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**Conference Paper**

## Working group on building states and markets

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## The Global Polity

# Working Group on Building States and Markets

### The Challenges

The GES Working Group on State Building will have two related goals: first, to reach consensus on how the international community can best contribute to state building in developing countries; and second, based on that consensus, to propose a series of practical projects that the GES network can undertake.



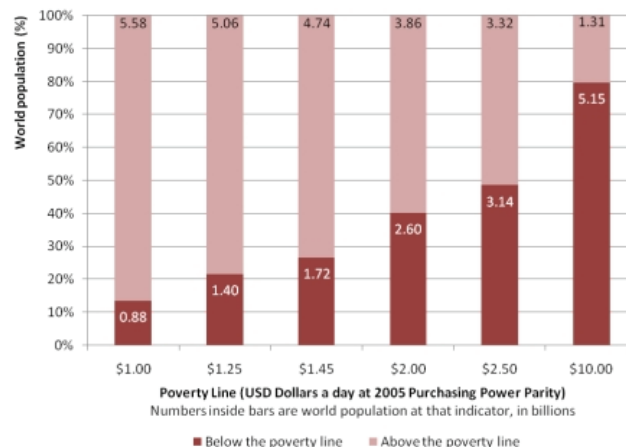
State building—the strengthening of the legitimacy, robustness, and resilience of the state—has steadily marched up the international community’s agenda in recent years. Unfortunately, however, the most common state-building prescriptions—such as more aid, competitive elections, and economic reform—do not seem to work well in practice.

The roots of state fragility lie in the combination of weak social cohesion and feeble state institutions. International action to combat fragility, therefore, should be first and foremost about encouraging institutional changes that foster a stronger sense of unity and a stronger sense of local ownership.

Finding the right balance between decentralization and centralization is key, as is the use and development of indigenous capacities. Countries must be given the ability to solve their own problems.

The Working Group will recommend a series of practical, concrete measures that the GES network can take towards this end. Some proposals may focus on developing key “nodes” that promise to have multiplier effects across institutions: for example, establishing organizations that will improve the quality of governance, teaching, administration and management, and law. Other proposals may center on equalizing access to opportunity for the economically and politically disadvantaged and reducing inequities across groups and regions. Any and all recommendations will be entertained provided they meet two criteria: They can be implemented by the GES network, and their implementation will help make states more inclusive, more cohesive, and more development-oriented.

Percent of people in the world at different poverty levels, 2005







## **Discussion Background**

### **Seth D. Kaplan**

*Managing Partner, Alpha International Consulting*

This document aims to provide a basis for discussion of state building by the GES working group. The aim is not to present a comprehensive diagnosis of state weakness or a definitive prescription for state building but to stimulate debate. To this end, this document:

- sketches the nature and scale of the problem;
- analyzes the roots of state fragility;
- argues that the international community should rethink how it assists state-building efforts;
- spotlights three key challenges that must be met if a new state-building strategy is to succeed;
- identifies a handful of countries that should be high on any state building agenda; and
- suggests a number of practical projects that can be launched in the immediate future.

### **The problem with weak states**

State building—the strengthening of the legitimacy, robustness, and resilience of the state—has steadily marched from the fringe to the very center of the international community’s agenda. Major powers across the globe increasingly recognize that their interests are endangered by weak states—sometimes called fragile states. Television and other new media have made people everywhere painfully aware of the hardships endured by the citizens of such states.

The list of countries whose faltering efforts at state building threaten international stability and other interests of the international community grows with time. Pirates operating from Somalia are disrupting international shipping. Terrorists originating in Afghanistan, Pakistan, and Yemen are attacking civilian and political targets at home and abroad. UN peacekeepers are needed to restrain violent conflict in states such as Sudan, Sierra Leone, Haiti, and Bosnia-Herzegovina. Ethnic fighting in Nigeria, civil unrest in Ecuador, and concerns over the stability of Iraq are all contributing to rising oil prices, threatening to derail growth worldwide. Countries where governments have trouble controlling all their territory—such as Colombia and Afghanistan—continue to be the source of much of the world’s illicit drugs.

