Guidance for Supporting State-Building in Fragile and Conflict-Affected States: A Tool-Kit

Public Sector and Governance Group, PREM
7/12/2012
# Table of Contents

Abbreviations and Acronyms........................................................................................................4
Team Composition and Acknowledgements.............................................................................5
Executive Summary.......................................................................................................................6
1 Introduction..............................................................................................................................8
2 Conceptual Framework.............................................................................................................11
   Key Definitions.......................................................................................................................11
   The Social and Political Context ..........................................................................................12
   State-Building/ Governance Dimensions............................................................................14
   State Domains .....................................................................................................................15
   Institutions and organizations .............................................................................................16
3 State-Building Assessment Tool .............................................................................................19
   Preparation: Understand Political and Social Context.......................................................20
   Step 1: Overall/ Strategic Level Assessment ....................................................................21
   Step 2: State Domains Assessment .....................................................................................21
   Step 3: Institutional and Organizational Assessment ............................................................23
   Review and follow-up ..........................................................................................................24
4 Some Strategic and Operational Recommendations .............................................................25
   Security Domain ....................................................................................................................25
   Political / Government Domain ............................................................................................26
   Economic Domain ................................................................................................................28
   Social/ Service Delivery Domain ..........................................................................................29
   General principles for strengthening institutions in fragile states........................................31
Conclusion..................................................................................................................................33
Annex 1. Understanding Political Context: a Typology ..............................................................34
Annex 2. List of indicators ..........................................................................................................37
Annex 3. Key Bank Literature with Operational Suggestions by Domains...............................41
Annex 4. Questions and Operational Suggestions by Institutions in each Domain....................43
   Annex 4.2. Political/Government Domain .............................................................................47
   Annex 4.3. Economic Domain ...............................................................................................51
   Annex 4.4. Social/ Service Delivery Domain .........................................................................56
Annex 6. Conflict and Fragility Diagnostic Tools .......................................................................61
Bibliography...............................................................................................................................63
Figures Index

Figure 1: State Building Framework ................................................................. 18
Figure 2: Steps of the State-Building Assessment Tool ................................. 19
Figure 3: The Elements of the Political Context of the State ..................... 34
Figure 4: Typology showing Pathways among Three ‘Types’ of FCS ............... 36

Table Index

Table 1: Questions for assessing the state’s overall A, C, L .......................... 21
Table 2: Questions for assessing state A, C, L performance by domain .......... 22
Table 3: General questions for assessing institutions and organizations along the ACL dimensions ...................................................... 24
Table 4: Strategic and operational suggestions for the security domain ........ 26
Table 5: Strategic and operational suggestions for the political/ government domain ................................................................. 27
Table 6: Strategic and operational suggestions for the economic domain ....... 29
Table 7: Strategic and operational suggestions for the economic domain ....... 30
Table 8: Overarching strategic and operational implications for strengthening the ACL of key institutions ..................................................... 33
Table 9: Descriptions of the political context by type .................................... 35
Table 10: Questions and operational implications for institutions in the security domain ................................................................. 43
Table 11: Questions and operational implications for institutions in the political/ government domain ................................................................. 47
Table 12: Questions and operational implications for institutions in the economic domain ................................................................. 52
Table 13: Questions and operational implications for institutions in the service delivery domain ................................................................. 56
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFR</td>
<td>Africa Region, World Bank</td>
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<tr>
<td>AGI</td>
<td>Actionable Governance Indicator (AGI)</td>
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<td>AusAid</td>
<td>Australian Agency for International Development</td>
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<td>BNWP</td>
<td>Bank-Netherlands Water Partnership</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>CGAC</td>
<td>Country Governance and Anti-Corruption (Strategy)</td>
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<td>CMU</td>
<td>Country Management Unit</td>
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<td>CN</td>
<td>Concept Note</td>
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<td>CPS</td>
<td>Country Partnership Strategy</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DPL</td>
<td>Development Policy Lending</td>
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<td>EAP</td>
<td>East Asia and Pacific Region, World Bank</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECA</td>
<td>Europe and Central Asia Region, World Bank</td>
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<td>ESW</td>
<td>Economic and Sector Work</td>
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<td>FCS</td>
<td>Fragile and Conflict-Affected States</td>
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<td>FY</td>
<td>Fiscal Year</td>
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<td>GAC</td>
<td>Governance and Anti-Corruption</td>
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<td>GPF</td>
<td>Governance Partnership Facility</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Independent Evaluation Group at the Bank</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>IL</td>
<td>Investment Lending</td>
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<tr>
<td>GAC</td>
<td>Governance and Anti-Corruption strategy</td>
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<tr>
<td>GPF</td>
<td>Governance Partnership Facility</td>
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<tr>
<td>LAC</td>
<td>Latin America and the Caribbean Region, World Bank</td>
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<td>LAO</td>
<td>Limited Access Order</td>
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<td>LICUS</td>
<td>Low Income Country Under Stress</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MENA/MNA</td>
<td>Middle East &amp; North Africa Region World Bank</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NORAD</td>
<td>Norwegian Agency for Development Cooperation</td>
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<td>OPCS</td>
<td>Operations Policy and Country Services, World Bank</td>
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<td>ORAF</td>
<td>Operational Risk Assessment Framework</td>
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<td>PCNA</td>
<td>Post-Conflict Needs Assessment</td>
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<td>PE</td>
<td>Political Economy</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSP</td>
<td>Private Sector Participation</td>
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<td>PSIA</td>
<td>Poverty and Social Impact Analysis</td>
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<td>PRMPS</td>
<td>Public Sector &amp; Governance Group, World Bank</td>
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<td>SAR</td>
<td>South Asia Region, World Bank</td>
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<tr>
<td>SM</td>
<td>Sector Manager</td>
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<tr>
<td>STC</td>
<td>Short Term Consultant</td>
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<tr>
<td>TIL</td>
<td>Task Team Leader</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>WBG</td>
<td>World Bank Group</td>
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Team Composition and Acknowledgements

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Executive Summary

The challenges facing situations of fragility and conflict are daunting. The 2011 World Development Report (WDR) on Conflict, Security and Development presented a compelling case for urgent and innovative responses to circumstances of fragility and conflict. This note is part of the Bank-wide response to operationalize the central message of the WDR: that effective and legitimate institutions are required in order to provide a secure social, economic and political environment for the broader objective of poverty reduction and job creation.

The World Bank’s 2012 Updated GAC Strategy and Implementation Plan notes that “governance is about what the state can do and how it does it”. What the state can do is determined by its capacity, its legitimacy, and its authority – and how these intertwine. The GAC update defines these three critical governance dimensions as follows:

- **Authority** is the ability of the state to govern its territory effectively, reach all citizens regardless of their location, gender, or ethnicity, maintain law and order and protect citizens from predation and violence. It is the ability of the laws and rules of the state to trump all other laws and rules.
- **Capacity** is the ability of the state to procure and deliver goods and services, design and implement policies, build infrastructure, collect revenue, dispense justice, and maintain a conducive environment for the private sector.
- **Legitimacy** is whether citizens feel the government has the right to govern – and whether they trust the government.

This Guidance Note describes the Toolkit on State-Building in Fragile States. It builds on these three dimensions of governance and adapts them to the context of fragile states. Its purposes are threefold:

- First, to offer a conceptual framework or a ‘common language’ that can help country teams move from a narrow interpretation of state-building as building capacity, towards a more integrated view of state-building which also strengthens the state’s authority and legitimacy – i.e. changing, over time, the way the state and citizens interact;
- Second, to provide country teams with a structured and guided process through which teams can collectively and systematically assess and record state-building needs in fragile states. The goal is to generate a common team-based experience of analysis, mobilizing and chronicling the team’s knowledge about strengths and weaknesses of the state. It can help to raise many of the difficult state-building issues that are often under-analyzed;
- Third, to offer some suggestions for strategic and operational choices for country teams, that draw on existing literature and experience with state-building in fragile states.

After the introduction, part two of this Guidance Note presents the Conceptual Framework, which explains the concepts upon which the overall approach is built:

- **The three key dimensions of governance** that are required for states to acquire resilience and exit fragility: authority, capacity, and legitimacy;
- **The ‘functional domains’ where citizens expect the state to play a role**: security, political/ government, economy, and social/ service delivery; and
- **The role of institutions and organizations** in achieving outcomes in these domains and helping the state become resilient.
The third part of the Guidance Note brings together these three core building blocks into a State-Building Assessment Tool that can help donors identify and prioritize interventions for state-building. As a preparation for the analysis, teams are encouraged to review existing analytical work on the sources of fragility and the social and political context of state-building. The proposed approach suggests three analytical steps:

1. Assess the state’s overall authority, capacity and legitimacy and their expected evolution over time.
2. Assess how the state’s authority, capacity and legitimacy play out in each state domain, their expected evolution over time, and their relative priority for external support.
3. Identify key institutions and organizations in the prioritized domains and assess their authority, capacity, and legitimacy.

Part four of the Guidance Note suggests some operational and strategic options to be considered after the analysis is undertaken at a country level. There is a myriad of possible interventions for donors to choose among in order to address the key weaknesses identified or to build on existing areas of strength. At each step of the analysis, teams can consider and record the implications of the assessment for their country programming. Part four offers some additional options that teams can consider in this process.

In addition to this Guidance Note, the Toolkit on State-Building in Fragile States includes a series of other outputs that can help teams with their assessment of state-building needs and priorities:

1. An excel-based version of the State-Building Assessment Tool (‘E-Tool’), which teams can use to structure their discussion, record their answers step-by-step, and use the results for further documentation, monitoring and revision;
2. A ‘Technical Guide’ to explain step by step the use of the excel-version of the Tool;
3. A set of ‘State Building at a Glance’ sheets for selected countries with the indicators suggested for assessing state authority, capacity and legitimacy in the four domains, as well as an excel sheet for generating the ‘State Building at a Glance’ sheets for countries not covered; and
4. A working paper, titled “Beyond Capacity: Addressing Authority and Legitimacy in Fragile States”, which summarizes the theoretical and empirical basis for the proposed approach.

The primary audience for the Toolkit on State-Building in Fragile States is front-line staff working on country programming. The approach and the State-Building Assessment Tool presented here can be used in a variety of ways – from quicker assessments based on 3-4 hours discussion among a small team of experts or country staff, to more in-depth workshops, over 1-2 days, that include a broader range of representatives of various donor agencies, country experts or academics. Given the dynamic nature of fragility and state-building, it is recommended that the outputs be consulted and revised periodically, to incorporate new challenges and allow for adaptation to evolving country circumstances.
1 Introduction

1 The challenges facing situations of fragility and conflict are daunting. All the problems of development are there writ large: poverty is endemic; government capacity is weak; financial resources are virtually non-existent; formal institutions barely exist; social cohesion and trust are scarce; physical security is fragile; livelihoods teeter on a knife-edge, violence is often pervasive; and ‘the State’ can be an alien construct. In such circumstances everything seems to be a priority. Needs are immediate while resources are scarce and skilled and experienced staffs are rarely to be found.

1.1 The purpose of this note is to outline a framework for the selection, design and implementation of Bank interventions in such difficult contexts. While the primary audience for the work is Bank staff, the products will be made available externally for use by other donors and development practitioners. The guide does not determine what should be done where; rather it lays out a series of questions that will, it is hoped, enable more informed decision-making. What is innovative about the work is the structured combination of various approaches into an integrated analytical and operational tool that takes users steps by step through the assessment, and which suggests strategic and operational options for practitioners, rather than being left as a theoretical approach.

1.2 The 2011 WDR on Conflict, Security and Development presented a compelling case for urgent and innovative responses to circumstances of fragility and conflict. While there has been a sizeable increase in the last decade in the state-building literature, there is no unanimity on its meaning. The best definition is probably by the DAC International Network on Conflict and Fragility (INCAF) which defines state-building as “an endogenous process to enhance capacity, institutions and legitimacy of the state driven by state-society relations”. Despite there being many different understandings of, and approaches to, state-building, it is agreed that fragility and conflict will be overcome only when states mature and acquire resilience. The state-building process is recognized as being overwhelmingly domestic and lengthy.

1.3 These issues are also raised in the World Bank’s 2012 Updated GAC Strategy and Implementation Plan, where paragraph 15 notes that:

*Despite the significant progress made over the last few years, it is clear that the Bank needs to do even better in understanding issues of governance, institutions for development effectiveness, and ways to tackle corruption and malfeasance. It is insufficient to stress economic governance alone. The Bank’s traditional strength—its economic and technical understanding—needs to be complemented by a step change in its grasp of the opportunities and constraints in governance, within the parameters of its mandate. The Bank then must apply this knowledge to the development and strengthening of country institutions.*

The GAC update goes on to say “governance is about what the state can do and how it does it”. What the state can do is determined by its capacity, its legitimacy, and its authority. This Guidance Note builds on this framework and tries to draw out its implications for state-building in fragile and conflict-affected states.

1.4 State-building is historically contingent: no country can copy or repeat the experience of another. Even assessing various country experiences is difficult; there are few cases and each is unique. The experience of European countries, the foundation of whose states were laid down sometimes over five centuries ago, are of limited relevance to say, South Sudan.
1.5 The creation and development of a state is primarily shaped by its elites and citizens, how they interact, how a ‘social compact’ is formed and how it evolves. However, external influences can have a constructive or debilitating impact on state-building, depending on the circumstances. Therefore, the Bank and other donors can have a supporting role to play in helping states overcome fragility and become resilient. At a minimum, donors need to ensure that they respect the ‘Do No Harm’ principle and that their interventions are attuned to the specific risks of state fragility. A more consistent consideration of state-building needs and donors’ potential contributions to addressing them can also help to move from working ‘in’ fragility and conflict to working ‘on’ (overcoming) fragility and conflict. The premise of this note is that the donor community can do better in identifying the priorities, sequencing and trade-offs which are inevitably involved in state-building. These can be reflected through a range of aid modalities, from lending to technical assistance.

1.6 This Guidance Note presents a state-building framework which can be used to help donors play a constructive role in supporting domestically driven state-building processes in fragile states. The framework is based upon theoretical and empirical literature about the fundamental elements of state-building, including donor policy and operational practice and literature\(^1\). It also incorporates the findings and recommendations of a review of Bank Interim Strategy Notes (ISNs) and Country Assistance Strategies (CASs) in fragile states, presented in Annex 5. Summary: Fragility and State-Building in Fragile and Conflict States. Review of Bank Country Strategies.

1.7 The Guidance Note is structured in three further parts. Following this introduction, The Conceptual Framework described in Part Two clarifies and explains the concepts upon which the tool is built:

- The three key dimensions of governance that are required for states to acquire resilience and exit fragility: authority, capacity, and legitimacy;
- The ‘functional domains’ of state-building where citizens expect the state to play a role: security, political/ government, economy, and service delivery; and
- The role of institutions and organizations that contribute to outcomes in these four domains of governance and are crucial for building resilient states.

1.8 The State-Building Assessment Tool described in Part Three brings together the core building blocks described in the Conceptual Framework. It complements and provides further background to the excel-version of the Tool. The ‘E-Tool’ offers teams a structured instrument that they can use to analyze the issues discussed in this Guidance Note, record their answers step-by-step, and print out the results for further documentation, discussion, monitoring and revision. The State-Building Assessment Tool can be used in a variety of ways – from rapid assessments based on 3-4 hours discussion among a small team of experts or country staff, to more in-depth workshops that include a broader range of representatives of various donor agencies, country experts or academics. Given the dynamic nature of fragility and state-building, it is recommended that the outputs should be consulted and revised periodically, to incorporate new challenges and allow for adaptation to evolving country circumstances.

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\(^1\) For more information on the theoretical and empirical evidence underpinning the tool, see Teskey, G., Schnell, S. and Poole, A. (2012). “Getting beyond Capacity – Addressing Authority and Legitimacy in Fragile States”.
1.9 Finally, **Part Four** suggests **Some Strategic and Operational Recommendations** for approaching state-building in fragile states. These are neither exhaustive nor prescriptive, but are meant to help teams get a first impression of general priorities and interventions in fragile states in each domain. A selection of further literature detailing operational experiences and options can also be found in **Annex 3. Key Bank Literature with Operational Suggestions by Domains**.
2 Conceptual Framework

Key Definitions

2 Fragility: The Bank’s official definition of fragile situations is based on Country Policy and Institutional Assessment (CPIA) scores (3.2 or below) and/or the presence of a UN or regional peace-keeping or peace-building mission. This reflects the fact that fragility is seen as a combination of low capacity and political instability. The WDR 2011 defines fragility and fragile situations as “Periods when states or institutions lack the capacity, accountability, or legitimacy to mediate relations between citizen groups and between citizens and the state, making them vulnerable to violence.” Such a severe lack of capacity and the resulting ineffectiveness of the state in delivering basic public goods are defining features of state fragility. All donor definitions of fragility also reference some form of political instability, stemming from factors such as lack of voice and accountability, and a deficit of legitimacy.

2.1 These dimensions are interdependent: voice and accountability can engender incentives for politicians and institutions to deliver public goods, which, together with capacity to do so, can be a mechanism of generating some legitimacy. Thus, while political instability is frequently complementary to weak capacity, it is often a consequence of weak capacity and legitimacy. As the World Development Report 2011 emphasizes, the risk of conflict or violence increases when states lack legitimate institutions that are able to cope with internal and external stresses. A state is fragile if it does not have capacity to respond to demands from different groups in society, and/or if there is no basic agreement about what the state is and what its foundational elements are (a primary source of legitimacy). In such cases, the state is unlikely to be able to solve conflict arising from society, which may thus result in political instability and possibly violence.

