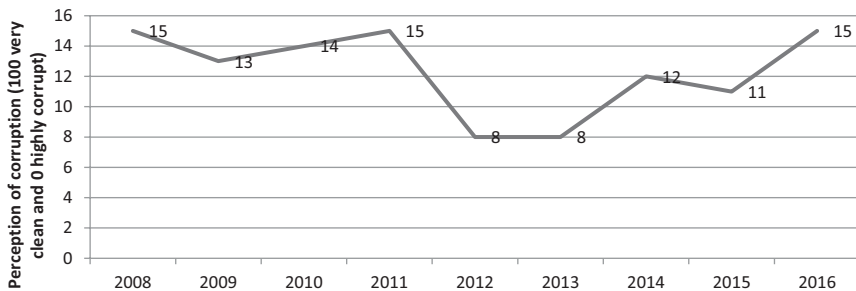
Figure 2.2 Perception of corruption index—Afghanistan, 2006–2016.
Source: Transparency International, 2016.

security, people perceived corruption as the second-most important issue for Afghanistan.

In 2012, half of Afghan citizens paid a bribe while requesting a public service and the total cost of bribes paid to public officials amounted to US$3.9 billion. This corresponds to an increase of 40% in real terms between 2009 and 2012, while the ratio of bribery cost to GDP remained relatively constant (23% in 2009; 20% in 2012).[25]

From 2002 to 2010, donors disbursed US$57 billion in development and military aid to Afghanistan through the government budget and outside the state system.[26] This aid helped to expand public services, which the government was barely able to provide, having a positive effect on state legitimacy. However, while governance practices improved, especially in the area of public financial management, these improvements did not significantly reduce corruption. Most of the transactions occurred outside the formal public financial management system, which, for example, did not include about four-fifths of total aid that flowed into Afghanistan between 2002 and 2010. While each donor used a different approach, as Figure 2.3 shows, a large portion of aid was spent off-budget. The World Bank, Asian Development Bank and International Monetary Fund channelled their aid through on-budget mechanisms while major bilateral donors mostly relied on off-budget funding mechanisms. Donors bypassed the Afghan state by and large because of state weakness and corruption. While this type of aid delivery helped improve implementation of projects, it diverted political and financial resources and reduced the pressure to reform public institutions. In some cases, the delivery of aid outside the state system undermined the legitimacy
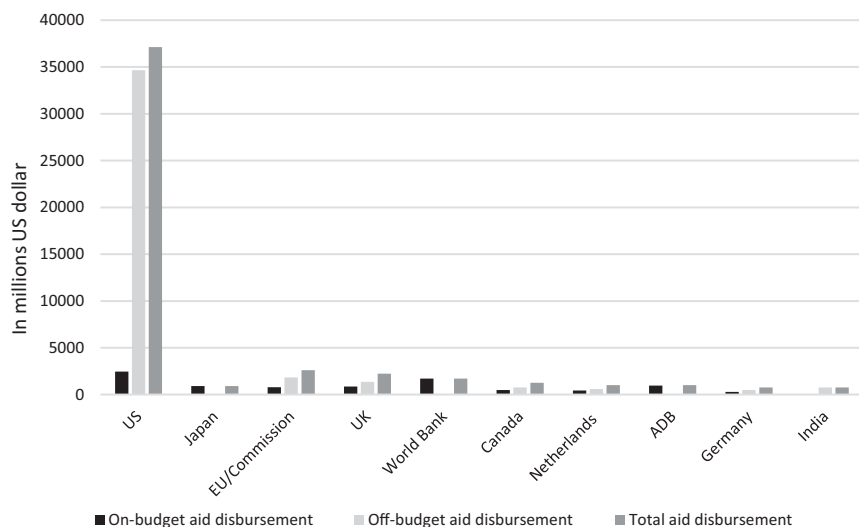
Figure 2.3 Top ten donors—aid delivery channels, 2002–2011.

of local state institutions. People would directly go to donors to negotiate for funding of their priorities. Military Provincial Reconstruction Teams, which spent US$867 million from 2005 to 2008, used such a mechanism,[27] although this issue was not limited to the role of such teams. Other types of off-budget spending that bypassed the state and national mechanisms also adversely affected government legitimacy.

As a result of the nature of international intervention and the aid modality, the balance of power shifted in favour of donors. Donors therefore had greater fiscal leverage over the government and societal actors, both of whom needed to negotiate for funding and report on individual projects to donors. However, overreliance on off-budget aid mechanisms, in particular, proved counterproductive. Parallel processes and mechanisms were created, leading to the emergence of a parallel public sector that was fiscally much bigger than the permanent state institutions in the first ten years post-2001. The government, as a result, became increasingly accountable to donors to negotiate for further funding and report on aid spending.

Security and economic outcomes had a major impact on public confidence. This trend can be observed after 2005, when security started to deteriorate, and in 2014, following the triple transition. International consensus and aid for stability in Afghanistan ignited hopes for improving stability in the country. The perception was that external and internal spoilers would be kept at bay. This situation boosted the confidence of the private sector as well as of citizens. An atmosphere of hope and revival emerged between 2002 and 2005. Private investment and foreign direct investment increased, as discussed in the next section. But this situation did not last long. The deterioration of security after 2005, and then again in 2014, including disputed presidential elections, put the gains at risk and adversely affected the population's positive perceptions about the direction of the country. In 2016, according to a survey of about 10,000 people by the Asia Foundation, only 29% said that Afghanistan was headed in the right direction, the lowest in a decade and down from 58% in 2013 (Figure 2.4).[28] But even since 2007, as Figure 2.4 shows, the percentage of people holding the belief that Afghanistan was headed in the wrong direction has steadily increased. A decline in positive perceptions was also observed between 2006 and 2008.

Building state capacity

Given that the state suffered from an acute deficit of capacity, it was crucial to devise ways to provide public goods and build the state's capacity. To accomplish this, three strategies were adopted. The first was to buy capacity from outside the public sector, and the country, by hiring national and foreign consultants and by outsourcing some of the government's core functions. The second entailed donors bypassing the Afghan state and national mechanisms to deliver their projects directly through the private sector and
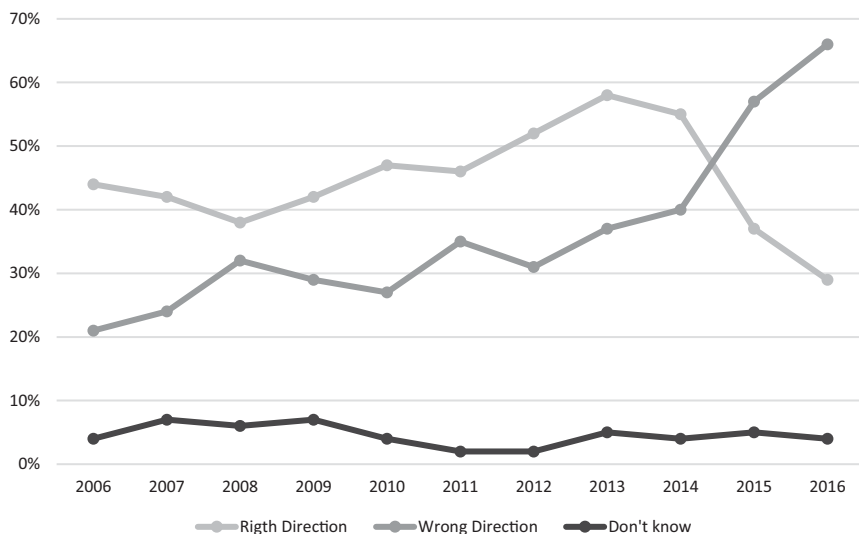
Figure 2.4 National mode—direction of country.
Source: Asia Foundation, *Afghanistan in 2016: A Survey of Afghan People* (Kabul: Asia Foundation, 2016), 18.

NGOs. The third focused on building the capacity of the various government departments through reforms, training and new hiring. However, success has been mixed and, as will be discussed later, these strategies in some cases proved counterproductive.[29]

The capacity of state institutions has improved significantly since 2002. Despite these improvements, however, the state remained weak, with very limited fiscal, legal and coercive capacities. A low fiscal capacity was evident in the low extraction and distribution capacities of the state. While tax revenue as a total share of GDP increased from 4% in 2004 to 10% in 2015, on average it remained at 7% between 2003 and 2015. Since the late twentieth century, tax revenue as a total share of GDP has been very low.[30] Aid, therefore, remained an important source of finance. Between 2002 and 2015, overseas development assistance (ODA), excluding military aid, on average provided approximately 38% of gross national income (GNI) (Figure 2.5). Development and military aid on average funded 69% of the national budget between 2004 and 2018 (Figure 2.6). Another measure of state capacity is the government development budget execution rate, which was only 43% between 2002 and 2010.[31] This percentage did not change greatly in the ensuing years. In the first six months of the fiscal year 2017/2018, the government development budget execution rate remained at 20%.[32] Figure 2.5 shows the inflow of net ODA as a percentage of GNI and tax revenue as a percentage
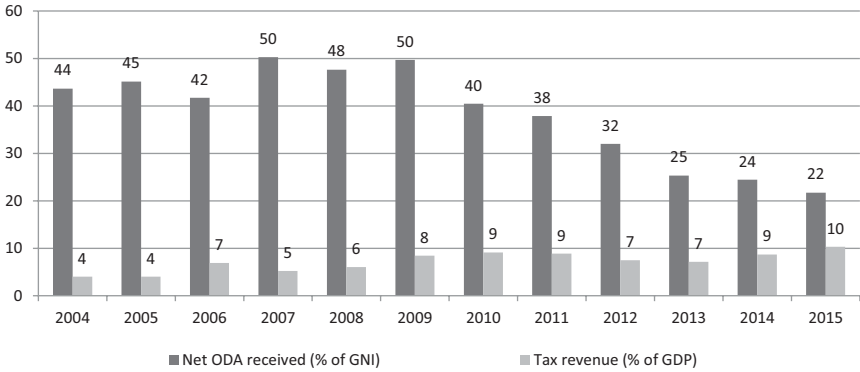
Figure 2.5 The flow of net ODA and tax revenue.
Source: World Development Indicators, 2017.
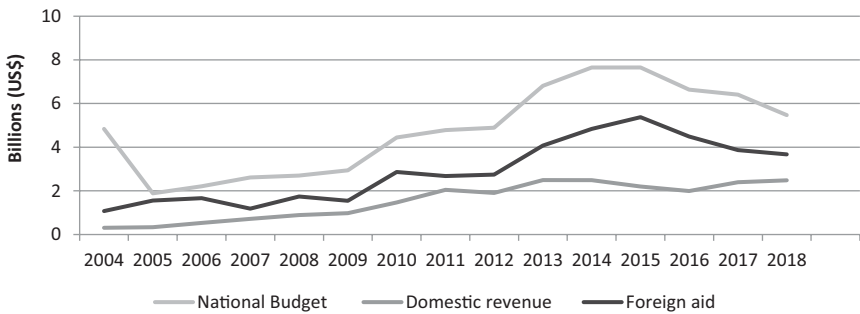
Figure 2.6 National budget and sources of funding, 2004–2018.
Source: Ministry of Finance, 2019.

of GDP. This figure, however, does not include military aid and some areas of assistance that the US classifies as development assistance. It was also projected that Afghanistan will require between US$6 billion to US$8 billion per year on average in international grants between 2020 and 2024 to sustain the gains, revive the economy and sustain a potential reduction in violence in the event if the Afghan government would reach a political settlement with the Taliban.[33]

First, reliance on technical assistance was part of a strategy to buy capacity. From 2002 to 2014 donors spent, on average, between US$250 million and US$1 billion annually on technical assistance projects, recruiting national and international staff. However, a large portion of technical assistance programmes was off-budget. According to an estimation by the Finance Ministry of Afghanistan, as of 2010, 7,000 Afghans were working

with civilian ministries, referred to as externally funded staff and recruited through donor-funded projects outside the government budgetary process. In 2011, 5,000 externally funded staff (almost all Afghans) worked in eight key ministries and one agency.[34] No reliable data are available on the total number of consultants working with non-state actors. However, the technical assistance programmes were ineffective. In 2008, a study sponsored by the Agency Coordinating Body for Afghan Relief found that, even though "[o]ne quarter of all aid to Afghanistan has been allocated to technical assistance which is intended to build government capacity, much of this assistance has been ineffective, donor-driven, and of limited impact".[35]

The government established an interministerial body for the coordination of capacity-building initiatives. In 2008, the government announced in the Afghanistan National Development Strategy that:

> the Government will ensure that technical assistance will be demand-driven and aimed at building Government capacity. In addition, it will ensure that it is delivered in a coordinated manner. All technical assistance channelled outside the [government] budget should have capacity-building components and require Afghan counterparts.[36]

However, while the process improved slightly, the problem remained.

In addition, the outsourcing mechanism was used to overcome the state's weakness. In the first few years after the fall of the Taliban regime, some government functions were fully or partially contracted out to the private sector. These included procurement, delivery of basic health services and community development programmes. After building initial capacity, the state resumed some of these functions, such as procurement. But other services, such as the delivery of basic health services and community development projects, continued to be delivered by NGOs, using the government budget and procurement system.[37]

The civil service law remained rigid and out of date and civil servants were poorly paid, receiving on average about US$50 per month in 2002. Projects funded off-budget thus remained attractive for paying competitive wages. As a result of this type of intervention, civil administration became fragmented across ordinary and secondary civil services. The former included civil servants recruited under the existing law, the latter those recruited mainly through projects funded off-budget based on short-term contracts. Therefore, both the government and the donors relied on buying capacity from outside and contracted out some of the government's functions to substitute for the shortage of skills.

The second strategy to overcome the challenges emerging from corruption and state weakness was the bypass tactic, which relied on off-budget aid mechanisms. Donors by and large bypassed the state and delivered their aid through private companies and non-governmental organisations (NGOs). Off-budget aid created a parallel public sector to deliver public services and

implement projects. The problem with the parallel mechanism and process was not that non-state actors implemented projects, but that the aid which flowed through this mechanism was much larger, was poorly aligned with local priorities and induced institutional rivalry and fragmentation. There was also an intermediate approach using trust funds, such as the Afghanistan Reconstruction Trust Fund, which funded the private sector or non-state actors to implement projects. Unlike off-budget aid, however, the funding was channelled through the state treasury and was aligned with government priorities. This approach was relatively effective. Between 2002 and 2012, on average, about half a billion US dollars was channelled annually through the Afghanistan Reconstruction Trust Fund.[38]

Both the bypass tactic and buying capacity had short time horizons. Even though these strategies helped improve the delivery of aid, in some areas they led to the fragmentation of administration, creation of islands of inefficiency and increased transaction costs. Bypass tactics had adverse implications for capacity-building in the long run. They made the government's permanent institutions less attractive for competent candidates, and diverted financial and political resources from building and reforming the permanent state institutions.

The third strategy included direct intervention in building state capacity. This process had mixed impacts. Those government departments and ministries that had exposure to donors improved significantly, the Finance Ministry being a notable example. But even within the ministry capacity varied and was less sustainable because of dependence on aid and technical assistance. The General Directorate of Budget of the ministry has significantly improved and reformed. However, it is important to note that line ministries and departments had to execute the national budget. Low budget execution rate, therefore, as will be discussed below, does not represent a lack of capacity at the General Directorate of Budget level. The General Directorate of Treasury also demonstrated increasing capacity, but this was not the case with the Directorate of Revenue and Customs, as corruption and nepotism have damaged its reputation.

Table 2.1 shows the capacity of Ministries of Finance and Interior as well as the Attorney General Office, representing the fiscal and legal capacity of the state, as these entities had important roles in post-2001 state-building.

The police force faced tremendous challenges arising from organised crime to narcotic syndicates and insurgents. But it remained ineffective, weak and under-resourced. Several factors contributed to this situation. First, the US and its allies concentrated on the "war on terror", prioritising their support to the Afghan National Army. Second, political intervention and a culture of impunity, along with a preference for achieving short-term stability by appeasing powerful adversaries, made a weakened police force more convenient for politicians. Insurgents had increasingly attacked police, finding them an easy target. The role of the police, therefore, had inevitably expanded from enforcing the law to combat and defence. Unlike the Afghan army, for

Table 2.1 Capacities of the Ministries of Finance and Interior, and Attorney General Office

Ministry of Finance	Ministry of Interior	Attorney General Office
• Did not use a computerised system for preparing the budget or making payments until 2002. • Most skilled staff left the country due to war, or key positions were given to political appointees who lacked required skills. • In post-2001, the ministry was reformed and restructured. Its budget department and treasury improved significantly. • However, the ministry in the short term relied on technical assistance and aid from donors to sustain the reforms and build its capacity. • As of 2016, the ministry had 8,088 employees. • While budget formation and execution and payments have improved significantly, revenue collection has suffered from graft and inefficiency.	• During the civil war (1992–1996), the ministry disintegrated, and its link with provinces hardly existed. • Police and civilian support staff did not go through a proper training process. • Recruitments were based on political affiliation and patronage, undermining the loyalty of the officers and soldiers in terms of common goals. • The reform of the ministry was amongst the most challenging tasks. Germany/European Union took the lead on behalf of donors to support reform of the police. • As of January 2017, the total size of the Afghan National Police was 153, 997, excluding the Afghan local police (28,724 by February 2017). • Despite the efforts to reform and restructure the ministry, the success has been mixed. People had little trust in the police, with corruption continuing to remain a major challenge.	• As of 2002 had limited capacity and suffered from widespread corruption. • Post-2001, the Office was re-established as an independent entity of the executive branch with authority to investigate and prosecute cases. • In comparison to the Ministry of Finance, reform was slow and inefficient. • The Attorney General Office was significantly affected by domestic politics, where impunity became common. • The Attorney General Office had 5,200 employees, among whom only 51 people had bachelor's degrees and two have master's degrees. • People had little trust in the Attorney General Office.

Source: Ministry of Finance, *Chart Tashkilati Sal-E 1395 Wuzarat-E Malia* [Finance Ministry Organisational Chart]. 2017, and Attorney General Office, 2018.

which the US remained the main donor, fragmentation of donors and narco-corruption have hampered police reform. Germany, and then the European Union, on behalf of donors, took the lead in assisting police reforms post-2001. Key police positions, which brought opportunities for illegal income, were mainly sold in exchange for a lump sum or regular payment. While it is difficult to estimate the exact amount of such payments, prices depended on the type of position and potential illegal revenue that an actor could

appropriate. The failure of police reform was multifaceted, with a legacy of weak institutions, police capture, ethnic favouritism, nepotism and low pay as well as donor fragmentation by and large undermining the reform efforts.[39]

The Attorney General Office had a poor reputation due to corruption and lack of capacity. A common police view was that "we risk our lives to arrest criminals, but the attorneys and judges free them in exchange for money". The Attorney General Office had also been overwhelmed by high demand, while its staff lacked skills, especially in dealing with complex cases (see Table 2.1). In 2016, the Attorney General Office received and investigated 2,800 anti-corruption and 28,320 civil cases.

Service delivery

The provision of public services since 2002 has significantly expanded. Access to a health facility within a one-hour walk increased from 9% in 2002 to 57% in 2012.[40] The total number of enrolled school students increased from about 1 million above year six to 9.5 million in 2020, 39 percent of whom were girls.[41] The Taliban banned girls from going to school above year six and university under their first role (1996–2001). New roads were built and access to electricity also increased. However, these services were less sustainable. The way the services were delivered had implications for state capacity and costs. As noted above, delivery of basic health services was subcontracted to NGOs and while this approach helped in improving service delivery it also increased the cost of services, which the government would struggle to sustain in the long run.

In addition to the strategies being discussed, the structure of the state itself and the neglect of local state institutions were the two major challenges for state-building and service delivery. In particular, the state structure and lack of clarity within different departments and amongst staff presented an obstacle to effective service delivery. Excessive centralisation of public administration, even beyond what the Afghanistan 2004 constitution envisaged, and a blurred institutional role adversely affected the delivery of public services. This challenge was compounded by the limited resources for building the capacity of government departments at the provincial level.

The government departments existed both in Kabul and in the provinces and districts. However, the subnational departments at the provincial and district levels did not effectively participate in or contribute to planning and budgeting. The ministries and departments in Kabul performed or coordinated most of the state functions, such as public financial management, water management and policing. This process had adverse implications for service delivery, implementation, monitoring and downward accountability.[42] In addition, the roles of the ministries in Kabul, the line ministry directorates in the provinces and districts and the elected provincial councils were not clearly defined. Senior officials were often not clear about their roles. The provincial departments were dependent on Kabul for many of their day-to-day operations.[43]

In the first few years post-2001 reforms initially focused on strengthening the capacity of the central government. The fragmentation of state institutions and the flimsy institutional link between Kabul and the provinces might have further encouraged the government to excessively centralise governance processes to extend the reach of the central government and curb the power of strong local actors. Donors also found a centralised administration more convenient to work with. While this approach seemed preferable at the beginning, it undermined the ability to effectively identify and finance local priorities, build local capacity and increase local participation in the long run. Moreover, it was a challenge to maintain the right balance between centralisation and decentralisation, a situation that has also been observed in other fragile contexts.[44] A notable example was recentralisation of the revenue collection process. In 2002 and 2003, regional commanders and strongmen controlled provincial revenue and customs. The government recentralised revenue collection and allocation through a consensus-building process, organising a meeting in Kabul to discuss the centralisation of revenue with the commanders and strongmen, and issuing a decree after an agreement of sorts was reached with them.[45]

While the concerns regarding decentralisation in Afghanistan—that it may lead to corruption and empower local strongmen in some cases—seem valid, some of the programmes in which people fully participated and were managed in a decentralised manner were more effective. The National Solidarity Programme is a major success in the history of development in the country. By allowing people to participate in the design, implementation and monitoring of their local projects, this programme mitigated the risk of corruption and waste. It also helped in building the capacity of local communities and establishing an extensive network of communities that practised power in a democratic manner. Another important aspect of this programme was that an appropriate mode of aid delivery was adopted. The National Solidarity Programme was entirely funded by donors through pooled funding, the Afghanistan Reconstruction Development Fund, which was managed jointly by the World Bank, the government and concerned donors.[46]

Establishing security

The Afghan government and international community relied on five strategies to establish security and prevent Afghanistan from again becoming a safe haven for groups such as Al Qaeda. The US and its allies sought to defeat Al Qaeda and keep the Taliban at bay by relying on the International Security Assistance Force and private security contractors. In parallel, the building of the Afghan National Army and Police, the disarmament, demobilisation and reintegration of illegal armed groups, and a counternarcotics strategy were initiated. However, success was mixed, and in some cases these strategies, as will be discussed later, were either only partly implemented or were contradictory. Inadequate investment in the security sector in the first years after the international intervention in Afghanistan, a lack of balance between

building the security sector and short-term objectives of the war on terror, as well as the neglect of the role of regional states in providing support to the insurgency, had repercussions for the security situation and the development of the security sector.

The US military intervention in Afghanistan was part of the war on terror. While US President George Bush campaigned against nation-building in 2000, this rhetoric later changed to arguing that it was imperative to support a stable government in Afghanistan. The war concentrated on short-term measures. The building of lasting stability required the development of national institutions, in which the Afghan national army was the key. The US took the lead in providing financial and logistics support for the development of the Afghan National Army. Out of the total aid (US$57 billion) that Afghanistan received from 2002 to 2011, 51% was allocated to the security sector, primarily the army. This percentage increased slightly in the following years. In 2019, out of US$8.5 billion in international grants, 60% was allocated to security.[47]

The army's strength gradually grew, and the force became more professional. By 2014, the army had emerged as a credible institution, with 178,617 personnel in total (see Figure 2.7). By 2014, it had taken over full combat responsibility from NATO and US forces. The army kept the Taliban at bay and prevented it from capturing major urban centres. The US also relied extensively on private security contractors. As of March 2009, there were 90,339 US Department of Defense contractors and 99,800 uniformed personnel in Afghanistan.[48] However, the Afghan National Army extensively relied on the US's logistical, financial and air support. Once the logistical and air support ceased, the capabilities of the Afghan National army was seriosly undermined.
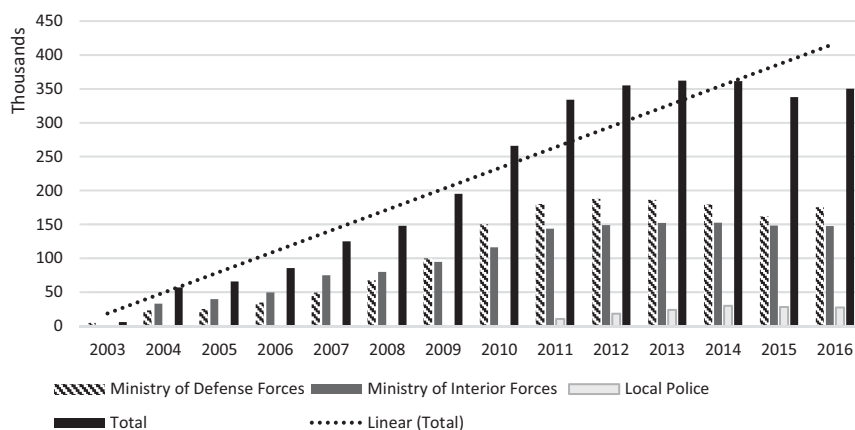
Figure 2.7 The development of Afghanistan's security forces.
Source: Brookings Institute, 2016.

The Afghan government became increasingly critical of the role played by these contractors, given the adverse implications for the development of the security sector as well as the security situation in general. However, as the strategy for building the capacity of the army focused on counterinsurgency, the army was not adequately equipped to meet the threat of a conventional war. This issue captured attention when, in 2015, the Taliban captured Kunduz city in the north of the country for a short period. The army did not have sufficient airpower and therefore relied on the US and NATO for air support during its offensive to recapture the city.[49]

Following the Bonn agreement, Afghanistan's disarmament, demobilisation and reintegration aimed to enable the government to establish a monopoly over the use of force, helping the former militias and commanders make a transition to civilian life, and breaking the linkage between commanders and militia forces. Japan became a lead donor for this programme. While there was a dispute over whether the total number of armed groups was 50,000 or 250,000, 63,380 armed militias were disarmed by 2008. A relatively calm security situation and a new Political Parties Law (2004), which prohibited political parties from either possessing military organisation or being affiliated with armed forces, created some incentives for armed militias to participate in a political process. A number of factors made this programme less effective, namely: (i) the capture of state security institutions by those who were affiliated with militia groups; (ii) exclusion of the disarmament, demobilisation and reintegration programme from the Bonn agreement; (iv) linking of this programme with the security sector reforms, which resulted in delays; and (iv) a deteriorating security situation after the first few years of the implementation of the programme. However, despite Afghanistan being a difficult environment for the programme, it achieved some early results and was generally supported.[50]

The narcotic business posed a major challenge for stability and counternarcotics strategies proved ineffective. In the first years after military intervention, the US did not prioritise counternarcotics, especially as it had a limited number of troops on the ground. Although this strategy later changed, with increasing emphasis on eradication, there were diverging views between the US, the UK and the Afghan government. The US emphasised a more aggressive eradication approach, while the Afghan government and the UK emphasised a gradual intervention with more emphasis on alternative livelihoods to minimise the adverse impacts of eradication on poppy farmers. Interdictions targeting traffickers that did not directly harm local populations were also employed. This process was complex, making the counternarcotics strategy less effective, and its failure further strengthened the insurgents who were able to extract significant income from the narcotics business.[51] Increases in the illicit drug economy in Afghanistan were associated with insecurity. In 2007 and 2008, "the drug economy reached levels that had thus far been unprecedented in the world, at least since World War II, with 2014 being another very high year".[52] Some of the structural drivers of the poppy

economy—including insecurity, political power arrangements and lack of economic alternatives—remained largely unchanged. The income from poppy farming became a major source of revenue for the insurgency. As of 2014, no major eradication measures had been adopted; one can argue that increases in poppy production were a key driver of the insurgency.

After a period of relative calm between 2002 and 2005, the security situation started to deteriorate rapidly. A reduction in resources on both sides in the first few years after the fall of the Taliban regime—mainly due to the low levels of military and economic aid to Afghanistan, and the neglect of Pakistan's support to the Taliban—contributed to this situation. In the two years following international intervention, Afghanistan received US$57 per capita, while Bosnia and East Timor received US$679 and US$233 per capita respectively.[53] The military sector was therefore under-resourced and the target set for the Afghan National Army and Police in 2002 was not realistic (see Figure 2.7). Subsequently in 2009, in response to a deteriorating security environment, US President Barack Obama ordered 30,000 more US troops to be sent to Afghanistan. The total number of American forces increased to more than 100,000.[54] The flow of aid to Afghanistan also increased. Total military and development aid disbursement rose from US$7.1 billion in 2008 to US$10.8 billion in 2010, with aid from the US forming a significant portion. The US military and development aid increased from US$4.5 billion in 2008 to US$8.1 billion in 2010.

However, in 2014, a triple transition—security, political and economic—again increased the risk of collapse. The withdrawal of the bulk of international troops from Afghanistan, a sharp decline in the flow of aid to the country, the resurgence of the Taliban and the rise of IS (Islamic State) increased the level of threats. Domestic politics in Washington and other donor capitals, rather than conditions on the ground in Afghanistan, were the main drivers of international troop withdrawal from Afghanistan. The US decision to withdraw combat troops from Afghanistan created a sense of uncertainty. This was compounded by the fact that the US and its allies, who had greater capacity to keep regional spoilers at bay, failed to adopt an effective regional strategy. Subsequently, the Taliban group increased its attacks and, in response to the deteriorating security situation, US President Donald Trump introduced a new strategy for Afghanistan in August 2017. This strategy stated that any future adjustments in US policy for Afghanistan would be made based on conditions in Afghanistan, a modest increase in American troops and with an increasing emphasis on the region, especially Pakistan, to end safe havens for the Taliban and other similar groups. Taliban attacks on civilians, military personnel and public buildings had already significantly increased. Civilian war deaths and injuries also had steadily increased, reaching their peak in 2016 (see Figure 2.8).

An expanded, well-resourced and multifaceted insurgency posed an existential threat to the regime. The insurgents of the Taliban derived their income from the narcotic business, extortion, regional networks and had safe havens
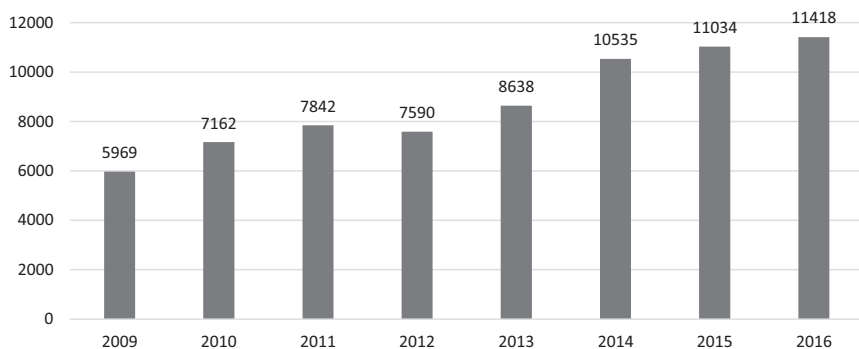
Figure 2.8 Civilian deaths and injuries, January 2009–December 2016.

Source: UNAMA, *Afghanistan: Protection of Civilians in Armed Conflict, Annual Report 2016* (Kabul: UNAMA, 2017).

in Pakistan. These factors have sustained the insurgency and have increased the level of threat in Afghanistan. It is difficult to estimate the then total number of Taliban fighters and how much financial support they received. Some analysts estimated that at any one time the Taliban could field up to 10,000 fighters, of which 2,000–3,000 seemed highly motivated, full-time insurgents, and 200–300 were believed to be foreigners.[55] Other studies showed that by the winter of 2014/15, the Taliban manpower stood at 235,500, including 80,000 reserves, and their income was close to $900 million. Eighty percent of the funds to the Taliban came from external sources: 54 % of funds were made available by foreign governments, such as Pakistan, Iran, Saudi State, and China. About 10% were made available through private donations abroad, and 16% were provided by *jihadist* organizations. These funds were channeled through different *shura*s (councils) of the Taliban residing outside Afghanistan.[56]

The US and its allies failed to adopt a regional approach that could block the insurgents' sources of income and end the safe havens. This failure made the counterinsurgency strategy in Afghanistan ineffective, and people eventually lost confidence in the government. This failure and the memory of past wars encouraged a large number of people to leave the country. The total number of Afghan refugees in 2016 stood at 2.5 million.[57] After Syrians, Afghans formed the second largest group of asylum seekers in the world, reaching their peak in 2014 (59,472).[58] The number of internally displaced people increased to close to 2 million people in 2016. Figure 2.9 shows the pattern of internally displaced people in the country and Afghan refugees between 2002 and 2016.

In 2010, the Afghan government established a High Peace Council to negotiate with the Taliban on a political settlement. On 20 September 2011,
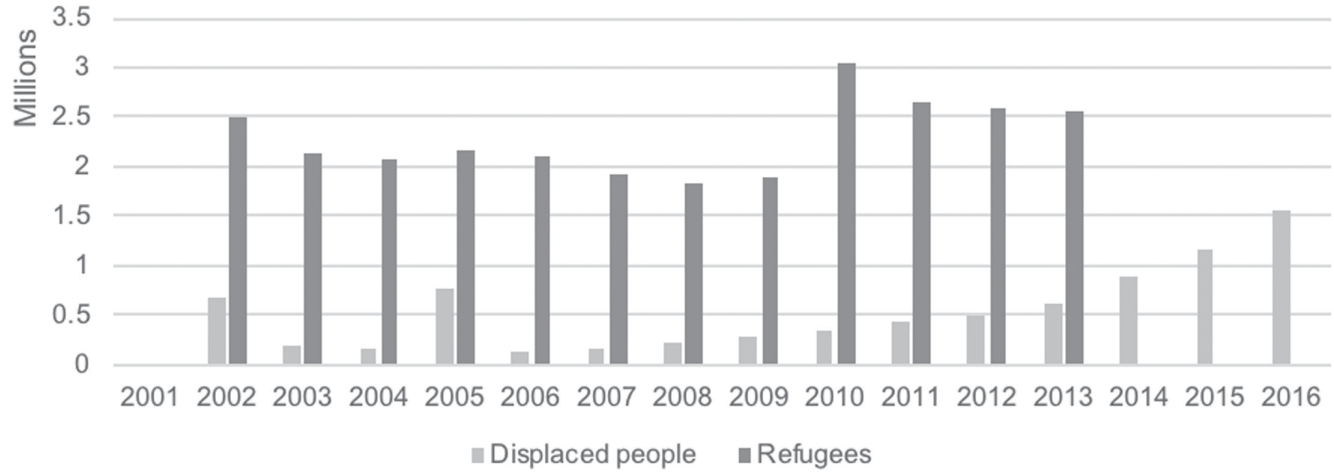
Figure 2.9 Internally displaced people in Afghanistan and Afghan refugees, 2002–2016.
Source: UNHCR, "Population Statistics", 2017.

Burhanudin Rabbani, the former President of Afghanistan (1992–1996), who chaired the council, was assassinated in Kabul by a messenger who was reported to represent the Taliban.[59] Later, the Afghan government and the US agreed to the establishment of a Taliban political office in Qatar in 2013. However, the Taliban refused to negotiate with the Afghan government and increased its attacks instead.[60] In 2018, the US began direct negotiations with the Taliban, signing an agreement with the Taliban, called *Agreement for Bringing Peace to Afghanistan*, on 29 February 2020. The US pledged to significantly reduce its troop numbers in the country, while the Taliban promised to disassociate itself from Al Qaeda and other terrorist groups and negotiate a settlement and permanent ceasefire with the Afghan government. The US, however, bypassed the Afghan government, unilaterally agreeing to troop withdrawals and facilitation of prisoner exchanges with the Taliban. The direct talks between the Afghan government and the Taliban began on 12 September 2020, but there was no progress. Amid the withdrawal of the US and NATO troops from Afghanistan the Taliban eventually captured Afghanistan by force, leading to the collapse of the Republic in August 2021, marking the disruption of a yet another era of progressive politics in the modern history of Afghanistan. The prospects for reaching a political settlement between the Afghan government and Taliban, however, were uncertain from the very beginning of the peace talks.[61]

Volatile private investment

In 2002, with poor infrastructure, weak public institutions/legal system and high levels of insecurity, Afghanistan was a high-risk country for investment. Despite these challenges, the country offered an opportunity for high returns due to the huge gaps that existed in the market. One of the main questions was how to increase investment and improve private-sector development as a key driver of economic growth. The approaches adopted, however, lacked a degree of pragmatism and the initial interventions were less effective as a result. A lack of balance between short-term objectives and long-term development hindered the process. While early GDP growth was impressive (Figure 2.11), it was volatile and not sustainable.

From the mid-twentieth century onward, Afghanistan developed a mixed economy that included elements of both market and command economies.[62] But the protracted conflict of the last decades of the century left the economy in a state of collapse. The Afghanistan Constitution (2004) envisaged the private sector as the engine of growth. The government also emphasised public-private partnership. These efforts to rapidly transform the economy without a proper strategy that acknowledged the limits and opportunities neglected the fact that neither the government nor society were adequately prepared

for the sudden introduction of a market economy. The government in 2008 emphasised that:

> [The government] objective is to enable the private sector to lead Afghanistan's development within a competitive market-based economy in which the Government is the policymaker and regulator of the economy, not its competitor. The establishment of a strong enabling environment for a competitive private sector is an ongoing effort by both the Government and donors.[63]

The government revised its policies and laws concerned with regulating the role of the private sector in the economy. After the introduction of a market-led economy post-2001, early signs of resistance were apparent in some of the institutions, such as the Planning Ministry, which had in the past led economic planning. The ministry was, however, bypassed by both the government and donors. Instead, the Finance Ministry assumed most of the responsibilities that formerly fell within the purview of the Planning Ministry. Privatisation of state-owned enterprises was initiated. As also observed in other post-conflict countries, early constitution-making in Afghanistan failed to include a proper framework for economic transition. Despite these challenges, there was no sign of organised resistance by the public. However, oligopoly, massive corruption and fraud emerged as major challenges, and the relationship between politics and business became further blurred.

   The confidence of both individuals and companies was crucial. At the onset of the decade from 2010, international support for and consensus on Afghanistan boosted the confidence of people and private investors. While exact data are not available, many Afghans either returned to Afghanistan or sent money to invest in housing. Investment in some sectors, such as telecommunications and services, was significant. Two telecommunication companies, Afghan Wireless and Roshan, are notable examples. Since 2003, Roshan has invested US$700 million in the country.[64] Between 2002 and 2020, the largest contributors to GDP in annual percentage terms included services, agriculture, industry and manufacturing (see Figure 2.10). Of businesses in Afghanistan 80% were small and medium size, employing one-third of the workforce.[65] In 2015, 678 firms existed in Afghanistan. The total annual production value of the main industries was estimated at US$109 million, showing 40% fall in comparison with 2013.[66]

   Foreign direct investment has remained volatile. It increased steadily between 2002 and 2005 but declined sharply thereafter (see Figure 2.11). While the legal framework for private-sector development improved significantly, the government strategies did not relax other constraints. Poor infrastructure, lack of access to cost-effective electricity, corruption and insecurity have continually constrained the development of the private sector.

   The Afghanistan Investment Support Agency estimates that, since 2002, actual investment in Afghanistan has been US$25–30 billion in construction (35%), services (31%), mining (19%), manufacturing (11%) and agriculture
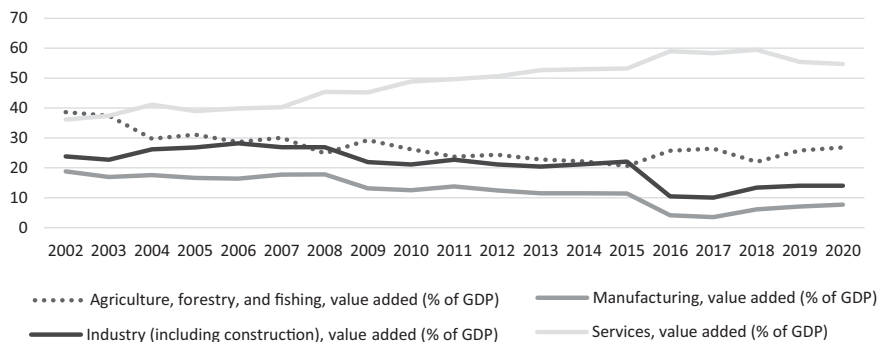
Figure 2.10 Value added to GDP by sectors (in %).
Source: World Development Indicators, 2022.
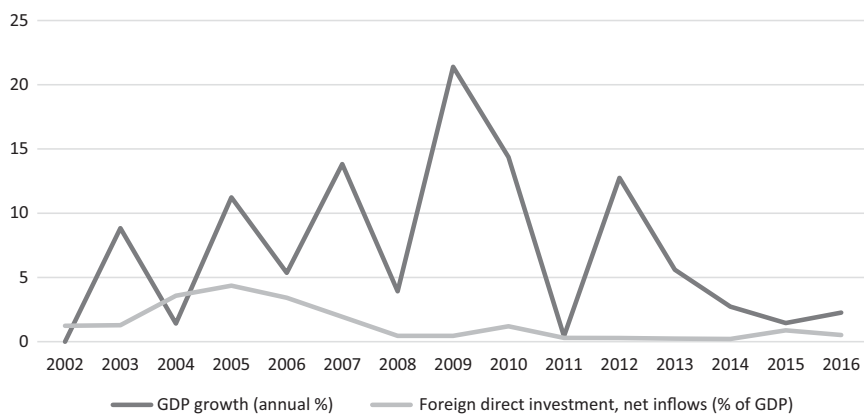
Figure 2.11 Net ODA, tax revenue and foreign direct investment.
Source: World Bank, 2020.

(4%).[67] However, this figure does not distinguish how much of the investment was from the private sector versus donors. The flow of aid to fund infrastructure and services had a positive impact on private-sector development, but in terms of direct public investment the private sector was under-resourced. Between 2002 and 2011, out of US$57 billion being disbursed, only 2% was invested in programmes that directly supported the private sector.[68] In addition, the flow of a large portion of aid outside the government budget and national mechanisms, as noted above, diverted much of the resources that could have helped promote private-sector development. According to an estimate by the World Bank, the local content, when using local goods and services, of on-budget aid was about 70–95%, compared to 10–25% for off-budget aid.[69]

The US, UK and Germany were the lead donors supporting private-sector development. Germany has had a long history of private-sector linkages with Afghanistan. However, while the US emphasised building a market economy in Afghanistan, Germany preferred a European approach, envisioning a larger role for the public sector, and it played an important role in supporting the Afghanistan Investment Support Agency (established by a presidential decree in 2003, with responsibility for registration, licensing, support and promotion of investment). This situation created some tension with the US—for instance, over the characteristics of the reborn Chamber of Commerce in Afghanistan.

Public expenditure, mostly financed by aid, significantly increased the volume of Afghanistan imports. Afghanistan suffered from a huge trade deficit, due largely to the lack of domestic production and high demand for imports (Figure 2.12). Afghanistan eventually became an important market for its neighbours. In 2017, Afghanistan's top export destinations were Pakistan (US$373 million), India (US$242 million), China (US$21.3 million), Iran (US$18.1 million) and Turkey (US$16.4 million). The top import origins were Pakistan (US$2.2 billion), China (US$709 million), Iran (US$450 million), India (US$438 million) and Russia (US$407 million).[70] Pakistan therefore remained Afghanistan's top trade partner.

Concerning the flow of aid from the region, investment from Afghanistan's neighbours, with the exception of India, was low in comparison to major Western development partners. As Figure 2.13 below shows, major regional development partners were India, Iran, Russia, China, Pakistan and Central Asian countries.[71]

With China having political and commercial interest in Afghanistan, its efforts to expand bilateral trade and investment have increased significantly.
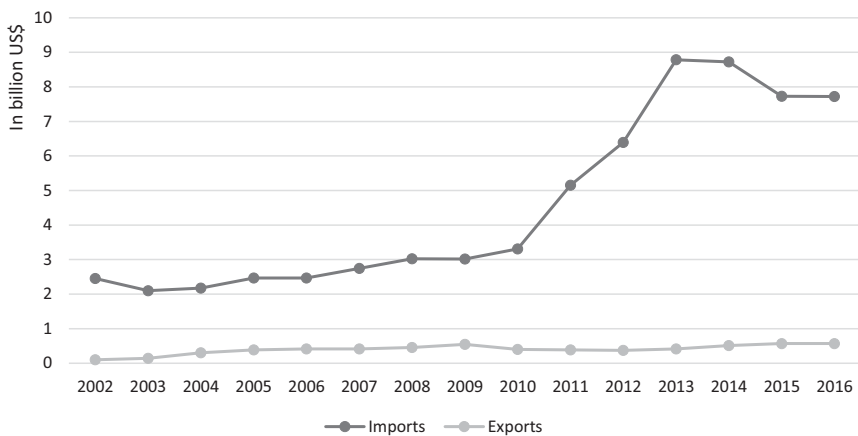
Figure 2.12 Imports and exports in Afghanistan (in US$).
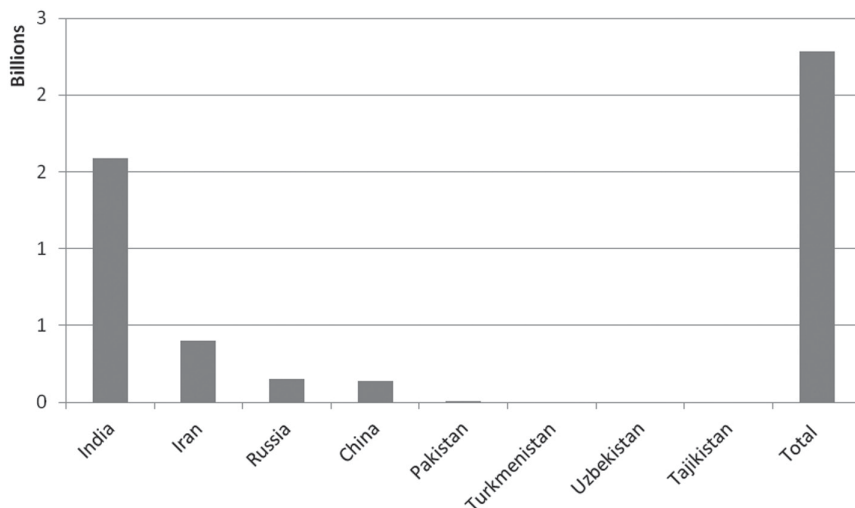
Figure 2.13 Flow of aid from the region to Afghanistan, 2002–2011 (commitments in US$).

Source: Afghanistan's Finance Ministry, 2010.

In 2008, two state-owned Chinese companies secured the contract for the Mes Aynak copper mine in Logar Province, the world's second-largest undeveloped copper deposit. This project has stagnated, however, with three factors hindering its development: a deteriorating security situation, the existence of an archaeological site in the area and a drop in prices for copper and other metals.[72] Delays in this project deprived the government of an estimated US$390 million in annual revenue as of 2017. For the Afghan government, Chinese involvement in this project was essential both for implementation of the project and stability in the long run. The Afghan government expected that China, as a major economic power and close ally of Pakistan, would press Pakistan to relinquish its assistance to the Taliban.

India was involved in economic development both as a donor and contractor and has focused on major infrastructure projects. Some notable projects include Salma Dam in the Herat province, Delaram Zaranj and Khost to Gardez highways, and installation of an electricity line that brought power from Uzbekistan to Kabul. An Indian consortium won the second-largest mining contract in Afghanistan for the Hajigak iron mine in central Bamyan Province. However, the contract finalisation and actual operations remain stalled due to concerns about lack of security and low world mineral prices.

As one of the most important neighbours economically and politically, Pakistan has played a dual role in Afghanistan. Karachi, the southern port

city in Pakistan, provides landlocked Afghanistan with its main access to global and regional shipping. On the flipside, Pakistan has also been criticised for predatory economic practices, such as product dumping. In addition, it has periodically closed its borders or imposed restrictions on the movement of goods to or from Afghanistan, which has adversely affected the relationship between the two countries.

Resilience

Despite being exposed to major shocks, communities and public institutions at the provincial level have exhibited a greater degree of resilience. During the civil war in the 1990s, local public institutions were generally functioning, albeit with limited capacity, and communities offered a social safety net for the most vulnerable. However, except some institutions such as Ministry of Finance, this was not the case at the national level. Despite major improvements since 2002, the state as yet lacked resilience. Historically, Afghanistan has been highly susceptible to internal and external shocks. External shocks resulting from rivalry among major regional and global powers had a major impact on Afghanistan's political stability, economy and society. The Cold War between the US and the Soviet Union in the late twentieth century fuelled the conflict between the Afghan government and the *mujahidin tanzims*, mainly operating in rural Afghanistan. The Soviet Union supported the Kabul government, and the US and its allies the *mujahidin*. The Cold War thus provided different groups with external rents and an ideology to justify their struggle. While it was expected that the consensus which emerged over Afghanistan post-9/11 might reduce the adverse effects of power rivalry in Afghanistan, the situation continued, with the Cold War actors being replaced by India and Pakistan, and China and US.

While Afghanistan has made some important progress since 2002, it faced major security and political shocks in 2009 and 2014 that increased the risk of collapse. However, some short-term measures, such as an increase in the number of international troops (2009 and 2010) and continuity in the flow of a modest level of aid (2014), helped to avoid such a collapse.

The 2014 shocks, in particular, seemed massive. Some analysts have compared these shocks to the period after the Soviet Union's collapse, when the termination of Soviet military and economic assistance to President Najibullah's regime in 1992 contributed to the collapse of the government in Kabul. The subsequent events led to a civil war among different armed groups. Even though the situation in Afghanistan in 2014 was quite different, citizens, politicians and donors remained concerned about the risk of an armed conflict and political chaos. However, Afghanistan's experience provided an early warning. In the short term, donors, for their part, attempted to mitigate the adverse impact of the troop withdrawals, and of any sudden cuts in the flow of aid, by pledging to sustain their support at a modest level. During the 2014 presidential election crises, the US actively mediated between the two candidates, resulting in the establishment of the National Unity Government.

Moreover, patronage, elite fragmentation and a lack of checks and balances have increased the risk of internal shocks. These factors, in the absence of a sufficient level of legitimacy and weak state capacity, further reduced the country's resilience. While elections were expected by Afghans and the international community to help a smooth political transition and improve government legitimacy in the eyes of the citizens, they instead turned into a source of political instability and societal division. This was, by and large, the result of a political system that incentivised the candidates to do "everything" to win elections, and the loser to reject the outcome, as well as of the existence of an inefficient electoral administration.

In addition, political resilience was weak. Not only was there a lack of public consultation on policy change through the existing mechanisms, but there was also a lack of consensus and coordination across the government leadership. On the other hand, the government seemed increasingly preoccupied with donors, in negotiating both on aid conditionality and aid flows and on policy changes. While this process appears plausible given the need for a sustained flow of aid, it has led to the neglect of pressing domestic needs and challenges by the Afghan government. Moreover, a lack of checks and balances has had adverse implications. Powerful actors enjoyed immunity, and those in key state institutions had high levels of discretion in allocating resources and interpreting the law. While the National Unity Government promised an ambitious reform package to address some of these shortcomings, it failed to deliver on this promise.

Persistent uncertainties and security threats undermined growth and increased fiscal pressures. While Afghanistan maintained macroeconomic stability and a stable exchange rate, and increased its foreign exchange reserves (from US$3 billion in 2008 to US$9.7 billion in 2020),[73] it has been endangered by political, economic and security shocks. As noted in Figure 2.11, economic growth, measured by GDP growth, dropped from 14% in 2010 to 1% in 2015. While efforts since 2002 have helped to create conditions for recovery, progress has been slow, in large part due to conflict and inappropriate modes of aid delivery. Historically, high dependence of the Afghan state on aid has not been sustainable as aid shocks have a strong impact on macroeconomic and political stability. Although Afghanistan's location and its mineral resources offer potential for development, and alternative sources of revenue to substitute for aid, in order to capitalise on these Afghanistan needs to make significant investments in these areas. However, following the fall of the Republic in August 2021, these achievements were put at risk and in a matter of months the economy deteriorated rapidly and was on the verge of collapse.

The terms of trade have also been also vulnerable to shocks. Afghanistan's access to international markets through Pakistan has been closed on many occasions due to political tension between the two countries. This had immediate impacts, increasing the price of imported goods and lowering the price of exported goods. This situation has also affected domestic production, as most of the raw materials for production are imported. To overcome this

constraint, Afghanistan has invested in diversifying its access to international markets, such as by using the Chabahar port in Iran that connects India and Afghanistan through Iran and India through Afghanistan to Central Asia. In May 2016, Afghanistan, India and Iran signed a regional connectivity agreement centred around the Chabahar port, calling it a "creation of history". An initial investment of US$2.1 billion has been committed for building rail connections to the port and from Chabahar north to Zahedan on the Iran–Afghanistan border.[74] However, this project remained susceptible to the possible reimposition of US sanctions on Iran over the latter's nuclear programme. These concerns were heightened during the Trump administration in the US (2016–2021). The prospects for regional cooperation and integration, however, were highly vulnerable to power rivalry in the region.

The proportion of the population living below the national poverty line increased from 36% cent in 2011/12 to 54% in 2016,[75] with more people remaining at serious risk of falling into poverty. The unemployment rate also grew, reaching to 22.6% in 2013/14, an increase of about 1% over the preceding two years.[76] The total number of war-affected disabled people is estimated at close to a million.[77] In addition, Afghanistan is highly exposed to natural hazards such as flooding, earthquakes, landslides, snow avalanches and droughts due to its geographical location and environmental degradation. Since 1980, natural hazards have affected about one-third of the population and have caused over 20,000 fatalities. In 2017, natural disasters internally displaced 44,000 people.

Conclusion

To unpack some of the lessons learned in post-2001 Afghanistan, one needs to appreciate a number of variables, both domestic and international, which the following briefly discusses.

Post-2001, there was a lack of focus on nation-building

Constitution-making and political transition in Afghanistan took place under increasing time pressure, driven by external security and political imperatives, especially by the US. This process, however, hampered the outcomes needed for lasting stability and improved state and society relations based on a locally driven nation-building agenda. In addition, the preoccupation of politicians and donors with building state capacity led to neglect of the need for nation-building.

Investment in security and development in the first years after war was too low

While the economy had contracted and the state remained weak and fragmented following protracted conflict, donors provided little aid for reconstruction and recovery and invested little in building public administration

and the security sector in the first years following the fall of the Taliban. In the two years following international intervention, Afghanistan received five to ten times less aid per capita than Bosnia and East Timor.[78] The requirements for rebuilding the security sector were underestimated and the target numbers for army and police personnel, in particular, were unrealistic. While later Afghanistan received massive aid and the target for police and army was adjusted, the initial conditions and policies created a gap that the insurgents and other spoilers later capitalised on.

The interventions in Afghanistan, and the policies adopted, mainly had short horizon

The war on terror dominated the US and its allies' engagement in Afghanistan. This type of engagement, and the subsequent state-building strategies, did not foster effective state-building in the long run. While the focus on quick results aimed at defeating Al Qaeda and keeping the Taliban at bay was inevitable, it diverted much of political attention and financial resources away from building the economy and state institutions. Nor were the approaches adopted by the US and the Afghan government to containing or defeating the insurgency ultimately successful, as they offered no long-term prospects for rebuilding security. A lack of balance between short- and long-term objectives thus had adverse effects on building state legitimacy and effectiveness as well as on the economy.

External adversaries were recognised but overlooked

A major caveat in the state-building process and international support for Afghanistan was the neglect of external adversaries. The persistence of the Taliban insurgency proved to be a major obstacle to relaxing some of the constraints that sustained Afghanistan's fragility. Support from Pakistan, in the form of safe havens and logistics, enabled the Taliban and the Haqqani network to reorganise and fight against the Afghan government and international troops. Only in 2017 did the US administration officially adopt a policy recognising that Pakistan's support to the Taliban was a major source of instability in Afghanistan. The policy was, however, soon abandoned to advance the US and Taliban direct negotiations, which otherwise Pakistan would not support. Foreign support to the insurgency in Afghanistan was so significant that it contributed to regime change in August 2021.

The aid provided to Afghanistan was ineffective and fragmented and created a situation of high aid dependency

While donors and international institutions in Afghanistan adapted different aid modalities, a large portion of aid bypassed the Afghan government budget and national systems in an effort to expedite project implementation

in response to state weakness and corruption. However, overreliance on this method created a parallel public sector that was fiscally much bigger than the permanent public sector, unintentionally undermining the development of permanent state institutions, the private sector and, in some cases, state legitimacy. In addition, the flow of aid created a situation of high aid dependency which reinforced a historical pattern of building a weak aid-based rentier state in Afghanistan. The state remained weak and suffered from pathologies such as patronage, corruption and deficit of accountability.

The legitimacy of state institutions and the role of local public institution were overlooked

Too much attention was paid to personalised politics and personal legitimacy. Corruption and a lack of impartiality in state institutions have seriously undermined confidence in these institutions. The police and the Independent Election Commission are two notable examples. Widespread corruption in the police, and irregularities and fraud in the electoral process, severely damaged the legitimacy of the state. This shows that the process of building the state's capacity fell short in improving the quality and integrity of institutions, an important aspect of increasing state legitimacy. In addition, the role of local public institutions in delivering services and fostering stability was underestimated. Despite the fact that local public institutions at the provincial and district levels had to implement government policies and deliver services, they attracted little attention from the Afghan government and donors. This situation neglected the need for the development of these institutions.

Despite impressive progress and development in building a representative government and expanding public services and guaranteeing the fundamental right of people, the state remained highly fragile before the regime collapsed in August 2021. A single major factor that outweighed others in contributing to the collapse of regime in Afghanistan was the US-Taliban Doha agreement of 2021. It undermined the legitimacy of the Afghan government by excluding it from the process and paved the path for its collapse when the US cut logistical support to the Afghan army which it needed for its survival. This situation shows a path dependency in the process of state-building in Afghanistan, where termination of external economic and military assistance undermines regime survival.

Afghanistan have been greatly affected by the persistence of exclusive political and economic institutions, elite rivalry and fragmentation, unsustainable fiscal bases of successive regimes, a weak economy, the landlocked nature of the country and its complex social mosaic. Great power rivalry and multiple invasions of Afghanistan have exacerbated or added to its problems. These factors have been the causes and consequences of state fragility. The country will continue to remain exposed to domestic and external shocks, with great power rivalry affecting it significantly. The flow and nature of foreign aid will remain important to the state and economy in the foreseeable future. Building

a stable polity in Afghanistan requires a settlement among different local actors as well as among regional and global powers that would bring an end to conflict and external spoilers supporting the conflict through their proxies, and a transition from exclusive politics and development to a more inclusive politics and development.

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3 Proximate causes of state fragility and sources of resilience in Lebanon

Bilal Malaeb

This chapter examines proximate causes of state fragility and sources of resilience in Lebanon until 2020. Lebanon has endured a turbulent past and continues to suffer its consequences. Lebanon enjoyed an open economy, an open political system, a large degree of diversity and relatively low poverty levels—at least in the years after independence was achieved in 1943. By examining the initial conditions that led to the 1975 collapse, the strategies for recovery and the proximate causes of recurrent regress, the chapter demonstrates that while Lebanon had decisively escaped collapse, it has become highly fragile and unstable in recent years. That is, following the Lebanese civil war (1975–1990), Lebanon managed to recover in many respects, largely due to its private sector and several reconciliation accords. However, after witnessing strong economic growth and socioeconomic stability, the country has regressed to fragility due to regional spillovers, internal political deadlock, transnational militant groups and institutionalised sectarianism. The chapter argues that there is no escape from Lebanon's woes without moving to a system where the currently extractive economic and political institutions become inclusive,[1] and external spoilers change behaviour from fuelling conflict to cooperation over long-term stability.

Introduction

Lebanon has a turbulent past and continues to suffer the consequences. Perched on the edge of the Mediterranean, the country enjoys a strategic location and wealth of natural resources. However, poor management, grounded in structural elements of its fragility, has led to catastrophic outcomes. Collier, as noted in the introduction to this book, argues that fragile countries suffer from a number of traps.[2] Within that framework, Lebanon can be argued to suffer from a bad neighbourhood trap and a bad governance trap. The neighbourhood is rife with conflict: to the south Lebanon borders the Israeli–Palestinian conflict and to the north and east the Syrian conflict. Indeed, Israel, the Syrian regime and other armed groups continue to pose a serious threat to Lebanon's peace and stability. Historically, as discussed later in this chapter, both neighbours and countries further afield have interfered

in Lebanese politics. The country is plagued by poor governance, corruption and clientelism. In addition, the country's woes are compounded by sectarianism, illegal arms and extractive political and economic institutions. This chapter aims to examine Lebanon's fragility across five dimensions: state legitimacy, state capacity, private-sector development, security and conflict and resilience. It also describes the conditions that led to the 1975 collapse, the strategies for recovery, and the proximate causes of recurrent regression.

In various ways, Lebanon's fragility is unique. Unlike other conflict-affected and fragile states, the Lebanese civil war happened in the context of an open economy and political system, a large degree of diversity and relatively low poverty levels following independence in 1943. Atzili notes that examining the case of Lebanon sheds light on the onset of conflict and violence in the absence of acute poverty and political oppression.[3]

Lebanon decisively escaped early threats of collapse but has become significantly more fragile in recent years. For a period, the country witnessed strong economic growth and socioeconomic stability. Despite this brief recovery after the Lebanese civil war (1975–1990) and the signing of Taif Agreement, the institutionalisation of the sectarian divides and confessionalism promoted the elite capture and patronage system that still exists today. Lebanon has regressed to fragility due to lack of economic foresight, regional spillovers, internal political deadlock, transnational militant groups and entrenched sectarianism. In 2019, Lebanon's fragility culminated in a citizens' revolution against corruption, oligarchy, embezzlement of public funds and deteriorating economic conditions.

In its modern history, Lebanon has experienced at least five distinct episodes: pre-1975, 1975–1990, 1990–2005, 2005–2011, 2011–2019 and 2019 onwards. Before 1975, Lebanon enjoyed a period of relative peace, calm and prosperity. Fifteen years of inter-sectarian civil war erupted in 1975, with intermittent Israeli occupation between 1982 and 1985. This wrought havoc on the country's infrastructure, political regimes, safety and ultimately its future. In 1989, a national reconciliation accord was signed in Taif, Saudi Arabia, which provided the ground rules for ending the war and rebuilding the country. In 1990, the Lebanese awoke to a peaceful, if deeply sectarian, country divided along the wartime borderlines, each zone heavily militarised with illegal weapons. Following a national amnesty, many warlords became sectarian leaders with political representation in the parliament and cabinet.

The National Pact political system of 1943 divided governmental and military positions by confessional groups: the president a Maronite Christian, the prime minister Sunni Muslim, the speaker of the parliament Shi'a Muslim and the parliamentary seats distributed proportionally among religious groups. In 1982, Israel invaded Lebanon and laid siege to Beirut, causing thousands of fatalities among civilians. From 1985 onwards, the Israeli–Lebanese conflict was mostly concentrated in the south. In 1990, the post-civil war Taif Agreement increased the powers of the Sunni prime minister over those of the Christian president while maintaining the multi-confessional structure of

the political system. As a result, the country began recuperating from the civil war, despite ongoing hostilities with Israel in South Lebanon. It saw development in the private sector, tourism, capital and infrastructure, and a return of normalcy to institutions.

Following the end of the Israeli occupation in 2000, Lebanon experienced five years of prosperity and stability, until Prime Minister Rafic Hariri was assassinated in 2005. That same year, the Syrian pseudo-occupation ended but a series of political assassinations continued until 2013. The Syrian occupation began in 1976, and the Taif Agreement called for Syrian forces to remain in the country as a 'temporary' stabilising force.[4] The Syrians eventually increased their military presence throughout Lebanon and interfered in local political affairs.[5] After 2005, the country was divided into two political camps—the anti-Syrian 14 March alliance (which largely comprised Sunnis, some Christians, Druze and other religious minorities), and the pro-Syrian 8 March alliance (including Hezbollah, Shiite parties and their allies). These alliances eventually dissolved and new political alliances emerged. In 2006, a 34-day war erupted between Hezbollah and Israel in South Lebanon, but the destruction and ramifications were felt throughout the country. In 2007, the Lebanese army fought a radical group in Nahr El Bared (a Palestinian refugee camp in the north) and successfully eliminated the cell. In 2008, accusations of Hezbollah's establishment of a communications network parallel to that of the state led to retaliation. Hezbollah invaded the Sunni-majority areas of Beirut and parts of Mount Lebanon in an effort to reassert its power and showcase its strength. Following months of presidential vacancy due to parliamentary gridlock, the Qatari-sponsored Doha agreement restored the functions of the political institutions and a new head of state, President Michel Suleiman, was elected.

In 2011, war erupted in Syria, with Hezbollah engaging alongside the Asad regime; the Lebanese government took a neutral stance. Since 2012, millions of refugees fleeing the war have arrived in Lebanon. Estimates suggest that the number of refugees amounts to a quarter of the population of Lebanese citizens.[6] The influx of refugees put pressure on state institutions and infrastructure, primarily due to poor management of the crisis. In parallel, the country had been experiencing a governance crisis. The political deadlock created a vacuum in legislative and executive branches of power, and the parliament failed to elect a new president for two-and-a-half years after Suleiman's tenure ended in in 2014.

After years of decline, the Lebanese economy imploded in 2019, causing a popular revolution sparked by the introduction of an extractive tax on VoIP calls (e.g. WhatsApp calls). The economic decline can be attributed to many factors largely related to economic mismanagement and lack of foresight. The country had been running a large current account and fiscal deficits for many years (around 22% and 12% of GDP respectively). It also saw a decline in non-resident deposits, the hallmark of an economy that relied on attracting foreign currency to keep the Lebanese currency pegged at its overvalued rate.

In response, the central bank introduced financial engineering schemes that lent to commercial banks at exorbitant interest rates. These schemes and the entanglement of the balance sheets of the Central Bank, commercial banks and the sovereign, owing to the oligarchic relationship between them, resulted in a strongly net negative foreign currency position. This, in turn, caused the devaluation of the Lebanese pound in 2019/20 and the flourishing of a black currency market due to the scarcity of US dollars in a highly dollarised economy. The debt-to-GDP ratio exceeded 150% in 2019, much of it held domestically by Lebanese commercial banks using their depositors' savings. All of these factors resulted in increasing difficulty in importing basic necessities, such as wheat and fuel, in the summer of 2019. Such difficulties subsequently caused a sharp increase in unemployment, currency devaluation and inflation. decimating people's purchasing power. At the time of writing, Lebanon had defaulted on its public debt obligations, putting at risk the deposits of citizens and the ability of Lebanon to borrow internationally in the future. Despite organising a donors' conference in 2018 in Paris with the International Support Group for Lebanon, which pledged around US$11 billion in loans and grants, the government did not implement the necessary reforms to unlock those funds. In 2020, the government put together an economic recovery plan with the aim of obtaining support from the International Monetary Fund, though there are serious concerns over its ability to implement these reforms.

In October 2019, the Lebanese people took to the streets to protest the injustice, corruption and deteriorating economic conditions and denounce the sectarian rule that exacerbated the weight of Lebanon's extractive institutions, rentierism and patronage system. The protests can be traced to a number of factors: economic stagnation and increasing unemployment, the bushfires in late summer of 2019 which were inadequately dealt with by the government, poor living conditions caused by power outages and water scarcity in a water-rich country, and successive corruption scandals. The millions who protested in the early days of the revolution toppled the Hariri government and a new government was formed. The protestors faced police brutality and conflict with the traditional parties' supporters. Nevertheless, the protests have put significant pressure on the government and elites to change course and attempt to bring back stability, naturally motivated by their own self-preservation. For better or worse, the uprising, together with the economic collapse, represents a turning point in Lebanon's history.