Meanwhile, the peoples trapped in these places are forced to endure the world’s most miserable lives. Depending on how broadly weak states are defined, up to 2 billion people suffer the consequences of these countries’ meltdowns. Generally poor, undereducated, and undernourished, these communities are denied the opportunity to benefit from the explosive growth of international trade and investment. Three out of four of those living in the most dysfunctional places (some thirty countries) are affected by ongoing armed conflict. The 500 million people in these states “share bleak socioeconomic indicators—from GDP per capita levels typically half that of low-income countries; child mortality rates twice as high as other low income-countries; mortality rates plummeting by up to thirty years as HIV afflicts over 42 million; and over 200 million lacking access to improved water and sanitation.”<sup>1</sup>

Sadly, despite the surge of interest among multinational companies in the developing world, and the concomitant rise in trade, investment, and outsourcing, weak states garner almost no benefits from globalization because the costs, dangers, and difficulties of doing business there are so great. As a result, fragile states typically export no more than a handful of commodities,

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<sup>1</sup> World Bank, *Fragile States: The Low-Income Countries Under Stress (LICUS) Initiative* (Washington, D.C.: World Bank).



often produced in protected enclaves that limit opportunities for embezzlement and violence. The flawed commercial environment hinders corporations from making their greatest contributions to local economies: Few managers are trained, hardly any local companies learn how to supply internationally competitive products, and governments are not challenged to improve their standards of performance.

The seemingly irredeemable nature of fragile states suggests a new global bipolarity forming between, on the one side, those countries gaining from globalization and, on the other side, those that are losing. Developing countries that enjoy a reasonable degree of stability and the rule of law, such as China, India, Turkey, Botswana, and Chile, are becoming more interdependent with the international market and are reaping the consequent benefits in terms of investment and prosperity. But where a state is too dysfunctional to establish these conditions, instability feeds on itself, emasculating efforts to reform government institutions, thwarting attempts to cultivate a business climate that attracts investment, and permanently disconnecting territories from the benefits of trade.

### **The roots of fragility**

State building has for the most part failed in weak countries because of a misdiagnosis of their problems and an unnecessarily narrow agenda amongst those in the international community seeking to provide assistance.

The illegitimacy and poor governance that debilitate fragile states can be traced to many factors—such as colonialism—that have combined to detach states from their environments, governments from their societies, and elites from their citizens. Whereas a robust state uses local identities, local capacities, and local institutions to promote its development, a weak state's formal governing structures undermine all of these indigenous assets. As a consequence, a weak state can not leverage its people's histories and customs to construct effective formal institutions with wide legitimacy; nor can it draw on the social capital embedded in cohesive groups to facilitate economic, political, and social intercourse; and nor is it able to employ the traditional governing capacities of its citizens to run the affairs of state. The sociopolitical, geographical, and economic problems that typically lie at the root of state dysfunction are usually systemic in nature and complicate all efforts to reform governments and economies.

The political identity fragmentation that is a hallmark of these states directly impinges on their ability to foster the positive institutional environment necessary to encourage productive economic, political, and social behavior. In the early stages of development, when formal governing institutions are typically feeble, states must depend on the resilience of their societies to police members' behavior, to lower the cost of various transactions between members, and to encourage the security of property. Whereas many cohesive groups of people with long common histories have developed sophisticated political, economic, and societal systems that maintain stability and foster economic progress, divided populations have no such mechanisms.

Such societies suffer from severe shortages of trust—a prerequisite for any economic and political development. Democratic systems can not function without trust; where there is little trust, there is, for instance, little incentive to accept the results of elections. Prosperous economies likewise depend upon a certain level of trust, which is a key ingredient in all but the briefest of commercial transactions.

The state in weak countries is so weak because its societal roots are extremely shallow. Imported state structures and laws have little relevance for populations whose own institutions, norms, and systems of governance are deeply embedded in centuries of common history and intricate social relationships. A state that ignores indigenous capacities for institution building undermines the ability of its citizens to manage their own affairs—and reinforces a dependency on outsiders.



The very nature of the formal state in many fragile states frequently exacerbates their problems. Overly Westernized legal, governance, and education systems preclude local communities from taking advantage of their own resources, capacities, and social networks and create unnecessary conflict between formal and informal institutions. Highly centralized governing structures in countries where formal state bodies remain ineffective and where alternative sources of income remain few force groups to compete for scarce state resources, accentuating political identity fragmentation in the process. Society in such environments becomes obsessed by this conflict, not with generating wealth or increasing national prestige.

The deadly combination of weak social cohesion and feeble state institutions (in some cases complicated by difficult political geographies and a lack of a necessary critical mass of human resources and market size) creates problems that are not amenable to the types of solutions—such as more aid, competitive elections, and economic reform—typically advocated by the international community.