2.2 Resilience: A resilient state stands in contrast to a fragile state. It is one that can sustain itself through time and overcome internal and external stresses. Resilience has been described as the ability to reconcile or balance citizens’ expectations of the state (e.g. providing security, services) with the state’s expectations of the citizens (e.g. receiving loyalty, taxes).

2.3 State-building: The Bank does not have a formal definition of state-building. However, its Good Practice Note for CAS in Fragile States (OPCS, 2005) highlights “the centrality of efforts to build state capacity and accountability, including strong attention to the most basic state administrative and delivery systems, complementing capacity investments with robust efforts to improve accountability, and balancing state capacity-building efforts with support for civil society and the private sector.”

2.4 Bank Interim Strategy Notes (ISNs) and Country Assistance Strategies (CASs) in some fragile states reflect this interpretation, though the strong tendency is to focus on capacity – and especially central government capacity – with only occasional references to legitimacy. Political instability is seen as an exogenous risk to be ‘mitigated’.

2.5 Two issues are particularly important for a deeper understanding of state-building:

- Understanding what a state is and what are its basic functions; and
- Understanding the difference between state-building as an endogenous, historical process and state-building as a set of donor policies and practices of supporting such processes.
2.6 In Max Weber’s classic formulation, “a state is a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory”\(^2\). The state is not the same as the regime or the government, or the public administration – rather, it comprises a set of institutions through which authority is exercised in and over a given territory.

2.7 **Peace-Building:** Post-conflict status and state-fragility are not always identical. Not all fragile states are immediately emerging from conflict. Even in post-conflict situations, state-building and peace-building are not synonymous, and can sometimes even be in tension: for example, if the peace-building process aims primarily to end hostilities, without some sort of agreed political settlement, the longer-term prospects for state-building may be compromised. Donor involvement in peace-building includes support for immediate relief and reconstruction activities, and maintenance of security, while support for state-building aims at a longer-term project of institution building and economic growth.

2.8 **Governance:** The concept of “good governance” has too frequently been used as a synonym for some ‘ideal’ (usually OECD-based) state (‘Denmark’) that achieves high standards of democratic and rational-legal governance across a broad range of issues and indicators. Such an aspirational notion is difficult to live up to even for more stable developing countries, let alone for FCS states. A focus on state-building as different from ‘good’ governance will help narrow down expectations of what can be achieved in the short- and medium-term in fragile states, and can help prioritize those governance interventions that address root causes of fragility more directly (see also WDR 2011).

2.9 **For the Bank’s updated GAC strategy (2012)** governance is about “what the state can do and how it does it”. What the state can do is determined by its capacity, its legitimacy and its authority. The GAC update defines these three critical governance dimensions as follows:

- Authority is the ability of the state to govern its territory effectively, reach all citizens regardless of their location, gender, or ethnicity, maintain law and order and protect citizens from predation and violence. It is the ability of the laws and rules of the state to trump all other laws and rules;
- Capacity is the ability of the state to procure and deliver goods and services, design and implement policies, build infrastructure, collect revenue, dispense justice, and maintain a conducive environment for the private sector; and
- Legitimacy is whether citizens feel the government has the right to govern – and whether they trust the government.

**The Social and Political Context**

2.10 **There is a consensus in both donor and academic literature that political context matters, and that its neglect is one of the reasons for limited success in state-building so far**\(^3\). The World Bank Group’s Articles of Agreement prohibit the Bank from engaging in political aspects of a state; and this guidance note and the tool adhere to those Articles. However, it is recognized that the politics as well as the economics of states need to be


\(^3\) E.g. OECD (2011a) *International Engagement in Fragile States: Can’t we do better*. Paris, France: OECD.
**understood** as a background to help determine priorities and strategies for engagement. This is particularly fundamental in FCS, where failure to resolve and mediate political issues through political channels – e.g. elections, handover between regimes and different leaders – can result in violence.

2.11 **The key to state-building is to move from personalized ‘elite pacts’ or ‘political settlements’**\(^4\) **to institutionalized mechanisms of contestation for power - i.e. to stable governance systems and institutions.** Using the ‘limited access order’ terminology\(^5\), achieving peace involves elite agreement on ways to distribute rents among themselves and renounce violence. State-building requires the creation of a credible set of ‘[elite] property rights’ and then ‘depersonalizing’ these rights, so that they become independent from the individuals of the original ‘pact’, while maintaining peace. This shows the importance of finding a way of strengthening the incentives of key actors within and outside the state for state-building, i.e. setting up a system of rules that is self-sustainable in the long-term.

2.12 **Political settlements or elite pacts are embedded in the wider political system and reflected in the way elites bargain with each other.** This is perhaps most obvious in immediate post-conflict states, where the clear victory of one group or an externally imposed truce can result in different political systems and bargaining patterns – e.g. in centralized autocratic or dominant one party regimes versus regimes with polarized, divided elites. Or, if elites reach an agreement about the division of power and begin to engage in the development of political institutions, more integrative cooperative multi-party governments can arise. These regime types are not static – they evolve over time, depending on elite incentives and how the conditions underlying the political settlement or elite pact evolve over time. *Annex 1. Understanding Political Context: a Typology* offers a more detailed discussion of regime types along these dimensions.

2.13 **However, it is insufficient to limit the analysis only to the elites. The stability of the social contract between citizens and the state is as important as the stability of the elite pact or political settlement.** As the WDR 2011 highlights, fragility is often the result of the state’s inability to meet the expectation of different groups in society and the inability of state and non-state institutions to solve conflicts arising from society, i.e. to respond to ‘internal stresses’. An erosion of social cohesion increases such institutional stresses leading to an increase in fragility and potentially the re-ignition of open – violent – conflict. Therefore, relations between state and society, as well as between different groups in society are also essential in determining whether a state can exit fragility or not.

2.14 **Summing up, a robust understanding of the political and social dynamics surrounding state-building reinforces the conclusion that developing resilience means more than strengthening state capacity.** It also requires careful consideration of state authority and legitimacy, i.e. of questions such as how elites and citizens relate to the state, how much they see the state as an expression of a common identity, and how legitimate and ‘fair’ they perceive the state and its actions to be. This insight represents the starting point of next sections and the ‘Toolkit as a whole. The goal is to help country teams systematically move beyond a narrow interpretation of state-building as building the capacity of state

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\(^4\) ‘Political settlement’ is used here as a general agreement on the distribution of power among elites or social groups, on which any state is (implicitly) based, rather than the concrete ‘settlement’ embedded in e.g. written peace agreements. See OECD (2011c). From Power Struggles to Sustainable Peace. Understanding Political Settlements. Paris, France: OECD

institutions, towards a more integrated view of state-building which includes strengthening the state’s authority and legitimacy – i.e. changing, over time, the way the state and citizens interact. The next sections explain more in detail the concepts introduced here and how they interact to ‘build resilient states’.

State-Building/ Governance Dimensions

2.15 The 2012 GAC Update describes three dimensions of governance: authority, capacity and legitimacy (ACL), as noted above. The approach proposed here builds and expands on this framework. These dimensions can be defined in the following terms:

2.16 Authority: Authority is the ability of the state to project its political power over all its territory, to reach all citizens regardless of their location, to maintain law and order and protect citizens from predation and violence. It is the ability of the laws and rules of the state to trump all other laws and rules. In common usage, authority is used to mean legal (formal or de jure) authority, as in “who/ what gives you the authority to do X”. However, the definition used here refers more to the actual exercise of authority, regardless of its (legal or otherwise) source. This is particularly important in fragile states, where informal authority, like informal institutions, can play a stronger role or diverge from formal authority.

2.17 Capacity: Capacity is the ability of the state to deliver or procure goods and services, design and implement policies, build infrastructure, collect revenue, dispense justice, and maintain a conducive environment for the private sector. Capacity is a latent concept: it stands in distinction to effectiveness, which is the extent to which the government actually achieves its policy objectives. An organization has capacity when it can identify, plan, prioritize, implement, monitor, and learn from specific courses of action; mobilize, and deploy resources (assets, people, money and information); and discipline a heavily constrained system to pursue agreed objectives. However, individual organizations are not states, nor are states made up of organizations alone: Changing business practices can take an organization a long way. But inevitably organizations will confront institutional barriers and constraints, as well as informal rules of the game. If the dominant value is that public office is to be exploited for private gain, strengthening procurement regulations or recruitment policies will achieve little. It is this wider political economy of institutions that determines state effectiveness.

2.18 Legitimacy: Legitimacy is whether citizens feel the government has the right to govern – and whether they trust the government. Legitimacy is often said to arise from either performance (how well the government is doing in creating jobs, or from delivering safe water, or standing up to neighboring states) or from process (ranging from how the government of the day acquired power to whether the institutions have a process of dialogue and engagement of women and ethnic/excluded minorities in policy making and service delivery choices). Accountability is essential for increasing the state’s legitimacy – both by increasing the perception of fairness in the way the government and other public institutions conduct their business, and by increasing state responsiveness and thus performance legitimacy. However, to understand how accountability contributes to increasing legitimacy it is important to ask “accountability to whom?”. Legitimacy is often fragmented: different groups in society may have different views about the legitimacy of the state and of specific institutions. These views are shaped by not only by ‘objective’ differences in state performance or inclusion, but also by local cultures, values and experiences, which can differ not only across but also within countries, and which affect perceptions of legitimacy.
2.19 **The fundamental problem in FCS is that authority is contested and dispersed.** The Bank’s traditional focus has been on the capacity to exercise authority in the economic and social domains and - implicitly - on performance legitimacy, rather than on the legitimacy of how authority is acquired, or on process legitimacy. However, if the process of acquiring authority does not have a basic level of legitimacy, its exercise will confront challenges.

2.20 **Authority, capacity and legitimacy are interdependent and as such they need to be addressed in tandem.** To give an example: A state needs a public administration that collects taxes throughout the territory (Authority). To do so, it requires professional and accountable civil servants capable of exercising this authority (Capacity). At the same time, citizens have to regard taxation and its administration as a legitimate expression of state power, lest it fuels grievance and generates resistance (Legitimacy). The focus of the Bank and most international partners is typically on building capacity. Yet, as a general rule, strengthening the capacity or authority of institutions with low legitimacy can harm government stability and efforts at restoring confidence. Similarly, investing in institutions or organizations with authority before they have the capacity to fulfill their functions can be ineffective at best and counter-productive at worst.

**State Domains**

2.21 **In order to exercise its authority, including through maintaining a monopoly of force, a state must achieve a set of ‘survival functions’, i.e. things a state must do to sustain itself:** achieve a basic agreement among the elites about how power is obtained and exercised – the political settlement and political system – and set up a basic administrative structure to mobilize and spend revenue to satisfy societal demands enough to prevent the emergence of violence. Some authors refer to these survival functions as the ‘constitutive domains’ of the state, which include the security and political/ government domain of the state. Expectations of modern states go well beyond maintaining a monopoly of force. They include meeting a broad range of ‘expected functions’ in the so-called ‘output domains’, which include economic management and service delivery for the population.

2.22 **A resilient state has to ‘deliver’ in these key domains where citizens expect the state to play a role.** Both the constitutive and the output domain can be divided into two, and so we refer to four domains throughout the rest of the framework and in the Tool:

2.23 ‘**Constitutive’ domains:**

- **Security:** are people able to live their lives and conduct business in a secure environment? and
- **Political / government:** is there a functional government and a minimally inclusive political system? Do people have access to their representatives/leaders, and is the decision-making process contestable?

2.24 ‘**Output’ domains:**

- **Economic management:** is the economy successfully managed, resulting in economic growth, job creation and macroeconomic stability? and
- **Social/ service delivery:** are the people provided with basic public services, including basic social services (like education, health, and access to water and sanitation) and public transportation networks etc?

2.25 **The authority, capacity and legitimacy of the state can differ within and across these four domains.** For example, the state might have sufficient economic management
capacity to maintain macroeconomic stability and economic growth. However, if the fruits of this growth are very unequally distributed and reinforce the fault lines that drive fragility, the state might nevertheless have low economic legitimacy in the eyes of a significant proportion of the population. Or, the state can have high authority (control) over security forces, but low authority over service delivery, if social services are provided primarily off-budget by donors and NGOs and not aligned with the priorities of the state. How the state performs in each governance dimension and domain also depends on the broader political context, the ‘rules of the game’ and the incentives of political elites.

**Institutions and organizations**

2.26 Outcomes in the four state domains depend on the performance of the institutions and organizations contributing to the domain and the interactions among them. The classic definition of institutions is ‘the formal and informal rules of the game’, which include written and unwritten laws and the organizations that generate and enforce them. Although used interchangeably in common parlance, institutions and organizations are not entirely synonymous. Appreciating that difference will lead to different interventions and activities. Organizational development can be likened to coaching a football team. Which players should play in which position? What should be the team’s tactics? At what point should we bring on a substitute? By contrast, institutional development would focus on the rules of the game. Are the goalposts too small? Should we allow 13 players instead of 11? And, perhaps most importantly of all, should the team give up playing football and take up hockey instead?

2.27 As the WDR 2011 argues, the goal in fragile states is to transform those institutions that are most directly related to the roots of conflict or fragility. Conflicts are an enduring feature of every society. Even where a political settlement exists, the causes and underlying dynamics of conflict can never be completely removed. To ensure that the political settlement, as exercised through the political system, is sustainable, institutionalized mechanisms are required to resolve future conflicts without recourse to violence. These mechanisms are, by definition, governance institutions. Institutions are needed at different levels, both in terms of geographic reach (national, regional, local) and in terms of a hierarchy or a ‘nested system’ of rules.

2.28 Therefore, the key is to identify those institutions that are most closely related to the roots of conflict and thus the causes of fragility. While this starts with the political context at the macro-level, it is also important to consider in more detail which sectors and institutions are most closely related to the roots of the conflict, e.g. those sectors that generate the main rents and ‘grievances’. For example, if the roots of the conflict are primarily around local land disputes, then the priority could be strengthening local conflict resolution mechanisms, such as local access to justice through formal (modern) or traditional courts, combined with strengthening the land registration process via public administration. If the roots of the conflict are national – e.g. two or more ethnic or religious groups are vying for power - then the challenge is to achieve a viable political system built on a national political settlement. In targeting key institutions, donors can choose to focus on institutions whose weakness is most threatening to conflict resolution and the stability of the state. Alternatively, donors can choose to buttress those institutions which are already function relatively well and can be used to build confidence and develop other connected institutions. The choice will be highly context dependent, depending on issues such as ownership, space for reform, political economy constraints etc.
2.29 In fragile states, many of the institutions that function comparatively well are informal institutions. These are often more closely aligned with actual (de facto) power relations and more culturally embedded. One key challenge is that informal institutions are not only harder to identify, but also harder to change than formal ones. Nevertheless, they are the key to sustainable institutional change. In essence, the congruence of formal institutions with informal power relations and institutions determines how stable they are. Therefore, donors should identify which institutions – formal and informal - function well in a given country, and understand what determines their effectiveness. They should also bear in mind that not all institutions – either formal or informal – are helpful in terms of state-building. Sometimes, existing institutions are part of the problem, especially if they reinforce social divisions and serve to perpetuate exclusion that generates conflict and fragility.

2.30 **What form key institutions take, which of them plays a stronger role, and how they interact will differ from country to country.** But while institutions will vary by country, it is possible to identify roughly the types of institutions and organizations that have to exist in various domains in order for the state to fulfill its functions. For each domain, there is a myriad of institutions contributing to the overall outcomes – some of them sector-specific, some of them cut across sectors. For example, the judiciary contributes to justice as a core government function, to security as it is key to enforcing the law, to holding other branches of government to account, and to economic outcomes by ensuring contract enforcement and the protection of property rights. Similarly the performance of Public Financial Management (PFM) institutions affects outcomes in all other domains.

2.31 **Each institution or organization will have its own Authority, Capacity and Legitimacy strengths or weaknesses.** As mentioned above, informal institutions are often more readily followed by the population or groups thereof than formal ones, i.e. they enjoy more de facto authority, even if though formal institutions are the ones invested with de jure authority by the state. This can be for a variety of reasons – e.g. because they can be closer to the population, being physically present even in remote areas, more aligned with existing conceptions and traditions of authority, or have better capacity or incentives to respond to the needs of their users. As a general rule, institutions and organizations function best when they have both sufficient capacity and sufficient legitimacy to exercise de facto authority.

2.32 **In conclusion, state-building can be seen as a multi-layered and socially embedded approach to strengthening state authority, capacity and legitimacy across a variety of institutions and domains.** Figure 1 below represents a simplified representation of the conceptual framework for state-building described here.
Figure 1: State Building Framework

Building the State: Effective Public Authority

State Authority (A)  State Capacity (C)  State legitimacy (L)

Security domain outcomes A-C-L  Political/government domain outcomes A-C-L  Economic domain outcomes A-C-L  Social/service domain outcomes A-C-L

Military ACL  Police ACL  Judicial institutions ACL  Legislative institutions ACL  Sub-national authorities ACL  SOEs ACL  Service providers ACL  Institutions for PFMACL  Regulatory Institutions ACL  Central Bank ACL  Line ministries ACL
3 State-Building Assessment Tool

The conceptual framework presented here is not a blueprint. Rather, it is designed to help teams consider the fundamental challenges of building a state and what that may imply for country programming. It eschews both a ‘one size first all’ approach such as promoting ‘best practice’ and the converse argument that everything is so country-specific that no overall guidance is possible. To help teams with the assessment of state-building needs and priorities, the framework is accompanied by an Excel-based Tool or ‘E-Tool’, that can help structure discussion, record the state’s main strengths and weaknesses along the A,C,L dimensions, and derive strategic and operational implications from them. This section of the Guidance Note provides a description of the analytical steps of the E-Tool, including some notes on preparation and follow-up. Figure 2 below summarizes the main steps of the assessment.