This chapter explores two strands of Lebanon's fragility. First, it describes the conditions that led to its initial collapse and the strategies adopted to escape it. Second, it explores the issues that contribute to its current fragility across the five dimensions. Furthermore, it reflects on the role of the structural factors, while highlighting key symptoms of state fragility that require policy intervention. Some of these issues relate to the judicial system, rule of law, elections, infrastructure, service delivery and security. The chapter also highlights the positive role that the private sector played after the civil war,

the effects of cronyism in this sector and the limited sources of resilience in Lebanon.

Initial conditions: history, geography and institutions

One of the structural causes of Lebanon's fragility is its geographic location. The country's seaports, moderate weather and wealth of natural resources (e.g. water) in an arid and mostly landlocked region made it attractive to colonists. Lebanon experienced a series of occupations in the era leading up to 1975. At the end of Ottoman rule in 1918, the country fell under French mandate. Daron Acemoglu and James Robinson, in their book *Why Nations Fail*,[7] discuss the role of colonial mandates in shaping countries' institutional structure. Indeed, many of Lebanon's current laws are inspired by French laws.

However, the French mandate was characterised by the division of Lebanon and Syria into cantons that directly reported to the high commissioner, which undermined the ability of the central state to govern. Unlike the legacy left by the British colonies in the US and elsewhere, French rule did not leave a coherent set of institutions in Lebanon. Indeed, many of the current institutions were born in the first ten years of independence after 1943.[8] The creation of many of these institutions (e.g. ministries of energy, industry) continued some of the French legacy, which contemporary elites had aspired to use as tools for state-building.[9]

In addition, the pressures of the Syrian and Israeli–Palestinian conflicts and the onset of the civil war undermined efforts at state-building. Following the creation of the modern state of Lebanon and independence from France, the different confessional groups engaged in conflict and military confrontation to claim parts of the land.[10] Nor was the neighbouring political environment conducive to a strong and stable state. In 1948, the Israeli–Palestinian conflict began and resulted in a mass exodus of Palestinians, many of whom took refuge in Lebanese camps, unable to return to their homes. Tense relations with Israelalso contributed to the establishment of a resistance group in Lebanon—first as the Lebanese Resistance and later as the Islamic Resistance, of which Hezbollah formed a part. The Palestinian presence in Lebanon also contributed to the onset of the civil war. The Palestinian resistance movement of the 1960s evolved in the midst of a socioeconomic slowdown in Lebanon. Alleged Palestinian guerrilla attacks led to Israeli targeting of Lebanon and military offensives.[11] The Christian parties viewed the Palestinians as intruders, resulting in much tension and polarisation between the groups.[12] The war started in 1975 and intensified with Israeli arming of Christian Maronite militias. This added pressure came in tandem with pre-existing socioeconomic problems. While poverty levels were low, inequalities existed. Scholars attribute the beginning of the civil war to a strike by fishermen and intra-elite strife that highlighted the inequalities amongst the Lebanese and the failure of the state to address them.[13]

To a large degree, the civil war was a result of issues that the country still faces today: sectarianism, poor institutions and external meddling in local politics (such as by the Syrian regime). During the war, a Syrian force called the "Arab Peacekeeping Force" was sent to Lebanon to ensure stability. However, it soon formed political alliances and supported some sides against others. It is worth noting that, economically, in the pre-war period the country had been prosperous. While data and evidence are scarce, some reports suggest that the GDP per capita was around US$940—among the highest in the region. The economy was mainly driven by trade and the non-financial services sector such as health, education and transport.[14]

However, the benefits of economic growth were not evenly distributed across the population. Indeed, Faud documents stark differences in earnings across the different economic sectors. For instance, per capita incomes in agriculture and industry were as low as US$175 and US$503 respectively, while engaging 56% of the workforce, as opposed to US$1256 for the services sector which engaged 44% of the workforce. Faud suggests that the lack of a solid development agenda and the inequality across society contributed to the breakdown of the sociopolitical order, leading to the civil war.[15]

The 1989 Taif Agreement marked the beginning of the end of the civil war. It came about as a result of internal fragmentation, but was actively mediated by Saudi Arabia, Syria and the US.[16] The Taif Agreement had the eradication of sectarianism as one of its top priorities, yet it provided no clear timeline or guidelines as to how to achieve this. In certain respects, some scholars and national actors view the Taif Agreement as a tool to institutionalise sectarianism by allocating the state positions to different factions. The agreement also called for disarmament of all groups and militias, and, notionally, all militias were dissolved, with the exception of Hezbollah. Syrian forces remained in Lebanon after the war had ended in 1990, with an army of 300,000 along with extensive intelligence units. While the country saw economic growth in the post-war period, the Syrian "occupation" of Lebanon further weakened the role of institutions and undermined their ability to govern. It created space for organised chaos and corrupted the rule of law and governance in the country.

In the reconstruction phase, despite many corrupt practices, the government made serious efforts to bring normalcy to people's lives. The "ministry of the displaced" was established in 1993 in order to restore socioeconomic order to those who had been displaced by the civil war. Nevertheless, much of the success in that phase was due to Lebanon's private sector. Notably, a private company called Solidere was contracted by the government to rebuild the central district of Beirut. Solidere branded the venture as one that would transform the capital and construct a new social identity for the country.[17] In practice, however, Solidere was an endeavour by the Saudi-backed prime minister at that time, Rafic Hariri, to assert his newly established power and the enhanced Sunni position in politics after the Taif Agreement.[18] There is no doubt that Beirut's central district is now a modern icon of the city and was

a major improvement over the destruction of the war. Yet, the way in which this deal was brokered between the state and Solidere meant that the central district is now owned and managed by this company. This led to increases in housing prices in and around the district, and created a space for the elite in a district that was historically a market and residence for both the poor and the rich alike. Hariri, as prime minister, formed strong political alliances and lured the international donor community. He lowered the taxation on the rich to incentivise businesses, increased it on the poor and led the country into a cycle of public debt.[19] This debt has continued to grow to the present day.

The commercial banks and financial institutions also had a major role in the recovery from the collapse. They attracted significant investment from the Lebanese diaspora, and Lebanon's financial discretion lured Gulf and Arab millionaires. The government also borrowed prolifically from the commercial banks to finance its projects.[20] In 2019, however, the reliance on attracting foreign deposits, and the oligarchic relationship between the banks and the state, resulted in an economic collapse. Meanwhile, the former militia leaders of the civil war, who had been pardoned under an amnesty law, "used 'service ministries' as patronage sources e.g. education, health, or regional reconstruction funds".[21]

Deficiency in state legitimacy

Three factors have played a crucial role in undermining state legitimacy:

1) a flawed electoral system and extended parliamentary tenure;
2) the weakness of the judiciary and police;
3) the existence of illegal arms and a parallel state(s) within the state.

Lebanon has a parliamentary electoral system, with the Lebanese constitution dividing the powers of the state among the legislative, the executive and the judicial branches. The parliament (or House of Deputies) is the legislative branch; the cabinet is the executive branch; and courts and judges constitute the judicial branch. Every four years, citizens elect their parliamentary representatives, who—every six years—elect the president of the republic. In consultation with the parliament, the president appoints the prime minister to form a government. The cabinet is then required to gain a vote of confidence from the parliament to undertake its executive duties. The cabinet changes with the change in parliament or presidency—or by resignation.

Electoral law

Until June 2017, two major electoral laws were in place: the "1960 law" and the Syrian-engineered "2000 law". The majority system that underscores these laws ensured that electorally larger political powers within the country continued their tenure in the parliament and reduced the likelihood of

representation for minorities. The ballot party that wins a majority of the votes in an electoral district wins all the seats for that district. This meant that within those districts, in an environment of sectarian divide, larger sects elected the deputies of minorities. The law also promoted the "slating" of candidates, i.e. candidates on the electoral lists are chosen based on their likelihood of winning seats and expected popularity, rather than their political and economic policies. The electoral law, coupled with corrupt electoral practices (e.g. vote-buying), repeatedly resulted in elected houses that lacked nationwide legitimacy.

In the most recent era, and arguably most relevant to this chapter, after the departure of the Syrian forces from Lebanon in 2005, the country was left in chaos. The different state actors could not reach a consensus on any state matter without international mediation—notably from Syria, Saudi Arabia and Qatar—and every time a government was to be formed or a president to be elected, the country would experience extended periods of political vacuum. Most recently, it took 30 months and 45 parliamentary sessions to elect the now-president Michel Aoun (formerly a member of the parliament, an ally of Hezbollah and a disputed former prime minister of a rival government during the civil war, which resulted in his exile).

The parliament elected in 2009 served beyond its four-year tenure. The MPs had extended their term in 2013, and again in 2017 when they introduced a new electoral law. In practical terms, this meant that the public had not voted in parliamentary elections for nine years, and therefore, at the very least, the house of deputies did not reflect people's choices,[22] which undermines the legitimacy of parliament as a democratic entity and a direct representation of citizens. At the municipal level, the 2016 local elections saw a plethora of new movements that emerged after the civic protests of 2015. While these movements recorded no significant victories, a large proportion of the population—particularly in Beirut—voted against the current rigged and corrupt regime.[23] In an alternative electoral system based on proportional representation, local governments could have changed in composition. That is, the independent movements could have secured at least 40% of the municipal seats in Beirut—given that they received 40% of the popular vote.

The 2017 electoral law that governed the May 2018 parliamentary elections introduced a proportional representation system for the first time. It redefined parliamentary seats and electoral districts while still maintaining the confessional distribution. Under the new law, each voter casts their vote on one list as well as a preferential vote for one candidate on the same list. The new law was deemed to be confusing for the voter because one had to choose a list and a preferred candidate from the same list or risk one's ballot being discounted. While there were credible alternatives from independent and civil society candidates included on unified lists across the country, the new voting system nonetheless returned nearly all the incumbents, with a majority for Hezbollah and its allies in parliament.

Another issue in the parliamentary composition is the division of seats by geographic regions and religious factions, which entrenches Lebanon's sectarian divisions. Under the 1989 Taif Agreement, political/wartime leaders agreed to divide the 128 parliamentary seats equally between Muslims and Christians (and proportionately within the factions of each) to soothe the wounds left by the war. It was clear, even then, that the division was to ensure parity, and was not necessarily a true representation of the sectarian distribution within the society. Indeed, since the government has not conducted a population census since 1932, there is no accurate information on the current composition of Lebanese society. Leading government officials and party leaders describe the idea of a census as a very sensitive issue that could lead to sectarian strife.[24]

Furthermore, political parties, numerous in Lebanon, do not debate a clear electoral agenda or vision. Most simply put forward candidates endorsed by a political leader, which leads the masses to elect them as members of the parliament. In fact, the exchange of favours, benefits and personal/sectarian conflicts that arise within the legislative, executive and judicial branches of power undermines this separation of powers.[25] Indeed, "partisanship and sectarianism continue to cause rifts [between the branches of power] that are exacerbated by regional and international tension".[26] The interference of religious institutions (both Muslim and Christian) in political appointments also continues to challenge the democratic processes, and the legitimacy of the state. Often with clientelist intentions, religious figures and influential politicians act as mediators between the state and the people.[27] As a result, and in addition to challenging the state legitimacy even further, citizens' true allegiance is to their confessional leader, whom they believe to have the true, "legitimate" power in providing jobs, assistance, social protection, legal immunity, favours, etc. Indeed, sectarian considerations continue to take precedence over the rule of law, and some of the legal statutes explicitly reflect that fact.[28]

While the parliament is formally divided among sects and confessions (by legal decree), informal power-sharing between the different sectarian leaders, in what some call a "collective dictatorship", results in frequent coalitions, parliamentary blocs and "national unity governments". Since the Taif Agreement, nearly every government has taken this form in one way or another, as the alternative would be a political vacuum. Political vacuums do occur frequently, and the "collective" veto power that these blocs exercise effectively means that decisions are rarely made without a consensus. In practice, this exacerbates the absence of policy agendas within political parties in the country and reinforces the role of sectarianism as a tool for governance. Most of the country's important decisions are made strategically behind closed doors, outside the realm of the state institutions, and often through international mediators or sponsors such as Saudi Arabia, Qatar, Syria, France, the US, Iran and others.[29]

Judiciary and the police

A recent survey by a Lebanese anti-corruption NGO shows that people across the political spectrum, age groups and geographic locations engage in corruption, and perceive high levels of it.[30] The most striking of the survey's findings is that less than 15% of the sample fully trust the judiciary. Among those who do not fully trust it, 65% believe it is influenced by political interference and clientelism, and around 50% believe it is influenced by corruption and bribery.[31] According to Transparency International's Global Corruption Barometer (2011), the police and the judiciary are among the top recipients of bribes in Lebanon.[32] Despite having many well-trained Lebanese lawyers and judges, judicial functioning lacks independence from political authorities and confessional quotas. There is evidence of a vast backlog of inefficiently processed cases and of inequality before the law, especially when adversaries have strong sociopolitical influence or connections. Often, political interference plays a significant role in appointing prosecutors.[33]

Furthermore, the military courts have unlimited powers, which are often used for political ends. These courts are plagued by lack of fair trial principles and limited rights for defendants, and by political interference.[34] The danger of public distrust of the judicial apparatus is that citizens are compelled to take matters into their own hands, undermining the legitimacy of the state, law enforcement and the legal system as a whole. Indeed, in recent years the country has seen an increase in privately owned—and politically affiliated—security firms, which enjoy a degree of liberty and immunity from the law.[35]

Additionally, the police force itself often violates the law. In recent years, the civil society in Lebanon has taken to the streets to protest the illegitimate government and its corrupt practices. The police have faced the protests with brutality and excessive force.[36] While the constitution protects freedom of expression, movement, association and peaceful assembly, and despite evidence of widespread use of excessive force by the police, the authorities have not reprimanded the police officers in question.[37] Moreover, the Lebanese army and police have a dysfunctional structure. They lack political consensus over the remit of their duties, unity within their troops, training and funding.[38] The funding and training of the Lebanese army generally comes from external donors (e.g. Saudi Arabia and the US). The lack of strength, unity and a clear mandate, coupled with high levels of corruption, undermines the state's legal and coercive capacity.

Apart from the failure of the judiciary in upholding the civil and criminal law, it has also fallen short in holding the government accountable for unlawful practices. This is a direct consequence of the lack of separation between the different branches of power, particularly the political and the judicial branches. Civil society and the media have brought forward numerous failures and corrupt practices by the judicial authorities in matters involving

ministers, MPs and other officials, but little action has been taken. Examples include:

• Embezzlement in the telecom industry by a high-level official and by customs officers.
• Fraudulent deals made during the 2015 garbage crisis.
• Questionable procurement procedures, public health and environmental hazards.
• Unlawful institutions owned by political leaders, among many others.
• Oil fuel scandal.

The steady decline in judicial authority is sustained by a vicious cycle: politicians interfere in the judiciary's functioning and intentionally weaken it, and these same politicians then refuse to restore judicial independence, claiming that the judicial system is now "weak".[39] Reports suggest that there has also been a rise in judicial "leadership", which aims to represent the different political forces within the judiciary,[40] defying the principle of separation of powers. In addition, significant harassment of the judiciary has been documented. Political authorities routinely threaten the financial rights, and sometimes the continued tenure, of judges, to such an extent that one parliamentarian has described the Judicial Cooperation Fund as a waste.[41] As a result, the system of checks and balances is out of balance. Proposed measures to improve the transparency and functioning of the judiciary include making all judicial decisions public, implementing an "access to information" law and passing the judicial independence law that has been pending in parliament for years. While most professional and labour unions have been hijacked by political and sectarian interests, a potential breakthrough in the judicial space is the rise of a new head of the Beirut Bar Association who is attempting to create a movement to correct (some) of the abuses in the system.

Illegal arms

Subsequent sections of this chapter will examine issues related to crime and security, but this sub-section aims to illustrate the different elements that challenge the legitimacy of the state (politically and militarily). Despite the Taif Agreement calling on all armed groups and militias to disarm, this did not happen. Perhaps the biggest threat to state legitimacy is the existence of arms and (heavy) weaponry in the hands of citizens and major political parties. Since Lebanon's inception, "the state [has] never managed to monopolise the legitimate use of force in the state-controlled military and police, a sin-qua-non for any strong state".[42]

In the absence of a strong state, the legacy of civil war militarisation poses a genuine threat to the enforcement of law and order. For instance, Hezbollah has established a state within a state: a military wing, a political wing, social services to its "constituents" and near full control of the south and some other

parts of the country. The party makes decisions on peace and war without consulting the government, and in 2008 the group used its weapons internally against fellow Lebanese citizens.[43] Most recently, the armed group has unilaterally decided to undertake military action in Syria's civil war. This move not only puts Hezbollah's Lebanese forces at risk, but also jeopardises the stability of the country as a whole.

It is worth noting, however, that Hezbollah is not the only party with illegal arms. The Lebanese media have documented that most other political party leaders have weapon stocks and armed personnel, ostensibly for the purpose of personal security. Some parts of the country still maintain tribal traditions (mainly in the north-eastern Bekaa valley) and operate outside the realm of the state. The Palestinian refugee camps also host some armed and violent cells. The Lebanese army does not enter these camps as they do not fall within Lebanese jurisdiction, and their security is delegated to the camp residents. As a result, many criminals have taken refuge inside these camps.[44]

Accordingly, the very existence of transnational armed groups (such as Hezbollah, the Palestinian Liberation Organisation, and extremist groups such as Al Qaeda) is both a cause and a result of the state's weakness and its lack of legitimacy. Such organisations could not have survived and prospered without a popular support base. Given the country's sectarian divisions, each faction has lent its undivided support to non-state actors.[45] The vacuum created by the absence of the state in the provision of public services also created the space for non-state actors to advance parallel agendas. When challenged on the expansion of its infrastructure, such as building a separate landline network in 2008, Hezbollah used its weapons against groups that opposed them politically.

Therefore, the central question is why armed groups, such as Hezbollah, thrive in Lebanon. First, the Arab–Israeli conflict legitimised the existence of a resistance group that protected the land and the people. In fact, Israel continues to violate Lebanese air space and poses a serious threat to stability in Lebanon. Secondly, the entrenched sectarianism in Lebanon provides fertile ground for Hezbollah to appeal to its predominantly Shiite base. Hezbollah is predominantly concentrated in the northern Bekaa region and south of the Litani River, both of which are Shiite majority areas. Thirdly, Hezbollah is empowered by backing from Iran in an environment of external factional alliances (e.g. Sunnites such as Hariri with Saudi Arabia). The group enjoys moral, financial and material support from Iran, which has allowed it to undertake military operations in the Middle East and beyond.[46] It grew from a guerrilla group in the civil war into a political party. It made use of its power and financial ability to provide services and built ideological backing to gain representation in government and parliament. The ability of Hezbollah to thrive in Lebanon hinges on the weakness of state institutions and the consecration of sectarian alliances.

To sum up, Lebanese state legitimacy is challenged by a multitude of factors. Primarily, the extension of the 2009 parliament's tenure without holding an

election undermines the legitimacy of the legislative branch. While the parliament had ratified a new electoral law that follows a proportional system—an improvement over the previous law—there remains much to be desired in terms a fair voting system that does not entrench the institutionalised sectarianism in Lebanon, thereby leading to pervasive elite capture and patronage.[47]

Furthermore, the system of checks and balances is vulnerable to political interference and harassment. The judiciary thus lacks the integrity to uphold the law and protect the constitution. Evidence suggests that political interference in the running of the courts limits judicial power to hold the government and state officials accountable for their actions, but also weakens the fair and equal application of the rule of law for all citizens. Combined with a weak police force, security and order are being upheld at the personal or private level, further weakening the state's legitimacy and coercive authority. In fact, most of the current challenges that contribute to Lebanon's fragility stem from widespread corruption. In this regard, civil society has achieved significant breakthroughs in casting light on corrupt practices via its media outlets, and bringing these cases to courts. More support should be given to such efforts. Policies need to be implemented to protect the judiciary from political intrusion and to encourage it to hold the state accountable for breaching the law.

Finally, the existence of illegal arms among citizens, political groups and militias poses a significant threat to the state's legitimacy. Instrumental in rebuilding this legitimacy is remonopolising the use of force in the national army and security forces. The existence of transnational armed groups, such as Hezbollah, makes immediate policies less amenable in this dimension of state fragility. The government has had several sessions of national dialogue on how to coexist with Hezbollah without undermining the Lebanese state. However, the armed group continues to exercise force both internally and externally without governmental consent. While this issue clearly requires a sustainable solution, it is evidently too complex and intricate for internal politics to resolve.

Limited state capacity

Elite capture and patronage networks have hollowed out the Lebanese state. This is most clearly reflected in the prolific hiring in the public sector, constituting some 36% of public spending. In 2018 alone, 5,000 people had been hired as favours to the political base. Figure 3.1 shows that over 70% of the people surveyed in the World Bank's Country Survey in 2016 believed that the government is headed in the wrong direction, a 4% increase from the 2013 survey.[48] This illustrates the people's lack of trust in the government, its capacity and its legitimacy. Furthermore, in 2016 66% of people thought the government worked inefficiently, as opposed to 46% in 2013.[49] The Lebanese economy has experienced periods of rapid economic growth (as measured by GDP), but in recent years has seen a steady decline. This is not surprising
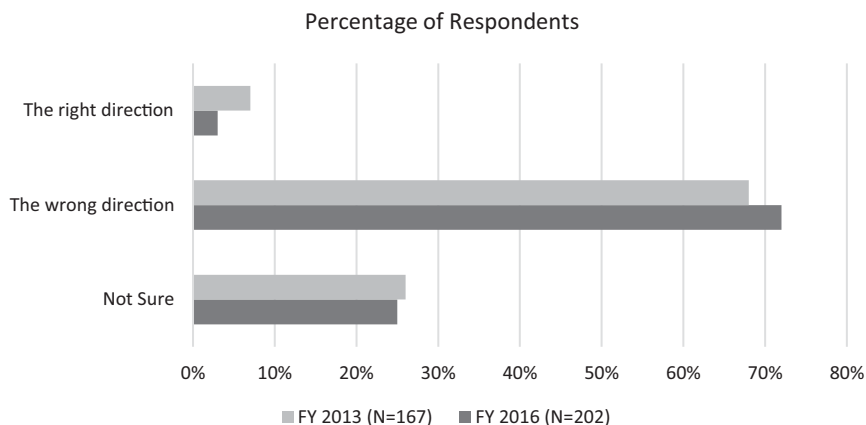
Percentage of Respondents

Figure 3.1 Survey responses—Is the country headed in the right direction?
Source: World Bank Country Survey 2013 and 2016.

given low productivity, high levels of corruption, lack of governance, poor infrastructure, large numbers of refugees and spillover from the Syrian war. The Global Competitiveness Report[50] ranked Lebanon 101 out of 144 countries in 2017 while rating the macroeconomic environment, institutions, labour market and infrastructure in Lebanon as very low compared with the rest of the Middle East and North Africa (MENA) region. However, health and education ranked high in comparison with the rest of the world and the MENA region. Interestingly, Lebanon's tax revenues hover in the range 14–15% of GDP. However, the levels of corruption and leakages in the system mean that a large proportion of these revenues do not translate into public services.

The following discussion aims to illustrate the capacity of the Lebanese state in providing quality services and infrastructure, and to analyse the country's taxation, healthcare and education systems.

Poor service delivery

Perhaps the following quote, from an expert at the United Nations in Beirut, summarises the situation of public services in Lebanon:

> We're ruled by a kleptocratic, corrupt class. Why they don't fix the electricity? They won't! They give it to their constituents for free and use this for their popularity and to win votes … This is a structural deficiency; it's serious, it has been like this for 23 years. Accidents you can always survive, this structural deficiency is much more problematic that the Syrian situation or an explosion or assassination.[51]

In a violation of the social contract between the state and the people, successive Lebanese governments have failed to provide quality public services to citizens. The country's infrastructure is inadequate and requires rehabilitation.[52] According to the Urban Development Transport Project of the World Bank, Lebanese people spend an average of 720 out of 4,380 day-hours on the road.[53] Government officials suggest that "the traffic in Lebanon is largely caused by the big volume of cars exceeding the capacity of the road network".[54] After the 2006 war, Qatar and other Gulf nations pledged financial support for the government to reconstruct some of Lebanon's destroyed infrastructure. The World Bank and other donors have supported the country through multiple projects both nationally and at the municipal level, but efforts need to be multiplied in order to achieve decent roads, water networks, drainage, etc.

In recent years, Lebanon has experienced a devastating garbage crisis. Despite the fact that waste collection and disposal is the duty of local municipalities, this task was contracted to the private company Sukleen in 1994.[55] After the civil war, a large landfill in the centre of Beirut (the Normandy) had overflown and had to be closed. As a result, garbage disposal was moved to the Naameh landfill on the southern side of the city, in what was to be an emergency and temporary measure. Reports suggest that by 2015 the government was paying Sukleen around US$147 per ton of garbage while the global average was US$75 per ton, and the regional average US$40 per ton. Meanwhile, the government failed to release funds in the "independent municipal fund" to allow local municipalities to meet their obligations of collecting and disposing of the garbage within their areas.

After multiple expirations of the Sukleen contract, the government was set to renew it once again in 2015 despite public outrage and protests. The crisis culminated in 2015 when Sukleen's contract had expired and the government (then a provisional government) failed to follow transparent procurement procedures to put in place a safe, efficient and sustainable waste management strategy. Indeed, the World Bank recommended the government ratify the public procurement law, which was revised in 2013. As a result of the public outcry, the Naameh landfill was shut down, Sukleen stopped collecting household waste, and garbage began to fill the streets. In response, the government executed another emergency plan: the Naameh landfill was reopened, against the will of the residents who had voiced their health concerns. These landfills are often on the border of the Mediterranean Sea, rivers and groundwater reservoirs, thus risking water pollution—evidence of which has indeed surfaced.[56]

Another long-standing problem in Lebanon is electricity. Power cuts began during the civil war. Despite many attempts to reform the corrupt electricity institution of Lebanon (EDL), households still face frequent and often lengthy spells without power.[57] The government strategy throughout the years has been to sell electric power at a flat tariff that has not changed since 1994.[58] The energy sector is plagued by corruption and represents a substantial loss to the national budget. Subsidies for domestic electricity production in the

form of direct payments to EDL have been increasing in Lebanon over the last three decades: from US$62 million in 1998 to US$2.026 billion in 2013, implying an annual compounded growth rate of 26.17%.

Moreover, EDL losses impose one of the largest burdens on the public budget. In 2013, electricity subsidies reached US$2.2 billion or 14.85% of the government budget. This sum is equivalent to more than 21.5% of national revenue or 4.6% of national GDP. It also contributed an astonishing 3.2% of the national debt burden.[59] Most households (estimated at around 85% of the population) rely on private generators or the local rural and urban cartels that provide low-wattage power from large generators at very high prices. While households pay the public utility bill for electricity at around 9.58 US cents per kWh, it is estimated that they pay around 45 US cents per kWh to the private operators.[60] EDL is over US$4 billion in debt and collects less than half of its utility bills, while private generators and their benefactors make around US$1 billion annually in profits.[61] As a result, the former Minister of Energy has recently resolved to restrict illegitimate power providers by obliging them to install meters and abide by laws enforced by the government.[62] It is recommended that the government also puts in place procedures to ensure sustainable power generation. For instance, it is recommended gas-run power generation be a priority reform area in Lebanon.

Lebanon enjoys a high level of human capital and evidence suggests that higher education levels do result in higher earnings in the Lebanese labour market.[63] However, despite this wealth of human capital, Lebanon continues to export its most talented citizens due to lack and inequality of opportunities at home. In fact, the education system is highly privatised, and while it offers better quality education than the public sector, it imposes high fees on citizens. This results in a gap in quality between public and private education. Indeed, the public education sector is generally inefficient. Public school teachers' salaries are low and two-tiered, while private schools and higher education institutions offer better pay and attract high-calibre teachers. A revised salary scales bill, ratified by parliament, has raised the teachers' (and public servants') salaries to match the cost of living, but the sector is still in need of major reforms in recruitment, management and institutionalising the information system to promote better planning.

Similarly, in healthcare, private hospitals and medical centres are generally better equipped, attract a higher calibre workforce and offer better pay than their public counterparts. The private healthcare bill is, however, very high, especially given the reliance on direct payments for healthcare. Consequently, this deprives many people of adequate care or forces them into poverty.[64] Private healthcare centres often reject patients because they are unable to prove insurance cover or the ability to pay for their care. Indeed, less than half the population is covered by a health insurance scheme. Among those who are insured, "about 23% are covered by the National Social Security Fund (NSSF), 9% by military schemes, 7% by private insurance, 4% by the Civil Servants Cooperative (CSC) and 4% by other schemes".[65]

Those who are not covered by a formal scheme resort to coverage through the Ministry of Public Health, which has stringent requirements on healthcare provisions. These factors have facilitated the privatisation of the insurance market and created further inequalities in the quality of and access to healthcare. The government is currently investing in building the capacity of around 35% of primary health centres, and providing subsidies for healthcare for many, but not all, of those living in extreme poverty. There is a strong need for the government to ensure universal healthcare coverage for all the citizens who live below the poverty line, expand coverage of treatment services and meet the health needs of the elderly.[66]

Further examples of poorly managed sectors include telecommunications, water services and urban planning. Perhaps the most sustainable strategy to improve the quality of public services is through decentralisation of service provision. In fact, despite their limited capacity and hindered access to the "Independent Municipal Fund", most municipalities have much more legitimacy (than the state) vis-à-vis their constituents as they are personally known to them through frequent interaction.

The economy

Lebanon is currently facing a serious economic crisis. As a backdrop, the Lebanese economy is built on an intricate balance of power- and profit-sharing between the political elite and the commercial banks, most of which are owned at least in part by the political elite.[67] The commercial banks and the financial system, once a central pillar of the Lebanese economy and the core of the post-war rebuilding and reconciliation, have failed the majority of depositors. Put simply, the state relied on the Central Bank to service its debt (around US$4 billion per year) and plug its budget deficit. The public debt itself, by and large, is held domestically and by commercial banks. The Central Bank, for its part, borrowed from commercial banks at very high interest rates to service the existing debt. Naturally, the commercial banks used depositors' savings to lend to the state. The complexity and entanglement of the state, Central Bank and commercial banks' balance sheets, together with large fiscal and current account deficits, and a net negative foreign exchange position of the consolidated balance sheet of the sovereign, the Central Bank and the commercial banks of around US$48 billion (or 90% of GDP), underpin the magnitude of the current economic crisis.[68] In March 2019, Lebanon officially defaulted on its debt obligations. The debt itself reached more than 150% of GDP by 2019. Despite several warnings on the crowding-out effect of such high levels of debt on public investment and social spending,[69] Lebanon failed to implement policies and plans to bring its debt back to sustainable levels.

The Lebanese economic model relied heavily on the constant flow of foreign currency into the country. In a country with a large trade deficit, money flows in as remittances and non-resident deposits in foreign currency that maintain the pegged exchange rate. This meant that the country was exposed

to vulnerabilities in foreign economies (e.g. the Gulf countries, where the Lebanese diaspora is concentrated). Indeed, the country relied heavily on attracting non-resident deposits to fund its growing current accounts deficit. As such, these inflows did not translate into capital investments, nor did they generate domestic income. However, "the growth of non-resident inflows has been slowing, from an average of 21.5 percent during 1993–2002 to 16.2 percent during 2003–11 and to an average of 7.4 percent since 2011 and the onset of the Syrian crisis".[70] It is estimated that 80% of the public debt is held by domestic financial institutions—which comes at the expense of private-sector development.[71] These banks and financial institutions, however, do not pay their fair share of taxes on their massive income and wealth. In 2019, the capital inflows came to a sudden stop, leaving the country crippled with triple crises: a crisis on the balance of payments, another on the fiscal side and both in addition to a banking crisis.

Despite the economic mayhem, the Lebanese pound maintained its pegged exchange rate to the dollar. However, a parallel market emerged in 2019 due to the shortage of US dollars in the highly dollarised economy, with the lira trading at a significant discount (more than twice its original rate). The Central Bank also decreed that interest on deposits denominated in US dollars would be paid in Lebanese pounds. In fact, an IMF study suggests that the currency is overvalued by nearly 66%, which is now further aggravated by the severe net negative foreign currency position of the Central Bank and the shortage of dollars in the economy.[72] In an import-oriented commodity market, this also saw the prices of goods soar in the first quarter of 2020, decimating the people's purchasing power. Together, these factors have led to a *de facto* devaluation of savings in Lebanese pounds and a reduction in real wages, together with an inevitable shrinking of the country's middle class and a surge in poverty levels. In addition, the commercial banks imposed *ad hoc* capital controls that restricted outflows from the country and imposed daily and weekly limits on withdrawals. These restrictions were not legislated and did not apply to the whole population equitably, further fuelling people's dismay with the banks and the state.

On the fiscal side, in October 2017, the parliament passed a tax bill that increased VAT to 11%, from its previous 10% level, along with a basket of taxes. The increase in taxes is a sensible measure to meet the budgetary needs of the government in terms of public investment, spending and, most importantly, public-sector salaries, as well as starting a sustainable path to reduce the public debt. However, the leakages within the system spur doubts among citizens around these taxes' effectiveness. In October 2019, a new tax proposal was passed in parliament that stipulated the introduction of a tax on WhatsApp, a free text messaging tool, which is commonly said to have sparked the October 2019 revolution (although it was not, in fact, the main cause).

It is worth noting that tax revenues have hovered in the region of 12% to 18% since the 1990s, as shown in Figure 3.2. These figures are around the IMF-recommended minimum of 15% tax revenue-to-GDP ratio. Nevertheless,
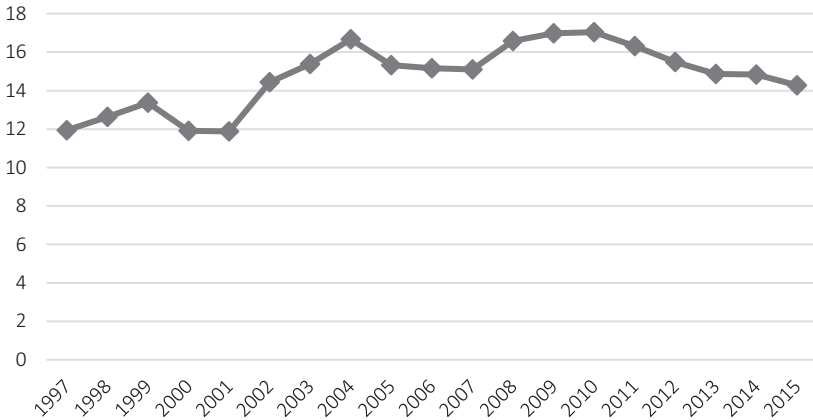
Figure 3.2 Tax revenues in Lebanon (% of GDP).
Source: World Development Indicators, World Bank.

these tax revenues have not translated into sound public policies. Indeed, without transparent governance and government spending, tax revenues would not improve the ability of the government to deliver services or finance its debt. Furthermore, tax evasion remains very high—more than US$4.2 billion annually, according to a recent study.[73] According to the head of the research department of Bank Audi, given GDP of around US$50 billion, of which two-thirds is salaries and wages, the estimated tax revenue should be approximately US$3 billion, while the government collects less than half of this figure.[74] However, citizens lack trust in the state's capacity to effectively use its fiscal revenues, underscoring the entanglement between state fragility, trust institutions and taxation.

Despite periods of economic growth, the private sector has failed to create jobs or reduce unemployment.[75] Estimates show that around 90% of private firms are small (fewer than 50 employees, with most having fewer than five). Before the current crisis, these firms employed around 70% of the active labour force and contributed around 80% of GDP.[76] However, red tape, bureaucracy, corruption, limited access to credit or public finance and poor infrastructure hinder the growth of small enterprises. Start-ups, and small and medium enterprises (SMEs), find it difficult to penetrate the market due to a relatively undersized stock market and lack of government support.[77] As a result, SMEs generally rely on commercial banking loans. Naturally, with the current economic collapse, it is very difficult for SMEs to survive, much less to thrive. Figure 3.3 shows GDP, GDP per capita and GDP growth in Lebanon. While this is only illustrative and does not control for any other factors that may explain GDP growth, the figure shows that at around the time of each conflict event or security crisis[78] there has been a reduction in
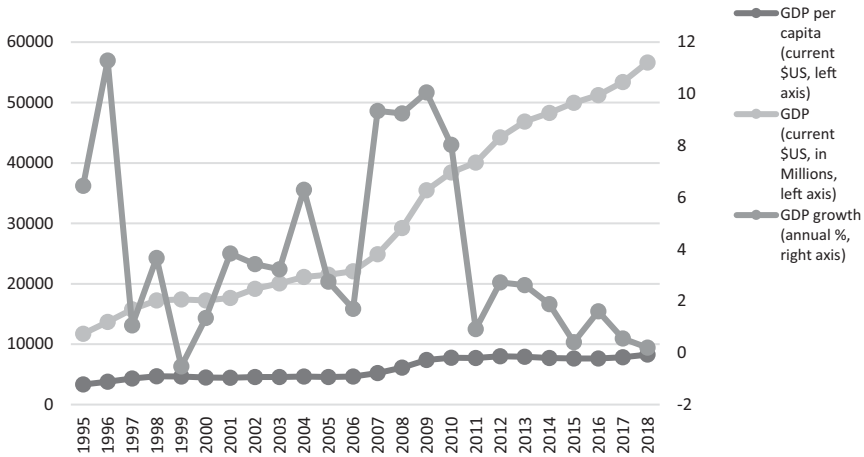
Figure 3.3 Gross domestic product of Lebanon.
Source: World Development Indicators, World Bank.

growth. Since 2010, the level of GDP has increased but the per capita GDP and rate of growth have decreased. Regardless, even during periods of growth the economy did not create sufficient (and decent) jobs, leading to increasing levels of unemployment and youth emigration.[79]

A new labour force survey in 2018/19, using data collected prior to the crisis, shows that less than 50% of the working-age population participates in the labour force, and this figure is even lower among women (29%).[80] Among the youth (those aged 15–24), the unemployment rate was around 23%, double that of the overall age distribution, and nearly half of that of those with university degrees of the same age bracket. These statistics include non-Lebanese residents, such as Syrian refugees. The data show that the share of informal employment stands at around 55%. These figures shed a light on the grievances felt by the youth who championed the 2019 uprising and raised their voices against the status quo.

In conclusion, the evidence suggests that state lacks capacity. Primarily, this is because of corrupt governments that have not invested in infrastructure, service delivery or the well-being of citizens. Despite tax revenues of around 12% of GDP, the government has failed to refinance public debt or to implement a solid public policy. For instance, the 2015 garbage crisis demonstrated the inefficacy of the government in creating transparent and sustainable solutions for a basic service. Similar evidence can be gleaned from the failure to provide full coverage of electric power over the years, despite repeated efforts to do so.

Finally, while the country enjoys a high calibre of educational and healthcare institutions, it has large gaps in quality between public and private

services due to higher wages in the latter. The inequality in pay between public and private sectors leads to the concentration of talent in the private domain. Given the high cost of education and healthcare in the private sector, poorer citizens do not have access to quality services. Therefore, it is recommended the government ensure universal health care coverage for all citizens who live below the poverty line.

Furthermore, after years of economic mismanagement, and heavy reliance on remittances and non-resident deposits as a stabilising economic force, the economy imploded in 2019 leading to large-scale protests across the country. The country defaulted on its debt, which had reached more than 150% of GDP in 2019, and faced the rise of a parallel currency market, and soaring unemployment and inflation levels that decimated people's purchasing power. Without an economic vision to shift to productive sectors, reduce public-sector spending, control the prolific public sector employment, curb corruption and introduce necessary reforms, it will not be possible for Lebanon's economy to recuperate.

The private sector

Before the current crises, the services sector was a large contributor to Lebanon's GDP (Figure 3.4). Given the country's mercantile heritage, the private sector has often searched abroad for opportunities and the large Lebanese diaspora facilitates the connection with the rest of the world.[81]

The services sector mainly operates in commerce, tourism, financial services, health care and education. Indeed, the country is home to some of the Middle East's finest and oldest academic institutions, such as the American University of Beirut, which attracts pupils from around the globe and notably from the Arab region. Home to around 2,000 international students from 75 countries, this university takes pride in its diversity, with one in every four students coming from abroad.

The country has highly qualified doctors and health care professionals. This makes this sector highly tradeable within the country and regionally. Tourism has also long been a strong sector within the economy but is very sensitive to the political environment. It has long been argued that the country's heavy reliance on tourism is dangerous in a volatile region. The country received record numbers of tourists from 2009 to 2011, surpassing its previous 1974 record; however, the inflow of tourists declined significantly after the onset of the Syrian crisis.[82]

Since the 1950s (with an interruption during the civil war), Lebanon had been the centre for financial services in the Middle East region. During the oil boom in the 1960s, most petrodollars were sent to Lebanese financial institutions.[83] Indeed, the financial sector had been successful in attracting non-resident flows into the country. As previously discussed, these did not translate into income-generating projects and instead were invested in treasury
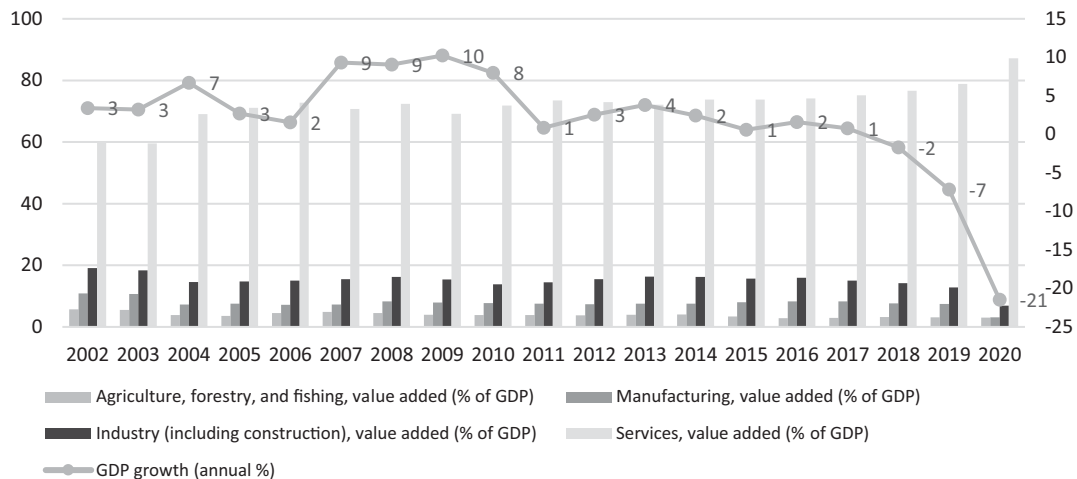
Figure 3.4 Value added to GDP by sectors.

Source: World Bank Poverty Reduction and Shared Prosperity Report (2017), Data from Central Administration of Statistics, Lebanon.
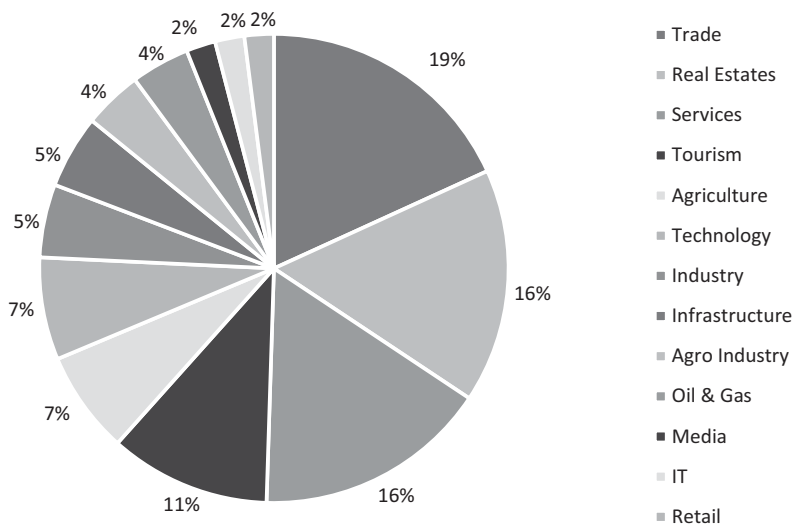
Figure 3.5 Distribution of foreign companies by sector in Lebanon (2020).
Source: Ministry of Economy and Trade, FDI intelligence.

bills and Eurobonds. As such, these constituted debt-creating inflows that led contributed to the demise of the economy by 2020.

In terms of foreign investment, the United Nations Conference on Trade and Development (UNCTAD) ranked Lebanon among the top ten countries for FDI attraction in 2011, and among the third quartile for FDI potential. As shown in Figure 3.6, however, the FDI inflows have fallen over the course of the Syrian war and due to the economic slowdown in the Gulf Cooperation Council countries,[84] despite the EU maintaining close investment relations with Lebanon.[85] However, between 2015 and 2016 FDI increased by around 9% to reach US$2.5 billion. Foreign companies are mainly concentrated in the services and real estate sectors, as shown in Figure 3.5.

The private sector also faces many challenges and requires certain reforms. As a priority, more support is needed in terms of financing and supporting innovation. This can be achieved by strengthening public-private partnerships and introducing policies that are conducive to the growth of start-ups and small enterprises. Certainly, given the state's limited capacity, public-private partnerships can help in improving public service provision, increasing innovation and competitiveness, and rehabilitating the infrastructure.

Moreover, private-sector workers are not covered by a pension scheme; instead, employees are often given a (rather small) lump-sum end-of-service payment, making them vulnerable retirees.[86] Further, the low public spending on education and the high prices in the private-sector higher education institutions exclude the poorer and more vulnerable sections of the
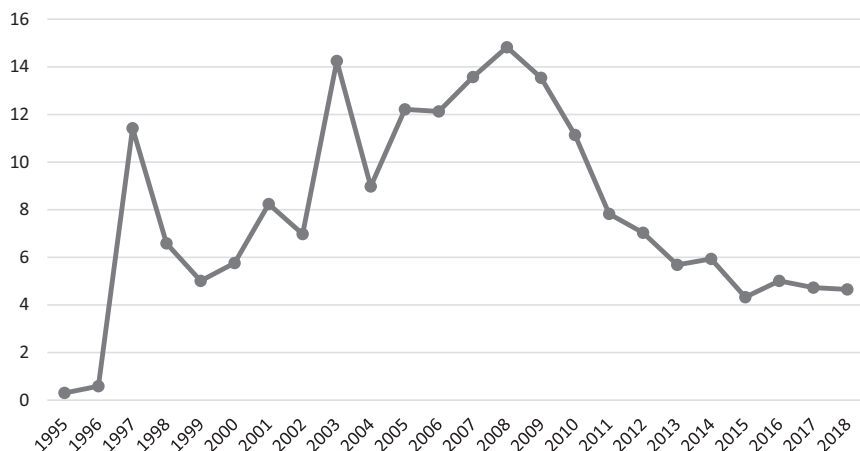
Figure 3.6 FDI net inflows as % of GDP.
Source: World Development Indicators, World Bank.

population from quality education and, ultimately, access to decent jobs. Decent working conditions have also lagged. The sector has a significant portion of the population working long hours for low wages, without health and social security benefits, and often without formal contracts. Therefore, to reform the private sector, it is crucial to introduce private-sector pension schemes, improve labour laws, reform taxation on large financial institutions and strengthen public-private partnerships.

Owing to the state's fragility and the rampant corruption, the private sector in Lebanon is also full of cronies. Recent research has found that the presence of politically connected firms within an economic sector leads to lower aggregate job creation. These political connections lead to inefficiencies in these sectors and hurt unconnected competitors such that overall growth within the sectors of crony concentration is negatively impacted.[87] In addition, the private sector faces a challenging political environment given the widespread corruption in public institutions. The main challenge is to separate the private sector from the sectarian clientelist environment in Lebanon. This can be achieved by promoting transparency in public procurement and equitable distribution of investment within the country. Currently, the private sector reinforces inequalities within the country by aligning itself with political and sectarian players.

Security: internal instability

In recent years, Lebanon has experienced several forms of conflict. In the period between 2005 and 2013, there were 25 assassinations or assassination

attempts. The fatalities included a prime minister, ministers, members of parliament, members of the security and intelligence units, vocal journalists and, of course, civilian bystanders. Although a special tribunal for Lebanon was established at The Hague to investigate Hariri's assassination, there have been minimal findings from public inquiries. Media leaks suggested the suspected perpetrators may have been members of Hezbollah, and the tribunal has subpoenaed some alleged suspects but has not yet provided conclusive evidence on the case.

In the summer of 2006, Hezbollah engaged in a war with Israel, bypassing the national government. The war lasted for over a month and led to colossal damage throughout the country, particularly in the southern districts, with high casualties and mass displacement. In May 2007, a terrorist cell was discovered in a northern Palestinian refugee camp, Nahr El Bared. Over the course of four months, the Lebanese army attacked the radical group, named Jund El Sham, and successfully cleansed the camp of cells.

A year later, in May 2008, the government moved to dissolve Hezbollah's telecommunications and surveillance network and fire an airport official with ties to the party. Hezbollah demanded the government back down from its position, which the group regarded as a declaration of war. As a result, its military wing took to the streets with heavy weaponry, through West Beirut (a predominantly Sunni area) and parts of Mount Lebanon, and caused a number of civilian fatalities. Consequently, an agreement was signed in Doha, Qatar, to ease the political hostility. The agreement also sponsored the election of a new president and a temporary restoration of parliamentary functioning.

Between 2011 and 2015, recurrent clashes occurred in the poor and marginalised northern towns of Bab El Tebbaneh (Sunni) and Jabal Mohsen (Alawite). These conflicts stemmed from civil war rivalries, support to the Alawite Syrian government, and the sectarian divide between the two towns. As a result, hundreds of casualties were incurred on both sides.

Apart from organised violence, Lebanon's crime rate has escalated recently. Situations of blatant lawlessness have occurred throughout the country: violent personal quarrels, murders in broad daylight, road rage leading to fired shots and ransom kidnappings, as well as numerous conflicts with Syrian refugees.

Spillover from the Syrian war

In 2014, the Lebanese army engaged in violent confrontations with Al Nusra Front and Daesh, who had spilled over from Syria into the northeastern town of Arsal. The army launched a series of offensives against the groups and pushed them into the border mountains. However, Daesh militants had kidnapped eight soldiers. In the summer of 2017, the conflict restarted. Hezbollah attacked terrorist groups, mainly from the Al Nusra group, that had crossed the border from Syria. Meanwhile, the Lebanese

army launched a war against Daesh terrorist cells infesting the mountainous areas along the north-eastern border with Syria. As a result, the terrorists were eliminated from the area and the bodies of the eight kidnapped soldiers were recovered.

Syrian refugee influx

Recent estimates suggest that Lebanon hosts around 1.5 million Syrian refugees fleeing the war in Syria. This is a large number for a host population of around 4.5 million, making it the largest refugee (per capita) hosting country. The refugees themselves are, of course, not the problem. The real issue is that if a state cannot offer its own citizens good and reliable governance and service delivery, how can it provide for a sudden influx of more than a million people? The international community's response was not proportionate to the scale of the crisis. That said, the country received large amounts of funding from donors, states and international organisations to strengthen its capacity to host these refugees and to ensure they received the basic and necessary services for their return to Syria in the future.

Lebanon is not a signatory to the 1951 Refugee Convention. Until 2015, the country maintained an open-door policy towards Syrians but refused to recognise them as refugees. Indeed, in almost all public communications the government refers to refugees as migrants, thereby denying them the rights that refugee status would give them. Given a long history between Lebanon and Syria, it was anticipated that sensitivities would arise between the two peoples. Some segments of the population are more vocal in their opposition to hosting these refugees, while others argue that the refugee crisis negatively affected an already fragile labour market. From the limited studies that have emerged so far, evidence for the effect of the refugee influx is inconclusive. A World Bank report suggests that the crisis has improved trade in the country because of border restrictions,[88] and the increased demand from the influx of refugees contributed at least partially to the strength of services export and local production.[89]

However, the Syrian crisis and influx of refugees have certainly affected the tourism industry. As noted previously, Lebanon is a tourism- and services-focused economy. The bans on and cautions against travel to the region, and the uncertainty about Syrian war spillovers, decreased tourist numbers by around a quarter in 2011, and they declined further after 2012.[90]

Some media reports suggest increased crime from Syrian refugees; however, these have not been substantiated by robust evidence.[91] Violence from the Lebanese side against the Syrians has also been documented. For instance, in recent months the army raided an informal Syrian settlement in the Bekaa area and detained four Syrian refugees. The four refugees subsequently died in custody and there is uncertainty as to whether they were tortured and killed by the security forces. As a result, Syrians attempted to organise a protest against the Lebanese security forces, which was met with increased violence

and discrimination from the host communities. Such events have exacerbated the existing tension between the two groups, which in turn intensifies the state's fragility. A thorough account of the socioeconomic consequences of the Syrian refugee influx is beyond the scope of this chapter; however, in relation to the state's capacity and security, it is clear that the sheer number of Syrians in Lebanon stretches the infrastructure and resources very thin.

Resilience

Lebanon has proven over the years to be resilient in some areas. One can argue that this strength and resilience comes from the communities who have stepped up to fill the institutional void in a system where governance takes place outside state institutions.[92] As shown in previous sections, the country has withstood multiple crises, economic, political and existential. Until recent years, the system was fragile but the people were resilient to the ensuing shocks, shielded by elite-controlled sectarian organisations and political parties that offered patronage.

Political unrest along with security breaches and threats from neighbouring states pose a high risk to Lebanon's stability. Paradoxically, some of the symptoms and causes of Lebanon fragility are also contributors to its "stability". The intricate confessional politics in Lebanon means that governments need to include all factions in order to be functional. Despite leaders following their own narrow economic and political interests, seeking rents and monopolising this shared power among them, the sectarian divide leads people into believing they are represented. This sense of sectarian and political self-preservation offers the current status quo a sense of resilience, despite its weaknesses. In some respects, the religious pluralism and shared political power in the hands of the few have prevented the emergence of a single dictator, as occurred in many of the MENA countries.[93]

As Lebanon's resilience is derived from the state's fragility it is unsustainable. Another example that illustrates Lebanon's fragile resilience is its excessive reliance on its diaspora. The Lebanese diaspora was estimated at more than 800,000 first-generation migrants in 2014,[94] and many millions of descendants.[95] The Lebanese diaspora contributes significantly to the Lebanese economy by remitting earnings and saving and investing in their country of origin, attracted by high interest rates, banking secrecy and, until recently, a stable currency. As such, they have provided a necessary buffer and safety net throughout the years. While some of the diaspora emigrated in search of education and better employment opportunities, it is important to bear in mind that many also left due to wars, inequality and lack of opportunities, and protracted crises. Most recently, the diaspora continues to be engaged in seeking a better Lebanon. Emigres were given the right to vote in the 2018 elections, and in 2019 they organised numerous protests around the world in solidarity with the uprising at home.

Conclusion

This chapter has aimed to describe the proximate causes and consequences of Lebanon's fragility. After describing the initial conditions that led to its collapse in 1975, and the framework through which it escaped, the chapter discussed the current roots of state fragility along five dimensions: legitimacy, capacity, private sector, security and resilience.

The civil war of 1975 erupted due to spillovers from the Palestinian conflict, the uneven distribution of the economic gains achieved before that period, sectarian rivalries and poor institutions. Towards the end of the civil war, the Taif Agreement was brokered by Saudi Arabia and other international powers. The agreement called for the reconstruction of the state and the disarmament of the militias, and redistributed power among the different religious factions. While the agreement contributed to the end of the war, its recommendations were not fully implemented. After the war, the strong and dynamic Lebanese private sector had a positive role in reconstructing the country and financing most of the post-war projects.

There are also a number of elements that undermine state legitimacy—namely, the electoral law, the judiciary and the illegitimate arms. While the new proportional representation electoral system improves on the previous winner-takes-all system, it leaves much to be desired. Furthermore, the system of checks and balances that ensures accountability and restores trust in the state—and ultimately its legitimacy—requires bolstering. Civil society and media outlets in Lebanon have taken steps to bring corrupt practices and violations of the law to court. Supporting civil society in holding the judiciary and the government accountable could strengthen the system of checks and balances. It is equally important to implement policies that would strengthen the police in order to restore the legal and coercive capacity of the state, without violating human rights.

Perhaps the only way to escape Lebanon's challenges is to move to abolish the confessional division of power that consecrates the elite capture and patronage system and moves the country into a civil state. To minimise disruption and respect the intricacies of sectarian divisions, the Taif Agreement proposed establishing a senate with reduced legislative responsibilities to represent the various factions, with a parliament separated from confessional divisions. The only credible way to achieve a civil state that provides for all its citizens equitably is through a fair and transparent electoral system outside the narrow sectarian divisions, supported by a strengthened judiciary and the rule of law.

Another factor that undermines state legitimacy is the presence of illegitimate arms and transnational militant groups. While this issue requires a sustainable solution, it is admittedly less amenable to recommendations than other issues discussed in this chapter. The government has held a series of dialogues regarding the role of Hezbollah and its military capacity but could not reach a consensus on the issue. In order to achieve this goal, international

cooperation would be required to stabilise Middle Eastern politics more broadly.

In terms of state capacity, the state, through its successive governments, has not achieved an adequate level of service delivery. The corruption and venality in the public sector (waste, water, transport, electricity, telecommunications and other areas) have resulted in poor infrastructure and dissatisfaction of citizens with their governments. In terms of service provision, one possible solution is to take serious steps to decentralise power and delegate some of the duties to the local governments. Indeed, municipalities have a legal obligation to provide services such as waste collection and disposal. Releasing moneys from the "independent municipal fund" would allow the local governments to implement policies and carry out their duties.

Until 2019, and despite the poor governance and violent events, the Lebanese economy enjoyed periods of prosperity. The currency has been stable since 1992 and GDP has grown overall. However, Lebanon has consistently run large current account and fiscal deficits, and its public debt represents around 150% of GDP. In 2019, this economic model led to a collapse of the currency and the economy. With the introduction of a new tax in October 2019, millions of Lebanese took to the streets in protest of the mismanagement of the country and the failure of the state. These protests came after a period of economic challenges, not least in the ability to import basic necessities such as fuel and wheat. These economic challenges were due primarily to the unsustainable level of public debt and the entanglement of the balance sheets of the commercial banks, Central Bank and the sovereign. Indeed, the oligarchic relationship between the politicians and the commercial banks allowed banks to harness supernormal profits and they lent prolifically to the state at exorbitant interest rates. With a net negative foreign currency position, informal capital controls were established and a black currency market flourished. With the economy brought to a halt, the Lebanese people saw their purchasing power decrease drastically.

Having defaulted on its public debt obligations, the country requires urgent reforms to return to a sustainable path, not least by stopping the leakages in spending (e.g. patronage-driven public-sector hiring, and waste in the power sector). Regardless of which path is taken, careful consideration must be given to the growing level of poverty. It is recommended that the state introduce a comprehensive social protection scheme that includes adequate access to healthcare and education for vulnerable and poor households. Currently, quality healthcare and education are mostly provided by expensive private institutions, leading to marginalisation of the increasing number of poor households.

While the state has limited legitimacy and capacity, it once hosted a vibrant and strong private sector. In many ways, the private sector offered a source of resilience that kept the country afloat. Until recently, this sector had been attractive to foreign investors and had has international reach through the

large Lebanese diaspora. Furthermore, the banking sector had been effective at attracting petrodollar deposits due to its secrecy and favourable reputation in the region. Given the vulnerability of the banking sector and the ensuing banking crisis the country faces today, the economic model needs to shift towards productive sectors and lessening the dependence on foreign deposits as a staple of the economy. Furthermore, the strength and political connectedness of the commercial banks has given them the advantage of negotiating lower tax rates and using citizens' deposits to finance the state. The banks must therefore accept their fair share of the burden in restoring the economy and in any bail-out scheme to be introduced.

In addition to Lebanon's economic vulnerability, one of the major concerns in Lebanon's fragility is its volatile security situation. Since the civil war, Lebanon has experienced several conflicts that undermined its internal stability. What emerges from the discussion in this chapter is that the existence of strong militant groups, such as Hezbollah, and the fragile security in some parts of the country threaten stability.

This internal fragility is exacerbated by the ongoing Syrian war and the Israeli–Palestinian conflict, as well as Israel's recurrent breaches of Lebanon's space and security. Lebanese security has also been impacted by spillovers from the Syrian war. Most recently, the Lebanese army and Hezbollah battled Daesh and Al Nusra groups that had infiltrated the north-eastern parts of the country. On top of the security breaches, the large influx of Syrian refugees has caused frictions within host communities and stretched state resources. Consequently, establishing long-term peace and security in Lebanon cannot be achieved without an international consensus to bring stability to the Middle East as a whole.

Finally, a major contributor to Lebanese resilience is the Lebanese diaspora. There are millions of Lebanese people overseas; more than 800,000 first-generation Lebanese emigres[96] and as many as 14 million descendants, many times higher than Lebanon's resident population. Ever since the civil war, the diaspora has formed a resource that the country draws on at times of need, their sizeable remittances and investments in Lebanon offering an economic buffer. The educational system and the high human capital of the Lebanese, inside and outside Lebanon, have also contributed to the resilience of the economy and flourishing of the private sector.

In conclusion, there is no escape from Lebanon's woes without moving to a system whereby the currently extractive economic and political institutions become inclusive. The only way to achieve this is by shedding the history of narrow sectarian interests and divisions, moving to a civil state that treats every citizen equitably. The future of Lebanon and the restoration of its resilience requires securing an environment of peace and transparency, a solid system of checks and balances, a fair electoral system and quality institutions that create shared prosperity.

Notes

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4 The origin and persistence of state fragility in Burundi

Janvier D. Nkurunziza

This chapter argues that state fragility in Burundi has been both a cause and a consequence of the country's political instability. Burundi suffers from lack of state legitimacy and effectiveness, an underdeveloped private sector, episodes of violent conflict and high vulnerability to political and economic shocks. The cause of state fragility can be traced back to divisive practices introduced by the colonial power, which have since been perpetuated by post-colonial elites, characterised by political capture and clientelism. This political volatility has generated persistent cycles of violence, resulting in the collapse of the country's institutions and economy. This situation has had major economic consequences, including slow growth, an underdeveloped private sector, an unstable investment landscape and severe financial constraints. This chapter demonstrates that affordable justice, international intervention to mediate conflicts with neighbours and to facilitate development, and a robust agenda for peacebuilding facilitated by an external actor are the keys to reducing fragility. To achieve these, Burundi will require sustained external financial assistance and persistent efforts to build a resilient economy.

Introduction

This chapter explores the origins and key attributes of state fragility in Burundi and discusses its political, economic and social effects before suggesting elements of what could be done to help Burundi break out of its fragility trap. Fragility in Burundi revolves around two major factors: state illegitimacy and political violence staged by the state. State illegitimacy results from the undemocratic means by which regimes have generally acceded to political power, and how state institutions have been used illegitimately to foster the interests of the ruling elites at the expense of the population. The second factor that has marked Burundi's state fragility is political instability. State capture by political elites and marginalisation of the majority of the population created grievances that eventually led to revolts and civil war. In turn, it may be argued that the cyclical nature of political instability has not allowed time to build and consolidate a solid and credible state. Instead, each episode

of civil war destroys existing state structures that need to be rebuilt during the post-conflict period, until another episode of violence erupts.

According to the Fragile States Index, in 2019 Burundi was ranked the fifteenth most fragile state in the world (out of 178 countries surveyed).[1] This ranking reflects a historical trend over the country's post-colonial period. Indeed, since Burundi's independence in 1962, the country has displayed several attributes of fragile states. Politically, Burundi has mostly been led by illegitimate regimes that came to power through coups d'état or electoral fraud. Widespread violation of human rights by governing elites has been the norm, using the security apparatus to repress the population as a way of consolidating power. The public services that the state is expected to provide, particularly education, health and security, have deteriorated to the extent that more and more non-state actors, including many members of the ruling elite, have been filling the gap. Socially, the country has experienced massive movement of refugees and internally displaced people resulting from different episodes of civil war. Over the last 55 years, more than half a million people have lost their lives while more than 1.5 million have gone into exile. And between 1993 and 2003, 17% of the population was either killed or left the country to become refugees (see Table 4.1). As expected, the economic legacy of state fragility and insecurity has been profound. The ruling elite has used its privileged position to capture the benefits the economy can offer, leaving the majority of the population in abject poverty. As a result, in 2018, Burundi had the lowest income per capita in the world.[2]

Even though manifestations of state fragility became more apparent after Burundi's independence, its root cause may be traced back to divisive policies introduced by the Belgian colonial power, seeking to create tensions between leaders from the Hutu group, the majority of the population, and the Tutsi group, a large minority. While Hutus were described as incapable peasants, Tutsis were described in flattering terms, as intelligent and born to rule. The Belgians marginalised Hutu leaders while privileging Tutsis; leaders from both groups ended up believing these clichés.

A note of caution is needed. The concept of ethnicity in the context of Burundi must be interpreted with caution as it differs from its empirical definition as used in other contexts.[3] Burundi's population is divided into four groups: the Hutu, Tutsi, Ganwa and Twa. The Hutu are thought to represent the majority of the population (even though there are no statistics giving the proportion of each group), followed by the Tutsi. The Ganwa are a relatively small group, mostly made up of descendants of the country's traditional monarchs. The Twa are another small group who are poorly integrated with the rest of the population. According to historians, all four groups have shared, over several centuries of coexistence—apparently since the eleventh century—one single language, Kirundi, one culture and the same geographical areas. Hundreds of years of coexistence under a common value system have also forged a common identity. Therefore, simply invoking differences in ethnicity to explain Burundi's political problems is too simplistic, despite the

popularity of this argument in some literature on Burundi. In this chapter, we attempt to show that it is not ethnicity but, rather, the fight for political power that is at the core of Burundi's unending political instability.

In the 1950s, on the eve of the fight for independence, the colonial power reversed course under pressure from the Catholic Church and some people in the metropole who considered that it did not make sense to privilege the minority at the expense of the majority.[4] As expected, this change of heart exacerbated political tensions between those who would lose and those who would benefit from a new power distribution. As Burundi gained independence, post-colonial political elites perpetuated these tensions, sowing the seeds of the political violence that has characterised the country ever since.

In the years following Burundi's independence, power struggles between political elites from the Hutu and Tutsi groups eventually led to the demise of the monarchy in 1966 through a military coup d'état. In the hands of a small group of Tutsi army officers from the southern province of Bururi, under the leadership of Captain Michel Micombero, power became even more concentrated than before.[5] State institutions, including the army and other security institutions, the justice system, the economy and even the major political party, were captured by this group to serve their personal interests. The Bururi system remained in place for approximately 40 years, albeit with internal bloodless changes approximately every ten years. In the 1990s, a privileged observer of Burundi's political class would note that the country was governed by no more than 100 families.[6]

The first genuine power transfer from the Tutsi to the Hutu was in 2005 when democratic elections were won by former rebel leaders, elevating Pierre Nkurunziza to head of state. Even though rebels had committed many atrocities during the 1993–2003 civil war, most Burundians welcomed this political change. Their expectation was that governance would improve, given that the new leaders were from the hitherto marginalised group that had suffered, first-hand, from repression and exclusion for decades. However, judging from their performance as leaders of the country over the last 15 years, the new political elite seems to have adopted the governance system they inherited. Over this period, Burundi has been dominated by a small group gravitating to a handful of generals, all from the former Hutu rebel forces. Like other regimes before them, they use the state and its institutions to preserve their positions and are as repressive as those they succeeded, as will be discussed later in this chapter.