## **Rethinking international assistance**

International institutions involved in state building today pay lip service to the idea that states will not prosper unless they are built by local people using local resources, but the great majority of development projects continue to be implemented with inadequate attention to the local social, cultural, and institutional context. By not seeking to better integrate indigenous institutions into the formal state—and thereby precluding the evolution of any organic process of reform led by local communities and driven by local resources—the imported, generic model of state-building has in fact perpetuated the most artificial aspects of postcolonial states, preventing them from developing real ties to their own citizens. Such an approach exacerbates existing ethnic, religious, and tribal divisions; encourages an unhealthy dependency on foreign aid; undermines whatever governing capacities local peoples have developed on their own; and torpedoed the chances of fragile states ever becoming self-sufficient.

States can not be made to work from the outside. International assistance may be necessary but it is never sufficient to fix fragile states. Instead of seeking to impose a Western-style blueprint unsuitable for local conditions, international action should be first and foremost about encouraging the creation of governing institutions that better leverage or help form the cohesive societies necessary to promote development on their own. States work effectively when they are a logical reflection of their underlying sociopolitical, historical, geographical, human resource, and economic environments, and when they are deeply integrated with the societies they purport to represent, able to harness the informal institutions and loyalties of their citizens.

Indeed, it is not coincidence that the most successful countries in Africa and the Middle East—Botswana, Somaliland, the United Arab Emirates, and Kuwait—are all built upon traditional identities and institutions accepted by the great majority of their citizens. (Cohesive societies, it may be noted, are also able to escape the “resource curse” that seems to afflict all other developing countries.) In contrast, countries whose governments are the least dependent on their indigenous social structures—such as Nigeria, the Democratic Republic of the Congo (DRC), Somalia, and Syria—are much more likely to have corrupt officials, illegitimate states, and ineffective systems of governance.

The key to fixing fragile states is, therefore, to deeply enmesh government within society. People in Africa, the Middle East, Latin America, Central Asia, and elsewhere have enormous political, socioeconomic, and cultural resources built up over centuries that can serve as the foundation for political, economic, and social development. What these people and these countries need are state models and structures that can be adapted to take advantage of those resources. Foreign assistance needs to complement and reinforce local capacities and institutions and be disciplined enough to avoid undermining or warping locally driven arrangements, which is all too common today, especially with the tendency of so many





international programs to focus on financial aid targets, poverty reduction targets, and the importation of generic and typically centralized state models.

Such an approach would emphasize:

- institutional changes that foster
  - a stronger sense of unity,
  - more decentralization and use of indigenous governance assets,
  - greater integration of traditional norms into state institutions to form hybrid systems of governance;
- capacity building; and
- the empowerment of individuals, families, communities, and small businesses.

Building unity among disparate peoples at both the national and local levels needs to be a major focus of development. Ghana, one of the more cohesive countries in Africa, has actively promoted national integration by investing in infrastructure, education, and health in the poorer northern areas; by supporting the study, teaching, and use in television and radio of all major indigenous languages; by prohibiting the formation of political parties based on ethnicity, religion, or region; and by maintaining the ethnoregional balance in the political sphere. The kind of consociational government introduced in Burundi offers a variety of opportunities to build coalitions and to reduce tensions by lessening or eliminating real or perceived imbalances in representation in cabinets, civil services, legislatures, and the military (Kenya was urged to take similar steps in the wake of its 2007–08 election turmoil). Similarly, apportioning the profits from natural resources in a fair and transparent manner, ensuring that social spending is impartially distributed (something the international community rarely considers even if it is the source of the funds), and reducing economic inequities between rival groups would dispel some of the potential for friction in divided polities. Promoting programs that create stronger social and cultural bonds across groups, that institutionalize cooperation, and that promote reconciliation can strengthen national bonds, diminishing intergroup frictions in the process.

States will work better if their authority, financial resources, and systems of accountability are decentralized around relatively cohesive population groups—such as clans in Afghanistan and Somalia, and the Kurds in Iraq—that are better able to capitalize on their common interests and affinities. In large, sprawling countries such as the DRC and Sudan, locally driven development initiatives are more likely to succeed than programs centered on the national government, to which few people have any loyalty. Constructing a series of competent city-based provincial bureaucracies built around relatively cohesive populations and based upon locally accepted institutions promises better governance than trying to shore up a national government that has probably already been hijacked by a self-interested elite. Focusing aid on “pockets of opportunity” would be effective in the short term—and encourage other areas to improve through competition in the medium term.