Figure 2: Steps of the State-Building Assessment Tool (SBAT)

3.1 The framework and tool are based on an approach to governance and state-building that follows the interconnections between institutions from the macro/state/system-level down through the sector-level to specific institutions and operational challenges at the micro-level. This does not imply that there is no option for a consideration of state-building from the institutional, or sector-level and work upwards – neither are mutually exclusive approaches. Different answers to the analytical steps imply different operational implications. Applying the framework may help Bank teams make more informed choices about programming priorities and their effects on state-building. Teams can

NOTE: This Guidance Note refers only to Version 1 - Slim of the SBAT. A revised note to accompany SBAT Version 2 - Extended will be developed soon.
select whether to build up areas of relative strength in a given state and/or to help compensate for weak areas by supporting programming in them. Investment choices will, ultimately, be in conjunction with the relevant country counterpart and will be heavily influenced by their choice of priorities, yet this framework remains useful to consider a longer-term view of promoting a stable, viable state.

3.2 **The overall toolkit is designed to be applied flexibly depending on team requirements.** The tool could be used as a basis of a structured workshop for half a day or a day, which would come out with a series of programming options, or it could be supplemented by significant levels of data gathered for each country or sector team and be used over a period of months or even years as a systematic way to review strategic direction. More intensive use of the tool could include commissioning case studies, qualitative surveys, political economy analyses and so on to support the underlying contextual understanding, perhaps as part of the preparation for a new Interim Strategy Note (ISN) or Country Assistance Strategy (CAS). Less intensive use of the tool could be envisaged also if teams follow the analytical steps through to the domain-level and then consider sector-level implications without going to the institutional level of analysis. However, teams are encouraged to work through all the analytical steps at least in the first use of the tool.

3.3 **Teams should also take also into consideration what other external actors, beyond the Bank, can contribute to state-building – even carrying out, where possible, the assessment together with other partners.** These can include UN agencies or peacekeeping missions, other multilateral aid agencies, bilateral donors, international NGOs and so on. A comprehensive look at state-building challenges will inevitably raise issues that are highly sensitive and political, and that go beyond the Bank’s mandate or comparative advantage. Nevertheless, as these issues can be crucial to the prospects of state-building – and thus implicitly to the performance of the Bank’s overall portfolio in the country – it is essential that they are being made explicit and addressed through other means, e.g. taken into account as part of risk assessment and management, and/or incorporated into the broader agenda of donor cooperation and coordination in the country.

**Preparation: Understand Political and Social Context**

3.4 **Understanding the political and social context is crucial for understanding state-building options and priorities.** This tool is not intended to be used in a vacuum, and will not work effectively if it is used in such a way. Therefore, teams should draw as much as possible not just on their own country and sector expertise, but also on the analytical and diagnostic work already available for their country – from the Bank itself, from other donors/ the international community, and from academic sources.

3.5 **Where such analyses on the broader political and social context, including on the roots of conflict and fragility, are lacking, teams can consider commissioning them to inform the use of this tool.** As detailed in Annex 6, *Conflict and Fragility Diagnostic Tools*, a variety of analytical tools from the Bank and from other donors are available for such assessments. They include political economy analyses, conflict assessment frameworks, or country social analysis approaches that look from different perspectives at the social and political factors that drive conflict and fragility. Their insights can be taken as the starting point for the assessment of state-building challenges suggested here.

3.6 **The framework and the tool presented here can themselves be used a basis for commissioning a more in-depth assessment focused specifically on state-building needs.** It adds to existing analytical frameworks by suggesting a more detailed look at the three core
dimensions of the state/ of governance and at how they play out across domains and institutions. However, the primary purpose of the Toolkit in its current form is to help teams mobilize their own knowledge to carry out this assessment – thus generating buy-in and contributing more directly to mainstreaming state-building and governance concerns across the Bank’s country programming.

**Step 1: Overall/ Strategic Level Assessment**

3.7 The next step for the country team is to assess the state’s overall authority capacity and legitimacy, as well as their expected trajectory in the near future. This is done in Tab ‘1 – Strategic Level’ of the E-Tool. Different facets of each dimension should be considered, to elicit a reasonably clear picture of how A, C and L are manifested in the state at the given point in time. For example, the state may have relatively high levels of authority over the capital city and its environs, but much less authority – either in terms of control of violence or the constructs of a public administration – in more remote regions where conflict still wages, or threatens to erupt.

**Table 1: Questions for assessing the state’s overall A, C, L**

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity / Effectiveness</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the state able to govern its territory effectively, reach all citizens regardless of their location, maintain law and order and protect citizens from predation and violence? Do the laws and rules of the state trump all other laws and rules?</td>
<td>Is the state able to deliver goods and services, procure goods and services, design and implement policies, build infrastructure, collect revenue, dispense justice, and maintain a conducive environment for the private sector?</td>
<td>Do citizens feel that the government has the right to govern? Do they trust the government?</td>
</tr>
</tbody>
</table>

3.8 The assessment at this level can help teams identify and record first macro-strategic implications and priorities for supporting state-building, and ‘flag’ issues for further investigation in the next steps. For example, if the state has high legitimacy due to political inclusion, but low capacity to deliver services that are increasingly demanded by the population, teams can ‘flag’ capacity for service delivery as a key issue to investigate further for the following steps. Some issues identified at this level, especially regarding state authority and legitimacy are likely to be sensitive or political issues that the Bank cannot address directly due to limitations of its mandate or comparative advantage. Nevertheless, considering their implications for the country team and country portfolio is crucial – e.g. in terms of country risk, high-level dialogue with the government, or cooperation with the international community/ other actors that are in a better position to address these issues.

**Step 2: State Domains Assessment**

3.9 Step 2 helps teams carry out a more detailed assessment of how the state’s Authority, Capacity, and Legitimacy manifest themselves in the four key Domains, as well as how they are expected to evolve over time. This is done in Tab ‘2 – State Domains’ of the E-Tool. Matching the four domains to the three dimensions of state-building (A, C, L) results in a matrix with 12 cells, each requiring its own assessment based on the questions suggested (see Table 2 below).
Table 2: Questions for assessing state A, C, L performance by domain

<table>
<thead>
<tr>
<th>Constitutive domains/survival functions</th>
<th>Authority</th>
<th>Capacity/ Effectiveness</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>Does the state’s monopoly of force extend over the entire territory/ all people living within its borders?</td>
<td>Does the state have a monopoly of force to the extent that there is limited crime or armed conflict?</td>
<td>Is the way in which the state delivers security perceived as legitimate? Is the state perceived as the only legitimate source of security?</td>
</tr>
<tr>
<td>Political/ Govt</td>
<td>Are people loyal to the state over other groups? Is this loyalty based on a shared sense of national identity? Do people recognize the authority of the government currently in power?</td>
<td>How effective are core government systems (executive/ the legislative or similar/ the judiciary) at making and enforcing decisions?</td>
<td>Is the way government makes and enforces decisions perceived as legitimate?</td>
</tr>
<tr>
<td>Economic</td>
<td>Is there a de facto framework for a market-based economy? Is there a substantial illicit and/or informal economy that is beyond the legal market framework?</td>
<td>Does economic policy deliver economic growth, macro-economic stability, and job-creation?</td>
<td>Are the economic outcomes and their distribution perceived as legitimate? Is the nature and the degree of state intervention in the economy perceived as legitimate?</td>
</tr>
<tr>
<td>Social/ Service delivery domain</td>
<td>Is the government/ state responsible for service delivery (even if these services are delivered by other actors – e.g. NGOs, churches etc.)?</td>
<td>How effective is the state at delivering services or ensuring that these are delivered to the population?</td>
<td>How is the performance of the state with regard to service delivery perceived by the population both in terms of level and of distribution of services?</td>
</tr>
</tbody>
</table>

3.10 While the cells capture different dimensions of governance at the domain level, they are also interdependent both vertically and horizontally. For example if core systems in the government/ political domain (such as the public financial management system) lack capacity to make and enforce decisions, it is likely that the state will exhibit low capacity also in other domains – such as economic management or service delivery. However, the connection is not necessarily automatic – for example, a state can have high capacity in the security sector, but low capacity in the other domains. Or the state can have significant political legitimacy, if it is inclusive in its decision-making or if it can capitalize on feelings of loyalty generated by recent independence or change in regime, but low legitimacy in the other areas if it does not succeed in delivering the degree of security, justice, economic growth or social services that are expected by the population. Similarly, the cells will ‘co-vary’ to some degree within each domain – e.g. if the state has both low capacity and low legitimacy in one domain, it is unlikely that it will enjoy high authority in the respective domain. Once again, this relationship is not automatic – e.g. some states can have high authority over security forces (i.e. a strong monopoly of force), but low legitimacy of how security is being delivered, if they use this force excessively and disregard basic human rights in the process.

3.11 Answering the suggested questions (‘prompts’) can help teams assess whether each cell represents an area of strength or weakness of the state. The tool has identified a set of key indicators to help with this assessment. These are presented more in detail in Annex 2. List of indicators. Accompanying this Guidance note are also “State-Building At A Glance” Sheets, which summarize these indicators in an easily accessible form for selected Fragile and Conflict-Affected States, and compare some of them with the averages for countries in the same region and income category. For those countries not included in the
“State-Building At A Glance” Sheets, there is an excel-sheet that allows the teams to collect the indicators from the underlying sources and generate their own ‘At A Glance’ Sheets.

3.12 **The suggested indicators are not the only (or even the definitive) ones that can help answer these questions.** They were selected because they have a reasonable geographical coverage and because, collectively, they reflect key aspects of state authority, legitimacy and capacity in each domain. Country teams are encouraged to consult other data sources, such as Public Opinion Barometer surveys, Public Expenditure Tracking Surveys, or other, country-specific, surveys. They are also encouraged to use qualitative information and assessments, such as background academic and donor reports, or discussions with staff from UN agencies, peace-keeping missions, media and NGOs.

3.13 **Based on this assessment, country teams can identify key issues and assign a priority level to each domain for their country programming.** Similarly to the previous step, the issues identified can include both those that can be addressed by the country team directly through its programming, and those that need to be addressed indirectly – whether as part of a risk assessment and mitigation strategy or as part of the broader dialogue and coordination with the government and the international community. **Part 4 Some Strategic and Operational Recommendations** highlights some key issues that teams can take into account and address in each domain. **Annex 3. Key Bank Literature with Operational Suggestions by Domains** suggests some additional literature that teams can consult if they want to explore operational options more in detail.

**Step 3: Institutional and Organizational Assessment**

3.14 **Step 3 involves the assessment of the authority, capacity, and legitimacy of the key institutions and organizations that determine performance in each domain.** Tabs 3.1. to 3.4 of the E-Tool list for each domain the main types of institutions (like core security institutions, justice institutions, legislative institutions, monetary and financial institutions etc.) that are likely to be encountered or necessary in each country. When using the tool, teams are encouraged to specify which institutions are the relevant ones for their specific case.

3.15 **The Tool suggests questions for assessing the specific strengths and weakness of the key institutions identified, along the three core dimensions of authority, capacity and legitimacy.** The sources of information to answer these questions will vary, depending on what is available in a given country and how in-depth the assessment process will be. They can include the team’s own expertise, a desk review of existing documents, interviews with key stakeholders or experts on the sector in the respective country, existing indicators from cross-country or from national/domestic data-sets and surveys where available, or even primary data collection through surveys especially designed for the sector/institutional assessment. The questions surrounding authority-capacity-legitimacy suggested in table 3 below represent generic questions that can be used in any such institutional assessment. The E-Tool and **Annex 4. Questions and Operational Suggestions by Institutions in each Domain** also offer questions tailored to the key types of institutions listed for each domain.
3.16 Based on the answers to these questions, teams can identify the main issues faced by each key institution and consider ways to address these through their country programming. The assessment can also help teams prioritize institutions, by taking into account which one have the highest need for or the highest potential to benefit from external support. Annex 4. Questions and Operational Suggestions by Institutions offers more detailed suggestions about (i) what the key institutions and organizations in each domain are; (ii) what questions to ask to determine the authority, capacity and legitimacy of these institutions; and (iii) strategic and operational suggestions for strengthening them.

Review and follow-up

3.17 Teams are encouraged to review the results of the assessment, which are summarized in Tab 4 COUNTRY SUMMARY of the excel-based Tool. This can help them get an impression of the overall picture emerging, and identify potential areas of inconsistency. For example, if overall state capacity has been rated as low in the first step of the assessment, but a more disaggregated look at state capacity in each domain results in a medium rating for a majority of the domains, teams should discuss what generated these divergent perceptions and maybe change their ratings accordingly. While the tool is not intended to give precise ‘rankings’ or ‘values’ for all the ‘variables’ assessed, ensuring some consistency across the assessment can increase the quality and ‘robustness’ of the analysis.

3.18 The country summary sheet can also be used to review the ‘main issues for your country team’ identified at each step, and their alignment with the current portfolio and future plans. Part 4 below suggests some additional strategic and operational options for teams to consider. Teams are also encouraged to seek out and consult further literature. Annex 3. Key Bank Literature with Operational Suggestions by Domains offers some initial suggestions for this. Annex 4. Questions and Operational Suggestions by Institutions in each Domain suggests some more operational implications for a variety of institutions.

3.19 Teams are encouraged to use the tool periodically to update their assessment and its implications. Given the dynamic nature of fragility and state-building, such revisions can allow for adaptation to evolving country circumstances. How often these reviews should be carried out depends on both country circumstances and the purpose for which the tool is used. The assessment can be updated periodically, as part of the ongoing country planning process, when the country team is re-assessing its portfolio as part of e.g. the preparation on an ISN or CAS, or when specific in-country events generate renewed risks of instability.
4 Some Strategic and Operational Recommendations

4 The tool allows teams to record the strategic and operational implications of the assessment for their country programming at each step of the analysis. In doing so they can draw on their own knowledge of country circumstances and of what is likely to work under these circumstances. This allows teams to mobilize the tacit knowledge they have available across sectors and specializations. The sections below aim to give teams additional guidance on possible priorities and interventions to address the authority, capacity and legitimacy of the state in each of the four domains. It also offers some general principles for strengthening institutions across the domains. Teams can also consult Annex 3. Key Bank Literature with Operational Suggestions by Domains and Annex 4. Questions and Operational Suggestions by Institutions in each Domain for additional suggestions.

Security Domain

4.1 There is now an emerging consensus that unless a minimum level of security is established across the territory, interventions the other domains may be ineffective or even counterproductive. For example, it is can be dangerous to hold elections before the state has established a monopoly of force, given the possibility of armed groups to intimidate and even coerce voters. Similarly, deploying the public administration across the territory, building infrastructure, promoting trade, or delivering services will be difficult if non-state armed groups still control or threaten parts of the territory.

4.2 The central questions relating to security in fragile states are: “who provides justice and security (state and non-state), where, when, how and for whom”\(^6\). Special attention should be given to private/ non-state security and justice providers, which are often those that reach a majority of the population. The fragmentation of the security sector is likely to be the most severe in regimes with polarized and divided elites, followed by cooperative multi-party regimes. Strong, centralized regimes are likely to have strong authority over the security sector. A fundamental challenge donors face is how to integrate formal and informal, state and non-state security providers, while taking into account that some of them might be a source of fragility, insecurity and injustice. Paying particular attention to strengthening civilian oversight mechanisms – i.e. strengthening the authority of the state over the security forces and increasing their legitimacy in the eye of the population is one avenue for doing that. Even if many aspects of the security sector are outside the Bank’s mandate, a better understanding of key constraints in the security sector can help country teams make decisions about interventions in other areas and can be used as an input for the dialogue with other national and international partners.

4.3 Table 4 below offers some strategic and operational options for donors who wish to strengthen the state’s authority, capacity and legitimacy in the security domain.

### Table 4: Strategic and operational suggestions for the security domain

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Support the deployment of key security and justice infrastructure throughout the country.</td>
<td>- Develop the physical/functional, individual and organizational capacity of security and justice sector actors, including: capacity for strategic planning, budgeting and policy making; capacity to monitor, review and evaluate security sector and justice activities, plans etc.</td>
<td>- Support internal and external accountability/civilian control of security forces.</td>
</tr>
<tr>
<td>- Support the development of rules – the institutional infrastructure – governing the security sector (including through incremental legislative and judicial reform that builds on existing institutions/formal and informal rules).</td>
<td>- Build up and strengthen national policies and providers for capacity-building/learning.</td>
<td>- Take measures to rein in human rights abuses and protect particularly vulnerable populations (ethnic or other minorities, women, children) – including through strengthening legal protections and redress mechanisms for protecting human rights and vulnerable populations.</td>
</tr>
<tr>
<td>- If possible, co-opt/integrate existing non-state providers of security and justice.</td>
<td></td>
<td>- Take measures to balance the need to ensure buy-in from those controlling the means of violence with the need to ensure respect for human rights and redress conflict-related grievances.</td>
</tr>
</tbody>
</table>

#### Political / Government Domain

4.4 **After establishing a minimum of security, one of the first priorities is to expand the reach of the state by deploying a rudimentary public administration throughout the country.** This helps to restore a minimum ability of the government to raise revenue and deliver public services. It also sends a political signal about the pre-eminence of the state. Rebuilding the physical and organizational infrastructure for the state to reach all the territory and people within is not by itself sufficient. The fragmentation of authority typical of fragile states – or, alternatively, its excessive concentration in strong centralized regimes – highlights the importance of understanding formal and informal sources of authority and how they relate to each other.