Across time, Burundi has been led by repressive regimes, irrespective of who is holding power. In turn, in the absence of democratic processes governing power transfer, the excluded group resorts to violence as the only way of accessing power, perpetuating a cycle of violence. Indeed, since independence in 1962, Burundi has endured six episodes of civil war, two major foiled coups d'état and five coups d'état leading to regime change. The result has been the destruction of economic infrastructure, human capital devastation through death and exile, and high levels of uncertainty that do not encourage institution-building.

In summary, state fragility in Burundi displays all five dimensions that generally characterise fragility.

> First, for most of the country's post-colonial period, Burundi has been ruled by illegitimate regimes that came to power through coups d'état or constitutional fraud and used the state to repress the population as a way of protecting their hold on power.
>
> Second, the state has not been effective in steering the country through a development process, as illustrated by recent statistics in 2018 listing Burundi as the poorest country in the world.
>
> Third, as political elites have primarily focused on controlling the state and capturing the spoils associated with political power, the private sector has been neglected and remains underdeveloped. These spoils include the arrogation of part of foreign aid, international loans and tax revenue; allocation of public investment and public employment to benefit members of favoured groups; and organisation of the economy with a view to generating rents that are enjoyed by political elites at the expense of the wider population. This attitude creates inter-group tensions and grievances that eventually lead to political violence.[7]
>
> Fourth, state fragility in Burundi has been narrowly associated with insecurity due to a long cycle of violent conflict. Over the last 50 years, Burundi has gone through six episodes of civil war. The state has not only been unable to keep peace, but also most of the violence has been caused by the state itself, triggered by acts undertaken in "cold blood by the deliberate fiat of holders of despotic political power".[8]
>
> Fifth, the combination of these dimensions of fragility has made Burundi highly vulnerable to political and economic shocks. For example, in 1993, the assassination of a newly elected president by members of the army triggered the longest episode of Burundi's civil war. In contrast, in the 1980s and 1990s, the presidents of Burkina Faso and Niger, Thomas Sankara and Ibrahim Baré Maïnassara, respectively, were assassinated by members of the army who subsequently took power, but these shocks did not result in civil wars. This suggests that Burundi was less able to absorb this political shock than Burkina Faso and Niger at the time.

The next section of this chapter examines Burundi's history to help understand the origins and nature of state fragility. Then the chapter analyses the regional and international dimensions of state fragility in Burundi. The chapter then explores the motives driving policy choices that have led to fragility. Next it highlights some of the consequences of state fragility, focusing on economic factors. The concuding section discusses the lessons learned and offers suggestions on how Burundi can escape its fragility trap and rebuild an economy and institutions that are more resilient to shocks.

Origins of state fragility in Burundi

This section draws on the history of Burundi to identify the origin of state fragility. It goes on to briefly discuss the different episodes of civil war, highlighting how fragility and political violence are interrelated.

Historical origins of state fragility

The history of Burundi does not provide accounts of any serious ethnic conflict before the country was colonised at the end of the nineteenth century. Instead, during the pre-colonial period the state is seen to have been relatively well-structured, centralised and strong, with power controlled by a secular monarchy whose authority was generally uncontested throughout the country but which operated under subtle checks and balances.[9]

Until the end of the nineteenth century, when it became first a German colony and then, after the First World War, a Belgian Protectorate, Burundi was one of the strongest kingdoms in the African Great Lakes region. As an illustration of the strength of Burundi's state, when an army of Arab slave traders penetrated the country in 1884 in search of slaves, they suffered a humiliating defeat at the hands of the country's army. Burundi never experienced the ravages of the slave trade, unlike some other kingdoms in the region.[10]

Belgian colonists met the same resistance. For example, several missionaries who were among the first Europeans to penetrate Burundi were killed as they were perceived as invaders.[11] With this experience and in order to be able to stamp their authority on the country, the Belgian colonists embarked on a project of weakening the traditional state. They undermined the traditional system of governance by introducing "divide and conquer" policies that broke the secular identity of the people of Burundi.

The Belgian colonists played the two major groups, the Hutus and Tutsis, against each other along what they considered to be ethnic lines. This suggests Belgium viewed Burundi through the same lens inherited from the Belgian Flemish–Walloon divide, with two historically antipathetic communities. In Belgium, however, the two groups had separate histories, separate education systems, separate languages and even separate governments, which was not the case in Burundi. Historians of Burundi are of the view that the colonists "racialised" the Hutu and Tutsi categories, which had formerly been considered social groupings.[12] This policy of playing one group against the other, mostly by favouring Tutsis at the expense of Hutus in leadership positions, not only weakened traditional, more inclusive state structures but also created, over time, polarisation between Hutu and Tutsi elites. This polarisation has persisted to this time.

More specifically, between 1928 and 1934, the Belgian colonists introduced far-reaching administrative reforms that favoured the Tutsis,[13] considered as superior and born to rule, at the expense of the Hutus, who were described

as backward peasants.[14] As a result, the Belgians removed all Hutu regional chiefs from their positions and replaced them with Tutsi and Ganwa chiefs. The proportion of Hutu chiefs fell from 20% in 1929, the same as that of Tutsi chiefs, to zero in 1945.[15] This policy undermined a more inclusive, albeit not perfect, governance system that had cemented social cohesion for centuries.

The Belgian power tried to reverse this policy in the 1950s by including Hutu leaders in the administration, at the instigation of the Catholic Church and some Belgian leaders in the metropole. This belated change was welcomed by the Hutus, who had everything to gain, but resisted by the Tutsis, who had benefited from the system. Unsurprisingly, it exacerbated existing frictions between leaders from the two groups. By the time the country became independent, even though there were prominent Hutus in all the countries' institutions, Tutsis and Ganwas were more highly represented.

Domination of the Hutu and Twa by the Ganwa and Tutsi created strong resentment among the Hutus, who were of the view that their population majority should guarantee them a *de facto* right to rule the country. As they could not rely on a nonexistent democratic process to come to power, they made several unsuccessful attempts to capture power from the Tutsis and Ganwa by force. The Tutsis, in turn, used these attempts as an excuse to mercilessly crush the Hutus, including simple peasants who had no political ambitions, to deter all members of the group from any ambition to seek power in the future. This enabled the Tutsis to tighten even further their political control over the country.

Independence

Political splits and incessant fights between leaders of the two groups continued into the early years of independence. The assassination of Prince Louis Rwagasore, the leader of the independence movement, months before the country's independence, aggravated the tensions. Rwagasore was a highly respected personality who had galvanised the forces fighting for Burundi's independence. Through his political party, Unité pour le Progrès National (UPRONA), Rwagasore had been able to unite Hutus and Tutsis behind his independence project, which was coupled with a clear development vision. The colonial power opposed Rwagasore and his independence movement, and in October 1961 Rwagasore was assassinated by political opponents "who seemed to have acted with the tacit approval of Belgian authorities".[16]

Rwagasore's assassination spelt the end of the common Hutu–Tutsi political project that he had been fighting for, plunging the country into political turmoil. As no other political figure was able to unify the political aspirations of Hutus and Tutsis at the time, politicians from both groups became even more consumed by fights for the control of the state; very little attention was devoted to state-building at this crucial time when post-colonial institutions needed to be built. The country gained independence on 1 July 1962 in this

environment of political division. The state was weak, with no clear political direction and no development plan. Indeed, between independence and the end of 1966, no government held power for more than a year, making state-building impossible.[17] This instability eventually led to the first large-scale outbreak of political violence, in 1965. Other aspects of governance in the newly independent country, such as social and economic development, were relegated to second-order issues, further undermining state-building. Thus, while Belgium initiated measures to weaken the state in Burundi, Burundian political elites adopted and perpetuated them.

Political volatility and regionalism

In this context of political volatility, in October 1965, a group of Hutu leaders attempted but failed to topple the government. At the same time, at the instigation of some Hutu leaders, Hutu peasants in Muramvya province killed several hundred Tutsis. The Tutsi-led army interpreted this as an existential threat to their group. Using this as an excuse, Tutsi leaders purged the country's leadership of its most influential Hutu members and the army moved into Muramvya province to avenge the killing of Tutsis, engaging in a killing spree that claimed up to 5,000 people, mostly innocent civilians.[18] This marked the first large-scale ethnically based political killings in the country.

In November 1966, a group of Tutsi officers from the southern province of Bururi, led by Captain Michel Micombero, carried out a coup d'état, overthrowing the centuries-old monarchy. In terms of state-building, two important developments ensued. First, by adopting a republican political system, the new leaders brought an official end to the monarchic governance system that had, to some degree, included Hutu and Tutsi leaders from all regions of the country in all state institutions, albeit in unequal proportions. Secondly, and more dramatically, the small Tutsi elite from Bururi, having come to power illegitimately, installed a system concentrating all power—political, military and economic—in its own hands.[19] Most significantly, people from the province of Bururi controlled the army and security institutions, at all levels; the government and civil service; and the economy. Regional governors and the majority of state agents throughout the country were from Bururi. The marginalisation of Hutus and non-Bururi Tutsis resulted in a highly polarised society and a narrowly based state.

The 1966 coup d'état turned out to be the first in a long series. Others that led to regime change were staged in 1976 by Colonel Jean Baptiste Bagaza, followed by a 1987 coup by Major Pierre Buyoya, both from Bururi. In fact, all three military presidents, from the first Republic in 1966 to the third Republic in 1987, were from Rutovu, one of the communes of Bururi province. The 1976 and 1987 coups are best characterised as internal power changes due to disagreements within the ruling elite. They were bloodless palace coups that kept the Bururi system intact. Indeed, the relative ease with which coup plotters operated contrasts with the bloody character of other coups when

they were directed against people from outside the Bururi group. This was the case with next coup.

Burundi experienced another coup d'état in 1993, initiated by members of the Bururi-dominated army. Unlike the previous palace coups, this was the bloodiest coup d'état the country had ever experienced. Melchior Ndadaye, a Hutu recently elected president after democratic elections won by his Front for Democracy in Burundi (FRODEBU) party, was killed together with many of FRODEBU's highest-ranking members. This was in October 1993, after Ndadaye had been in power for only three months. He was the first Hutu, civilian, non-Rutovu native and democratically elected president since independence in 1962.

The motive of the ringleaders of this coup, who were mostly from the army and enjoyed the backing of some politicians, appeared to be to thwart the nascent democratic process that was shifting the centre of power from Bururi. Not only was power leaving Bururi but also, for the first time in the country's history, a Hutu would be leading the country. To many Tutsi politicians, especially those from Bururi, this was unacceptable.

The coup plotters had wanted to re-establish the status quo. However, as discussed in the following section, surviving Hutu leaders organised resistance and the country slid into chaos. The coup did not achieve its objective. Amid the political chaos, surviving FRODEBU leaders were forced into power-sharing negotiations with the very representatives of the old regimes who were responsible for the killing of the president and decapitation of FRODEBU leadership. Under immense pressure, FRODEBU members agreed to share power through so-called unity governments, but, at the same time, civil war was raging. The situation was chaotic. Key leaders of FRODEBU eventually fled the country and launched an armed rebellion, initially operating out of a few places within Burundi, then moving their bases to the Democratic Republic of Congo and, later, western Tanzania. The civil war lasted ten years and only ended after the political opposition reached a negotiated settlement with representatives of the old ruling elite (see below).

Another coup d'état was staged in 1996 by former president Pierre Buyoya, who had been defeated in elections by Melchior Ndadaye in 1993. Once again, this coup was an attempt to bring power back to the pre-1993 order. His coup succeeded, but his regime was swiftly rejected by the international community. A few days after Buyoya's coup, the country was placed under a total international economic embargo. The condition for lifting the embargo was that Buyoya agree to negotiate with the opposition in order to find a lasting solution to Burundi's problems. He duly complied and negotiations were launched in Arusha, a city in western Tanzania. Buyoya remained president until 2003, leaving power to a transitional government that would lead the country through the 2005 elections, as provided for by the agreement reached in the Arusha negotiations (see below).

The last known coup attempt was in 2015, when members of the army attempted but failed to seize power by force. The official motive was to

re-establish constitutional order due to the decision of the incumbent president to run for a third term, which was considered unconstitutional. There were scenes in the streets of jubilant people from all walks of life who genuinely believed that the president should not run for a third term. However, as the coup unravelled, a bloody reprisal ensued from powerful members and institutions that remained loyal to the president, plunging Burundi into yet another civil war. Since 2015, more than 1,200 people have been killed and more than 400,000 fled the country.

Actions by former political elites in the 1990s and the 2015 decision by the president to seek a third term in office are examples of both Tutsi and Hutu political leaders acting to undermine the development of democratic institutions. In this context, state fragility may be considered as an outcome of the behaviour of illegitimate leaders seeking to impose their rule, violating basic democratic principles that govern access to power.

Unending political instability deeply affected economic performance. Political instability and resource capture by political elites discouraged public and private investment, stunting economic growth. As a result, the rate of economic growth has been weak over most of the period under analysis (see later discussion). Most recently, in 2015, the year when the latest episode of political violence started, the rate of economic growth was negative at –0.4%. As political instability persisted, economic recovery remained elusive. Even though the years 2016 and 2017 recorded positive growth rates, economic performance was lukewarm in 2018, with a growth rate of 0.1%.[20] Projections over the medium term are bleak, with a growth rate expected to oscillate around 0.0%.

Illegitimacy, poor governance and impunity

Poor governance, particularly the impunity of criminals involved in state crimes, is an aspect of state fragility that needs to be addressed if Burundi is to emerge from its fragility trap. Since 1965, Burundi leaders have been unwilling and, to some degree, unable to transform the country's institutions, including political and economic institutions, in a way that would strengthen Burundi's resilience to shocks and help avert future violence. Every episode of violence is a reminder that Burundians have been locked into a situation "where the past does not pass".[21]

The most enduring legacy of political instability in Burundi is that crimes and other injustices committed by state agents and institutions since the 1960s have never been acknowledged, and therefore remained unpunished. The rule of law has been crippled, allowing political elites to continue engaging in bloody fights and repressions, further weakening the state. The lack of accountability for past crimes implies that each conflict leaves victims with unaddressed grievances, sowing the seeds of future violence. As each episode of violence feeds into the next one, Burundi's episodes of political violence can be understood as one unresolved conflict that occurs cyclically.

This account highlights that the overriding objective of Burundi's political elites since its independence has not been state-building. The main objective of all political elites has been to capture the state and turn its institutions into instruments that protect them and strengthen their hold on power. In turn, in a country where economic opportunities are limited, political power is the most direct way to economic benefits. Any threat to the realisation of this objective, whether real or imagined, is met with excessive violence to discourage potential challengers from taking action. This logic seems to hold irrespective of the group controlling political power. Indeed, even though previous Bururi regimes put this system in place, others appear to have embraced the same conception of power.

State repression and a cycle of political violence

The first episode of civil war in 1965 was followed by others in 1972, 1988, 1993–2003, and from 2015 to date (Table 4.1). Except for the 1993–2003 episode, almost all the casualties of the civil war have been due to repression by state institutions.

The modalities have always been the same. Leaders of the group kept out of power—until 2005, the Hutu—try to capture it by force. This prompts the incumbents—until 2005, the Tutsis—to unleash disproportionate violence against members of the other group, irrespective of their actual involvement. State institutions such as the army, police and intelligence service carry out these repressions. Given the asymmetry of the forces, the number of victims of political repressions dwarfs the casualties caused by the initial attacks.

In 1972, some Hutu politicians, frustrated by the repression endured by their group since 1965 and their political marginalisation, organised a rebellion with the intention of overthrowing the Tutsi government. They killed thousands of unarmed Tutsi civilians in the southern province of Bururi, where the political elite of the time originated. In retaliation, Bururi-dominated government forces engaged in ferocious killings of Hutus, not just in Bururi, where the stillborn rebellion operated, but across the whole country. As a result, about 200,000 innocent people, mostly Hutus but also some Tutsis and Ganwas, were killed. Another 300,000 people were forced to flee the country and seek refuge abroad, particularly in neighbouring countries. The repression targeted almost all Hutus with some level of education or wealth, the objective presumably being to eradicate the Hutu threat once and for all. Similar attacks and repressive responses were observed in 1988 and 1991, but with a more limited scope.

The 1972 episode affected the country so deeply that it became a defining moment for future political violence. Many subsequent Hutu leaders were either former refugees who had come back to Burundi after leaving the country in 1972 as young adults, or children of the Hutus killed in 1972. The most prominent members of this group include the former president, Pierre Nkurunziza, who lost his father in the 1972 political repression. He

Table 4.1 Characteristics of Burundi's internal armed conflict

Characteristic	1965	1972	1988	1991	1993–2003	2015 to date*
Duration (months)	2	4	2	1	120	27
Deaths (thousands)	5	200	15	1–3	300	1.2
Refugees (thousands)	0	300	50	38	687	416
Deaths & refugees to population (%)[b]	0.2	14.0	1.3	0.7	17.1	3.8
Years from previous conflict	—	6	16	3	2	12
Provinces affected	Muramvya	Whole country	Ngozi, Kirundo	Cibitoke, Bubanza, Bujumbura	Whole country	Whole country but mostly Bujumbura

Source: F. Ngaruko and J. D. Nkurunziza, "War and its Duration in Burundi", in *Understanding Civil War: Evidence and Analysis,* vol. 1: *Africa*, ed. P. Collier and N. Sambanis (Washington, DC: World Bank, 2005), 35–62. Data in the last column (2015 to date) reflect ACLED (Armed Conflict Location & Event Data) Project information available as at April 2016. Information on the number of refugees is from UNHCR (https://data2.unhcr.org/en/situations/burundi) as at July 2017.

also escaped two assassination attempts during the 1993–2003 conflict, before deciding to join the rebellion in the mid-1990s. Melchior Ndadaye, the first civilian president elected democratically in 1993, was a former 1972 refugee in Rwanda. Two of his ephemeral successors during the chaotic period following Ndadaye's assassinations, Sylvestre Ntibantunganya, and Domitien Ndayizeye, are also former 1972 refugees in Rwanda.

In the early 1990s, Burundi, like many other African countries, came under immense international pressure to organise democratic elections. Pierre Buyoya, president at the time owing to his 1987 coup d'état, obliged and organised elections in 1993. He ran as the candidate of the ruling party and lost to Melchior Ndadaye, who ran under the banner of the newly formed FRODEBU party. As noted earlier, in October 1993, after only three months in office, President Ndadaye and many FRODEBU leaders were assassinated in a military coup staged to undo the result of the popular vote and return the country to the status quo ante. The Hutu leadership considered these assassinations as an attempt by the old Tutsi elite, particularly the Bururi elite, to recapture the power they had just lost through the elections.

The assassination of the first elected Hutu president triggered a massacre of Tutsis by their Hutu neighbours throughout the country, arguably to avenge the killing of "their president". In fact, the developments were so swift that some have argued that it had been pre-planned by the Hutu leadership, who feared that the army would not accept their victory. As usual, the Tutsi-dominated army engaged in a ferocious repression of Hutus but could not stop Tutsi killings. In addition, surviving Hutu leaders formed an armed resistance movement, which later became a rebel movement, the National Council for the Defence of Democracy-Forces for the Defence of Democracy (CNDD-FDD in French). For the first time, the Hutu group organised a strong and sustained rebellion, with many of its military and political leaders orphans of the 1972 government repressions. The fight between the government army and CNDD-FDD raged for ten years, the longest episode of the civil war, claiming 300,000 lives and displacing close to 700,000 refugees. About 17% of the population were either killed or fled the country.

The pursuit of elusive peace

As the war dragged on, the international community brought together the warring parties in negotiations that culminated in the signing of the Arusha Agreement. Elections were organised in 2005 and won by the CNDD-FDD party. President Pierre Nkurunziza was sworn in on 26 August 2005. The transfer of power to Hutu leaders, the victims of repressions by past Bururi-dominated regimes, was greeted by many Burundians as ushering in a new political era with more caring leaders, an era in which political violence would have no place.

The recent past, however, appears to show that the expectations of Burundians were betrayed by their new leaders. For example, many

independent reports have pointed to the role of state security institutions in numerous acts of violence since April 2015, when the current president decided to seek a third term in office, a move considered by many as illegal.[22] As highlighted earlier, Burundi again fell into political violence, with at least 1,200 people killed, mostly by state agents, and more than 400,000 refugees fleeing in the period after 2015. Scores have also been tortured and many Burundians are languishing in prison for political reasons.

While non-state actors involved in violence are often killed during state repressions, very little has been done to identify and prosecute state actors involved in illegal acts of violence. This has constantly been the biggest problem hindering a peaceful resolution to the cycle of violence. Indeed, "more serious problems arise when the body responsible for threatening and causing death is—or is in complicity with—a State itself".[23] The fact that state agents can kill and torture with impunity sends the message that those in position of power are above the law. As impunity persists, today's victims will likely take justice into their own hands in the future, which perpetuates the conflict.

Regional and international spillovers

State fragility in Burundi has had important regional and international repercussions. Three different aspects are discussed below: the flow of refugees to neighbouring countries and beyond; regional initiatives; and the involvement of the African Union and the United Nations in finding a solution to the conflict.

Refugees

As Table 4.1 illustrates, the conflict in Burundi has generated a cumulative number of 1.5 million refugees. These have been concentrated in neighbouring countries, particularly Tanzania. This country alone housed more than half a million refugees from Burundi at the height of the refugee crisis. Other countries that have hosted large numbers of Burundian refugees at some stage of the conflict include Rwanda—particularly in relation to the 1972 and 2015 conflicts—and the Democratic Republic of Congo (DRC). Starting with the 1993 conflict, a sizeable number of Burundian refugees have also reached faraway places, most prominently Europe (e.g. Belgium, the Netherlands, Switzerland), and Canada. Burundian refugees are now found in every part of the world.

There is a direct link between violence, deaths, refugees and state fragility. The first large-scale conflict was the 1972 episode of the civil war. During this period, most of the people killed were Hutus of a certain level of education or wealth, as noted earlier. Many of the refugees were also people of the same background. This hollowed out the civil service and the business sector. In other words, the targeting of Hutus in 1972 destroyed the state in two

ways. First, the state was physically destroyed through the killing or fleeing of scores of civil servants and other state agents who were Hutu. Secondly, and more damaging, was the reconstruction process. From that year on, the reconstruction of the state favoured Tutsis, particularly those from Bururi, marginalising and frustrating many capable Hutus. The notion of a state catering for all members of the population was lost. Again, in 1993, the killing of an elected Hutu president convinced many Hutu state agents that they needed to flee before they were killed, again weakening the state. As a result, the different episodes of the civil war have not just destroyed the state; they have also reinforced the notion, embraced by all regimes, that the state is there to serve and protect only those who control political power.

Migration

The refugee question has been a sensitive political issue in the context of relations between Burundi and its neighbours. In the 1970s and 1980s, Rwanda hosted a large number of Hutu refugees from Burundi following the 1972 state repression. On the other hand, the Rwandan "Social Revolution" of 1959 sent scores of Rwandan Tutsi refugees to Burundi. Until the genocide in 1994, Rwanda was run by politicians from the Hutu group. Burundi, in contrast, was led by Tutsi politicians, from independence until 2003, save for the period between 1993 and 1996. As a result, the Hutus who were persecuted in Burundi until 1993 considered the regime in Rwanda as friendly, so many fled to this country, particularly in 1972.

Conversely, among the Tutsis who fled Rwanda from 1959 to the genocide in 1994, many migrated to Burundi, where the Tutsi regimes were considered friendly. Both countries perceived the presence of large numbers of their refugees in a neighbouring country considered as being sympathetic to their opposition as a political threat, generating tensions between the two countries. In the 1980s, the refugee issue pushed Burundi and Rwanda to the brink of war.

Political tensions

Political fortunes in the two countries have reversed. From 1994 onwards, Rwanda has been led by members of the Tutsi group, while a Hutu elite has been running Burundian politics since 2005. Relationships between the two regimes were friendly until 2015, before scores of Burundian refugees started to flee to Rwanda after the eruption of violence in April 2015. Several opposition leaders, army officers, civil society leaders, journalists, businesspeople and professionals, as well as ordinary citizens, went to Rwanda to seek refuge.

Allegedly, some officers who were involved in the May 2015 foiled coup in Burundi also fled to Rwanda, provoking the ire of politicians in Burundi. As a result, Burundi has openly accused Rwanda of harbouring its enemies

and training them to overthrow the current regime, claims Rwanda has vehemently denied. Political tensions have become so high that trade between the two countries has been suspended.

The DRC has also been drawn into Burundi's conflicts. In 1972, for example, the group that attacked the southern part of Burundi came from the DRC, then called Zaïre. Even today, the mountainous and unruly eastern part of DRC is said to host Burundian rebels, alongside many other rebellions. Consequently, the Burundian army has been crossing the border into DRC in pursuit of these groups, causing friction between the Burundian and DRC governments.

Tanzania

Tanzania has traditionally hosted the largest number of Burundian refugees over the decades of conflict. The largest number of refugees went to Tanzania in 1972 and during the 1993–2003 conflict. Interestingly, tensions between Burundi and Tanzania over the refugee issue never were as high as in the case of Rwanda, despite Tanzania hosting more Hutu refugees than Rwanda.

The 1993–2003 rebellion whose leaders later came to power in Burundi used rear bases in western Tanzania, particularly in Burundian refugee camps. The Tutsi-dominated government of Burundi had long suspected Tanzania of being pro-Hutu, including during the Arusha negotiations that were facilitated by Julius Nyerere, former president of Tanzania.[24] Despite this suspicion, the negotiations were successful.

The international community

Beyond the African region, the refugee issue associated with the 2015 political crisis has caused serious diplomatic frictions between Burundi and Belgium, the former colonial power. Burundi accuses Belgium of harbouring a number of prominent refugees who were part of the ruling elite. Diplomatic relations between the two countries reached an all-time low when both governments recalled their respective ambassadors. Moreover, the government of Burundi accuses Belgium of being behind the drive to freeze international aid to the country. As the main donor to Burundi in terms of bilateral aid, Belgium's freezing of direct aid to the government of Burundi has indeed increased its fragility.

Beyond Europe, Canada has received large numbers of refugees from Burundi, starting with the 1993–2003 crisis. In light of the high acceptance rates of applications from Burundi citizens for refugee status in Canada in 2016, and the high overall volume of cases, Canada included Burundi in the group of countries for which processing of cases is expedited (as of 1 January 2018). Burundi joined Afghanistan, Egypt, Eritrea, Iraq, Syria and Yemen.[25]

African-led peace negotiations

The Arusha negotiations

The first serious attempt by the international community to find a lasting solution to Burundi's conflict was the Arusha negotiations and their outcome, the Arusha Peace and Reconciliation Agreement for Burundi (hereafter the Arusha Agreement). The negotiations, triggered by the reaction of the international community to the 1996 coup d'état against the fledgling democratic institutions emanating from the 1993 elections, brought together representatives from a large spectrum of institutions, including political parties, civil society, the army, the government, neighbouring countries, regional actors and the international community. The negotiations started in June 1998 in the Tanzanian town of Arusha. Julius Nyerere, former president of Tanzania and a highly respected international figure, facilitated the negotiations until his death in 1999. Thereafter, another highly respected African statesman, Nelson Mandela, former president of South Africa, took over the negotiation process. The exceptional calibre of the facilitators showed for the first time that Africans wanted to find a lasting solution to Burundi's recurrent conflicts.

After two years of difficult negotiations, the resulting Arusha Peace Agreement was signed in August 2000 and entered into force in November 2001. The Agreement eventually brought an end to the ten-year civil war, allowing Hutu political leaders who had been living in exile to go back home to Burundi under the protection of a South African force deployed to Burundi. The agreement also allowed the Hutu political elite, coming from a group that had long been persecuted by former regimes, to eventually come to power with the backing of the international community. In this regard, the political settlement was radical in the sense that it brought an end to the domination of Burundi's politics by the Tutsi elite since the colonial reforms of the 1920–1930s. Considering the political imbalances that the agreement sought to redress, it seemed to be tilted towards the Hutu group, which had been traditionally marginalised.

Despite its shortcomings, the agreement formed a basis on which a credible and inclusive political system in Burundi could be built.[26] In its opening paragraphs, the Arusha Agreement acknowledges that its signatories are "[a]ware of the fact that peace, stability, justice, the rule of law, national reconciliation, unity and development are the major aspirations of the people of Burundi" and that the signatories are "[d]etermined to put aside our differences in all their manifestations in order to promote the factors that are common to us and which unite us, and to work together for the realisation of the higher interests of the people of Burundi".[27] Indeed, unity of the Burundian polity seems to have been the elusive element that could have helped to prevent all the fragilities discussed above.

However, as the Hutus consolidated their political power through three consecutive elections in 2005, 2010 and 2015, they could not resist the temptation of absolute power and, in some cases, the urge to avenge past humiliations. The elections in 2010 were boycotted by the opposition, who considered that they would neither be free nor fair, while the 2015 elections were overshadowed by the violence associated with the foiled attempt to prevent the incumbent president seeking a third term.

While some mistakes of the new regime could be attributed to its limited political experience, other measures—such as the flouting of power-sharing arrangements provided for in the Arusha Agreement—seem to have been deliberate. Another example is the shutting down of almost all private media judged to be too critical. Ultimately, the Arusha Agreement has all but collapsed as the new political leadership has failed to respect its power-sharing provisions. The unravelling of the Arusha Agreement cleared the way for the new leadership to embrace the same exclusionary policies they had decried before they took power. Hence, instead of addressing the fragilities inherited from previous regimes, the new leadership perpetuated them.

National Truth and Reconciliation Commission

In the Arusha Agreement, national reconciliation is the cornerstone of peacebuilding. The agreement calls for the establishment of a National Truth and Reconciliation Commission with the following main mandate: investigate the killings and all human rights abuses committed; arbitration and reconciliation; and clarification of history to offer one reading of Burundi's history (Protocol I, Article 8). The period to be covered is from independence on 1 July 1962 to 4 December 2008 (Protocol I, Article 6).

The Arusha Agreement contains valuable provisions. However, their implementation has been selective, favouring provisions that are in the interests of the regime in power.[28] Some of the most important provisions of the agreement, such as the creation and facilitation of a credible National Truth and Reconciliation Commission, were never taken seriously.

A possible reason is that none of the successive regimes entrusted with the implementation of the Arusha Agreement had any interest in a process through which their own past crimes might come to light. All the elites that have ruled the country seem to benefit from "historical silences".[29] The decision of the ruling party in 2015 to field the same candidate for a third presidential term, which clearly violated the Arusha Agreement, is another illustration of the selective approach to its implementation.

International involvement: muted reactions

Overall, international community involvement in addressing Burundi's state fragility has been wanting. The 1965 conflict was considered a simple local conflict, attracting little interest from the international community. In 1972,

despite the large-scale nature of the killings that decimated the Hutu intelligentsia, the reaction of the international community remained muted. It was only later, in the 1980s, that the 1965 and 1972 episodes of violence were acknowledged as cases of genocide.[30] Despite the gravity of the crimes, no one has ever been brought to justice.

The international community seems reluctant to act forcefully in extreme cases of violence, as observed in Rwanda in 1994. Additionally, in 1972, the then Tutsi-led Burundi government responsible for the massacres engaged in a diplomatic effort to thwart any serious condemnation of the violence and potential intervention by the United Nations or any other entity.

Commission of inquiry of the United Nations

Muted responses to grave violations of human rights in Burundi were not limited to 1972. After the assassination of the Hutu president in 1993 that triggered the 1993–2003 civil war, it took two years (until 28 August 1995) for the United Nations Security Council (UNSC) to approve Resolution 1012, requesting the Secretary-General to establish an international commission of inquiry to "establish the facts relating to the assassination of the President of Burundi on 21 October 1993, the massacres and other related serious acts of violence which followed" and to "recommend measures of a legal, political and administrative nature, as appropriate, after consultation with the Government of Burundi, and measures with regard to the bringing to justice of persons responsible for those acts, to prevent any repetition of deeds similar to those investigated by the commission and, in general, to eradicate impunity and promote national reconciliation in Burundi".[31]

The commission produced a report identifying by name key army officers and senior politicians who were allegedly involved in the assassination of the president and fuelled the violence that ensued. These individuals refused to cooperate with the Commission and, in the end, none was held to account.

The United Nations Security Council's failure to hold to account those responsible for such serious crimes sowed doubts about the willingness and capacity of the international community to help bring justice to Burundi. Even though the United Nations later deployed a peacekeeping mission to support the transition from war, the measure was insufficient in helping to achieve lasting peace. As argued below, Burundi needs sustained and well-funded international engagement to oversee the establishment of a more resilient political and economic system.

Recently, with the eruption of violence in April 2015, the United Nations has debated the case of Burundi several times, both in the Security Council and the Human Rights Council. Fact-finding missions have been sent to Burundi and neighbouring countries. They have all come to the same conclusion—namely, that there are grave and widespread violations of human rights committed by government forces and, to a lesser extent, opposition groups in Burundi. But action has not gone beyond simply accusing the government.

By showing that it is powerless, the international community sends a signal to the victims of violence that they will probably need to fend for themselves.

International diplomacy

The situation in 2015 was judged to be so grave that the African Union's Peace and Security Council voted to send a 5,000-strong peacekeeping force to Burundi in December 2015. The government of Burundi opposed this move and, in January 2016, the African Union backtracked on its pledge. In July 2016, the United Nations Security Council voted to send a modest police force of 288 officers to Burundi to monitor the situation. The government of Burundi refused to cooperate, claiming that its own national police force had the situation under control.

The exercise of international diplomacy, at least as recently applied to Burundi, has failed in part due to its internal contradictions. Why should international intervention be subject to agreement from the same "holders of despotic political power"[32] who are committing the very crimes the international community seeks to end? What incentive does such a regime have to allow into its territory a force that is perceived as coming to destroy it?

Distressed populations in Burundi have learned from this experience that the "Duty to Act" and "Commission by Omission" principles of international criminal law cannot be considered as a reliable source of justice. On the other hand, political powerholders in the country have learned that they can defy the international community and easily thwart international intervention. This bodes ill for peacebuilding and state-building in Burundi.

Strategies and policy choices that induce state fragility

This section illustrates how state institutions have systematically been captured to promote and protect the interests of the ruling elites, deepening state fragility.

Civil service and security fragility

Political capture

The role of the civil service is to support the government in the efficient design and implementation of policies. In Burundi, however, different regimes have to varying degrees used employment in the civil service as an opportunity to reward their faithful followers with positions of influence. Moreover, as an extension of executive power, the civil service has been organised in such a way that power remains in the hands of the "right" people, those who will not use their positions to challenge the government of the day.

From the mid-1960s to the early 2000s, most positions of influence within the civil service were in the hands of people from the province of Bururi, the

cradle of the political leadership of that period. This influenced wealth distribution, as the state has traditionally been the major employer in Burundi where the private sector is rudimentary. Indeed, the civil service and the army account for about 80% of formal employment in Burundi.[33] The allocation of public goods was also skewed in favour of this region. For example, most of the country's best schools and best teachers were concentrated in Bururi, an otherwise remote region. Detailed data on the provincial allocation of education resources by the central government reveal that in the late 2000s the province of Bururi had, on average and in comparison with other provinces, the highest number of teachers per classroom, the second highest number of pupils, the highest overall school enrolment ratio and the lowest number of pupils per teacher. The picture was similar for secondary school statistics[34] and university enrolment. In 1999, for example, students from the Mugamba commune of Bururi, which accounted for about 0.76% of the country's population, represented a staggering 15% of the student population of the University of Burundi, a state institution and the only university in the country at the time.

Privileged access to education in this region had a long-term effect on wealth, since access to quality education generally leads to better jobs with higher pay.[35] This institutional capture was part of a bigger scheme to limit access to good education in order to keep in check the number of prospective candidates who could potentially challenge the supremacy of the political elite.

Even after the coming to power in 2005 of a traditionally marginalised Hutu elite, the practice of political capture initiated in the mid-1960s does not seem to have changed. Influential positions in the public service, army, police and intelligence services have changed hands in favour of members of the ruling party, the CNDD-FDD. Many experienced and competent civil servants have had to cede their positions to people with limited or no capacity to carry out the functions associated with their positions, not just to reward CNDD-FDD members for their loyalty, but to also ensure that the administration is in the "right" hands—exactly the same modus operandi of the Bururi system discussed earlier. The result has been a generalised weakening of state institutions and widespread corruption.

Illegitimacy and power

Firm control of security institutions by a military-political group ensures that potential threats to power are kept in check. This was illustrated by the brutality of the army, police and intelligence services when dealing with the foiled coup of May 2015 and subsequent unrest. Thousands of people were killed, tortured or abducted by the country's security apparatus, while close to half a million people fled the country. The new regime has continued the past practice of relying on repressive violent methods to protect its illegitimate power.

To ensure the loyalty of security institutions, politicians have purged the army, police and intelligence services of most of their old members, replacing them with new ones who are more malleable and answerable to the ruling party. Thanks to the Arusha Agreement, the police and intelligence services underwent major reform with the coming to power of the new regime in 2005. They have been dominated by elements from the former Hutu rebellion ever since.

Reforming the army generally followed the provisions of the Arusha Agreement, at least until the 2015 coup. The new regime understood the risk of brutally dismantling the army to install its own members in all influential positions. Over time, however, as the new leaders stabilised their power, they embarked on a restructuring exercise of security institutions by removing most of the remaining officers from the traditional army, irrespective of their merit. The 2015 attempted coup was an opportunity to purge the army and security services of all unwanted elements.

It is unlikely that the provision of the Arusha Agreement requiring that there are 50% Hutus and 50% Tutsis in security institutions is now respected. From the beginning, considering the traditional dominance of these institutions by Tutsis, restructuring implied an injection of large numbers of Hutus, and sending many Tutsis into early retirement. This was a major opportunity to reward loyal Hutu rebels and other members of the new ruling elite. As a result of the restructuring, a large number of former combatants with insufficient military and general training suddenly became very senior members of the army. Many former rebels became generals in their thirties, an age at which those who underwent formal training through Burundi's officers' academy would be lieutenants or captains. As expected, this policy caused frictions within the army, but discontent was contained for several years.

Over time, however, "restructuring" went beyond what was provided for in the Arusha Agreement to create security institutions that were mirror images of those that were in place under previous regimes. The destructive effect of this policy became apparent in the 2015 political instability. The witch-hunt that followed the failed coup targeted members of the traditional army, who were perceived to be sympathetic to the Tutsis and accused of seeking to overthrow the regime. Many were killed and several high-ranking officers fled the country. The army is now dominated by former rebels who were integrated after 2005, defeating the letter and spirit of the Arusha Agreement that provides for a balanced representation.[36] As before, the army and other security institutions have become highly politicised. Their main objective is now to ensure the survival of the current regime.[37]

Feeding state fragility

These transformations, combined with a selection system guided by an obsession with ensuring that the security apparatus remains loyal to the individuals—not institutions—controlling political power, have weakened the security sector in Burundi. The recent instances of human rights violations,

observed particularly since 2015, might partly be attributed to the lack of professionalism of security actors. As observed above, the situation will only worsen if the isolation of the political leadership persists. As has been the case under past regimes, there is a risk of resort to violence becoming the only instrument that political leaders can use to stay in power.

Economic fragility

Extracting benefits from the state

In addition to political capture, the control of political power by a small group has a strong economic motivation: the control of economic benefits and their allocation to members of the ruling elite. In a country where the private sector is rudimentary, most of the benefits are concentrated in the public sector, where they are extracted through corrupt practices, including the awarding of public contracts. "To become rich in Burundi, you need a government contract".[38]

All regimes have considered the public sector as a source of economic benefits to be shared among family members and loyal followers. In this light, appointments to some positions are considered strategic, valued not for the prestige they confer but for the opportunities for corruption they offer. For example, positions controlling the allocation of government contracts are held by individuals who are trusted members of the small political elite running the country, because of the pecuniary opportunities associated with the function. Hence, some have characterised Burundi's conflict as largely distributional.[39]

The management of state firms created in the late 1970s and 1980s illustrates how these benefits are extracted and allocated. About 100 state-owned firms were created between 1977 and 1982. They operated in sectors such as retail, telecommunications, tourism and manufacturing and were among the country's largest firms. On average, a state firm was more than four times the size of the average private-sector firm created during the same period, and more than seven times the average size of firms in operation in 2010.[40]

These firms were managed by civil servants—not people known for their business acumen or managerial capabilities—belonging to the ruling elite. Their main function was to use these firms as vehicles to indirectly collect state resources and reallocate them to members of the ruling elite and their associates. To do so, they used selective employment favouring the ruling class and their families, irrespective of their suitability. They offered generous packages to employees, even though most of these firms never made a profit. Corruption characterised state firm management.

Corruption and mismanagement

To continue operating, every year state firms absorbed an important share of the government budget in the form of subsidies. For example, in 1995, all state

firms recorded a combined net loss equivalent to 6% of GDP or 14% of government revenue, excluding grants. Subsidising such loss-making firms, which employed largely members of the ruling elite, was a form of extracting rents from the population and transferring them to people associated with political power. Mismanagement eventually led most of these firms to failure in the 1990s and 2000s.[41]

The following example illustrates the mechanics of the process of extracting resources from the population through the state and allocating them to private individuals.[42] A prominent politician, formerly Prime Minister, was appointed as head of a state-owned bank. After just a few years, the bank went bankrupt due to mismanagement. By the time the bank went down in November 1998, its debts amounted to five times its equity. Most of the bank's problems were due to bad loans accorded to a handful of influential individuals, including the CEO himself. There was speculation that the CEO and his associates might have pushed the bank to fail in order to ensure that they would never have to pay back the loans they had contracted. Ironically, two months later the same CEO was heading a new private bank that he had just created, probably using money stolen from the state bank. Heading another financial institution was in flagrant violation of the banking law, which stipulates that any person who had played a key role in a company that had been declared bankrupt could not be allowed to manage a bank. But the law does not apply to such individuals.

Recently, similar practices have emerged in other sectors. There is anecdotal evidence that state contracts are allocated without any competition to a handful of individuals working with or on behalf of powerful politicians or army generals. Several mining contracts, for example, have been signed in total secrecy with the public having no information on the terms of the contracts.[43]

In 2011, OLUCOME, a local anti-corruption non-governmental organisation (NGO), purported to have evidence about 50 persons who it claimed had embezzled up to US$80 million. According to the NGO, this information was compiled from cases analysed by the NGO itself, as well as state institutions such as the state's General Audit Service, the police and the Anticorruption Court.[44] The NGO implied that the authorities were aware of these cases but unwilling to act, most probably because influential figures were among those involved.

International institutions have also ranked Burundi as one of the most corrupt countries in the world. According to the Corruption Perceptions Index compiled by Transparency International, Burundi was ranked 165th out of 180 countries surveyed in 2019.[45] Corruption and mismanagement represent another important dimension of state fragility in Burundi.

Economic consequences of state fragility

The permanent state of political instability has not allowed the country to focus on economic development. Given the recurrence of the conflict

illustrated in Table 4.1, any economic progress achieved between two episodes of conflict is undone by the next conflict. As a result, political fragility has led to economic fragility.

One indicator of economic fragility is the slow rate at which Burundi accumulates physical capital. As illustrated in Figure 4.1, during periods of conflict, physical capital is destroyed, explaining the slow and mostly negative rates of capital accumulation. In turn, a small stock of capital implies a narrow economic base, which limits economic opportunity and hence slows economic growth. It is against this backdrop that Burundi's GDP per capita has been declining since the early 1990s.

Consequently, Burundi has one of the highest incidences of poverty in Africa. In 2018, 78% of Burundians were considered poor, with daily income less than US$1.9, measured in 2011 Purchasing Power Parity (PPP). Poverty worsened over time. In 2015, the rate of poverty headcount was slightly lower at 75%, but this was still almost twice the African average of 42% of the population.[46]

Figure 4.1 illustrates the economic cost of political fragility. In Burundi, GDP contracted by 6.4% in 1972, the first time the conflict affected the whole country. When another major conflict broke out in 1993, GDP contracted by 7% and remained negative, or oscillated around zero, for about ten years, until the mid-2000s. Owing to the very low GDP growth rates, the trend of Burundi's GDP per capita has never recovered from its collapse in the early 1990s.

The trend of the growth rate of the stock of capital is even more telling. The rate of capital accumulation may be considered as an indicator of
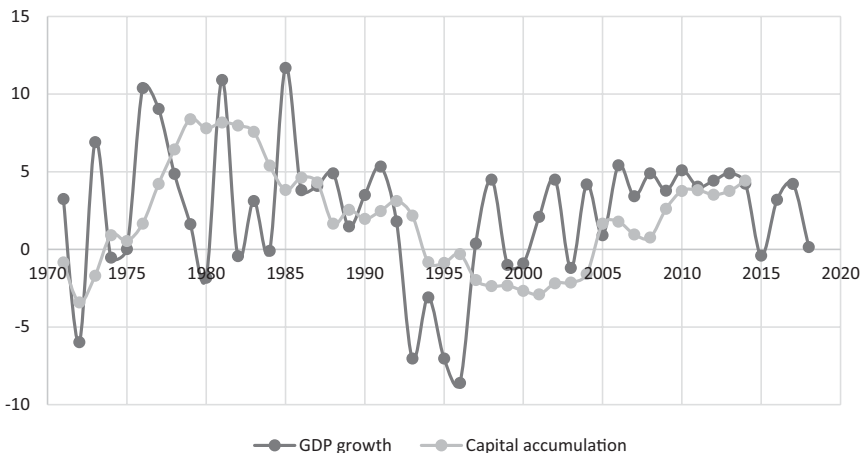
Figure 4.1 Capital accumulation (1971–2014, %) and GDP growth rate (1971–2017, %).

Source: Data on GDP growth from UNCTADStat, UNCTAD's database. Data on capital stock computed by the author.

public- and private-sector activities, which in turn depend on state efficiency in fuelling economic activity. Figure 4.1 shows a curve with three phases: an ascending trend in the 1970s but with a dip of 3% in 1972; a declining trend from the 1980s to the mid-2000s; and a weak but positive trend until 2014. Because the stock of capital is the foundation on which an economy builds, it may be argued that one of the roles of the state is to ensure that it puts in place the infrastructure needed for economic development. The stock of capital is a physical indicator of this infrastructure. Therefore, the failure to sustainably increase capital stock can be interpreted as illustrating the failure of the state to meet one of its important responsibilities. Unsurprisingly, the long decline of capital stock coincided with a long period of turmoil in the 1980s and 1990s: a coup d'état in 1987, three episodes of civil war in 1988, 1991 and 1993–2003, and another coup d'état in 1996, followed by an international economic embargo. The weak recovery in the mid-2000s corresponds with the advent of democracy, but up-to-date data until 2018 would probably show another period of decline from 2015 onwards given the political turmoil that started in 2015.

Underdeveloped private sector

Weak capital formation resulting from weak private investment has contributed to keeping the private sector in a rudimentary state. As discussed earlier, private-sector development has hardly been the priority of political leaders, whose main interest has been to extract the benefits conferred by their control over the state. In fact, to a large extent, the private sector operates as a satellite of the state.

Prominent private-sector operators are generally proxies of politicians or people with strong political connections who use them to obtain public contracts, the main source of economic opportunities in a country where the state is the main economic agent. Hence, when regimes change, many old private-sector actors go out of business as they lose access to public contracts and other benefits, such as access to foreign currency at preferential official exchange rates. The politicisation of business seems to extend political fragility to the private sector.

Firm growth

Weakness of the business environment prevents firms from growing and becoming more profitable over time. Hence, a census of formal firms carried out in 2010, with data covering the year 2007, found that micro firms (those with fewer than five full-time workers) represented 34% of the population of firms in Burundi, while small firms (those with five to 19 full-time workers) represented 46% of the total number of formal firms. Therefore, micro and small firms represented 80% of all formal firms in Burundi in 2007.[47]

The main issue is not that firms are small, but that they do not have the opportunity to grow due to the challenging political and economic environment in which they operate. As the literature on industrial organisation in developing countries has argued, small size has negative implications for firm resilience, access to resources such as credit, productivity and employees' welfare. Moreover, firms in Burundi are not only small but also limited in number. The same census found that, in 2010, Burundi had only 1,361 formal firms, suggesting a ratio of about 1.5 firms for every 10,000 people.

Assets and demand

In addition to the weakness of the private sector, political instability has had a devastating effect on firms through the destruction of assets and plummeting demand. There are no recent data in Burundi that directly represent these two effects. The only measure available is a survey of a sample of 84 firms in 1994, one year into the 1993–2003 civil war. It showed that only 45% of the firms had kept their pre-crisis size or reduced by less than 10%. About 15% of firms shrank by 10–25%, and 21% contracted by more than 25%. That survey also found that commercial banks' short-term lending to firms in the form of working capital increased from 62% to 78% of total lending to the private sector just a few months after the beginning of the 1993 conflict. Firms were struggling to remain afloat in a very difficult business environment.[48]

During the political crisis that started in 2015, several businesses curtailed their activities over security concerns. Mainly in the second half of 2015 and early 2016, security in Bujumbura was so precarious that firms' opening hours were drastically reduced or firms simply closed. As tourists and business travellers were no longer travelling to Burundi due to insecurity, hotels and, to a great extent, restaurants, as well as related activities such as taxis and travel agencies, were among the most affected sectors. Moreover, many businesses were forced to shut down or curtail their activities when their owners were killed or fled the country. Foreign direct investment (FDI), which was low even before the crisis, all but collapsed. Only some mining activities are still attracting investment, but this is a sector that is shrouded in secrecy.

Risk and unpredictability

Political instability has caused macroeconomic instability, which has in turn compromised the health of firms and the economy.

As shown in Figure 4.2, inflation has been generally high, particularly during episodes of conflict. During the longest period of instability, between 1993 and 2003, inflation was, on average, 15% per year, peaking at 31% in 1997, and dropping to an average of 10% per year after the war (between 2004 and 2014). The average lending interest rate was 16.4% between 1993 and 2003. High inflation and high interest rates, in an environment of slow
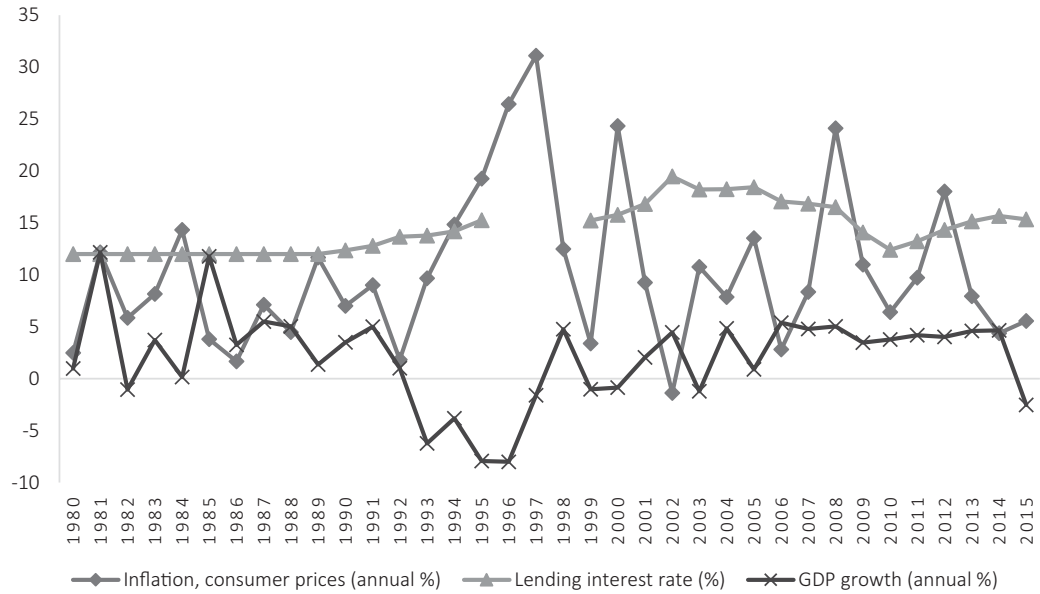
Figure 4.2 Macroeconomic instability and economic performance.
Source: World Development Indicators, 2018.

economic growth, dampened domestic and foreign investment, and hence long-term economic growth.

Financial constraints

Burundi has very limited fiscal space and this shrinks even more during periods of political instability. It relies on two major sources of financing: tax revenue and official development assistance (ODA), including concessional loans. Comparable data on tax to GDP ratios of African countries are sparse, and data coverage is uneven across countries.

Tax revenue

According to available data, Burundi's tax-to-GDP ratio is 14%, on average, well below the African average of 18%. Considering that how much tax revenue a country can raise is an indicator of state capacity, the particularly low level of tax revenue is another illustration of weak state capacity in Burundi. Low tax revenues are the result of low compliance, poor fiscal governance and low capacity. With respect to low compliance, tax evasion and widespread discretionary tax exemptions in favour of politically connected individuals have been identified as representing an important loss of fiscal revenue. State capture goes hand in hand with tax evasion and tax exemptions.

There are three types of tax exemptions:

1. Exemption granted by law or through adherence to an international agreement, such as duty-free imports by international organisations or imports relating to aid projects.
2. Exemptions provided for in Burundi's investment code, designed to attract investment.
3. Discretionary exemptions granted by authorities.

In 2012, for example, total exemptions represented about one-fifth of the total revenue collected by the Office Burundais des Recettes (OBR), the Burundi tax authority.[49] Not all the exemptions are illegal. Of the three types, discretionary exemptions are the most problematic as they are prone to abuse. Even though they are granted by authorities vested with this power, their legitimacy may be questionable when their objective is to benefit specific individuals in their private capacity, with no positive effect on society.

Investment-related exemptions have also been abused by so-called investors who end up selling at full price the duty-free imports that are supposed to be part of their capital investment. These practices take place either with the complicity of the authorities tasked with overseeing the use of exemptions or because tax authorities have limited follow-up capacity or competence to establish that exemptions are used as legally intended. As noted by a former head of OBR, the first to head the institution, the capacity and competence

of staff dealing with revenue collection needs to be developed over time.[50] This was probably a diplomatic recognition that Mr Kieran Holmes, an Irish national brought to Burundi to establish and run the OBR, had had to work with incompetent staff, many of them owing their positions to their political affiliations. Directing external aid to the development of domestic resource mobilisation could be an efficient way of using foreign assistance.

Untapped resources and poor state capacity

Capacity-building and improvement in economic management, including fiscal policy, as well as all areas of public sector management, could help the country to realise its economic potential. Burundi has been wrongly described as a resource-poor country: it is, rather, a "resource-untapped" country with considerable economic potential. The country has good arable land, high-quality coffee and tea, access to Lake Tanganyika and its fisheries, and minerals such as nickel, cobalt, gold and rare earth metals. However, its weak state institutions have not been conducive to effective exploitation of these resources.

Indeed, Burundi's overall Country Policy and Institutional Assessment (CPIA) score has systematically been below the African average, despite some improvements in specific sectors. In 2016, economic management, and public-sector management and institutions, were the lowest performing clusters relative to the Sub-Saharan average. These two clusters, which measure state capacity, also regressed in comparison with their values in 2008.[51] Addressing low state capacity should be a policy priority.

External aid

Burundi's financial resource envelope has also been affected by movements in aid flows, as summarised in Figure 4.3. Data covering the period 1970–2018 show that, on average, Burundi recorded aid inflows amounting to 19% of its gross national income (GNI) per year, a value 73% higher than the African average of 11%, suggesting that the country is strongly aid-dependent.

As Figure 4.3 shows, aid flows have been highly unstable. One feature of aid disbursements to Burundi is that external aid has been used by donors not to address the country's resource needs but, rather, to influence the behaviour of political leaders at different stages of the country's political trajectory. Aid was relatively low until the early 1980s but increased substantially in the second half of the 1980s, as Burundi adopted structural adjustment measures, serving as an incentive to reform the economy. From around 12% of GNI in the first half of the 1980s, the adoption of structural adjustment in 1986 led to the doubling of aid, reaching 29% of GNI in 1992 and 34% in 1994.

From 1996 to 2000, external aid dried up as a reaction to the military coup in July 1996, during the 1993–2003 civil war. As Burundi was placed under a total economic embargo after the July 1996 coup, most of its donors
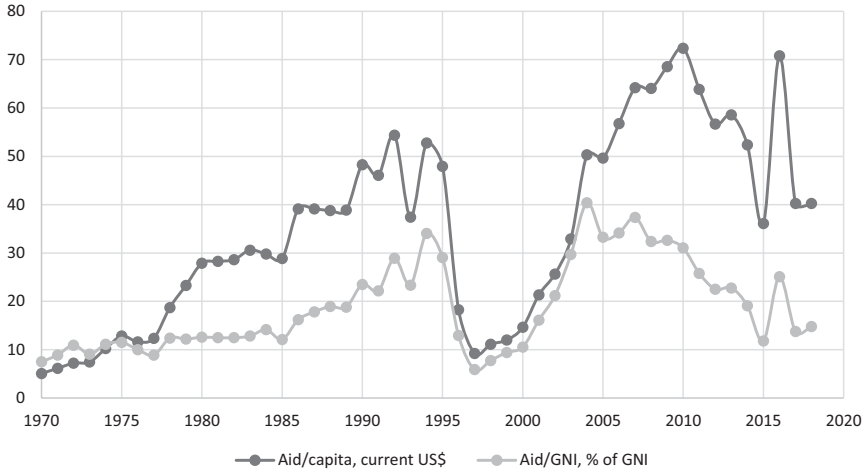
Figure 4.3 Aid per capita (current US$) and as a percentage of Gross National Income (GNI).
Source: Based on data from World Development Indicators.

suspended their assistance to the country. This explains the drop of aid flows from 29% of GNI in 1995, to 13% in 1996 and 6% in 1997. This move was intended to force the coup plotters to cede power back to elected civilians. But the measure had a devastating impact on the economy and the population.

Aid flows started to revive in 2001, in response to the signing of the Arusha Agreement by Burundian warring parties, and its entering into force in November 2001. This heralded a new rapprochement between Burundi and the international community, as the change in leadership was seen in Burundi, and by the international community, as heralding a new political era of peace and prosperity in the country.

As a result, during its first term, the regime that came to power in 2005 enjoyed very high levels of external aid. However, aid flows dropped after the 2010 elections were boycotted by the opposition, complaining about harassment before the elections and expecting mass fraud to take place. In 2015, as Burundi entered another episode of political violence, many donors suspended their assistance to the country. As a result, between 2015 and 2018 the average ratio of aid to GNI was 16%, close to the lows of the mid-1990s when Burundi was under an economic embargo.

Indeed, all major traditional donors, including Belgium, the Netherlands and the European Union—the latter being the main donor to the country (it had pledged to disburse €432 million for the period between 2014 and 2020)—suspended direct aid to the government of Burundi as a way of forcing the leadership to adopt a more democratic stance. The reduction of aid has severely affected the economy, as a large part of the government's budget,

and most development projects, have been traditionally funded through external aid.

The drying up of external aid led to a massive devaluation of the Burundi franc, and the reappearance of an active parallel market for foreign currency, at a time when the official and parallel markets had all but converged. One US dollar was trading on the parallel market for about 1700 Burundi francs in May 2015, but as of the time of writing is trading for about 2750 Burundi francs. This represents a devaluation of about 62%.

Other consequences of the drastic reduction in external aid were a collapse in public and private investment, and a drop of spending on social sectors, particularly health and rural development. In late 2015, the World Bank noted that the 2015 crisis was "turning a decade of good economic performance to a macroeconomic collapse".

Given the high volatility of aid flows, Burundi, like other developing countries, must rely more heavily on domestic resources, including taxation. However, reliance on domestic resources requires a social contract between the taxpayers and the state that collects the taxes. An antagonistic state such as the one in Burundi will have difficulty convincing citizens that paying taxes is in their interest, particularly when the resources collected are appropriated by the country's elite. Successful domestic resource mobilisation will, therefore, not only require a more efficient state structure but also a credible political class that is seen to be fair and catering for the needs of all Burundians.

Comparative analysis: Rwanda

To put the case of Burundi in perspective, it might be interesting to briefly compare it with Rwanda, a realistic counterfactual. Indeed, Rwanda and Burundi share similar histories, cultures and institutions; both were colonised by Belgium, went through the same political problems, are comparable in size, had comparable economic performance until the 1994 genocide in Rwanda and have more or less the same resource endowments. However, over the last 25 years, the two countries have followed different trajectories in terms of economic performance. In other words, with better economic governance, Burundi's economic performance could have been comparable to that of neighbouring Rwanda.[52]

The effect of politically motivated armed violence on economic performance can be analysed on the basis of the "war ruin hypothesis" and the "phoenix factor" hypothesis.[53] It is generally accepted that wars, particularly civil wars, are very destructive as they affect the economy both physically, through the destruction of infrastructure and other physical assets, and institutionally, through the erosion of pre-war institutions. After the war has ended, reconstructing physical and institutional capital requires important resources and takes a relatively long time. This is the so-called "war ruin hypothesis", which seems to characterise the experience of Burundi. On the other hand, Rwanda's sustained economic recovery since the mid-1990s may

be considered as an illustration of the "phoenix factor" hypothesis. This hypothesis describes situations where countries emerging from devastating conflicts end up with economies that are better, stronger, more competitive and more modern. This is thanks to a process of post-conflict rebuilding that relies on better human capital and the most up-to-date technologies.

As a result of the genocide, Rwanda's GDP was halved in 1994. However, the recovery was swift. Between 1995 and 2014, annual GDP growth in Rwanda averaged 9.75%. In Burundi, average GDP growth during the post-conflict period—between 2004 and 2014—was only 4.1%, less than half of the rate in Rwanda. Burundi's growth rate was also lower than rates in other African post-conflict settings such as Sierra Leone (7.5%), and Mozambique (7.4%), for example. Capital formation in Rwanda followed the same pattern as GDP growth. Between 1995 and 2014, the average annual rate of capital accumulation was 4.9%, twice the rate (2.3%) in Burundi's post-conflict period.

The fact that the Rwandan state totally collapsed as a result of the genocide implied that the country had to rebuild its institutions from scratch. This might have made reconstruction easier than in Burundi, where pre-existing institutions and vested interests handicapped the reform process. During the time Rwanda was rebuilding its ravaged state, Burundi was doing the opposite, as discussed earlier. Politicisation of state institutions at the expense of efficiency in Burundi helps to explain the relatively poor performance of the state and the economy over the last several decades.

Conclusion and lessons learned

Violence as a tool

This discussion on state fragility in Burundi has shown that fragility has been narrowly associated with extreme political violence. The latter has been used by different regimes to repress groups perceived to threaten their hold on power, precipitating the whole country into civil war. Even though political violence in Burundi has its roots in "divide and rule" policies introduced by the Belgian colonial power, the persistence and recurrence of conflict between political elites from the two major groups, the Hutus and Tutsis, reflects the failure of Burundi's post-colonial leaders to come to terms with these divisive policies.

Unity, law and legitimacy

It was the duty of politicians to instil into Burundians the sense of unity that had characterised the centuries before the colonialists came to the country late in the nineteenth century. Instead, every regime that has ruled the country since its independence in 1962 has, to varying extents, exploited the imagined differences between the country's two major groups as a strategy to keep a

tight control on political power and the spoils it confers. The illegitimacy of these regimes has forced the ruling elites to rely on violence as the only way of staying in power, further compounding the fragility of the state.

The absence of the rule of law has been at the heart of the country's persistent insecurity. The use of state institutions as instruments of repression and the absence of checks and balances in the way power is exercised have alienated most Burundians from their political leaders. Some victims of state violence have also resorted to violence, either as a survival strategy—killing before one is killed—or as a way of avenging past crimes. The most prominent members of the current leadership, who came to power in 2005, owe their ascent to power to this strategy. One important lesson from this experience is that the cycle of violence will likely continue unless its root causes, particularly the absence of the rule of law, are addressed.

Constraints on truth and reconciliation

Responsibility for past crimes must be established, and those responsible must face justice, to allow the victims to reach some form of closure. This was at the heart of the Arusha negotiations and the Arusha Agreement. However, this aspect of the agreement, one of the most important for peacebuilding, has so far been neglected by the country's political leaders.

The difficulty in serving justice has arisen from an incentive compatibility constraint: past and current political leaders who are expected to make justice possible might be among the prime suspects to face that justice. In this case, to make justice possible, a third party is needed: the international community should play a prominent role in this process. But, judging by experience, there is little chance that the international community will succeed in helping Burundi become peaceful unless it becomes more forceful in its engagement. It is not satisfactory that interventions of the international community, whose mission is to end reprehensible actions by the government, must rely on the goodwill of those same illegitimate regimes.

Failure to intervene

Burundi can be considered as a test case as far as international intervention is concerned. The failure to intervene in Burundi, a small African country, might have been interpreted by illegitimate leaders elsewhere as permission to defy the will of their people and get away with it. The failure to act has dented the moral authority of the international community, which might restrict its capacity to act elsewhere.

Prospects

Three steps are essential for Burundi to break out of the cycle of violence and state fragility: affording justice, international intervention and peacebuilding.

Affording justice

The country's post-colonial history has shown that there will be no long-term stability without justice. As provided for in the Arusha Agreement, the country has no choice but to revisit its violent past and dispassionately rewrite its recent history. In doing so, the country's leaders should not shy away from establishing responsibility for past crimes and ensuring that the victims feel that justice has been served. The argument that reopening past wounds would not be appropriate misses the point that such wounds have never healed, and will not heal unless "historical silences" are broken as such silences do not serve the victims.

International intervention

As discussed above, judging by the past, it is not realistic to expect that Burundian leaders will have the incentive or moral force to revisit the country's violent history on their own. They have failed to do so in the almost 60 years since the country became independent. The Arusha Agreement provides a good framework, but different governments post-Arusha have shied away from implementing this provision of the agreement.

Therefore, it appears only neutral international actors can help the country move forward. They will need to work hand in hand with neighbouring countries, particularly from the East African Community, who have strong influence on the leaders of Burundi. Regional and international cooperation should make sure that the leaders of Burundi adopt and implement a clear roadmap for peace and development. Such a roadmap could be based on the Arusha Agreement or a variant thereof.

Some may consider that the suggestion to invoke more decisive involvement by the international community conflicts with the sovereignty argument advanced by defenders of the status quo. There is no doubt that there has always been tension between sovereignty and intervention in countries like Burundi, especially during discussions about sending peacekeeping missions to the country.[54] However, inviting the international community to help solve a problem to which Burundians have not been able to find a solution is in no way intended to invoke the colonial period. Whereas the colonists came to Burundi uninvited and with the aim of subjugating the people of Burundi, the international community would come to rescue a population that has been taken hostage by its political leaders. Moreover, external actors would need to work hand in hand with Burundians, in cooperation with neighbouring countries, as was the case with the Arusha Agreement, and in the sole interest of the majority of Burundians. While the small political elite might lose its privileges, there is no indication that the people of Burundi would suffer in consequence of accepting time-bound external help to solve a problem that their political leaders have been unwilling to tackle.

Peacebuilding

It is also crucial to have an external facilitator for post-conflict institution-building. Entrusting the implementation of the Arusha Agreement to the government of Burundi, with its history of weak and poor governance, without any monitoring mechanism, proved to be a bad strategy. Having an external facilitator without any vested interest in the process, working with politically neutral and capable Burundians to oversee the implementation of an agreement reached by the parties, should not be controversial. After all, this is exactly the role that Nelson Mandela and Julius Nyerere, the architects of the Arusha Agreement, played. Mandela went out of his way to ensure that the agreement was reached, going as far as requiring that a contingent of the South African Defence Force be deployed to Burundi to protect exiled leaders who returned to help reconstruct the country. Burundians quickly got used to seeing a foreign military force in its streets, without incident. A reasonable implementation timeline should be agreed on, with the requirement of periodic progress evaluations.

The idea would be to go beyond traditional peace negotiations which, given their complexity in terms of the multiplicity of actors involved—national, regional and international—rarely bring transformative peace for the population.[55] In Burundi, all resources needed to build a democratic culture and strengthen the rule of law should be made available for this project to succeed. Critics who would argue that this approach would put Burundi under the tutelage of a foreign actor should admit that there is no better alternative given that other less invasive approaches have been tried and failed.