An important part of this strategy must be capacity building within states—giving the countries themselves greater ability to solve their own problems. The best way to do this is to focus on key “nodes” that promise to have multiplier effects across institutions. For example, organizations should be established that will improve the quality of governance, teaching, administration and management, and law (see “Suggested projects” section below for specific examples of how these ideas could be implemented). Building up human capital is essential, but building up the institutions that enable states themselves to do more of this on their own is even more valuable.

Anything that works to equalize access to opportunity for the economically and politically disadvantaged and reduce the great inequities across groups and regions can help make states more inclusive and cohesive over time. Strengthening access to the “drivers of empowerment” that decide a person or family’s fate—schooling, financial services, information, transportation, courts, and so on—is crucial. Building roads, assisting microfinance organizations, expanding telecom coverage, helping to introduce and implement anti-



discrimination legislation, increasing access to information on jobs and prices, and investing in strategic urbanization will help the most impoverished in the short term. In the long term, such measures can also indirectly reform the political dynamics of governments by contributing to a more balanced distribution of economic and social power.

Attention must be paid, too, to the international environment for state building. This is not the place to discuss efforts to combat climate warming, protect intellectual property rights, lower trade barriers, and resolve regionally destabilizing conflicts, but these and other transnational measures will shape the context within which state building takes place at the national level.

### Three key challenges

If the preceding analysis of the roots of state fragility and the prescription for a new international approach are broadly right, then we need to answer three big questions about how best to turn analysis into action.

1. How can we develop and refine a new model of state building that better takes into account local values, institutions, and capacities for self-governance? What kinds of state structures are most likely to foster cohesion, inclusiveness, and broad-based development in divided societies? Can we identify general principles from the experiences—both positive and negative—of states across the world that would better shape the international agenda?
2. Do we need a new approach to “development aid” given its poor track record in weak states? How can we better leverage the diverse interests, values, and assets of leading international actors (such as the G-20, the World Bank, etc.)? What is the role of international business in state-building processes? Is there a need to establish new institutions and mechanisms to promote better aid, more development-friendly investment, and greater cooperation amongst the fragmented international players?
3. What should be the role of the international community in what needs to be an internally driven process? How proactive should outside players be? Should donors, lenders, investors, and trading partners be doing anything to make elites focus more on state building? Should outsiders circumvent obstructive or ineffective national governments and work directly with the peoples and local institutions of weak states? Should they seek to facilitate the cooperation of conflicting stakeholders, including ethnic and religious groups, in deeply divided societies?

### Priority countries

Answers to these questions will help the international community determine how to move ahead. But it also needs to decide where to focus its efforts. International resources (political will and political capital as well as financial capital and human resources) are limited, and priority should be given to those states that combine geopolitical importance, long histories of government weakness, sizable populations that can benefit, and domestic conditions that offer some prospect of success for projects initiated by the GES network. By these criteria, the following states belong at the head of the queue:

- Afghanistan
- DRC
- Pakistan
- Sudan
- Yemen





## Suggested projects

A wide variety of relatively inexpensive initiatives—especially related to capacity building—could be undertaken by the GES network to support state building in such states. For example (in no particular order):

1. Establish within fragile states organizations committed to developing local governance capacity. Activities would include recommending policies and priorities for the national or regional governments, training local-level officials in areas such as management, policy formulation, and accounting, examining long-term strategic issues in a way weak states are rarely capable of, improving business conditions, and working to improve administrative and judicial systems.
2. Partner with an organization that specializes in enhancing local government efficiency and accountability to devise reforms appropriate to weak states. Among other considerations, these reforms should seek to integrate indigenous governing systems (whether customary or recently established) with more formal Westernized bodies. Work with a country's leadership to set up long-term mechanisms to strengthen, empower, and fund local government units. The partnership could also focus on specific cities, working to enhance through reengineering structures, training, and policy papers all aspects of its administration.
3. Establish rule of law institutes specifically designed to help build coherent hybrid legal systems that merge indigenous social norms and judicial practices with more Westernized state-level laws and courts. (Four out of the five "priority countries" listed above have strong tribal, ethnic, or religious traditions reflected in customary law.) These institutes would also provide extensive training, policy advice, and hands-on assistance throughout the legal system.
4. Work with leading companies in rapidly developing countries (such as China, India, and Brazil) to make their best low-cost technology—such as inexpensive cars, portable bank branches, water-purification systems, and battery-run refrigerators—available to poor countries elsewhere.
5. Partner with a number of leading development or academic institutions to launch a new organization dedicated to promoting multipolar cooperation and dialogue between established major powers (those countries that have traditionally provided the lion's share of funds for international development) and rising powers (such as China, India, Turkey, Brazil, and South Africa). This organization should not only identify and explore common ground between these two groups but also help build concrete mechanisms to cement and facilitate a close working relationship in the field of state building.
6. Partner with local universities, major multinationals, and international institutions to create multifaceted business and governance schools that can both provide business and government management courses to executives as well as a series of short-term courses for owners of small businesses and mid and low-level administrative officials (and that has the flexibility to adapt programs to what will be very diverse needs).
7. Fund education and training scholarships for top students and young leaders from weak states to expand the pool of well-qualified business people, governors, and civil society actors. Where practical, enlist the expertise and contacts of leading members of diasporas to maximize the impact of programs.
8. Invest in human resource development for especially underserved communities in weak states. For example, partner with colleges in countries with especially low literacy levels (all five of the above countries qualify) to establish new or upgrade existing teacher-training departments for primary and secondary school instructors.