4.5 **Central-local relations are particularly important.** When and how much to decentralize is highly contested, and the impact of decentralization is highly context dependent. Decentralizing control over resources, before the state has established its monopoly over the use of force at the local level can lead to intensifying the conflict. On the other hand, decentralization can work even in societies with significant ethnic tensions if it is done gradually and accompanied by measures to reduce ethnic polarization and foster inclusiveness, cross-ethnic coalition building and a common national identity. The key lesson is that in fragile settings, the best strategy is to pursue “decentralization that strengthens ties with the center”7 and helps bridge ethnic and other socio-political and economic divisions. The main operational implication is that the timing and sequencing of different options for delegation, deconcentration and administrative/political decentralization have to be considered carefully, and accompanied by measures to ensure representation of women and ethnic and other minorities on central or local committees and decision-making bodies etc..

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4.6 Overall, here as in the other domains, the priorities will differ depending on contextual factors – including the political context. For example, one report finds reforms to increase transparency and accountability in PFM are more difficult in autocratic regimes and regimes with a dominant executive than more cooperative multi-party regimes. However, given their legitimacy deficits, increasing legitimacy via better accountability could be a priority in such regimes. The solution to this paradox will be context specific, with promoting accountability – in PFM and beyond – in autocratic regimes being a high-risk-high-reward strategy for donors.

4.7 Similar considerations apply to the issue of addressing corruption in fragile states. Corruption can have a stabilizing or destabilizing role, depending on the context and the type of corruption. ‘Classic’ patronage politics can contribute to maintaining social and political cohesion if it is used to promote ‘buy-in’ from key elite factions and/or social groups. Trying to eliminate this can result in a backlash against reforms and in renewed instability. On the other hand, corruption tied to organized crime or corruption in the security sector can fuel fragility and instability, and thus addressing these should represent a high priority in fragile states.

4.8 Addressing corruption in fragile contexts poses particularly stark challenges. Distinct anti-corruption institutions or policies have shown limited success in fragile contexts. Therefore, it is recommended that corruption – and accountability as one of its antidotes - should be addressed in all key institutions, often indirectly through improving public financial management and oversight, civil service reform, justice sector reform, o support to national legislatures and executive branches. Priority should also be given to high-risk sectors, such as extractive industries, by supporting government, CSOs, and even foreign and domestic companies in forming governance structures for those sectors and participating in international initiatives aimed at increasing transparency, reducing corruption, and eliminating human rights abuse.

4.9 Table 5 below offers some strategic and operational options for donors who wish to strengthen the state’s authority, capacity and legitimacy in the political/government domain.

Table 5 : Strategic and operational suggestions for the political/ government domain

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Gradually develop the legislative framework for the distribution of</td>
<td>• Develop physical/ functional, individual and organizational capacity for policy-making</td>
<td>• Support internal and external accountability and integrity mechanisms.</td>
</tr>
<tr>
<td>authority; aim to align/ build complementarities between formal and</td>
<td>and implementation (including administrative and analytic capacity, as well as</td>
<td>• Support inclusion of women, ethnic minorities and previously excluded groups in government and</td>
</tr>
<tr>
<td>informal, central and local/ decentralized sources of authority.</td>
<td>communication capacity),</td>
<td>political institutions and organizations.</td>
</tr>
<tr>
<td>• Support the deployment of the public administration throughout the</td>
<td>• Support capacity-development for different state (executive, public administration,</td>
<td>• Support the development of independent and</td>
</tr>
<tr>
<td>country, considering different options for delegation, deconcentration</td>
<td>legislatures) and non-state actors/ intermediary</td>
<td></td>
</tr>
<tr>
<td>and administrative/ political decentralization.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Do not neglect revenue collection at both the central and the local/regional level, including the connections between the two.

- Build up and strengthen national policies and providers for capacity-building/learning.

- Organizations (media, CSOs etc.)

- Inclusive media and civil society.

### Economic Domain

4.10 **As the WDR 2011 highlights, after basic security has been established, creating jobs is one of the main priorities in fragile states, in part to ensure that there is alternative legitimate sources of making a living and in part to promote peace dividends.** Although short-term job-creation measures, such as reintegration and public works programs, are important, they need to be accompanied by building economic institutions that can support a functioning economy with a vibrant private sector, which generates jobs, promotes growth and ensures a reasonable level of macro-economic stability.

4.11 **One of the main challenges in the economic domain in fragile states is dealing with the fusion of private and public roles, and the role of illegal and parallel economic activities.** Since the flow and distribution of licit and illicit resources often lies at the heart of conflict, support for economic programming should be based on a careful political economy assessment or conflict analysis, to identify winners and losers and how this affects the potential for further conflict. In limited access order societies such as fragile states, this generates the difficult choice between limiting rent-seeking activities and maintaining the underlying agreement about the distribution of economic rents, on which (informal) political settlements are often built, and which are mechanisms to avoid violence\(^\text{11}\). Priority should be given to interventions aimed at increasing transparency, reducing corruption, and eliminating human rights abuses in high-risk sectors, such as extractive industries\(^\text{12}\).

4.12 **At the same time, interventions to facilitate the transition of informal businesses to the formal economy** can be helpful. For example, this could be through steps to improve business licensing or reduce barriers for previously discriminated groups of people, such as restrictions on the ability of women, or certain casts of people, to own land or hold a bank account. Thus, the broad goal of economic management in fragile states can be summed up as a two-pronged approach of creating an enabling environment for a formal, legal and diverse/competitive private sector to develop, while reigning in on illicit activities, rent seeking and monopolies that pose a threat to the stability and economic development of the country.

4.13 **Table 6 below offers some strategic and operational options for donors who wish to strengthen the state’s authority, capacity and legitimacy in the economic domain.**

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\(^\text{12}\) Initiatives that support such approaches include: Extractive Industries Transparency Initiative (EITI), Voluntary Principles for Security and Human Rights, Human Rights and Business Project, UN Global Compact, Publish What You Pay Campaign, Kimberly Process, Forest Law Enforcement, Governance and Trade (FLEGT) Initiative
### Table 6: Strategic and operational suggestions for the economic domain

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop the legislative and organizational framework for a market economy; reduce excessive red-tape and regulation where appropriate.</td>
<td>• Develop physical/functional, individual and organizational capacity of public and private economic governance institutions, including those in charge of infrastructure.</td>
<td>• If trust is low due to ineffectiveness, focus on building the capacity of key economic governance institutions.</td>
</tr>
<tr>
<td>• Make sure key economic institutions expand their reach outside the capital and main urban centers.</td>
<td>• Build up and strengthen national policies and providers for capacity-building/learning for the public and the private sector.</td>
<td>• If trust is low due to low process legitimacy, support transparency, accountability and anti-corruption measures, improve consultation processes between government and the private sector, promote clarity, stability and equity of the legislative framework governing the economic domain.</td>
</tr>
<tr>
<td>• Take measures to rein in the illicit and criminal economy (especially where illicit economy is fuelling fragility),</td>
<td>• Promote formalization of the informal sector.</td>
<td>• Provide targeted economic reforms to benefit women, ethnic minorities, the young and former soldiers.</td>
</tr>
<tr>
<td>• Promote formalization of the informal sector.</td>
<td>• Support the reconstruction of key economic infrastructure throughout the country (e.g. roads, electricity etc.), with government participation/leadership.</td>
<td></td>
</tr>
<tr>
<td>• Support the reconstruction of key economic infrastructure throughout the country (e.g. roads, electricity etc.), with government participation/leadership.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Social/Service Delivery Domain

4.14 **The tensions between short-term, quick-impact donor intervention and long term state-building are also pronounced in the social service delivery domain,** which includes health, education, water and sanitation and other services. Humanitarian interventions in conflict and immediate post-conflict situations focus on providing basic services to people in affected areas directly through donor or international NGO structures. In the longer term, this can result in building up structures for service delivery which are parallel to the state and which risk undermining further the state’s already weak authority, capacity and legitimacy in the service delivery area.

4.15 **One of the key questions in FCS is about the most appropriate mode of service delivery and how this affects prospects for state-building.** Where the state enjoys some degree of capacity and responsiveness in the service delivery area, traditional ways of strengthening public service delivery institutions could work. However, most often, the reality in FCS is that services are delivered by a variety of non-state providers (NSPs), and the state is too weak or lacks the political incentives to deliver services. Even under such unfavorable circumstances, ways for linking state institutions and non-state providers and avoid undermining the role of the state can be sought:

- **Support the rapprochement of NSPs and the state**, including through supporting mutual dialogue and other forms of mutual engagement and building the “indirect” or “stewardship” functions of the state, i.e. policy making, setting regulatory frameworks, contracting etc.. Even under the most unfavorable circumstances, informal, localized modes of engagement between state and NSPs can be promoted, or efforts can be made where government and opposition groups can cooperate around certain basic services; and

- **Strengthen both the short and the long route of accountability in service delivery** – the first through building community/grassroots level capacity/social accountability mechanisms, the latter through longer term work in the political/government domain to increase state responsiveness and legitimacy. Given the weakness of the central state and the inadequacy of the “long route” of accountability,
there is a tendency to rely on the bottom-up – but largely localized – modes of accountability in FCS, e.g. via social funds and community-driven development (CDD). This should be accompanied by efforts to build capacity and legitimacy of local governments and decentralizing authority in a balanced and conflict-sensitive way.

4.16 The second key issue in FCS that country teams may wish to take into account is how the delivery of services can contribute to, or undermine, the legitimacy of the state:

- **Take measures to reduce inequalities in access to services, as unequal access can amplify perceptions of injustice among various groups and regions.** Again, this requires careful political economy, conflict and/or distributional impact analysis, to assess what role the distribution of public services plays in generating fragility and/or state legitimacy;
- **Ensure not only that the state is involved in some form in making sure services are provided, but also that citizens perceive this as such.** State legitimacy can be undermined if services are provided entirely outside government institutions, while unpopular functions such as taxation are recognizably attributed to the state; and
- **Where possible, use service delivery to help building a shared national identity and re-store bonding social capital,** e.g. through unified school curricula or through interactions between people from different groups in community-based approaches or other participatory modes of service delivery, planning and monitoring.

4.17 Table 7 below offers some strategic and operational options for donors who wish to strengthen the state’s authority, capacity and legitimacy in the service delivery domain.

**Table 7 : Strategic and operational suggestions for the economic domain**

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity/ Effectiveness</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthen connections between the state and non-state service providers, and between local and central authorities in the area of service delivery.</td>
<td>• Strengthen the “stewardship” capacity of the state, i.e. capacity for critical policy and oversight functions of the government • Strengthen functional/ physical, technical, financial and organizational capacity for service delivery, develop policies and providers for training in technical, organizational, policy-making etc. skills • Strengthen incentives for effective, efficient and equitable service delivery– including “top-down”, from the hierarchy, “bottom-up” from the clients/users, and “horizontally” from the competitors.</td>
<td>• Make sure citizens perceive and attribute improvements in service delivery to the state • Take measures to reduce horizontal (and vertical) inequality and exclusion in access to services. • Strengthen both the “short route” of accountability, via social accountability mechanisms, and the “long route”, via increased democratic oversight of the state and key service delivery institutions, as well • Increase oversight of government/ sectoral ministries and provider organizations over service providers as an “internal accountability mechanism”. • Increase transparency in service delivery overall.</td>
</tr>
<tr>
<td>• Gradually develop the legislative/ regulatory framework for the sectors, align authority with existing capacity and legitimacy of public institutions and organizations.</td>
<td>• Gradually develop the legislative/ regulatory framework for the sectors, align authority with existing capacity and legitimacy of public institutions and organizations.</td>
<td>• Gradually develop the legislative/ regulatory framework for the sectors, align authority with existing capacity and legitimacy of public institutions and organizations.</td>
</tr>
</tbody>
</table>
General principles for strengthening institutions in fragile states

4.18 Strengthening key institutions can contribute to increasing the capacity, legitimacy and authority of the state overall. However, this does not mean that all institutional weaknesses have to be addressed at the same time or that the link between strengthening institutions and state-building is automatic. Rather, what to focus on and how depends on the specific drivers of fragility. Furthermore, even if institutions also need to be assessed individually, it is essential to understand the linkages between them and how they contribute together to sector-level outcomes. For example, one problem often encountered in security sector reform is that donors tend to focus on one or two sub-sectors, ignoring the interactions between security, justice and the broader public sector, and neglecting issues such as fiscal sustainability or human resource management in the security sector.\(^{13}\)

4.19 A key principle for supporting institution building in fragile states is that authority, capacity and legitimacy of key institutions need to be aligned. As a general rule, strengthening the capacity or authority of institutions with low legitimacy can harm government stability and efforts at restoring confidence. Similarly, investing organizations with authority before they have the capacity to fulfill their functions can be ineffective at best and counter-productive at worst. While specific operational implications will vary by institution and context, some more general guidelines for strengthening institutions along the three governance dimensions are discussed below.

4.20 Authority. Authority is the extent to which the rules and values of the state trump other value systems. A key problem in fragile states is that authority is fragmented, de facto and de jure authority often diverge, and the state does not have “rule-preeminence” over its entire territory. While re-establishing security is often seen as the first step in re-asserting the (central) state’s authority, for this to be sustainable it has to be embedded in a wider structure of governance and sources of authority. This has two generic implications for donors:

- **Find ways to align de facto and de jure authority.** This means that formal and informal institutions have to play a complementary rather than undermining role, and tap together into existing and potential sources of legitimacy. It also implies taking an incremental approach to the development or reform of key legislation that delineates authority, through a consultative process that seeks to build “inclusive enough coalitions” around reform proposals, rather than pursuing a “standardized”, “best-practice” approach to the development of legislation; and

- **Expand reach of the state.** This means strengthening relations between the center/central government/ the state and the local/ regional authorities. It also means that for the state to incorporate and/ or “trump” other existing sources of authority, it has to have the institutional and physical infrastructure to exercise its authority over all the territory and people within it.

4.21 Capacity. While capacity-building is traditionally the main area of donor support, current practice of capacity building still lags behind the theoretical insights and lessons learned from the last decades of capacity-building experience. This is further aggravated by severe lack of capacity in fragile states and the pressure for donors and governments to

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deliver quick results, leading to quick fixes such as capacity substitution and the creation of a dual public sector. This has two generic operational implications:

- **Develop transition plans and exit strategies early on** about how to move from temporary capacity substitution to a sustainable build-up of domestic capacity; and

- **Move beyond the functional/physical and the individual level, to include organizational capacity building and embed this into the wider institutional context.** This means that individual training, or even building up domestic training capacity is not enough. Rather, organizations as a whole need to be strengthened in their capacity to plan strategically, manage people and resource, execute and monitor budgets etc. (organizational development). Furthermore, both individual and organizational capacity building have to take into account and try to align the system of incentives – within and outside the organization – that determine behavior and thus overall sustainability of capacity-building.

4.22 **Legitimacy.** The central issue here is the perception and the degree of agreement among citizens that both the current system of government and the incumbent regime has the ‘right’ to rule. Interventions need to include a mix of support to those areas most likely to contribute to increased legitimacy in the short-term – i.e. measures to restore confidence – and longer-term efforts to legitimize the state by deeply enmeshing it within society, which involves the transformation of institutions. At a minimum, for donors this requires not only understanding domestic sources of legitimacy, including their cultural roots, but also paying careful attention to the perception of both citizens – including different social groups - and elites of the state and its key institutions, and undertaking specific efforts to make sure citizens are aware of improvements. Differentiating between different types of legitimacy also helps guide interventions. For example, if an institution/organization has low legitimacy due to ineffectiveness (low performance legitimacy), then the priority would be to invest in capacity building. If the process through which the institution/organization makes and implements decisions is perceived as unfair or otherwise diverging from expectations, focus should be on improving accountability, involving groups which have been excluded – such as women or ethnic minorities, reducing corruption or preventing abuses (process legitimacy).

4.23 **The generic operational implications complement and reaffirm two key recommendations of the WDR 2011:**

- They contribute to **restoring confidence** through visible improvements in performance and procedural fairness to increase legitimacy, which in turn depend on short-term solutions to bridge capacity deficits and reestablish a minimum of state authority. An important caveat is that the improvements need to be attributed to the government/state rather than to donors or NGOs in order to contribute to increased legitimacy; and

- They contribute to **transforming institutions** by aligning formal and informal institutions, and balancing existing power relations and modes of eliciting compliance with prospects for sustainability, to re-establish the authority of the key institutions making up the state.