Going forward

These solutions will require sustained external financial assistance. Indeed, it will be more worthwhile to invest in Burundi's long-term peacebuilding than to bear the costs of its fragility. As discussed above, the cost of civil war in Burundi includes half a million deaths; 1.5 million refugees; impediments to development such as malnutrition, poverty and other ills associated with extreme political instability; and the recurrent destruction of physical capital. The conflict has also generated negative spillovers, including the cost of caring for refugees in neighbouring and faraway countries. Financially, it would be less costly to build a conflict-resistant society than to regularly pay the cost of a recurring conflict.

Special attention should be devoted to building a stronger and more resilient economy. Most pressingly, it is important to develop the private sector to create opportunities for sustainable and peaceful livelihoods for more Burundians. This would aid in diversifying individuals' pursuits beyond politics, the army and the civil service; doing so would reduce the benefits accruing to the control of the state. In the reconstruction process, frontloading resources would not only help in building the foundations of a stronger economy but also

generate a peace dividend early enough to induce those who may be intent on using violence to pursue more peaceful ambitions.

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5 Heterogeneous fragility in Pakistan

Umair Javed and Ijaz Nabi

This chapter argues that Pakistan presents a complex case for the study of state fragility and its impact on economic growth and development. While fragility remains present across five dimensions (state legitimacy, state capacity, private sector, security and resilience), considerable variation exists between different regions and administrative units in Pakistan. The country has long been perceived to be at risk of macroeconomic and political instability, and heightened militancy, especially along the Western border. At the same time, Pakistan demonstrates many features that are closer to those found in states that are stable and well-functioning. This limits the utility of country-level macro-analyses of state fragility and requires a geographic and scalar framework. The chapter demonstrates that across the five proximate dimensions of fragility, there is considerable variation between different regions and administrative units in Pakistan. It argues that an analysis of the drivers of fragility at different tiers has crucial implications for Pakistan's future trajectory. In particular, the country's historical pathway shows that it has struggled with two aspects that have inhibited its overall development. The first is an inability to sustainably build on periods of successful growth and stability, while the second is an inability to resolve long-festering political disputes in a permanent manner.

Introduction

Pakistan presents a complex case for the study of state fragility and its impact on economic growth and development. The country has long been perceived to be at risk of economic and political instability due to uneven economic growth and heightened militancy, especially along the western border. While concerns over macroeconomic stability remain, things have improved significantly on the security front; by 2017, civilian casualties from terrorism incidents declined to an eight-year low of 600 over the preceding calendar year.[1] These recent gains have emerged alongside other long-term positive trends. Between 2002 and 2014, Pakistan's per capita poverty rate fell from 34.7% to 9.3%.[2] Similarly, poverty as measured through the multidimensional index decreased from 55.2% in 2004 to 39% in 2015.[3]

Pakistan, furthermore, retains robust and resilient federal institutions. These include:

- a strong central bank, the State Bank of Pakistan;
- a modern military that has gained considerable success in fighting Islamist and ethno-nationalist insurgencies in recent years;
- a well-established centrally recruited and administered civil service;
- modern telecommunications; and
- one of the world's largest irrigation networks, that is brokered by the federal government and managed by the country's constituent provinces.

Despite strong federal institutions and encouraging recent developments, concerns about Pakistan's fragility persist. This is on account of several regions and administrative jurisdictions of Pakistan that exhibit fragility and instability trends similar to cases such as Algeria, Lebanon, Rio de Janeiro in Brazil and the Democratic Republic of Congo. Much of this localised fragility is linked to deeper or fundamental causes, such as the country's heterogeneous ethno-linguistic make-up, internal conflicts during historical state-building processes and a geographic location that has repeatedly placed it in close proximity to various global conflicts.

Fundamental causes such as geography and history are less amenable to policy interventions that seek to tackle fragility, and its relationship with economic development. Therefore, from an actionable perspective, it is necessary to focus on five proximate dimensions:

- state legitimacy,
- state effectiveness,
- private-sector development,
- security and conflict, and
- resilience to shocks.

Across the five proximate dimensions of fragility, we find considerable variation between different regions and administrative units in Pakistan. This poses an analytical challenge: how do we adequately capture and analyse macro-stabilising trends without overlooking the real challenges confronting policymakers with respect to instability and fragility in different pockets? Conversely, how do we analyse the risk of severe instability without looking at a range of well-entrenched, mitigating factors?

To overcome this challenge, this chapter introduces a methodological framework of "heterogeneity of fragility". It argues that Pakistan exhibits a high degree of geographic and scalar variation across the five dimensions of fragility, which limits the utility of country-level macro-analyses. Large parts of the country demonstrate developmental symptoms that are closer to those found in states acknowledged to be stable and well-functioning. However,

other regions exhibit characteristics that correspond more closely to countries at higher risk of breaking down.

This heterogeneity is analytically captured by deploying a spatially disaggregated design to study the manifestation and extent of fragility across the five dimensions. It uses four geographic-scalar cases for this purpose:

1) Fragility at the level of the federal government, where the overarching issues are utilising state institutions to address regional pockets of violent conflict, and governing and coordinating development in a federation consisting of four multi-ethnic provinces with distinct cultural traditions and histories.
2) Fragility in the province of Balochistan, where the headline issue remains instability due to poor development outcomes, geostrategic security complications and high levels of sectarian and intra-provincial ethno-nationalist conflict.
3) Fragility in the former Federally Administered Tribal Areas (FATA), a peripheral region that faces chronic underdevelopment, pervasive presence of non-state militancy and regional spillovers from conflict between multiple state and non-state actors present in Afghanistan.
4) Fragility in the city of Karachi**,** Pakistan's largest metropolis and the country's main economic hub. It experiences high degrees of criminality and ethnic conflict, and poor service delivery as a result of non-functional local government institutions.

This chapter draws on a variety of primary and secondary data sources, as well as existing analysis on the dynamics of fragility corresponding to the geographic-scalar case under consideration.

Assessing state fragility in Pakistan

The evaluation of the selected geographic-scalar cases—the federal government, Balochistan, the former FATA and Karachi—along the five dimensions of state fragility will be discussed in the following sections. To contextualise this analysis, it is worth laying out the underlying causes, such as institutional inheritance, social demography and geographic location, that influence a number of downstream measures of state fragility across all four cases.

Historical state-building conflicts

Pakistan's struggles with instituting political stability can partly be traced back to its initial conditions of statehood. The country was formed as a seceding state with major resource constraints during an uncertain and hostile process of decolonisation. The acrimony of partition with India meant that the leaders of the new state assumed power in a heightened state of insecurity. The

country's two wings were separated by 1,000 miles and shared land borders with its much larger and more powerful neighbour. The threat perceived by the leadership resulted in greater resource diversion towards military capacity and the adoption of a national security prism for overall governance. Thus, the challenges of forging and securing new governance structures from scratch were met through the bureaucratic concentration of financial and administrative authority at the central tier of government.[4]

Compounding state-building troubles was a persisting inability to resolve domestic power-sharing conflicts, due to weakly institutionalised political parties. The party at the centre of the Pakistan movement, the Muslim League, was led by members of the Muslim elite bureaucracy based in provinces of British India with Muslim minority populations. Pakistan, on the other hand, was formed out of provinces that had a Muslim majority. The disjoint between local ethnic elites, elected from areas that eventually formed Pakistan, and an unelected bureaucratic elite that took control of the federal government created considerable friction. The Muslim League's lack of institutionalisation, and its inability to act as a legitimate platform to resolve political conflicts between elites at different tiers, resulted in further fragmentation and instability.[5] As discussed below, the unresolved tension between the centre and the provinces would subsequently go on to become a major driver of instability and fragility.

By the close of the first decade of statehood, the country was run by unelected civilian bureaucrats under largely *ad hoc* constitutional arrangements. In 1958, 11 years after partition, power in Pakistan was assumed by the military through a coup d'état under General (later Field Marshal) Ayub Khan. With the army's formal foray into power, and its curtailment of all political activity, Pakistan's highly centralised mode of governance was consolidated.

The institutional arrangements established in early years of statehood cast a considerable shadow on political developments in subsequent decades. In particular, representative political institutions such as political parties and legislatures remained weak, while power-sharing conflicts between federating units (provinces) and the federal government continued to generate instability. These destabilising trends, bolstered by acts of collusion between civilian and military elites, resulted in two more elongated periods of highly centralised military rule between 1977 and 1988, and 1999 and 2007.

Heterogeneous make-up

Pakistan's multi-ethnic composition acts as another important driver of fragility and instability. The provinces and regions of British India that constitute modern-day Pakistan were largely congruent with particular ethnic groups. However, the process of partition from India and the large-scale migration that followed in its aftermath both changed the demographic composition of particular regions, and led to political power configurations that saw the overrepresentation of particular ethnic groups. At different time periods the

Table 5.1 Major ethno-linguistic groups in Pakistan

No.	Language group	Population (%)
1	Punjabi	44.17
2	Pashto	15.45
3	Sindhi	14.1
4	Seraiki	10.5
5	Urdu	7.8
6	Balochi	3.7
7	Others (Dari, Hindko, Brahvi, Baltit, etc.)	4.28

Source: Data: 1998 census.

Urdu-speaking migrant elite (Muhajirs) and the Punjabis, who carry a demo-graphic plurality in the overall population, have exercised disproportionate control over the state apparatus, driving perceptions of exclusion and margin-alisation among smaller ethnic groups.[6]

In recent years, internal migrations due to local and regional conflicts, as well an increasingly networked economy, have further complicated the demo-graphic make-up of different regions. Punjab, the most populous province, possesses an ethnic Punjabi majority and an increasingly assertive Seraiki-speaking minority. The province of Balochistan, named after its indigenous Baloch population, now also has a sizeable Pashtun population based in its northern regions. The province of Khyber-Pakhtunkhwa is home to Pashtuns and Hazaras, while Sindh's population consists of Muhajirs, Pashtuns, Baloch and the indigenous Sindhi population (see Table 5.1).

Apart from linguistic diversity, Pakistan's sectarian and religio-communal make-up is also the basis for protracted forms of conflict. Officially, the country is 95% Muslim, along with sizeable Christian and Hindu minority populations.[7] However, sectarian divides within the Muslim population are pervasive. While the Pakistani state does not officially recognise sect as a census category, it is estimated that 15% of the country's total population is Shia Muslim, while the remaining Muslim population is subdivided between Deobandi, Barelvi and Salafi sects. In the last three decades, mobilisation along sectarian lines has contributed to the development of entrenched fissures and led to considerable violence and instability in many different parts of the country.[8]

Geography and geostrategic compulsions

Finally, Pakistan's geographic location produces a variety of internal and external pressures that have contributed to long-term instability. On its west, Pakistan shares a 2,400-kilometre porous border with Afghanistan, which has seen protracted conflict over the last four decades. The region's involvement in the Cold War and the Afghan *jihad* (holy war) during the 1980s, and then

in the "war on terror" since 2001, has resulted in a number of spillovers into countries bordering Afghanistan and beyond.[9]

On its east, Pakistan shares a hostile border with India with which it has fought two major wars and a number of skirmishes. The instrumental utilisation of non-state militants, both by the Pakistani military and by neighbouring countries, for strategic gains have resulted in considerable blow-back and exacted a sizeable economic and social toll. The Pakistani government estimates that, since 2001, total economic losses suffered by the country due to ongoing conflicts in the region amount to US$123.13 billion.[10]

Fragility at the centre

Under Pakistan's current constitution, approved and ratified in 1973, the country is envisioned as a federal republic with four constituent provinces and several federally governed regions. In practice, however, substantive federalism was only established in March 2010 with the passage of a major constitutional amendment that granted the provinces exclusive control over several fiscal instruments and removed the centre's jurisdiction to legislate on a number of domains. The legal-administrative changes were complemented with a revised revenue-sharing formula, the 7th National Finance Commission (NFC) award, which increased the share of provinces in the total divisible revenue pool.[11]

Against the backdrop of these major developments, the federal government faces a number of challenges. These include:

- coordinating resource distribution and resource conflicts between provinces,
- raising sufficient revenue for federal government expenditure,
- enabling private-sector growth,
- combating non-state militancy in a number of regions across the country and
- ensuring resilience in the face of major economic and environmental shocks.

The following sections will look at Pakistan's current status with regards to the five dimensions of fragility and the array of responses developed by government policymakers.

State legitimacy

The state's strategy towards popular legitimacy in the first 20 years after independence was to implement a well-funded development framework, in coordination with donor assistance from the USA. Pakistan made impressive infrastructure investments, enabling the development of a substantial manufacturing base from scratch and the adoption of "green revolution

technologies" that led to high agriculture growth rates. Pakistan thus enjoyed a stellar average GDP growth rate of 6% per annum between 1947 and 1967.[12] However, the legitimacy gains from early success in economic management were largely concentrated in West Pakistan. In East Pakistan, sentiments of resentment and exclusion were pervasive among a citizenry who felt that they did not benefit from economic growth. The de-legitimisation of the state along concerns of equity in the eastern wing generated a secessionist ethno-nationalist movement, which in 1971 ultimately led to the creation of Bangladesh.

Since 1971, intra-elite conflicts along provincial and ethnic lines have periodically continued to pose challenges to overall state legitimacy. The three demographically smaller provinces, Sindh, Balochistan and Khyber-Pakhtunkhwa, have hosted large-scale and occasionally conflictual mobilisation seeking greater administrative and fiscal autonomy, a dilution of the influence exercised by the most populous province, Punjab, and a greater share of resources from the federal government. During two periods—the late 1970s and the late 2000s—autonomy movements in Balochistan have taken on secessionist overtones.

Such process-based legitimacy concerns have, in recent decades, been compounded by issues of state performance. Since the 1970s, Pakistan's macroeconomic performance has been lacklustre. Slow growth in exports, unstable donor assistance and poor revenue collection have resulted in periodic balance of payments crises and substantial curtailment of the public investment programme.[13] From 2006 onwards, the country witnessed the emergence of crippling energy shortages featuring outages of up to 12 hours in urban and 18 hours in rural areas.[14] While eventually curtailed by 2017, the legacy of energy shortages combined with deterioration in law and order and spillover of conflicts from Afghanistan has contributed to the erosion of citizen trust in public institutions and policies. In 2017, public opinion polling revealed that approval ratings of parliament and the federal government stood below 50%, while the only institutions that scored highly on citizen trust were the Supreme Court (78%) and the military (80%).[15]

Legislative/policy response

Since 2008, policymakers have initiated substantive efforts to address legitimacy-based drivers of fragility. Chief among these are the 18th constitutional amendment, which enhanced provincial autonomy through devolution and granted greater fiscal and administrative powers to province-based policymakers,[16] and the 7th NFC award that significantly increased the amount of annual fiscal transfers made to the provinces from the federal revenue pool. Additionally, it has also made some progress towards addressing horizontal inequities—the proportionate share awarded to each province—that historically contributed to a great deal of mistrust between the federating units.[17]

The federal government has also attempted to improve levels of citizen trust and enhance state legitimacy through a number of performance-based measures. After stepping into power in 2013, the former Pakistan Muslim League-Nawaz (PMLN) government directed considerable effort towards resolving the energy crisis.[18] With the help of China, under the China-Pakistan Economic Corridor, a number of early-harvest power plants have been commissioned for construction, and were expected to add 10,000 megawatts of electricity to the national grid by early 2018.[19] The government has also signed a long-term governmental contract with Qatar for the import of lique-fied natural gas (LNG) to meet persistent natural gas shortages.

While these recent investments in the energy sector are geared to boost economic growth and rebuild citizen trust in the government, several areas of concern still remain. In particular, problems with demand-based management of energy resources and the governance of publicly owned power distributors are still to be addressed. These remain key obstacles in improving performance-based measures of state legitimacy.

State effectiveness

Pakistan's federal government institutions exhibit considerable variations in terms of their capacity to deliver effective services. While the military operates as an internally coherent and rule-bound institution, the performance of the civil services has deteriorated in recent years. Perceptions of rent-seeking and corruption have increased, while performance on a number of key areas—such as rule of law, collecting sufficient revenue and coordinating governance across four federating units—remains inadequate.

The country compares poorly with its neighbour India on a number of governance measures. In terms of government effectiveness and control of corruption, it ranks within the bottom third percentile of all countries included in the World Bank's Worldwide Governance Indicators (WGI). More worryingly for government policymakers, there has been little improvement in its relative position on these indicators over the last 20 years

The performance of the federal government in collecting sufficient revenue—another key measure of state capacity and effectiveness—has remained fairly weak. The federal government's main tax authority, the Federal Board of Revenue, has performed poorly despite numerous attempts at reform. Pakistan's tax-to-GDP ratio, at 10.5% in the 2017 financial year, is low for countries at similar levels of income. Falling from 14% in 1989/90, it has demonstrated few signs of improvement in recent years.[20] While there has been some improvement in overall collections, which posted 15% growth in the 2017 financial year, this has taken place on the back of a range of indirect taxes and withholding measures on existing taxpayers, suggesting that the state does not currently have the capacity or the intent to expand its revenue base. In total, 0.75 million taxpayers currently file for taxes out of a registered tax base of 3.1 million, and an estimated taxable population

of approximately 4.5 million.[21] This represents 0.5% of the total population of Pakistan, compared to the corresponding figure in India which currently stands at 5%.[22] A significant amount of tax revenue is lost due to a number of politically expedient exemptions granted to agricultural income, military and non-military pensions, and capital gains from sale of real estate.

Finally, the initiation of devolution through the 18th amendment in 2010 has introduced new challenges for the federal government in terms of coordinating between the four federating units and regulating economic activity. The institution designed to oversee such major tasks—the Council of Common Interest (CCI)—has not been made fully operational. The body, headed by the Prime Minister with the chief executives of all four provinces as members, is obligated to meet every quarter. However, meetings have been irregular, and progress in institutionalising its role in regulating key issues of resource distribution and regulation has been very slow.[23]

Problems also continue to underscore the performance of the federal government's main development strategy institution, the Planning Commission. A number of structural factors, such as the growing role of the private sector, the informal nature of the economy and devolution of important legislative areas to the provinces, make the Commission's job of devising a central framework of development much harder. However, with recent influx of Chinese investment through the China–Pakistan Economic Corridor (CPEC), the Commission has been tasked to act as a central node planning large-scale infrastructure investments, and coordinating between different institutions across the central and provincial governments. Recent evaluations report that it is currently under-equipped for this particular task due to both low levels of existing capacity and the encroachment of other institutional actors, such as the Ministry of Finance.[24]

On the other hand, several federal government institutions continue to exhibit high degrees of effectiveness. Chief among these are the military, which has successfully combatted various Islamist and ethno-nationalist insurgencies, and the central bank, the State Bank of Pakistan (SBP), which has utilised its autonomy to build internal capacity for viable policymaking and effective regulation of the banking sector. Similarly, another key coordinating institution, the Indus River System Authority (IRSA), remains highly effective in designing and implementing surface water-sharing arrangements between the federation's four constituent provinces.

Table 5.2 provides a status overview of key planning and coordinating institutions that are central to the federal government's effectiveness.

Official response

There have been a number of initiatives to improve state effectiveness. These have experienced uneven implementation and mixed outcomes. Civil service reforms designed to increase state effectiveness, attract better quality candidates, reduce corruption and improve accountability have remained

Table 5.2 Overview of key planning and coordinating institutions

Federal Institution	Responsibility	Current Status
Council of Common Interest (CCI)	Mediating between provinces on issues of resource-distribution, national policy matters, and regulations.	No permanent secretariat, irregular meetings, lack of ownership on part of federal government and largest province (Punjab).
State Bank of Pakistan (SBP)	Central bank overseeing monetary policy and regulation of financial sector.	Strong institution, with high levels of capacity for effective regulation and policymaking. Recent years have seen some erosion of autonomy on issue of foreign-exchange rate determination.
Planning Commission (PC)	Coordinating planning and investments across a range of actors (global, federal and provincial) in the economy.	Low levels of capacity; 18th amendment devolved key social sectors and development expenditure mechanisms to provinces leaving PC with reduced *de jure* authority. Planning and approvals of large-scale infrastructure projects, such as those under CPEC, still lies with Planning Commission, thus enhancing need to improve internal capacity.
National Finance Commission (NFC)	Distributing federal divisible pool revenue between provinces.	New award to be determined based on the 2017 population census results. Existing award contains little incentives for provinces to enhance revenue efforts or curtail population growth. Fiscal space for federal government constrained and increasingly reliant on provincial surpluses.
Indus River System Authority (IRSA)	Develop surface water-sharing arrangements between provinces.	Highly effective in resolving inter-provincial water resource conflicts.
Regulators: PTA (telecom),NEPRA (electricity), OGRA (oil and gas)	Regulating key areas of economic activity; ensuring protection of citizen rights.	Under the 18th amendment, regulators were to be placed under the CCI with joint custody of federating units. However, there has been no progress on this front. Government has attempted to increase executive control over regulators by placing them under their corresponding Ministries.

stuck at the design stage. In its most recent iteration, the federal government planned to create a new cadre of senior managers, with the option of recruiting from the private sector. However, the reform was opposed by senior bureaucrats and other vested interests, and eventually shelved.

Numerous attempts at improving revenue generation and reforming tax governance have proven to be largely unsuccessful. The government continues to use tax exemptions as a political tool through *ad hoc* statutory regulatory orders (SROs), despite repeatedly committing to ending this practice.[25] In a bid to keep up with growing expenditures, indirect measures (such as withholding taxes and sales tax) have become an integral source of government revenue, constituting 57% of total tax collection. Similarly, for reasons of political expediency there have been no major attempts to bring in high-value sectors such as agriculture, retail and wholesale trade into the federal government's tax net.

Finally, reform initiatives aimed at improving the performance of key federal coordinating and regulating institutions continue to yield mixed results. Major reforms of the State Bank of Pakistan, first initiated in 1997, have helped build a strong central bank, capable of carrying out its policy-making and regulatory functions effectively. Similarly, the performance of the telecommunications regulator, the Pakistan Telecommunication Authority (PTA), has been fairly impressive, with telecom connectivity reaching 75% of the population and mobile broadband penetration posting double-digit growth between 2010 and 2016.[26] However, performance of regulators in other key sectors, such as electricity (NEPRA), and oil and gas (OGRA) has deteriorated without any serious attempt at redress. Since 2015, the autonomy and capacity of these institutions, especially with regards to dealing with inter-provincial regulatory work, have also been curtailed by the federal government.

Private-sector development

Following nearly ten years of anaemic growth, Pakistan has witnessed an uptick in economic performance since 2014. In 2017, it posted a decade-high growth rate of 5.3% and became one of the top-performing economies in the region.

Barring a brief interlude during the 1970s, Pakistan's economic growth has largely been driven by a strong private sector. As mentioned earlier, rapid economic growth during the first two decades after statehood was made possible by a privately owned and run manufacturing base, enabled by the state's development framework. In recent years, the state's commitment to private-sector-led growth has seen the private sector's share in the total economy exceed 85%.[27]

Nevertheless, structural problems continue to hamper private-sector participation and the country's overall growth trajectory. Despite operating in a fairly liberalised economy with few controls, private-sector investment as a

percentage of GDP has shown a miniscule rise from 9.29% in financial year 2011 to 9.90% in 2017. Gross fixed investment rose from 12.52% to 14.18% during the same period. This is well below the performance of other countries in the region, such as India (28%) and Bangladesh (19%). Overall, the average investment rate in South Asia between 2010 and 2016 was 34%, compared to only 13% for Pakistan.[28]

Several key constraints continue to limit private-sector investment in the economy. These include macroeconomic instability (such as periodic balance of payment crises), security-related challenges, shortcomings in the energy infrastructure and problems in governance of business activity. The country ranks a low 144th on World Bank's Ease of Doing Business scale, scoring 51.77, a point below the South Asian regional average score of 52.87.[29] It ranks particularly poorly on measures associated with enforcing contracts, resolving disputes, getting electricity, paying taxes and registering property.

As cumbersome and protracted processes of setting up and running a business are associated with formalising economic activity, many entrepreneurs prefer to operate along informal lines. While there are no rigorous estimates, most existing accounts suggest that the size of Pakistan's informal sector is approximately 70% of current GDP.[30] Growth in the informal private sector presents a long-term problem for Pakistan, as informal enterprises function outside the tax net, maintain low levels of productivity and offer insecure and low-paid employment to workers. Currently, 73% of all non-agricultural employment is in the informal sector.[31]

Enabling the development of a strong private sector is not just a prerequisite for long-term growth, it is also key to the country's overall stability. Pakistan's current demographic profile raises the stakes on this particular dimension. Pakistan is the most urbanised country in South Asia, with an estimated 37% of its population (about 75 million individuals) residing in urban centres. Urban areas have grown at an average rate of 3% per year since 1947 and the urban share of the population is expected to rise to 50% by 2030. In other words, urban areas will host a total of 116 million people in another nine years.[32] Residing in this increasingly urban landscape is a large young population, with an estimated 64% of 183 million citizens below the age of 30.[33] The labour market requirements of an overwhelmingly young and increasingly urbanised population can only be met sustainably through strong private-sector-led growth, especially in employment-generating sectors such as manufacturing.

However, despite a promising start in the first two decades of statehood, the share of manufacturing (both large and small-scale) in Pakistan's economy has stagnated at around 20% of GDP.[34] Instead, the economy's structural shift away from agriculture has been towards the services sector, which now contributes just over 58% to GDP. This shift is also exemplified by a decline in investment in the industrial sector from 38% in 2000 to just under 20% in 2010, alongside a corresponding rise in investment in fast-growing

services (transport, retail/wholesale and communications) from 12% in 2000 to 24% in 2010.[35]

Official response

The government has made several positive efforts to improve the climate for investment and growth in recent years. It concluded a successful IMF Extended Fund Facility programme in September 2016 that improved macro-economic stability. Significant investments have been made in energy infrastructure to improve electricity flows for industrial and commercial users. These are expected to produce strong positive outcomes, as a 10% decrease in outages causes firm revenues to increase by 0.14% and value-addition by 0.36%.[36]

The most concerted strategy to boost economic growth comes in the shape of the China–Pakistan Economic Corridor. The bilateral development plan between the two countries will see an investment of US$54 billion through soft loans provided by financial institutions in China for a number of road, energy and transit communications projects in Pakistan. Alongside investments, a series of Special Economic Zones (SEZs) are being set up for Chinese companies to invest in in partnership with Pakistani firms.[37]

The benefits of CPEC for private-sector growth, especially in manufacturing, are expected to be indirect and will be realised over the short to medium term. In the first instance, Pakistani firms in construction are partnering with Chinese contractors to build highways, power plants, and rail and transit projects in different parts of the country. Once these are built, improved access to energy, the presence of Chinese partners and better infrastructure is expected to kick-start domestic private-sector activity.[38]

Some of the initiatives undertaken by the government, especially with regards to macroeconomic stability, have already had a positive impact, as exemplified by a rising GDP growth rate. However, a number of areas still require considerable attention. Dispute-resolution, secure property rights and law and order remain pressing concerns. The judicial system is overburdened with backlogged cases in the lower courts now in their millions. Similarly, corruption and lack of capacity in police departments remain strong impediments to creating a safe climate for investment. These problems need to be addressed with greater urgency in order to remove bottlenecks to increasing private-sector participation.

Security and conflict

Between 2005 and 2015, Pakistan experienced significant violence in terms of frequency, scope and magnitude. An examination of the incidence of violence during this period reveals a variety of conflict actors, new and old (including armed domestic and transnational non-state groups); varying patterns of violence in different regions, both high- and low-intensity in nature; and an

unprecedented number of civilian and law-enforcement casualties, estimated to be upwards of 50,000.[39]

Pakistan's experience with extreme high-intensity levels of violence has been reported in a number of prominent empirical studies. The Uppsala Conflict Data Programme identifies Pakistan as one of six countries that qualifies to be in the category of "war", having crossed the unfortunate figure of 1,000 battle-related deaths within a year. The Global Peace Index (GPI) positions Pakistan among the ten least peaceful countries in the world. It suggests that, since 2004, Pakistan has ranked among the top five countries showing the fastest decline in peacefulness globally. Pakistan ranked 149 out of 162 countries in the 2012 GPI and slipped to 157 for the year 2013.[40]

Broadly, conflict has occurred along transnational ideological lines (Islamist militancy), sectarian lines (Deobandi Sunnis vs Shias) and ethnic lines (gang wars in Karachi, ethnic secessionism in Balochistan). The escalation of violence has both external and internal drivers. Externally, the country's overall security situation is shaped, both directly and indirectly, by relations with its neighbours and the role of globalised conflicts taking place in the region. Internally, a number of long-standing sectarian fractures, social unrest due to socioeconomic and political marginalisation, the spread of militant Islamist ideologies and poor provision of law and order have all contributed to instability and conflict.[41] Violence is largely concentrated along the Afghanistan border in the former Federally Administered Tribal Areas (Ex-FATA) and the province of Khyber Pakhtunkhwa (KP). Other regions of Pakistan lying along the border with Afghanistan, such as Balochistan, have also experienced a significant escalation in violence post-2005.

Both the location and quantum of violence departs from longer historical trends. Conflict data collected between 1988 and 2005 shows country-wide levels of conflict remained fairly consistent, with FATA, KP and Balochistan suffering fewer incidents of violence compared to Punjab and Sindh. However, this trend broke from 2005 onwards with a sharp rise in incidents in these three border regions. Over the same period, levels of violence in Punjab and Sindh have remained largely in line with previous trends, showing the geographically confined nature of Pakistan's recent conflict and security challenges.[42]

Official response

Pakistan's internal and external security policy is determined by the armed forces. Its response to pervasive conflict has been through a variety of military operations, which have been largely successful in both limiting the spread of conflict and reducing overt incidents of violence. In 2014, the military launched a large-scale operation titled "Zarb-e-Azb" to uproot militant groups that had established strongholds in tribal areas bordering Afghanistan. The operation has been successful in eradicating bases and capturing or neutralising the leadership of several major terrorist groups, thus leading to a gradual reduction in the number of terrorist incidents across the country. Alongside

these operations, the military has also successfully pushed for the creation of military courts through a constitutional amendment to expedite cases against captured militants.[43]

To supplement the military's strategy, the federal government and the provinces have also developed a National Action Plan (NAP) to counter deeper causes of violence. The plan sets out a number of action items, such as monitoring religious seminaries and mosques for extremist content, introducing changes to the penal code to create harsher punishments for hate speech, developing coalitions for interfaith harmony and promoting tolerance through public political discourse. However, lack of capacity of civilian law and order institutions and a lack of urgency on part of the political leadership has limited progress on these policies.[44]

Resilience

Pakistan exhibits varying degrees of resilience to different kinds of potential shocks. The existence of strong federal government institutions, such as the military and the higher judiciary, has prevented regress into further instability. The high level of trust enjoyed by the military in particular has created a conducive environment during large-scale military operations. In Swat (2010) and FATA (2014), over a million residents each were displaced due to escalating levels of conflict. In both instances, local populations cooperated with the evacuations, remained housed in internally displaced persons (IDP) camps and were safely repatriated within a two-year period.

Federal government institutions have also been effective in responding to large-scale natural disasters, such as the Kashmir earthquake in 2005, which left 4 million individuals homeless, and Indus plain floods in 2010 and 2011, which affected over 20 million. National coordinating institutions such as the Earthquake Relief and Recovery Authority (ERRA) and the National Disaster Management Authority (NDMA) were able to channel large amounts of government and international donor funding towards relief and recovery efforts implemented by provincial and local government institutions. The responsiveness of local civil society and political actors also played a key role in tackling challenges posed by the disasters.[45]

Recent developments, such as substantive democratisation and improved power-sharing arrangements, have also generated resilience within the macro-political system. Centrifugal tendencies in federating units have largely subsided, and while core electoral bases are provincially segregated, the three largest political parties—the Pakistan Muslim League-Nawaz (PMLN), the Pakistan Peoples' Party (PPP) and the Pakistan Tehreek-i-Insaf (PTI)—are all contenders for national power.

Nevertheless, the country remains vulnerable to economic shocks. Despite achieving a degree of macroeconomic consolidation between 2013 and 2016, a number of key indicators demonstrate considerable risk. Foreign exchange reserves remain under pressure as exports have fallen by 20% since 2013.

Remittances, long a stable source of foreign exchange, have also stagnated on the back of an economic slowdown in the Middle East, and even registered a small fall in 2017. Pakistan is also heavily dependent on energy imports (oil and increasingly LNG), which raised the trade deficit to an all-time high of US$28 billion in financial year 2017.[46]

The pressures placed by widening current account deficits and falling reserves highlight a structural problem for Pakistan's economy. Put simply, the country's inability to generate foreign exchange reserves through productive activity, such as exports, creates repeated external sector crises, which precipitate IMF-led bailouts. This remains a recurrent theme over the last three decades and shows no signs of abating.

Thus the country's resilience to exogenous economic events, such as a sharp increase in energy prices, remains particularly low. This vulnerability has been compounded by recent policy decisions, such as the government's purposeful management of the exchange rate, which has kept the rupee overvalued by as much as 15% in recent years. This has proven to be detrimental to export competitiveness. Furthermore, institutional protections against exchange rate manipulations, maintained through the independence of the central bank, are at risk due to increasing pressure from the Ministry of Finance.

Fragility in Balochistan

Balochistan is Pakistan's largest province by area but its least populous. The province contains a number of natural resources, such as large deposits of coal, copper, lead and gold. It is also the largest supplier of natural gas to economic centres all over Pakistan and hosts two-thirds of the country's coastline along its southern border.

However, despite these significant natural and locational resources, it is one of the country's poorest and most underdeveloped regions. According to the UNDP's Multidimensional Poverty Index, 71% of households in the province are classified as poor, compared to a national average of 37%. In rural areas of Balochistan, the incidence of poverty is even higher at 85% of all households. Worryingly for policymakers, while the overall incidence of multidimensional poverty dropped by 18 points from 55% to 37% of households between 2004 and 2015, Balochistan's incidence fell by only 10 points, from 81% to 71%. In fact, the incidence of poverty actually rose in three districts of the province (Harnai, Panjgur and Killa Abdullah) during this period. Out of the five poorest districts in Pakistan currently, four are in Balochistan.[47]

There is considerable state fragility in Balochistan compared to Pakistan's other federating units. An array of conflicts—tribal, sectarian and ethno-nationalist—have emerged in the last two decades, plunging parts of the province into sustained instability. Compounding these issues is the province's severely underdeveloped socioeconomic base, as it continues to lag on all indicators of human capital and economic investment. In totality, the issues

mentioned here have perpetuated a wider perception of Balochistan being an unsafe and backward region.

State legitimacy

The narrative of Balochistan's fragility differs widely across different actors. Baloch ethno-nationalists have long held the federal government, and in particular dominant Punjabi politicians, military officers and bureaucrats, responsible for perpetuating underdevelopment through inequitable distribution of federal resources. The centre's response to these accusations has often been in the form of locating the causes of underdevelopment in the social system of Balochistan, wherein parasitical tribal elites have enjoyed state power and siphoned off federal resources, making little investment in the province's development.

The truth likely lies at the confluence of several factors. Balochistan's fragility can, in part, be explained by historical neglect by the federal government as well as the provincial elite. The dynamic of resource extraction without consideration for local development has played a major part in building mistrust between Baloch citizens and the state. The harsh geography of the province, with low population density and scarce availability of water for agriculture, has also played a part, while its institutional inheritance as a buffer region run by tribal elites under British colonial rule can also be identified as among the deeper causes.[48]

From the point of view of state legitimacy, the absence of a stable political settlement between competing ethnic and tribal groups in the province, as well as between different provincial and federal governments, has contributed to significant regress. In particular, processes of political competition along ethnic lines have gained further complexity in recent years due to the transforming demographic composition of the province. According to the 1998 Population Census, the largest ethnic group in Balochistan were Balochi speakers, comprising 55% of the population. The next largest group were Pashto speakers, making up 30%. Others included Sindhis (6%), Punjabis (3%) and Seraikis (2%).[49]

However, since the early 2000s, large-scale Pashtun migration from neighbouring Afghanistan as well as the FATA and Khyber-Pakhtunkhwa have likely reduced the majority of Balochi speakers. In 2005, it was estimated that Balochistan had seen an influx of close to 1 million Pashtuns from within and outside of Pakistan.[50] While the two major ethnic groups remain spatially segregated, with Pashtun areas in the north and Baloch areas in the west and south of the province, they compete for resources in the provincial capital (and most developed city), Quetta. The conflictual dynamics of political contestation at the provincial tier have been exacerbated as Baloch residents perceive greater marginalisation due to the changing demography of the region.[51]

Official response

Since 2008, the federal government has attempted to address the decay of state legitimacy through a number of process-based ways. The 18th constitutional amendment delivered on provincial autonomy, with Baloch ethnic political parties gaining greater voice in administrative affairs of the province. It also transferred revenue from excise duty and first-use rights on oil and natural gas to the province in a bid to address a long-standing demand of the provincial government. The 7th NFC Award reduced horizontal inequities between different provinces by adding provisions for underdevelopment and inverse population density to the revenue-sharing formula. The formula adopted has seen Balochistan's share in federal transfers rise from 7.17% to 9.09%, which amounted to an additional PKR84 billion of provincial revenue in financial year 2017.[52]

Following the 2013 elections, the federal government took a key step in reducing intra-provincial discord by brokering a settlement between tribal elites, moderate Baloch activists and Pashtun ethno-nationalist politicians. This was carried out through an informal power-sharing formula that has remained intact for the duration of the current government.[53] The arrangement has helped reduce destabilising conflict between competing ethnic groups and created an opening for Baloch nationalists to become part of the mainstream political process once again.[54]

While these positive steps have helped reduce some aspects of fragility, performance-based improvements of state legitimacy still require considerable attention. As discussed in the next section, the weak capacity of the provincial bureaucracy to deliver public services effectively continues to be a challenge. This needs to be addressed in order to mitigate a major source of fragility.

State effectiveness

Public institutions in Balochistan suffer from a severe lack of capacity, reflected in an array of poor indicators pertaining to provision of basic public goods. Survey data show that citizen satisfaction with the delivery of government services, such as health, education, sanitation and law and order, was the lowest out of all four provinces. These problems are, in part, driven by major skill and labour productivity shortcomings in the provincial bureaucracy: 28% of all sanctioned public-sector jobs are in the lowest skill level category, basic pay scale one, compared to an average of 18% in the other three provinces.[55]

Ethnic heterogeneity in the province also undermines the provincial government's administrative effectiveness. The conflictual nature of political competition means implicit balances need to be maintained in public-sector employment in the province, due to the great symbolic value attached to ethnic and tribal affiliation. The factional affiliations embedded in the

provincial bureaucracy prevent accountability of underperforming or corrupt public officials and contribute to politically motivated hiring practices. On a per capita basis, Balochistan has the largest bureaucracy of all four provinces, with 2.1 sanctioned officials per 100 people. The highest figure in the remaining three provinces is 1.3, in Khyber-Pakhtunkhwa.[56]

The problems of the bureaucracy highlighted here further manifest in the Balochistan government's capacity to raise sufficient revenues for development expenditure. Provincial tax receipts contribute only 4.4% to total provincial revenue, compared to 8% for the other provinces.[57] While some of this can be traced to the underdeveloped economic base of the province, the functioning of a low-skilled tax bureaucracy plays a part in exacerbating the problem.

Official response

In recent years, there have been concerted efforts by both the federal and provincial governments to improve the organisational capacity and effectiveness of public institutions in Balochistan. In 2007, the federal government introduced mandatory two-year service in Balochistan for all centrally recruited bureaucrats belonging to the elite Pakistan Administrative Service (PAS). The primary rationale was to improve the quality of civil servants available to the provincial government, especially for district-based and other local government posts. Other steps taken to improve quality of service delivery include the institutionalisation of merit-based competitive recruitment for public-sector jobs through the Balochistan Public Services Commission (BPSC) and the National Testing Service. By 2016, the number of appointments made to government departments in violation of these procedures had declined by 89%, from 1,237 in 2010 to just 136.[58]

In 2013, the Chief Minister's office established a policy reform unit (CMPRU) to provide research-based policy support for the provincial government. The unit, which continues to function after the 2018 elections, built on 2008 work by the World Bank to prepare a holistic provincial growth strategy.[59] A central plank of this growth strategy is effective mobilisation and utilisation of provincial own-source revenue. For this purpose, in 2015, the Balochistan provincial assembly passed legislation authorising collection of sales tax on services, a buoyant fiscal instrument devolved to the province under the 18th constitutional amendment. To operationalise this particular instrument, the government formed the Balochistan Revenue Authority, with a mandate to document the province's tax base and improve revenue-generation efforts. In its first full year of operation (2015/16), the BRA helped provincial tax revenue grow by 77% compared to the previous year. In the process, Balochistan exceeded its own tax collection target by 44%, becoming the only province to do so.[60]

Recent positive developments aside, there is still considerable scope for improvement in the delivery of basic services. In particular, the local

government system put in place in 2010 still requires considerable administrative and fiscal strengthening to improve development outcomes in the province.

Private-sector development

Despite an abundance of natural and locational resources, Balochistan's economy remains severely underdeveloped. Its share in the country's GDP remains at a low 4%, while the provincial economy has expanded only 2.7-fold between 1972/73 and 2004/05, compared to 3.6-fold in Khyber-Pakhtunkhwa and Sindh, and four-fold in Punjab.[61] Sectorally, 61% of all economic activity is concentrated in two low-productivity sectors: agriculture, and transport and storage.[62]

Overall, it is estimated that there are 150,000 firms operating in Balochistan, the vast majority of which are small and informally organised. The scale of private-sector activity can be gauged by the fact that 97% of all firms in Balochistan employed between one and four individuals, which is the highest proportion across all four provinces.[63]

Most private-sector enterprises are service providers that cater to local demand and include confectionaries, restaurants, small traders, auto parts vendors, processed/dry fruit merchants and transporters. Industrial activity in the province is limited to the Hub region, because of its proximity to Karachi, and rice mills and brick kiln industry in the district of Jaffarabad. Limited access to finance, weak infrastructure and ongoing instability have prevented the development and growth of private-sector enterprises in Balochistan, especially in its largely untapped mineral and natural resources sectors.[64]

Another major constraint for private-sector growth is the inefficiency of public institutions. For example, gathering the necessary documents and obtaining clearances to start construction can take up to three months in Quetta, compared with 1.5 months in Lahore and Peshawar. Delays and costs connected with property rights were seen to be particularly onerous in Balochistan—registering property in Quetta cost 11% of the property value, compared with 7% in Islamabad and double the South Asia average of 5.5%. Stamp duty rates on transferring property were also highest in Balochistan—5% of the property value versus 2% in the Punjab and 3% in Sindh and KP. Transferring the property title took 52 days on average in Quetta compared with 30 in Lahore. Moreover, in certain key areas the situation is becoming worse—in Quetta it took an average of 70 days in 2010 to get an electricity connection, compared with 41 days in 2006.[65]

Official response

The World Bank's *Balochistan Economic Report* provides a template for invigorating growth in the province and resolving its long-standing development problems.[66] The report has been acknowledged by the provincial government

as the basic blueprint on which to base future growth strategies. Drawing on its existing work, the Chief Minister's Policy Reform Unit (CMPRU) is seeking to kick-start private-sector investment using the province's natural advantages in fisheries and mineral resources.

Since 2016, the federal government has placed the China–Pakistan Economic Corridor as the central pillar of its development strategy in Balochistan. Under CPEC, a number of highway and communications projects are being implemented in the province, which will provide a much-needed upgrade to its weak infrastructure. The Chinese are also developing a deepwater port in Gwadar, which will boost employment opportunities in the region. There are also plans of setting up industrial zones along major highway projects currently under construction. In total, Balochistan is expected to receive inflows of US$7.1 billion through CPEC infrastructure projects. Thus the trade-based development plan of both Pakistan and China, as enshrined in CPEC, is ideal for Balochistan's economy, given the province's locational advantage.[67]

Security and conflict

Balochistan is host to various protracted conflicts, which have claimed the lives of over 5,000 civilians in the last 15 years. These include the principal conflict between the state and nationalists (armed militant groups), inter- and intra-tribal feuds and clashes, and ethnic and sectarian strife, as a consequence of spillovers from regional conflicts. These situations have, over the years, provided cover for increasing organised violent crime. The conflict situation is further complicated by the involvement of several foreign states with an economic or political stake in the mineral-rich province.

The nationalist conflict remains driven by themes of lack of control over natural resources and the continued dominance of the military in the province. These grievances have been channelled militarily and resulted in serious human rights violations from both state and non-state actors. Baloch militants have attacked non-Baloch migrant labourers and settlers in different parts of the province, while the Pakistan army has been involved in abducting ethno-nationalist activists and their sympathisers.

Simultaneously, the province has also been the site of sectarian attacks on the Hazara Shia population at the hands of terrorists associated with the anti-Shia militant group, Lashkar-e-Jhangvi (LeJ). These attacks have claimed over 700 lives in the beleaguered community, limited their mobility to a few neighbourhoods in the provincial capital and destroyed businesses and other livelihoods.[68]

Finally, Balochistan's multiple conflicts have created an enabling environment for criminal elements and groups to cement their presence and activity in the province. Members of threatened ethnic groups, government personnel and local non-governmental and foreign aid workers are frequently kidnapped for ransom. Such episodes have played a significant role in spreading terror

and restricting travel and movement within Balochistan. Similarly, there is a substantial market for smuggling arms and weapons from Afghanistan into Balochistan and onto other parts of Pakistan. Balochistan is also the principal route for smuggling migrants from Central Asia, Afghanistan and Iran to destinations in Europe and beyond.

Official response

The government's response to pervasive violence and instability in Balochistan has largely centred around periodic military operations against nationalist and sectarian militants. These have been met with considerable success, as the ability of nationalist groups to wage violence has been reduced since 2015.

Attempts at removing underlying grievances of the Baloch population, while made in earnest, still have some way to go before they can deliver results. For this to happen, the lack of capacity of the provincial government will need to be addressed, in order for it to deliver on basic social services. Similarly, the trust deficit between Baloch citizens and the state will have to be bridged over time to remove deeper causes of conflict.

Resilience

Balochistan exhibits low levels of resilience to economic, security and political shocks. The development of power-sharing settlements between competing provincial elites by the federal government has added a positive layer of resilience to the political system. If the arrangement continues into the next term, it will generate institutional barriers to the perpetuation of centrifugal tendencies. Simultaneously, the successful completion of CPEC projects may provide a major fillip to the province's economic base, thus making it more capable of riding out exogenous shocks.

However, these sporadic positives are largely negated by the multidimensional nature of ongoing conflicts. The scale of militancy and its widespread geographic nature lie at the root of the province's fragility. The imbrication of these conflicts with regional dynamics also creates a further set of challenges for policymakers and complicates the path out of persistent fragility.

Fragility in the ex-FATA

The former Federally Administered Tribal Areas (FATA) constituted a semi-autonomous region bordering Afghanistan consisting of seven administrative agencies. Until 2018, the area was governed indirectly by the federal government through collective governance over tribes via appointed bureaucrats known as political agents, and under a legal arrangement, called the Frontier Crimes Regulation (FCR) that is separate from the country's constitution and penal code. However, in a major constitutional step, the region was merged into neighbouring Khyber-Pakhtunkhwa province through the

25th Constitutional Amendment in May 2018. Among other things, the amendment extended jurisdiction of higher courts to districts that constituted FATA and paved the way for representation of people from those districts in the provincial assembly of Khyber-Pakhtunkhwa.

While the merger represents a major advance on long-standing issues of governance, the Newly Merged Districts (NMD) of ex-FATA showcase particular aspects of fragility, driven by both internal drivers such as chronic underdevelopment and lack of institutional integration with the mainstream, as well as strong regional spillovers that have caused high levels of conflict in recent years. In particular, the war against the Taliban and other Islamist militants in Afghanistan has exacted a heavy toll on FATA and its surrounding regions. From 2006 to 2015 a total of 26,822 fatalities were recorded in the region, including 4,375 civilians. Insurgencies led by various Islamist militant organisations resulted into an estimated cost of over US$2 billion and displaced more than 1.8 million people.[69]

State legitimacy

A Post Crisis Needs Assessment (PCNA) carried out in FATA in 2010, jointly by the government of Pakistan and the World Bank, concluded that "substantial failures in governance and rule-of-law, and state failure to provide and protect basic citizenship rights to the people of FATA were structural drivers of conflict".[70] At the heart of this failure was the exercise of the Frontier Crimes Regulation (FCR), a colonial-era law developed to collectively regulate the affairs of tribal communities in consultation with their leaders. While the rationale for deploying this legal-institutional framework by the British government was to create a colonised buffer region, the same legal system remained in place even after the colonial state was replaced by an independent republic. Until 2011, political parties were not allowed to operate in FATA districts, and candidates elected "independently" from the seven agencies were responsible for representing the region in the National Assembly and Senate.

These efforts have been helped by changes in the structure of the local economy as well. FATA households have long provided semi and unskilled labour for economic centres in other parts of Pakistan, in particular Rawalpindi and Karachi. Such employment opportunities historically provided a source of income for households and helped build some semblance of legitimacy of the state, on the back of improving economic conditions. However, faltering growth in recent years has resulted in a reduction in opportunities, which forced skilled labour from FATA to look for opportunities in the Middle East. Between 1981 and 2003, workers from FATA made up nearly 6% of all overseas labour migration from Pakistan, despite being only 2% of the total population.[71]

Unmoored from the local economy, some of these workers were influenced by extremist pan-Islamist ideologies popular in the region, which they brought back with them to their places of origin. Subsequently, militant groups

utilised the growing foothold of extremist narratives and tapped into pre-existing grievances with the state to garner support for transnational Islamist militancy.[72]

Official response

Since 2008, there has been a growing awareness of how the absence of the state's legitimacy remains a central driver of conflict in FATA. Widespread disillusionment due to both a failure of government institutions to deliver basic services and the lack of voice afforded to residents of FATA were important factors in perpetuating instability and fragility.

Official responses in the aftermath of escalating violence have sought to address some aspects of process-based legitimacy. Efforts to bring FATA into the political mainstream, which reached their culmination through the merger via the 25th constitutional amendment in May 2018, included the extension of the Political Parties Act (2002) to the region in 2011, which permitted local political parties to conduct political activities and campaign for elections in the area. Improving citizen voice in governance was attempted through the FATA Local Government Regulation of August 2012, which sought to establish an elected local council system to build civilian governance capacity. Judicial provisions such as the protection of the right to bail for prisoners were introduced in 2009 and an appellate tribunal was introduced in 2011.[73] However, due to ongoing militant activity and frequent operations by the Pakistan Army, many of these reforms, including those related to the merger, have remained unimplemented on a variety of emergency-based pretexts.

State effectiveness

The former FATA's persistent underdevelopment shows how state institutions remain highly ineffective. The region, along with Balochistan, is the poorest in Pakistan, with 74% of all households living in poverty. The literacy rate is 17% compared to a national average of 56.2%, with female literacy at only 3%. There were six times more people per doctor in FATA compared to the rest of Pakistan, while only 43% of the population had access to clean drinking water (compared to a national average of 77%).[74] Political agents in each of FATA's seven agencies were ostensibly responsible for carrying out development functions; however, they face little performance accountability and are often embedded in local rent-seeking relationships.

Apart from the state's failure in delivering basic social services, the law and order apparatus has also been ill-equipped to deal with security challenges. The Frontier Constabulary, the paramilitary organisation responsible for securing border regions, is ill-equipped for local policing functions. For policing purposes, political agents recruit *khasadaars* (tribal militias) from the local population on the recommendation of tribal elders. They remain

underpaid and receive no formal training to carry out law and order responsibilities. The state does not maintain a system of formal police stations in any of the tribal agencies.[75]

Existing state institutions, already ill-equipped in the way they have been designed, have been further compromised due to the pervasive presence of conflict. Political agents, and other state institutions, have been the target of repeated attacks by militant groups that have further compromised their ability to perform basic service delivery functions.

Official response

In 2006, the federal government established a permanent secretariat to provide support to governing functions in FATA. Alongside the secretariat, the FATA Development Authority (FATADA) was also instituted to undertake infrastructure and social development projects with the support of the federal government.

Since the escalation of conflict in the region, FATA has also seen the inflow of at least US$3 billion in development assistance. Aid programmes have focused on rebuilding infrastructures ravaged by conflict, as well as providing capacity building support to the FATA bureaucracy. However, the continued presence of conflict has diluted the impact of extant efforts to improve state effectiveness in the region. Similarly, following the merger, the government of Khyber-Pakhtunkhwa has created special provisions for development spending in the region in its annual budgets, with a focus on improving law and order infrastructure.

Private-sector development

Economic opportunities have remained limited for the people of FATA. There are few livelihood opportunities, as the local economy is mostly pastoral. Only 7% of the total geographic area of FATA is cultivated, with another 1% recorded as fallow, accounting for roughly half of total cultivable land.[76]

After agriculture, the other major source of employment and private-sector activity is cross-border trading. FATA's land border with Afghanistan is an important conduit for trade between the two countries. Pakistan also provides a transit-trade facility to Afghanistan, and most customs clearance of transit goods destined for Afghanistan at sea and land ports in Pakistan are handled by local businessmen. Alongside these activities, there is a very small industrial base in FATA. Manufacturing activity is restricted primarily to small, owner-financed units, operating without formal registration or regulation. Major sectors include stone processing, textile weaving and firearms manufacturing.[77]

Overall, the legal framework governing FATA has inhibited economic growth. Existing practices of collective punishment and lack of secure

property titling form serious impediments to mobilising local investments, while these problems are further compounded by inadequate infrastructure, such as pervasive electricity shortages.

FATA's porous border with Afghanistan, and the proliferation of geographic areas without any state oversight and regulation, has led to the development of a large illicit economy centred around the drug and weapons trade. Afghanistan produces 90% of the world's opium supply and around 33% is smuggled across land routes in Pakistan. FATA and Balochistan are both important conduits of such illicit flows.[78]

Official response

The government's primary involvement in FATA has been to eradicate militant strongholds and reduce their capacity to attack civilian and security targets across the country. Efforts to revive the local economy have mostly been left to donor-funded programmes that have worked in coordination with the FATA Development Authority.

The government recently launched a programme to develop small hydro-electric power projects in a bid to resolve the region's energy shortages. Other areas of intervention included public–private partnerships for mineral development, skills training for local youth and development of a support programme for marble manufacturing.[79]

FATA's long-term stability is, in part, contingent on households being able to access economic opportunities. While the ongoing conflict will likely prevent the development of the local economy, investment in skills programmes will allow more FATA residents to seek opportunities elsewhere in Pakistan. Remittances have long played a part in sustaining households in the region, and thus can be placed as a central aspect of development policy. The ability to find work within Pakistan will also improve prospects of state legitimacy and undermine drivers of local discontentment.

Security and conflict

FATA is the most volatile conflict zone in Pakistan. A safe haven for local and transnational terrorist outfits and a hotbed of terrorist activity in the post-9/11 landscape, FATA is often dubbed the most dangerous place on earth. This is an unfortunate reversal as FATA experienced little violence till the mid-2000s. However, the incidence of violence since then has been unprecedented, both on a per capita basis and in absolute numbers.[80]

Statistics on current levels of violence (recorded between 2009 and 2013) reveal approximately 16,578 casualties involving civilians, security forces and militants as a consequence of sectarian strife, terrorist-related activity, Pakistan military operations, and the US Predator drone campaign. Between 2002 and 2011, the FATA region experienced 82 mass casualty attacks resulting in 1,392 deaths, amounting to approximately 19% of

the national total. These figures suggest that FATA has the highest number of violent deaths in the country. The severity of violence is significant given the region's small population of approximately 3.2 million, around 2.2% of Pakistan's total.[81]

The flow of arms from Afghanistan to FATA is an important factor enabling militancy and terrorism in the region in recent years. It can be traced to the Soviet–Afghan war (1979–1988), when the region became a training ground, operational base, and safe haven for the *mujahidin* (religious warriors). The *mujahidin* included Afghans waging *jihad* (religious struggle) and thousands of volunteers who had poured in from around the world to fight against the Soviet occupation of Afghanistan. Over the years, many foreign fighters, particularly of Arab and Central Asian origin, were able to integrate in FATA by marrying local women and bringing gifts in the form of money for the local tribes.

Over this period, FATA has also seen an increase in sectarian conflict between Sunni and Shia populations. In 2007, FATA saw the highest levels of sectarian violence in the country, with two periods of continuous sectarian violence spanning 24 and 26 months in the Khyber and Kurram agencies respectively, resulting in 1,663 fatalities (48%) out of a national total of 3,448.[82] While Kurram has been troubled by sectarian violence since 1987, the Taliban presence in neighbouring tribal agencies and their alleged support for Sunni groups is believed to have been a key factor in the exacerbation of sectarian clashes.[83]

Official response

The government's response to conflict in FATA has largely taken the form of military action. Between 2001 and 2010, the Pakistani military conducted a number of operations in regions along the Afghan border. By one assessment, Pakistani troop levels along its frontiers with Afghanistan have ranged roughly between 55,000 and 145,000 from 2001 to 2011.[84] During 2011 and 2012, the Pakistan military carried out 144 and 107 operational attacks respectively against militants in various agencies of FATA.

Since 2014, the Pakistan military has carried out large-scale clearance exercises in several FATA agencies under its Zarb-e-Azab operation. These have led to the displacement of over a million citizens and incurred a large degree of cost for resettlement, rehabilitation and reconstruction.[85] Military operations have been successful in undercutting the capacity of militant groups based in FATA and have resulted in a reduction in violence in various parts of the country.

However, despite regaining a monopoly over means of violence in parts of FATA, the state has failed to address deeper causes of violence and instability. The lack of concerted development spending to build infrastructure and improve economic growth in the region means local populations are still susceptible to being recruited by militant groups. Similarly, failure to improve

state capacity to deliver basic services and to bring about much-needed reforms to the legal system will continue to alienate local populations.

Resilience

As a whole, the FATA region possesses low levels of resilience. The lack of economic opportunities, along with high degrees of state and non-state conflict mean that long-term pathways out of fragility will remain elusive. Simultaneously, low levels of trust in public institutions and a frayed state–society compact continue to act as drivers of destabilisation.

However, the cooperation extended by local populations during various operations offers some hope for the future. On several occasions, more than a million people were displaced, temporarily settled in various locations and then subsequently repatriated to their communities. These processes were carried out relatively smoothly and demonstrated the capacity of both government institutions and local communities to deal with large-scale shocks.

Fragility in Karachi

The final case from Pakistan is a study of fragility trends in Pakistan's most populous city, Karachi. Home to a population of 16 million, the city is the fifth-fastest growing megacity in the world. It is also Pakistan's main economic hub and hosts the country's only fully functional port.

Since the late 1980s, Karachi has witnessed episodic bursts of violence, largely along ethnic lines. The city's economic importance is both a result and a driver of large-scale migration from different parts of the country, over and above an initial migration of people who moved from India after Pakistan attained statehood. The presence of large-scale heterogeneity, political organisation of ethnic identity and heightened competition over urban resources have all acted as strong drivers of conflict. Since 2008 alone, conflicts of various kinds have claimed over 7,000 lives in the city.[86]

In this sense, Karachi's contradictory trends of being a vibrant economic centre coexisting with pockets of entrenched dysfunctionality and violence echo the experience of cities like São Paolo, Rio de Janeiro and Mumbai. While heterogeneity and migration are key drivers of fragility, a headline outcome from analysing Karachi's case is the breakdown of local government institutions, both from a legitimacy and effectiveness point of view. These have contributed to law and order crises, and the development of "shadow states" where non-state actors merge political contestation with criminality, violence and the provision of service delivery.

State legitimacy

Over the past three decades, the legitimacy of national, provincial and local state institutions in Karachi has fractured considerably. The city is the capital

of the largely rural Sindh province, run by the Sindhi-dominated Pakistan People's Party (PPP). However, the majority of Karachi's residents are non-Sindhi speakers, and the city's largest party remains the Muttahida Qaumi Movement (MQM), which emerged from the ethnic mobilisation of Urdu speakers (who constitute 48% of the city's total population). In subsequent periods, groups representing Baloch and the Pashtun residents have also pushed claims of ethnic-based grievances.[87]

The tensions between competing groups manifest in the breakdown of legitimacy along ethnic lines. In particular, the authority of a rural Sindh-dominated provincial government is widely seen as illegitimate by non-Sindhis in Karachi. These processes have worsened due to the instrumental utilisation of state institutions by political elites for the benefit of co-ethnics. This has largely taken place through disbursement of targeted service delivery and brokering employment in key state institutions, such as the police and education departments.[88]

The federal government, which controls the port system and a number of military-run areas in the city, is also perceived through ethnic affiliations. Long-standing grievances of Sindhi, Pashtuns and Urdu speakers against the dominant province, Punjab, often map onto their perception of federal government institutions. In particular, the military is seen as favouring Punjabis, due to a number of security operations against MQM-affiliated militants and its historically skewed patterns of recruitment.[89]

These problems have been compounded by the absence of a political settlement between the city and the province that could lead to a representative and functional local government system. For large parts of the city's history, higher tiers of government have exercised unilateral control over the city, thus driving perceptions of marginalisation and exclusion among the local population. In recent years, the period between 2001 and 2008 saw some modicum of stability emerge from the functioning of an empowered local government system. However, the system was rolled back in 2009, reigniting province–city conflicts and violent contestation between political party-affiliated militants.

Official response

The federal government has sought to enhance legitimacy through paramilitary operations and brokering period settlements between competing parties. However, these have yielded mixed results. As discussed below, overt violence and criminality have declined, but a sustainable way of legitimising local institutions and enhancing the city's control over its own governance remains elusive. In 2015, the Sindh government instituted a local government law that further centralised powers at the provincial tier, including over historically municipal domains such as building control, water and sanitation, and solid waste management.

State effectiveness

Political dynamics directing control and functioning of local government institutions have contributed to the erosion of state capacity in a number of areas. Most notable are failures in delivery of basic social services, land registration and revenue, and law and order. These have contributed to make Karachi one of the least liveable megacities in the world.

To give a few examples, water availability in Karachi alternates between four hours per day and two hours every other day. A significant portion of the city's households and commercial users rely on private vendors ("tankers") to provide water at higher prices. The sewage network has not been well-maintained since the 1960s, and all three existing treatment plants are dysfunctional. Industrial waste, which contains hazardous materials and heavy oils, is dumped directly into the sea untreated. Of the 12,000 tons of municipal solid waste generated each day, 60% never reaches a dumpsite and 80% of medical waste is not disposed of properly.[90]

Similarly, the government's development and regulation of land remains weak and ineffective. The city has been in the throes of a housing crisis since 1947, when large-scale migration first took place from India. In the past three decades, the housing market has seen the proliferation of informal settlements (*katchi abadis*), which now accommodate nearly 50% of the city's population. It is estimated that the current requirement for 80,000 housing units is met by a supply of only 30,000 units per year in the formal sector. The gap is made up by the supply of at least 32,000 housing units in *katchi abadis* annually. From 2001 to 2013, the urban footprint expanded by more than a quarter with signs of sprawl, without the accompanying investments in services and infrastructure. At the same time, valuable land in central parts of the city remains underutilised, resulting in shortages of land for housing and businesses, an outcome of poor land use planning and fragmented land control across multiple agencies with little coordination.[91]

The state's ineffectiveness manifests itself through its failure to raise adequate amounts of revenue to finance development in the city. The local city government currently collects less than 10% of potential revenues from existing sources such as utility fees and property taxes, resulting in a lack of resources for investment programmes. Due to the segregated basis of political support, the provincial government has also shown little interest in enhancing local revenue capacity and has chosen to redirect provincial revenue collected from the city to other areas.

Finally, the local police apparatus remains heavily compromised by pervasive corruption, incompetence and political interference. This has limited its capacity to control crime in the city. In 2011 alone, there were 1,490 reported vehicle snatchings, more than 12,500 mobile phone thefts, 113 kidnappings for ransom and 1,683 armed robberies in Karachi. By all accounts, these are significant underestimates, and the incidence of crime is much higher.[92]

Official response

Efforts to improve state capacity and effectiveness have been piecemeal and sporadic. In 2016, the Sindh government signed contracts with Chinese and Turkish companies to outsource solid waste management and other municipal functions through new special purpose vehicles (SPVs). The primary reasons for this were to both concentrate municipal authority at the provincial tier and bypass ineffective local institutions.

In 2017, the World Bank announced a city improvement project for Karachi worth US$98 million. The project aims to build the capacity of institutions responsible for municipal governance, as well as improve living conditions across different neighbourhoods.

Nevertheless, these interventions continue to mask the absence of any intent to devolve authority to the city government and build the capacity of local institutions to deal directly with the city's governance issues.

Private-sector development

Karachi is the main hub of private-sector economic activity in Pakistan. The city generates 12% of national GDP, contributes 25% to federal tax revenue collection and accounts for nearly 6% of total employment. This is largely on the back of a strong manufacturing and trading base, which accounts for 63% of all employment in the city, and the presence of the country's only port.[93]

Karachi's manufacturing base includes not just traditional labour-intensive manufacturing industries but also heavier and more advanced industries. Within formal sector manufacturing, Karachi accounts for some 42% of national employment in the motor vehicles and transport equipment sector; 35% in the metals, machines and electronics sector; 32% in the chemical products sector; 21% in the wood products sector; 18% in the textiles sector; and 8% in the food and beverages sector. The city's gross value added (GVA) per worker in 2012 was more than twice that of Pakistan overall. Between 2000 and 2012, Karachi's real GDP grew at a relatively high 5.7% per annum (compared to 4.5% nationally) and employment likewise expanded at an impressive rate of 5.1% per annum.[94]

However, while the lapses into instability have not prevented private-sector activity in the city, there are still many barriers that continue to hold it back. These include:

- lack of overall safety,
- a weak land titling and regulation regime that is prone to informalisation,
- exploitation,
- fraud,
- *ad hoc* building controls and
- an ineffective and slow system for obtaining government permits.

According to the World Bank's Doing Business survey, starting a business in Karachi takes 12 procedures, 18 days and 12.4% of per capita income. The government of Sindh province, which controls most primary points of contact for entrepreneurs, carries out all business-related formalities with little automation. The construction of a typical warehouse, for example, takes 15 procedures, 260 days and costs 9.1% of the warehouse's value.[95]

Another structural issue with the development of Karachi's private sector is the informalisation of its economy. This has become particularly pronounced in recent years. Although formal sector employment accounts for a larger share of the workforce in Karachi than in other Pakistani cities, the informal sector nevertheless accounted for 67% of overall employment in the city in 2011.[96]

Many of these issues are linked to the way the city has grown. Karachi's existing industrial estates have also become increasingly unfit for industrial activity as Karachi's population has grown and the built-up residential area has expanded well into the historical peripheries. These trends have reduced the availability of labour and placed constraints on land available for commercial and industrial purposes.

Finally, the problems of energy shortages and pricing that have hampered private-sector productivity elsewhere in the country exist in Karachi as well. While it is the only city in the country with a private-sector-run electricity market, the overall availability of both power and natural gas is shaped by its linkages with the rest of the country. These have suffered repeated breakdowns over the last decade.

Official response

The federal government has taken several initiatives to spur economic activity. As discussed in the next section, these have largely focused on improving the law-and-order situation through the neutralisation of terrorist groups and the targeting of militants affiliated with political parties. It has, under CPEC investment, also initiated the construction of new power plants, and several Special Economic Zones (SEZs) in districts bordering Karachi to solve both the energy and land shortage currently hampering industrial growth. Lastly, the provincial government has initiated several new projects in mass transit and road infrastructure development to facilitate logistics and the labour market. However, meaningful reform to reduce bureaucratic constraints on new enterprises, or simplify provincial tax procedures, is still lacking.

