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# Building a functional state in difficult places

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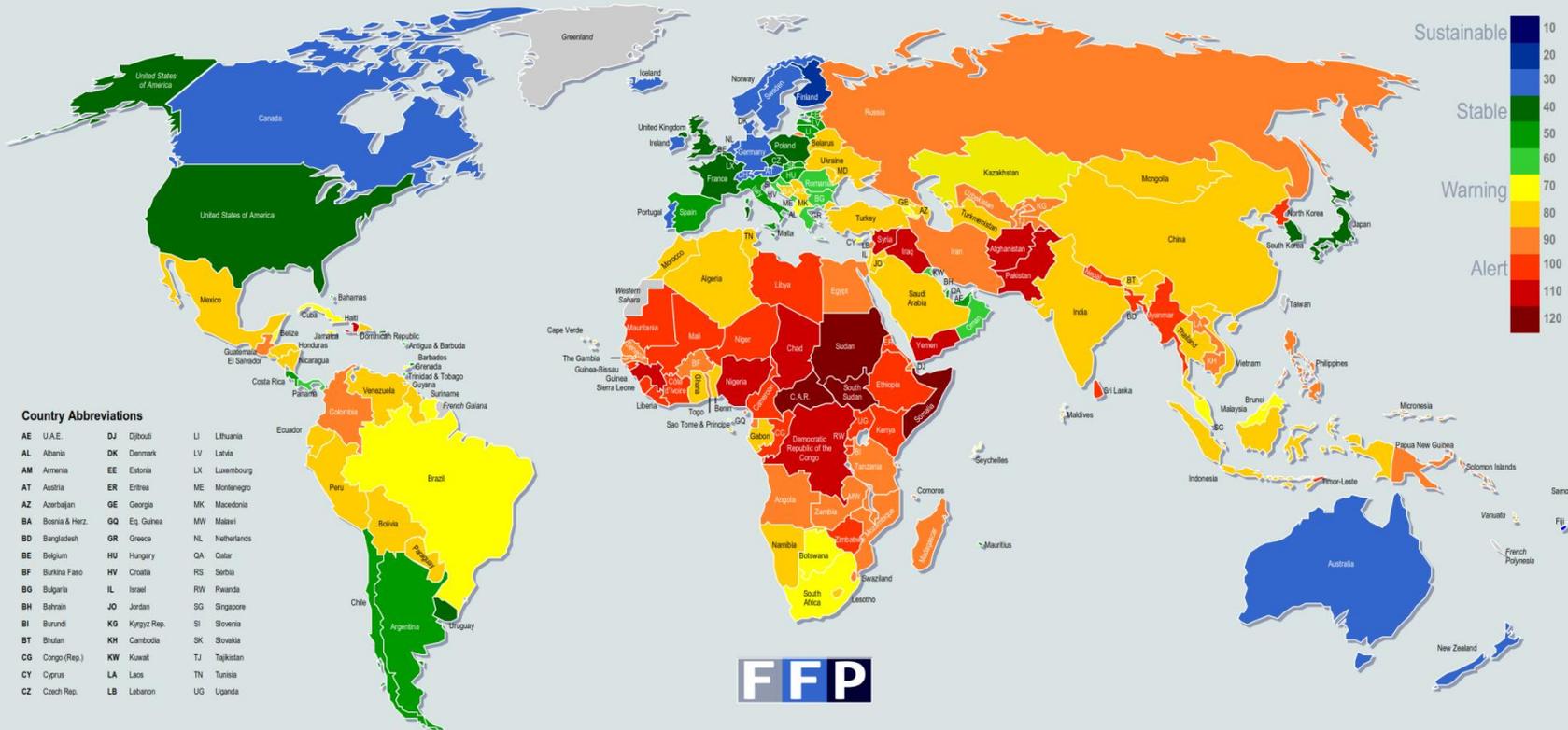
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# “Difficult places”

## Fragile States Index: Fragility in the World 2015



[www.fundforpeace.org](http://www.fundforpeace.org)

## Alert

	90.0	Egypt (38)
	90.2	Rwanda (37)
	90.5	Nepal (36)
	90.6	Sri Lanka (=34)
	90.6	Timor-Leste (=34)
	90.8	Congo (Republic) (33)
	91.8	Bangladesh (32)
	91.9	Sierra Leone (31)
	93.1	Mali (30)
	93.8	North Korea (29)
	94.3	Cameroon (28)
	94.7	Myanmar (Burma) (27)
	94.9	Mauritania (26)
	95.3	Libya (25)
	96.9	Eritrea (24)
	97.0	Uganda (23)
	97.3	Liberia (22)
	97.4	Kenya (21)
	97.5	Ethiopia (20)
	97.8	Niger (19)
	98.1	Burundi (18)
	99.9	Guinea Bissau (17)