4.24 **Table 8 below summarizes some of the main strategic and operational implications that result from the ACL framework across sectors and institutions.** More detailed operational implications can be found in **Annex 4. Questions and Operational Suggestions by Institutions in each Domain.**
### Table 8: Overarching strategic and operational implications for strengthening the ACL of key institutions

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Take an incremental, ‘best-fit’ approach to strengthening formal/legal authority through legislative reforms. Build on what is already there – work towards mutually reinforcing formal and informal institutions.</td>
<td>• Use “bridging” arrangements (e.g. setting up parallel project implementation structures, using expats in key positions etc.) carefully – develop transitions plans early on.</td>
<td>• If low trust/confidence stems from low performance legitimacy, focus on measures to increase capacity.</td>
</tr>
<tr>
<td>• Align authority with existing capacity and legitimacy of the institution. Do not assign more authority than an institution can handle. If de facto authority is low due to low effectiveness of the institution, focus on strengthening its capacity and responsiveness, if it is low due to low legitimacy, focus on increasing its legitimacy.</td>
<td>• Strengthen physical/functional capacity/infrastructure or ‘production technology’ (e.g. buildings, equipment, computers, vehicles, etc.) in a fiscally sustainable manner.</td>
<td>• If low trust stems from low process legitimacy, find ways to increase representativeness/inclusion (especially of ethnic and previously excluded groups and women), procedural fairness, and/or transparency, accountability and integrity of key institutions in each domain.</td>
</tr>
<tr>
<td>• Support measures to expand the reach of key state institutions (territorially and across groups), strengthen links between central and decentralized institutions.</td>
<td>• Strengthen individual capacities: e.g. through training, including on-the-job, setting up specialized training and capacity-building institutions that are adapted to the needs/HR systems of state and non-state institutions etc.</td>
<td>• Promote communication to ensure citizens are aware of improved governance and service delivery outcomes and attribute them to the state. This implies less emphasis on donor marketing.</td>
</tr>
<tr>
<td>• Support measures to link/integrate state- and non-state institutions/organizations.</td>
<td>• Strengthen organizational capacities: e.g. through developing appropriate structures, incentives, routines, management practices and systems etc.</td>
<td>• Beware of trying to introduce systems that overtax local capacity, or that work well only as long as a donor is providing the resources and oversight.</td>
</tr>
</tbody>
</table>

### Conclusion

4.25 The purpose of this Guidance Note and the overall Toolkit for State-Building in Fragile States is to provide a conceptual framework within which a structured, disciplined discussion of country planning and investment programming priorities and options can be held. The Tool itself will not deliver ‘the answers’ – this is impossible and undesirable. The Tool can only frame the relevant questions and encourage front-line staff to consider the broader state-building context into which individual initiatives will fit. Working systematically through the process will undoubtedly be valuable in its own right. But it is likely that the tool’s greatest value will be derived from undertaking the exercise as a collective process and surfacing the different perceptions and judgments of participating colleagues. It is through the explicit consideration and assessment of contrasting viewpoints that country teams will enjoy a richer discussion and reach a deeper understanding of state-building challenges in fragile states, their implications for alternative country strategies, and the consequences of choosing one option – and set of investments – over another.
Annex 1. Understanding Political Context: a Typology

4.26 Context matters: the 2011 WDR demonstrated that fragility, conflict and violence have many sources and play out in many different ways. The challenges for practitioners is to develop models which are generic enough to capture the multiplicity of experience and research, yet which can be applied with confidence in specific environments.

4.27 The typology suggested here is one way to approach this challenge. This typology does not claim to be unique – it accompanies already existing typologies, offering an alternative for those who wish to use it. It is based on three key elements of a state, which are represented in Figure 3, below:

- the nature of the political system, including its institutions, election rules and patterns;
- the political settlement;
- how elites bargain (or are excluded from bargaining).

Figure 3: The Elements of the Political Context of the State

4.28 The tool differentiates among three basic regime types that can be taken as the starting point for identifying state-building strategies:14

- strong, centralized regimes (autocracies or one-party systems), where one party has strong – including military - control over security forces and the government.
- cooperative multi-party systems, where different groups/ elites have reached an agreement to compete for power peacefully, but where institutions are weak, and where sometimes unified state control over security forces still has to be established.
- regimes with polarized, divided elites and parties (weak leading party or contested power-sharing), where there is still (low-level) violence between factions or agreement to compete for power peacefully is tenuous at best and maintained primarily through external pressures.

4.29 Table 9 provides a description of the political context for each regime type. This helps to show how the different elements of a political context are typically manifested within each regime type, and may be used by task teams to help explore which categorization of regime best fits the particular state.

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14 The authors acknowledge the work of the Urban Institute who created the basis for the typology during a consultancy to support this analytical product. The main editorial changes have been to include the dimension of Authority in addition to the Capacity and Legitimacy dimensions, and to extend the typology more explicitly to cover other political dimensions in addition to the regime type.
4.30 **The typology represents a snapshot of where a state is at any one point in time.** Through time this is likely to change as the political context changes, to the extent where a state could move to a different ‘type’. The least stable configurations tend to be Type III regimes. If bargaining among groups does not become less openly conflictive and more reliant upon political institutions (thus moving towards a Type II regime), or if no group manages to consolidate power (and thus moving towards a Type I regime), these regimes stand the highest chance to relapse into open armed conflict. But a re-lapse into conflict is possible for any of the three regime types. This is why understanding the dynamics of change behind such regime configurations and possible ‘trigger events’ that can cause a re-lapse into conflict is so important.

4.31 **The three regime ‘types’ are likely to have different strengths and weaknesses related to the three dimensions of state-building, authority, capacity and legitimacy.** For example, Cadwell (et al, 2011) argue that, characteristically, a strong centralized regime is likely to have high authority, high or moderate capacity and low legitimacy. This is because such regimes have generally managed to consolidate their power – thus having a considerable monopoly of force, but this consolidation often/ sometimes comes at the cost of repressive policies or human rights abuses committed in the process, which reduce the regime’s legitimacy. Being generally more inclusive, co-operative multi-party regimes are likely to enjoy greater legitimacy than strong centralized regimes but with possibly lower levels of authority and typically low capacity. The third type, with divided and polarized elites may well be weak in all three dimensions. For example, their conflictive nature means that there is no agreement on who has authority over what – including in the security domain, and on how

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### Table 9: Descriptions of the political context by type

<table>
<thead>
<tr>
<th>Type of Political Context</th>
<th>Description of type</th>
</tr>
</thead>
</table>
| **Type I:** Strong centralized regime (either autocracy or dominant one party system) | - **Political system:** characterized by a single group or party that gains control of the national territory, and sets out to rebuild national institutions for governing, the economy, and public services. This could involve elections (with a dominant one-party system) or be a rule under one person with virtually unlimited power (autocracy).  
- **Political settlement:** probably determined by the outright victory by one group. Opposition elites have been thoroughly defeated, often having fled.  
- **Way in which elites bargain:** one group expected to share the available power and resources (rents) among itself; opposition elite forces excluded or eliminated.  
- **Role of other citizens:** (very) limited. |
| **Type II:** Co-operative multi-party government | - **Political system:** characterized by previously fighting groups which agree to compete for power peacefully by forming political parties and submitting to electoral contests. A multi-party government forms, which sets out to rebuild national institutions for governing, the economy, and public services.  
- **Political settlement:** probably settlement among competing groups. Opposing groups have usually reached a military stalemate such that all perceive outright victory by any of them unfeasible in the foreseeable future.  
- **Way in which elites bargain:** elite groups likely to share power and access to resources between themselves; probably disproportionately based on election victories.  
- **Citizens:** likely to have more voice than the other two categories, but often limited to around election times. |
| **Type III:** Regime with polarized, divided elites and parties (weak leading party or contested power-sharing) | - **Political system:** likely to be under-developed, with no investment in institutions and minimal in developing election rules.  
- **Political settlement:** probably externally imposed settlement or truce. Opposing groups still believe they can seek eventual victory, but may be forced by the external power/s to enter into electoral competition or power-sharing or other multi-party government.  
- **Way in which elites bargain:** elite groups unlikely and unwilling to make credible commitments to each other over power and access to resources. Often volatile and violent intra-elite disagreements.  
- **Role of other citizens:** very limited. |
authority should be acquired and exercised. This also undermines their legitimacy, and if the fragmentation of authority ‘trickles down’ throughout government and public sector institutions, their capacity is also likely to be low.

4.32 The likely characteristics of each regime type and ‘pathways’ from moving from one type to the other or into conflict are reflected in Figure 3.

**Figure 4: Typology showing Pathways among Three ‘Types’ of FCS**

Source: Amended from Cadwell C, Garnett H, Boex J and Goldstone J (2011)

4.33 It should be stressed that this is a generalized set of characteristics: in reality, the different aspects will vary depending on the state in question. The nature of the political context and the resulting regime types can be taken as a starting point for an assessment of state-building options and priorities in fragile states. However, to draw strategic and operational implications for the Bank and other donors it is necessary to identify which state domains and institutions should be strengthened as a priority. This Guidance Note and the related E-Tool suggest some steps and questions to help country teams conduct such an assessment.
Annex 2. List of indicators

To support teams using the framework, the toolkit includes a set of indicators that can help assess how the state performs over the four different domains in terms of authority, legitimacy and capacity. The indicators have been selected because of their extensive regional coverage, public availability and applicability to questions asked within the matrix. It is unlikely that each country will have available data for each indicator – especially if they are just emerging out of conflict – but, because multiple indicators are used for each cell, some data should be available. The idea is that discussing the different data for each cell will help to make more informed judgements for that part of the matrix. Country teams are free to use these indicators or to add other ones which are fit for purpose (including qualitative data).

It is worth noting that, unlike other Bank assessments (e.g. PEFA/ CPIA), or other work using indicators, the emphasis is not on structured data gathering and recording, or on the precise ‘measurement’ of the three dimensions of governance in each domain, or on the systematic ranking of countries in terms of performance. Instead, the intention is to help Bank country teams to discuss the challenges and opportunities for state-building. The selected indicators reflect different issues and rely on different data sources and methods of aggregation precisely because the goal is to help to structure an informed dialogue around different aspects of the complex concepts of authority, capacity and legitimacy in each domain.

Teams should feel free to use other data sources to help inform their decisions, such as:

- The Actionable Governance Indicators (AGI) website, [http://www.agidata.info/site/](http://www.agidata.info/site/)
- Living Standards Measurement Study (LSMS) household surveys on poverty: [http://go.worldbank.org/KFISNLM300](http://go.worldbank.org/KFISNLM300) or, externally [http://go.worldbank.org/IPLXWMCNJ0](http://go.worldbank.org/IPLXWMCNJ0)
- The Bank’s Post-Conflict Performance Indicators (PCPIs)
- Investment Climate Assessment Surveys, Doing Business Surveys etc.
- Public Expenditure Tracking Surveys (PETS) – soon to be on the AGI website.
- Global or Regional Public Opinion Surveys, such as the Afrobarometer or the World Values Survey, especially for the legitimacy questions.

Qualitative data may be especially useful in fragile states, given the challenges of data collection in such settings. Data-gathering discussions may be pertinent with local journalists or international journalists, international NGOs working in the country – e.g. Oxfam, Save the Children, other UN agencies (such as UNDP), members of international peace-keeping missions, bilateral donors (including members of their embassies/ diplomatic corps as well as development staff) and so on.

The following table lists the indicators selected, by the four domains and the three governance dimensions. For Bank staff, a ‘Fragile and Conflict-Affected States, State-building at a Glance’ sheet of the available indicators for the specific fragile state, with country and income-level comparators, will be provided. External users can source the indicators themselves and, over time, will be able to find these on the Bank’s Actionable Governance Indicator (AGI) portal.
<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BTI</td>
<td>2012</td>
<td>1.1 Monopoly on the use of force (1=lowest, 10=highest)</td>
<td>State’s monopoly on the use of force covers entire territory of the country</td>
</tr>
<tr>
<td>2</td>
<td>BTI</td>
<td>2012</td>
<td>13.3 Conflict intensity (1=lowest, 10=highest)</td>
<td>How serious are social, ethnic and religious conflicts?</td>
</tr>
<tr>
<td>3</td>
<td>FSI</td>
<td>2011</td>
<td>Intervention of External Actors (0=best, 10=worst)</td>
<td>Humanitarian or strategic military intervention into an internal conflict</td>
</tr>
<tr>
<td>4</td>
<td>FSI</td>
<td>2011</td>
<td>Security Apparatus (0=best, 10=worst)</td>
<td>Emergence of praetorian guards loyal to a leader, operate with impunity and bypass the chain of command of regular armed force</td>
</tr>
<tr>
<td>5</td>
<td>UNDP</td>
<td>2010</td>
<td>Total Refugees and people in refugee like situations (no. of refugees)</td>
<td>(Residing outside of country)</td>
</tr>
<tr>
<td>6</td>
<td>BTI</td>
<td>2012</td>
<td>16.3 Cleavage/conflict management (1=lowest, 10=highest)</td>
<td>Political leadership’s ability to moderate cleavage-based conflict</td>
</tr>
<tr>
<td>7</td>
<td>GCR</td>
<td>2011</td>
<td>(A.01.01.5.5) Security (1=worst, 7=best)</td>
<td>Business costs of terrorism, organized crime and reliability of police services</td>
</tr>
<tr>
<td>8</td>
<td>WDI</td>
<td>2008</td>
<td>Battle-related deaths (total no. of deaths)</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>WDI</td>
<td>2009</td>
<td>Internally displaced persons (total no. of people)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>BTI</td>
<td>2012</td>
<td>3.4 Civil Rights (1=lowest, 10=highest)</td>
<td>Civil rights are guaranteed and protected</td>
</tr>
<tr>
<td>11</td>
<td>FSI</td>
<td>2011</td>
<td>Vengeance-Seeking Group Grievance (0=best, 10=worst)</td>
<td>Specific groups singled out by state authorities, or dominant groups, for persecution or repression</td>
</tr>
<tr>
<td>12</td>
<td>FSI</td>
<td>2011</td>
<td>Violation of Human Rights and the Law (0=best, 10=worst)</td>
<td>Outbreak of politically-inspired violence against innocent civilians</td>
</tr>
<tr>
<td>13</td>
<td>BTI</td>
<td>2012</td>
<td>1.2 State identity (1=lowest, 10=highest)</td>
<td>All relevant groups in society accept the nation-state as legitimate</td>
</tr>
<tr>
<td>14</td>
<td>FSI</td>
<td>2011</td>
<td>Rise of Factionalized Elites (0=best, 10=worst)</td>
<td>Fragmentation of ruling elites and state institutions along ethnic, class, clan, racial or religious lines</td>
</tr>
<tr>
<td>15</td>
<td>BTI</td>
<td>2012</td>
<td>1.4 Basic administration (1=lowest, 10=highest)</td>
<td>Basic administrative structures exist</td>
</tr>
<tr>
<td>16</td>
<td>BTI</td>
<td>2012</td>
<td>4.1 Performance of democratic institutions (1=lowest, 10=highest)</td>
<td>Are democratic institutions capable of performing?</td>
</tr>
<tr>
<td>17</td>
<td>BTI</td>
<td>2012</td>
<td>14.1 Prioritization (1=lowest, 10=highest)</td>
<td>Government sets and maintains strategic priorities</td>
</tr>
<tr>
<td>18</td>
<td>BTI</td>
<td>2012</td>
<td>14.2 Implementation (1=lowest, 10=highest)</td>
<td>Effectiveness in implementing its policies</td>
</tr>
<tr>
<td>19</td>
<td>BTI</td>
<td>2012</td>
<td>16.3 Cleavage/conflict management (1=lowest, 10=highest)</td>
<td>Political leadership moderates cleavage-based conflict</td>
</tr>
<tr>
<td>20</td>
<td>CPIA</td>
<td>2010</td>
<td>15. Quality of Public Administration (1=lowest, 6=highest)</td>
<td>The extent to which civilian central government staffs are structured to design and implement government policy and deliver services effectively</td>
</tr>
</tbody>
</table>
### Legitimacy

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Economic Conflicts of Interest Safeguards &amp; Checks and Balances (0=lowest, 100=highest) Checks &amp; balances to prevent conflict of interest in executive, judicial and legislative branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>BTI</td>
<td>2012</td>
<td>2. Political Participation (1=lowest, 10=highest) decides who rules and it has other political freedoms</td>
</tr>
<tr>
<td>23</td>
<td>BTI</td>
<td>2012</td>
<td>3. Rule of law (1=lowest, 10=highest) check and balance one another and ensure civil rights</td>
</tr>
<tr>
<td>24</td>
<td>BTI</td>
<td>2012</td>
<td>4.2 Commitment to democratic institutions 1=lowest, 10=highest) Democratic institutions accepted as legitimate by relevant actors</td>
</tr>
<tr>
<td>25</td>
<td>BTI</td>
<td>2012</td>
<td>16. Consensus-Building (1=lowest, 10=highest) Political leadership establishes broad consensus on reform with other actors in society without sacrificing its reform goals.</td>
</tr>
<tr>
<td>26</td>
<td>CPIA</td>
<td>2010</td>
<td>16. Transparency, Accountability and Corruption in the Public Sector (1=lowest, 6=highest) Extent to which the executive can be held accountable for its use of funds and the results of its actions</td>
</tr>
<tr>
<td>27</td>
<td>FSI</td>
<td>2011</td>
<td>Legitimacy of the State (0=best, 10=worst) Resistance of ruling elites to transparency, accountability and political representation, revealed by scandals, criminal prosecution or civil action</td>
</tr>
<tr>
<td>28</td>
<td>FSI</td>
<td>2011</td>
<td>Vengeance-Seeking Group Grievance (0=best, 10=worst) Specific groups singled out by state authorities, or dominant groups, for persecution or repression</td>
</tr>
<tr>
<td>29</td>
<td>FH</td>
<td>2011</td>
<td>Freedom of the Press (0=best,100=worst) The degree to which each country permits the free flow of news and information</td>
</tr>
</tbody>
</table>