Security and conflict

Conflict in Karachi remains multifaceted, with the presence of ethnic, sectarian and Islamist militancy. Since 2008, nearly 7,000 residents of the city have been killed in inter-group violence of various kinds, and losses worth billions of rupees caused to the local economy. Due to its economic importance, the

violent destabilisation of Karachi has a sizeable impact on stability in the rest of the country.

The main perpetrators of violence have been criminal gangs and ethnic militants affiliated with and protected by the city's three main parties, the PPP, MQM and the Awami National Party (ANP). At its peak in 2011, politically motivated violence in Karachi alone accounted for 9.6% of all violent deaths in Pakistan.[97]

Conflict has been driven by a variety of factors, such as heightened electoral competition for national and provincial legislature constituencies and control over valuable resources such as land. In particular, the pressures posed by large-scale migration from other parts of the country, and to a lesser extent, from Afghanistan following 2001, have increased the premium attached to land in closer proximity to the inner city. The weak regulation systems mentioned earlier, and the high amount of rent extractable from control over real estate, has made this a particularly lucrative sector for criminal elements. Land-grabbers, for their part, use political connections to regularise squatter settlements; gain permission to convert amenity plots (allocated for parks and community centres) into commercial or residential property; and secure permits to develop properties, often purchased for a fraction of their market value after threats or acts of violence.

In recent years, Islamist militancy and sectarian attacks have added further dimensions to the security situation in Karachi. Following the escalation of war in Afghanistan and its spillover in Pakistan's volatile FATA and Balochistan regions, various Islamist militant groups, including the Afghan and Pakistani Taliban, fled military action and took refuge in densely populated localities of Karachi. Between 2009 and 2013, Islamist militants such as the Pakistani Taliban were responsible for 35 different attacks in the city, including several suicide bombings that targeted military and police installations. They also carried out assassinations of several senior police officers working with the counter-terrorism department.[98]

The presence of unregulated religious seminaries, run by clerics promoting exclusionary forms of Islam, has also contributed to sectarian conflict in a city with large Shia and minority populations. Various Sunni militant groups carried out over 110 sectarian attacks—targeted killings and bombings—between 2009 and 2013. Major incidents included the bombing of an annual Shia ritual procession in December 2009 by anti-Shia group Jundullah that killed 73 individuals. In retaliation, there has been a limited armed response by Shia groups who have assassinated leading figures associated with militant Sunni groups.[99]

Official response

The federal government launched a large-scale paramilitary operation in 2014 to de-weaponise Karachi and neutralise militant groups of all types. Initially, the operation targeted Islamist groups such as the Pakistani Taliban, but later

expanded its remit to include ethnic militants and criminal gangs affiliated with political parties. The efforts of the federal government have been complemented by the provincial police department and its counter-terrorism wing, which in particular has targeted sectarian militants.

These efforts, along with a variety of regulatory initiatives launched under the National Action Plan (NAP) to monitor religious seminaries and clerics with ties to militant groups, have yielded a positive response. By the end of 2016, violence declined by 66% compared to three years earlier. Targeted killings of both sectarian and ethnic kinds were down by 72%, extortion cases were down by 30% and the number of reported armed robberies declined by 21% over the same period. There was also a 60% decline in casualties of law-enforcement personnel.

While the success is considerable, there are major gaps that have not yet been addressed by various government stakeholders. The performance of the police department in controlling crime and protecting property is still lacking, while underlying drivers of conflict—such as land-grabbing—have not been tackled through adequate governance reforms. There is also a persisting tension between senior police officers seeking greater operational autonomy for the department and the provincial government which currently exercises control. Most of all, the continued absence of a power-sharing agreement between Karachi's main political party, the MQM, and the PPP-led Sindh government, still carries the potential of triggering violent contestation.

Resilience

Karachi demonstrates mixed patterns of resilience in the face of various shocks. The economy of the city, and the activity of the private sector, has proven to be fairly resilient in the face of instability and various kinds of conflict. While there have been periods of slowdown and capital flight, Karachi's overall economic activity has outperformed other cities as well as the national average.

Nevertheless, the city has in recent years demonstrated lack of resilience on other fronts. Political conflicts between party elites have spiralled into destabilising episodes that cause major shutdowns, strikes and paralyse all forms of social life. This inability to resolve disputes over resource and power-sharing without resorting to violent conflict contributes to overall low levels of resilience for the city.

Finally, Karachi remains highly vulnerable to shocks induced by natural disasters and climate change. The city has in the past seen high levels of damage caused by tropical storms; the built environment does not conform to safety and mitigation standards; and the city's growth is not being planned in a way to prevent exposure of its ever-growing population to such disasters. The scarcity of water, and the compounding impact of climate change (such as the creation of "heat islands") pose further risks and potentially open up new drivers of conflict.

Linking drivers of fragility

As the analysis in the preceding sections highlights, Pakistan's case presents a challenge for policymakers due to its heterogeneous composition, as well as the heterogeneity of fragility across different geographic and administrative tiers. While the list of desirable interventions to address these issues is extensive, this study proposes a nestled framework that demonstrates the link between five proximate dimensions of fragility, and the levels at which they need to be addressed.

State legitimacy

The issue of state legitimacy presents itself across all four cases under discussion. Historical tensions between the centre and the provinces, ethnic contestation in Balochistan and Karachi, and pan-Islamist militancy in FATA are all drivers of fragility along this proximate dimension. However, given the country's political history and an agenda for economic growth that requires providing coordination and resolving disputes across different tiers of government, the issue remains most salient at the level of the federal government.

Mistrust between the provinces and the federal government over a centralised system of governance has been a recurring source of instability and conflict. Since 2008, the government has attempted to address this driver of fragility through a number of constitutional interventions that have enhanced provincial autonomy and increased vertical and horizontal inequities in revenue distribution.

To build on these efforts, there is a need to improve the functioning of coordination institutions that have a mandated role under Pakistan's federal structure of governance. In particular, the Council of Common Interest needs to be actualised as a decision-making body, through the presence of a permanent secretariat and regularly convened meetings. Its stated role of overseeing regulation of natural resources, such as oil and gas, and key inputs in economic development, such as telecommunications and the energy market, through the input of provinces, also requires strengthening. This will help resolve both the coordination issues faced by federal government and address a long-standing source of centre–province tensions.

State effectiveness

Improving state legitimacy is tied to both process-based interventions, such as those listed above, and improving the performance of key institutions. For the federal government, in particular, these include the tax bureaucracy and the civil service, which are both central to the state's development agenda.

As Pakistan's historical experience demonstrates, the state's delivery of a national development agenda in the first two decades after partition, helped build its legitimacy and ensured its survival in particularly difficult conditions.

Similarly, the federal government's ability to foster growth and expand domestic economic opportunities—a key outcome of state effectiveness—for citizens in regions such as FATA produced safeguards against internal conflict and centrifugal forces. These broke down once opportunities reduced or dissipated out of the country, thus leading to recurring crises of legitimacy.

In various parts of the country, battling fragility also requires improving the effectiveness of sub-national governments. These include not only local law and order and revenue-generation bureaucracies, but also service delivery institutions. As the case of Karachi shows, dysfunctionality of local governments prevents the resolution of conflicts over political legitimacy, which in turn, generates periodic violent instability.

Private-sector development

At the level of the federal government, Pakistan's energy crisis remains a long-standing impediment to economic growth. While this is being partly addressed by investment in generation capacity through local resources and the China–Pakistan Economic Corridor, complementary improvements in the governance of power transmission and distribution systems are also urgently needed. Similarly, improving the efficacy of the tax bureaucracy and revising aspects of tax policy are also a major area of reform. Key interventions required here are removing discretionary exemptions and broadening of the tax base to include hitherto untapped sectors, such as agriculture, retail and wholesale trade. This will help reduce the overall tax incidence on manufacturing enterprises. Improvements in the effectiveness of the tax bureaucracy and broadening the base will also help cut back a growing reliance on indirect taxes.

At lower tiers of government, responsibilities include the provision of basic infrastructure for economic activity and an efficient regime of licensing and regulation. There has been some progress on this front, with the Balochistan government (in conjunction with the federal government) initiating construction on several economic zones along with new transportation infrastructure to facilitate regional trade.

From a broader perspective, an uptick in activity in the private sector has long-term positive implications for overall fragility across several proximate dimensions. Greater economic growth, driven by the private sector, increases employment opportunities, which helps build legitimacy of the state's development agenda. Similarly, it also increases the state's fiscal space, which allows for greater investment in key public goods and services such as health and education.

Security and conflict

Endemic violence and risks to the life and property of citizens are a key driver of fragility and underdevelopment. At various points in its history, Pakistan's

experience of violent conflict at the hands of a range of non-state actors has coincided with faltering economic growth. As the analysis across four cases shows, violent conflict has taken place across a range of ideological and structural faultlines that are shaped by religious, ethnic and geostrategic factors. Since 2013, Pakistan's security apparatus, led by the armed forces, has been successful in reducing the incidence of militancy in the three most troubled regions—FATA, Balochistan and Karachi.

These recent successes have come on the back of targeted operations that have involved deployment of the military and, in many cases, the displacement of local populations. While these have proven to be effective, there is a strong need to undertake interventions that systemically prevent the escalation of local conflicts into violent outcomes. This involves both improving the capacity of local law and order apparatus (policing and the court system), and removing ideological drivers of conflict, such as an absence of trust in the state. Therefore, steps taken to improve state legitimacy, at the level of the federal government and lower tiers, can address key grievances of the population and prevent the proliferation of violent ideologies and non-state organisations.

Resilience

Common across all four cases was the relative lack of interventions that could enhance resilience and mitigate against economic, political and natural shocks. At the level of the federal government, the persistent economic vulnerabilities posed by a widening trade deficit and a current account imbalance have not been addressed. In FATA, the process of legal reform that would enhance state legitimacy and provide long overdue citizenship rights to its residents has been slow-moving. Its implementation is necessary to address systemic grievances of the local population and build resilience against the geostrategic shocks posed by a volatile region. In Karachi, the continued absence of a political settlement between key political actors remains a concern, even while overt episodes of violence have decreased. More importantly, the city is highly vulnerable to climate change-induced water shortages, which potentially pose a serious risk in the years ahead. Policymakers' response to this particular challenge has been largely lacking.

Conclusion

Each of the four geographic and administrative levels discussed in this chapter exhibit multiple drivers and manifestations of fragility across the five proximate dimensions. The analysis also demonstrates that policymakers at different tiers have attempted to address relevant drivers of fragility through a variety of interventions, yielding some positive results. The actions of proactive federal government institutions, such as those responsible for internal and external security, and a recent uptick in economic growth have increased

overall stability after a period of faltering economic growth and high levels of non-state violence between 2005 and 2013. This suggests that the localised pockets of heightened fragility, in Balochistan, the former FATA and Karachi, have been contained and are at a reduced risk of impacting the country as a whole.

An analysis of the drivers of fragility at different tiers reveals key implications for Pakistan's future trajectory. In particular, the country's historical pathway shows that it has struggled with two aspects that have inhibited its overall development. The first is an inability to sustainably build on periods of successful growth and stability, while the second is an inability to resolve long-festering political disputes in a permanent manner.

These two aspects have become highly salient once again as the country experiences another period of improved economic growth and more secure and stable political conditions. The opportunities accorded by greater investment from China and regional trade connectivity need to be harnessed in a manner that ensures their sustainability in the future. Similarly, the important process-based interventions undertaken to mitigate centre–province tensions since 2008, and the reforms initiated from 2016 to 2018 to enhance legal rights in FATA and complete its merger with the neighbouring province, both address long-standing grievances or disputes at different tiers. These have to be seen through in their entirety to ensure that, as in the past, recent gains are not squandered in the future.

Notes

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3 UNDP, *Multidimensional Poverty in Pakistan* (Islamabad: UNDP Pakistan Office, 2016), www.pk.undp.org/content/pakistan/en/home/library/hiv_aids/Multidimensional-Poverty-in-Pakistan.html
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17 In principle, the NFC award is based on four key indicators that include HDI, backwardness, fiscal effort, inverse population density (IPD) and revenue generation. In this award, population gets a weight of 82%, poverty and backwardness 10.3%, revenue collection and generation 5% and inverse population density 2.7%.

18 In 2018, after national and provincial legislatures completed their five-year tenure, Pakistan held its third successive election under civilian rule—a first for the country. Election results saw the Pakistan Tehreek-i-Insaf (PTI) step into power for the first time at the national level, as well as in the largest province of Punjab.

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21 An obvious implication of sluggish revenue collection is that Pakistan's central government has limited resources for current and development spending. This results in borrowing of upwards of 4% of GDP to meet budgeted expenditure (World Bank, *Pakistan Development Update: Making Growth Matter,* Washington, DC: World Bank, 2017). The issue of a strained revenue base at the centre has also gained greater intensity with passage of the 7th National Finance Commission (NFC) award. The existing award, while addressing long-standing vertical and horizontal inequities in resource distribution, creates no incentives for provinces to improve their own revenue-generation efforts. Currently, provinces generate 8% of total revenue, while undertaking 26% of total expenditure. The NFC award envisioned provincial revenues rising by 44.4% between FY 2010 and 2016; however, they fell short of this target by 8%. As the award constitutionally mandates a 57.5% transfer of the federal divisible pool to the provinces, it also generates fiscal constraints on the central government when federal revenue collection stagnates or falters.

22 Ibid.

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44 Ibid., 21.

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6   The persistence of fragility in Sierra Leone

Herbert M'cleod and Brian Ganson

Sierra Leone historically has had a hybrid political order with multiple loci of political power and cultural authority, including traditional chieftaincies and the "secret societies" (particularly in the rural areas), alliances of elites (particularly in the capital) and, to a lesser extent, religious bodies. The national government has existed apart from the broader society. In this context, people's primary identity and loyalty lie with their ethnic or other identity group and its own form of organisation and leadership. It is within the political structures of these groupings that the social contract is formed, rather than between the formal state and the population as a whole. The chapter argues that the constructs of performance legitimacy common in contemporary state-building discourse—which assume that the core challenge is to reinforce the state so that it is willing and able to meet popular expectations, and that it is the failure to do so that accounts for instability—inadequately explains Sierra Leone's current state fragility dilemmas. It is the persistence of historical dynamics that underpin state fragility in Sierra Leone; in particular, the enduring structures of its hybrid political order, elite exploitation of public resources, and the extractive economy.

Introduction

Sierra Leone has experienced two brief periods in its history in which it appeared, at least superficially, that state consolidation was taking place, and that the country was on a path towards greater stability and development. These were the period immediately following independence in 1961 until the first military coup in 1967, and the period from the end of the 1991–2002 civil war to the Ebola crisis of 2014. In the earlier period, institutions such as the judiciary, the civil service, a civil aviation authority and a national university took form in ways that suggested the emergence of a modern state apparatus. In the latter period, we see independent state institutions such as Audit Services emerging; a free and vocal press becoming evident; and, in the context of the recently concluded general elections, the National Electoral Commission taking a stand for good governance and accountability. This also gave hope that the social contract between the citizenry and the government

could and would be enforced. In both periods, the economy (at least at first) grew robustly. And both periods commenced with substantially free and peaceful democratic elections—in 1961 accompanied by celebrations in the streets, and in 2002 accompanied once again by celebrations, and also by a seemingly rapid process of accountability for war crimes, forgiveness and return to normalcy.[1]

Yet throughout Sierra Leone's history, conflict seems to lurk just below the surface, and often boils over. Indeed, since the uprising of the inland chiefs in 1898 in response to the declaration of the protectorate of Sierra Leone by the British in 1896, Sierra Leone has known few periods of stability. In the earlier post-independence period, military coups in 1967, 1968, 1992, 1996 and 1997 punctuated a history of endemic social unrest that escalated into overt civil war in 1991. More recently, in a country where localised riots and strikes have historically preceded national conflict, seven major strikes and riots in and around mines and concessions took place over the period from 2009 to 2014, in some cases accompanied by the loss of life. Analyses of the Ebola crisis in 2014, showing it to be as much a crisis of governance and of lack of public confidence in the government as a health crisis, uncomfortably echo analyses of crises past.[2] The results give ample reason for continued concern to those whose hope for Sierra Leone is a resilient, peaceful and prosperous future.

This chapter explores the sociopolitical dynamics of Sierra Leone through the lenses of legitimacy, capacity, security, the private sector, and resilience in order to understand the foundations of this historical and contemporary fragility. Drawing from both secondary research and primary source interviews, it finds that constructs of performance legitimacy common in contemporary state-building discourse—which assume that the core challenge is to reinforce the state so that it is willing and able to meet popular expectations, and that it is the failure to do so that accounts for instability[3]—inadequately explain Sierra Leone's current dilemmas. These models put state–society relations—in particular, between the formal national government and the population that constitutes the electorate—at the heart of the fragility question.[4] This may be true in other contexts, and will be to some extent true in Sierra Leone as well. In Sierra Leone, however, we find a different driving dynamic throughout its history, explored in the analysis that follows.

The persistence of historical dynamics that underpin fragility in Sierra Leone—in particular, elite predation using the levers of the government, and the extractive economy—mean that it is easy to overestimate the legitimacy and capacity of the formal state today. Sierra Leone has historically remained a hybrid political order,[5] which can be best understood as several nation-states defined predominantly by ethnic affiliation, each with its own institutions of political power and cultural authority. The contours of conflict in Sierra Leone are primarily defined by tensions between these different social, political and cultural institutions over power and resources. The formal state to some extent exists but it is not socially embedded; the peace accord did not

establish a new social contract. People are genuinely weary of conflict, creating perhaps a false sense of calm. But they feel increasingly under attack as their economic and human security is undermined and their traditional institutions degraded by the formal state, meaning conflict risks remain high and may be increasing.

It is important to underline that this chapter does not cast aspersions on any particular leader, government, party or role in society. Rather, it argues that even well-intentioned leaders and administrations have, throughout Sierra Leone's history, been trapped by the dominant dynamics of fragility. The chapter warns that promises of fundamental change will only be delivered to the extent that they confront and address the foundations or root causes of fragility.[6] These include addressing state legitimacy issues through fusing or integrating key elements of the traditional system with the modern state, marshalling those positive forces inherent in private-sector expansion, and aligning the operations of the security apparatus with the interests of the citizenry. The chapter concludes with a number of perspectives on how this might take place with proper regard for the foundations and persistence of fragility in Sierra Leone.

From independence to conflict: the origins of fragility

There is broad consensus that the circumstances surrounding the establishment of the state at Sierra Leone's independence in 1961 set in motion the forces of fragility. These led, if not inevitably, then steadily, towards the outbreak of civil war in 1991.[7] National choices made—in particular, in the continuation of the extractive state established by colonial rulers—favoured negative dynamics in state development. These dynamics are analysed here using five dimensions of fragility: legitimacy, capacity, security, the private sector and resilience.

The roots of the state's lack of legitimacy

Sierra Leone as a state was created by the merger of the British Crown Colony and the Protectorate, two entities that had followed non-identical paths before independence. The relationship between the state and the citizens in the Crown Colony differed greatly from that between the ethnic groups and the Protectorate for over 100 years. The former was created for freed slaves and as a part of the British Empire; the Colony depended on the British for defence and basic services from the start. This was not so for the Protectorate. Its imposition over a geographical area with arbitrary frontiers was tolerated at best, but never embraced. Similarly, while the provision of security, law and order, and other state services had been available in the Colony, the same was not true of the Protectorate. Thus, the merger brought together two different experiences of "the State", requiring deliberate measures to forge a new relationship between the new Sierra Leone and its citizens. Failure to do so after

independence undermined—or, better still, pre-empted—the development of a legitimate state with a social contract that bound rulers to the citizenry.

The pre-independence system of indirect rule in the Protectorate administered through the Crown Colony set the stage for the coexistence of parallel states: the formal Sierra Leone, and within it the informal states represented by chieftaincies.[8] Local seats of power, the chieftaincies, remained intact after independence and became valuable sources of power for the new political national leaders.[9] As with many other newly independent states in Africa, the new leaders replaced the old colonial masters with all the paraphernalia of state power but relying on the informal states for political support at the national level.[10] In effect, the country functioned with two states operating in parallel—the formal state (largely a continuation of colonial mindsets and structures) at the national levels and the informal states (largely a continuation of traditional structures). Even when the formal state failed, the informal states remained, as the core of their legitimacy and life-source were rooted in culture and traditions, as distinct from the codified laws and security apparatus of the modern state.

The dominant trend post-independence was the emergence of an increasingly predatory national government that drained state resources and economic benefits from the economy it controlled, this time into the pockets of an exclusionary elite who had successfully mobilised ethnic support to secure power. The pre-civil war period was characterised by scandals involving senior government officials, including "squandergate" and "milliongate".[11] In "vouchergate", the Ministry of Education fraudulently awarded large government grants to private businessmen who posed as school proprietors.[12] Three separate commissions of inquiry—the Foster Commission (1968), the Tucker Commission (1988) and the Beccles-Davies, Marcus-Jones, and Nylander Commissions (1993)—carried out investigations on how the political class economically exploited the state and reported widespread embezzlement between 1970 and 1990, as well as individual assets not commensurate with emoluments.[13] Businessmen were also implicated in the looting of state funds, including the prominent Afro-Lebanese associate of President Siaka Stevens, Jamil Mohamed. Vital state assets were plundered in all regions of the country.[14]

Over time there was a growing sense that the promised benefits of the independence struggle were not being realised, and that growing inequality was driven by the rent-seeking behaviour of the new ruling elites and the broader bureaucracy of the state.[15] These served to reinforce a belief that the state existed, not to protect the many, but to enrich the few. The situation was only made worse by the violence that characterised almost every general election since independence, and that left a bitter taste of hopelessness. The apathy and even opposition to the national government that had existed in the larger Protectorate before independence, and among the inhabitants of the Colony post-independence, continued. Five coups d'état and attempted coups occurred between 1966 and 1992, similar to the numerous strikes,

riots and even revolts that littered the history of the Protectorate from its announcement up to independence.

In sum, there was not even a partial fusing of the Protectorate and its power structures into the relatively well-formed Colony at the time of independence. State legitimacy was under question from the start, first by the former ruling class of the Colony (who took their case to the Privy Council and lost), and then by younger elements from the Protectorate who were dissatisfied with the way power was consolidated in the national government. Without support from broad-based power structures in society, such as prominent traditional organisations and institutions, and without popular support, the modern state remained vulnerable to attack and was easily destroyed and dismantled by the rebels. Conflict, first political and then violent, presaged the fall of the government and the formal state.

The lack of capacity a symptom of the predatory state

The forging of a national state at independence required the extension of public services hitherto available only in the Colony to the wider territory. Yet questions of service delivery remained subsidiary to political wrangling. In 1963, for example, the civil service retirement age was reduced to 40 in order to make way for younger protégés from the new political power base, "resolving" tensions with the Colony elite who controlled the state bureaucracy by removing them.

Still, technical capacities expanded rapidly in the setting up of various branches of the state apparatus, including meteorology, civil aviation, development-related and commercial banking services, and agricultural extension services. All institutions reached their zenith in the early 1980s. From then the decline set in, as political patronage permeated all institutions and impunity persisted.[16] Connections, not performance, were rewarded. The education sector was particularly affected, beginning with higher education where appointments became increasingly politicised and the practice of academic freedom discouraged.[17]

A *de facto* dictatorship ensued as the executive controlled all other arms of a state characterised by inefficiency, ineffectiveness and high operations costs.[18] The judiciary was perceived as allied with the police and the ruling party on politically tainted cases.[19] Parliament was controlled by the ruling party; opposition members depended on their colleagues for appointments to lucrative commissions or committees, eliminating any check to initiatives emanating from the executive. The parallel but fragmented informal states were politicised and aligned in one way or the other to the ruling party, and so could not intervene as a bloc. This eliminated any chance for mediating conflict of an economic or political nature.

Many trained personnel left the country to fill positions in other countries and in international organisations. Those who were able sent their children abroad. Mediocre teachers and trainers produced mediocre graduates, in turn

feeding a poorly equipped workforce with little capacity to manage a modern society.[20] The exodus of the young and enterprising gathered steam in the late 1980s and became a flood in the 1990s. At the time of the invasion of Freetown in 1999 there was another huge flow of refugees, mainly trained cadre and members of the emerging private sector, to neighbouring countries. The capacity loss from all institutions was massive. Inevitably all institutions, without exception, virtually disintegrated. These were partly replaced by local and international NGOs and organizations—UNICEF, UNFPA, OXFAM, etc.—that were increasingly relied upon for basic social services.

The state and human security

Sierra Leone has faced no foreign threats since independence. Indeed, with Guinea and Liberia it was (and is) part of a sub-regional group of states called the Mano River Union, committed to joint goals of peace and security. Sierra Leone was supported by, and sometimes gave support to, its neighbours when the occasion demanded. An example was the invitation to Guinean troops in 1969 when a threat of coup d'état was apparent, or to fight later alongside government troops during the rebel incursion. From this perspective, the country's security challenges were of its own making. They were tied more to failures of the government to secure basic rights and freedoms than to any failure to protect citizens from internal or external violence.

Security in one's person and over one's assets is inextricably linked to the functioning of the courts, and, therefore, to an effective judiciary. Yet political interference in the judiciary commenced almost immediately after independence, with the appointment by the second prime minister of a loyalist as Chief Justice, followed by other appointments that did not follow the traditional rules of an institution rooted in historical precedence, hierarchy and competence, and—at least initially—proud of its links with the British justice system. The Sierra Leone judiciary, which once served as the final court of appeal for British West Africa, became so discredited that during the conflict some judges were targeted and assassinated. A weak and partisan judiciary, combined with a police force that was seen more as an arm of the executive, enhanced feelings of insecurity, particularly for politically tainted issues.[21]

Immediately after independence, Sierra Leone had some key state institutions—such as the military—that functioned independently and with a high level of professionalism. However, this changed dramatically when the country became a one-party state in 1978 under the reign of Siaka Stevens, whose rule was dictatorial in nature. The 1968 military coup had led Stevens to distrust the army and thus to form a parallel paramilitary force named the Internal Security Unit (ISU) in 1972, which subsequently became the Special Security Division (SSD) of the police force. Stevens ensured that this *de facto* security structure was better equipped than the national army. Recruits were carefully chosen on the basis of loyalty to his All People's Congress (APC) Party. The SSD was controlled by the Inspector General of Police, a loyalist

to Stevens from the same ethnic background who was responsible for the personal protection of the political elites. The SSD was in charge of enforcing public order and, ultimately, became an instrument used to intimidate and harass political opponents. The SSD was thus used by the elites to personalise political power as national security apparatuses collapsed. Hence, individual security, like other public services supposed to be delivered by the state, was available primarily to the politically connected. The state was rarely an ally in the broader population's quest for security—indeed, it was often their enemy.

Before independence, the security role of the state differed in the Crown Colony and the Protectorate. After the merger, the existence of parallel states complicated an assessment of the extent to which all citizens enjoyed this protection.[22] Still, nowhere is the presence of parallel states more evident than in the field of security, where the former Protectorate's native law existed side by side with the law prevailing in the former Crown Colony. The most obvious case is the law relating to land: the native law and custom determines land tenure in the former Protectorate, while common law applies to the former Crown Colony. This dichotomy nurtured the perception of unequal treatment.

The private sector a tool of exploitation

A growing and successful private sector, consisting of both foreign and local enterprises, was booming in the country's first 10–15 years. The foreign houses were mainly remnants of the colonial era, largely exporters of commodities and trading houses, with the addition of new mining companies. There were indigenous entrepreneurs, with signs of budding manufacturers, retailers and middlemen. State-owned enterprises launched several light manufacturing enterprises as part of an import substitution strategy, although that strategy eventually collapsed.

Despite these initial, partially positive signals, the system of extraction that characterised early Sierra Leone and the Protectorate continued after independence, dooming the private sector to be a significant factor of fragility. As stated in the Truth and Reconciliation Commission report (vol. 3),[23] those in charge of the formal government joined forces with the fledgling private sector to loot state assets. The nature of transactions in the private sector mimicked that of the public sector, characterised by informality and connections. By the time of the conflict, the state was the fountain of opportunities for the private sector, dishing out lucrative contracts arising from foreign loans and grants to allies and protégés. This dulled, if not eliminated, the drive for efficiency normally engendered by competition in the marketplace.

The degree of economic concentration was a further source of instability. Two businessmen in particular, known allies of the ruling government, controlled the minerals, fisheries and import sectors. One, Jamil Sahid Mohamed, born in Sierra Leone of Lebanese descent, had extensive contacts with the political class. Jamil became a shareholder in the national diamond mining company in 1971 and, with the acquiescence of Stevens, smuggled large

amounts of diamonds out of the country.[24] Stevens essentially gave up the diamond industry to Jamil, with official exports of diamonds reduced from slightly above a half million carats in 1980 to below 50,000 carats in 1988. Jamil also controlled the marketing, insurance and manufacturing industries as a business partner of Stevens. Although Jamil was not a government official, he wielded significant political power and reportedly approved official government appointments at both ministerial and civil service level. He frequently violated banking and other regulations, including foreign exchange market rules, with impunity.[25] The symbiosis between such businessmen and the political elite was such that they were the first port of call for short-term loans to the government.

Their activities left little space for smaller or other indigenous operators to flourish, leaving only foreign operators with high-risk appetites willing to enter the country, typically in the minerals sector. This fostered fragility along a number of vectors. It decreased the resilience of the economy due to unsustainable, high-cost operations, and the absence of diversity that could allow economic opportunities to be seized and needs met across different sectors or industries. It created resentment towards the state as exclusionary tactics combined with patronage to constrict wealth creation opportunities except for the connected few. Consigned to economic informality, the vast majority remained virtually outside the control of the state and hostile to its presence and interventions; it is no coincidence that the conflict commenced in the isolated border regions with Liberia.

Bad policies and dependence on commodity prices nailed the lid on the coffin of the private sector as a force for stability or resilience. Incoherent policies reflected partially effective pressures from the Bretton Woods institutions for the usual structural reform initiatives of the 1980s. Government institutions half-heartedly implemented agreed-upon programmes, further squeezing the private sector through monetary policies that restricted credit and foreign exchange, while also increasing taxes. At the same time, the necessary opening of the economy to additional positive forces, particularly indigenous ones, never materialised.

All in all, the private sector failed to grow naturally, create jobs or secure broad-based benefits in a new economy. Instead, it combined with patronage politics and corruption to restrict important goods and services and exacerbate inequality and inter-group resentment.[26] It thereby rendered the state more fragile and vulnerable to external shocks.[27]

Social resilience but not state resilience

All of these factors produced a Sierra Leone with little resilience, understood as the capacity to rebound from shocks, whether political, social or economic. The political system became increasingly autocratic and intolerant.[28] Therefore, the ability of those in control of the state apparatus to maintain power over an extended period during one-party rule despite widespread

disaffection cannot be interpreted as political stability or as resilience at the political level. History has demonstrated that this was an illusion: growing tensions in the informal states took time to surface and expose the illusion of the legitimacy of the formal state and its government.[29] The general elections did not provide an opportunity for citizens to pronounce on the performance of those in control of the state apparatus and make changes. This was primarily because ethnic loyalties largely determined representation in Parliament, and concerns about accountability or influence-peddling were swept behind the defensive concerns of individual ethnic groups. The composition of Parliament in the period 2012–2017 clearly reflects the divide along ethnic lines, with the opposition mainly from the south. This is ominous for the future.

It must similarly be noted that resilience at a local or social level, including the oft-noted speed with which there was forgiveness after the horrors of the conflict,[30] does not appear to translate in the Sierra Leone context into resilience of the state. The conflict was resisted by the majority of the population primarily because of the atrocities and abuses being perpetrated. The limited order and respect for human rights provided by the formal state were better than the chaos and anarchy of the conflict. On the same basis, the overthrow of the legitimate government of President Kabbah by Johnny Paul Koroma that brought in the rebels failed to garner popular support.[31] Yet, almost all other coups d'état were greeted by people dancing in the streets, hoping for the promised reduction in abuses and positive changes by the new government. It appears that society as organised and governed by the informal states was reasonably resilient, but that the national government remained exogenous: external and only tolerated as long as its impacts were not excessively negative.

This chapter would not be complete without a brief review of the economic dimension of fragility in Sierra Leone and how this has shaped the nature of the post-conflict economy. The economy was virtually stagnant, and even declining, from 1980 to 1990. During this period the signs were appearing in various sectors of bad days ahead. By the late 1990s, qualified and experienced cadres in education, health, public policy and even the trades were leaving in droves to nearby countries and even to the US and further afield. The effects on economic policies and programmes were devastating: development programmes were poorly designed and executed, public debt soared to unsustainable levels, inflation was uncontrollable, and budget deficits were the order of the day. All of these resulted in an economy with distorted market signals that reinforced fragility.[32] The decline of all indicators accelerated up to the end of the war.

Restoring the status quo ante after the conflict meant reproducing an economic system with perverse incentives and inappropriate policies. The question, then, is whether, over the course of the 15 years since the conflict, an evolution has taken place to determine a trajectory different from the pre-conflict system. An examination of the variables does not provide much

comfort. After the massive debt forgiveness in 2007, by 2009 public debt stood at 32% of GNI; by 2014, before Ebola, it was 28%.[33] Interest rates have soared again after the short period of single digit figures due to a curb in government borrowing, returning to the pre-conflict levels of 20%. The tax-to-GDP ratio has remained low, hovering around 11–12% as in the pre-war period. The government's budget continues to be financed by donors to the tune of 40%. The Auditor General's report points to cost overruns in public contracts of more than three to four times market values. All of the above inefficiencies are absorbed during boom years but become severe anomalies in normal times, opening the door to fragility.

From the above, it is evident that the new leaders of the country inherited the trappings of a modern state, whose institutions mimicked those of the former occupying state but without the accompanying social, political and even historical factors to hold them together. Even the economy was like a limb cut off from its body and making spasmodic movements that gave the impression of being alive. Contradictions and tensions emerged almost immediately, but their resolution took the line of least resistance for the new rulers, rather than a difficult and exhaustive search for national solutions not geared to individual gains. Thus were sown the seeds of fragility and eventual collapse of the state.

The civil war

The collapse of the formal state occurred at the onset of the conflict and lasted for ten years. A review of this period may help explain the direction of the post-conflict path taken—with both negative and possibly positive dimensions.

Exposure of the non-existent state

The expansion of the Sierra Leone civil war to cover the entire territory confirmed that the state was a mere shell devoid of legitimate or effective structures, including the military.[34] The country's citizens were left unprotected from the rebels, assets within the territory were plundered at will,[35] foreign policy was *ad hoc*, service delivery was non-existent, institutions collapsed and the formally recognised government moved into exile in Guinea. In the void, various groups captured various parts of formal government structures.[36]

Many civil defence groups and militias sprouted to provide basic security. Curiously, these new players did not degenerate into warlords. This is likely because the structures were rooted in culture and tradition.[37] Arguably, these non-state structures being a part of the informal states helped maintain cohesion within their social groups and explain the resilience of the society as a collection of groups despite the horrors of the conflict. Even in the

post-conflict period, commanders in at least some areas reportedly played a moderating role as "arbiters" of political behaviour, weighing in, for example, when they believed that dynamics such as the instigation of election violence had gone too far.

Civil society grew in strength, fostered by connections to NGOs outside the country. These organisations moved into the void left by the Parliament to become the voice of the voiceless. They were able to act at least to some degree as a check and balance on the monopoly power of the executive. These organisations were typically not engaged in overtly partisan political activities, although they were the training ground for a few leaders. This was, perhaps, explained by their foreign sponsorship. NGOs were often engaged in provision of basic services. These groups came to appreciate the potential power of a people's movement, both to support the state and to try to hold it accountable.

Some signs of a Sierra Leone state consciousness and identity became apparent through civic responses to external threats—for instance, when the state was most at threat from foreign elements and their local allies. In areas that were attacked first by the rebels it was observed that many of the rebel forces spoke the unique Liberian English; Burkinabe and Liberians were cited as part of the rebels.[38] Civil disobedience was rampant during the brief occupation of the Revolutionary United Front (RUF) and allies under Johnny Paul Koroma, who had organised a coup to oust the elected President Kabba.

In resource-rich countries, resources quickly become the key target of conflict.[39] This is particularly true where access to the resources does not require much investment—for example, for artisanal production of alluvial diamonds, gold or coltan. Even under conditions of declining mineral production leading up to the war, diamonds and gold remained some of the most lucrative sources for rent-seeking and outright theft of state assets.

At the start of conflict, the government was in no position to defend the country's territory, arm its military or run state affairs.[40] The rebels, on the other hand, had easier access to resources to fund their campaigns and ambitions by controlling the mining areas.[41] In areas of the country where the rule of law had been replaced by arbitrary patterns of behaviour, government soldiers quickly recognised the benefits of taking control of such areas and exploiting minerals themselves.[42] They were baptised "Sobels" by locals—soldiers by day and rebels by night. Villagers learnt to trust neither national soldiers nor rebels.

Other economic activities ground to a halt in a situation of zero security. Local branches of multinational firms were mainly trading houses whose behaviour was defined more by their global strategy than by local realities. It is not surprising that they retreated quietly as the economy declined and conflict erupted. Those who could focused on short-term outputs and cultivated smallholdings for food or subsistence. The post-independence trend of investing in the future was reversed by the logic of the short term.[43]

Outside interventions, peace agreements and opportunities lost

The strong support for the first rebel incursion by Liberia and its allies, Burkina Faso and Libya, in some ways transformed the conflict into a geopolitical power play. Nigeria, through the Economic Community of West African States Monitoring Group (ECOMOG), became the protector and guarantor of the West African region, pitted against Libya's surreptitious support for the rebels.[44] This undermined the stature and legitimacy of the government.[45]

The British military intervention towards the end of the conflict, on the other hand, gave the recognised government the ability to legitimise its leadership after the conflict. This was enhanced by Britain's later development support in influencing, if not directing, the post-conflict path for recovery and long-term development.[46] The focus was on the reconstruction of key institutions such as the security apparatus, including the police, army and judiciary.

The Lomé peace agreement signed in 1999 formalised the end of hostilities, prioritising the short-term imperative of keeping the guns silent, rather than more systemic and fundamental causes underlying the country's conflict and fragility. Only two articles addressed more than the short-term requirements to ensure there was no return to hostilities: Article VII spoke to the strategic minerals, gold and diamonds, and Article XXVIII addressed economic issues. The latter contains only two paragraphs couched in terms of reconstruction and rehabilitation of the economy.[47]

The provisions relating to disarmament, demobilisation and reconstruction were meant to end the security dimension of fragility in both the short and long term. The provisions were more robust for this dimension than in any of the other four areas of state fragility: capacity, legitimacy, resilience and the private sector. The army and police were retrained and armed to meet the objectives of a professional force performing the role as part-guarantor of state institutions as well as assuring collective and individual security.

Elections were seen as a major sign of return to normalcy. But elections based on the same assumptions of the underlying legitimacy of the state, and the culture of governance that had developed since independence, reproduced the very structures that had generated fragility in the first place. State institutions, like the judiciary, the public service, and the security apparatus and even the private sector, have never been given the chance to build up robust defence mechanisms against political interference. As the breath of life was being returned to the formal state, space should have been created for the institutions to grow independently.

Notwithstanding the virtual collapse of the modern state during the conflict, some of its institutions managed to survive and became the lifeline to the leadership in exile—buttressed, of course, by the UN and Economic Community of West African States (ECOWAS) military presence. At a more micro level, the traditional institutions maintained social cohesion and even mounted resistance to the rebels.

However, the externally negotiated and legitimised "reconstruction", prioritising almost exclusively the end of hostilities, inevitably failed to address the internal forces that had since 1961 undermined the legitimacy of the state. It thus recreated the old Sierra Leone with all its warts, missing the opportunity to set the stage for constructing the modern state that should have taken over at the end of the conflict.

Post-conflict policy and interventions

The vision for a post-conflict Sierra Leone was based strongly on the liberal notion of a capable democratic state, possessing checks and balances to the use of power within its system of governance, including a strong civil society, and carrying out policies and programmes to improve the welfare of its citizens. Each of these, to some extent, has been realised, helping to explain why the country, despite serious problems, has not relapsed into civil war or overt chaos. The results obtained, however, have not proven sufficient to move the country decisively away from fragility. This is due not only to failures to follow and achieve goals set but also to glaring omissions in the issues to be addressed.

The "state-building" agenda

A review of the policies and programmes implemented since 2002 provides an accurate report of the actual, as distinct from intended, state-building agenda in order to ascertain the prospects of moving towards resilience. The post-conflict agenda has been captured by a succession of development plans and poverty reduction strategies, adopted and implemented by the government of the day. These were treated largely as technical exercises without accounting for the underlying political and economic forces that shaped their actual outputs. New laws, institutions, and skills training to execute policies mostly advocated by external partners, with the sweetener of initial funding, were designed and formulated. Some hardware of development—infrastructure in the form of roads, schools and buildings for clinics, courts and so on—was produced.

However, as was the case in the 1960s and 1970s, many of these initiatives gave the illusion of development progress but fell short in alleviating the problems faced by citizens. National indicators of socioeconomic progress confirm that the accelerated improvements in citizens' welfare were not taking place. Real prices of basic consumer goods continue to rise; statistics on students' performance in public exams continue to slide; health data, housing, electricity access and other indicators remain below the average for the continent, even if better than at the end of the conflict. There has been no independent evaluation of any of the national development programmes so far. In all cases, therefore, reports have highlighted successes with little emphasis on how to correct failures or hold anyone accountable for them.

Those components of the state-building agenda that serve elite interests work reasonably well, but those of greatest interest to the broader population are less successful. Infrastructure and electricity have focused on towns, although recent efforts are emphasising rural areas. Strengthening of institutions has not fared well in light of widespread patronage and political interference. The practice of building sufficient consensus for implementing difficult decisions has not been widespread, resulting in perceptions of exclusionary governance. Formal structures that could be expected to play a mediating role in normalising and implementing better approaches are weak or ignored. Human Rights Commission reports are rarely implemented, and the results of commissions of inquiry in cases of egregious actions are also often ignored. The agenda for reconstruction did not take into account the underlying fissures in the formal state but, instead, sought to correct immediate failures that precipitated the collapse. Worse, it assumed that reproducing some of the key attributes or trappings of statehood was sufficient to recreate a more robust and resilient state.

A recent growth diagnostic study identified insufficient and unreliable supply of, and low access to, electrical power as a constraint on private investment and economic growth in Sierra Leone.[48] In addition, preliminary studies suggest counterproductive business enterprise reforms and operational obstacles to private-sector growth, as well as corrupt practices that increase production costs. The state-building agenda actually implemented has not generated the improvement in welfare expected, nor has it reinforced institutions for future robust growth and service delivery. Successive reports by the Auditor General point to major shortcomings.

The security cluster

The focus of international intervention after the conflict was on strengthening the security of the state in ways that would make it harder for a similar civil war to emerge. However, questions remain as to how it has affected "everyday" security: violent crime, domestic violence and security in homes, schools and communities. Reports of violent crime and gang violence have been rising gradually.[49]

The security apparatus has increasingly been used to repress dissent and opposition to government. The initial success of the retrained and reconstituted security apparatus—when the military and the police were guided by British and other foreign trainers—gave way to the old ways not long after the departure of the IMAT and police trainers. Allegations (documented by the Human Rights Commission and others) of the use of excessive force against protesting civilians, reports of harassment of opposition figures and denial of rights or abuse of discretionary power by the justice system reported by the media have all gone unheeded. The recent unresolved burning of the offices of an outspoken opposition leader and the incarceration of another for one

month (only to be released later) are examples of a worrying trend as the general elections approach.

Macroeconomic policy and private-sector development

The development strategy followed so far has largely replicated pre-conflict economic structures, formal and informal. It has followed the exigencies of development partners, led by the international finance institutions, in turn reflecting the dictates of the few key donors to the country.[50] Over 40% of the state's budget is provided by external partners. The recent boom in the extractives sector created a bubble for a two-year period in which the country was touted as the fastest growing economy in the world (22–25% GDP growth) (see Figure 6.1). In fact, this was a one-time spike resulting from the investment and operations of two large iron ore mines.

Paradoxically, the collapse in commodity prices has spurred a more broad-based approach, with start-ups in agriculture and the services sectors showing some promise as recent investments begin to yield fruit. Nevertheless, the private sector continues to be primarily informal, while incoherent—and sometimes even contradictory—policies limit the expansion and productivity of formal businesses.[51] To the poor state of the energy infrastructure, discussed above, must be added the enormous costs of doing business. In this regard, the country is ranked 162 out of 168 countries by the World Economic Forum (2016). Internal studies by the IGC and others point to bureaucratic bottlenecks not unconnected with corruption, inefficiencies in
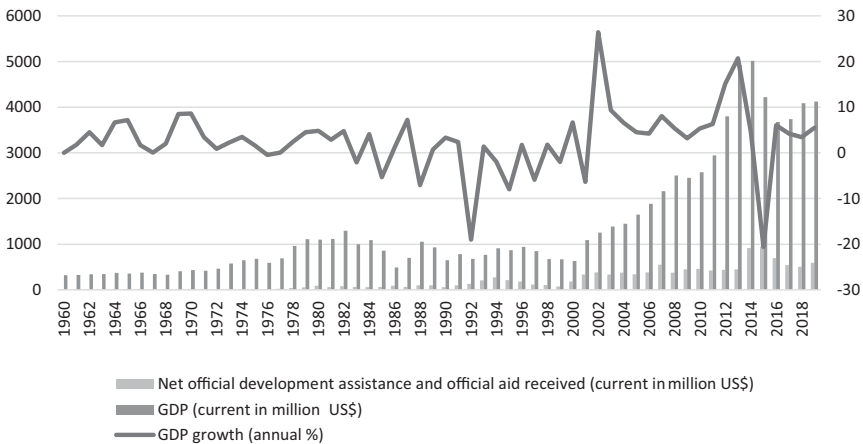
Figure 6.1 GDP, GDP growth and net official development assistance and official aid received, 1960–2018.

Source: World Development Indicators, 2021.

production flows, frequent changes in policies, and limitations imposed by size of operations as all curtailing the contribution of the private sector to overall development.[52]

What is not so clear from the current development strategies is the evidence of transformation and diversification of the economy, so essential to enable a rebound from shocks. There are many new laws in place that could provide the framework required, but some are barely enforced and others mesh poorly with other policies. Political patronage is often at the root of inefficiencies, just as impunity remains prevalent because of political connections. In sum, there is a real danger of reproducing the same economic structures that preceded the conflict unless a reform programme can be launched to redress these problems.

The "resilience" agenda: humanitarian, development and crisis assistance

The resilience agenda followed the pattern of the day: stop the shooting through a ceasefire, adopt a peace agreement that included disarmament, demobilisation, and reintegration (DDR), and install a transition government to organise general elections followed by a first Poverty Reduction Programme, all while humanitarian assistance pours in for resettlement and some rehabilitation.

Large volumes of aid were announced.[53] However, this aid was uncoordinated, *ad hoc*, unconvincing in its execution, and quickly reverted to the practices prevailing before the conflict. A number of rehabilitation projects were launched but not all were completed. Schools were rebuilt and new ones created in every district, but the software to run the schools was inadequate. Many roads were reconstructed but these projects were characterised by cost overruns and poor quality. Health and other social services were delivered, mainly by non-state institutions as the humanitarian phase gradually gave way to the "development" phase, and often happening in parallel with state support. However, humanitarian aid declined rapidly as peace solidified.

None of these interventions addressed the root causes of the crisis. Twelve years later, Ebola eventually laid bare the faultlines. The public health crisis rapidly deteriorated into a complex humanitarian crisis. Again, the collapse of the state was arrested only by massive infusions of external support.[54]

The peace negotiations were an opportunity missed, as the orthodox agenda followed consisted of elections, reconstruction of the old patterns of allocation, production and distribution in the economy, rehabilitating the old industries, rebuilding old institutions, etc. When this agenda is scrutinised through the lenses of state legitimacy, state capacity, security sector activities, etc., underlying cracks become visible. These were not addressed during the negotiations. Worse, after the end of the war a number of key recommendations were ignored.

The contemporary situation

There are signs of positive change that could support moves to reduce fragility. These include greater freedom of the press and increasing knowledge among citizens of their rights and obligations.[55] There has been progress, albeit limited, in reducing the constraints on private-sector development in the form of improved transportation,[56] electricity, and energy. Elections are held regularly and are being taken more seriously by political parties as an opportunity to send better qualified representatives to Parliament. Yet such signs of progress are few and slow-moving, leaving open the significant danger of their being undermined by failed expectations, and of the reappearance of the negative forces of the past as long as the root causes of fragility remain unaddressed.

Legitimacy: strengths and gaps in state and non-state institutions

The post-conflict period evidenced little political appetite to deviate from patterns of the past that were quickly re-established after the war. Recommendations of the Truth and Reconciliation report that pointed out the antecedents to the conflict remain to be implemented. Potentially important political arbitration roles—for example, the Council of Elders created to resolve any misinterpretation of the Lomé Agreement—were not built upon in the post-conflict period. Indeed, it can be concluded that little of importance has changed in terms of state legitimacy and institutional capacity from the situation pre-conflict.

The lack of legitimacy of the state was demonstrated most notably in the failure to contain the Ebola epidemic in 2014. This was partly due to the lack of trust in state officials, weaknesses in the health care system and the system of governance in general.[57] Massive inflows of human and other resources were required to contain the disease.

Allegations of rampant corruption are widespread, reinforced by successive annual and special reports of the Auditor General and those of the Human Rights Commission,[58] plus *ad hoc* reports from civil society groups. The persistence of a health state of emergency was used to suppress public expression of disaffection, although restrictions were subsequently lifted after much activism from civil society organisations. It is not clear whether the traditional non-state institutions are as effective as before, either in undermining the legitimacy of the state or in supporting it.

State capacity: key drivers of conflict and fragility

As pointed out earlier, most state institutions have returned to the pre-conflict status quo ante. Patronage, political influence, poor accountability for results and widespread impunity prevail. These are manifested in high levels of perception of corruption, with the police being the worst group identified.

During the recent outbreak of Ebola not only did health services fail, but other institutions responsible for managing a complex emergency—such as decentralised services, internal communications, border controls and so on— were evidently not up to the task.

More importantly, the institutions responsible for the rule of law are increasingly accused by the media and civil society of a distinct bias in favour of the ruling party. They point to the use of discretionary authority by the courts to arrest and detain political activists, and to the non-application of the recommendations of commissions of inquiry set up to investigate excesses or malpractice. Since the general elections of 2018, the newly appointed Chief Justice has been seen to advance and favour cases brought by the new administration, while delaying those brought by the opposition. All of these together increase the disaffection that leads to political instability.

A large number of public service officials enjoy training opportunities abroad and locally. Thus, individual capacities continue to improve. Similarly, there is much greater effort by the government to provide the tools required for good performance in the form of computers, internet facilities and so on. Some key institutions have been set up, such as the National Minerals Agency, which has put in place mechanisms for managing the minerals sector more efficiently. However, not all the new institutions created have demonstrated their effectiveness or justified their existence, raising questions about the rationality of the public service.

Limited positive change can be found in the relative freedom of the press and of opinion. The country has come a long way since independence as more and more citizens demand more explanation from the executive about the way resources are used, and social media provide instant information, albeit not always accurate, of excesses.

Security: from both a state and human security perspective

Sierra Leone enjoys a relatively low crime rate; murders are few and far between. Violent crime is low and far below pre-conflict levels, although reportedly on the rise. Regular meetings of the MRU at the summit level ensure that the country is free from external threats from neighbours.

Notwithstanding these positive indicators of success, the security services are perceived by the population more as an agent of an oppressive state than as a protector of personal and collective security. Immediately after the conflict, the security services were an integrated force with joint units of foreign and local personnel. The intention was to provide training and inspire confidence, as well as to ward off potential threats. In recent years, confidence has been eroded. A recent TI survey (2017),[59] for example, showed that the police were perceived as the most corrupt among government services. Several investigations arising from public outcry over police brutality and excesses remain incomplete.[60] There now appears to be a set pattern of the security apparatus being used as the instrument of the ruling party, with accusations

of the police under the administration in power since 2018 continuing to use excessive force resulting in deaths.

The private-sector role in concentrating economic and political power and benefit

Since 2007, the private sector has been trumpeted as the vehicle through which rapid socioeconomic development would transform the lives of the citizens. Indeed, in his inaugural address the president, who hailed from the private sector, announced he would create the conditions for the private sector to flourish. However, this was not accompanied by the necessary reforms[61] to establish an enabling environment for the sector.[62]

Instead, business continued as usual. Mainly international business operatives secured government contracts in collusion with party loyalists. Government officials, in turn, designed deals with inflated costs that released generous rents on which they thrived—as illustrated, for example, by the Attorney General's 2016 special audit report on the military. The evolution of the private sector over the last ten years has therefore followed the same path as in the period before the conflict—an ever-changing landscape of personalities who rise, exert temporary influence in the royal court, make their fortunes and disappear. During their tenure, they capture the formal state structures. Even the media are not spared: full-page advertisements are placed for positions, ensuring that even newspapers with readerships hardly exceeding 1,000 prosper.

The collapse of the country's two large iron ore mines and ADDAX, the large sugar plantation, coincided with the Ebola epidemic. Subsequent reports on the operations of these companies revealed extensive inefficiencies and corruption. As in the past, the strong alliance between the ruling class and the management of these companies allowed their use as cash cows. As long as the cow was being fed by high international prices, it continued to provide milk: private planes, travel, advances for salary payments, free fuel for local elites and exceedingly high salaries for nationals with connections, for example. When prices collapsed, many local and international companies holding long-term contracts with these companies went under. Curiously, had the integration of these companies with the rest of the economy been greater, the result would have been catastrophic.

The lesson here is that the undiversified nature of the economy, combined with the dominance of the informal networks where decisions are made, leaves the country vulnerable to severe shocks, and unable to make appropriate responses even in the realm of the private sector. This is the private sector's most direct link with fragility and instability.

The private sector also shows signs of becoming more partisan. During the period of the one-party system, successful bidders for public contracts and their allied rent-seekers hailed from every part of the country. Not so now. Those from the south felt excluded, but the resulting shift of power to the

south merely continues the vicious downward spiral as it becomes their "turn to eat". Thus, control over private-sector opportunities continues to be one of the vehicles for reinforcing instability as the regime in power since 2018 attempts to undo the agreements of its predecessors—Rutile, Gold Pineapple, SL Mining and so on—and to make its own.

Resilience: sources of sociopolitical and socioeconomic strength and vulnerability

The formal state draws strength from, and can be weakened by, informal networks and cultural institutions. These have a stronger influence over citizens' behaviour than do the rules and regulations of the formal state. Decisions over appointments to positions of power, for example, originate from or are sanctioned by these networks, which are in effect the institutions of the informal state; what is often labelled procedural informality is, in fact, these networks at work. Appointments are therefore made more on the basis of alliances and loyalty than of competence. Additionally, these tight networks lack transparency and are closed to outside information and influence when making decisions. Needless to say, greed plays a key role in perpetuating the system; the national cake is shared only by those within the networks.

Despite the collapse and near failure of the formal state, the informal states continued to operate. The resilience of the informal states since independence can be explained partly by the very limited attacks on their systems of operations, honed over centuries of tradition and culture. It is instructive that voting in general elections generally follows set patterns except in towns, where the influence of the informal state tends to be weaker. The paradox is that attempts to integrate the systems through decentralisation have encountered difficulties, not from the chiefs but from the authorities unwilling to give up financial control from the centre. The situation is complicated by the presence of district councils—branches of the formal state—at the local level.[63]

While there is resilience in the informal states, it comes at the expense of resilience in the formal state. The persistence of informality, particularly in decision-making, undermines transparency and accountability of action in the formal state, in turn encouraging a lack of progressive practices and depriving the state of the experience and advice available within the informal network.

These conclusions, together with those above on the private sector, security, state capacity and legitimacy, illustrate the reproduction in the aftermath of the conflict of pre-conflict patterns of operations in the five areas analysed. Hence, unless there is a change in the trajectory of the development process the signs point to continued fragility, instability and conflict. Furthermore, the issues raised in this chapter have not been widely recognised and public attempts to address them have therefore not been systematic or sustained.

Conclusions

Several observations and lessons emerge from the study of the underlying causes of the country's fragility and instability. These tend to contradict the narrative—shared by the Sierra Leone government, bilateral donors who are rapidly disengaging and international institutions promoting private-sector investment as the primary solution to the country's underdevelopment—that Sierra Leone has emerged from fragility and, although set back by the shocks of the global financial and Ebola crises, is on a path towards stable development. Rather, these observations emphasise the continuity of sociopolitical dynamics from the colonial period.

Sierra Leone was historically, and remains today, a hybrid political order.[64] There are multiple loci of political power and cultural authority, including traditional chieftaincies and the "secret societies" (particularly in the rural areas), alliances of elites (particularly in the capital) and, to a lesser extent, religious bodies.

Even as the formal trappings of service delivery and democratic accountability developed, the national government existed, and to some extent still exists, apart from the broader society. That society is better understood as several nation-states defined predominantly by ethnic affiliation. That is to say, people's primary identity and loyalty are vested in their ethnic or other identity group and its own form of organisation and leadership. It is within the political structures of these groupings that the social contract is formed, rather than between the formal state and the population as a whole.

The contours of conflict in Sierra Leone are primarily defined by tensions between these different social, political and cultural institutions over power and resources.[65] This is through perceived incursions into others' sphere of influence, or through exclusion from benefits to which actors feel they have a legitimate claim.

These dynamics made, and continue to make, the national government an arena for inter-group conflict. Policies were and are contested, and positions were and are sought, primarily for the purposes of control over public finances. Institutions such as the judiciary, state security apparatus and the public service in general were, and to a great extent remain, contested instruments of control by elites, in large measure unresponsive to public pressures or accountability mechanisms.

The formal economy also became (and in large measure remains) an arena for conflict. It became fundamentally extractive as government structures were manipulated by the alliance of the political and administrative class, to direct the flow of rents from bloated public contracts and natural resource concessions. Economic growth and job creation—rather than playing a stabilising role—underpin festering resentments over corruption, an uneven playing field for private-sector actors and unfair distribution of benefits.[66]

Traditional social institutions were (and to some extent remain) reasonably robust in their role of social management and protection within their spheres.

But these institutions are so fragmented and dispersed that they have proven unable to reach durable accommodations between themselves. No institution has emerged at the national level with the power or legitimacy to reliably broker between them; and since the national government is a primary arena for conflict, it is unlikely to be able to play such a mediating role.

Inter-group conflict escalated as political control over the state apparatus became more urgent. This was in part because the magnitude of rents available for capture grew with foreign investment in newly discovered natural resources, and because the effective control of formal government structures over those resources improved as more of the economy became amenable to the controls of fiscal policy, tariff policy, and contracts and concession agreements between the national government and private parties.

In brief, a "social contract" has never been established in Sierra Leone at the national level. Rebellions and strikes before independence, and coups d'état and economic crises after independence, were repeated regularly. Yet the promises of a new beginning after every crisis, up to and including the civil war, have never involved a systematic attempt to understand and resolve the contradictions of the two parallel configurations of the state that were entrenching fragility. Economic growth and political calm prevail for short periods, but are never harbingers of a new social and political order.

To the extent that these dynamics help explain the history and persistence of fragility in Sierra Leone, there are important cautions and lessons for efforts to promote stability and peaceful development, both in Sierra Leone and in similarly situated countries. Indeed, with signs in the post-conflict period of increasing coalescing of ethnicities into a regional divide, these take on particular urgency in Sierra Leone.[67] These are discussed below.

A desire to promote a "return to normalcy" or "return to peace" by "rebuilding" the country is conceptually and factually misplaced. The peace agreement and subsequent political developments failed to acknowledge and address the root causes of conflict in Sierra Leone as laid out above. This means that current levels of conflict, or of peace, may not be indicative of conflict risk, as the fundamental trajectory of conflict has not been altered.[68]

In addition, the strategy of stabilising the state by focusing on national government capacity for local service delivery may be misplaced. The state was not widely acknowledged, before or after independence, as a provider of services to the provinces, and expectations remain generally low. The above strategy therefore puts the government in conflict with traditional institutions that did so. People may prefer to receive services through more socially embedded (and often more capable) traditional institutions whose decisions they trust and know how to influence.

Similarly, "capacity-building" initiatives may have limited impact in addressing shortcomings in service delivery, as lack of capacity may in many cases be a symptom of policy indifference and a desire to divert resources intended for service delivery to other purposes, rather than the explanation for poor performance or inaction. Resources intended for capacity-building

often become rents subject to the same contestation as any other government-controlled resource.

In the absence of the guiding hand of a developmental state, inequality tends to increase during periods of high growth and more people become exposed to greater insecurity: for example, through wholesale shifts towards plantation agriculture and cash crops, and the economy's dependence on rapid growth in the minerals sector that unleashed symptoms of the Dutch disease. Furthermore, private internal tensions over distribution of rents diminished the stabilising influence of traditional institutions that should accompany rapid growth[69] and their capacity to provide human security and social services, further weakening their legitimacy.

Absent a mechanism capable of brokering durable political accommodations between Sierra Leone's many power centres, attempts to strengthen the formal government may have perverse impacts. In a context where the president labels the opposition "terrorists" against whom he will win the "fight", the more resources the government manages and the greater its effective control over them, including the potential for rent-seeking, the more it becomes an arena for inter-group contestation or a target of manipulation by geopolitical or mercenary interests outside its control.

Similarly, efforts to accelerate economic growth without attentiveness to inter-group dynamics, whether inter-ethnic or rural–urban, will increase fragility and, eventually, conflict. Sierra Leone is characterised by a limited access economic order in which elites, within both the political class and the bureaucratic class, exercise inordinate control over the formal economy.[70] The distribution of benefits and risks from economic growth remains skewed and highly contested. Additional resources, particularly at scale, add fuel to the fire.

Taken together, and notwithstanding some elements of apparent resilience as well as the seemingly endless schemes and programmes to build state capacity, these analyses underline that the country is still fragile and vulnerable to the forces that led to the collapse of the state and civil war 30 years ago. Political interference in the functioning of institutions continues to stultify growth, undermine capacity and weaken effectiveness, rendering the government incapable of resistance to the slightest of shocks. There are still few checks and balances on a predatory executive and ruling class.

The private sector similarly is mostly a reflection of the past, rather than a blueprint for the future. To the extent that the private sector is defined as that part of the economy not controlled by government, it must be admitted that Sierra Leone has little private sector at scale. Characterised by a limited access economic order,[71] the government continues to exercise inordinate influence over mining, commercial agriculture, infrastructure development and industry in pursuit of corrupt and rent-seeking aims. More often than not, private-sector actors appear to be willing partners. The economic policies pursued and the sectors promoted also tend to reflect elite and foreign interests, not necessarily a sustainable development path for the broad majority of the

country's people. Once again, there are reports of the use of public security forces to intimidate local communities and pursue private ends.

The ease with which chronic popular dissatisfaction with government can still contribute to conflict and violence is seen in community protests, student demonstrations and election violence. A recent example (February 2017) included university student protests over non-payment of lecturers' salaries that turned violent. Echoes of how this escalates to a state–society crisis are heard in the use of the state security apparatus to suppress dissent, and in the way corruption permeates the rank and file of institutions responsible for law and order, rendering individual security impossible. In the general elections of 2018, the signs were visible. The security apparatus refused permits for demonstrations on the grounds that they might incite instability; the justice system arrested a number of political activists only to release them after a period of incarceration.

At the same time, non-state institutions seem to be experiencing slow but steady growth in both scale and capacity. Religious institutions, civil societies, the media and even international NGOs and partners now provide public goods and services widely. To some extent they compensate for a national government unwilling or unable to play its social role; they deliver a scale and scope of services in the aggregate on par with, or even exceeding, those provided by the government. But their impact is fundamentally palliative, in the social sphere providing (still inadequate) direct services, and in the political sphere (in conjunction with Sierra Leone's few independent political institutions) only moderating some of the worst excesses of corruption. They are not capable of reordering power relationships or institutional arrangements in ways that result in stability and peaceful development.

New challenges on the horizon

At the same time as Sierra Leone has failed to address its past, it has also not positioned itself to address the challenges of the future. On the economic front, Africa is losing any form of homogeneity in terms of how countries relate to the global economy. The increasingly rapid flow of more diversified foreign direct investment to countries with more stable investment environments will soon result in countries with sustained high growth rates that leave behind countries still struggling with governance and other issues constricting progress. As inequality among countries expands, so too will the dangers of increased fragility. Sierra Leone risks being left behind. Given the almost equally weak state of Sierra Leone's neighbours, this factor of fragility will, as in the past, have a regional dimension.

On the social front, a rapidly expanding youth population with access to social media and instantaneous information dissemination increases volatility. In the past, the government used the state apparatus to move quickly to suppress expressions of disaffection. In a world in which protests on one campus spread quickly to many others, attempts at suppression of dissent

only result in increased insecurity, and deepen a sense of the illegitimacy of the state. Similarly, the greater empowerment of civil society groups, combined with the juxtaposition of islands of efficient institutions like the Human Rights Commission, the National Minerals Agency and the Auditor General's office, make the abuse of power, looting of state assets and other aspects of the predatory state more easily and rapidly known. In the absence of a credible response from government or any true accountability, however, these further delegitimise the state and worsen the distrust between state officials and citizens.

In the policy arena, the challenges of the future—from sustainable mining and agriculture, to climate change, to education reform, to the development of job-led growth strategies in a world of declining manufacturing jobs—are not amenable to the dictates of presidential initiatives or short-term planning support by bilateral donors. Rather, they require alignment and coordinated efforts between parts of government, between national and local government, and between government, civil society and the private sector.[72] However, this ability to build sufficient consensus for coherent policy, and then to follow through with comprehensive implementation, seems increasingly beyond Sierra Leone's grasp.

Implications for the future

The imminent collapse of a state is usually preceded by suppression of widespread calls for introspection that could lead to addressing the underlying problems. The signs suggest that this may be playing out in Sierra Leone now. Government claims to be in a new era; bilateral donors use the designation of the country as "post-conflict" as a justification for disengagement; successive reports continue to praise the efforts of the government even in the face of rapid declines in the value of the country's currency, high interest rates, at times astronomic increases in public debt and overall sluggish performance of the real economy—macroeconomic stability notwithstanding. Critical voices find few national or international platforms.

Yet the analysis above indicates that any appearance of a move out of fragility in Sierra Leone is a veneer that rubs off at the slightest sign of crisis. The mudslide that occurred only two years after the major Ebola epidemic found the country's institutions still wanting, as did their response to the 2020–21 COVID-19 crisis. The root causes of these crises emerge from underlying drivers of broader fragility, ranging from looting of state resources to lack of confidence among citizens in what the government is telling them. The Peace Agreement, supplemented by economic development plans, represented the agenda for "rebuilding" the formal state after the conflict, falling short of forming the basis for reconstructing a new state; a political settlement, driven by the desire to end a conflict, was a superficial cloak hiding underlying fissures that could reappear as soon as the pressures for peace receded to distant memory.

The path forward

Any genuine movement out of fragility requires, first and foremost, a deliberate attempt to face the past and apply the lessons learnt so far. The country must deal frontally with issues related to the diversification of the economy, the adoption and application of coherent laws, the provision of jobs, the general level of education and many others. In particular, it must address the fundamental vulnerability that underpins so many of the country's other challenges: the establishment of the formal state alongside the multiple informal states of traditional authority. The formal state is incapable of sustained resilience in light of competition among the informal states that control and distribute power. The cross-currents and tensions among the latter create turbulences that facilitated, if not provoked, conflict in the past. At the technical level, the same tensions weaken the effectiveness of national institutions, as evidenced by the Ebola epidemic and the COVID-19 crisis.[73]

Such a fundamental rethinking and reordering of the sociopolitical compact can evidently not be undertaken by the current government alone; the national government is, in fact, a primary arena of conflict. It will require a non-partisan mechanism that is accountable to the people. A roadmap championed by non-state actors and development partners must be formulated, and commitments by all stakeholders secured, for any chance of success. In other words, what is required is a broad-based peace and development process that addresses the underlying drivers of fragility and sets a path for the future around which sufficient consensus can be built. Yet the inevitable question that arises is how feasible a national dialogue to address the underlying flaws revealed above may be, when those in authority stand to lose in the short term from any change in the status quo.