## **Proposed Solutions**

### **Simon Anholt**

*Policy Advisor, Author, Researcher*

#### **Stop building schools and start training teachers**

Everybody who knows anything about education knows that there are no best schools, only best teachers—and sometimes they can be found sitting under a tree. Lavish buildings and equipment are a wonderful asset and a wonderful luxury, but they are worthless without inspiring teachers.

Given a choice, we must always go with the teachers, and teachers need recruiting, training, and inspiring.

During a recent visit to Afghanistan I lost count of the number of school buildings put up by generous donor organizations and governments, some of which stood little chance of being used. Clearly, one understands that aid requires the support of domestic taxpayers, who like to see with their own eyes what their donations or tax contributions are being spent on, so it is hard to move away from physical infrastructure. But what Afghanistan really needs, and what the developing world really needs, is inspired teachers, and lots of them. The buildings will look after themselves.

We need to find a way of persuading donor groups and donor states to invest in teacher training as much as infrastructure creation. This means finding mechanisms to “square it” with their contributors, so that they understand that what they are paying for, although intangible, is truly valuable.

Development can not progress without education. Education can not progress without properly trained teachers. Properly trained teachers need funding. We need to fill this gap.

### **Simon Anholt**

*Policy Advisor, Author, Researcher*

#### **Teaching children how to live in a globalized world**

My idea is to create a global foundation to promote and enable the teaching of intercultural competence—or, if you prefer, cultural anthropology—to children in primary schools all around the world.

Some basic tools of cultural understanding—such as Geert Hofstede’s “5 Axes of Culture,” for example—are ideal subjects for children as young as 6. The subject is engaging, stimulating, and above all useful, as it is designed to prepare the next generation to be the first that is actually *trained* to live in our modern, heterogeneous, globalised world (not to mention our increasingly multicultural societies).

Anthropology is in many ways the perfect antidote to religious and cultural tensions, yet it presents no threat to specific belief systems: It teaches us that our values may differ profoundly because of where we come from and how we were brought up—and by explaining those value systems, it fosters understanding, tolerance, wisdom, and above all it de-personalizes and thus defuses the differences between cultures. It even trains people to be better at finding ways out of the cultural maze, instead of retreating into intolerance, incomprehension or isolation. It is also a wonderful subject for children.

This piece of global educational policy is not merely a recipe for failed states: All of our societies need it. It is long overdue.



## Nasir Ali Shah Bukhari

*Chairman, KASB Group*

### Trade, not aid

The standard solution for helping out developing countries has been to provide aid in cash or kind, depending on the level of comfort with the local administration. We should however promote the practice of promoting trade instead of aid, via increased market access, to provide a sustainable solution and help build states and markets.

Increased market access can be prioritized depending on which countries need the most help and ones which are making an effort on their own to come up the development curve. This idea can be complemented by forming trade zones in worst affected areas, exports of which receive preferential treatment in terms of tariffs.

In addition, to ensure success of the idea we should also look to promote entrepreneurship in export based industries, with possible foreign investment which will also help in technology transfer to these countries and expedite their development process. A key area of focus would be technology related to alternate energy (including nuclear) but with the proper checks and balances to avoid abuse of technology.

Similarly, we need to bring in a sense of long term planning in terms of resource mobilization (water, gas, oil, coal etc) to avoid irrational short term allocations which ignite shortages at a later stage and derail the economic cycle. On a related note, food security should not be ignored where not only can we contribute by implementing best practices in terms of soil preparation and seed quality but also help draft better policies for fair pricing of farm produce and helping with smoother logistics.