### Economic

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>BTI</td>
<td>2012</td>
<td>7.1 Market-based competition (1=lowest, 10=highest) Fundamentals of market-based competition are developed</td>
</tr>
<tr>
<td>31</td>
<td>BTI</td>
<td>2012</td>
<td>9.1. Property Rights (1=lowest, 10=highest) Government authorities regulate the acquisition, benefits, use and sale of property</td>
</tr>
<tr>
<td>32</td>
<td>ES</td>
<td>2011</td>
<td>% of Services Firms Competing Against Unregistered or Informal Firms</td>
</tr>
<tr>
<td>33</td>
<td>ES</td>
<td>2011</td>
<td>% of Firms Identifying Practices of Competitors in the Informal Sector as a Major Constraint</td>
</tr>
</tbody>
</table>

### Capacity/Effectiveness

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>BTI</td>
<td>2012</td>
<td>7. Market Organization (1=lowest, 10=highest) Clear rules for stable, market-based competition</td>
</tr>
<tr>
<td>35</td>
<td>BTI</td>
<td>2012</td>
<td>11. Economic Performance (1=lowest, 10=highest) The economy’s performance points to solid development</td>
</tr>
<tr>
<td>36</td>
<td>FSI</td>
<td>2011</td>
<td>Poverty and Sharp or Severe Economic Decline (0=best, 10=worst) Extreme social hardship imposed by economic austerity program</td>
</tr>
<tr>
<td>37</td>
<td>FSI</td>
<td>2011</td>
<td>Uneven Economic Development (0=best, 10=worst) Group-based inequality in education and economic status.</td>
</tr>
</tbody>
</table>

### Legitimacy

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>BTI</td>
<td>2012</td>
<td>6. Socioeconomic barriers (1=lowest, 10=highest) Significant parts of the population fundamentally excluded from society due to poverty and inequality.</td>
</tr>
<tr>
<td>39</td>
<td>BTI</td>
<td>2012</td>
<td>12. Sustainability (1=lowest, 10=highest) Economic growth is balanced, environmentally sustainable &amp; future-oriented.</td>
</tr>
<tr>
<td>40</td>
<td>FSI</td>
<td>2011</td>
<td>Uneven Economic Development (0=best, 10=worst) Group-based inequality in education and economic status.</td>
</tr>
<tr>
<td>No.</td>
<td>Source</td>
<td>Year</td>
<td>Authority</td>
</tr>
<tr>
<td>-----</td>
<td>--------</td>
<td>------</td>
<td>-----------</td>
</tr>
<tr>
<td>41</td>
<td>GCR</td>
<td>2011</td>
<td>1.07 Favouritism in decisions of government officials (1=Always, 7=Never) Government officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts</td>
</tr>
<tr>
<td>42</td>
<td>GCR</td>
<td>2011</td>
<td>1.12 Transparency of Government Policy Making (1=Impossible, 7=Easy) Easy for businesses to obtain information on changes in government policies affecting their activities?</td>
</tr>
<tr>
<td>44</td>
<td>ES</td>
<td>2011</td>
<td>% of Firms Identifying Corruption as a Major Constraint</td>
</tr>
</tbody>
</table>

### Social/Service Delivery Domain

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>BTI</td>
<td>2012</td>
<td>10.1 Social safety nets (1=lowest, 10=highest) Social safety nets provide compensation for social risks</td>
</tr>
<tr>
<td>46</td>
<td>CPIA</td>
<td>2010</td>
<td>9. Building Human Resources (1=lowest, 6=highest) National policies and public &amp; private sector service delivery that affect access to and quality of public services</td>
</tr>
<tr>
<td>47</td>
<td>BTI</td>
<td>2012</td>
<td>12.2 Education policy/ R&amp;D (1=lowest, 10=highest) Solid institutions for basic education and R&amp;D (Presence of)</td>
</tr>
</tbody>
</table>

### Capacity/Effectiveness

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>FSI</td>
<td>2011</td>
<td>Progressive Deterioration of Public Services (0=best, 10=worst) Disappearance of basic state functions such as including failure to protect citizens from violence and provide essential services</td>
</tr>
<tr>
<td>51</td>
<td>WDI</td>
<td>2008</td>
<td>Improved water source (% of population with access)</td>
</tr>
<tr>
<td>52</td>
<td>WDI</td>
<td>2007/9</td>
<td>Public spending on education, total (% of government expenditure)</td>
</tr>
<tr>
<td>53</td>
<td>WDI</td>
<td>2009</td>
<td>Health expenditure, public (% of government expenditure)</td>
</tr>
</tbody>
</table>

### Legitimacy

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Year</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>54</td>
<td>BTI</td>
<td>2012</td>
<td>6. Socioeconomic barriers (1=lowest, 10=highest) Significant parts of the population fundamentally excluded from society due to poverty and inequality.</td>
</tr>
<tr>
<td>55</td>
<td>BTI</td>
<td>2012</td>
<td>10.2 Equal opportunity (1=lowest, 10=highest) Individuals have equal access to participation in society regardless of social background</td>
</tr>
<tr>
<td>56</td>
<td>GCR</td>
<td>2011</td>
<td>4.09 Quality of primary education (1=poor, 7=excellent) Citizen assessment of the quality of primary schools in their country</td>
</tr>
<tr>
<td>57</td>
<td>GCR</td>
<td>2011</td>
<td>5.03 Quality of the educational system (1=not well, 7=very well) How well does the educational system in your country meet the needs of a competitive economy?</td>
</tr>
</tbody>
</table>
Annex 3. Key Bank Literature with Operational Suggestions by Domains

**GENERAL GUIDANCE ACROSS DOMAINS**


**SECURITY DOMAIN**


**POLITICAL/GOVERNMENT DOMAIN**


**ECONOMIC DOMAIN**

<table>
<thead>
<tr>
<th>Reference</th>
<th>Title</th>
</tr>
</thead>
</table>

**SERVICE/SOCIAL DELIVERY DOMAIN**

<table>
<thead>
<tr>
<th>Reference</th>
<th>Title</th>
</tr>
</thead>
</table>
Annex 4. Questions and Operational Suggestions by Institutions in each Domain

Annex 4.1. Security Domain

There is a consensus that, unless a minimum of security is established across the territory, interventions in the other domains may be counterproductive. Sometimes external actors intervene to maintain security if the state’s monopoly of force is particularly weak. However, in the medium to longer-term, the key is to build and strengthen key security-sector institutions and organizations. It is generally agreed that the security system includes:

- **Core security actors**: armed forces; police service; gendarmeries; paramilitary forces; presidential guards; intelligence and security services (both military and civilian); coast guards; border guards; customs authorities; and reserve or local security units (civil defense forces, national guards, militias);

- **Management and oversight bodies**: the executive, national security advisory bodies, legislative and legislative select committees; ministries of defense, internal affairs, foreign affairs; customary and traditional authorities; financial management bodies (finance ministries, budget officers, financial audit and planning units); and civil society organizations (civilian review boards and public complaints commissions);

- **Justice and the rule of law**: judiciary and justice ministries; prisons; criminal investigation and prosecution services; human rights commissions and ombudsmen; and customary and traditional justice systems. The focus in this sector is particularly on criminal justice, human rights abuses, and resolving societal conflicts directly related to the conflict/sources of fragility; and

- **Non-statutory security forces**: liberation armies, guerrilla armies, private security companies, political party militias.

Table 10 below offers more guidance for country teams that wish to go further in their assessment the security sector. It includes (i) questions to ask in order to indentify the main weaknesses and strengths of key institutions in the security domain along the ACL dimensions, as well as (ii) suggestions of interventions that can address the issues identified. While not all of the interventions suggested fall within the Bank mandate (e.g. many of those dealing with core security actors like the military or the police), the table can nevertheless be useful for a better understanding of key constraints in the security sector, and can be use as an input for the dialogue with other national and international partners.

Table 10: Questions and operational implications for institutions in the security domain

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core security institutions</td>
<td>How far does the authority of the public/state security forces extend (territorially and from a group perspective)?</td>
<td>How professional are core security institutions? Do they have appropriate training, equipment, remuneration.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Do people have trust/confidence in the state security forces? How does this compare to trust in non-state security providers? Does trust differ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What is the role of non-state security providers and what is their relationship to the state?</th>
<th>organizational structure etc.?</th>
<th>among groups (ethnic, religious etc.)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a large number of non-statutory security forces (liberation armies, guerrilla armies, private security companies, political party militias) that are not under the control of the central state?</td>
<td>- Focus on organizational structure and incentives, management and planning capacity in addition to restoring the basic physical/productive infrastructure for security forces to do their job.</td>
<td>If confidence is low, what are the sources of the lack of trust:</td>
</tr>
</tbody>
</table>
| - Pursue multi-layered approach to security by distributing assistance between: the state, as a (minority) provider of security service and a regulator, non-state security providers, the users and the recipients of security services to hold providers accountable | - Institutionalize training rather than doing stand alone training and integrate it with HR strategies and structures | (i) Inability to deliver security (output legitimacy)?

- invest in capacity building, or

(ii) Abuses committed by security forces (e.g. corruption, human rights violations etc.) (process legitimacy)?

- invest in strengthening civilian supervision and other accountability mechanisms (including internal ones) (see also Management and Oversight Bodies below); pay special attention to recruitment and vetting; address violence against women. |
| - Find ways to integrate state and non-state providers of security. | - Complement other donor/partner programs on security – e.g. providing capacity support where others might provide equipment. | (iii) Lack of support from key actors/groups controlling the means of violence

- look for way to balance the need to obtain their buy-in with preventing further human rights abuses and fueling the grievances that contribute to conflict & fragility |
<p>| - Use DDR to reestablish authority of state security institutions. | - | |</p>
<table>
<thead>
<tr>
<th>Justice institutions</th>
<th>Management and oversight bodies (general)</th>
<th>PFM institutions (security related)</th>
</tr>
</thead>
</table>
| How far does the authority of the judiciary extend? (E.g. do you have enough judges etc. to cover even the most remote corners of the country?) What is the basis of that authority? What is the relationship between formal and informal justice institutions? On which justice institutions do citizens, and particularly the poor, primarily rely?  
- Go beyond central state institutions, incorporate hybrid forms as a reform strategy, drawing on different sources of knowledge, norms and legitimacy  
- Promote the establishment of ‘meta-rules’ to help resolve conflicts between systems, links between the state and local institutions, balancing the importance of state oversight of local norms and processes with the desire to avoid undermining the locally-embedded nature of these processes and thus their effectiveness at the local level  
- Focus on those legal areas/issues that are most closely related to sources of conflict - e.g. criminal justice to control violent/lawful behavior, or land law and related justice institutions if land conflicts are a source of fragility. | How much (de jure) authority do civilian oversight bodies have over the security forces? How much de facto influence do they have?  
- strengthen/ develop legislative framework for security sector oversight by civilian authorities | Who has the authority (de facto and de jure) over the funding of the security forces? How much authority (de jure and de facto) does the MoF or similar state institutions have?  
- see forthcoming Toolkit on |
| Does the judiciary have the necessary human, financial, organizational resources to fulfill its functions/ provide a minimum of justice/conflict resolution throughout the country?  
- Strengthen capacity of the government (e.g. MoJ) to develop a criminal justice strategy and support the further develop the policy for the overall sector.  
- Strengthen capacity of the judiciary: e.g. train judges, clerks etc., develop institutions for legal training.  
- Build court buildings or similar physical infrastructure – including secure court houses and prisons.  
- Reform the organization of the judiciary, including recruitment and HR mechanisms, build capacity for court administration etc.  
- Provide temporary support to deal with case backlog or to promote on the job training, but accompany by built-in transition strategies to national staff  
- Strengthen the capacity of justice institutions beyond the judiciary, e.g. mobile courts, or paralegal services; legal aid offices, alternative dispute resolution mechanisms etc. | How much capacity do civilian oversight bodies have to control/ hold to account the security forces?  
- strengthen human and organizational capacities, assign financial resources for civilian oversight bodies. | Do PFM institutions (within and outside the security sector) have the capacity to plan, execute and oversee the budget of the security sector? Are security sector expenditures fiscally sustainable?  
- increase inclusion and representativeness of civilian oversight bodies, get buy-in from key security sector actors. | How much legitimacy do (formal and informal) SSR-related PFM institutions have in the eyes of the key security-sector actors/ institutions? How much legitimacy do they have in the eyes of the broader population/ other key actors? |
| Do people have trust/ confidence in the (formal) system of justice? If not, is it because of (i) lack of access  
- find ways of sustainable financing of the formal justice sector, link it with traditional or other types of justice institutions (e.g. mobile courts, community paralegals etc.), support the creation of “hybrid” justice institutions;  
(ii) ineffectiveness of formal justice systems  
- invest in strengthening capacity; (iii) abuses committed by the judiciary in the exercise of its functions (e.g. corruption, human rights violations etc.),  
- interventions aimed at reducing corruption and increasing accountability of the justice system; use of international judges or introduction of balanced ethnic/confessional benches; and vetting and training of judges.  
- failure to deal with past abuses in the context of conflict  
- support transitional justice; (iv) prevalence of different belief systems  
- reform formal justice system to bring it more in line with prevailing cultural norms and conceptions of justice, find ways to integrate formal and informal justice systems. | | |
<table>
<thead>
<tr>
<th>Local authorities; civil society</th>
<th>Security Sector Expenditure Review</th>
<th>Security Sector Expenditure Review</th>
</tr>
</thead>
</table>
| What is the relationship between (non-state, non-security) local authorities and/or local or national civil society organizations and security sector institutions?  
What (formal and informal) role do citizens play in oversight/accountability of security sector institutions?  
- develop rules/regulations etc. for civil society/community oversight/involvement in security services (esp. at the local level)  
- support community-based security, e.g. community involvement in local-level policing as part of local development programs/social funds etc. | How much capacity do civil society organizations have to hold security and justice institutions to account? How much capacity do they have to carry out education campaigns for non-violent conflict resolution?  
- train CSOs/local authorities in exercising civilian oversight over security forces  
- support and train NGOs in education campaigns for non-violent conflict resolution | What kind of and how much legitimacy do various local authorities and local or national civil society organizations have in the eyes of key stakeholders and the wider population?  
- strengthen inclusion and representativeness of local authorities and CSOs, take measures to avoid elite capture, especially when the capture stems from state or non-state security forces that are part to the conflict/ feed fragility |
The political/government domain represents, in conjunction with the security sector, a constitutive domain of the state. In general, the political/government domain includes three types of institutions, both at the central and the sub-national level:

- **Executive institutions**, including the public administration in general. One of the first priorities in fragile states is to restore a minimum ability of the government to raise and spend revenues and to deploy a public administration throughout the country. This is not only important for starting to re-establish the (central) state’s authority, for allowing a minimum level of public services to be delivered, and for laying the basis for a more comprehensive state-building strategy. It is also important for sending a political signal about the pre-eminence of the state.

- **Legislative institutions**. While holding elections and trying to build fully democratic, representative institutions in the immediate aftermath of conflict is not feasible, some form of legislative assembly might be crucial in crafting ‘inclusive enough’ coalitions.

- **Judicial institutions**. They are crucial in upholding the rule of law by delivering not just criminal justice and resolving disputes, but also by holding the other branches of government to account as part of their checks-and-balances function (e.g. Constitutional Courts, administrative law/courts etc.). While building up these functions or these types of judicial institutions is not always a first priority in fragile states, in the long-term, they can contribute to state stability by offering another avenue to solve political/high-level conflicts.

Table 11 below offers more guidance for country teams that wish to go further in their assessment the political/government sector. It includes (i) **questions** to ask in order to identify the main weaknesses and strengths of key institutions in the political/government domain along the ACL dimensions, as well as (ii) suggestions of **interventions** that can address the issues identified by asking these questions. Even for those institutions that do not fall fully within the Bank mandate (e.g. legislatures), the table can nevertheless be useful for a better understanding of key constraints in the political domain, and can be use as an input for the dialogue with other national and international partners.