## High Alert

	100.0	Cote d'Ivoire (=15)
	100.0	Zimbabwe (=15)
	102.4	Nigeria (14)
	102.9	Pakistan (13)
	104.5	Haiti (=11)
	104.5	Iraq (=11)
	104.9	Guinea (10)
	107.9	Afghanistan (=8)
	107.9	Syria (=8)
	108.1	Yemen (7)
	108.4	Chad (6)
	109.7	Congo (Dem. Rep.) (5)

## Very High Alert

	110.8	Sudan (4)
	111.9	Central African Rep. (3)
	114.0	Somalia (2)
	114.5	South Sudan (1)

Out of 14 IGC countries,  
9 are “fragile states”

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# What characterizes these places?

- Weak institutional environment limits ability of the government to **deliver core services** to (a substantial fraction of) its citizens
  - Social tensions and **political instability** create high risk of conflict
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# Failures at two levels

- **Preference aggregation:** social, religious or ethnic divisions lead to elite capture, clientelism, inequalities
- **Political accountability:** conflict of interest b/w
  - bureaucrats/politicians
  - citizensdue to low information, low political competition, flawed elections

(Not unique of these places but exacerbated)

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# “Social contract”

- Agreement b/w citizens & government
    - **Citizens** accept authority of the gov't & refrain from violence
    - **Gov't** provides services & guarantees security & protection of rights
  
  - Two key problems make implementation of social contract difficult in fragile states
    1. **Resources**
    2. **Legitimacy**
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1. Building functional states through  
RESOURCES

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# Breaking the poverty trap

- Low state capacity
  - Low tax revenue
  - Low service provision
- citizens' dissatisfaction
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- Foreign aid proposed as a means of breaking the vicious circle
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# Foreign aid as a tool

Two expected benefits in weak institutional environments:

- Aid brings **political stability**
  - Aid brings **local development** (where the state fails to do so)
  
  - Let's examine the evidence on these two channels
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# A. Does aid bring political stability?

Winning hearts & minds is a pillar of US counterinsurgency policy

- “Money is ammunition” (US Army/Marine Corps, 2006)

Hypothesis:

- Providing services & infrastructure to local population increases support for gov't & reduces violence
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Potential counter-argument.

Aid could destabilize state if:

- Predation effect: makes control of the territory more appealing
- Insurgents actively sabotage the “win hearts & minds” strategy

## Cross country evidence

- (-) conflict onset (Nielsen et al., 2011)
- (+) conflict duration (Nunn & Qian, 2014)
- (+) conflict duration (Nunn & Qian, 2014)

More recently, better identified **within-country** studies.

Yet contrasting findings...

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### **Afghanistan** (Beath, Christia and Enikolopov, 2014)

- RCT of community driven development program: 250+250 villages, 4 years apart

#### Heterogeneous impacts

- (-) violence in areas not bordering Pakistan, where insurgents recruited locally
- (+) violence in areas bordering Pakistan (recruit abroad) where insurgent try to sabotage the program

### **Iraq** (Berman, Shapiro, Felter, 2011)

- Panel study of US reconstruction funds (CERP – Commander's Emergency Response Program) during 2004-2008
- Conditional on gov't controlling territory → incentive for community to cooperate

### Positive effects

- Better service provision reduces insurgent violence
- Effect stronger for smaller projects tailored to community needs

### **Philippines** (Croston, Felter, Johnston, 2014)

- RDD: poverty threshold used for eligibility

#### Negative effects

- More conflict/casualties in eligible municipalities
  - Insurgents provoke incidents to sabotage program
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## B. Does aid bring local development?

Most studies of aid to fragile states (e.g., post-conflict reconstruction) find (+) effects on service delivery & local economic activity, also in the long run

(e.g., 7 years after intervention – Beath et al.)

- (+) Remedy failure for vulnerable populations
- (-) Aid delivered through foreign actors or NGOs → local capacity building?

(Possible exception: CDD – see below)

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## 2. Building functional states through LEGITIMACY

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# Low legitimacy in fragile states

- **Social divisions** (e.g., ethnic, religious) → a groups does not recognize the other as acting in the interest of the country
- **Inefficiency and corruption** in elections, bureaucracies, judicial system...

What tools can be used to gain citizens' trust?