On a more structural level, developing countries can also be advised on a perception management level where negative media coverage exacerbates the development challenges already faced by these countries.

## Poul Engberg-Pedersen

*Director General, Norwegian Agency for Development Cooperation*

### Building states in fragile situations: Keep it simple!

People must be given security, space and resources to build their own states, based on indigenous institutions and through existing power structures. One reason behind the limited success of aid for state-building in fragile countries and failing states is the tendency of aid agencies to respond “in force” to fragility. Where there is no local administrative capacity, we insist on highly complex programs across all sectors, using all aid instruments, and involving all types of humanitarian and development agencies. The buzz words are comprehensive, coordination, holistic, integration, ownership and results—all in the contexts where these approaches are least likely to succeed. In conflict-affected countries where international humanitarian and development agencies are met with hostility by local powers, we aim to integrate security, humanitarian and development objectives, and some powers even use soldiers as aid workers.

These ambitions are understandable, given the implications of failure, but they are also a road to failure. Instead, state-building and development aid must be kept as simple as possible. GES could promote the following solutions:

1. Apply the principle of “one goal/one means.” In state-building, this means: One dimension of state-building should be pursued through one key policy intervention, supported by one



type of aid program. Five examples: Security must be provided through legitimate force, if necessary with foreign military and police inputs and financing. Local state-building requires decentralized capacity development and foreign funding through existing administrative channels. Conflict resolution and reconciliation require independent and transparent institutions, with adequate resources and time. Public services must be implemented through vertical programs, through government or non-government channels, with sector or budget support by donors. Empowerment and democratic governance must be strengthened through self-contained programs aimed at specific target groups. As soon as such goals and programs get integrated and packaged, the risks of failure increase exponentially. In fragile countries, GES should push all bilateral and multilateral agencies, including NGOs, to present, justify and simplify their programs in accordance with the one goal / one means principle.

2. Develop simple, effective means of capacity-building—and accept the risks involved. Even in the most fragile situations, people and indigenous institutions respond to economic and financial incentives, particularly if there are no strings attached. After 50 years of increasingly complex, trial-and-error approaches to capacity-building, we need to build on the recognition that also poor people know best, and that the large majority of humankind reacts rationally to genuine incentives. This means getting aid resources as close as possible to the ultimate beneficiaries. While the risks of misuse may increase, the chances of having a real impact are also likely to increase. We need outside pressure to minimize the institutional stronghold of the aid machinery over capacity-building.
3. Take politics seriously. Of course, all official aid is political. It is funded by tax-payers, used by politicians, delivered by state-bureaucrats, adopted by elites, and implemented into local politics. We must move beyond the current aid practice of either neglecting and rejecting politics (referring to formal neutralities and empty national ownership) or imposing ideological solutions and political institutions. Taking politics seriously requires honesty about goals and objectives, professionalism in delivery, transparency on programs and results, and humility towards local priorities and user preferences. International networks such as GES can play the role of the child in Hans Christian Andersen’s “The Emperor’s New Clothes,” calling out the bluff of the aid industry and national power structures, whenever this is necessary. Taking politics seriously can optimize the role and impact of aid, by reducing the space for self-appointed emperors.

## **Seth D. Kaplan**

*Managing Partner, Alpha International Consulting*

### **Building local capacity to solve problems**

Development in poor countries will only happen when it is internally generated. Therefore, the main objective of aid programs should be to give countries greater ability to solve their own problems, to build better states, and to generate more growth. The best way to do this is to focus on key “nodes” that promise to have multiplier effects across a whole state. There are many specific projects that could achieve this:

1. Establish within fragile states organizations committed to developing local governance capacity. Activities would include recommending policies and priorities for the national or regional governments, training local-level officials in areas such as management, policy formulation, and accounting, examining long-term strategic issues in a way weak states are rarely capable of, improving business conditions, and working to improve administrative and judicial systems.
2. Partner with an organization that specializes in enhancing local government efficiency and accountability to devise reforms appropriate to weak states. Among other considerations,





these reforms should seek to integrate indigenous governing systems (whether customary or recently established) with more formal Westernized bodies. Work with a country's leadership to set up long-term mechanisms to strengthen, empower, and fund local government units. The partnership could also focus on specific cities, working to enhance through reengineering structures, training, and policy papers all aspects of its administration.

