



SID

Society for International Development

SID-NL Lecture Series 2011-2012

“The State in a Globalizing World. Problematic, yet indispensable”

Panel discussion: **The role of the state in development: the case of fragile states**

On Thursday 15 December 2011, **Ruud Treffers** (World Bank), **Seth Kaplan** (author of ‘Fixing Fragile States’) and **René Grotenhuis** (Cordaid/SID) engaged in a debate on the role of the state and foreign interventions in development in fragile states. This panel-discussion was organized at the VU University, as part of the 2011-2012 Series ‘The State in a Globalizing World’. The discussion was chaired by Rick van der Kleij.

In his introduction, **Seth Kaplan** pointed out that we first need to realize that ‘the state’ is much more than only its physical form, and ‘development’ means more than only income growth, before we can discuss the role of the state in developing fragile states. He argued that ‘the state’ should, in broad terms, be seen as an instrument to deliver a certain amount of public goods, and it is very hard to have any development without this form of state. What is promoting development in Bangladesh, a country with considerable development, but at the same time a very weak state? Somaliland in this context, is not recognized as a state, but has a good amount of public order in some places, and it does have a government. According to Kaplan, any institution that is able to provide public order and public goods can be part of ‘the state’ in the broad sense of the word. In terms of development, Kaplan argued, there are many countries with a functioning government, and growing income rates, but which have not developed very much, such as some oil-rich countries. Development can be defined on micro-level, which is about how people develop and change their way of thinking, and on macro-level, where it is more important how a country is organized, how it creates wealth, and to what extent governments can be held accountable. The definitions of ‘state’ and ‘development’ can thus encompass many things, but for a country to develop in a way that is sustainable and inclusive, a strong state is needed.

Someone from the audience asked to what extent Seth’s analysis is true for China’s involvement in Africa. Regardless of whether there is a government or not, the Chinese are doing business in fragile states, could this be seen as part of development? Kaplan argued that while China, like everyone else in the world, is primarily looking after its own interests, some of their activities are beneficial. And it seems that the stronger the local government in Africa is, the more likely it is that Chinese activities are beneficial. A country in chaos with a very weak government is in a very bad position to protect itself. It is thus in China’s best interest for Africa to be developed in the long term. However, there are also actors, like Shell, who are only interested in the country on a short term. When asked what companies like Shell can do to help a country like Nigeria in strengthening its state, Kaplan argued that outsiders cannot do very much to help and warned that it is the smaller, more obscure, companies, that we should really be worrying about.

Ruud Treffers explained in his introduction that the influence on policies and operations is exercised through state-legitimized organs, as the World Bank’s membership consists of national sovereign states. . The World Bank’s recent report on conflict security and development, introduced to a certain extent a paradigm shift for the World Bank’s policy, as the last century was

more characterized by interstate war fare, while it is now more and more about intrastate war fare. These conflicts within borders and societies undermine any potential for development. Treffers explained that in one third of all fragile states, some 1.5 billion people are affected by conflicts and post-conflicts. In all these countries, the MDGs will not be achieved. For the World bank it is novel that they can't rely solely on state functions, because they lost legitimacy from the people, or are represented by weak institutions. Treffers emphasized the need to restore confidence in the mechanism of the state in order to bring stability, and to legitimize institutions, that can provide justice, security and jobs. This requires a long-term and consistent approach. One of the conclusions of the report is that the costs of inaction are enormously high in terms of loss in GDP, and thus more emphasis on prevention is needed. But investing in prevention is usually not a priority, because of other crises that need attention. The realization that certain problems cannot be dealt with in isolation, has been present in Dutch policy for a longer period, known as the 3D approach – diplomacy, defence and development, which was strongly emphasised in Afghanistan. The World Bank now recognizes that in peacekeeping it is crucial to rely on other actors and to foster partnerships. In 2013 the World Bank will publish another report on jobs, in the aftermath of the Arab Spring. Youth-unemployment is a time-bomb, that strongly needs to be addressed.



After Treffers' presentation, one of the members in the audience questioned whether the conflict in Afghanistan was really based on the 3D approach, as it often seemed merely a defence mechanism. Treffers responded that, regardless of the trigger, the USA's actions are now within the 3D mechanism, realizing that military power is not enough to solve the problem. Another participant asked about the World Bank's future approach; While the World Bank has an important role to play in setting standards, at the same time, it works on new

systems that might undermine existing standards. Is the World Bank trying to set examples or will it give more responsibility back to countries, even in more or less fragile states? Treffers explained that the World Bank believes that true development is only possible with country ownership. But it is necessary to have an idea about the standards and conditions under which the World Bank is able to develop and what it stands to lose when these circumstances are not there. Standards are important, but in order to be effective, an ad-hoc approach is crucial as well.