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# A. Participation

## Hypothesis

- Participation leads to better **representation** of societal interests
  - Improves **monitoring** ability of the community
  - Policies more aligned w/ citizens' needs
  - Builds social capital
  - Higher citizens' **satisfaction**: “ownership” of the process
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# Community Driven Development (CDD)

- Give control to local communities over planning & spending decisions for local development projects
    - A form of decentralization
  - Lots of emphasis & resources invested in CDD by int'l organizations (Mansuri & Rao, 2012)
  - Benefits: (see above)
  - Risks: elite capture
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# CDD in fragile environments

**Sierra Leone** (Casey, Glennerster, Miguel, 2012)

- RCT of GoBifo program

Effective in delivering small scale public goods

- (+) village committees, community bank accounts
  - (-) leakage of public funds
  - (+) stock of health, sanitation & school facilities
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But...

- No long term changes in democratic decision making & social norms
  - No learning by doing: despite involvement of women & youth, decision processes went back to usual after end of the project
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## CDD in fragile environments

**Liberia** (Fearon, Humphreys, Weinstein, 2009)

- (+) social cohesion
- (0) economic well being

**DRC** (Humphreys, Sanchez de la Sierra, Van der Windt, 2015)

- “Tuungane”: CDD on democratic governance. Village dev’t committees, assemblies to justify spending, community contributions
- No effect on power structures & behavior

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## B. Information provision

Information about politicians' performance is a crucial mechanism for accountability.

Two types of policies have been adopted

- Ex post: info on performance (scorecards)
  - Ex ante: debates among candidates
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## Ex post info on performance, **scorecards**

- (-) votes for corrupt politicians (Ferraz, Finan, 2008)
- (+) turnout, (-) vote buying (Banerjee et al, 2011)

But ...

- (0) effect in Uganda (Humphreys, Weinstein, 2010)
  - (-) turnout in Mexico b/c citizens disengaged in the face of high corruption (Chong, De la O, Wantchekon, 2013)
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## **Ex ante info on candidates, debates**

Experiments w/ public deliberations in Benin & Philippines (Wantchekon & coauthors)

- (-) clientelistic voting
  - (+) support for participating party
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## **Ex ante info on candidates, debates**

Large scale experiment w/ public screenings of candidates' debates in Sierra Leone's 2012 elections (Bidwell, Casey, Glennerster)

- (+) political knowledge, (+) alignment b/w voters' preferences & candidates, (+) votes for candidate who performed best during debates
  - Candidates increase campaign expenditure in communities that had screenings
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## C. Transparency in elections

**Vote buying & irregular elections** (ballot stuffing, intimidation, electoral violence) potentially widespread in fragile states, given lack of adequate institutions, e.g., National Electoral Commission

- Barrier to voter participation
  - Need to change citizens' perceptions to trigger a reaction
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## Voter education programs

- (-) acceptability & practice of vote buying (Vicente, 2012)
- (-) electoral violence in Nigeria (Collier, Vicente, 2008)

## New technologies to prevent fraud, e.g., mobile phones, photos of vote counts

- (+) turnout in Mozambique (Aker, Collier, Vicente, 2014)
- (-) electoral violence in Nigeria (Collier, Vicente, 2008)
- (-) votes manipulation in Afghanistan (Callen, Long, 2013)

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## D. Legal reform & justice system

Weak legal institutions in fragile states disproportionately affect the poor

- Inadequate knowledge of their rights
- Lack of resources to afford formal counsel
- Low bargaining power in customary system

Conflict typically worsens the situation

- Destruction of courts & police stations
  - Surge in crime
  - Low security depresses economic activity
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# Dual justice system

## Formal

- (+) certainty of the law
- (-) delays, high costs, difficult to access for rural populations

## Customary

- (+) accessible, fast
  - (-) subject to interpretation, hence arbitrary
  - (-) captured by local elites
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**Legal aid** program in Liberia (Sandefur, Siddiqi, 2013)

- Train community paralegals in formal law
- Paralegals offer pro bono mediation

People assisted report

- (+) satisfaction, (+) outcomes, (-) bribes
  - especially so if disadvantaged in customary system
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# Conclusions

- Building functional state in fragile environments requires **institutional reforms**
  - But the **demand** for these reforms must come from the citizens
  - **Citizens' engagement** & expectations are a crucial component of the process
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- How do we re-engaged disenfranchised citizens?
  - Role of the media in managing expectations
  - Local governance structure. If CDD is not the magic solution, what else?
- Equity/efficiency trade-off?
  - Should we focus on “speed” in improving effectiveness & service delivery, or
  - Fairness of the process (e.g., representation of different groups) to build trust

- **Heterogeneous results** across countries require more research
    - Replicating & scaling up
    - Understand specificities of fragile environments
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