3. Establish rule of law institutes specifically designed to help build coherent hybrid legal systems that merge indigenous social norms and judicial practices with more Westernized state-level laws and courts. (Four out of the five "priority countries" listed above have strong tribal, ethnic, or religious traditions reflected in customary law.) These institutes would also provide extensive training, policy advice, and hands-on assistance throughout the legal system.
4. Partner with local universities, major multinationals, and international institutions to create multifaceted business and governance schools that can both provide business and government management courses to executives as well as a series of short-term courses for owners of small businesses and mid and low-level administrative officials (and that has the flexibility to adapt programs to what will be very diverse needs).
5. Fund education and training scholarships for top students and young leaders from weak states to expand the pool of well-qualified business people, governors, and civil society actors. Where practical, enlist the expertise and contacts of leading members of diasporas to maximize the impact of programs.
6. Invest in human resource development for especially underserved communities in weak states. For example, partner with colleges in countries with especially low literacy levels (all five of the above countries qualify) to establish new or upgrade existing teacher-training departments for primary and secondary school instructors.

## **Greg Mills**

*Director, The Brenthurst Foundation*

### **Two themes for solution discussion**

#### ***Building growth coalitions***

Each African country is a crowded stage of domestic players, bilateral aid agencies of widely differing approaches and abilities, self-assured if somewhat ham-fisted multilaterals, NGOs, consultants, development foundations and foreign governments. The cacophony can overwhelm and disorient, and often becomes a source of patronage of political power rather than being, as was intended, a source of development funding and advice. This is not to say that the continent is sufficiently served by these various international organizations.

The world is into the fifth decade of international development support for Africa, and patterns are being emerging. These patterns have been the result of similar trends in thinking and activities of the major international aid organizations. Broadly speaking, the history of development assistance can be summarized as a successive focus on providing resources (mid-1960s to mid-1980s), on providing policies (mid-1980s to approximately 2000), and on building capacity to implement those policies (from 1995 to 2005). From 2005, the focus swung back to resources with the fashion for quantitative targets set in international forums, translating into large-scale budget support in the region.

There is every reason to believe that this cycle will continue, and that the results will be disappointing relative to the overall level of effort. This is not because of faulty economic reasoning on the part of the large donors: Enough resources, the right policies, and implementation capacity are indeed the instruments through which growth could be achieved.





But a society can be given all of these, and very little can happen if that society—or its leaders—have other priorities.

That has been one missing angle—the actual priorities of leadership groups. With growth as a priority, resources can be mobilized, policies written, and novel solutions brought to bear to assist with implementation. When other priorities hold sway, growth is stymied in ways that were often difficult for outsiders to understand—not to say frustrating. One perennially hears the “the real problem” with country X is, variously: “lack of political will,” “lack of leadership,” “hidebound thinking,” “unwillingness to take on vested interests,” “lack of follow-through,” “lack of seriousness about growth,” “focus on party politics rather than policy,” “poor political processes,” and so on. One hears, with some justification, that there has never been an African country really serious about growth. All of this point to a problem with the priority given to growth, which in turn indicated that the coalition necessary to govern is often held together by other things, but not by growth. Political motives are always mixed, but one can postulate that only where a country has a sufficiently strong domestic coalition for growth, will growth policies, with their inevitable costs and delays, be pursued with sufficient vigor and determination.

It is not surprising that multilateral and bilateral governmental organizations have neither aimed nor succeeded at building coalitions for growth. These organizations are fundamentally technocratic, and therefore assume the problem away. They are also constrained by the etiquette of sovereignty.

Richard Elkus’ “Winner Take All” reminds that the increase in Asian competitiveness “is the result of years of effort on the part of Asian industry devoted to national and corporate strategies of competition.” He notes further that “If the nation as a whole is not competitive, it is difficult for any business or industry within that nation to remain competitive. To be competitive, a nation must have a national strategy for competitive.” This goes beyond simply putting monetary incentives in place to attract investment. It demands a broader understanding that economic strength depends on the convergence of infrastructure, skills, and education. National debate on the subject is part of this process of understanding. Until now this sort of debate had been lacking across much of Africa.

In building coalitions for growth in Africa, for example, there is a need to build a network of people of energy, vision and influence; across public and private sectors; and across academia, the media and practice. That in itself would be a valuable resource for those Africans who become a part of this community of people dedicated to the region’s growth. Take the example of agriculture, among other commodities, where Africa, with success, could transform the lives of the majority of its people.