Then a member in the audience noted that Dutch policy on development cooperation is increasingly centred on self-interest, to which Treffers replied that this focus could be quite beneficial for development. He explained that the government has primarily chosen to put emphasis on strongholds of Dutch expertise. Involving the private sector is essential and logical, and it has full support from the developing countries. It is the private sector that can create jobs, also in fragile states.

René Grotenhuis pointed out how the agenda on fixing fragile states is changing, mainly because it is clear how fragility is a consequence of criminal activities and not only of state failure. At the heart of fragility is the issue of (youth-)unemployment. Security in fragile states is not the only issue at hand, we also need to look at what future prospects we can offer young people. This

week, the Dutch share in the Afghan mission was evaluated and its conclusion was that the private sector is very weak, and there are hardly any opportunities for doing business in Afghanistan. In order to create jobs, a conducive environment for business needs to be realized. Fragile states already received attention during the negotiations in Accra four years ago, and the recent Busan declaration also includes a specific deal on fragile states. While more stable African countries are increasingly finding their own future paths, fragile states are and will remain the hard nuts to crack in the development challenges that we are facing. Grotenhuis argued that instead of looking only at state building in fragile states, we should not overlook civil society and local communities. Countries are not a blank sheet; in the Eastern part of Congo, there is an infrastructure of communities, and women and tribal communities that all play a vital role. We cannot and do not need to start from scratch, and we should build upon what already exists. Also when delivering services, local realities and relations need to be considered.

Grotenhuis was asked how he would consider the private sector approach in relation to the existing infrastructure of communities and civil society organizations. He responded that an active private sector exists in fragile states, but that in most of these countries, the economy is largely informal. How to make best use of this system? In the first phase during conflict and post-conflict situations, international co-operations cannot do much. Large co-operations will always be there, but in order to create jobs, we need to build on the informal medium/small enterprises. Capacity building for the existing private sector at large is much more relevant than supporting a Dutch company that has to start from scratch.

Discussion

When asked whether we should stop giving money to civil society organizations in fragile states, Treffers argued that civil society organizations are a valuable complement to whatever governments or international organizations are able to achieve. They are the eyes and ears on the ground and also important from a political perspective. How could we help civil society organizations to build social cohesion from the outside?

Kaplan explained that we have little influence from the outside. There are a few things we can practically do, like improving roads and



develop television programs that promote national identity in order to realize behavioural change. The more cohesive and stable the state is, the more effective measures are. We need to give people in fragile states more power to help themselves with more education and good public officials. In most cases the state consists of thousands of people, and in some cases even millions. They need training and a strong moral compass so that they will act in the interest of the people. The only people who are going to solve their problems are the people themselves, and the international community can only give them greater capacity to do so.

In the audience someone noted that in some of the fragile states the authorities, dictators, received a lot of their legitimacy based on external agreements, which shows that outsiders do have a lot of influence. Kaplan reacted by saying that we are talking about two different things: what makes states work or not, as opposed to what helps people to stay in power. We have some

responsibility, but are the Syrian people going to be better off in the end, because we are crying about their bad government?

Grotenhuis agreed that the question of internal and external is important. It is very difficult to fix the state from outside, but where do we find meaningful relations on the local level? It is necessary to be modest and honest to learn what the dynamics are in the relevant country. Also in fragile states there is a lot of creativity and innovation and we should build on that.

Increasingly, organizations and countries are leaning towards private sector investments, which means that more and more businesses are venturing into a place where they have not been before. What is being done by the private sector, the World Bank and civil society groups to develop benchmarks that will help states to benefit from these investment? Treffers replied that the International Finance Cooperation (IFC), a member of the World Bank Group, has a systematic approach to aid the private sector to invest in fragile states. By rendering technical advice and negotiating with companies how to invest best, an enabling environment is created.

One of the participants in the audience was looking for an answer to the question whether the role of the state is indispensable or not; one of the main questions of the SID Series at hand. The panellists all seemed to agree that the state is disintegrating in many countries, although Kaplan noted that that would, incorrectly he argued, assume that they were once integrated. He argued that in many fragile states, the problems are worse than before, but we cannot assume that the state was strong before. If we ask what we *can* do to fix fragile states, the answer is that we cannot do much, but to create capacity. The international community is limited by its frameworks: the way we chose to see the world, limits our options. The Netherlands is not a fragile country by our definition, but is there ever a country that is a 100% stable? We are all living on the same planet and we are increasingly dealing with the same problems. It would suit us well to be more modest and humble in negotiating solutions. When looking at problems involving the extractive industries and the issue of land grabbing, what we can do is to withhold support, and to reach out to the people and pressurize the actors involved. In trying to fix fragile states, we do have some responsibility, but we are limited to influence.