One entry or support point for change may be in the recognition that 40% of the government's budget comes from donor financing. This is a lever that can be used to help arbitrate among the various forces and obtain results that are in the national interest. Today, development partners frequently meet with national leaders to review development progress and the use of donor funds. They do so without ever putting on the agenda the issues narrated above, except in ways that can be characterised as *ad hoc*, as during the 2017 general elections when the local diplomatic community, religious leaders and ECOWAS leaders played a critical role in defusing a highly explosive situation.

The time has come to change this. What is required now is a national conversation about the long-term strategy for transformation that will address the underlying faultlines on which development plans and investment strategies are being constructed. That strategy must have broad popular support, and so must be led by non-partisan and respected elders in the community. The resort to an Inter-Religious Council each time political or ethnic tensions become alarmingly high in the post-conflict era reminds us that Sierra Leonean society's defining feature is religious tolerance, and it would appear to be at least one logical choice to head this task with donor and civil society support.

Any constructive process, however, must account for and constructively engage the informal states that have acted with such continuity throughout Sierra Leone's history. Rather than seeing them as threats to the state or relics of the past, peace-builders and state-builders may need to recognise the benefits of working with, through and to the benefit of the political and cultural intuitions that have proven remarkably resilient throughout Sierra Leone's history, in order to achieve the goal of a stable nation-state.[74]

Such thinking is far from radical; indeed in its policy guidance for state-building, the Organisation for Economic Co-operation and Development (OECD) has noted that "the majority of states in the global South can 'be described as hybrid political orders'".[75] Approaches that took this into account would look different from current policy and practice across a number of important dimensions. They would advance institutional reform from the bottom up[76] through a process of "constructive combination"[77] that built on the strengths already existing in society.[78] For Sierra Leone, in particular, policy and practice might include the following.

There is a need to refocus on local governance. Traditional institutions and local structures in many cases benefit from greater legitimacy than the national government. This has a historical dimension, a capacity dimension and an accountability dimension. In the aggregate, they are the keepers of the social contract and its enforcement. The devolution of service delivery towards local structures, particularly in the social arena, provides a potentially rich and under-exploited avenue for bridging the state–society divide, as long as resources and accountability mechanisms match responsibilities. By implication, national governance could and should become an arena in which local authorities have far greater effective voice in the matters that affect them and the people they represent.

Efforts to enhance local governance will be aided by greater transparency— for example, in policy development, law and regulation, public accounts, public contracting and performance measurement against social and economic measures. Embedded in traditional organisations and structures are shorter and often more effective feedback loops that make them more responsive to popular demands and expectations than is possible through periodic national elections. Transparency may therefore be expected to have greater impact on reform locally than it has been able to achieve nationally.[79]

Any attempt to impose a quick fix for a deeply rooted problem will tend to reinforce current, dysfunctional dynamics rather than support more positive ones. A long-term perspective has basic and civic education dimensions, as more people become not only consumers of government services, but active citizens. It also has a dialogue and conflict-resolution dimension, as both within identity groups and between them it remains critically necessary to discuss and negotiate expectations of government, the mechanisms by which those will be carried out and the ways in which agreements will be enforced. Finally, altering the fundamentals of the economy requires long-term horizons often outside the radar of politicians with a five-year mandate.

For the first time, civil society leaders in the run-up to the 2018 elections adopted a citizen's manifesto. They called on whichever party won to adopt its elements. This is a good start. Development partners should not shy away from providing advice and support that draws from the collective experience of all the actors in the country. They should direct support to those who can and will work towards consequential changes in the country's power structures and institutional arrangements, which, after so many decades of crisis and violent conflict, still appear amazingly resilient. When Sierra Leone begins to implement such a strategy, it will have taken the first steps on the road from fragility to peaceful development.

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7 A weak state and strong microsocieties in Papua New Guinea

Nematullah Bizhan and Emanuel Guba Gorea

This chapter argues that Papua New Guinea (PNG) shows the difficulty of forging a national identity and creating effective state institutions where state weakness and societal fragmentation are dominant, with the archipelagic nature of the country playing a prominent role in the latter. Politics in this context shows a stable-fragile characteristic. On the one hand, despite persistent political instability, democracy has survived over the past half-century, due mainly to societal diversity and the consensual nature of decision-making embedded in communities. On the other hand, even though PNG is a resource-rich country, successive governments have failed to convert the economic benefits of the mineral boom into effective development outcomes, and high levels of poverty and inequality persist. Many of these characteristics reinforce each other, trapping the country, for now, in a low-level equilibrium. This chapter argues that PNG is a young country whose modern history has only just started to be written. While the country can now be characterised as stable-fragile, from a longer perspective, it is undoubtedly still in transition.

Introduction

The case of PNG shows the difficulty of forging a national identity and creating effective state institutions. In the absence of a strong national identity in post-independence PNG, most people's primary loyalty is to their clan, tribe and *wantok* groups.[1] State weakness and societal fragmentation are dominant, with the archipelagic nature of the country, which encompasses 600 small islands, playing a prominent role in the latter.[2] Politics in this context shows a stable-fragile characteristic. On the one hand, despite persistent political instability, democracy has survived over the past half-century, due mainly to societal diversity and the consensual nature of decision-making embedded in communities. On the other hand, even though PNG is a resource-rich country, successive governments have failed to convert the economic benefits of the mineral boom into effective development outcomes, and high levels of poverty and inequality persist.

The prevalence of low-level violence (mainly in the form of tribal warfare), crime and high political contestation has imposed major human and

economic costs on the country. This situation is further complicated by the fact that the legacy of the Bougainville conflict has not entirely disappeared. Whether Bougainville transitions to an independent state, which was overwhelmingly supported in a referendum in late 2019,[3] or continues as a province of PNG with greater autonomy—which will be decided by the parliament—will have significant ramifications. Other resource-rich provinces may follow suit. Yet PNG exhibits greater community resilience where communities offer an informal social safety-net through the *wantok* system. This system helps prevent starvation and encourages reciprocal cooperation. However, this practice has, by and large, been transposed to national politics, undermining bureaucratic effectiveness.

There are a number of interdependent political, socioeconomic and historical features that define PNG today. We argue that many of the characteristics reinforce each other, trapping the country, for now, in a low-level equilibrium. In this chapter, we aim to examine dimensions of state fragility and look at what might change, and how PNG might break out of the equilibrium currently trapping the country in poverty and state weakness.

Pre-colonial and colonial history

Before PNG became a colony and modern institutions were created at the national level, it was an acephalous society and home to thousands of tribes. These tribes were very distinct, often speaking different languages. As a result of its geography, which comprises 600 islands, PNG is estimated to be home to 832 of the world's languages. The combination of islands and mountains made interaction difficult and trade was not extensive. Traditional PNG society was characterised by "big man" politics.[4] Status in communities is derived from person's ability to distribute resources to people in one's village, and this has been transposed to national politics post-independence.

PNG constitutes the eastern half of one of the largest island groups in the world. The western half was colonised by the Dutch and, after Indonesian independence, was handed over to that country; it remains to this day part of Indonesia. The Germans colonised the north-eastern segment (New Guinea) in 1884 and the south-eastern segment (Papua) was colonised by the British. Both colonies were combined and handed to Australia after the First World War in 1921. PNG was administered from Canberra until independence in 1975. PNG's colonial rule was a light touch. The densely populated Highlands region was initially thought to be uninhabited. Australia invested little in PNG, and migration was not allowed from PNG to Australia. Independence was won without any major conflict. PNG in the process adopted Australian institutions, such as the Westminster system, first-past-the-post (though not compulsory) voting, an independent judiciary and a free media. However, while PNG was an Australian colony, it was mainly influenced by the state of Queensland, the only Australian state that has a unicameral system of government, and PNG adopted the same model.[5]

Political legitimacy and traditions

Political legitimacy in PNG is multilayered. Three types of legitimacy—traditional, charismatic and rational-legal—all play essential roles at the national and subnational levels. These three types often overlap and can be observed in Port Moresby, provinces and communities. While the *de jure* arrangement for authority at the national level is supposed to be rational-legal, the *de facto* arrangement is largely informal. To understand this situation, some background is required.

PNG has a Westminster system of government, with parliament forming a single chamber legislature. The constitution of PNG defines that the national government exercises power, authority and jurisdiction of the people.[6] The national government comprises the National Parliament, the National Executive and National Judicial system. Elections take place every five years. While this system emphasises rational-legal legitimacy, in practice national politics revolves around key personalities and patronage, making clientelism a key feature of politics in PNG. Party ideologies and policies, and political parties in general, have limited significance. This situation makes control of government critical to dispense patronage.

PNG represents an extreme form of social fragmentation that makes communication and the reach of the state an extraordinary challenge. Two historical factors—tribal heritage and colonial history—have had a lasting impact on PNG.

Legislators tend to seek to distribute national resources to their *wantok* or descent group. This practice is in tension with the norms of a modern bureaucratic-rational arrangement, in which exchange is supposed to be impersonal and public resources directed towards public goods defined in a much broader sense. This practice is not unique to the case of PNG; many developing and fragile countries suffer from a form of state capture by interest groups, ethnicity or communities.

Corruption, which remains a major problem in the public and private sectors, has eroded the trust of citizens in government. According to Transparency International, PNG is among the most corrupt countries in the world, ranked 138 out of 180 in 2018 (where 0 indicates the least corrupt and 180 the most corrupt).[7] Politicians confirm the problem of corruption, but government anti-corruption measures have produced mixed outcomes. Former Prime Minister Mekere Morauta described corruption in PNG as "endemic, systemic and systematic".[8]

Political instability has been persistent. From the time of independence until 2002, no prime minister was able to complete a full five-year term in office, and between 2002 and 2019 no prime minister was able to complete a second term (see Figure 7.1). Control of government remains crucial to the dispensation of patronage. As a result, since independence in 1975, PNG has seen high levels of instability in government, with members of parliament often swapping sides. However, despite the high level of political instability, no
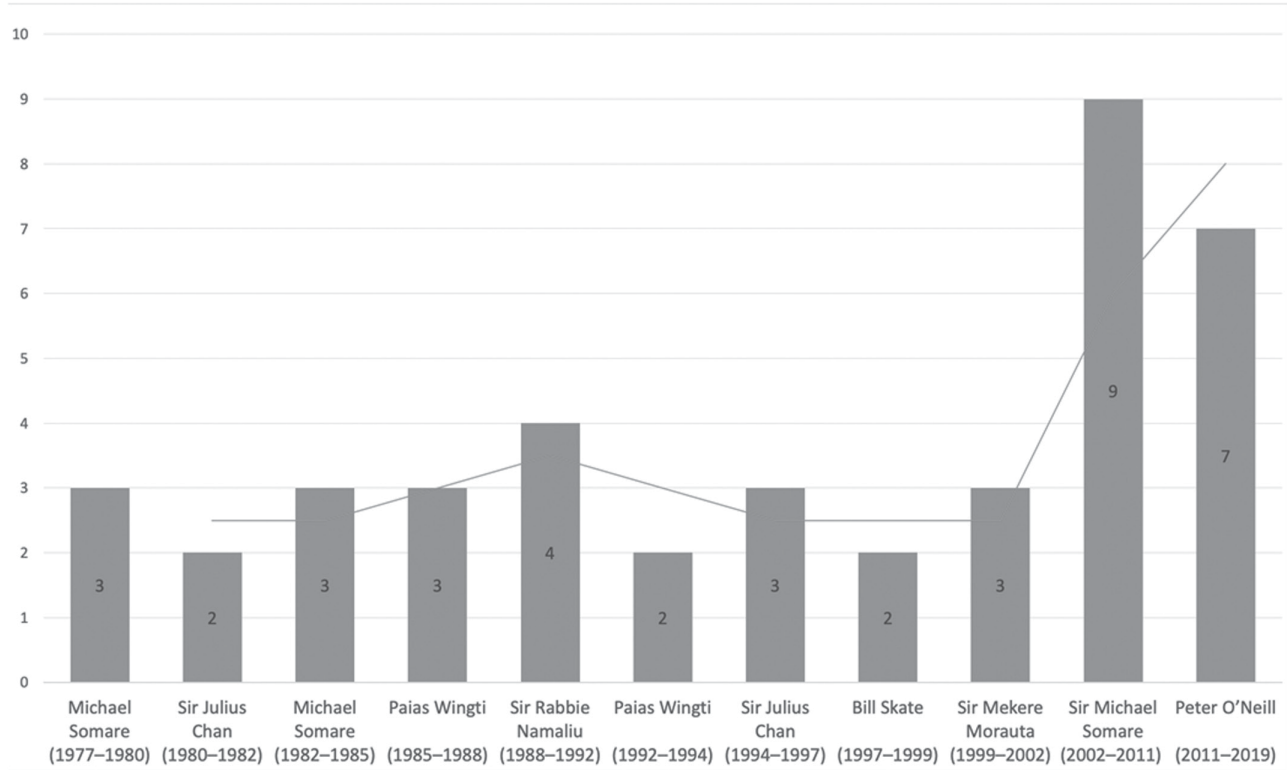
Figure 7.1 PNG prime ministers by time in office, 1977–2019.

Source: Department of the Prime Minister and National Executive Council; PNG Facts, www.pngfacts.com/prime-ministers-of-papua-new-guinea.html.

military rule has been established. This is mainly because security institutions have not been strong enough to dominate the state, and societal fragmentation makes national domination by a single group or tribe unlikely.[9] This situation also encourages a consensus form of decision-making, which is deeply rooted in PNG's societal culture.[10] Thus, despite ongoing challenges and political shocks, democratic polity has survived in PNG and this is unlikely to change in the coming decades.

The biggest threat to stability seems to be succession or, more generally, regional challenges to central power. While Bougainville is an extreme case of this situation, there is otherwise little evidence that such a problem may arise in the foreseeable future. There has been discussion in PNG of more fundamental changes to the political system, such as a move from a parliamentary to a presidential system. It is, however, unlikely that there would be popular support for such a move. Even if it were to happen, it is unlikely to change the current fragile situation in PNG, which can be referred to as stable-fragile, referring to a low-level fragility that has remained unchanged in the long term.[11]

The electoral system in PNG is strongly influenced by the *wantok* system, resulting in partisan flexibility and willingness of politicians to change alliances in the parliament, triggering political instability. In 2002, the government introduced a limited preference electoral system to be fully implemented in 2007 to improve political stability. Prior to this reform, Papua New Guineans elected leaders to represent them in the National Parliament through a simple majority voting system, also known as "first-past-the-post". The reform applied only to national elections; local-level government elections continue to use first-past-the-post voting.[12]

The reform also aimed to allow voters to vote for a most preferred candidate to represent them in Parliament. Under the simple majority voting system, whichever candidate received the highest number of votes—even if that was a plurality rather than a majority—was declared the winner, while under the limited preferential voting system, a candidate must secure a majority (50%+ 1) to win. There have been attempts to return to the old electoral system; in 2018, then-Prime Minister Peter O'Neill stated that the government intended to return to simple majority voting.[13] Limited preference voting should, in theory, lead to broader coalition governments, but the likelihood of this in PNG will continue to be low due to the primacy of *wantok* loyalties.

This voting system may have helped to improve political stability but it does not seem to be the sole driver of stability; post-2002, the country also experienced an economic boom as a result of increasing resources revenue. Institutional restructuring, however, may have little effect on improving the prevailing conditions. An essential part of any reform will be addressing the core issues of how politics is organised, and how power is exercised in the country. This process is characterised by clientelism, political fragility and partial stability of the democratic institutions.

PNG has the highest number of candidates competing for elected seats in the national parliament. In comparison to neighbours such as Solomon Islands, politics is viewed as extremely important in PNG as becoming an MP is regarded as a career pinnacle for many. Elections are approached as a festival, with a high level of turnout. An increasing number of senior public servants run for office. However, as a result elections are accompanied by high levels of spending, by violence and by post-election disputes that can run for years. During the election period in 2017, there were 204 deaths—twice the number recorded during the 2002 election, making the 2017 national election the most violent on record.[14] The post-election period can also turn violent. For instance, supporters of a losing candidate for a Southern Highlands provincial seat rioted when they learned about the court decision, and burned a passenger plane that belonged to Air Niugini.[15]

The decentralisation and granting of autonomy to Bougainville were aimed at empowering local administration and settling the conflict in Bougainville, which had its roots in poor resource governance and distribution, and increasing social tensions due to an influx of migrants from other communities and foreigners who worked in the mines. After a decade of armed conflict (1988–1998), the PNG government and Bougainville leaders reached a political settlement and later signed an agreement in 2001. The agreement envisioned autonomy for Bougainville.[16] However, the reform did not produce optimal outcomes. Rather than empowering local administration, decentralisation further strengthened the position of members of the national parliament (MPs), giving them greater leverage over resource allocation for their communities. This created tension between the provincial administration and the MPs. Nor did the granting of autonomy permanently resolve the Bougainville issue; a non-binding referendum was held in November 2019 to decide the political future of Bougainville—greater autonomy or full independence—and voters overwhelmingly opted for independence, an outcome which is pending approval of the parliament.

The Bougainville transition may take years and will have many ramifications. Other resource-rich provinces may follow suit. Thus, the demand for greater autonomy has not remained limited to Bougainville. In response to pressures, Prime Minister Peter O'Neill promised in 2018 to grant autonomy to Enga, East New Britain and New Ireland—three resource-rich provinces. This process may encourage other regions to demand autonomy, further undermining national unity.[17]

Women are vulnerable to different forms of violence and are also politically marginalised. Except for a brief period, they have not been represented in national politics. In 2012, three women were elected to the parliament; in 2017, none were. Following debate on women's political representation in 2009, the process of drafting the Equality and Participation Bill, also known as the Women's Bill, was progressing with promising pace.[18] However, a subsequent proposed bill mandating that 10% of candidates endorsed by political parties be women was not endorsed by the parliament. Even the three women

in parliament at the time reportedly withdrew their support. A quota system in other developing countries has helped to increase the political participation of women.[19]

The case of PNG represents strong microsocieties and a weak state. The level of societal fragmentation that exists in the country means it is less likely to experience a military coup d'état or dictatorship. No single group can impose its will on others, which has contributed to the survival of democratic polity. However, societal and geographical fragmentation constrains the reach of the state. The key question, in this case, is, what is the best fit between formal institutions and society? Our observations show that there is a growing tension between rational-legal institutions created in the capital and loyalty to *wantok* networks. This situation makes government departments increasingly susceptible to capture by *wantok* networks, weakening institutional and political capacity and legitimacy.

In the decade from 1985, a succession of events led to an acute crisis in the public sector. In 1983, the World Bank highlighted that the public sector in PNG was too big, overcentralised, suffered from excessive proceduralism and lacked incentives for staff. Subsequently, the Public Services Commission, which dealt with personnel matters and had autonomy, was abolished and the cabinet assumed responsibility for the broad direction of human resource management and appointment of department heads. This change led to the growing politicisation of public administration. *Wantokism* and undue political interference in public administration resulted in the recruitment of unmerited officers and the ethnicisation of public service—the domination of certain departments and agencies by persons from a particular tribe, province or region. An assessment of the PNG bureaucracy by political scientist and consultant Hengene Payani in 1997 shows that certain regions and ethnic groups dominated the departments of foreign affairs, land, mining and petroleum, and commerce and industry. This situation was exacerbated after the National Executive Committee (cabinet) began appointing heads of departments following the 1985 public-sector reforms.

The state lags in maintaining law and order and demonstrates serious weaknesses in providing public services. Despite such challenges, however, the government has been reluctant to acknowledge that PNG is a fragile state. In 2008, in response to a question from Shadow Minister for Treasury and Finance Ian Ling-Stuckey as to whether PNG was a fragile state, Prime Minister Peter O'Neill told parliament that it was not. Stuckey asked:[20]

> Can we give some respect to outside commentators that PNG is suffering under the policies of this government? When can you concede that your government has cost more than 100,000 jobs and declined of average income of K1000 per person[?] Will you now apologise to the people of PNG for the failing economic policies of this government which has driven PNG to an embarrassing … fragile state?[21]

The statement by the opposition shadow minister and response by the prime minister show how important economic performance can be for political legitimacy, and how sensitive the term "state fragility" is in PNG politics. Several assessments suggest that PNG is a fragile state. The Asian Development Bank and World Bank, for example, categorise PNG as fragile on the basis of the state's failure to effectively perform its core functions and provide basic public services, such as health, education and security.

State capacity

The state in PNG has a limited capacity. While variation can be observed across different sectors, over all the state remains weak and is falling short in delivering public goods. The archipelagic nature and societal structure of the country have exacerbated the challenges to state reach and consolidation. In 1973, the total number of public servants was 44,981, comprising 25,951 in the central government, 4,034 government-funded teachers and 6,137 health workers. This number increased to over 70,000 by 2005, mostly because of an increase in the number of teachers (to over 30,000).[22] In 2018, the total number of government civilian and military staff stood at 103,837 (see Table 7.1). The public sector thus has remained the largest employer and a major source of political influence.

Challenges to public health are daunting. The main health problems in PNG are communicable diseases, with malaria, tuberculosis, diarrhoeal diseases and acute respiratory disease being major causes of morbidity and mortality. A 2012 report by the World Health Organisation and PNG's National Department of Health indicated that health services were falling short in PNG, stating:

> Life expectancy is shorter and infant mortality is higher than most neighbouring Pacific countries. Both infant and under-5 mortality have decreased steadily since 1990, but not sufficiently for PNG to meet its

Table 7.1 Total government civilian and military staff, 2008–2015

Year	Total	On Strength	Unattached	Vacancy
2008	81,318	77,739	570	3,009
2009	81,174	76,980	1,299	2,952
2010	95,757	91,480	865	3,412
2011	96,522	90,347	2,013	4,634
2012	10,4792	72,295	398	32,097
2013	99,262	94,807	76	4,379
2014	11,5321	107,657	657	7,007
2015	10,3837	89,814	1,446	12,577

Source: PNG Department of Treasury, 2020.

MDG 4 which calls for reductions by 2015 in under-5 mortality from 90 (in 2000) to 32 per 1000 live births, and in infant mortality from 64 (in 2000) to 24 per 1000 live births. Maternal mortality is a serious problem in PNG, 53% of births are attended by skilled health personnel.[23]

Since independence, state capacity has remained either static or eroded despite increases in the flow of resource revenue. In the immediate post-independence era, localisation of the bureaucracy—the replacement of expatriate public servants with local staff—was a top national priority. Major constraints on this process were the low literacy rate at the time of independence and lack of a local skills base to support the withdrawal of expatriate civil servants. The education sector was neglected, which had a lasting impact. In 1921, Australia spent only £12 (A$24) on native education in PNG.[24] Today, the adult literacy rate in PNG—which was 56% and 61% in 2000 and 2010 respectively—remains one of the lowest in Asia and the Pacific.[25]

State-building in post-independence PNG faced multidimensional challenges. An assessment by Francis Fukuyama in 2006 identified four constraints. The first was the problem of fit between the institutions state-builders are trying to construct, and the nature of the underlying society. The second was the tension between objectives of services delivery and capacity-building, because public-sector services are often weak and donors tend to provide such services directly. This process weakens the ability of national governments to build their own service delivery capabilities in the long run. Third, state-building is political and involves access to resources and power, and is therefore highly contested. Finally, state-building in post-conflict situations concentrates on capacity-building, neglecting the need for building national identity, which is time consuming and does not fit within the timetable of donors.[26] These constraints continue to undermine state capacity and effectiveness in PNG.

The transformation of the bureaucracy in post-independence PNG has thus involved a series of challenges. Tension did arise between civil servants in administration, who were well educated and trained, and a new generation of politicians, mostly young and relatively less educated. While a localisation policy had been instituted even before independence, post-independence the process extended further and sought the total elimination of lower-ranking foreigners in a short space of time. One report estimates that the total number of expatriate public servants declined from 4,135 at independence to 2,480 in 1985; another estimate suggests 6,730 expatriates in 1976, falling to 3,000 in 1985.[27]

The quality and performance of public administration have declined since independence(Table 7.2). A major factor in this decline was the politicisation of administration. However, the fact that public administration was of higher quality pre-independence should be viewed in context. First, in pre-independence PNG, limited political participation meant there was a lack of popular demand for the expansion of public services, such as health and

Table 7.2 Key features of public administration in PNG

At independence	Post-independence
Consensus on a common agenda	Move away from traditional bureaucratic procedures
Robust and frequent debate	Lack of debate on the direction of public administration
Strong, centralised control of monetary and fiscal policy	Decentralisation—the 1995 Organic Law involved fiscal decentralisation
Senior public servants were generally better educated than politicians	A cadre of political advisers was put in place to provide alternative advice to that being given by "old guard" public servants
Teamwork was a common practice	Politicisation led to factionalism in public administration
The public service was independent and professional	The lines between politics and administration began to blur; politicians took control of senior public service appointments
Public servants were well trained, dedicated and closely in touch with basic service needs in provinces	
There was a team of young expatriates	Localisation aimed to replace all expatriate public servants by local staff

Source: Pieper, *Deterioration of Public Administration in Papua New Guinea.*

education. Second, the expansion of public services required increasing investment in public administration, which the government has overlooked. For instance, lack of housing and poor housing conditions, and lack of training for public servants, are problems that continue to undermine the performance of public sector. These challenges have captured little attention as the politicisation of administration reoriented priorities to short-term initiatives. As Ben Scott noted in 2005:

> Thirty years after independence, PNG is looking increasingly fragile. After a good start, the state's authority and capacity [have] gone into decline. Average health and education levels are improving only incrementally, if at all. HIV has begun to spread at an exponential rate—with disastrous economic and human implications.[28]

One area in which the capacity of the state has eroded continuously is the provision of law and order, especially as public funding has not kept up with demands. Expenditure on the military as a percentage of GDP has declined since independence (see Figure 7.3). A decline in the state's coercive capacity, along with the exclusion of youth from the spoils of the economic boom, among other factors, resulted in a rise in crimes in major urban centres. In response, companies and businesses established parallel security companies to
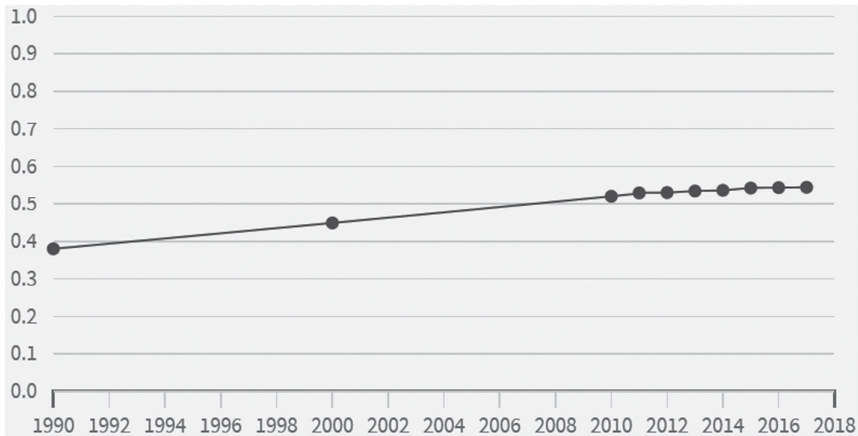
Figure 7.2 State of human development in PNG, 1990–2018.
Source: Human Development Index, 2018.

protect businesses and mining activities. This approach, as will be discussed later, undermined the prospects for building an effective police force.

Improvement in the standard of living in PNG has been insignificant. The Human Development Index shows that, since 1990, PNG has been among the least-developed countries in the world, a status that has not improved much over the subsequent three decades (Figure 7.2). The slow pace of human development continued even through the economic boom when the flow of resource revenue significantly increased (see Figure 7.3). The major problem in PNG is not lack of resources, as in a number of low-income developing countries. The country is reasonably rich in timber, minerals, energy and agriculture. The first decade of the twenty-first century, in particular, saw the economy as a whole grow at a moderate rate. Rather, the major problem is that the country's resources are inefficiently exploited, poorly distributed and inefficiently implemented, mainly as a result of a politics of patronage and weak state capacity.

Economy

The PNG economy has four dominant features. These are the existence of a large informal sector, high natural resource dependency, high inequality and poverty. The state of the economy offers a combination of both challenges and opportunities for development. PNG has two types of economic arrangements: a subsistence-based economy and a market economy. In the former, over 70% of people live at a subsistence level and produce their own food, clothing and shelter. The latter includes plantations that supply
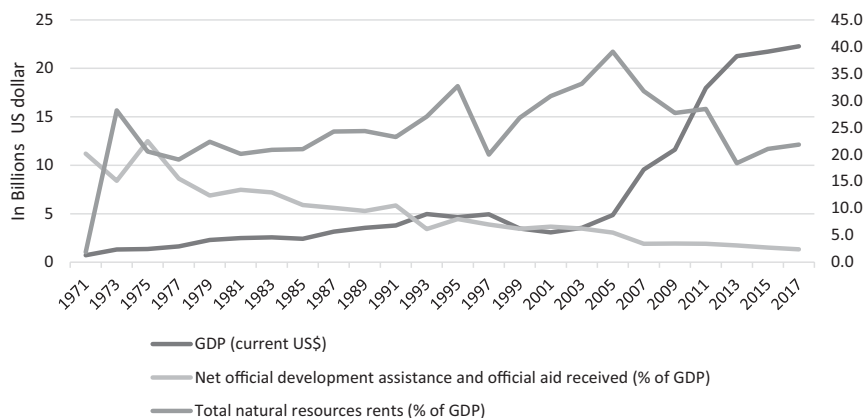
Figure 7.3 GDP, net official development assistance and official aid, and natural resource rents, 1971–2017.

Source: World Development Indicators, 2019.

copra (dried coconut meat), coffee, cocoa, rubber, tea, palm oil and cattle for export, as well as mining. According to the World Bank, PNG is the tenth most resource-dependent economy in the world.[29] Using its measure of resource rents (profits from oil, gas, coal, and minerals) as a percentage of GDP, PNG ranked tenth out of 205 countries at 19.3%, just below Saudi Arabia at 20%.[30] In comparison, the global average is only 1.5%. This situation shows that the economy and government in PNG are highly dependent on natural resources.

The informal sector operates outside of the state tax net. Instead, the government relies heavily on resource revenue and, to a lesser degree, on foreign aid, mainly from Australia, to fund its operating and development budgets. As Figure 7.3 shows, revenue from natural resource rents as a percentage of GDP has increased since the 1960s, while the share of aid has decreased. In 1971, foreign aid and natural resource rents constituted 20.1% and 1.8% of GDP respectively. In 2017, the country remained as dependent on unearned income as before independence, with aid as a percentage of GDP standing at 2.4% and natural resource rents at 21.8%.[31] This shows that the structure of the economy has not changed significantly, continuing to rely heavily on revenue from both natural resource rents and aid.

Reliance on natural resource rents and aid has had implications for the economy and governance, and some of the perils of aid dependency and natural resource rentierism can be observed in PNG. These include lack of accountability and transparency, as well as an upward shift of government accountability from citizens to donors.[32] This type of fiscal arrangement, in the absence of effective institutions, has also reinforced the politics of

patronage. While the severity of the problems arising from dependency on unearned income has to some degree been mitigated by the existence of democratic institutions, it has not fully safeguarded the country. Signs of conflict over resource distribution did emerge post-independence. The rebellion in Bougainville erupted because people perceived resource distribution and management to be unjust and harmful to the environment.

While hunger been not been reported as a major national problem—especially as the *wantok* system offers a guarantee against hunger—poverty has remained high. There are indications that poverty levels have increased sharply in recent years, and are unlikely to decline in the immediate future. The proportion of the population in poverty rose to about 54% in 2003 from 37.5% in 1996. While a key factor underlying increasing poverty was the contraction of the economy between 1996 and 2003, the recent data on poverty in PNG show that, despite the economic boom post-2003, the level of poverty had not changed at all in 2017.[33] Other factors, such lack of inclusive development, could be seen as barriers to poverty reduction; these can be observed in the existence of high income and wealth inequality in the country. While there is a lack of data to show the trend over time, the available data for 1996 and 2009 show that the GINI coefficient in PNG stood at 55.4% and 41.9% respectively (where a GINI coefficient of zero shows perfect equality and 100% maximum inequality).[34]

Economic growth and the increase in the flow of resource revenue since 2002 have contributed to political stability. This trend, along with decentralisation programme and granting of autonomy to Bougainville, which was initiated in the 1990s, began to pay off by reducing the likelihood of further regional conflict, at least in the short term.

In PNG, however, one can see with hindsight that, while the government concerned itself with development in social sectors to some extent, little attention was paid to managing economic growth. At the time Australian budget support ceased—and despite the fact that it was phased out over several years—PNG was not adequately prepared to finance the gap, and lost the flexibility to fund priority programmes. Budget support had allowed PNG to enjoy a sense of complacency about the affordability of public-sector salaries and programmes and, by the time it ceased, the problem was already too large.[35]

Additionally, a recent report by the World Bank indicates that PNG's growth outlook remains fragile. The report highlights economic uncertainties ranging from the domestic political economy to the recent escalation of trade tensions between the United States and China which will continue to affect economic growth adversely.[36]

PNG's economy has started recovering from a series of external shocks, but its growth outlook remains fragile due to such uncertainties. The recovery can be observed in the resource sector, mainly in the extractive segment dominated by liquefied natural gas (LNG), while growth in the non-resource economy remains subdued due to sluggish domestic demand.[37]
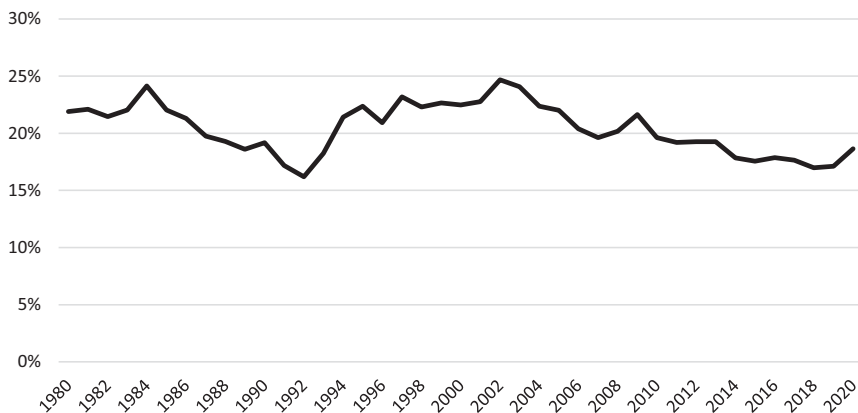
Figure 7.4 Agriculture value-added as % of GDP (current prices).
Source: PNG Economic Database (Development Policy Centre, 2019).

The challenge for the PNG economy is thus multifaceted. It is imperative to mitigate external shocks through macroeconomic policy adjustment and structural transformation of the economy, with an emphasis on agriculture to promote more diversified and inclusive development as well as to create employment. Agriculture, in particular, is an area that has been neglected. Since 1980, the contribution of agriculture to GDP has by and large remained stable, only declining from its peak 24% in 1984 to 17% in 2018 (Figure 7.4).[38] In the long run, there is a need to diversify the economy and reduce PNG's heavy reliance on aid and natural resource rents.

Conflict and violence

Large-scale violence at the national, or even regional, level in PNG is rare. While fragmentation is widespread, no group is large enough to pose a credible threat to stability. However, low-level violence is common and the prevalence of crime and violence in PNG is reported to be among the highest in the world, especially in major cities such as Port Moresby and Lae. This can encompass family and sexual violence, interpersonal violence, conflict between different clans, and armed burglary of domestic premises and kidnapping.[39] This situation presents a major obstacle to long-term development.

Drivers of crime and violence are complex and include colonial legacies, ongoing challenges of state consolidation and the uneven effects of economic globalisation. While PNG is a highly diverse society with thousands of tribes, many analysts argue that land, women and pigs are three common drivers of conflict within and across tribes.

Conflict can also occur as a dispute resolution mechanism. The likelihood of conflict among the younger generation is higher than among older generations, as the former operates outside traditional cultural codes of conflict and lacks traditional skills, such as oratory, in negotiating conflict, and thus increasingly resorts to conflict and uses firearms.[40]

Conflict also exists between state and society and between society and private companies investing in resource projects. Overall, this trend shows the limits and weakness of modern institutions in reaching local communities, of companies in relating and offering hope to communities, and of communities in effectively negotiating and appreciating the complexities of the private sector. In practice, a major issue that contributes to conflict and violence is lack of clarity in roles between the state, private companies and community leaders in negotiating land-leasing or benefits on behalf of communities.[41]

PNG does not face any external threat, and the main security threats are not traditional. PNG's Security Policy (2013) recognises the most immediate challenges as follows:

> [L]aw and order, graft, corruption and good governance, human rights abuses and gender-based violence, lack of border control, natural disasters and climate change, arms trafficking and proliferation; illegal poaching of resources; drugs, alcohol and substance abuse; microbial attacks on plants, animals and human lives; and medical emergencies including HIV and AIDS, tuberculosis and malaria.[42]

While lack of external threats has relieved the state of fiscal pressure, it has also resulted in an underdeveloped security sector and legal institutions. Both the PNG security forces and justice sector are poorly funded. The existing ratio of police to citizens in PNG is low. The Royal PNG Constabulary (RPNGC) has insufficient manpower to deliver effective police services. Despite population growth, the number of police has not grown proportionally in the last five decades. While the ratio of police to the population at independence was 1:380, it is now around 1:1404, which is well below the United Nation's recommended ratio of 1:450.[43] This situation is further exacerbated by geographical fragmentation and institutional weakness in the police.

To overcome the shortage of manpower, police numbers have been supplemented by the use of reserves and auxiliaries, with limited success. Reports suggest that reserve and auxiliary personnel have committed lawless acts, caused fear and confusion among the community and created considerable cost to government through compensation claims.[44] The reliance on reserves and auxiliaries also has long-term institutional and political costs, undermining the rule of law and public perceptions of police. The vulnerability of the government to votes of no confidence, in particular, has affected and has been affected by the state of the law and order situation.[45]
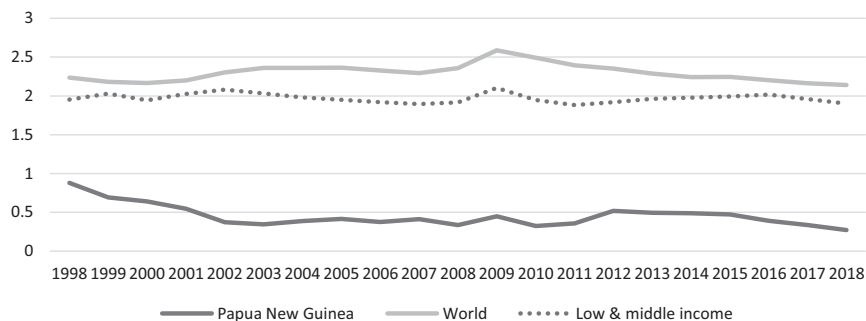
Figure 7.5 Military expenditure as percentage of GDP, 1998–2018.
Source: World Development Indicators, 2019.

The security sector in PNG is underfunded. The percentage of military expenditure as share of GDP is low in comparison to low- and middle-income countries as well as the world average. It has also followed a downward trend in the last two decades, falling from 0.87% of GDP in 1998 to 0.27% in 2018 (Figure 7.5).

This situation has created a gap that has been filled by private security companies, operating in parallel to the formal security sector. The number of registered security companies grew rapidly, from 173 in 2006 to 462 in 2014, with a total workforce of around 30,000 security guards.[46] This figure demonstrates the existence of a parallel security sector that is about three times the total number of police, but which has also increased the cost of doing business. The corporate and business sector remains a major consumer and supplier of private security services.

The number of firms identifying crime as a major constraint on their businesses in PNG is more than four times the regional average in East Asia and the Pacific, and comparable with countries such as El Salvador, Venezuela and the Democratic Republic of Congo. Correspondingly, business investment in security personnel and infrastructure is significantly higher in PNG than the average for the East Asia and Pacific, Sub-Saharan Africa and Latin American regions.[47]

In the 1970s, in response to growing tribal infighting in the Highlands and lawlessness associated with gang-based petty criminality—or the so-called *raskolism*—there were calls for the deployment of the PNG Defence Force to support police operations.[48] In September 2019, a local newspaper, the *Sunday Chronicle*, called Port Moresby one of the most dangerous cities in the world. This statement was published after asylum seekers transferred from the Manus Island detention centre to Port Moresby were repeatedly attacked and threatened with guns.[49]

Despite—or because of—the rapid growth of private security companies, the police was neglected which remain under-resourced and weak. This

situation has also led to criticisms of politicians. In 1997, Prime Minister Sir William Skate was accused of arranging bribes and boasting of connections with criminal elements in Port Moresby. The accusation followed a video leak aired on Australian television,[50] which led to increasing political pressure on the prime minister to resign.

The Bougainville crisis, as noted above, remains a major national concern. In the late 1960s and 1970s, people in the Loloho-Kieta-Arawa-Panguna area resisted the surveying and acquisition of land as well as developments associated with gold, copper and silver mines. Tensions increased further following a road accident and an incident where two prominent Bouganvilleans were murdered at Goroka in the Eastern Highlands on Christmas Eve in 1972. These developments, and the failure of the government to effectively address people's grievances, led to what became Bougainville crisis. When the provision for the establishment of provincial government throughout PNG was dropped from the draft Constitution prepared for independence, Bougainville leaders declared the area's secession two weeks before PNG became independent in 1975. However, they failed to win international recognition. Bougainville was cut off from the rest of the country until the government and secessionist leaders agreed on the establishment of a provincial government in 1976.[51]

The status of Bougainville became a national challenge, with the redistribution of revenue from mining projects an issue of ongoing concern. In the 1980s, the situation deteriorated, leading to national unrest and long-term crises that had negative impacts on major mining projects. The claim by landowners on the islands of Bougainville for compensation amounting to K10,000 million for land mined by the Australian-owned Bougainville Copper Ltd since 1972, was not honoured in 1988. Subsequently, militias— which later formed the Bougainville Revolutionary Army (BRA) under the leadership of Francis Ona, a former mine surveyor and landowner— intervened and the mine was obliged to suspend operations for an initial period of six days.[52]

Armed conflict erupted in 1988 and continued until a political settlement was reached in 1998, recognising Bougainville as an autonomous province. The Bougainville conflict was one of the largest in Oceania since the end of the Second World War, with an estimated 15,000 to 20,000 Bougainvilleans killed. A referendum was organised in November 2019, in which about 98% of voters (176,928 people) voted for independence and less than 2% (3,043 people) voted to remain as part of Papua New Guinea but with "greater autonomy".[53] However, the outcome of the referendum is not binding and the results await endorsement by the PNG parliament. The future of Bougainville, either as a province with greater autonomy or an independent country, will have major ramifications. There may be a danger of recurrence of conflict, and early secession—perhaps again supported by violence. In addition, "Bougainville effect" may reinforce demands for autonomy and an increased share of resource rents by other resource-rich provinces.

Community resilience

Since independence, PNG has shown resilience to shocks in some areas and vulnerability in some others. Communities, in particular, have shown greater resilience in offering informal social safety-nets through *wantok* networks. This traditional mechanism of community self-help prevents starvation and encourages reciprocal cooperation among the members of the same community, either inside or outside concerned communities. The downside of this practice, however, is that it puts increasing pressure on the relatively small number of people who are employed. This practice fills a gap created by the state's limited ability to provide support to the unemployed and those in need. While such programmes are financed by tax revenue in developed countries, in PNG community members contribute to community safety-nets.

Political institutions have also shown resilience in PNG. Since independence, no military dictatorship has been established despite persistent political instability. This also relates to the nature of society, as it is unlikely that any community would be able to impose its will on others or accept military authoritarianism.

One of the areas in which PNG is highly vulnerable is ongoing crime by gangs in major cities, which imposes high economic and social costs on the country. The state, however, has remained unresponsive to demands for improved law and order.

Climate change is also another major shock that affects the livelihood of communities. The population grew at 3% per annum between 2000 and 2011, which challenges sustainable livelihoods.[54] It is likely that the population will grow at an even higher rate in coming decades. The exploitation of natural resources has also raised considerable concern over the sustainability of these resources. In 1994, reports on activities in the forestry sector indicated that the rate of logging was three times the sustainable yield of the country's forests.[55]

The dimensions of fragility in PNG remain interdependent. Security affects political legitimacy; legitimacy affects state capacity, and vice versa. The tension between formal and informal institutions often exacerbates and prolongs institutional weakness. While PNG is a complex case, it offers unique lessons on a stable and fragile situation in highly divided societies.

Conclusion

This chapter discussed political legitimacy, state capacity, economy, conflict and violence, and community resilience in PNG. It found that PNG has a number of features that have shaped a particular form of fragility, one that could be classified as stable-fragile.[56]

State fragility in PNG has distinct characteristics. The country has not experienced large-scale protracted conflict as have other case studies in this book, such as Afghanistan, Lebanon, Rwanda and Pakistan, but nor has it been immune to conflict. The decade-long armed conflict in Bougainville was

the most intense conflict in the Pacific since the Second World War. While the conflict was—at least temporarily—resolved through a political settlement, the future prospects for the area are uncertain.

PNG demonstrates the difficulty of forging a national identity and creating effective state institutions when state weakness and societal fragmentation are dominant. The archipelagic nature of PNG's geography has played a prominent role in this weakness and fragmentation. Despite persistent political instability, democracy has survived for half a century, mainly due to societal diversity and the consensual nature of decision-making embedded in communities. PNG has not benefited much from the mineral boom, however, unable to convert the economic gains into effective development outcomes, with high levels of poverty and inequality persisting. In addition, low-level violence is prevalent and the legacy of the Bougainville conflict has not entirely disappeared. The transition of Bougainville to an independent state, or a province with greater autonomy, will have major ramifications, as other resource-rich provinces may follow suit. There may be a risk of recurrence of conflict, and secession. Still, the community exhibits greater resilience, offering informal social safety-nets through the *wantok* system, helping to prevent starvation and encouraging reciprocal cooperation.

There are a number of priority areas that need intervention to remove constraints to effective state-building and development. These include the tension between formal institutions and societal values, the overall direction of public administration and state capacity, resource management and the structure of the economy, and nation-building.

Pre-colonial history is important in understanding PNG's society today. It helps explain the dominant socioeconomic and political features we have highlighted: not only the social fragmentation and the community self-help, but also the high level of political contestation (the "big man" tradition) and the prevalence of low-level violence, which reflects the dependence on force as a conflict-resolution mechanism in tribal society.

In turn, we see social fragmentation, a high level of contestation and reliance on community self-help as factors contributing to clientelism in PNG. Clientelism can also arise in countries without these features, but they seem to be important in PNG in contributing to politics remaining primarily local rather than national. This political approach tends to have a high return as those politicians who support their community will, in turn, be supported by that community.

Clientelism can be seen as a fundamental driver of state fragility in PNG, and *vice versa*. But there is also a mutually reinforcing relationship between fragility and violence: violence makes it more difficult for the state to operate, while fragility makes it harder to counter violence.

PNG's historical resource wealth makes resource dependency possible, and state fragility makes it inevitable. There are also several other reinforcing relationships. High levels of violence lead to resource dependency, and that dependency encourages violence. Likewise, resource dependency leads to

politicisation (by making the state a more attractive prize). The fact that so many leaders drift to the state rather than business undermines the economy and perpetuates resource dependency. Resource dependency also leads to high inequality. And the combination of resource dependency and fragility leads to poverty, which, in turn, causes and is perpetuated by ongoing violence.

Why, despite ongoing political instability, has the political regime been stable? Most fundamentally, no single group is large enough to challenge or dominate the state. In addition, resource dependency provides an important (albeit volatile) source of revenue for the state. The high level of politicisation/ contestation means that everyone has a vested interest in the state. Clientelism is a stable system, threatened only by the emergence of a middle class able to take a national view. In PNG's case, persistent poverty means that the growth of the middle class is slow, and, in any case (due to the tradition of self-reliance), it is preoccupied with supporting friends and relatives.

We have argued that PNG is a stable-fragile state. Looking at its prospects, a key question might be, what might change? Below we project two negative scenarios, one positive and one uncertain scenario.

One negative scenario is that violence increases in both intensity and scale. Another negative scenario sees more regional fragmentation. Bougainville opts for independence and other provinces follow suit.

There is also a positive scenario. One is incremental reform: PNG cracks down on corruption. Infrastructure improves. Resource dependency declines. With increased economic activity, there is less violence. This leads to a more competitive economy and increased diversification.

The uncertain scenario concerns the end of PNG's resource wealth. PNG's mineral wealth is non-renewable. As it declines, the economy will be less resource-dependent. One can interpret this in both a positive and a negative way. The positive view is that the state will become less of a prize. More entrepreneurs will emerge. There will be less of a Dutch disease; less of a resource curse. However, the loss of revenue will also mean less stability. This could have both positive and negative implications.

PNG is a young country. Its modern history has only just started to be written. While the country can now be characterised as stable-fragile, from a longer term perspective, it is undoubtedly still in transition.

Notes

1 Benjamin Reilly, "State Functioning and State Failure in the South Pacific", *Australian Journal of International Affairs* 58, no. 4 (2004): 479–493, 482.
2 Ronald James May, *State and Society in Papua New Guinea: The First Twenty-Five Years* (Canberra: ANU Press, 2004); Francis Fukuyama, "Observations on State-Building in the Western Pacific", unpublished paper, 2006, http://fukuyama.stanford.edu/ files/ working_papers/ WP_StateBuilding.doc
3 Kate Lyons, "Bougainville Referendum: Region Votes Overwhelmingly for Independence from Papua New Guinea", *The Guardian,* 11 December 2019.
4 See May, *State and Society*.

5 For more information see Stuart Doran (ed.), *Australia and Papua New Guinea: 1966–1969* (Canberra: Department of Foreign Affairs and Trade, 2006), www.dfat.gov.au/sites/default/files/australia-and-papua-new-guinea-1966-1969.pdf

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7 Transparency International, *Corruption Perceptions Index 2019*, 2020, www.transparency.org/en/cpi/2019/index/png

8 Grant Walton and Ainsley Jones, *The Geographies of Collective Action, Principal-Agent Theory and Potential Corruption in Papua New Guinea.* Development Policy Centre Discussion Paper 58. (Canberra: Crawford School of Public Policy, Australian National University, 2017), 7.

9 A similar situation is also observed in other cases in the Pacific Islands. For instance, a study by Wouter Veenendall shows that political fragmentation and instability contributed to regime stability in Vanuatu, preventing the concentration of power in the hands of a single group: Wouter Veenendaal, "How Instability Creates Stability: The Survival of Democracy in Vanuatu", *Third World Quarterly,* 21 March 2021. https://doi.org/10.1080/01436597.2021.1890577.

10 Benjamin Reilly also argues that cross-country variation in ethnic diversity between much of Polynesia and Melanesia is a key factor in explaining differences in state performance across the South Pacific. See Reilly, "State Functioning".

11 Cases of fragility within stability or stability within fragility have been observed in other cases, such as Somaliland and Lebanon. However, with stable-fragile states, the concern is more about the degree and nature of fragility. See Rebecca Richards, "Fragility within Stability: The State, The Clan and Political Resilience in Somaliland", *Third World Quarterly* 41, no. 6 (2020): 1067–1083; and Chapter 3 of this volume.

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15 Eric Tlozek, "Angry Protesters Burn Passenger Plane After PNG Highlands' Election Result", ABC News, 14 June 2018.

16 See Autonomous Bougainville Government, "Bougainville Peace Agreement", www.abg.gov.pg/peace-agreement

17 Bindi Bryce, "New Ireland Governor Sir Julius Chan Hails New Autonomy Agreement for PNG Provinces", ABC Pacific Beat, 20 July 2018.

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19 See Joy McCann, *Electoral Quotas for Women: An International Overview* (Canberra:Commonwealth of Australia, 2013). www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/ElectoralQuotas; and Islamic Republic of Afghanistan, *The Constitution of Afghanistan* (Kabul, 2004).

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24 Sean Dorney, *The Embarrassed Colonialist* (Melbourne: Penguin Special, 2016), 16.

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29 Stephen Howes et al., "Papua New Guinea Economic Survey", *Asia and the Pacific Policy Studies* 6, no. 3 (2019): 271–289.

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39 Sadaf Lakhani and Alys M. Willman, *Drivers of Crime and Violence in Papua New Guinea* (Washington, DC: World Bank, 2014).

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41 Lakhani and Willman, *Drivers of Crime*, 4.

42 Sinclair Dinnen, *Internal Security in Papua New Guinea: Trends and Prospects* (Sydney: Lowy Institute, 2017), 45.

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8 Consolidating peace and legitimacy in Rwanda

Will Jones

This chapter argues that for several years preceding the 1994 genocide in Rwanda, a sustained and vicious campaign stoked hatred and fear of the minority Tutsi ethnic group. By August 1994 the Rwandan Patriotic Front (RPF) had won the war and assumed effective leadership of the country. Subsequently, Rwanda has made rapid and sustained progress in the area of economic growth, health and welfare, as well as fighting corruption and establishing security. This chapter demonstrates that, in Rwanda, resilience and legitimacy are deeply interdependent with the state's delivery of public goods, economic development and security; both are bolstered by those achievements, and both are key to the state's achievement of these outcomes. Although several risk factors remain, Rwanda's achievements in removing the causes of state fragility are remarkable, and other countries on the continent regularly look to Rwanda's example for guidance and inspiration. Rwanda's success is, however, hard to replicate without extremely strong commitment and capacity from the reforming country's senior leadership.

Introduction

The purpose of this chapter, in part, is to show how different Rwanda is to the other cases in this volume. Sometimes it is presented as story of escape from fragility which other states could follow. That is not correct. Where the other cases exhibit persistent incapacity, inertia, dysfunctional institutions, minimal order and formal institutions that are such obvious facades for personalist networks that they barely merit the "neo-" in "neopatrimonial", Rwanda is—fairly obviously—a remarkably strong state. The Rwandan state today, and historically, holds a monopoly of force, is composed of institutions with a recognisably Weberian impersonality and is capable of impressive feats. The greatest and worst moments of Rwandan history speak to the strength and resilience of the state. Most obviously, the capacity of the contemporary Rwandan state to deliver many public goods relies on effective, resourced and well-staffed institutions laser-targeted on achievement, but it is equally true

that the genocide of 1994 is also a bleak tribute to state power. Genocides like this are simply not possible in most African states: they rely on phenomenally powerful capacities of mobilisation, coordination and control.

Why is Rwanda in this volume, then? In part because while the Rwandan state has never been fragile in the same sense as other states in this volume, it has certainly been fragile in the minimal sense of "conflict-prone", and in the aftermath of the genocide it lacked many of the basic resources normally thought to be key to state strength. Rwanda, therefore, serves to debunk many such accounts, and point to the deeper sociological foundations of the resilience of state institutions. But it is also here simply to remind us that state strength may be desirable, but does not come free. What the RPF has done is truly remarkable. In August 1994, Rwanda had just suffered one of the most extreme crises of any state in modern times. Following a four-year civil war, in just 100 days of the genocide against the Tutsis, an estimated 800,000 people were slaughtered.[1] Two million Rwandans (a third of the population) escaped to neighbouring countries, as did the army and officials of the genocidal government. The institutions of both state and market were levelled. And yet, just over 20 years later, Rwanda is one of top performers in Africa on measures including economic growth, health and welfare, as well as security and fighting corruption. Although some of its gains are contested, many others are indisputable.

Equally, while argument continues as to how autocratic or illiberal Rwanda is, much of Rwanda's success relies on top-down political structures, centralisation and an ability to push through an agenda without needing to seek consensus or mediate between a broad set of competing views. It is, therefore, also a corrective against Panglossian understandings of state strength that allege that all good things (notably a strong state able to deliver public goods and a free, liberal and pluralist political order) must go together. It is by no means obvious that a freer Rwanda would be a more stable one. Some societies, in some special historical moments, may be in the horrible position of having to choose between one or the other. The RPF has had to take some extremely difficult positions. It has not always decided the way its liberal critics would have liked, but—we argue—there has always been a recognisable strategy and logic beyond that of perpetuating their rule or simple plunder. Understanding those choices, therefore, is key to understanding the RPF, contemporary Rwanda and what—if anything—can be learned from it as an ostensible case of escape from state fragility.

State fragility, conflict and genocide

1994–1995: a decimated state

The human trauma left by the civil war (beginning in October 1990) and genocide was extreme. Approximately 40% of the population were dead or had left the country as refugees; 13% (1 million people) were internally displaced;

400,000 were widowed; 500,000 were orphaned; and the huge death toll among men meant women and girls now represented 60–70% of the population.

By the end of July 1995, 80,000 people had been imprisoned on suspicion of committing acts of genocide, compared to the 30,000 capacity of the already greatly expanded prison system, and the even lower capacity of the judiciary to try cases. Almost all infrastructure, public buildings and factories had been badly damaged.[1]

Institutions of the state had to be rebuilt from scratch, with 40% of civil servants dead or having fled, records destroyed and reserves from the central bank stolen by the fleeing government. While aid disbursals to Rwanda spiked with a burst of humanitarian support from 1994 to 1996, these fell far short of the government's requirements to rebuild the government and country, and were overwhelmingly off-budget.[2]

Conflict and insecurity

In the years before the RPF took power in Rwanda, it and the Tutsi ethnic group generally had been the subjects of an omnipresent and potent propaganda campaign. This campaign demonised the RPF as a foreign power genocidally motivated against the Hutu majority, and all Tutsi as complicit in this ploy to achieve Tutsi dominance.

In other contexts, liberation movements can command high popular legitimacy, by "delivering" liberation to citizens.[3] The RPF was praised internationally for ending the genocide. However, in July 1994, the large share of Rwandans who took part in, or otherwise supported, the genocide following this hate campaign surely did not see the RPF as their liberators and legitimate rulers. More than 2 million citizens (almost a third of the population) left the country as the RPF advanced (from April to August 1994), mostly following the pre-genocide government to Zaïre (though sometimes under duress).

The RPF's popularity was higher among the Tutsi survivor community, but even here some suspicions circulated that the RPF had focused too little on saving Tutsi as opposed to gaining power.[4] As a largely external movement, the RPF had few grassroots links with communities in Rwanda (including genocide survivors), and no national structures for reaching out to the population upon assuming office.

Beyond widespread (perceived) civilian participation in the genocide, and subjection to years of anti-RPF propaganda, some Hutu civilians also began supporting the former Armed Forces of Rwanda (the former Ex Forces Armées Rwandaises, or ex-FAR) insurgency into north-western Rwanda from Zaïre. The line between "civilians" and "combatants" was thus blurred from the start in post-genocide Rwanda. With such widespread complicity, and without the military intelligence to immediately know who was responsible for what crimes, or who would prefer the overthrow of the new government, everyone was somewhat suspect.

The north-west of Rwanda was former president Habyarimana's home area and had been the epicentre of much Hutu extremist mobilisation before the RPF took power. It was over the north-western border with Zaïre that Habyarimana's government, army, and Interahamwe militias (a Hutu para-military organisation) fled, taking 1.5 million Rwandan refugees with them in just three months.

These refugees and militias entered a densely populated region—Zaïre's Kivu Provinces—home to ongoing land conflicts, the privatisation of violence by small armed groups and volatile ethnic politics. This ethnic politics included many "Rwandophones", native to Congo/Zaire, and the subject of contestation over the past half-century. Therefore, the international spillover of Rwanda's fragility had a huge destabilising effect on the already teetering Zaïrean regime.[5]

Approximately US$1 billion of aid flowed to camps in neighbouring countries (mostly Zaïre) from April to December in 1994.[6] This was intended to fuel a massive humanitarian operation. However, the former Rwandan government (the Mouvement Révolutionaire National pour le Développement/ MRND) quickly reformed and manoeuvred to control the Kivu camps, channelling aid resources to rearm its military (ex-FAR) and Interahamwe militias, to contest the new government in Kigali.

President Mobutu embraced the Hutu refugee crisis as a political opportunity. His legitimacy had been called into question following Zaïre's national conference in the early 1990s, so he manoeuvred himself to appear indispensable to the resolution of the crisis, helping to arm the *genocidaires* to re-enter their country and repatriate refugees. Donors funding the camps, meanwhile, made no efforts to demilitarise them, or to separate civilians from military.

The camps were thus used to provide shelter, supplies, manpower and a revenue stream for the ex-FAR's incursions into north-western Rwanda. By 1995, the ex-FAR was conducting raids on non-military targets (e.g. commune offices) and ambushes on rural roads, sabotaging infrastructure (power lines, water resources and so on), assassinating political figures and murdering genocide survivors and witnesses. One RPA army log shows an average of eight direct engagements between the RPA and ex-FAR in north-western Rwanda per month from January to August 1995.[7]

Worse, at the outset the insurgents were popular and were regularly assisted by the local community. Many chose to operate in areas where they had direct kin. This allowed them to spread the message that the new rulers in Kigali were an ethnically homogeneous clique intent on creating a Tutsi supremacy.

Weak national security infrastructure

There was no international peacekeeping force in Rwanda following the closure of France's Operation Turquoise in August 1994. The country's own security infrastructure was extremely weak and its situation precarious. To fill

this gap, the RPF transitioned from a rebel force to Rwanda's national army. Its lack of internal readiness produced two converse challenges.

First, while the RPF in 1990 was a small, tight group of well-trained rebels, steeped in liberation ideology, from 1993 to 1995 (and particularly during and immediately after the genocide), a tide of new volunteers joined its ranks. These (mainly Tutsi from Rwanda, Burundi, Zaïre and elsewhere) were not well-trained; had not received the same intensive ideological education; and in many cases had seen their families murdered in front of them. This created a huge challenge for the internal discipline, coherence and centralised control required of a legitimate national army.

The converse challenge was in transitioning from a still relatively small rebel force to a national army (the RPF's military wing was soon renamed the Rwandan Patriotic Army/RPA). The RPA's numbers remained small compared to the former national army (ex-FAR) over their border in Zaïre. In addition, the profiles and structures appropriate for a guerrilla rebel movement can be problematic when grafted into a national army overnight, from the personalities of commanders and fighters, to the high degree of autonomy afforded to battle commanders, to the typically deep reluctance to chastise "brothers in the struggle" who have endured hardship and displayed valour together during civil war. Such features raised the risk of abuses of power, particularly in a context with such extreme mistrust and ethnic tension. What is more, such abuses were liable to deeply damage the RPF's prospects for future domestic legitimation.

Meanwhile, the pre-genocidal police forces[8] were notoriously understaffed, under-resourced and badly organised.[9] They, and the entire judicial system, had also been discredited by their complicity in the genocide. Yet tens of thousands of citizens had been arrested on genocide and war crimes charges—a caseload the courts had no chance of processing, while exceeding the prison capacity many times over. Lacking manpower, experience and physical infrastructure, the RPF had no choice but to retain and use many of the pre-genocide domestic security structures in the immediate aftermath of the genocide, as discussed below.[10]

Economic collapse

The economy in the 1980s had suffered poor macroeconomic management, state ownership of key industries (including a monopoly on coffee and tea exports—80% of all export value), and highly protectionist import tariffs (from 10 to 100% on all items). Meanwhile, prices of key export commodities were falling and pressures on land intensifying.[11]

Thus, before Rwanda's civil war, gross domestic product (GDP) had grown at just 1.5% a year for a decade, and the private sector accounted for just 50% of formal sector employment. Compounding this, Rwanda was landlocked and resource-poor, with a small domestic market, poorly educated work-force and hilly topography, making it characteristically difficult to farm or

traverse. Regional markets (in the Democratic Republic of the Congo (DRC), Burundi, Uganda, Tanzania and Kenya) were under-developed, while many offered favourable conditions for many productive activities (for example, Uganda's greater availability of land; Tanzania and Kenya's port access; and the DRC's minerals).

The period 1990–1994 added to this the catastrophic impact of the conflict on private enterprise. Most business leaders had fled or been killed, while others had funded or cooperated with the genocide and could not be allowed to resume business activities (although others did return, as discussed below). Food production fell by a third, and most livestock were dead.[12] Banks and businesses were plundered. Electricity supply did not return to pre-1994 levels until 1998. Factories and infrastructure were extensively damaged (one history of Rwanda's manufacturing and agribusiness sector gives examples of the direct capital damage to many factories and machinery, which led many major plants to resume operations only in 2000–2007, while many others saw repair cost as not justified by the rewards and were liquidated).[13]

The International Monetary Fund (IMF) estimates that, by 1996, only about 60% of pre-conflict enterprises had resumed operations.[14] The collapse of the state also created huge policy upheaval and uncertainty, as well as institutional gaps for managing the private sector. There was a leap in the cost of doing business. Private investors are risk averse, meaning few would invest in an environment of such insecurity and fragility. Consequently, by 1994, GDP fell by half, exports by 60% and inflation was 64%.

Migration and rights

The huge flight and return of people accompanying the conflict also created serious uncertainty over property rights. Many villages across Rwanda were all but empty by July 1994, as those not massacred fled the advancing RPF; over a third of the population (2 million Rwandans) had arrived in refugee camps in neighbouring countries by August 1994. This was accompanied by an unprecedented *in-migration*, of over half a million "old caseload" Tutsi refugees from abroad. In 1996–1997, the hundreds of thousands of refugees in neighbouring countries also returned en masse. There was also substantial migration around the country, such as the huge influx into Kigali from rural areas, as people fled insecurity in the countryside (Figure 8.1).

People thus began to inhabit and farm the land, and even operate the businesses, of those killed or fled, creating ownership disputes, often along ethnic lines, as prior owners and managers returned. Tom Goodfellow describes how in Kigali "[t]iny plots of land were disputed by as many as four separate families; people were hounded out of their houses by having their tin roofs constantly pummelled with stones".[15]

The new government thus had to take highly sensitive decisions, in an already fragile social context, about the property rights of refugees and business leaders who had fled the RPF, as they returned en masse in the
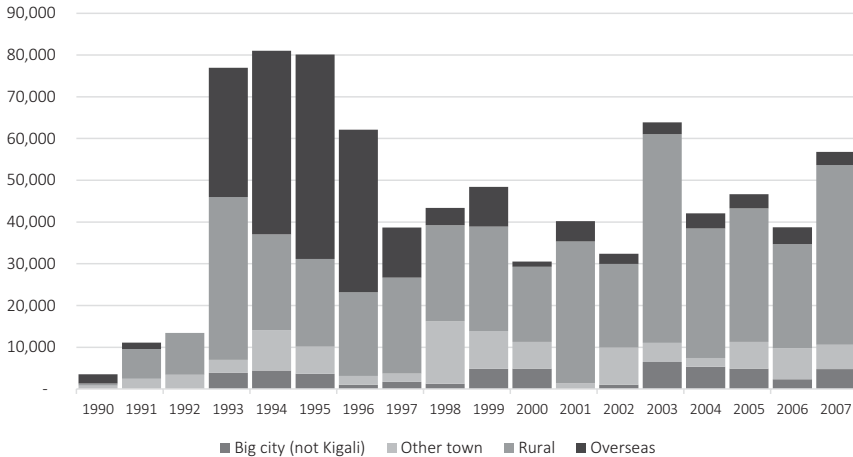
Figure 8.1 Migrants to Kigali by prior location and year of migration, 1990–2007.
Source: Author's own calculation from the 2013–14 Integrated Household Living Conditions Survey (EICV4). Data cover only people still living in Kigali in 2013–14, when the survey was conducted. It would thus tend to under-estimate migration in earlier years, relative to migration in later years, by not representing those who have since moved out of the city or died.

following years, while finding a solution to accommodate "old caseload" (mostly Tutsi) refugees who returned immediately after the genocide, sometimes occupying land of those who had fled.

