State building in conflict affected and fragile states

Infrastructure obliterated by war. A population scarred from the traumas of violence and subjuration. Limited resources, and extreme poverty prevalent across the country. The civil service decimated by years of neglect and exclusion. These are hardly the strongest foundations on which to build a legitimate, well functioning state. Little wonder, then, that prevailing approaches have tended to sidestep rather than navigate these hurdles. But experience tells us that when we substitute rather than build institutional capacity, we prolong dependency and undermine the legitimacy of the state in the eyes of the people it exists to serve. This study, drawing on case studies in Timor-Leste and Afghanistan, demonstrates there is another way.

KEY MESSAGES:

In both case studies the international community played a prominent and generally positive role in the initial political settlement that enabled reconstruction to begin. However, by entrenching their personnel and systems they effectively ended up competing with government for legitimacy, fragmenting the development effort.

Looking through the lens of public financial management, the experience of both countries highlights the forgotten goal of state building, and challenges the fading belief in using the national budget as the primary tool for development policy.

The evidence demonstrates that building and using national systems is not only better for development outcomes, it is likely to be less risky for both the donors and the government.

Moving from fragility to development requires the alignment of many efforts, and a change in thinking and practices by both donor and government officials. Success is more likely where support is long term, stable, predictable and manageable by government.
It’s not just what you do, it’s how you do it

Despite inherent challenges, both case studies follow a similar path and demonstrate some remarkable successes along the way. They both highlight some of the remaining challenges, and point toward potential areas for further improvement. The cases show how, through the long and patient process of building local capacity and institutions, the donor community is working towards a more sustainable approach to governance. The case studies illustrate this key point albeit in different ways. In Timor-Leste, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence. In Afghanistan, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence. While these case studies illustrate this key point albeit in different ways. In Timor-Leste, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence. In Afghanistan, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence. While these case studies illustrate this key point albeit in different ways. In Timor-Leste, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence. In Afghanistan, the pace of donor influence varied, and the development of a more strategically focused approach to development has not always matched the pace of donor influence.
In both Afghanistan and Timor-Leste there are teams that could not be working any harder, or with more diligence, and their efforts should not be diminished because a project cycle demands short term outcomes.

the operational budget in Afghanistan comes under a great deal of scrutiny and is the part of the budget that the government has the most discretion over. Execution rates are routinely above 95 per cent, indicating the budgets are realistic and systems for executing the budget work well. On the other hand, the development budget is different in currency and operates under multiple rules and parameters for the many different projects. Execution rates for the development budget are routinely around 50 per cent or lower, indicating budget estimates that are too high and systems that are not working well. This entrenches poor processes and stalls reform efforts. Donors, by putting money into what they see as a ‘safer channel’ have instead increased the chances of poor development outcomes, while actually not lowering their fiduciary risk. Given the systems for accounting for funds and monitoring outcomes are weaker under the development budget than for the operational budget, the fiduciary risks are indeed higher. The example from the budget scale-up in Timor-Leste further highlighted this, where both development risk and fiduciary risk were seen to fall at the same time. The evidence shows us that using national systems is not only better for development outcomes, it is likely to be less risky. That is not to say there are no risks. National systems that are under development need to be given time to develop. Donors need to work at the pace of the government, which may mean initially providing less aid, but the difference will be better targeting that in turn will deliver better outcomes. For whatever reason money is not, or cannot, be channelled through national systems directly, it must at least come under the policy framework of the government.

Aligning efforts

Moving from fragility to development requires the alignment of many efforts. In the difficult context of an immediate post-conflict intervention, the long-term sustainability of the country may seem a very distant vision. But that initial period can have a lasting impact on how and how long it takes for the country to reach the point of stable development, with a state delivering hope, opportunity, services and inclusive governance for all its people. External actors have vital roles to play, and their involvement can be enhanced by paying more attention to what is needed and adjust their approach during the different stages of the journey. More effort needs to be made to support the legitimacy of the new state in delivering the core functions that matter to ordinary people. No matter the intentions or justification, when donors entrench themselves and their systems they compete with rather than support the strengthening of local leadership. From the beginning and throughout at every stage, more emphasis needs to be given to the long term goal of self-sufficiency and sustainability of governing. The existence of strong and capable institutions are essential to achieve and maintain peace and development.

The experiences from both Afghanistan and Timor-Leste, two countries that have witnessed a massive international intervention, demonstrate both the need for and benefits of a greater focus on state building. These case studies show that success is more likely where support is long-term, stable, predictable and manageable by government. In that sense, the key is not how much you give, but how you give it. For both Afghanistan and Timor-Leste, the evidence shows that a sequenced, long-term investment in human and physical capital, if implemented and managed by the government, can work. Performance management is not a budget issue dependent on inputs, but a management issue that should focus on outputs.

A shift in thinking is beginning to emerge in development circles, but there is a long way to go to learn and implement the necessary change in practices by both donor and government officials. The lessons documented in this comparative study of Timor-Leste and Afghanistan will hopefully contribute to the learning and give traction to the shift towards self-reliance.

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The full report by the Institute of State Effectiveness, State building in conflict affected and fragile states: A comparative study of Timor-Leste and Afghanistan public finance and national accountability, is available from the foundation’s website - g7plusfoundation.org