### ***Learning to spend aid better, ending a culture of impunity***

The first principle is to support the basics that have, for time immemorial, enabled countries to develop—the drivers of productivity and growth. That is support education, infrastructure, and helping people feed themselves. It is astounding that we seem to have forgotten the basics of development—countries get rich by making and selling things that others want to buy. They need to thus make things cheaply enough (which goes to the heart of factors of talent and infrastructure such as electricity), and to get them quickly and efficiently to market (which means keeping borders and routes open, and free from onerous artificial barriers such as export tariffs).

The second aspect is what not to support. Do not give aid to those countries who are in conflict or who openly flout the rule of law. Or those where government corruption is ripe, or where the macro-economic basics are ignored or subject to political whim. How do we ensure that we set the right benchmarks in this regard? Rather than highfalutin consultant-speak, adopt some basics measures. Do not give money to those governments whose leadership owns their own private jets. And do not give it to those where there is a single political prisoner



as defined by admirable bodies such as Amnesty International. And do not support infrastructure expenditure in those countries who do not keep the borders open 24/7, which do not support open skies policies, have onerous visa and work permit restrictions especially for foreigners coming from richer countries, or where the ports and railways have not been privately concessioned or where the electricity parastatal can not collect its revenues. Giving money in such situations can only encourage a culture of dependency and, critically, impunity.

The third and final guideline is to ensure that government and the ruling party and business are separated. Donors should take great care in preventing the institutionalization of rule by one party, in so doing undermining the democratic gains made in recent years.

## **H.E. Jerry John Rawlings**

*Former President of the Republic of Ghana*

### **Localize democracy to strengthen moral fibre for development**

We live in an interdependent and shrinking world. The convening of this particular Global Economic Symposium makes that message very clear. The lingering effects of the recent global financial crisis create a context that has made dissemination of that message more than necessary.

The difficult process to reach understanding on such new global challenges as climate vulnerability only serves to reinforce that message. In the meantime, other age-old challenges continue to haunt us. We recognize that food, clothing and shelter are not the only basic needs; we also need education and health care for all of our people if we are to realize universal economic development and build lasting global peace.

We also need social justice. Without justice, we can not protect and strengthen the moral fibre of our societies. Without moral fibre, our human civilizations can not stand.

Ladies and Gentlemen, thirty years ago, I was at the helm of a revolutionary transformation in my country, Ghana. When I say 'revolution,' I am talking about a public uprising to restore the values that underpin our society. I am talking about the people's refusal to accept corruption of the moral fibre of a nation.

By what some might call a strange twist of fate, I could also be considered a key participant in a wave of economic liberalization that swept across Africa and other parts of the developing world.

Today we reassess the merits and demerits of some of the economic theories that governed the day. The recent global economic crisis demands in particular reassessment of the relationship between markets and states.

In those days the preference of the world's economic gurus was for more market and less state. The state in Africa was considered to be too strong, and the market too weak. Arguments arose to reduce the size of the state. Encouraging the market to take the lead in development became almost synonymous with democratization.

I personally doubted that competitive elections would of themselves bring development. Nevertheless, the spirit of the times demanded that we pay more than lip-service to the demands for greater democratization of society. I therefore threw myself into the forefront of the struggle to return Africa to democratic rule. Putting aside my personal doubts, I subjected myself to the ballot box, introduced electoral reforms and oversaw changes in the constitution of Ghana that limited the presidential term to two, beginning with my own term in office.

Today, and with the benefit of hindsight, we are at greater liberty to call into question the one-size-fits-all notion of democracy. What makes a model of democracy succeed in one part of the world and fail in another? Are there cultural-specific or location-specific models of



democracy that can ensure that people on the ground have their say and contribute to designing models of social and economic development? Are there local systems that we can call upon to ensure that democracy is not an alien concept?

I say yes.

Today it is widely acknowledged that the ownership of development processes is a critical question. Who owns the process largely determines the outcome. I believe that the kind of democratization that will unleash global economic development must exist at many levels.

Yes, the state must be democratic and accountable. Since leaving office I have made it my business to ensure that the state protects these qualities. But markets should not be left to monopolies power and they too must be accountable. And global institutions that safeguard the interests of markets need also to be held to account. Effective systems of accountability depend on broad participation.

Whereas reduction of the state has done little to strengthen markets in Africa, demonopolization of global markets and market processes will arguably strengthen small African markets and therewith the ability of impoverished communities to participate in democratic processes and to access social justice. Broader participation in locally-determined democratic processes will protect and strengthen the moral fibre of rich and poor, which in turn will produce better development outcomes.