Banking

The banking sector had suffered rising non-performing loans before the genocide (10% of total credit in 1993), but these increased significantly thereafter (reaching 60% by mid-1999), with debtors killed, fled or unable to repay due to damage to their factories. Furthermore, banks could not foreclose on properties lacking title deeds, which were also often missing or disputed. Contested or illicit withdrawals had also been made during the conflict, and books lost or damaged. The banks thus faced complex decisions, such as whether to lend to defaulting debtors whose collateral had been destroyed so they could rebuild their businesses, and how to verify the collateral of new returnees.[16]

Legacy of the state

The new government did inherit remnants of a strong state system with deep historical roots. The previous government had managed the economy poorly in the preceding decade, often acted repressively and rarely delivered basic public goods. However, Rwandans were at least accustomed to a state with

dense relationships of influence over the lives of ordinary citizens (even where these were negative). This state also had deep historical roots in Rwanda, rather than being viewed as a purely foreign-imposed artefact.[17] The RPF did not inherit a system, therefore, where Rwandans had no prior expectations of the state, or immediately rejected its legitimacy, and this was some help to both the effectiveness and domestic legitimacy of the state post-1994.

Victory and recognition

The new government in Kigali was quickly recognised as legitimate by much of the international community. The orchestration of genocide by the former government, and the RPF's role in ending this, made the RPF's legitimacy immediately compelling for many (with the important exception of France, which had supported the previous regime, including by providing military support to repel the RPF invasion in 1990, and to subsequently shelter officials complicit in genocide).

The RPF had also made sustained and adept efforts to gain the trust of donors and influential international figures prior to its victory, such as reaching out to international journalists during the genocide to ensure the depth of the atrocity, failure of the international community and promising leadership of the RPF were communicated.[18]

A more superficial international legitimation was offered by the government's formal commitment to the Arusha Accords. This peace treaty, signed in 1993 before the genocide or subsequent RPF victory, committed to a broad power-sharing Government of National Unity.[19] In line with these agreements, senior figures from pre-genocidal opposition movements[20] were integrated into government (as were many more junior officials further down the administrative hierarchy[21]). This proved important in bridging the gap between the RPF and the Rwandan population in the early years following the genocide.

This mechanism of international legitimation was nevertheless shallow, as implementation of the Accords was undoubtedly partial: the RPF assigned to itself three of the five cabinet posts the Accords allocated to the former ruling party (the MRND), giving it a blocking minority, while much key decision-making took place among the RPF leadership outside of cabinet and the structures of Arusha. The Arusha Accords had, furthermore, never commanded legitimacy within Rwanda, many seeing them as imposed on the country by foreign powers.

The RPF's outright victory in the civil war lent it considerable authority to pursue its vision and exercise leadership upon first assuming power (including overlooking elements of the Arusha Accords). This contrasts to the often chaotic, internationally imposed "grand coalitions" common in many post-conflict scenarios. This was undoubtedly important for state effectiveness in the early post-genocide years, as more formal policy-making institutions and laws were being rebuilt from a very low base.

Though in many respects a challenge, young, narrow movements also bring certain advantages to government. Other states in the region have come up against formidable entrenched interests when trying to push through reforms. In contrast, the Government of Rwanda (as discussed later) was able to conceive and push through bold new agendas without serious opposition.[22]

Their success may have parallels with the theories of Thomas Callaghy,[23] who demonstrated that the ability of states to implement structural adjustment in the early 1980s was hindered to the extent that their elites and bureaucracies were committed to long-standing networks of patronage and reciprocity. Unexpectedly, this meant that the youngest, least stable regimes were actually most able to bring about wide-reaching change.

Despite close internal ties formed during the war, the RPF lacked extensive patronage networks upon taking power in Rwanda, constructing many formal and informal governance institutions practically "from scratch". Thus, certain reforms could be incurred with reduced opposition (such as devaluation of the currency, implementing meritocratic hiring, reduced import tariffs that sent some firms out of business and so on).

In Rwanda, this narrow patronage requirement was coupled with a relatively large diaspora, often educated at elite foreign schools. While overall human resource challenges were a strong negative factor for the new government, this at least strengthened the government's ability to stock its reformed institutions with the requisite technical and professional skills, as an elite diaspora returned during the 1990s. This also helped the RPF to recruit senior experts without strong local support bases, upholding a centralisation of power.

The RPF was a highly resilient, adaptable and effective body at its assumption of power in July 1994. The quality of the RPF, particularly its leadership, has been key to Rwanda's success subsequently. The RPF's leadership was deeply experienced in war, sensitive to security risks and adaptable. Children of the failed *inyenzi* guerrillas of the 1960s, who were brought up as refugees in Uganda, suffered massacres by Idi Amin's military in 1978–1979, counter-massacres soon after and further anti-Rwandan pogroms in 1982, they were deeply accustomed to insecurity and the need for vigilance.

They had demonstrated considerable creativity and adaptability in responding to these risks, organising as "RANU" (the Rwandan Alliance for National Unity), and responding to the aforementioned massacres by joining armies or rebel movements in their host states to learn the skills of war.[24] For those who joined the National Resistance Movement (NRM) rebels in Uganda, the NRM's victory in 1986 propelled many into the military and intelligence elite in Uganda (including Paul Kagame as deputy of military intelligence), where they could exploit training, equipment and connections to transition from a situation of relative dependency and helplessness to being a serious force to be reckoned with.

The RPF had also displayed deep resilience to shocks: after their first invasion of Rwanda in 1990 failed catastrophically (their commander,

Fred Rwigyema, was killed on the second day of fighting, and two interim commanders, Peter Banyingana and Chris Bunyenyezi, were killed the following month), the RPF survived and suffered no high-ranking defections (as far as reported).

Under Paul Kagame, the RPF totally reinvented its strategy, switching from conventional military sorties to a guerrilla strategy of hit-and-run attacks from the hostile Virunga Mountains. Volunteer recruits (mostly Tutsi) continued to flow to the RPF from Burundi, the DRC and Tanzania. The RPF was, thus, arguably the model of a "learning army",[25] highly resilient thanks to its tenacity and creativity in preparing for risks, adaptability and cohesiveness.

It is also relevant that the RPF founders were considerably driven by "liberation ideology"—to liberate Tutsi in Rwanda from repression, Tutsi in the diaspora from dependency and discrimination, and all citizens in Rwanda from poor and divisive governance. In contrast to a more two-dimensional and cynical "power grab", this ideological narrative was a boon to the RPF's cohesion, motivation and discipline, including upon assuming office.

The character of the RPF's leader, Paul Kagame, was also an important factor. Kagame is widely seen to be an unusually able, committed and compelling leader, both in Rwanda and among relatively disinterested parties overseas. These qualities alone (beyond subsequent achievements on development *outcomes*) lent his office considerable "good will", to mobilise support and action domestically and internationally. Quality of leadership must also directly account for many of the small and large decisions the government has taken to steer the ship of state effectively.

Finally, Kagame has commanded huge loyalty from the military for his leadership during the war and genocide, and afterwards for consistently driving its professionalisation and ethnic integration. This, arguably, lends his office a "final security guarantee" necessary to take unpopular actions, push and discipline elites, and refuse to engage in spoils politics.

1995–2000: rebuilding the state

1995–2000 was a period of rebuilding shattered institutions, social relations, and the economy; developing the popular legitimacy of the new government, particularly the RPF, from a very low basis; and consolidating the place of Kagame as leader of the RPF and country. This was achieved with considerable success, as outlined below.

By 2000, huge numbers of ex-combatants and Hutu had been incorporated into the state and RPF, and several measures demonstrated that neither favours nor punishments would be meted out along ethnic lines. This went far in convincing the population that the new government might, in fact, intend to represent all Rwandans as it claimed, which was critical to building legitimacy and trust.
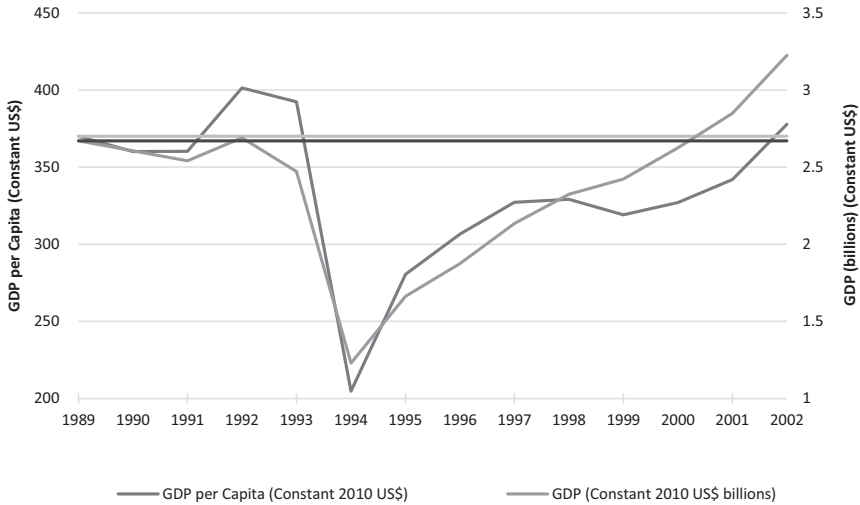
Figure 8.2 The recovery of GDP and GDP per capita, 1989 to 2002.

Rwanda also implemented a raft of macroeconomic reforms for stabilisa-
tion and privatisation, discussed under "Private-sector development". Many
"outcome measure" statistics for Rwanda post-1991 begin in 2000, making
preceding measures of progress on welfare difficult to trace in the period.
However, GDP began to grow as soon as 1995, and grew rapidly and robustly
for the remainder of the decade; GDP had recovered to "pre-war" levels by
2000 and GDP per capita by 2002 (see Figure 8.2), with a state-led push to the
agricultural sector (services and manufacturing recovered by early 2002 and
2005 respectively).

Security

The senior leadership of the RPF acted early to build a government and army
that could be seen as "for the people" and break the cycle of ethnic violence. It
quickly took steps to reform institutions and communicate to the population
that the RPF was a party for all Rwandans, not only Tutsi, or those involved
in the struggle.

Exercises of mass incorporation into state and party began almost
immediately. An *igando* ("solidarity") military integration programme was
introduced as early as 1994, to support reintegration of ex-FAR into the mili-
tary (this also became the standard on-boarding for all new recruits); this
comprises, first, intensive political education emphasising the pre-colonial
role of the army to serve all citizens and the historical unity of Rwandans;
second, the deployment of new recruits to units with "pre-genocide" RPA, to

build camaraderie through living and working together; and finally, deploying the recruits in their former community, where they would help "spread the good news" of equality and integration under the new government.

Marco Jowell records how a senior ex-FAR member, who attended the first *igando* in 1994, described its effect on him:

> We were with the RPA … and we were taught about the history of Rwanda and we discussed a lot. As a result we began to share the same ideology … we received the same training in the same place together. Everyone was treated as an equal in that respect. Hierarchy and promotion is based on meritocracy. This all led to a cohesive force. We all work for the same purpose, the security and welfare of Rwandans. The political education did a lot for this. [26]

One of the first actions of the Rwandan army after its invasion of Zaïre in 1996 was to forcibly repatriate ex-FAR soldiers in the Kivu refugee camps. These soldiers were, likewise, pleasantly surprised to find that they were not summarily executed but, rather, rapidly and successfully integrated into the new Rwandan Patriotic Army (RPA), following the same *igando* process. By 1998, at least 38,500 ex-FAR and armed group members had been integrated into the RPA, which was majority Hutu by the late 1990s.[27]

The new government also showed an early willingness to forgive and reintegrate citizens complicit in genocide. In 1995, faced with 80,000 genocide suspects, it passed a law on "alternative justice" that facilitated plea-bargaining to clear people through the system.[28] In 1997–1998, the RPF re-established Local Defence Forces to address chronic shortages in policing, incorporating significant numbers of Hutu into the state security structures.[29]

On the other hand, many RPF/RPA units were heavy-handed in their actions against civilians in the early period. This included human rights abuses, some on a large scale, during the war and again in communities suspected of supporting insurgents in the north-west in the early period of the insurgency.[30] This clearly worked against other efforts to communicate unity and incorporation—although of relevance, and a matter of wide disagreement, is the size (how many killed), scope (who was targeted) and the degree of organisation from top officials in ordering these attacks.[31]

The risks of such abuses of power were heightened by the army's transition from a guerrilla rebel movement to a national army, the extremity of ethnic tension and mistrust attendant on the widespread participation in genocide, and early civilian support to the insurgency. However, there was also an early and serious commitment to stem retributive violence and centralise the control of power.

The former genocidal government's army (ex-FAR) had launched an insurgency in north-western Rwanda, which was receiving considerable support from the local population. Hard-line tactics from the RPF were fuelling ex-FAR propaganda, and by mid-1996, the insurgency was not only continuing

unabated, but building momentum: the ex-FAR had reorganised into two divisions (for North and South Kivu, respectively) and plans were under way to launch an offensive to retake Rwanda with a force in excess of 100,000 men. The Rwandan army had just over half that many.

The army underwent considerable reforms over the course of 1997, in line with the classical counter-insurgency doctrine to win "hearts and minds". Hard-line commanders were replaced with those who understood the political aspect of counter-insurgency.[32] The Rwanda Military Information Platoon (RMIP) was established, trained for a month by a United States (US) team, then embarked on a nationwide campaign of posters, leaflet drops and small group meetings to reinforce the message of national unity, reconciliation and amnesty for insurgents who had not been involved in the genocide.[33]

The Auditorat Militaire was created to address war crimes committed by the RPA; it publicly prosecuted several high-ranking RPA officers, sometimes rapidly following their abuses, defusing considerable tension with the population and setting a new tone that punishment for misdeeds would be (relatively) universal.[34]

The ex-FAR in Zaïre, meanwhile, continued its own more hard-line insurgency tactics, launching attacks on places like schools, where it would order students to separate based on ethnicity, then kill the Tutsis. As 1997 wore on, people more and more frequently refused to cooperate.[35]

There is some consensus that, by the late 1990s, the nature of state violence in Rwanda had changed considerably. It was, crucially, far lower in scale, and also targeted strategically, under tight control from the centre. Important to note here is that senior leaders in the RPF showed willingness to "take the first step" to break the cycle of ethnic violence, "forgiving" and integrating Hutu they knew may have been complicit in genocide (and in fighting the RPF invasion), almost from day one. This is undoubtedly a lesson for other post-conflict governments.

Beyond counter-insurgency tactics, other factors may have strengthened the RPF's resolve to break the cycle of ethnic violence. The movement was grounded in an ideology of liberation, and of an idealised pre-colonial ethnic harmony of Rwandans. The RPF's narrow sociological base created a realpolitik requirement for incorporation of Hutu. Founding members had witnessed the failure of repressive regimes in Uganda, and many had been involved with—and seen the effects of—more brutal campaigns against Uganda's Lord's Resistance Army (LRA) and Holy Spirit Movement (HSM).

As discussed under the security section for 2000–present, the complicity of integrated parties was forgiven, but not forgotten. Mass incorporation was coupled with the implementation of serious surveillance structures and penalties for misdeeds.

The RPF took advantage of the shifting situation in the DRC to weed out the insurgency at its source. The RPF's own origins made it keenly aware that Rwandan refugees over Rwanda's border, under the influence of groups trenchantly opposed to Rwanda's state project and committed to violent reform,

constituted a serious security threat. By 1996, only 300,000 of the 1.5 million Rwandan refugees in Zaïre had returned. President Mobutu, meanwhile, was supporting the ex-FAR with arms, while donors did nothing to separate civilians and the growing military in the camps.

The Rwandan government thus put the force of their military behind the October 1996 Alliance of Democratic Forces for the Liberation of Congo (ADFL) rebellion in Zaïre, the final end of which was to unseat President Mobutu and establish a regime, under Larent-Désiré Kabila, that would deal with the Kivu security threat (and, more generally, support Rwandan interests). One of the first actions of the Rwandans in this rebellion was to send Rwandan civilians and ex-FAR back to Rwanda.

Less than eight months after the initial rebellion, the rebels had crossed over 2,500 km of challenging terrain to unseat a president who had ruled for 32 years. Kabila was sworn in as president in Kinshasa on 31 May 1997. However, Kabila quickly began to resent the RPF's attempts to influence his rule, and faced accusations domestically of being Rwanda's puppet, undermining his legitimacy. Just a year later, on 22 July 1998, Kabila announced that all Rwandan military personnel had to leave the country. Within a week, the last planeload of Rwandans had returned to Kigali.

This exclusion of Rwandans from the governance structures of the DRC undermined the security guarantee for which Rwanda had gone to war, and the Rwandan leadership rapidly engineered a new assault. Just four days after the Rwandans returned from Kinshasa (2 August), the 10th Brigade of the Congolese Army rebelled against Kabila's government in Goma, and Rwanda's Kayumba Nyamwasa took the 211th Brigade of the Rwandan army over the border to join them.

The first action of these brigades was, again, to engage the former Rwandan army operating from the Kivus (the ex-FAR) in a series of engagements, which the brigades won crushingly. Over the course of the Second Congo War that followed, the pro-Rwandan rebel group Rassemblement Congolais pour la Démocratie (RCD), also gained control of much of the DRC's border with Rwanda and its hinterland, depriving the ex-FAR insurgents of their base and access to the wider set of sympathetic armed groups in the region.

As noted, the Zaïrean regime was unstable before the influx of Rwandan refugees in 1994, and this refugee influx itself (which can hardly be blamed on the RPF) was a further destabilising factor.[36] However, it is relatively unambiguous that Rwanda's subsequent incursions in the DRC had a severely destabilising effect on the Congolese state. Though the First Congo War was relatively brief, and Kabila was seen as somewhat legitimate and popular within the DRC, the Second Congo War was particularly protracted, deadly (mostly through indirect causes) and contested within the DRC.

During the Second Congo War, the Rwandan government and RPF also became substantially involved in the minerals economy of the DRC. Though officially disputed, several observers have reported that an administrative entity known as the Congo Desk, located in an office of the Rwandan

Ministry of Defence, applied taxes on Congolese minerals being traded,[37] made decisions as to which mineral resources to exploit and issued licensing for minerals exporters (*comptoirs*).[38] In addition, people or firms closely associated with the RPF owned many of the companies involved in this trade, including most notably Grands Lacs Metals and (Tri-Star's) Rwanda Metals.

Rwanda's involvement, particularly since the Second Congo War, led to heightened popular mistrust of Rwanda in the eastern DRC, as well as international donor resistance and the obvious bilateral diplomatic tension. Extricating the state and associates from this economy, and winding down military involvement in the volatile region, was thus a challenge for Rwanda to deal with in the post-2000 period.

Centralisation of resources

For many post-liberation governments, struggle-era solidarities diminish over time, leading to, first, a precarious narrowing of the circle of power, and, secondly, increased used of patronage to paper over cracks.[39] The RPF, however, has weathered repeated senior elite defections in the 1990s and beyond,[40] successfully negotiated a generational watershed on many civil war era military figures and implemented serious anti-corruption drives, with very little effect on political stability within Rwanda.[41] The repressive capacity of the Rwandan state is usually cited as explanation for Rwanda's ability to weather these shocks. However, this begs the question as to whether such elite defections and demobilisation would fragment that very coercive capacity in other contexts.

More important is the centralisation of financial resources within party and state institutions, and the centralisation of authority within the person of President Kagame, rather than allowing either to flow to scattered individuals. This meant that those who did defect (or were removed) were unable to take resources or loyalty with them with which they could later challenge the state, instead becoming pariahs. A personalised form of authoritarianism did emerge. The US State Department has described Rwanda's political system as "a constitutional republic dominated by a strong presidency".[42]

From 1997 to 2000, the RPF-owned company Tri-Star was a significant institution for the centralisation of financial resources. It became a destination for many domestic businesses, keeping domestic business elites "under one roof", where their influence was more vulnerable to centralised control.[43] The RPF "old guard", recycled during reforms of the army or broader public sector, have also often been transferred into such state or party affiliated institutions,[44] reducing the security risks associated with demobilisation and institutional turnover. Importantly, all profits from Tri-Star flowed to the institution of the RPF, rather than to individuals.

Anti-corruption reforms were also critical to the centralisation of resources but were pursued with the most vigour from 2003 onwards, and are discussed below.

Institutional rehabilitation

A 2000 IMF retrospective stated that in immediate post-genocide Rwanda, there was, "a virtual collapse of the administrative capacity at the central and local government levels, and the delivery of almost all social and financial services was paralysed".[45] Around 40% of civil servants were dead or had fled, including skilled professionals like national bank staff and health workers.

High inflation and low wages heightened the human resource challenge, as remaining qualified citizens opted for better-paid non-governmental organisation (NGO) or private-sector work (Tables 8.1 and 8.2). Indicative of this crisis, by 1996, 80% of public employees had not completed high school, and only 3.5% of the Ministry of Health's 4,809 employees were qualified doctors or nurses.

This crippled institutional environment contrasted with the magnitude of the development challenges to be tackled. The government thus undertook several steps to incrementally rebuild, and strengthen, the capacity of the public sector.

From 1995–1997, the government attempted to reduce the number, and raise the skill and remuneration, of civil servants. However, implementation was hindered by weak implementation controls, unclear job descriptions and requirements, and a lack of resources to seriously improve wages. Thus, in 1998, more effective measures included highly centralised hiring to reduce patronage,[46] centralised and computerised payrolls, a physical civil service census to identify unpaid and ghost workers and take stock of human resource gaps, and requirements that vacant posts be advertised publicly and with clear qualification requirements.

Perhaps most importantly, salary structures underwent a substantial reform in 1999. As the IMF noted: "Under the old structure, the ratio of the salary of the … highest-paid public employee to that of the lowest-paid … including fringe benefits … was 60:1. Under the new structure, all fringe benefits were monetised, and … a top-bottom ratio of 19:1 was adopted". The removal

Table 8.1 Low public sector wages in 1997[122]

Grade	Bralirwa 1/	USAID 2/	UN	Civil Service 3/
Director	228.5	249.0	337.2	45.5
Chief Accountant	116.1	240.0	-	36.3
Accountant	259.7	125.0	196.6	27.3
Secretary	91.4	-	132.5	14.4
Driver	53.3	75.0	62.0	11.3
Messenger	25.1	50.0	43.9	6.8

1/Foreign-owned private enterprise, 2/US Agency for International Development, 3/Excluding fringe benefits.

Source: Rwanda authorities.

Table 8.2 Rwanda civil service pay scale, 1995–98 vs 1999[123]

Civil Service Employment	1995–98	From 1999	
	Base salary	*Including fringe benefits*	*Monetised salary*
Secretary General	49,487	539,487	251,002
Director General	45,540	535,540	209,503
Director	39,924	330,757	157,615
Chief Supervisor	36,281	36,281	106,455
Supervisor	32,789	32,789	57,789
Administrative Secretary	28,538	28,538	53,538
Principal Civil Worker	27,332	27,332	37,332
Civil Worker	25,006	25,006	35,006
Principal Secretary	21,528	21,528	28,028
Secretary	20,203	20,203	26,703
Assistant Secretary	18,547	18,547	25,047
Third-Class Principal Officer	16,934	16,938	20,934
Second-Class Principal Officer	15,379	15,379	19,379
First-Class Principal Officer	14,040	14,040	18,540
Principal Agent	12,420	12,420	16,420
Officer	10,620	10,620	15,120
Assistant Officer	9,000	9,000	13,000
Ratio: highest to lowest	5.5 to 1	60 to 1	19 to 1

of fringe benefits (such as cars, fuel and housing benefits) for senior government employees illustrates the RPF's resilience, as other governments have attempted and failed to make such reforms. It was arguably an important step in setting the tone for a serious, professional, austere, low-corruption government going forwards.

In such a weak institutional environment, the RPF's resounding victory in the civil war and strong leadership capacity allowed its senior leaders to exercise a degree of authority, contrasting with the more diffuse rule of "grand coalitions" common in post-conflict settings. From 1995 to 2000, the presidency (though itself still a plural institution, under President Bizimungu, with Kagame as vice-president) was established as an elevated authority, with the final say over policy and asserting some right to work around formal structures.[47] Gérard Prunier claims that, from 1995 to 1997, many priority policy questions (such as the military, resettlement and the integration of refugees) were largely decided outside formal government structures by President Bizimungu and a close circle around him.[48]

There was also considerable pruning of the political elite in this period. The RPF's Kicukiro-I meeting in February 1998 saw the election of a significantly renewed RPF National Executive Committee (NEC) (four of the seven long-standing commissioners from the struggle-era were replaced) and Political Bureau. At the same meeting, Kagame was promoted from vice-president to president of the party—a meaningful consolidation of his legitimacy and

power within, and leadership of, the party, preceding his assumption of the presidency of Rwanda in 2000.[49]

Senior leadership also became more socially narrow over the period, as seats vacated by senior figures from the pre-genocide anti-Habyarimana opposition were filled from more trusted RPF members.[50] Thus, gradually, an elite more trusted by Kagame and the RPF gained control of key institutions.

A high degree of senior autonomy and flexibility in policymaking was arguably necessary in a context where institutions were so decimated, broad human capital so weak and challenges so unprecedented. However, the weak institutionalisation of the development agenda, and weakness or absence of certain critical formal processes, also introduced several challenges, such as mobilising and coordinating development aid (discussed below), leaving ill-defined mandates for government ministries, and identifying and penalising embezzlement or patronage. From 1998, this consolidated authority was thus channelled towards considerable early institution-building, and to defining Rwanda's development vision following the expiry of the Arusha Accords and launch of the new constitution in 2003.

From 1998 to 2000, the public faces of this exercise were the Urugwiro Consultations, which ran from May 1998 to March 1999. Guests—trusted individuals from across society[51]—would meet on Saturdays at events convened by President Bizimungu to thrash out statements of vision and objectives across practically every sector of Rwandan life. This culminated, principally, in Vision 2020[52]—the government's flagship document to define the national development agenda, around which *all* later policies have been oriented.

Critics dismiss these consultations as stage-managed performances or information-sharing platforms.[53] They were certainly focused on more sympathetic "opinion leaders", rather than a more plural crowd with whom such consultations would have collapsed into incoherence almost immediately. They were not intended as flawless examples of mass deliberative democracy, but they were significant for engendering wider ownership of the national vision as defined. This pattern of somewhat top-down or technocratic decision-making, complemented by robust communication to promote broad ownership of the development agenda, has also characterised much Rwandan policymaking since 2000.

Mobilising finance

The RPF invested effort early and adeptly to build strong relationships with the international community and mobilise aid. It quickly built trust with the IMF and World Bank, demonstrating seriousness and strong credentials for economic management (particularly compared with the previous regime) by committing to accelerating structural adjustment and exercising tight fiscal responsibility despite the hugely challenging environment,[54] as summarised in

a 1996 Organisation for Economic Cooperation and Development (OECD) review of aid to Rwanda:[55]

> In spite of … the numerous difficulties… the present government appears committed to continuing and accelerating reforms begun under the structural adjustment programmes of the previous regime. In consultation primarily with the World Bank and the International Monetary Fund, the government has taken a series of measures … that confirm its seriousness about economic reform.

As early as July 1994, the government and the United Nations Development Programme (UNDP) had established the "UNDP Trust Fund for Rwanda" to streamline aid for rebuilding government capacity. By January 1995, a "Round Table Conference for Rwanda Reconstruction" was sponsored by the government and the UNDP, at which aid of US$700 million was pledged and mechanisms to track disbursement established. The RPF also established Community Development Committees in this period, to offer grassroots direction to donor development assistance.[56]

Although aid spiked immediately following the genocide (Figure 8.3), much emergency aid was delivered late; aid over all fell rapidly with the transition from humanitarian relief to the larger rebuilding exercise; and aid remained overwhelmingly off-budget. Thus, although US$707 million was pledged at a January 1995 roundtable, just US$68 million had been disbursed by mid-1995, and only US$22.8 million to the government directly.
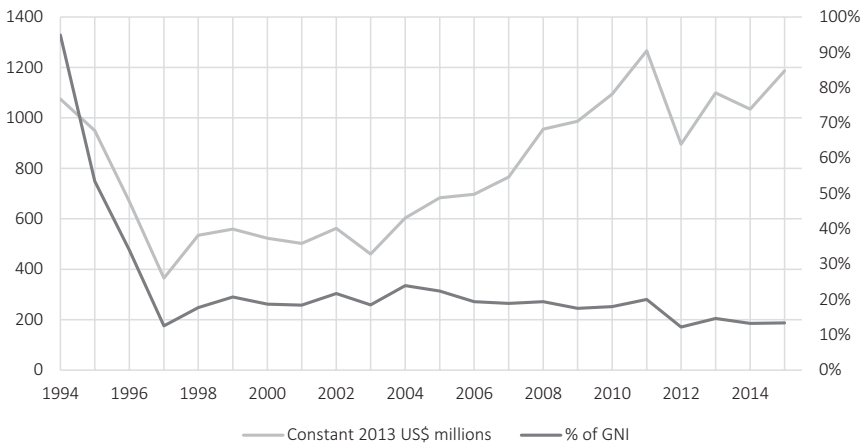
Figure 8.3 Net overseas development assistance (ODA) to Rwanda, 1994–2015.
Source: World Development Indicators..

To disburse direct budget support, donors required a degree of transparency and coherence in government planning, budgeting, spending and monitoring, for which institutions had not yet been established. Public financial management (PFM) systems were extremely weak, with the first budget presented to Parliament only in 1998, and there being no credible paper trail for public spending until reforms to the auditor-general and accountant-general functions post-2003.

Rwanda also lacked a coherent, comprehensive and formally agreed development framework that donors could get behind with budget support (as later provided by Vision 2020 and the Poverty Reduction/Economic Development and Poverty Reduction Strategy Papers). On the donors' side, donors also tended to choose their own autonomy over empowering governments' development agendas in this period, before the Rome and Paris Declarations in the early 2000s, which raised donors' focus on coordination and streamlining aid through national structures.

The government thus often lacked the financial resources required to rebuild its institutions and rehabilitate the country. However, several off-budget aid projects were effectively mobilised to this end. The United Nations High Commission for Refugees (UNHCR) rehabilitated houses destroyed during the genocide, and the Organisation for International Migration (OIM) supported the return of hundreds of thousands of refugees to their homes, and the resettling of "old caseload" refugees on rural government land.

With a more long-term view, the World Bank funded the 1998 civil service census that enabled the government to clear ghost workers from the payroll and plan a coherent human resources agenda. The European Commission (EC) supported the rehabilitation of the tea sector (despite many plantations at that stage still being owned by the government), returning production to pre-war levels by 1998. The United Kingdom Department for International Development (DFID) provided considerable technical assistance to the revenue authority, to rebuild the government's domestic resource mobilisation.

Faced with the dearth of on-budget donor aid, the government prioritised rehabilitation of institutions for domestic revenue collection. The skills and institutions required for effective tax administration could not be rebuilt overnight, but tax revenue as a share of GDP, impressively, recovered to its 1990–1991 level by 1998. The Large Enterprise Unit was an early innovation to ensure Rwanda's 150 largest firms were taxed; this accounted for 80% of early tax revenue (though firms' rebuilding costs and lost books dented profit taxes).

More importantly, taxes on goods and services, and turnover taxes, were raised progressively (and simplified), accounting for the greatest revenue improvements. Large tax exemptions offered by the previous government were also curtailed. To modernise and professionalise revenue collection, the new Rwanda Revenue Authority was created in 1997, with improved pay, grading structures, merit-based recruitment and the replacement of half of former staff.[57]
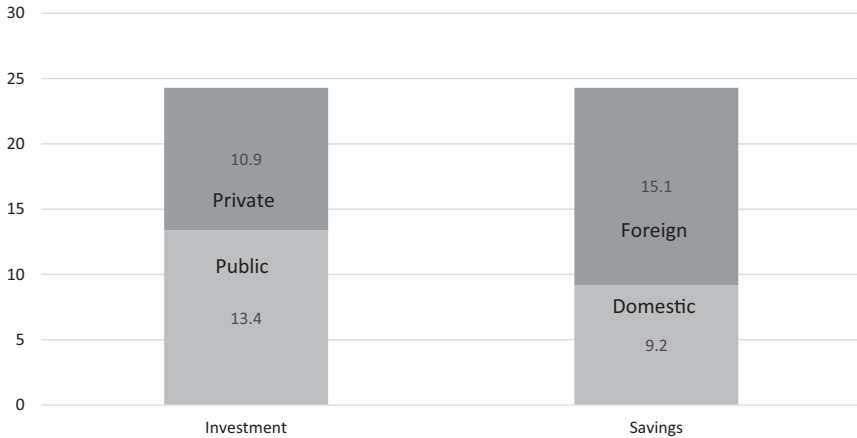
Figure 8.4 Rwanda's investment and savings rate, 2010–2014.

Private-sector development

Rwanda experienced strong recovery growth in the post-genocide period. Output growth for agriculture, services and manufacturing resumed in 1995, and Rwanda in fact transitioned to a higher growth rate plateau of 8% per annum from 1995 to 2015, compared to 1.5% average growth in the decade preceding the genocide (Figure 8.4). This accelerated growth was generally stable, cross-sectoral,[58] and far outlasted the "catch-up" recovery period.

Nevertheless, GDP did not recover to pre-war levels until 2000, and GDP per capita until 2002 (Figure 8.5). While agricultural output was restored to pre-genocide levels within four years (by 1998) (Figure 8.8), services output only recovered to pre-genocide levels by 2002 (Figure 8.7), and the manufacturing sector took a decade to recover to the levels seen before the war and genocide (Figure 8.6) (until 2005). Exports averaged a fairly low 7% of GDP in 1995–1997, and were poorly diversified and vulnerable to commodity price fluctuations, with coffee and tea constituting 80% of export value from 1992 to 1998.

As well as the damage to infrastructure and factories, Rwanda now offered private investors a huge conflict risk premium, decimated institutions for economic management and crippled local purchasing power. Although a robust private sector was unlikely to arise in the decade following the genocide, the government took important steps to prepare ground for private-sector confidence.

Important macroeconomic reforms were implemented early, despite the challenging institutional environment. With collapsed output followed by huge donor inflows, inflation was at 64% in 1994 and 35% in 1995. The government implemented a raft of measures to stabilise macroeconomic aggregates.
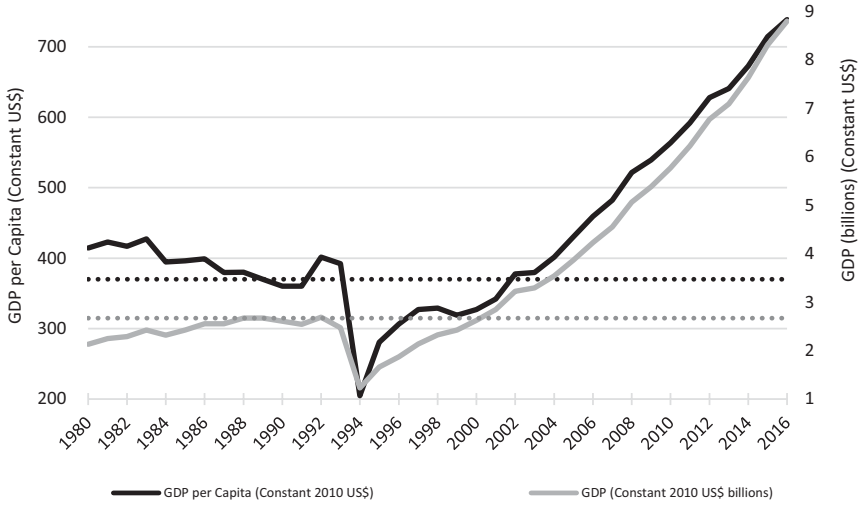
Figure 8.5 GDP and GDP per capita, 1980–2016.
Source: World Development Indicators.
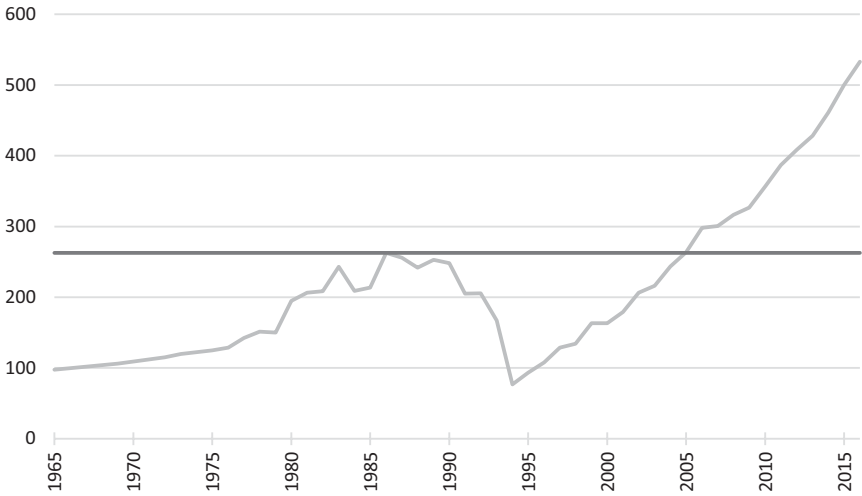
Figure 8.6 Manufacturing value added 1965–2015 (constant 2010 $ millions).
Source: World Development Indicators.
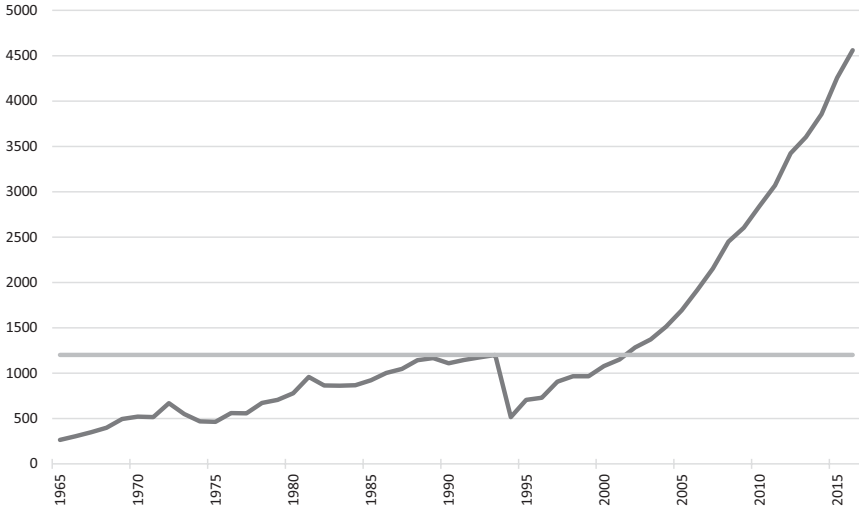
Figure 8.7 Services value added in Rwanda (constant 2010 $ millions).
Source: World Development Indicators.
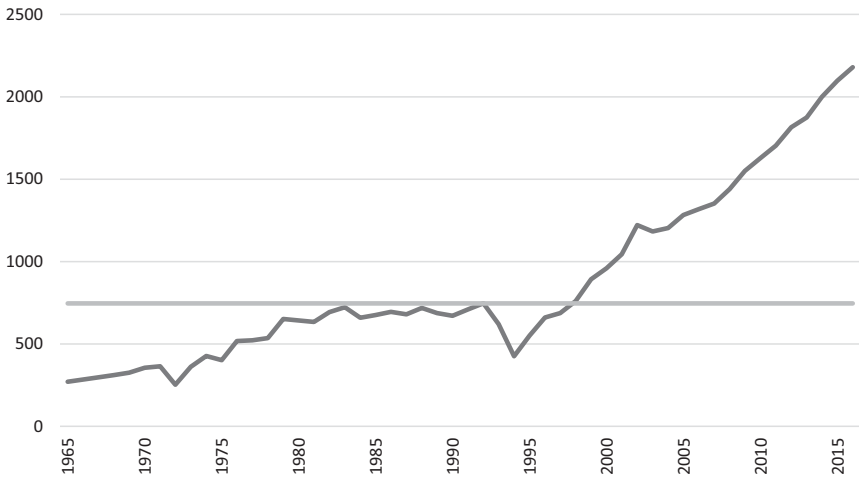
Figure 8.8 Agriculture value added in Rwanda (constant 2010 $ millions).
Source: World Development Indicators.

They contracted the money supply and implemented demonetisation (introducing a new currency). The exchange rate and interest rates were liberalised. The government also committed to keeping the public wage bill to no more than 50% of its pre-war level.[59] Sound systems of PFM were also restored by the 2000s, with Parliament adopting annual budget laws since 1998.[60]

Competition was raised, despite the challenging environment. Price controls were removed, and import tariffs were cut by half (as part of a comprehensive tax reform that raised revenue from other sources, as above). The IMF noted that, "the increased external competition was genuine, as it led to reductions in, or even cessation of, production in several industries, including corrugated iron sheets, soap, and cosmetics".[61]

A critical decision taken by the incoming government was to quickly recognise all pre-existing property rights of those who had fled the country in the prior 12 years[62] (including foreigners).[63] With this guarantee, many large business owners returned to Rwanda immediately after the cessation of conflict, to claim their property and factories, and to restart operations. One study of 55 of the largest agribusiness and manufacturing firms in Rwanda after the genocide found that 29% of manufacturing firms had restarted production by the end of 1994, and 62% by the end of 1995.[64] Laws were also amended to ensure that the property and firms of men killed would be passed onto their widows.[65]

This was significant not just for business but for social reconciliation. "Old caseload" (mostly Tutsi) refugees who returned with the RPF's victory were mostly not allowed to remain on the (mostly Hutu) land or houses they had temporarily occupied. Instead, government-owned rural land was distributed to these "old caseload", and some new, returning refugees—a factor that also contributed to the faster rebooting of agricultural production. This was complemented by a parallel effort to clamp down on land-grabs by senior military officials.

Unclear land and property rights were also exacerbating problems in the banking sector, which required title deeds to foreclose properties constituting capital for (the many) bad loans. The central bank pressured local authorities to accelerate issuance of title deeds. Land titling would not be comprehensively addressed until 2008–2012. Meanwhile, however, a dedicated and innovative arbitration court was established, through which creditors and debtors were required to discuss bad loans and collateral in public, often "shaming" debtors into catching up on payments.[66]

In contrast to the cash-strapped state, the RPF upon assuming power had sizeable remaining unspent funds from the war effort, held and managed in its Wartime Production Unit. In the immediate aftermath of the genocide, with many private-sector enterprises and farms abandoned, and little chance of new foreign investment, this unit thus assumed several critical and urgent tasks to rebuild and restart the economy. This included infrastructure repairs, trade in basic goods, farming and paying civil service salaries.[67]

In 1997, the unit was replaced with Tri-Star, founded as a holding company in which the RPF was the sole shareholder (this was rebranded as Crystal Ventures in 2002). The activities of the wartime production unit were brought under Tri-Star, and Tri-Star went on to expand considerably, establishing new firms, acquiring and rehabilitating private-sector firms, and partnering with new foreign investors (for example, bringing the telecommunications network provider, MTN to Rwanda in 1998). The company's subsidiaries soon included the largest firms across many sectors, spanning real estate, infrastructure, food and drinks, telecommunications, minerals, media and graphic design, among others.

Tri-Star's growth in this period served three purposes. First, with a poor outlook for purely private investors, it would make use of remaining RPF funds to rehabilitate domestic production in critical areas like construction, trade and telecommunications. Second, it would provide a return on investment to finance the RPF, at a time when mass domestic fundraising was hardly an option. Third, it aimed to keep private-sector profits and resources centralised, to avoid the emergence of alternative centres of power while governance structures and legitimacy were still being consolidated. A concern here was the *akazu* business elite of pre-genocide Rwanda, who had been instrumental in provoking and funding the genocide. Thus, all profits from Tri-Star, and later Crystal Ventures, flowed back to the RPF rather than to individuals.[68]

The state also inherited a range of companies in 1994, including mines, cement factories, tea plantations and coffee exporters. Competition with these firms was raised; for example, competition was introduced for all stages of coffee production. A privatisation law was also introduced in 2006. However, most activities were not privatised in practice until the 2000s. The government held onto tea plantations to invest in their rehabilitation (discussed above).

The government owned the largest mining concessions under REDEMI, but these were relatively neglected in this period, perhaps due to the more intensive capital rehabilitation and policy infrastructure required, or a greater focus on minerals trading from the DRC. State pyrethrum firm OPYRWA was inactive most of the decade, due to instability from the north-west insurgency, where it was located. Cement manufacturer CIMERWA was jointly owned by the government and a Chinese firm, under a pre-genocide "Build, Own, Operate, Transfer" agreement that expired only in 2006.

2000–2017: consolidating legitimacy

The RPF-led government today presents itself to the public with a great degree of credibility. It bases this legitimacy on it being the government that has put more food on the table than any government in Rwanda's history, led the most rapid and sustained period of growth, cut maternal and child mortality, and kept the peace after ethnic turmoil.

GDP growth averaged 8.8% from 2000 to 2014—well beyond any plausible "catch-up" period. Income per capita has tripled. Rwanda is one of the few countries to have reached most of the Millennium Development Goals (MDGs):

- the fertility rate has fallen by 1.6 children per woman (to four, the lowest level in East Africa);
- a quarter of the population have left multidimensional poverty;
- Rwanda has gone from the highest to the lowest in East Africa for maternal and under-5 mortality (which have fallen by 85% and 78% respectively);
- 91% of births are now attended by skilled health professionals—30 percentage points higher than any other East African country.

Some international researchers have questioned the veracity or durability of certain headline developmental gains,[69] although many believe them to be real and robust.[70] Important for the purposes of popular legitimation is that the RPF's developmental justification is generally accepted by the population.

This has reflected a strong, coordinated push for development, facilitated by the launch in 2000 of Rwanda's Vision 2020—a coherent, comprehensive and highly ambitious agenda to guide government and donor activities. The government has also in this period reaped the benefits of seeds sown in 1995–2000, in terms of the more consolidated legitimacy of the RPF and President, and the centralisation of resources and of control over state violence, providing greater security to pursue bolder, more challenging, agendas.

Building an effective state

Strengthened donor management

Off-budget aid in the 1990s limited the government's capacity to channel donor finance to its priority projects or the rebuilding of institutions. In 2002, Rwanda launched its first Poverty Reduction Strategy Paper (PRSP) off the back of Vision 2020. The PRSP was widely seen to provide a coherent, comprehensive and authoritative programme for donors to get behind with funding. This was complemented by PFM reforms from 2003 (discussed below). Aid disbursements climbed substantially after the period, including on-budget support.

This movement to on-budget aid was strengthened by the 2003 Rome and 2005 Paris Declarations, which raised the international community's commitment to coordinating and streamlining aid through national structures. However, most important to aid effectiveness were the government's own efforts to force donor coordination and streamlining around the national development agenda.

The 2006 Rwanda Aid Policy clarified the government's preferred framework for donor support, emphasising on-budget, less conditional, aid; donor

pools for any project-based funds to improve coordination;[71] and even stating that aid would be refused if not sufficiently aligned to the government's priorities. This streamlining is supported by a raft of institutional arrangements, including:

- clear Sector Strategic plans with log frames and SMART outcome targets;
- a "division of labour" among donors, pressing each to work only on sectors assigned to them by the government, to reduce the coordination burden;
- a mutual accountability framework holding donors, as well as the government, mutually accountable for delivering agreed results in their sector;
- the government's Aid Procedures manuals; and
- donor coordination institutions, such as the External Finance Unit in the Ministry of Finance and Economic Planning (MINECOFIN), annual Development Partner Retreats and regular Development Partners Coordination Group meetings.

Aid has been critical to Rwanda's economic growth, fiscal stability and delivery of the welfare measures mentioned above. Economic growth has been driven by high public investment (Figure 8.9), fuelled by foreign savings
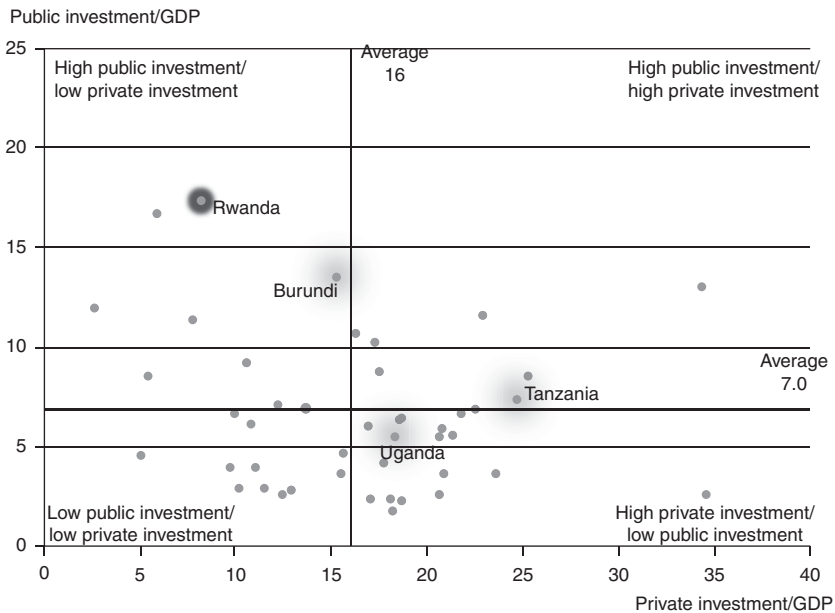
Figure 8.9 High public and low private investment in Rwanda.
Source: World Bank, 2015.
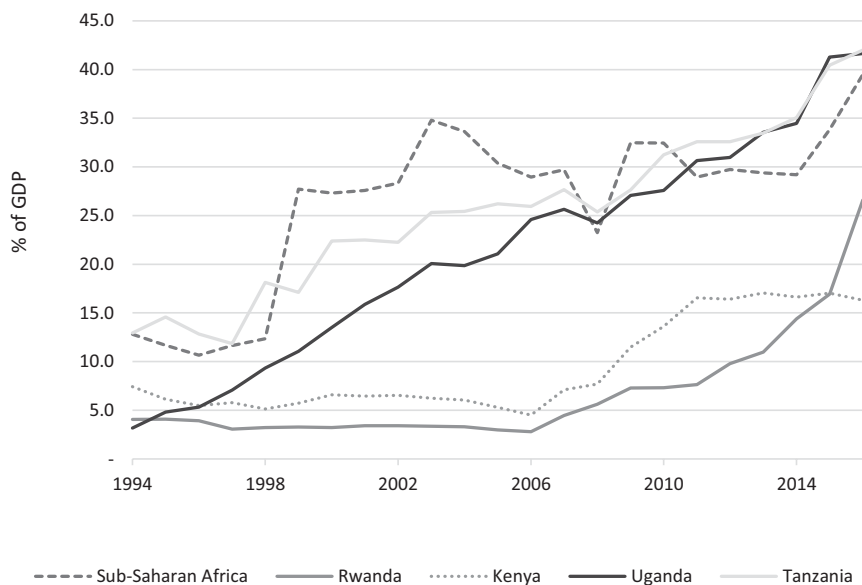
Figure 8.10 FDI inward stock as percentage of GDP (EAC countries, 1994–2016). Source: UNCTAD data.

(mostly ODA) (Figure 8.10). Important government programmes financed by donor aid since 2000 include:

- Rwanda's national land tenure regularisation (DfID);
- the modernisation of the Rwanda Revenue Authority (DfID) and Office of the Auditor General (Dutch and Swiss aid, then DfID);
- income support and public works for the poorest households through the Vision 2020 Umurenge Programme (VUP) (DfID and USAID);
- health insurance for poor households (a rare case of a country winning broad health financing support from the Global Fund to Fight HIV/AIDs, Tuberculosis and Malaria);
- other massive health-sector support (aid represented two-thirds of health spending from 2010 to 2014);[72] and
- construction of 211 coffee washing stations (up from two in 2000) to provide more cash income to rural farmers (USAID).[73]

Elevated national agenda

The institutions of the state have expanded and developed in sophistication and formalisation, requiring a broader and more technocratic pool of managers, and entailing a less directive role for the presidency compared to the

earliest post-genocide years. The model senior figure in Rwandan government today is a relatively young, foreign-educated technocrat and there has been considerable "civilianising" of the ruling elite, particularly since 2010.

A number of such highly capable individuals, often personally appointed and trusted by the President, are given considerable decision-making power in key institutions in charge of planning the national agenda, allocating budgets and monitoring and managing performance. In addition, a significant number of staff at lower levels (heads of units, finance directors, directors and so on) are also cabinet (effectively, presidential) appointments, often given little choice about joining government from the private or other non-government sectors.

These networks of trusted and capable appointees help the presidency to push through policy when required. However, once appointed, many of these officials have considerable authority to implement, and even innovate, within their mandates.

Promoting ownership and self-help

In general, policies are set in a technocratic and centralised manner, not unlike the situation in many developed countries. However, the government makes serious investments to promote widespread ownership of the development agenda once set. This can be seen in the Urugwiro Consultations and annual National Dialogue (discussed elsewhere), the communication of government programmes in village *umuganda* meetings and the widespread publicity to launch the Economic Development and Poverty Reduction Strategy (EDPRS) (which included car bumper stickers and even a hit pop song in which Rwanda's most sought-after pop stars rapped and sang about the EDPRS targets).[74]

Ownership of the development agenda is not only important for national unity, but also for mobilising resources for development in a low-income context. This ownership has often been encapsulated in the concept of *agaciro* ("dignity"); regularly stressed by President Kagame, particularly after Rwanda's aid was temporarily cut, *agaciro* entails that every Rwandan should be an active agent in their own, as well as the nation's, development, rather than a passive or helpless recipient. People and communities are regularly asked to solve their own problems, including implementing major parts of the government's development programme. For example:

- Each household in every village in Rwanda must take part in monthly *umuganda* public works (often neighbourhood cleaning and repairs) as well as contribute labour to school building.
- Villages organise their own garbage collection and security patrols for which each household pays a means-tested fee.
- Villages are also responsible for identifying their poorest members (categorising themselves into *ubudehe* poverty levels) to receive income support under the VUP.

- Village-level women's groups meet monthly to support each other with advice, lending money or richer villagers paying poorer villagers' health insurance.
- Mandatory health insurance was ratified in 2007, often defended with the argument that "free thing[s] destroy the mentality of the people", and that "What matters is the contribution".[75]

Decentralised basic services

In 2012, Rwanda outlawed orphanages and has since transitioned to the retention of children in their homes (with family counselling) or placement of children with (Rwandan) foster or adoptive families.[76] Even the army, after approaching the Ministry of Finance for a greater budget in 2007, was asked to do more to fund itself, inspiring the creation of the Horizon Group to invest military savings and support the expansion of peacekeeping operations.

Health-sector achievements have particularly relied on mass mobilisation and "self-help". In 2007, a system was introduced whereby each village appoints four members to be Community Health Workers (CHWs). These CHWs typically have no prior health training (and receive only modest training after their appointment) and have been largely unpaid (in theory, performance-based financing is allocated to a CHW cooperative, but CHWs have noted low awareness of and ability to utilise this money).[77]

In 2005 the government launched a national health insurance scheme, *mutuelle de santé*. Subscription to the annual fee is voluntary, but heavily encouraged. One study found subscription rates in some areas as high as 92%. Together, these initiatives are widely credited with leading to significant improvements in healthcare outcomes. For example, in one district, the percentage of women birthing at a formal healthcare centre increased from 9% to 72% within a five-year period during these reforms.[78]

Several of the abovementioned contributions demanded of citizens are considerably taxing, especially when considered together, yet citizens typically comply and there is little public complaint. In some cases, this reflects active enthusiasm for the programmes and internalisation of the development agenda. In others, citizens surely comply despite disliking the demands made of them. Such discontent with particular policies is perfectly compatible with acceptance of the overall legitimacy of the state (and, indeed, is common to governments across the world), and such a situation in fact underscores the resilience of the state imposing it. More critical commentators (such as Ansoms, Purdekova, Ingelaere and others), in contrast, have posited that the discontent and resentment is deeper and more severe, constituting a fragility risk.

Technocratic policymaking

The elections and free discussion characterising liberal democracies can help ruling parties learn how policies are playing out in given sections of

the population, and identify groups that are unhappy, in order to course-correct. The chance that a leader may be replaced in an election tends to raise leaders' appetite for such information. In other contexts, when incompetence is not communicated or punished by dismissal through the ballot box, an entrenched-but-ineffective regime is often created (as in Uganda, Tanzania or South Africa).

The effectiveness of elections in delivering these epistemic benefits is contested, particularly in patrimonial contexts where elections often lead to "spoils politics" and escalating graft, and in post-conflict contexts where elections (and even "free speech") can foster destabilising identitarian discourse and conflict.[79]

These epistemic functions are clearly unlikely to be fulfilled through the above channels in a country where the lowest proportion of the vote the RPF has ever received in any form of election is 78.76% (in the 2008 elections to the Chamber of Deputies), and public criticism of government policy (such as in the media) is restricted. The Government of Rwanda has instead invested in a considerable infrastructure of data collection and consultation, to monitor its own performance and seek citizen and other stakeholder feedback.

Citizen and private-sector consultations

The Rwandan government regularly runs mass consultation exercises, most famously the annual National Dialogue and other President–citizen consultations around the country, which receive huge crowds and media coverage. At these events, citizens queue up to tell the President (over the microphone and to the whole crowd) about challenges they have faced, particularly with government delivery, and the President proposes solutions. There is evidence of course-correction following such events. For example, following citizens' allegations of corruption in Rwanda's flagship *girinka* ("one cow per poor family") programme, raised at the 7th National Dialogue, 17,000 cows were redistributed.[80]

Regular consultations are also held with more specialist groups of stakeholders. "Sector Working Groups" bring together stakeholders in Rwanda's key sectors (such as agriculture, education, private-sector development, urbanisation and rural settlements) to monitor and inform government programmes. Anyone who knows of the meetings may attend, and the audience usually comprises cross-ministerial policymakers, donors, researchers, private sector, NGOs, and civil society.

At these meetings, feedback is typically invited and taken seriously: government policies and reports to be discussed there are usually circulated in advance for comments, discussion at the meetings is recorded in official minutes and feedback is integrated into planning where deemed helpful by the line ministry.

Large private investors also receive dedicated meetings to note their challenges and request policy changes. The Rwanda Development Board holds "investor meetings" and the Rwanda Revenue Authority provides individual RRA tax advisers, as well as collective meetings, under the Large Taxpayers' Department. These have also led to policy changes.[81]

Despite sometimes implementing bold policies with little consultation, the government typically follows up with more serious studies on the impact of their decisions, and has also shown a capacity to learn from such feedback; programmes boldly announced are often adjusted in stages.[82] This suggests that, although restrictions on criticism reduce the depth of popular debate, the government is able to accurately gather information about policy effectiveness where it wishes, and often displays the resilience and self-confidence to course-correct.

A challenge, or opportunity, going forwards is to broaden the capacity and strengthen the mandate of government institutions to receive feedback, and properly evaluate the impacts of social and economic programmes. Feedback that must be communicated in person to the President himself entails an obvious bottleneck.

There are opportunities to strengthen existing institutions, such as mayors' public meetings, *umuganda* meetings, investor consultations and the *imihigo* process, to improve the flow of feedback and ideas from relevant stakeholders via and to government structures. The government could likewise harness its bold e-governance agenda to mobilise more direct feedback and monitoring from citizens across the country. There also remain opportunities to strengthen evaluation of the *impact* of policies, to complement the strong checks on *implementation* achieved by *imihigo*, audits, ombudsman reports and so on.

Imihigo *performance contracts*

Imigiho is a refitting of the traditional Rwandan public vow (historically called *imihigo*) to honour the community with one's bravery, but also a distinctively modern idea from the performance-based financing models of McKinsey et al.[83] The idea, at its core, is that government authorities sign contracts in which they promise to deliver certain measurable development outcomes.

The initiative was launched in 2006, focused on incentivising local governments to deliver on agreed development targets. District mayors signed contracts with President Kagame himself, and the Ministry of Local Government, and their achievements were followed closely by citizens at lively bi-annual evaluation meetings chaired by the President. Through this system, local officials are held accountable according to their delivery of more centrally established targets, rather than their communities' direct satisfaction.

Because local officials are mostly selected and de-selected through the *imihigo* and other central processes, unlike in many countries in the region,

senior government figures rarely emerge through strong local support bases. This reduces the likelihood of separate centres of power emerging that could otherwise undermine the cohesion of the regime and upholds centralised control of local officials and activities.

District *imihigos* showed the model's potential; however, there were complaints from districts that poor performance at the national level was impeding their ability to achieve their targets. Thus, in 2011, the system was extended to central government ministries, and to individual civil servants. Institutional contracts had to reflect national goals (Vision 2020 and the EDPRSs), and employees' goals had in turn to support their ministry's action plan. Achievement of targets was linked to promotions, annual bonuses and dismissals, although somewhat weakly, as managers struggled to penalise their staff, and civil servants were careful to select targets they could be sure to achieve.

In 2015, a further reform strengthened the alignment of *imihigo* with Vision 2020 and EDPRS, and the stringency of individual targets. There was an impression that employees were setting targets for themselves that were easy to achieve, rather than those most important to delivering priority outcomes. The reform forced ministries to ensure that the sum of individuals' targets would deliver the overall ministerial goals (and thus, together, Vision 2020/EDPRSs outcomes). This included the creation of an electronic cross-governmental dashboard to track live progress against each target and identify sources of hold-ups down to the individual level. In addition, the Ministry of Finance's planning department reviews and approves all ministerial *imihigos*, to ensure that targets are set appropriately to deliver the national development agenda.

Most recently, *imihigos* have even been extended to households and private investors. Each household is required to make vows to their village authority, committing to raise their personal development levels. Performance contracts with firms have typically committed them to employment or export targets, in return for government support, such as infrastructure provision.

There remains a risk that external circumstances might impede delivery of *imihigo* targets, or be used as an illegitimate excuse for poor performance. For example, the Ministry of Trade's target of 18% export growth is heavily dependent on world commodity prices; nevertheless, this should not grant the ministry a "free pass" to under-perform, such as by promoting non-commodity export sectors. A related risk is the "gaming" of *imihigo* targets by creating false data. For example, three district mayors (and several more junior local officials) were arrested in 2014–15 after it emerged they had inflated *mutuelle* enrolment numbers to meet *imihigo* targets.

Some institutions may not "game" their scores but use harsh (sometimes illegal) measures to attain them. For instance, again to meet health insurance enrolment targets, local officials have been found to have confiscated livestock,

banned entrance to marketplaces or denied administrative documents to those without insurance. In other cases, local officials took money from a community health workers' cooperative, or VUP transfers, to pay *mutuelle* for the population.[84] Such harsh implementation strategies risk creating resentment among the population and becoming a fragility risk, particularly where practices are seen as supporting central agendas rather than constituting "corrupt" practices of local officials.

The most important reform to combat gaming was the introduction of external audits of *imihigo* performance by the Institute of Policy Analysis and Research (IPAR-Rwanda). In addition, taking a more flexible approach, institutions like the Strategy and Policy Unit (SPU) in the Office of the Presidency work to identify serious impediments to meeting high-priority national targets, then work with the relevant stakeholders to find solutions. The SPU comprises a small team of highly able, trusted Rwandans empowered to take a particularly open and frank approach.

The SPU also contributes to informal auditing to identify and resolve problems. An illustrative example comes from 2014–15, when, in preparation for the National Leadership Retreat, an SPU team visited rural schools, farms, hospitals and villages, and asked the citizens, nurses and teachers to explain all the problems they faced with government provision, to a rolling camera. At the following National Leadership Retreat, thematic sessions opened with the video of these complaints, and the responsible minister was asked to explain themselves.

Instituting meritocracy

RPF members saw corruption as a factor in Rwanda's slide into genocide, both for the direct cost to state delivery and for the empowerment of the *akazu* business elite (social contacts of the former first lady), who led much of the preparation for the genocide. Likewise, civil service hiring is a prime avenue for patronage, often along ethnic or tribal lines, in many developing countries, so instituting meritocracy was important for the government's message of equal incorporation into the state.

Rwanda has introduced rigorous procedures for meritocratic hiring across the civil service. These include "blind" marking of tests, video recording of interviews, public posting of failed and successful candidates, and a channel for appeals. The government also commissioned surveys in 2010 and 2013 to review the implementation and impact of these procedures, reflecting a high degree of scrutiny and seriousness about the reforms.[85]

However, some perceptions of favouritism in hiring appear to remain. Chemouni[86] notes that the above mentioned 2010 and 2013 government surveys found that:

- no more than 10% of people in each of the ten districts surveyed said there was *never* favouritism in government hiring;

- only 35% felt the pre-selection process was fair;[87] and
- and 37% were not satisfied overall with government hiring procedures (ranging from 30–50% for individual districts).

Marco Jowell also notes that senior liberation-era figures remain dominant in the military.

Contrasting these perceptions with Rwanda's unusually transparent hiring and promotional procedures, Chemouni notes that English-language requirements could lead to perceptions of favouritism towards Rwandan families—mostly Tutsi—with strong links in Uganda. Degrees are also necessary for most positions, and dedicated grants cover university fees for genocide survivors (in most other cases, students must take "soft" loans from the Rwanda Education Board). Although this is a small group, the number of university graduates is also small, and this constitutes at least a "face-value" way genocide survivors may seem more supported in accessing government jobs.

Chemouni also notes that, although expertise is a necessary condition for advancement, it is also clearly insufficient, as those seeking to move up the ladder of state must also demonstrate political loyalty. Similar to this last point, regarding the continued dominance of senior RPA-era figures in the military (in 2014), Jowell posits that this has reflected their military dominance, the political respect they receive within the RPF and some remaining mistrust of combatants who served during the state-sponsored genocide.

In addition, children of some of the most respected liberation-era figures grew up in the diaspora, receiving far superior elite foreign educations, and sometimes holding impressive professional portfolios overseas. These represent a scarce combination of high skill and high trust from current leaders that is much in demand, often leading to their recruitment to influential positions.

Any of these aspects could lead Rwandans from the pre-genocide population, and particularly Hutu, to feel disadvantaged in their access to government positions, despite (or, in fact, because of) broadly meritocratic hiring. This is a potential public relations challenge for the government. It is worth noting that, despite "under-spending" on education overall (12.5% of spending in 2016), Rwanda directs a particularly high share of its education budget to tertiary education. This may reflect a political drive to equalise access to the middle and political classes across ethnic and social lines.

Combatting corruption

The Office of the Auditor General (OAG) and Office of the Ombudsman have been progressively strengthened to monitor implementation and corruption by government officials and institutions.[88] The OAG was founded in 1998, when MINECOFIN realised there was no institution to audit the first post-genocide national budget presented to Parliament. Its importance was heightened by the 26–27 December 1998 Kicukiro-II meeting of the RPF—a

dedicated two-day forum for members to air growing anxiety about corrupt practices within the RPF, and to agree on a way forward.

Paul Kagame was by then the new party president (and Rwanda's vice-president), and his most quoted comment from the meeting was that, "if necessary, I will put my boots back on and return to the bush to fight against the *akazu*". This likened corrupt RPF officials to the pre-genocide business elite that led preparations for the genocide (the *akazu*). Strong words were coupled with a more modern, technocratic, approach. "Responding to newspapers accusations that he did not respond quickly enough … he explained that his strategy … involved three phases: establishing institutions of accountability and transparency, building awareness of corruption, and then applying severe sanctions, beginning with party members".[89]

The OAG's role became more serious after 2003, when the new constitution awarded it greater authority and independence, and the government recruited a talented auditor-general from the diaspora. The 2003 constitution also demanded creation of the Office of the Ombudsman, with a mandate to identify injustices by the government, including corruption.