**Table 11 : Questions and operational implications for institutions in the political/government domain**

<table>
<thead>
<tr>
<th>Civil service/public administration general</th>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the reach of the civil service/public administration extend over the entire territory? - build the “infrastructure” (human, physical and institutional) that ensures state penetration of the territory - clarify administrative jurisdictions and legal frameworks - integrate local/traditional administrative institutions with central/modern/&quot;rational-legal&quot; ones - support administration of public registrations and records (e.g., vehicle registration, building permits, rubbish removal, public health inspection, banking regulations, tax collection) with</td>
<td>Does the civil service have the human and financial resources, organizational structures, legislative framework, incentive structure etc. to fulfill its functions? - Start by re-establishing the basics of public administration (e.g. setting up a database of employees linked to the payroll and a system of basic controls) go beyond training to include organizational and institutional development; pay attention to incentive, including a rewarding but affordable salary structure, recruitment criteria that balance political needs of integration with meritocratic principles, and political control with the</td>
<td>Do people have trust/confidence in the civil service/public servants/public administration? Is the lack of trust due to an inability to make and enforce decisions, corruption, lack of representation/inclusion etc.?</td>
<td></td>
</tr>
</tbody>
</table>
- **PFM institutions**
- What de jure and de facto authority do PFM institutions have? How far does their de facto authority extend? What percentage of national resources flows is controlled through official/formal PFM institutions?
  - Incentivize taxation/domestic revenue mobilization (including through “conditionality” where possible)
  - Pay attention/support also “deconcentrated entities” involved in PFM – line ministries & (especially) sub-national levels, including resource-sharing agreements between central and sub-national authorities
  - Understand the real processes through which resources are raised, distributed and spent – including informal and illicit resource flows which are outside of the formal/“official” budget, identify measures to address these
- How efficient/effective etc. are PFM institutions at fulfilling (basic) PFM functions? Where are the most severe capacity constraints (e.g. lack of qualified staff, lack of organizational structures, lack of authorizing legislation, lack of misaligned incentives)?
  - Start by reestablishing a minimum capacity for basic expenditure control and revenue mobilization
  - Implement capacity substitution and supplementation programs with care – develop transition plans from the beginning, including on-the-job-training and TA for local staff, link to broader PSR/CSR, including pay-scales and incentives for national civil servants, build national PFM training institutes etc.
  - Strengthen capacity also in decentralized institutions, line ministries, and oversight institutions (see other two cells) (ibid)
  - For taxation – focus on large taxpayers and on introducing simple/easily collectable taxes
- What are the perceptions of citizens/ various social groups/ key elites about the level and distribution of public expenditures? About the sources/composition of revenues? Do people have trust in the most visible revenue collection, budget preparation and execution institutions?
  - Pay particular attention to distributional issues in public expenditure (e.g. via PER), including institutionalized ways of distributing rents from natural resources
  - Strengthen budget accountability and oversight (e.g. SAI, CSO involvement, legislative control, EITI ++)

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- A special focus on citizen registration (issue of ID cards), support measures to limit administrative discretion, and to reducing barriers to (local?) businesses
- Professionalization of the public administration
  - Keep a focus on affordability; build a small, well-paid civil service/public administration; focus on those areas of the public administration/civil service that are most relevant for core state functions, and on building the basics first (creating an accurate database of public sector employees linked to the payroll; setting up a simple salary system with minimal allowances; putting in place basic establishment controls, etc)
  - Use ex-pats and salary top-ups carefully – develop long-term transition plans, limit the use of PIUs and parallel structure for donor projects to avoid undermining the nascent local public administration/civil service
  - Create incentives for qualified diaspora representatives to return and join the public sector
- In building a national identity
  - Consider vetting public employees

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- What de jure and de facto authority do PFM institutions have? How far does their de facto authority extend? What percentage of national resources flows is controlled through official/formal PFM institutions?
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- Implement capacity substitution and supplementation programs with care – develop transition plans from the beginning, including on-the-job-training and TA for local staff, link to broader PSR/CSR, including pay-scales and incentives for national civil servants, build national PFM training institutes etc.
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### Subnational/local authorities

<table>
<thead>
<tr>
<th>Question</th>
<th>Recommendation</th>
<th>Question</th>
</tr>
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</table>
| Who has de jure and de facto authority for subnational/local decisions (e.g. formal entities linked to the central state, traditional authorities, warlords etc.)? What authority do local governments have in ensuring security, raising and spending revenues, delivering services etc.? What is the de jure and de facto relationship between subnational and central entities? | - Align authority with capacity and legitimacy of local governments (e.g. do not devolve/delegate more authority/responsibility than local governments can handle, given their resources)  
- Decentralize authority for public expenditure before authority for local revenues/taxes, especially in ethnically and geographically divided societies  
- Do not decentralize control over resources before security at the local level is achieved | Do people have trust/confidence in the subnational/local authorities? Is the lack of trust due to an inability to make decisions and/or provide services, lack of relevance, lack of representation/inclusion, corruption, abuses committed etc.? What expectations do citizens have from local governments? |
| Do local authorities have the human and financial resources, organizational structures, legislative framework, incentive structure etc. to fulfill their functions? | - Build capacity of local governments to interact with communities and with other government institutions, develop, implement and monitor local plans and budgets, provide services etc. | Do people have trust/confidence in judicial institutions? If not, is it because of (i) ineffectiveness in exercising horizontal accountability role and offering protection/redress to citizens against abuses by the other branches of government → strengthen judicial capacity and independence  
(ii) political capture/abuses committed by the judiciary in the exercise of its functions (e.g. corruption, human rights violations etc.) → strengthen judicial independence and accountability, including through strengthening civil society organizations that can monitor judicial activity; promote transparent and merit-based appointment procedures; pay attention to the needs of vulnerable populations including women and girls  
(iii) prevalence of different belief systems → align formal and informal justice institutions, traditional and rational-legal norms, i.e. develop a legal framework and legal institutions that are grounded in local normative beliefs, while striking a balance with the protection of |
| **Legislative/ representative institutions** | **Does the legislative represent the whole country/ all ethnic and other groups? How much authority does it have and for what, e.g. in developing and voting on legislation, public expenditure, oversight/ control of the executive etc.? How do formal and informal, central and regional/ local legislative institutions relate?**  
- support the development/ revision of relevant electoral or similar laws, draw on traditional forms of representation where possible/ necessary etc. | **Does the legislature have the human and financial resources, organizational structures, legislative framework, incentive structure etc. to fulfill its functions?**  
- Professionalization of the legislature - support for legislators - including for policy analysis and development, constituency relations, communication and negotiation etc., for building up parliamentary support structures. For committees tasked with reconciliation initiatives and/or government oversight (esp. the oversight of budgetary process, armed services etc.)  
- Understand incentives driving legislators | **Do people have trust/ confidence in the legislature? Is the lack of trust due to:**  
- an inability to make decisions → strengthen capacity of legislature, strengthen communication/ negotiation abilities, encourage consensus-based decision-making  
- lack of relevance → support an increase in the powers of the legislature, support improved communication between the legislature and the executive  
- lack of representation/ inclusiveness → support the development of inclusive electoral systems, including through the introduction of quotas/ reserved seats for minorities and women where possible; improve communication/ cooperation with civil society; strengthen the parliaments role in reconciliation processes |  |
| **Civil society/ NGOs/ media** | **How much influence on decision-making and public opinion do civil society and the media have? Are they exercising their monitoring, advocacy, social accountability etc. function? What is their legal environment? Which groups/ constituencies do they represent?**  
- Support the development of a favorable legal environment for CSOs  
- Institutionalize mechanisms for state-civil-society cooperation  
- go beyond NGOs and beyond the capital/ main cities, include organizations (also informal) with broad/ strong membership base and local roots (e.g. community-based organizations, cooperatives, professional associations, trades unions, political movements, farmers’ organizations, women’s coalitions or other social organizations)  
- link up local and central-level organizations | **How much human, financial organizational etc. capacity do CSOs have - both key individual organizations and the sector as a whole?**  
- Strengthen financial, management, fund-raising, policy monitoring and advocacy etc. capacity  
- Strengthen also ‘soft’ skills – such as participation and empowerment strategies, relationship-building, civic education, conflict management, dispute resolution, cross-cultural communication, consensus-building, inclusiveness and the ability to manage power dynamics.  
- Strengthen capacity for inter-organizational communication and cooperation, for scaling-up local/ isolated initiatives, and for engaging with the government  
- Extend capacity-building beyond a few leaders and elites/ capital-citv NGOs, to include e.g. community representatives at the local level, bring together representatives of various groups/ factions in training initiatives.  
- Build training and support institutions for CSOs and media. | **How much trust do citizens/ various social groups/ key elites have in CSOs/ NGOs in general and in the particular donors work with/ support? What is the social basis/ legitimacy claim of these organizations? How does it relate to the fault-lines driving the conflict?**  
- Strengthen representativeness, inclusion and internal democratic values of CSOs and CSO networks; build “bridging” social capital; encourage inclusion of different groups – especially those at the root of fragility – in joint organizations, take measures to help CSOs reduce the divisions between groups, support peace-building activities, conflict resolution training, education campaigns focusing on civic education, human rights, collective action etc. via CSOs |
Annex 4.3. Economic Domain

As discussed under Step 2, the key challenge in the economic domain is to create an enabling environment for a formal, legal and diverse/competitive private sector to develop, while reigning in on illicit activities, rent seeking and monopolies that pose a threat to the stability and economic development of the country. This requires looking not only at public economic governance institutions, but also at private sector organizations and their potential contribution to fragility and state-building. Key institutions and organizations in the economic sector include:

Public sector institutions

- **Monetary and financial institutions.** Among the first priorities in post-conflict situations is restoring a currency and a basic payment system if they have been disrupted by the conflict, and strengthening the capacity and independence of the Central Bank. In the medium term, building or restoring a financial infrastructure is essential;

- **Judicial institutions.** Property disputes, especially around land, are often a key contributor to fragility. Furthermore, a functioning economy requires institutions for enforcement of contracts and property rights, with the enforcement of more complex commercial and financial legislation following later on. In cases of extreme fragility, where formal justice institutions are weak or non-existing, using traditional or alternative dispute resolution mechanisms to solve property and contract disputes might be a “best-fit” solution.

- **General public administration** also has a role to play in creating a business-friendly environment, e.g. through setting up land and business registries, administering customs, collecting taxes etc. Next to building capacity for such activities, donors should also focus on ensuring their transparency and integrity, as well as simplifying them and reducing excessive red-tape.

- **Other public institutions** relevant for the economic domain include PFM institutions, including the Ministry of Finance, line ministries (e.g. for trade, infrastructure) and regulatory agencies, as well as the legal and regulatory framework for key economic sectors.

- **State-Owned Enterprises (SOEs)** sometimes play a role in key sectors of the economy, such as extractive industries or utilities. Quick privatization might not be politically, technically or socially feasible, risking to reinforce a rent-seeking structure that contributes to fragility, result in an unregulated private monopoly with anti-competitive practices, or add to already severe unemployment problems in FCS (Mills, 2006). In this case, supporting measures to strengthen governance of SOEs and increase accountability and oversight of SOEs might be “better-fit” solutions.

- **Local governments** also can play a role and thus be supported in enabling local economic development.

Private sector institutions

- **Domestic firms** are often destroyed by conflict and instability – being weak, few in between, largely small and informal. Building **institutions for private sector support** can help develop the domestic private sector in the medium to long-term, e.g through enhancing business skills, providing individual training in market-relevant areas, offering market information services etc.
• **Private sector collective organizations**, such as business associations, farmers associations etc. also have a role in providing such support to domestic firms, as well as representing the collective interests of the private sector or specific sub-sectors in relation to the state. Furthermore, they can also play a role in “peace building” by including people from diverse groups – ideally cutting across conflict lines – thus building “bridging social capital” and contributing to reconciliation.

• **Foreign firms, including multinational corporations**, are sometimes active in key, sensitive sectors (e.g. energy, natural resources), and as such can be included in sector-governance initiatives.

Table 12 below offers more guidance for country teams that wish to go further in their assessment of the economic sector. It includes (i) **questions** to ask in order to identify the main weaknesses and strengths of key institutions in the economic domain along the ACL dimensions, as well as (ii) suggestions of **interventions** that can address the issues identified by asking these questions.

**Table 12 : Questions and operational implications for institutions in the economic domain**

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
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</thead>
<tbody>
<tr>
<td>Judicial (and quasi-judicial systems)</td>
<td>What role does the (formal) justice system play in enforcing of property rights and contracts, and resolving commercial disputes? On what norms/ systems of rules do they rely for resolving such disputes? What is the reach of these institutions? What other organizations play a role in these areas?</td>
<td>Does the judiciary have the necessary human, financial, organizational resources to enforce contracts and property rights throughout the country?</td>
</tr>
<tr>
<td>- Establish procedures/ develop legal framework for handling property rights and contract disputes, with a special focus on land tenure, drawing on existing/ customary practices, norms, customs etc..&lt;br&gt;- Develop commercial law etc. (including issues such as business registration, company law, bankruptcy law, competition policies etc.)&lt;br&gt;- Support formalization and strengthening of commercial conflict resolution mechanisms (e.g. alternative dispute resolution, commercial courts).</td>
<td>- Support the development of capacity in the area of property, contract, and other economic and commercial law, e.g. through training, setting up specialized training within existing judicial training systems, or developing new specialized training institutions; Support the development of legal infrastructure throughout the country, e.g. set up commercial, property etc. courts, tribunals or similar etc..&lt;br&gt;- If necessary and possible, provide personnel for positions where local capacity is lacking in the short term, while building capacities in the medium term.</td>
<td>- ensure clarity, equity, cultural appropriateness, and enforceability of legal system for property, contract, commercial laws etc., i.e. develop a legal framework and legal institutions that are grounded in local normative beliefs, while striking a balance with the needs of a market economy</td>
</tr>
<tr>
<td>Monetary and financial</td>
<td>Is there a common currency used throughout the country? Are there</td>
<td>Do key monetary and financial institutions have the necessary human, financial, organizational</td>
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<tr>
<td>institutions, including the Central Bank</td>
<td>substantial illicit financial flows? Do monetary institutions (esp. Central Bank) have the legal authority to fulfill their functions?</td>
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<tr>
<td>- reestablish a functioning Central Bank where it has been destroyed, reintroduce a currency where lacking, design legal framework/ introduce key financial legislation, including oversight responsibilities and anti-money laundering institutions</td>
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</tr>
<tr>
<td>- clarify and strengthen the relationship between the central bank and the treasury/ MOF with respect to delti issue, debt-servicing, and management of government deposits</td>
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<td></td>
</tr>
<tr>
<td>- look for ways to channel remittances through (semi-)formal institutions to reduce their costs, avoiding money-laundering and increase official financial inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capacities to fulfill their functions?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- start by re-establishing core financial services, such as facilitation of payments and deposit-taking, strengthen interbank and external payments systems</td>
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<tr>
<td>- use expats/ resident experts in key positions in the short-term while building indigenous capacity in the medium term through on-the-job training (especially for mid- and senior-level experts) and setting up specialized training institutions, build capacity of the Central Bank to maintain price stability, manage the exchange-rate (short term) and oversee banking institutions (medium term), build other institutions for banking and financial regulation and supervision, support the (re-)establishment or restructuring of a commercial banking system</td>
<td></td>
<td></td>
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<tr>
<td>- establish a basic information system for monetary and financial management</td>
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<tr>
<td>- build capacity of microfinance or other non-bank financial institutions and related regulatory institutions</td>
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<td></td>
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<tr>
<td>institutions, including the Central Bank?</td>
<td></td>
<td></td>
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<tr>
<td>- ensure Central Bank independence</td>
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<tr>
<td>- strengthen the integrity of financial systems and deter financial fraud, support anti-money laundering and combating the financing of terrorism (AML/CFT) through legislative drafting, develop new supervisory regimes, and the establishment of financial intelligence units</td>
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<tr>
<td>- support external audits of key banking institutions where existing/ possible</td>
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<table>
<thead>
<tr>
<th>Public administration</th>
<th>Does the reach of public administration extend over the entire territory?</th>
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</thead>
<tbody>
<tr>
<td>- set up procedures or streamline regulation/ cut red tape to make it easier to register etc. businesses, reform/ simplify tax structure and broaden the tax base</td>
<td></td>
</tr>
<tr>
<td>- support land survey and titling</td>
<td></td>
</tr>
<tr>
<td>Does the public administration have the capacity to fulfill its functions in economic governance/ creating an enabling business environment?</td>
<td></td>
</tr>
<tr>
<td>- Strengthen capacity for business-supporting or –related activities, such as land and business registration, tax collection, customs administration</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other government institutions (e.g. PFM institutions, ministries and regulatory bodies in infrastructure, trade, etc.)</th>
<th>Does the government have the de facto and de jure authority to regulate the business environment? Are there substantial illicit activities, including organized crime etc.?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- establish the legal regulatory framework for investment and business activity support activities to stem illicit financial flows – promote legislation to ensure transparency and accountability in business transactions</td>
<td></td>
</tr>
<tr>
<td>Does the government have the capacity to regulate and create a favorable business environment, promote investment, enter into and manage contracts and partnerships with the private sector etc.?</td>
<td></td>
</tr>
<tr>
<td>- build capacity for fiscal policy and maintaining macroeconomic stability, regulatory capacity, capacity to develop sector strategies in key economic sectors, analyze investment proposals, handle the procurement process, engage in PPPs, manage and maintain infrastructure, negotiate trade agreements etc.</td>
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</tr>
<tr>
<td>How much legitimacy does the government/ key ministries and regulatory agencies have in the eyes of the population/ the private sector/ key stakeholders? If trust is low, is it because of ineffectiveness, corruption etc.?</td>
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</tr>
<tr>
<td>- build trust in the business environment, support consultative/ inclusive processes/ institutions for public-private dialogue and regulatory reform, don’t sacrifice legitimacy for the sake of urgency, ensure predictability of government behavior/ avoid excessive instability</td>
<td></td>
</tr>
<tr>
<td><strong>Local governments</strong></td>
<td>What de jure and de facto authority do local/ sub-national authorities have in the economic domain?</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>- Align authority in the economic domain with capacity and legitimacy of local governments</td>
<td>- build capacity of local governments to plan for local economic development, engage with businesses, provide services relevant to businesses etc.</td>
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<tr>
<td>- Support local regulatory reform (e.g. based on sub-national Doing Business Reports)</td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>SOEs</strong></th>
<th>Who has de facto and de jure authority over SOEs?</th>
<th>How much human and organizational capacity do SOEs have?</th>
<th>How are SOEs perceived by the population, other businesses, and other key stakeholders?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- establish proper oversight over SOEs, incentivize/ ensure financial discipline, improve corporate governance to provide a more independent, professionally competent board of directors and management;</td>
<td>- build management and administrative capacity of SOEs, including training staff and developing effective financial, personnel, and technical management systems</td>
<td>- reduce opportunity for corruption, increase transparency of SOEs, improve corporate management, assess distributional and conflict impact and ensure equitable access to services provided by SOEs (e.g. utilities, electricity, roads etc.)</td>
<td>- proceed carefully with privatization if necessary – ensure that it does not reinforce rent-seeking, that an adequate regulatory framework is in place, and that it does not compound already severe unemployment problems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Private sector institutions</strong> (private sector associations, key domestic and foreign companies)</th>
<th>Are there organizations that have the authority to represent (collective) private sector interests (or interests of specific sub-sectors)?</th>
<th>Is there enough human capacity to meet the short- and long-term needs of the private sector? How much (human and organizational) capacity do domestic private companies in key economic sectors have (e.g. agriculture etc.)? How much capacity do private sector associations have?</th>
<th>How much trust confidence do people have in the private sector, business/ farmers associations or other organizations, and/ or specific large enterprises (foreign or domestic)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- strengthen representative institutions of the private sector (farmers associations, business associations, Chambers of Commerce etc.) at the central and local/ regional level</td>
<td>- build institutions for private sector capacity development (especially for SMEs), including for information collection and dissemination on markets, prices, employment opportunities, short-term training etc.</td>
<td>- build institutions for market-relevant skills development and training, strengthen incentives for</td>
<td>- ensure inclusivity/ representativity of private sector associations, including those that represent/ include SMEs/ small farmers etc. – aim to cut across conflict and ethnic lines to help build social capital</td>
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<tr>
<td></td>
<td>- build institutions for market-relevant skills development and training, strengthen incentives for</td>
<td></td>
<td>- support involvement in international agreements aimed at limiting corruption or human rights abuses of (transnational) corporations, especially those in “sensitive” sectors (see Footnote)</td>
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</tbody>
</table>
employers to implement vocational programs, - consider firm-level capacity building for key enterprises with high-growth/economic revival potential, - support conflict-sensitivity of foreign companies (especially those in “sensitive” sectors connected to the root of fragility) through joint activities, such as carrying out conflict impact assessments, engaging them in dialogue with local communities and other stakeholders