A raft of PFM reforms were necessary to enable the OAG's work. Chemouni reports:

> At the time … there was no bank reconciliation, no cashbooks existed and expenditures were rarely accounted for. The role of the OAG was as much about… teaching public institutions about PFM … The auditor general was instrumental in convincing MINECOFIN that an accountant general was needed … [and] establishing the Institute of Certified Public Accountant of Rwanda (ICPAR).[90]

In 2009, the Office of the Ombudsman was also strengthened, allowing its agents to act as judicial police in order for anti-corruption investigations to be fully conducted in-house, rather than relying on the under-capacity and often corrupt national police. The general prosecutor of the time noted that he regularly updated President Kagame on anti-corruption activities, and that Kagame asked him to "follow corruption wherever it led".

A 2010 constitutional amendment further raised the profile and pressure of public audits, requiring Parliament to "examine [the OAG report] and take appropriate actions within six months". Parliament thus established the Public Accounts Committee (PAC) in 2011, which quickly became one of the most prestigious and high-profile parliamentary bodies. Chemouni writes:

> [I]t conducted hearings of top officials, open to the public, and often packed with journalists and MPs … covered live by the media … Pretexting illness or a full agenda, some officials tried to avoid the unpleasant exercise. In October 2014, under the repeated attacks of MPs, the National University of Rwanda's Vice Rector for Administration and Finance even cried.

Institutions were established to ensure the OAG's recommendations were implemented, including a dashboard to track progress in the Prime Minister's Office (PMO) and integration of OAG recommendations in district *imihigo* performance contracts. Though uncommon, ministries could penalise staff responsible for accounting errors, such as with temporary salary deductions.

In 2013, the powers of the Ombudsman were completed with a law granting the office powers of prosecution. This had become necessary, partially because of inadequate accounting knowledge in the general judiciary, but particularly because the Ombudsman had faced, and regularly called out, significant corruption within the judiciary itself, leading to resentment and compromising prosecutions.

Institutional overhauls

Reforming institutions gradually can be challenging, due to entrenched interests in the status quo. The RPF has often opted to create entirely new bodies, helping to obviate these difficulties. In other cases, institutions were put through wholescale reforms, including large staff turnover combined with lending the institution a degree of autonomy from more entrenched elements of the state.

For example, the Rwanda Revenue Authority has faced multiple overhauls of staff—first in 1997, when it was established to replace an earlier authority, and again in 2001. On both occasions, everyone had to undergo externally administered competence and integrity examinations. Substantial numbers of staff were replaced. Of the 650 staff it employed in 2006, 90% were under 45; large numbers of young, highly qualified Rwandans are anecdotally common across all high-performing ministries. The RRA was also given considerable managerial autonomy and decent funding to remunerate skilled department managers, enabling it to take decisions on business-like principles and pursue its mandate with reduced interference.

The RRA's procedural and policy innovations, and ultimately the improvements in delivery, make it stand out from more entrenched, traditional, ministries with broader mandates (education, health, agriculture, local government and so on), in which management reforms have been far less radical, autonomy lower, and remuneration, human capital, and motivation "drop off" at much higher levels of seniority. Tax revenues rose from 10.3% in 1999 to 15.6% by 2015–16, outpacing far more established regional neighbours such as Uganda, Burundi and Tanzania.

Private-sector development

As noted, Rwanda has continued to deliver high growth, far outstripping pre-genocide levels. The private sector remains nascent however, and public investment has played a substantial role in growth (Figure 8.9). This raises a sustainability risk if private investment does not soon follow.
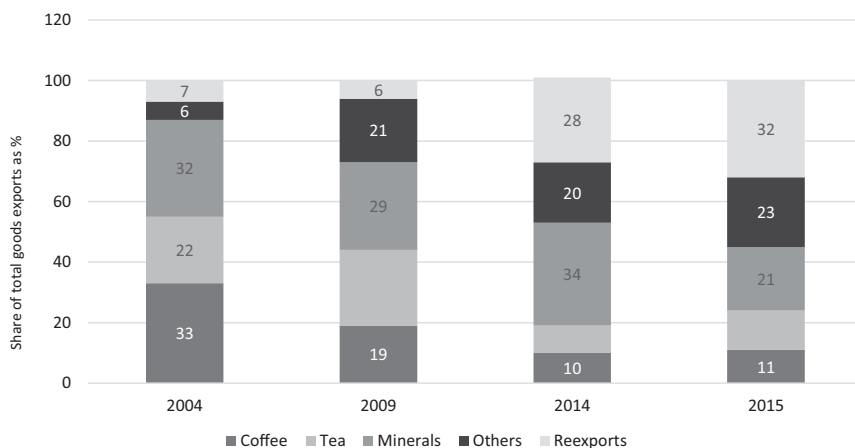
Figure 8.11 Diversification of formal exports from Rwanda, 2004 to 2015.

Source: P. English et al., *Raising Exports and Attracting FDI in Rwanda*. London: IGC, 2016.

Rwanda is arguably progressing through a standard well-trodden path of private-sector development, which has included:

• small-scale agriculture and informal trading immediately after the genocide;
• larger scale agriculture and infrastructure projects (often government-led);
• early "safe" foreign investments (in services like telecoms and hotels, and privatised mines and tea plantations) by the early 2000s; and
• the acceleration of broader foreign direct investment (FDI) since 2006 (particularly since 2011).

Growth has been accompanied by poverty reduction and income diversification for the poor, led by a transition out of agriculture to higher (although still low) productivity services for many poor rural citizens.[91] It has achieved levels of exports to GDP comparable to those in other East African Community (EAC) countries, and exports have also diversified considerably (Figure 8.11). Major success stories for private-sector development include tourism (growing at about 10% per year), coffee value addition, the sectoral shift from farming to services and cross-border trade to the DRC. Manufacturing remains relatively weak.

Reforms

Rwanda has taken pains to project a welcoming environment for new private investors, developing a strong international reputation and brand. Since

2008, it has climbed from 148th to 41st globally, and second in Africa, on the World Bank Doing Business indicators. This has been achieved through relentlessly targeting the indicators, online and simplified formal processes, and the reduction of input costs, such as regional transport coordination and investments. These efforts have included a nationwide land titling exercise, formally titling almost every plot in the country and instituting simple, formal and well-publicised methods for transfer of ownership—arguably with important cross-cutting impacts for security and human development.

Rwanda has also focused on developing the professionalism of the investment promotion and facilitation agency, the Rwanda Development Board. Corruption—both petty and institutionalised—has been tenaciously combatted from all angles. Public tendering processes are highly transparent, and often require foreign bidders; institutional accounts are rigorously audited; and those found guilty of corruption are heavily punished.[92] There is no robust evidence of "corruption" in favour of more state- or party- affiliated firms, and few reports of this by independent businesspeople. Several more independent private firms successfully compete close to the state and party.[93]

Foreign investment

Rwanda has pursued FDI, with a focus on sectors it perceives to be transformative. Special tax incentives are offered for priority sectors including finance, energy, transport, affordable housing and information and communications technology (ICT).[94] The Rwanda Development Board is also charged with supporting and attracting foreign investors, and has been well supported in presenting a professional face to potential investors.

Despite Rwanda's lack of large deposits of gas and oil that dominate FDI in other contexts, inward FDI stocks in GDP grew more than seven-fold from 2006 to 2015, reaching a level above the Sub-Saharan African average. Early FDI centred on the telecommunications and financial services sectors, through "safer" investments like banks and telecoms networks.[95] More recently, in identifying textiles as a priority for mass urban job creation, the government has attracted China's C&H Garments with additional (best practice) training subsidies and the higher education sector, to name a few.

Industrial policy

With an improved macroeconomic environment, security and rehabilitation of infrastructure and factories, several state or party firms were privatised from 2001 onwards. Behuria reports that 31 public companies were privatised between 1997 and 2003, and many more followed (Table 8.3).

A bold move was seen in the privatisation of the mining sector from 2002: government firm REDEMI was the sole concession holder in the 1990s, and exported 60% of Rwanda's cassiterite and 65% of its wolfram in 2004. By the end of 2005, it held just two active concessions. By 2013, Rwanda had 170

Table 8.3 Selected firms privatised 2001–2016

Year	Company	Sector	Sold by	Sold to	Reacquired by state/party firm?
2001	SOPYRWA	Pyrethrum	Government	Four domestic businessmen	Horizon, 2006
2001-2	Tin smelting plant	Tin	Government	European firm (NMC Metallurgie, later Phoenix)	State, 2017
2002	Rwanda Metals	Minerals trade (DRC)	Tri-Star	Botswanan firm	No
2004-5	REDEMI (6 of their 8 active concessions)	Domestic minerals	Government	Several domestic and foreign private investors	No
2006	CIMERWA	Cement	Government (managed by Chinese firm CBMC)	Rwanda Investment Group (RIG)	Most shares sold to BRD, RSSB, Crystal, Horizon (through BMI)
2007	Kigali Intercontinental and Kivu Sun Hotels	Hotels	Prime Holdings	Serena Group	No
2016	MTN Rwanda	Telecoms	Crystal Ventures (final 20%)	MTN Group	No

registered operators and 434 active mine permits. By 2015, two large foreign firms exported 75% of Rwanda's minerals. In 2002, Tri-Star's foreign minerals trading firm, Rwanda Metals, was also sold to a Belgian firm (following controversy over conflict minerals in the DRC), and Rwanda's biggest tin smelter to a European firm.[96]

Privatisation brought several challenges, with some new private investors failing to make adequate capital investments or suffering weak management. Under its new domestic private investors, SOPYRWA's output (mega tonnes of dried flowers) declined by 85% from 2004 to 2008, while farmers didn't receive payments, and buyers didn't receive their orders. After the company filed for bankruptcy, it was taken over by the army-financed Horizon Group.

European firm Phoenix Metals did not utilise the tin smelter purchased from the government in over 15 years, leading the government to revoke its licence in 2017. RIG (already a private investment group with high proximity to the state) had to sell a large number of CIMERWA shares to the Development Bank of Rwanda (BRD) and Building Material Investments Limited (BMI) (a joint venture of the pension fund, Horizon and Crystal).[97]

Furthermore, several new state- or party-owned firms were started during this period, particularly to invest army savings. In 2007, Military Medical Insurance (MMI) and the main finance institution (Zigama Credit and Savings Society/ZCSS) pooled funds to establish Horizon Group, operating mostly in construction. This was followed by Ngali Holdings (2010) (focused on high-tech engineering solutions) and the Agro-Processing Trust Corporation (of which CSS and MMI assumed control in 2011).

These firms are required to turn a profit, providing finance to uphold military benefits and thus morale. Firms directly owned by state institutions or the party also, typically, have resultant mandates to contribute to the national agenda—particularly breaking into sectors that are new for domestic firms,[98] revitalising under-performing sectors,[99] or partnering with foreign investors to "bring them in".[100]

The government in this period also directly exercised some functions that would be conducted by the private sector in other contexts (such as establishing agro-processing units, like the Mukamira dairy factory; running the Rwanda Convention Bureau—a form of logistics agent; delivering fertiliser; and building houses).

The domestic business elite are encouraged to pool their finances in private investment groups (such as Petrocom and the Rwanda Investment Group). These and more independent business elites are expected to show support for the RPF[101] and to contribute to extra-tax fundraising, such as the Agaciro Development Fund. The domestic business elite do receive some support in return, however. Rwanda's largest tax-compliant firms are offered personal tax advice by the RRA, can be awarded Authorised Economic Operator (AEO) status to make trading easier and are celebrated on taxpayers' day.

Firms face both benefits and regulation. It is something of a "Catch 22" that regulation and "soft" demands by the state, plus the higher likelihood of

competing entry by state-affiliated or state-supported firms, can deter poten-
tial private investors, despite the state's intention of supporting the sector.[102]
On the other hand, firms in those priority sectors enjoy better political and
institutional access to advocate for their needs and gain information on policy
shifts.[103]

Support for SMEs

Efforts to support a domestic private sector that is independent of the state
have often focused on small and medium enterprises (SMEs). Efforts have
included:

- an easier corporate and personal tax regime for SMEs (including mobile
  tax payments and no audit risks;
- an export growth facility, providing cheaper credit and loan guarantees
  for SMEs with export potential;
- value added tax (VAT) exemption for firms with low turnover;
- a simplified visa and small traders regime with DRC and Burundi
  (operated by the Rwanda Directorate General of Immigration and
  Emigration/CEPGL);
- the proliferation of government-directed microfinance banks (savings
  and credit cooperatives/SACCOs); and
- the construction of modern marketplaces for informal traders.

These strategies have accompanied certain successes, particularly in the
flourishing SME cross-border trade, focused on the DRC, which reached 11%
of export value in 2015—as much as minerals, or tea and coffee.[104]

    However, Rwanda's SMEs also suffer the burden of stringent standards,
which are particularly hard for typical small firms, with low skills and low
incomes, to meet. Examples include:

- requirements for much more expensive modern buildings or marketplaces
  for traders;
- bans on selling on streets, in bus stations or informal marketplaces (where
  consumers are concentrated);
- food standards (such as the transition to formal milk bars, a ban on street
  food and proposed closure of local butcheries); and
- mandatory licensing for firms in the tourism sector.

    The government has no inherent bias against SMEs and, indeed, often
tries to help SMEs overcome hurdles. Regulation stems from a desire for high
quality across the board, which is deemed important for Rwandans' self-image
and national branding. This consideration is often prioritised over more near-
term job creation and ensuring access to affordable goods and services for
the population, however. If regulations make it too hard for the majority to

operate small businesses and afford basic goods and services, this may become a fragility risk, particularly in a context of rapid urbanisation with low formal job creation.

Job creation

Rwanda is facing an unprecedented demographic proportion of young people (a "youth bulge") that will soon graduate to the labour market. This can represent an opportunity or a challenge. In Rwanda, it increasingly resembles a challenge for state fragility, due to the risk of widespread youth unemployment.

Mass education has raised hopes for off-farm work, but under-investment in quality mass education means that actual skills and learning fail to prepare most students for anything other than very low-skill off-farm work.[105] For example, students learn and are examined in English from Primary Grade 4, and comprehension tests suggest that at least 80% of students at this level effectively understand nothing they are taught (Figure 8.12). With Rwanda's vision of becoming a services-led economy with a low informal sector, basic education is arguably a key aspect of industrial policy under the government's direct control that has been overlooked.[106]

Rwanda is also not on a trajectory to deliver the mass low-skilled jobs needed through formal channels, despite efforts. A larger and less constrained informal and SME sector would normally play a substantial role in delivering the flexible low-skilled jobs now required in rural and urban areas. Unfortunately, as discussed above, there is reticence to fully enable SMEs to the extent of condoning less orderly development.

Institutionalising security

Security has continued to provide the foundation for other achievements and serve as a necessary component for the government's domestic legitimation. Building on earlier policies to stabilise the country and extinguish external threats, since 2000 the government has:

- expanded ethnic incorporation;
- strengthened its security architecture;
- upheld the centralisation of political resources and coercive limits on political freedoms (albeit with some signs of relaxation); and
- shifted the army away from interventions in the DRC, towards domestic development activities and foreign peacekeeping.

Ethnic incorporation

Ethnic incorporation continued in the new millennium. Since the end of the Arusha transition period in 2003, the RPF has been continuously in coalition with several smaller parties. Rwandan cabinets are assiduously ethnically

(a)

P4 Kinyarwanda

zero to 3 questions   4–5 questions answered

zero, 11%	1 14%	2 14%	3 25%	4 14%	5 22%

(b)

P4 English

zero to 3 questions   4–5 questions answered

zero, 58%	1 19%	2 7%	3 5%	4 3%	5 8%
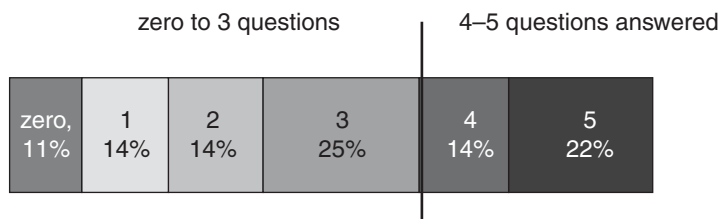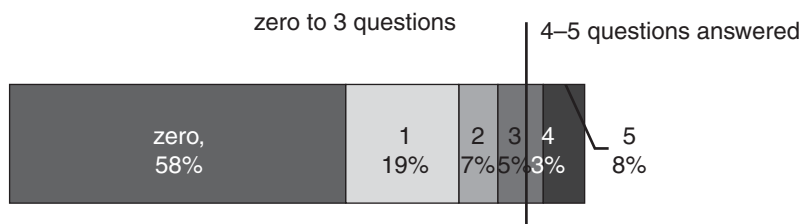
Figure 8.12 Reading comprehension questions correctly answered by Rwandan Grade 4 primary students (out of 5).

Source: Education Development Centre, 2016.

balanced, and there have almost always been senior Hutu military figures in place (e.g. Marcel Gatsinzi, Paul Rwarakabije), although none currently hold the most important offices.

The local elections of 2001 were explicitly cast as being about identifying and incorporating a generation of "Hutu wise men", and recruited over 100,000 people into positions. This was important for legitimation in two respects: it continued to demonstrate that limited, but not meaningless, advancement within RPF Rwanda was possible, even for rural Hutus who had served under the previous regime; and it created a party with deep links across the country and Rwanda's sociological divides.

This mass incorporation did not, usually, entail a dilution of the centralised, technocratic, elite control of the development agenda (as discussed above). Elites immediately below the very top of the constitutional hierarchy (i.e. cabinet, the military high command) are the most visible, and it has therefore been vital that they are visibly representative. However, they do not always represent the core of power.[107]

At the local level, strong efforts have been made to improve ties and trust within communities, from a low basis in 1995. Prime examples are found in the village-level initiatives discussed above under *agaciro*. In particular, the monthly community service, *umuganda*, is arguably as much about building trust and community through neighbours working and talking together, and communicating with local leaders, as about the actual infrastructure improvements achieved.

Reforming national security

The RPF completely overhauled the police force with the creation of the Rwandan National Police force in 2000. Much of the overhaul mirrored reforms of more civilian government institutions (like the case of the Rwanda Revenue Authority):

- the centralisation of hiring and management;
- the introduction of professional management techniques; and
- mandatory training at a national police training school.

However, the police force remained extremely small by international standards—with just 5,800 police officers in Rwanda by 2006.[108]

The military was renamed the Rwanda Defence Force/RDF, from the Rwanda Patriotic Army/RPA) in 2003, "to reflect a more corporate and national institution",[109] and is highly present in Rwandan society, including through:

- soldiers' work on development projects (particularly during "Army Week");
- the mandatory *itorero* military service for school leavers;
- the *igando* placements of new recruits in their home communities;[110]
- military-backed companies such as Horizon Group; and
- soldiers' wider peacetime deployment.

With respect to the latter, soldiers operate regular patrols throughout the country, with many living in camps or their homes in civilian neighbourhoods. This raises the visibility of security structures (a deterrent), while also demonstrating the military's general good discipline and representativeness. It also means that Rwanda does not have huge garrisons insulated from wider society (in contrast to the standard post-colonial pattern), which precludes the formation of the distinctive military sociology behind almost every African coup of the post-colonial era.[111]

The government has also ensured its military are paid on time and receive adequate salaries and perks. All military personnel must have accounts with the dedicated CSS Zigama bank, to which their salaries are paid automatically. MMI was founded in 2005, because many military salaries were too low to qualify for the general civil service health insurance. CSS and MMI finance

was pooled and invested in three holding companies, with a wide range of subsidiary companies. Profits fund the insurance and loans offered to military personnel though CSS and MMI.

Thus, state-affiliated firms have been used to finance essential security structures in a resource-poor environment. Senior military officers are allowed to own firms, approved on a case-by-case basis, and all staff levels can enjoy substantial salary boosts from partaking in peacekeeping operations (discussed below). Finally, promotion within the military is fairly merito-cratic, boosting morale and motivation.[112]

Peacekeeping

Rwanda has arguably used peacekeeping missions to develop and sustain the professionalism (and camaraderie) of the army during peacetime. This is no marginal strategy for the RDF: despite being one of the world's smallest countries, Rwanda is the sixth-biggest contributor to UN peace operations—behind only India, Pakistan, Ethiopia, Nigeria and Egypt. In 2017, approximately one in eight Rwandan soldiers (4,200 of 33,000) were assigned to overseas peace operations. This reflects a steady increase in Rwanda's contri-bution to peacekeeping missions.

Rwanda's peacekeepers have been widely praised for their effectiveness, pro-fessionalism, ability to build positive relations with the communities in which they are embedded and their attention to aspects of peacebuilding beyond conventional military actions (e.g. acting proactively to mainstream gender concerns and address sexual violence). This demonstrates how effectively the army has been professionalised, and is also an important international spill-over of Rwanda's domestic reforms.

Decentralised security structures

With limited resources and a stretched legal infrastructure, the government has mobilised and emphasised local, semi-informal, mechanisms to deal with criminality and other disputes. Citizens are encouraged to first take problems (from theft to land disputes) to village-level security structures.

The most famous have been the *gacaca* courts. Faced with over 120,000 genocide suspects (and 30,000 prison places) by 2000, a system was devised (implemented from 2004) for the majority of genocide suspects to be "tried" and assigned penalties by their communities, before reintegration into their villages. After the close of *gacaca*, annually elected *abunzi* continue to facili-tate mediation and preside over disputes within the village.

Night security patrols are kept by the *irondo*, lower-income members of each village who patrol in return for a set fee from each resident. Such mass mobilisation of civilians to deliver security is testament to the government's high levels of infrastructural power, as well as their capacity to devise innova-tive solutions to resource constraints.

Normative legitimation strategies ("hearts and mind") have been used in concert with violent force. From the 1990s to the 2000s, a transition in the use of violence by state structures was orchestrated, highly significant for state fragility. The less controlled, larger scale acts of retributive violence against citizens in the post-genocide period brought a substantial risk of continuing the cycle of ethnic violence (as was seen in the popular support for the northwest's insurgents). In the 2000s, as compared to the immediate post-conflict period, domestic state violence reduced considerably and became less the result of indiscipline, harder to portray in an ethnic light and more strategically employed to deter behaviours seen as destabilising to the state project.

All states employ violent force to uphold security and other public goods, and there is serious normative and objective disagreement regarding which forms and degrees of state violence are proportionate, useful and consistent with proper respect and care for citizens. Aspects of Rwanda's use of violence have received criticism from Human Rights Watch, Amnesty International and others for lack of due process (such as extrajudicial killings) and/or amounting to torture.

Severe punishments are primarily used to deter deeper existential threats to the government's rule (discussed below). Violent contestation of the state has, in other developing countries, often arisen from the military. Rwanda has taken pains to control risks from within the army, with the use of carrots to raise motivation and commitment (cheap loans, reliable salaries, meritocratic promotion, pride in the military's professionalism, allowing senior officers to own businesses, etc.), as well as sticks, and more neutral organisational reforms (such as the avoidance of large barracks isolated from society, as discussed above). On "sticks", Jowell writes:[113]

> Some violations of conduct within the RPA during the 1990s were punished, even with death … Mass integration of former combatants, coupled with the fact that some … may have participated in genocide, meant that establishing draconian monitoring and control measures was essential for the RPF. Even today [2014], the government monitors its military closely for acts of dissent, and reacts mercilessly to those it perceives to be a threat.

Severe punishments have also been used to deter more petty criminality, in a way criticised by human rights advocates.[114] As discussed above, resource constraints have precluded implementation of a comprehensive professional police and justice system to deal with criminality, and the low-cost local solutions resorted to (noted above) often entail low punishment (the obvious case being genocide perpetrators remaining in their communities, doing community service for neighbours whose relatives they killed). More extreme punishment for criminality is deployed narrowly in comparison

to informal community justice and diplomacy, but is apparently employed intentionally and semi-publicly to ensure a meaningful deterrent is nonetheless provided. In some cases, the extent to which more extreme punitive measures have been centrally directed, or result from continued indiscipline, is unclear. The use of more extreme violent force to paper cracks in the ill-resourced justice system indicates that this may be rendered redundant, and averted, given adequate resources to develop a modern justice system to detect and prosecute crime.

Limiting political competition

Political opposition parties were allowed by the 2003 constitution,[115] and Rwanda runs (multiparty) elections promptly, efficiently and with levels of insecurity that would be the envy of most African states. This may lay ground for secure more open elections in the future. However, serious political contestation (for example, free competition between political parties or for the presidency) has not yet been permitted.[116]

Although by the 2000s, the line between civilians and combatants was far less blurred and the government's legitimacy more secured, experiences from other contexts show that wounds of resentment and mistrust from civil war and genocide can take decades to heal. One risk of open political competition and "free" speech is that opportunists would again mobilise ethnic divisions to pit a Hutu majority against the Tutsi minority to gain political power—easily leading to renewed violence, a literal "tyranny of the majority".

In addition, it remains challenging for the RPF to acknowledge aspects of the historical use of violence (either accidental decentralised, or intentional centralised, cases of violence): on the one hand, this offers a vent to release tensions below the surface (particularly as the government's legitimacy becomes more firmly secured); however, the countervailing risks include that this might reignite divisive public discourse, erodes the potency of their rhetoric for domestic legitimation, or raises barriers to donors' support.

Spillovers: winding down DRC activities

The Rwandan military's overt involvement in the DRC has been wound down since the early 2000s. Estimates of the size of Rwanda's force in the DRC in 2000–2001 range from 4,000–8,000 (a government estimate)[117] to 25,000 (the International Crisis Group[118] and United Nations Panel of Experts),[119] and there is wide disagreement on the date of Rwanda's departure.

- The Rwandan government claims its last military involvement was in 2001.
- "Rwanda Metals", the key state-connected firm trading Congolese minerals, was sold in 2002.
- The Sun City peace accords were signed in 2005.

- While claims abound that two smaller rebel groups, the National Congress for the Defence of the People (CNDP) and M23 (composed largely of Congolese Tutsi based in North Kivu), were still taking orders from Kigali until approximately 2005 and 2012 respectively,[120] it is a matter of some consensus amongst experts that any involvement has been reducing, and that since 2012 there has been very little direct involvement of the Rwandan military in the DRC.

International donor pressure may explain the trend towards withdrawal: the 2002 sale of Rwanda Metals is widely attributed to international pressure regarding conflict minerals, while aid was temporarily cut in 2012 (to which has been attributed a reduction in growth to 4.7% against the 8% period average) due to evidence of Rwandan support to M23. In addition, the ex-FAR Rwanda initially sought to defeat was seriously crippled by the two Congo wars, reducing the need for continued Rwandan involvement, while that involvement had itself intensified anti-Rwandan sentiments among Congolese, raising the risk of more destabilising conflict should it continue.

Despite the lessons and setbacks from these interventionist regional security strategies, Rwanda does continue to face accusations of seeking to influence strategic neighbouring countries beyond formal diplomatic channels. One example is the allegation of support through military training of Burundian refugees following the recent Burundian political crisis. This was denied by the government and never proven; however, the rumours encouraged a step-up in provocations from Burundi.

On the northern border, Uganda's President Museveni has suffered domestically for claims of placing Rwanda's interests over Uganda's. Perceptions and resentment of Rwandan interference in the eastern DRC will take a long time to recede.

Lessons and risks

Rwanda's rise from extreme fragility in 1994 to one of the top-performing countries in Africa for governance, welfare, growth and security encourages many to attempt to learn from, and replicate, its success.

Leadership and legitimacy

Rwanda's success is, however, hard to replicate without extremely strong commitment and capacity from the reforming country's senior leadership. A central concern within Rwanda is that the current effectiveness of the state is dependent, in a non-replicable way, upon a Kagame presidency. The mechanisms of state effectiveness thus far have been premised on the commitment and ability of the President to impose stringent but appropriate demands on the rest of the state.

Finding a successor with a similar astuteness of judgement would be challenging, but likely not impossible. However, it seems highly implausible that any successor could enjoy Kagame's level of authority and the domestic legitimacy within the country, and the RPF, to impose such stringent demands on the state, and to determine the limits of acceptable speech and political contestation.

The RPF and government have built helpful institutions to manage any transfer of leadership. Resources are centralised within the RPF and government, through a dual programme of, first, combatting corruption and patronage, and, second, shepherding the domestic business elite into state or party-owned holding companies or pooled private investment groups.

Rwandans have been incorporated into the RPF en masse, and across ethnic lines, also centralising political authority within the party. Thus, future leaders in the medium run are likely to be selected from within the RPF, and leaders put forward by either Kagame or formal RPF structures are likely to be seen as broadly legitimate. Nevertheless, their decisions and authority will inevitably invite greater contestation, which must be handled carefully to avoid either a slide into repression or a destabilising, or ethnic, politics.

Centralising resources

Rwanda's case demonstrates the security logic of keeping private-sector profits centralised within state or party institutions in fragile states. In pre-genocide Rwanda, a corrupt business elite close to the first lady (the *akazu*) used their power to push policies that enriched themselves to the detriment of the rural poor, then to demonise the Tutsi as scapegoats for the resultant economic and social challenges, culminating in the genocide. In post-genocide Rwanda, centralisation of (domestic) private-sector resources has deterred—and allowed the party to survive—defections, as defecting elites lose access to resources that might be used to challenge the state.

Keeping private-sector resources centralised will be increasingly challenging for Rwanda going forwards. As the private sector grows (and needs to grow) in size and sophistication, it will be harder and less appropriate to keep domestic business elites under a few "large tent" holding groups. The risk of crowding out more purely private investment, including foreign investment, through state and party-led investments, is also real.

Finally, if business assets and activities continue to be targeted when domestic business owners contest the state, the political-economy "rules of the game" must be both extremely clear, and not too taxing, for this risk to not seriously reduce the levels of private investment.

Political space

Delivery of development and security, rather than liberal democratic principles and elections, has driven the legitimation of the RPF and Rwandan

state. Fully "free and fair" elections held too early in Rwanda, before consolidation of the RPF-led process of ethnic reconciliation, could easily have installed a party that again demonised and scapegoated Tutsi. Free speech and media raised a similar risk of ethnically charged accusations. However, lack of these freedoms poses challenges to the government and RPF's ability to identify policy problems.

State effectiveness relies on a tricky balance of both proximity to, and autonomy from, citizens and firms.[121] A relative autonomy, particularly of the presidency, in Rwanda has shielded policymaking from parochial interests, enabling implementation of policies with longer term gains and short-term costs. On the other hand, deep contact with relevant social groups is an asset for any state to understand priorities, recognise appropriate solutions and receive feedback to course-correct. Rwanda has attempted to provide the latter epistemic function through the vast data collection and performance evaluation exercises outlined above, often adjusting policy and dismissing officials in response.

Weaknesses in deeper evaluation procedures—to monitor policy impacts and identify solutions to recurring challenges—remain. The overwhelmingly top-down, technocratic system continues to contain bottlenecks to feedback, while fear of punitive responses limits the scope of feedback provided (both from citizens to government, and within government "chains of command"). Although the relative autonomy of the government has in many cases protected against elite capture of the policy agenda, several pro-poor policy priorities have arguably been excessively deprioritised, or mishandled, as a result of reduced mass versus elite feedback channels. Businesses tend to view Rwanda's power to regulate as a double-edged sword—sometimes creating a stable environment with clear processes, but also directly raising the costs of doing business, preventing exploitation of certain profit opportunities and changing the rules of the game after the fact of investments.

Managing state violence

One of the most important aspects of Rwanda's recovery was that the post-conflict victors "took the first step" to break the cycle of ethnic violence. Reforms were instituted to curb and punish RPF reprisal killings, and complicit ex-combatants and civilians were reintegrated as soon as possible. After the extent of ethnic killing, this was arguably remarkable.

The risk of rebellion and the reignition of violence cannot be treated with complacency in a post-conflict setting. As well as motivational "carrots" for the army and broader population, "sticks" in the form of intelligence and penalties were used heavily in Rwanda, particularly in the army and early post-genocide period. A challenge here is that developing a justice system capable of identifying and penalising-to-deter rebellion, as well as broader criminality, is almost impossible for a resource-poor state, while the need for adequate security measures is heightened; this creates a risk of state violence

without due process (or on the other hand, a failure to control the risks of rebellion and criminality).

Donor support to build professional security systems in post-conflict settings may stem both risks, while Rwanda's case underscores the importance of an early and high-level domestic commitment to limit and centralise control of state violence, particularly ending reprisal or ethnically targeted attacks.

A post-conflict roadmap

Rwanda's immediate priority following the genocide may have been securing its borders and domestic peace, but it also took a longer term view, with early steps to reform the macro-economy and prepare a post-conflict vision of and roadmap for development. Formulation of the post-conflict development agenda was encapsulated by the Ugwiro Consultations and launch of Vision 2020, from 1998 to 2000.

This process added to the legitimacy of the government, while "current" delivery was still hampered by institutional and resource constraints. It was also critical for mobilising and effectively channelling donor finance. Once PFM systems were also brought up to speed, donors could get behind a national agenda that was coherent, sufficiently comprehensive and accepted across much of government and society.

Notes

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2 Bruna Versailles, *Rwanda: Aid Management from 2002 to 2011* (Budget Strengthening Initiative/Overseas Development Institute, 2012). https://bsi.odi.org/wp-content/uploads/2017/09/Rwandaaidmanagement.pdf
3 Sara Rich Dorman, "Post-Liberation Politics in Africa: Examining the Political Legacy of Struggle", *Third World Quarterly* 27, no. 6 (2006): 1085–1101.
4 This argument is not one that commands broad assent, and is made most prominently in Alan J. Kuperman, "Provoking Genocide: A Revised History of the Rwandan Patriotic Front", *Journal of Genocide Research* 6, no. 1 (2004): 61–84.
5 See Howard Adelman, "The Use and Abuse of Refugees in Zaire", in *Refugee Manipulation: War, Politics, and the Abuse of Human Suffering*, ed. Stephen John Stedman and Fred Tanner (Washington, DC: Brookings Institution Press, 2003); Sarah K. Lischer, *Dangerous Sanctuaries: Refugee Camps, Civil War, and the Dilemmas of Humanitarian Aid* (Ithaca, NY: Cornell University Press, 2006), chapter 4; Linda Polman, *War Games: The Story of Aid and War in Modern Times*, tr. L. Waters (London: Penguin, 2010), chapter on Congo; and Fiona Terry, *Condemned to Repeat? The Paradox of Humanitarian Action* (Ithaca, NY: Cornell University Press, 2002).
6 John Eriksson et al., *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience: Synthesis Report* (Paris: OECD, 1996). www.oecd.org/derec/sweden/50189495.pdf

7 Quoted in Richard Orth, "Rwanda's Hutu Extremist Genocidal Insurgency: An Eyewitness Perspective", *Small Wars and Insurgencies* 12, no. 1 (2001): 76–109.

8 The Gendarmerie under the Ministry of Defence, the Police Communale under the Ministry of Local Government and the Police Judiciary.

9 Bruce Baker, "Reconstructing a Policing System out Of the Ashes: Rwanda's Solution", *Policing and Society* 17, no. 4 (2007): 344–366.

10 Returnees from Anglophone countries, notably Uganda, were familiar with an entirely different legal code and system, meaning that diaspora returnees could not substitute into the justice sector as they could in other contexts.

11 Dimitri Stoelinga and Sachin Gathani, *Understanding Rwanda's Agribusiness and Manufacturing Sectors* (London: International Growth Centre, 2012).

12 IMF, *Rwanda: Recent Economic Developments*.

13 Dimitri Stoelinga and Sachin Gathani, *Understanding Rwanda's Agribusiness and Manufacturing Sectors* (London; International Growth Centre, 2012), 25–26.

14 IMF, *Rwanda: Recent Economic Developments.*

15 Tom Goodfellow, "The Institutionalisation of 'Noise' and 'Silence' in Urban Politics: Riots and Compliance in Uganda and Rwanda", *Oxford Development Studies* 41, no. 4 (2013): 436–454.

16 IMF, *Rwanda: Recent Economic Developments.*

17 See Will Jones, *Rwanda since 1994: Capital, Coercion, and Consent* (Oxford: Oxford University Press, forthcoming).

18 BBC journalist Andy Kershaw describes being approached by a friendly RPF outreach officer in the Bujumbura Novotel bar (where most reporters in Rwanda were stationed) in May 1994 and being persuaded to take a trip into Rwanda under the RPF's protection, to report on the horror left in the genocide's wake. See Andy Kershaw, *No Off Switch* (Buster Press, 2014), chapter 36.

19 The Fundamental Law of 1994 set Rwanda's post-conflict governance framework, integrating the 1991 Constitution and the Arusha Peace Agreement, and declaring that power would not be shared with parties that participated in the genocide.

20 E.g. Seth Sendashonga, who had been prominent in student opposition to Habyarimana before the genocide, only joined the RPF in 1992, and went on to become Minister of the Interior during the mid-1990s. After falling out with the government and trying to set up an opposition party in exile, he was killed in 1998 by gunmen who have never been identified.

21 Although it is impossible to arrive at precise figures, much anecdote suggests that many Habyarimana-era *bourgmestres* who had not been implicated in genocide were retained afterwards, simply to retain some administrative structure in the countryside. This class of individuals was not replaced in full until the local elections of 1999.

22 For examples, see Benjamin Chemouni, "The Politics of Core Public Sector Reform in Rwanda", ESID Research Centre Rwanda Working Paper 88 (Manchester: University of Manchester, 2017).

23 Thomas M. Callaghy, "Lost between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria", in *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, ed. Joan M. Nelson (Princeton, NJ: Princeton University Press, 1990).

24 Elijah D. Mushemeza, *The Politics and Empowerment of Banyarwanda Refugees in Uganda, 1959–2001* (Kampala: Fountain, 2007), 103.

25   John A. Nagl, *Learning to Eat Soup with a Knife: Counterinsurgency Lessons from Malaya and Vietnam* (Chicago, IL: University of Chicago Press, 2005).

26   Marco Jowell, "Cohesion through Socialization: Liberation, Tradition and Modernity in the Forging of the Rwanda Defence Force (RDF)", *Journal of Eastern African Studies* 8, no. 2 (2014): 278–293.

27   Ibid.

28   IMF, *Rwanda: Recent Economic Developments.*

29   Their role was transitioned later to community (village) policing structures.

30   In Rakiya Omaar and Alex de Waal, *Rwanda: The Insurgency in the Northwest* (African Economic Analysis, 1998), www.afbis.com/analysis/rwanda.htm

31   After assuming power in July 1994, the RPF quickly split its political wing (remaining the "RPF") from its military (RPA).

32   Such as the appointment of Lt. Gen. Caesar Kayizari, who had hitherto been 301st Brigade Commander in the South-West, to Gisenyi in 1997.

33   This unit was built out of the propaganda corps of the struggle period and received training from a three-man US team between 15 March and 20 April. See the US Department of Defense report on US military activity in Rwanda between 1994 and 1997, available at www.dod.mil/pubs/rwanda/summary.html.

34   Omaar and de Waal, *Rwanda: Insurgency.*

35   Orth, "Rwanda's Hutu Extremist Genocidal Insurgency".

36   These conflicts have spawned an excellent and truly enormous literature. E.g. Jason Stearns, *Dancing in the Glory of Monsters: The Collapse of the Congo and the Great War of Africa* (New York: Public Affairs, 2011); Thomas Turner, *The Congo Wars: Conflict, Myth and Reality* (London: Zed, 2007); Gérard Prunier, *From Genocide to Continental War: The "Congolese" Conflict and the Crisis of Contemporary Africa* (London: Hurst, 2009); René Lemarchand, *The Dynamics of Violence in Central Africa* (University Park, PA: University of Pennsylvania Press, 2011).

37   Amnesty International, *Democratic Republic of Congo: Rwandese-Controlled East: Devastating Human Toll*, AFR 62/11/01 (Amnesty International, 19 June 2001). www.amnesty.org/download/Documents/124000/afr620152001en.pdf

38   Koen Vlassenroot and Timothy Raeymaekers, *Conflict and Social Transformation in Eastern DR Congo* (Academia Press, 2001), chapter on Goma. See also United Nations Security Council, "Security Council Condemns Illegal Exploitation of Democratic Republic of Congo's Natural Resources" (press release, 2001). www.un.org/press/en/2001/sc7057.doc.htm

39   Anna Reuss and Kristof Titeca, "When Revolutionaries Grow Old: The Museveni Babies and the Slow Death of the Liberation", *Third World Quarterly* 38, no. 10 (2017): 2347–2366.

40   The 1990s saw a steady trickle of exits from the RPF, often into exile. Most famously former Prime Minister Faustin Twagiramungu, Speaker of Parliament Joseph Sebarenzi and Minister of the Interior Seth Sendashonda, as well as Major Alphonse Furuma (member of the RPF executive), Major Gérard Ntashamaje (Secretary-General, Ministry of Justice), Déo Mushayidi (Chairman, Rwandan Union of Journalists), Jean-Bosco Rutagenwa (President, IBUKA Genocide Survivors Organisation), Josué Kayijaho (Vice-President, IBUKA), Valens Kajeguhakwa (Parliamentarian) and middle-ranking majors such as Abdul Joshua Ruzibiza, Fred Kwikiriza and Michel Mupende. In March 2000, President Pasteur Bizimungu resigned and went on to found an opposition party. The most prominent later example is Rwanda's "Gang of Four", exiled dissidents who founded

an opposition party, the Rwandan National Congress in January 2011. This comprised former Army Chief of Staff General Faustin Kayumba Nyamwasa, chief of Military Intelligence Lt. Col. Patrick Karegyeya, Chief of Staff to the President Theogène Rudasingwa, and Chief Adviser in the Ministry of Justice Gerald Gahima.

41 Alexander Betts and Will Jones, *Mobilising the Diaspora* (Cambridge: Cambridge University Press, 2016).
42 Rodney Muhumuza, "25 Years After Genocide, Rwanda's Kagame is Praised, Feared" (Associated Press, 2019).
43 With no individual shareholders, profits from Tri-Star (later Crystal) are kept within the company and party, rather than empowering individuals.
44 Pritish Behuria, "Centralising Rents and Dispersing Power While Pursuing Development? Exploring the Strategic Uses of Military Firms in Rwanda", *Review of African Political Economy* 43, no. 150 (2016): 630–647.
45 IMF, *Rwanda: Recent Economic Developments*.
46 All applications were submitted by the agency hiring to the Ministry of Civil Service, which reviewed them all, then submitted the final candidate's application to the Ministry of Finance for approval.
47 As one illustrative example, Prunier cites a challenge by a minister over the disbursement of large unauthorised sums of money to the military: "[In 1996] then Minister of Finance, Marc Ruganera, was asked … by an RPA colonel to give him USD 500,000 'to take care of urgent matters' … The Minister then asked him for a detailed list of personnel for whom this money was earmarked and what their salaries were. Whereupon the Colonel exploded and told Ruganera that he would 'hear about it.' Later, Vice President and Minister of Defence Major General Paul Kagame phoned Ruganera and told him to pay the USD 500,000 to the Colonel 'for the good of the country.' Ruganera did not push the matter any further and arranged for payment of the monies". Gérard Prunier, "The Social, Political, and Economic Situation", issue paper, 1997.
48 Prunier, "Social, Political, and Economic Situation".
49 Jean-Paul Kimonyo, "A Strong Man Building Strong Institutions in a Weak Society?", *New Times*, 8 July 2015. www.newtimes.co.rw/section/read/190418/
50 Omar McDoom assembles the following list of significant departures during this period: "(i) Prime Minister Faustin Twigaramungu, a Hutu of the MDR party in 1995; (ii) Interior Minister Seth Sendashonga, a Hutu from the RPF in 1995; (iii) Justice Minister Alphonse Nkubito, a Hutu in 1995; (iv) Minister of Information, Jean-Baptiste Nkuriyingoma, a Hutu in 1995; and (vi) the Minister of Transport and Communication, Immaculée Kayumba, a Tutsi again in 1995. Later on, several other high-profile departures occurred: (i) Prime Minster Celestin Rwigema, a Hutu of the MDR party in 2000; (ii) President of the Transitional National Assembly, Joseph Sebarenzi, a Tutsi in 2000; and (iii) President Pasteur Bizimungu, a senior Hutu in the RPF, in 2000". See Omar McDoom, *Rwanda's Exit Pathway from Violence: A Strategic Assessment*, World Development Report Working Paper (Washington, DC: World Bank, 2013), 12.
51 Some of the cabinet, the presidents of the important commissions, large national organisations such as ISHEMA, *pro-femmes* and LIPRODHOR, *préfets,* religious leaders and so on.
52 The consultations also informed the National Unity and Reconciliation Policy, the comprehensive reform and other key policies.

53 Paul Gready, "'You're Either with us or Against us': Civil Society and Policy Making in Post-Genocide Rwanda", *African Affairs* 109, no. 437 (2010): 637–657.

54 Eriksson et al., *International Response.*

55 Ibid.

56 *Inzego z'abari n'abategarugori* (National Governance Structures for Women and Girls).

57 IMF, *Rwanda: Recent Economic Developments*, 33.

58 The insurgency in the north-west—Rwanda's prime agricultural region—brought agricultural growth down to 4% in 1997.

59 Eriksson et al., *International Response*.

60 Chemouni, "Politics of Core Public Sector Reform".

61 IMF, *Rwanda: Recent Economic Developments*, 33.

62 Ibid.

63 UNCTAD, "Examen de la politique d'investissement du Rwanda", Conférence des Nations Unies sur le Commerce et le Développement (Geneva: UNCTAD, 2006). http://unctad.org/fr/Docs/iteipc200611_fr.pdf

64 Stoelinga and Gathani, *Understanding Rwanda's Agribusiness*.

65 IMF, *Rwanda: Recent Economic Developments*, 33.

66 Ibid.

67 David Booth and Frederick Golooba-Mutebi, "Developmental Patrimonialism? The Case of Rwanda", *African Affairs* 111, no. 444 (2012): 379–403.

68 All details available ibid.

69 E.g. An Ansoms, "Striving for Growth, Bypassing the Poor? A Critical Review of Rwanda's Rural Sector Policies", *Journal of Modern African Studies* 46, no. 1 (2008): 1–32.

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74 Eric Niyigaba, "EDPRS by Knowless ft Riderman Jay Polly New Rwandan", DJ YANDRAM (YouTube, 5 March 2013). www.youtube.com/watch?v=oFfp Wwcl5e4

75 Quotes from former Ministers of Health, Joseph Karemera and Vincent Biruta, respectively, in Benjamin Chemouni, "The Political Path to Universal Health Coverage: Elite Commitment to Community-Based Health Insurance in Rwanda", ESID Working Paper 72, 2016. https://papers.ssrn.com/sol3/papers.cfm?abstract_ id=2893122

76 *The Economist*, "Closing African Orphanages may be Less Heartless than it Seems", 26 August 2017. www.economist.com/news/middle-east-and-africa/21727 118-case-can-be-made-against-such-institutions-particularly-bigger-ones-closing

77 Jeanine Condo et al., "Rwanda's Evolving Community Health Worker System: A Qualitative Assessment of Client and Provider Perspectives", *Human Resources for Health* 2, no. 71 (2014). https://human-resources-health.biomedcentral.com/articles/10.1186/1478-4491-12-71

78 Figures from Victoria Chambers and Frederick Golooba-Mutebi, *Is the Bride Too Beautiful? Safe Motherhood in Rural Rwanda* (London: Overseas Development Institute, 2012), 4. www.odi.org/publications/6347-bride-too-beautiful-safe-motherhood-rural-rwanda

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80 Paul Ntambara, "Re-distribution of Cows under 'Girinka' Program on Track—Governor", *New Times*, 11 January 2010. www.newtimes.co.rw/section/read/15541

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83 Most information comes from field notes, and from Radhika Goyal et al., "Strengthening Public Sector Performance Contracts" (unpublished International Growth Centre Rwanda Rapid Response Paper, 2014).

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86 Ibid.

87 31% felt these were "somewhat fair" and 34% felt they were "not fair".

88 Unless otherwise stated, the source for all discussion of the Office of the Auditor General (OAG) is Chemouni, "Politics of Core Public Sector Reform".

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90 Chemouni, "Politics of Core Public Sector Reform", 23.

91 World Bank, 2016.

92 Pritish Behuria, "Between Party Capitalism and Market Reforms", *Journal of Modern African Studies* 53, no. 3, (2005): 415–450; and Chemouni, "Politics of Core Public Sector Reform".

93 Several foreign banks compete successfully with the Bank of Kigali (in which the government and pension fund have over 50% of shares). Tigo mobile networks is more popular than (formerly) Crystal's MTN Rwanda in many areas. Several coffee washing stations, tea plantations and mines previously owned by the state have been sold in part or whole to foreign investors under a privatisation drive. Many more examples could be offered. There are also sectors where competition with state or party-affiliated firms is less open. However, the dairy sector is particularly dominated by Crystal firm Inyange, while Crystal's private security firm, ISCO, is (perhaps more understandably) the only security firm licensed to carry guns.

111 Ruth First, *The Barrel of a Gun: Political Power in Africa and the Coup d'état* (London: Allen Lane, Penguin Press, 1970).

112 Jowell, "Cohesion through Socialization".

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114 Human Rights Watch, *All Thieves Must be Killed: Extrajudicial Killings in Western Rwanda* (London: Human Rights Watch, 2017). www.hrw.org/report/ 2017/07/13/all-thieves-must-be-killed/extrajudicial-executions-western-rwanda

115 Which took over at the 2003 expiry of the Arusha Accords, which themselves mandated power-sharing.

116 Former President Bizimungu was arrested in April 2003, after forming a new political party accused of being radically Hutu, and sentenced to 15 years. In 2010, the deputy leader of the Democratic Green Party was decapitated (though no solid evidence ever aired regarding the killer and motive), and Victoire Ingabire (a Hutu who had organised the diaspora's opposition to the RPF, with advocacy focused on the rewriting of history to reflect "the truth", with an apparent focus on RPF killings of Hutu) was given a 15-year sentence for genocide ideology. In 2017, the more independent aspiring candidate for Presidency, Diane Rwigara, had her candidacy rejected, and she and two family members were later arrested, first on tax avoidance charges (which were dropped), and subsequently for inciting insurrection and forgery (of signatures supporting her candidacy). The family's properties were also confiscated.

117 Economist Intelligence Unit, *Country Report: Rwanda* (London: *The Economist*, 2001). https://store.eiu.com/product/country-report/rwanda

118 International Crisis Group, "Scramble for the Congo: Anatomy of an Ugly War", *Africa Report* 26, 2000. www.crisisgroup.org/africa/central-africa/democra tic-republic-congo/scramble-congo-anatomy-ugly-war

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120 The M23 was disbanded in 2012. Key claims regarding Rwanda's links with the M23 rebellion are made in two reports of the Panel of Experts to the United Nations Security Council, *Interim Report of the Group of Experts on the Democratic Republic of the Congo* (2012) and *Addendum to the Interim Report of the Group of Experts on the Democratic Republic of the Congo (S/2012/ 348) Concerning Violations of the Arms Embargo and Sanctions Regime by the Government of Rwanda* (2012).

121 Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press, 2012).

122 Ibid. Fringe benefits were close to zero for junior staff, but directors received benefits worth more than seven times their base salary.

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9 Conclusion

Nematullah Bizhan

This book has investigated the nature of state fragility, policies used to mitigate it and lessons learned. It defines state fragility as a situation where the state suffers from deficiencies in capacity, legitimacy or authority, which can also be associated with a weak economy and low resilience to shocks. While the book uses a multidimensional approach, the analysis gives precedence to vital questions of diversity and context to delve deeper into unpacking state fragility in each context. The book has used the cases of Afghanistan, Lebanon, Burundi, Pakistan, Sierra Leone, Papua New Guinea and Rwanda, each facing different local circumstances, each having a significant impact on its neighbouring region's security or broader questions of global security. These countries have all experienced some form of conflict in recent times; they all suffer from deficiencies in one or more critical areas—state legitimacy, capacity or authority—or have weak economies and remain vulnerable to internal and external shocks. This situation can be referred to as fragility syndrome. During the writing of this book, the regime in Afghanistan collapsed in August 2021. The case studies in this book each identified unique factors that have played a part in their specific context. While the country case studies in this book show considerable variation in political, social and economic development, several consistent themes arise from them. They all recognise the importance of history, society, institutions, politics, the economy—and the interconnectedness between them—and the tensions that can arise amongst them during the state-building process. Thirteen common themes stand out across the case studies, discussed in the following section under lessons learned.

Lessons learned

First, in a fragile state, not only does procedural and performance legitimacy matter, but it also depends on the prevailing political dynamics and social structure. While fragile states lack legitimacy, effective government performance does not guarantee legitimacy. State legitimacy also depends on processes and perception of power by societal or ethnic groups and how they are organised, or in other words, how a society is organised and how the state and society interact. While Pakistan shows considerable variations in

dimensions of fragility across different regions and administrative units, its multi-ethnic composition is an important driver of fragility and instability, exacerbated by uneven economic growth and heightened militancy. In the case of post-genocide Rwanda, improved delivery of essential services, economic development and security helped to improve the government's legitimacy and vice versa. But in Sierra Leone, government performance did not help improve legitimacy. Powerful identity politics marked Sierra Leone's political landscape.

Similarly, procedural legitimacy through elections has limits and in the absence of minimum checks and balances and adequate institutional capacity sometimes can be counterproductive and suffer from fraud and irregularities. This situation in divided societies, and the absence of a political settlement, can exacerbate fragmentation and erode the trust of the majority of citizens in the state. Thus, how politics is organised and the ongoing interactions between state and society affect government performance and processes for building legitimacy.

Second, considering whether adequate public services are provided and how much tax revenue a country can raise are indicators of state capacity; most of the case studies illustrate weak capacity, with variation across sectors and provinces in each country. State-building can exhibit limits for various reasons. The question of how politics is organised and appointments are made significantly affects state capacity. Both state capture and corruption seriously erode state capacity and constrain state-building. This problem is prevalent in environments dominated by politics of patronage. State institutions can also be used for personal benefits or for repressing opponents. A worst-case scenario is if the state is seen as a prize to reward political supporters or ethnic and tribal affiliates by appointing them to government posts and offering them favours. This situation will trigger a constant struggle for state capture, which can be rewarding for a few but lead to cyclical conflict, political instability and weak administration.

Third, institutional legacy and design also affect state capacity. In most of the cases in this book, the institutional legacy as a colonial construct has, by and large, continued with little change after independence. The cases highlight the problem of fit between these introduced institutions and the underlying societies and the power politics that accompany independent state-building. Colonial powers had imposed highly centralised bureaucracies along with politics of divide and rule, which were then maintained by national elites. Subsequent institutional and political reforms had minimal or no positive impact on the performance of governments because they overlooked questions of institutional design. Burundi and PNG are notable examples. In the former case, post-independence elites have perpetuated the politics of divide and rule. In the latter, while the government decentralised the public administration, doing so had a minimal positive impact on the government's performance. In Pakistan, political instability can partly be traced back to its initial conditions of statehood, which saw it formed as a seceding state

with major resource constraints during an uncertain and hostile process of decolonisation. This type of institutional and political legacy can undermine state capacity and legitimacy, increasing the gap between state and society, and making the state vulnerable to capture by elites or by a particular ethnic group. The incentive is thus high for elites to fight for state capture and for those in power to maintain such a power arrangement. In Sierra Leone and Afghanistan, state-building has been subverted by persistent attempts at state capture. Other cases also show constant attempts at state capture.

Fourth, while the literature on state fragility is by and large concerned with the lack of state capacity, the existence of state capacity can also endanger societies if the state apparatus is abused by the leaders—who neither face sufficient institutional constraints and nor are restrained by norms that discourage the abuse—for personal enrichment or to repress citizens systematically. As this book shows, the worst moments of Rwandan history were due to the strength and resilience of the state rather than its weakness. While the capacity of the contemporary Rwandan state to deliver public goods relies on effective, resourced and well-staffed institutions, it is equally valid that the genocide of 1994 is a bleak tribute to state power and capacity. Genocides like this are not possible in most weak states: they rely on potent capacities of mobilisation, coordination and control.

Fifth, the case studies show that nation-building is often overlooked in addressing state fragility. Tensions are observed between service delivery and state-building on the one hand and state-building and nation-building on the other. They demonstrate that there is a tendency to prioritise service delivery over state-building, and state-building over nation-building. This approach often arises out of the urgency of delivering services, political pressure and the need for national leaders and foreign donors to respond to immediate challenges. This is common when the state is weak and suffers from widespread corruption, as was observed in the case of Afghanistan. A lack of balance between service delivery, state-building and nation-building undermines the prospects for building resilience and prolongs state fragility; it even can increase the risk of state collapse.

Sixth, three issues are observed concerning security in the case studies. The first one is that there is a lack of monopoly over the use of force by the state. The second one is a deficiency in the state's capacity to provide security to citizens. And the third one is that leaders abuse institutional capacity. While security sector reform has been pursued as a prominent policy in some cases to prevent states from collapsing and securing citizens' lives and livelihood, it has not achieved the intended outcomes. The major impeding factor has been the capturing and politicising of security institutions by leaders and poor reforms supported by the international community. The demand for security is extremely high in situations of fragility, while the state lacks such capacity.

In some cases, the police violate the law, eroding the legitimacy of the state and the support people provide to the security sector. In addition, a lack of the right balance in building security and civilian sectors poses a threat to stability. In Pakistan, the army as a coherent and strong institution dominated

the state. Because President Ghani dreaded a military coup in Afghanistan, he paralysed the army by appointing loyal but incompetent cliques to key leadership positions. Because of the history of constant military coups in Burundi, security institutions were subverted to a military-political group, ensuring that potential threats to power were kept in check. Despite international intervention in reforming the security sector in Sierra Leone, the country experienced a high level of crime and domestic violence. In PNG, police and army were underfinanced. In all cases, except PNG, the army at some point has either seized power or has been used as an instrument to change regime, resulting in either in a change of government or civil war. The task of building a security sector with minimal checks and balances that can monopolise the use of force and provide security to citizens requires political and technical consensus.

Seventh, despite *de jure* democratisation and an emphasis on inclusive politics, the *de facto* arrangements in these countries are often even far from what North et al. call a "limited access order". "A common feature of [such an order] is that political elites divide up control of the economy, each getting some share of the rents. Since outbreaks of violence reduce the rents, the elite factions have incentives to be peaceable most of the time".[1] According to North et al., maintaining the stability of these rents and the social order requires limiting access and competition. This type of order has a fundamentally different logic from the open-access order. All the case studies in this volume demonstrate that a limited access order is *not* a viable basis for social or political order in the long run in situations of state fragility. The capture of economic resources and state power by elites or a certain ethnic group has not produced lasting stability. While a limited access order may have prevented a short- to medium-term collapse, it has either prolonged or stabilised a degree of state fragility. Limited access is challenged by those groups and elites who have been excluded. Unlike in the nineteenth and twentieth centuries, globalisation has made access to alternative sources of information and the means of violence much easier. The relative stability in the case studies can also be credited to the future promise of building inclusive politics rather than exclusive politics. Some credit can be given to the promise of democracy, even though it remains weak and even though real action has failed to deliver on that promise in these countries.[2]

Eight, the strength or weakness of the national economy matters for state stability and provision of basic services in fragile states. In particular, the private sector can drive economic growth and employment and can be a source of stability and hope. However, political instability, clientelism and lack of access to finance and infrastructure often constrain private-sector development. Corruption and insecurity significantly increase the cost of doing business. A blurring of the roles of politicians and businessmen also tends to undermine the private sector and economic development. Despite the challenges, the case studies show that even in the most fragile situations, private-sector development can pay off in the long run by generating employment, revenue and hope. The case of Lebanon shows how the private sector can play a vital role in preventing conflict and in contributing to economic

growth; as far as GDP per capita is concerned, Lebanon remains the top economic performer amongst the case studies in this book.

Ninth, most case studies, except post-genocide Rwanda, show that national leaders often overlook opportunities to build on critical moments of teaching or address problems sustainably. A path dependency is usually found in failing to build on successes. This is particularly evident in Pakistan, where the government could not sustainably build on periods of growth and stability and permanently resolve long-festering political disputes. Other cases also show the persistence of overlooking such moments and the need for adopting corrective measures. In the last two decades, national leaders and elites in Afghanistan failed to build on the lessons learnt and opportunities provided by international aid and domestic support to improve the economy and resolve national problems, including the conflict, which the country had suffered for decades. National leaders can best reduce fragility by building on teachable moments and domestic success stories. However, politics of patronage and state capture encourage national leaders to trade off long-term agendas that benefit the majority of people to those that are self-serving and benefit a narrow group of supporters. Unrealistic or wishful policies and strategies can either prolong or deepen fragility. Moreover, success in one context may not be applicable in another. National leaders need to have a clear understanding of what an effective and legitimate state would look like and an accurate view of the realities on the ground.

Tenth, women relatively suffer the most in situations of fragility. They can be victims of discriminatory gender norms and practices, gender-based violence, weak institutions, lack of access to basic services, and exclusion from political and economic decision-making. In worst-case scenarios, the state can be used against women, or women become the main target of revenge by non-state armed actors. Following the fall of the Afghanistan republic in August 2021, which had guaranteed the fundamental rights of women, once the Taliban group assumed power by force, it formally banned girls from access to secondary school and restricted women's activities, reinstituting a "gender apartheid", which they had enforced under their first rule in Afghanistan (1996–2001). During the 1994 Rwandan genocide, up to half a million women and children were raped, sexually mutilated, or murdered. In PNG, violence against women has undermined women's security and empowerment. In addition, the government has not been able to promote women's participation in national politics effectively. The PNG parliament has had only seven female representatives from 1975 to 2021, and no female representative from 2017 to 2021. The policies for reducing fragility need to identify pathways that can protect and empower women and improve their participation in political and economic decision-making.

Eleventh, the role of external actors in assessing state fragility is underestimated. In Afghanistan and Lebanon, state fragility has been deepened or prolonged by the intervention of regional states, Pakistan in the case of Afghanistan and Iran and Saudi Arabia in the case of Lebanon,

pursuing their interest through proxies or non-state armed actors. Multiple external actors with conflicting interests often intervene, creating a balance of power among local actors, leading to a permanent deadlock (e.g. Lebanon) or a prolonged conflict (e.g. Afghanistan). Conflict and fragility also spill over. The former Federally Administered Tribal Areas of Pakistan suffer from chronic underdevelopment, pervasive non-state militancy and regional spillovers from conflict in Afghanistan or *vice versa*. Neighbouring countries also played a critical role in Rwanda, Burundi and Sierra Leone, prompting regime change and conflict. The role of regional actors is often overlooked, which greatly affects prospects for state fragility.

Twelfth, international policies have limits in reducing state fragility. While aid can be instrumental, it can also have paradoxical impacts. As seen in the case studies, fragile states rely on foreign aid. For foreign donors, fragile states pose a national security threat. Donors use efforts to reduce fragility as means of mitigating such threats. However, as the case studies in this book demonstrate, external intervention has limits, and aid has not effectively helped reduce state fragility. Making aid more effective may depend on two crucial questions: whose priorities should be given the greater weight, those of local actors or donors; and how to deliver the aid—whether to work with the governments in place or bypass them. If local priorities are given greater weight and if donors work with recipient governments, aid will likely become more effective. However, the evidence shows that domestic legitimacy, international recognition and state capacity determine how donors allocate and channel their aid.

Thirteenth, the major sources of resilience in the case studies are observed to be societal at the community level, such as in Afghanistan, Sierra Leone, Lebanon and PNG, filling the void being left by the state mainly by offering informal social safety or dispute resolution and informal governance. In addition, resilience is also observed at the sector level, such as the existence of a private sector in Lebanon, in the different regions in Pakistan and state resilience in delivering public services in Rwanda. However, the case studies show a relative lack of appreciation and intervention to enhance resilience and mitigate internal and external shocks. Reducing fragility will depend not only on addressing sources of state fragility but also on building on the existing strengths and (domestic) sources of resilience across the state, society and market. While short-term gains are preferred in crises, a balancing act that can combine short-term and long-term gains could help sustainably reduce fragility.

Since the emergence of fragile states as a great area of concern since the 1990s, especially in the field of security or development, the term has evolved to offer a more nuanced understanding of state weakness and its consequence. However, the state-centric approach, which most international institutions adopted to define or address state fragility, has been criticised for overlooking the role of society or the local perception of legitimacy. Instead, the emphasis was put on the state–society relation to understand state weakness and

resilience. Some scholars have called for a balanced approach to incorporate nation-building in the process of state-building. Therefore, a multidimensional approach is essential in studying state fragility, which can account for state and society—or in other words, state capacity and authority in the first case and legitimacy in the second.

This book argues that state fragility can be seen as a partial or heterogeneous concept. In the former, pockets of fragility and resilience coexist, while in the latter, the nature of state fragility significantly differs across different regions in a fragile state. The case studies in this book demonstrate that pockets of resilience in fragility can exist either at the local level across communities (e.g. in PNG), or the national level across different government departments (e.g. in Afghanistan), or across different regions/provinces (e.g. in Pakistan), or even different sectors (e.g. in Lebanon). The book thus demonstrates that a one-size-fits-all approach does not work even within a particular fragile state. A more nuanced and flexible approach that can be sensitive to institutional, geographical, sectoral and societal needs is imperative. Fragile states can either progress to a more stable polity, as was observed in the case of Rwanda, or can collapse, which happened in Afghanistan (August 2021), or even remain stable for an extended period, as has been observed in PNG.

Visions for transforming fragile states must be sensitive to their real circumstances. It might be inspiring to imagine transforming a fragile state into a Denmark but attempting to do so would be highly problematic. A fragile state does not have the human capital, financial resources or institutional capacity to achieve such a vision. In addition, Denmark, wonderful as it is in its own context, may not offer a plausible institutional model in a different context. Therefore, the challenge is to trigger policy reforms and institutional restructuring and, above all, to provide encouragement to rethink the problems nations face in situations of fragility to transform themselves into stable polities. The attempt to reduce state fragility in any country "has to begin with a clear sense of what constitutes success, and an understanding of the process by which it is achieved".[3] The biggest challenge is how to build an effective and legitimate state whose prime focus is on developing the economy and building capacities that benefit protect the fundamental rights of citizens.

Pathways for reducing state fragility require an understanding of how a nation can survive fragility in the first place, and this differs from one context to another. It is imperative to examine the local dimensions of state fragility, their interconnectedness and the lessons learned. As such, this book recognises the importance of institutional legacies, the nature of polities and social make-up in understanding state fragility, their importance for government performance and their effects on legitimacy or vice versa. The case studies also illustrate a profound tension between service delivery, state-building and nation-building, and how a lack of balance among these objectives induces fragility. Two types of external intervention are seen to have a major impact. External spoilers can induce and prolong fragility through the intervention of non-state militants. And although foreign aid is provided in the hope of

reducing fragility, in its current form it has, in fact, had a minimal positive impact. On the other hand, the case studies show that pockets of resilience can coexist and that the private sector can make a positive contribution even in the most fragile states. This book's findings emphasise that attempts at reducing state fragility need to go beyond a narrow state-centric approach. In addition to state-building, governments need to prioritise nation-building and economic development. At times, these attempts may work against each other, requiring a thorough understanding of the context and establishing a necessary balance among them.

Notes

1 Douglass C. North et al., *Limited Access Orders in the Developing World: A New Approach to the Problems of Development* (Washington, DC: World Bank, 2007), 1.
2 The failure of limited access order in these cases, by and large, conforms to the thesis of Acemoglu and Robinson, who argue that exclusive institutions are the main causes of political and economic failures among nations. See James A. Robinson and Daron Acemoglu, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London: Profile, 2012).
3 Commission on State Fragility Growth and Development, *Escaping the Fragility Trap* (London: Blavatnik School of Government, Oxford University, and International Growth Center, London School of Economics 2018), 47.

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