13)

| 16 | Initiatives that support such approaches include: Extractive Industries Transparency Initiative (EITI), Voluntary Principles for Security and Human Rights, Human Rights and Business Project, UN Global Compact, Publish What You Pay Campaign, Kimberly Process, Forest Law Enforcement, Governance and Trade (FLEGT) Initiative |
Annex 4.4. Social/ Service Delivery Domain

As discussed above, the key challenges in the service delivery domain are to increase the state’s –direct or indirect – involvement in the delivery of services and to ensure that service delivery strengthens rather than undermines state legitimacy. Four types of institutions are key to service delivery in FCS:

- **Central government institutions**, especially line ministries in health, education, water and sanitation, which have a role both in direct service deliver, and – perhaps even more importantly – in setting the legal and policy framework for the sectors.

- **Local governments** which play a key role in service delivery at the local level.

- **Non-state service providers** – any organization (including large private, small private, individual entrepreneur, large NGO, small community organization, self-help group) that is not a publicly managed agency and/or part of the public sector. They are often particularly salient in fragile states given the state’s weakness.

- **Communities and community-based organizations**, which often participate in service delivery, planning and monitoring at the local level.

Table 13 below offers more guidance for country teams that wish to go further in their assessment the service delivery sector. It includes (i) questions to ask in order to indentify the main weaknesses and strengths of key institutions in the service delivery domain along the ACL dimensions, as well as (ii) suggestions of interventions that can address the issues identified by asking these questions.

**Table 13 : Questions and operational implications for institutions in the service delivery domain**

<table>
<thead>
<tr>
<th>Authority</th>
<th>Capacity</th>
<th>Legitimacy</th>
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<tbody>
<tr>
<td><strong>Line ministries and government service providers</strong> (e.g. health, education, water and sanitation)</td>
<td>Does the reach of line ministries extend over the entire territory? What de jure and de facto authority do they have to set and implement policy in their sector?</td>
<td>Do line ministries and public service providers have the individual and organizational capacity to fulfill their functions?</td>
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<td>- set up or revise/ simplify regulatory framework for the sector – align regulatory structure to enforcement capacity (and legitimacy?) of the respective ministries and the state in general (e.g. use incentive-based regulation instead of universal or control-based regulation).</td>
<td>- strengthen planning, budgeting, policy-making, regulatory, contracting, procurement, information collection, processing and monitoring etc. capacities of line ministries</td>
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<tr>
<td></td>
<td>- Strengthen links between line ministries, other key government institutions (e.g. finance ministries), local governments etc.</td>
<td>- strengthen capacity for service delivery – provide training and set up training institutions in key technical and organizational skills, strengthen incentives for pro-poor/ inclusive service provision, ensure adequate and sustainable financing</td>
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<tr>
<td></td>
<td>Do people have trust/ confidence in key ministries and state service providers?</td>
<td>Do people have trust/ confidence in key ministries and state service providers?</td>
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<td></td>
<td>Is the lack of trust due to an inability to make and enforce decisions, corruption, lack of representation/inclusion etc.?</td>
<td>Is the lack of trust due to an inability to make and enforce decisions, corruption, lack of representation/inclusion etc.?</td>
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<td></td>
<td>- strengthen the “long route of accountability” – e.g. legislative and civil society oversight over line ministries,</td>
<td>- strengthen the “long route of accountability” – e.g. legislative and civil society oversight over line ministries,</td>
</tr>
<tr>
<td><strong>Local governments</strong></td>
<td>What de jure and de facto authority do local authorities have in the service delivery</td>
<td>How much capacity for planning, coordinating and delivering services do local authorities have?</td>
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<tr>
<td></td>
<td>How much capacity for planning, coordinating and delivering services do local authorities have?</td>
<td>Do citizens have confidence in subnational/local authorities? Is the lack of trust due to an inability to make</td>
</tr>
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</table>
| Non-state service providers  
(NGOs, private sectors etc.) | Are there organizations that have the authority to represent the interests of NSPs and their clients in their respective sectors, that can develop/enforce service delivery standards, and/or coordinate activities of NSPs? How is their relationship to the state?  
- set up institutions able to represent NSPs/their clients, to coordinate activities of NSPs and develop standards and codes of conduct, and to enter into dialogue with the government. | How much capacity do NSPs have to provide quality services, reach the poor, organize themselves etc.?  
- strengthen capacity of NSPs (particularly those serving the poor/vulnerable/excluded populations) to organize and represent themselves and their clients, develop codes of conduct and standards, enter into dialogue with the government etc., consider strengthening capacity for service delivery of NSPs, particularly those reaching the most poor and vulnerable populations, set up institutions for training/building such capacities in the longer term. | How much trust/confidence do people have in NSPs and their organizations?  
- strengthen the “short route of accountability” between clients and service providers  
- ensure inclusivity and take measures to avoid elite capture of NSP-sector organizations. |
| Community based organizations  
(e.g. parent-teacher organizations, health councils, water user groups etc.) | How much authority do communities/CBOs have in decisions about service provision?  
- set up/institutionalize mechanisms for community participation in service delivery, monitoring, planning etc. | How much capacity do communities/CBOs have to articulate their needs and engage with local governments and service providers?  
- build capacity for holding service providers and local governments to account  
- build capacity for articulating community needs etc. [see CDD, social funds etc.] | How much legitimacy do various (types of CBOs) have in the eyes of local stakeholders – including in the eyes of excluded or vulnerable groups, local and central governments/agencies etc.?  
- strengthen inclusivity of CBOs, ideally cutting across conflict lines  
- take measures to avoid elite capture of CBOs. |

This section presents the summary findings of an assessment of how Bank country strategy documents in fragile and conflict-affected states consider the causes of fragility and conflict, state-building, and how they are addressed through Bank public sector / governance interventions. The assessment was based on a desk review of Bank country strategies and selected analytical reports between 2000 and 2010 for approximately 37 fragile states (FCS), based on the 2006-2010 IDA FCS/LICUS list. The desk review was complemented by interviews with selected task team leaders (TTLs) who were responsible for preparing country strategies. It was further supplemented by a review of secondary literature about Bank and donor experiences in fragile states in selected areas.

Overall, the term ‘state-building’ is rarely explicitly used in Bank country strategies in fragile states and often the general approach seems to consist more of working around rather than working on issues of fragility. Although a majority of country strategies do touch upon fragility, state-building and governance issues in their description of the country context, in practice, the overwhelming focus of Bank support is on the output dimensions of the state (service delivery and economic management). The other area of focus is capacity building, understood as a combination of helping the government devise the necessary structures and processes and – to a lesser degree – recruit or trained skilled personnel for the public administration. Overall, the areas and types of interventions chosen do not seem to differ substantially from non-FCS states.

Overall use of state-building as a lens

Even when the term state-building is used, the documents do not convey a comprehensive or consistent understanding of it. Rather, state-building is employed as a proxy for a range of concerns, from a very narrow perspective of state-building as service delivery through the central state to a very broad understanding of state-building as transformation in the political, economic, social and security spheres.

Beyond terminology issues, a consistent and holistic approach to state-building that clearly links analysis, objective setting and interventions was not found. This is in part due to i) limitations imposed by the Bank’s mandate as defined in its Articles and ii) by its areas of comparative advantage. Thus, certain areas that are identified as key to state-building, such as the political settlement or elements of the security sector, are inherently political and often beyond the scope of Bank interventions. Since the Bank aligns itself to the client government’s strategies, implicitly the state-building concept on which it builds is the client’s. Thus, to find a comprehensive state-building lens it would be necessary to look at government strategies, as well as joint-donor strategies or the interventions supported by other donors. While such an assessment goes beyond the scope of this review, secondary sources indicate that the weakness of the underlying conflict analysis and the tenuous link between analysis and programming, including the lack of strategic prioritization, affects both Poverty Reduction Strategy Papers (PRSPs) and Post-Conflict Needs Assessments (PCNAs), and that the predominantly technocratic approach taken, which neglects political dimensions, limits the effectiveness of donor interventions.

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17 The only countries included in the review which used the term were Afghanistan, Haiti, Nepal, and Bosnia and Herzegovina.
Analysis of fragility, conflict and state-building

Overall, the documents rarely go beyond a brief and selective description of fragility/conflict and its sources. Fragility is implicitly defined as a combination of weak capacity (as indicated by the CPIA) and political instability and insecurity, the latter being the distinguishing element. Many documents offer a short historical overview of the key political and security events after the cessation of conflict, and mention various elements that contribute to conflict and fragility. Governance weaknesses are also being discussed in most ISNs/CASs, however, this is done in fairly general terms and a specific link to state fragility is rarely made. Even where the sources of fragility or the key actors are mentioned, the political economy surrounding them and the interconnections between them, or the causal chains that generate fragility, are rarely, if ever, explicitly detailed. Some of the country strategies with a more in-depth analysis of the sources of fragility seem to have benefitted from upstream analytical work, either through the Bank’s own analyses, or through joint donor or external analyses. However, while some analytical tools for assessing fragility and conflict exist, these have not been used systematically in the Bank and in the larger donor community.

Translation of analysis into interventions

Overall, even when there is a more in-depth analysis of conflict, fragility and tangential state-building needs, its impact on actual interventions is hard to discern. In terms of the authority, capacity, legitimacy (ACL) framework, authority does not appear as a term in the documents. Capacity is by far the dominant concern of Bank interventions across areas. Within the governance area it is focused first and foremost on PFM and procurement, with some civil service reform (CSR) and anti-corruption added to the mix. Here the main state-building contributions consist of setting up the legal and institutional framework, together with recruitment and training of personnel. The general goal is to increase the amount of resources flowing through the government’s own systems. There is room for strengthening state-building-considerations in these areas, e.g. through increased attention to revenue mobilization, inter-governmental fiscal relations, or through assessing the impact of public expenditures on fragility and state-building, including on the security sector. Sector governance is also a common intervention area, however, the degree to which it displays a state-building-orientation in addition to the traditional focus on state retrenchment and increased efficiency is not clear. Finally, sectors with a particularly high conflict potential – such as natural resources land management – seem to receive only limited attention.

While security concerns are mentioned somewhat often in the description of country context and challenges, their translation into operational interventions is the weakest, mostly because supporting the security sector is often viewed as outside the Bank’s mandate. The main intervention counted as contributing towards improved security is Demobilization, Disarmament and Reintegration (DDR), where the Bank supports the “R” through promoting socio-economic reintegration (e.g. employment creation and training, access to services etc.). Strengthening of the justice sector is also rare, although Justice for the Poor programs are supported in a few countries.

Even though the term legitimacy is almost never used in an operational context, the Bank does intervene in areas that can contribute to increasing legitimacy: e.g. increasing accountability, improving service delivery and supporting reconciliation. However, the conceptualization and operationalization of the links between interventions and legitimacy outcomes is weak. Interventions to strengthen accountability include primarily public financial management (PFM) and anti-corruption reforms, including publication of financial documents and audits, with few demand-side measures added. Reconciliation,
building social capital and restoring trust between groups are addressed mainly through community-driven development (CDD) and participatory approaches, mostly connected to issues of project implementation/service-delivery at the community level. However, to be counted as a form of bottom-up state-building, CDD approaches have to be linked to broader strategies for decentralization and improving central-local relations. This does not seem to happen across Bank strategies in FCS, perhaps in light of the political sensitivity of the issue.

Consideration of women and minorities

The specific role of both women (under the heading of gender) and ethnic and other minorities in fragility and state-building is only sporadically addressed in the country strategies. The contribution of ethnic tensions to conflict or fragility is mentioned more often in the analysis sections (context and challenges), but its translation to operational interventions is also weak, and – beyond the reconciliation measures supported by CDD and participatory approaches – takes primarily a socio-economic approach. The situation of women is discussed primarily from the perspective of the impact of conflict on gender indicators, rather than from a security or political perspective, let alone from the perspective of the potential contribution of women to peace- and state-building. This is even more pronounced in terms of operational implications, which have a traditional focus on social services (health and education) with the occasional addition of income-generating activities for women. Thus, overall, even where there is some analysis of gender/minorities/vulnerable groups, the translation into operations is limited, and the focus is more on socio-economic inclusion than on political inclusion.

Sequencing, prioritization and trade-offs

The only state-building-related prioritization and sequencing criterion that is repeatedly articulated in Bank documents is the need to balance visible short-term results with long-term capacity/institution building. Based on scattered statements and interventions typically chosen, the key state-building-related priorities are to restore a minimum capacity of the public administration with regard to its core functions – PFM and personnel management. However, overall, the documents reviewed do not discuss prioritization of state-building interventions and instead consider prioritization of Bank interventions. Sequencing and trade-offs are discussed even less in Bank country strategies, beyond noting the trade-off between channeling aid through weak government systems versus relying more on donor or NGO structures.

# Annex 6. Conflict and Fragility Diagnostic Tools

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Objective</th>
<th>Methodology</th>
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</thead>
<tbody>
<tr>
<td><strong>Conflict and Fragility Diagnostic Tools Used in the World Bank</strong></td>
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</tbody>
</table>
| **Conflict Assessment Framework (2002)** | - Enhance conflict sensitivity of bank operations  
- Improve staff's understanding of conflict drivers and dynamics | - Analysis of six core areas: social and ethnic relations; governance; human rights and security; economic management; natural resources; external forces.  
- Areas used selectively in conflict analysis depending on project/country relevance |
| **Country Social Analysis (2006)** | - Determine and evaluate political, economic, environmental, social and operational risks emanating from country context  
- Evaluate social cohesion and social fragility | Two sets of variables:  
- Social diversity and livelihoods – asset distribution across groups, institutional barriers to public goods and service delivery  
- Power, institutions and governance: elite capture, institutional mediation of access to public goods, channels to express grievance |
| **Political Economy (2008, 2009)** | - Understand how political actors, institutions and economic processes influence each other and what drives them  
- Translate these insights into measures to enhance sustainability of operations | All approaches look at institutions, stakeholders, and resource allocation  
- Problem-driven approach (2009) considers institutional and governance arrangements and capacities, and the political economy drivers (including stakeholders, rents, historical legacies and social trends) in light of a particular problem  
- Policy-reform approach (2008) suggests an approach to the assessment of sector policy reforms structured around reform context, reform arena (including institutions and stakeholders) and reform process. |
| **Political Instability Risk Briefs** | - Facilitate the regular monitoring of political instability | Political, economic and social variables are both structural and immediate  
- Structural: civil military-relations, regime type, dependence on commodities, demographics  
- Immediate: disputed elections, price fluctuations, demographic changes |
| **Stress Analysis (post-WDR 2011)** | - Operationalize the conceptual framework of WDR 2011  
- WDR 2011 claims violence results from the inability of institutions to process internal and external stresses | A mixture of political economy, social analysis and conflict analysis  
- Analysis of relations between internal and external stresses, and institutional capacity to absorb them  
- Hence resilience is key |
## Conflict-specific Diagnostic Tools Used by Selected Development Partners

<table>
<thead>
<tr>
<th><strong>Post-Conflict Needs Assessment (PCNA)</strong> (Multilateral – WB, UN, EU)</th>
<th><strong>Conflict-related Development Analysis (UNDP)</strong></th>
<th><strong>Drivers of Change, Strategic Conflict and Social Exclusion Assessments (DFID)</strong></th>
<th><strong>Conflict and Fragility Assessments (USAID)</strong></th>
</tr>
</thead>
</table>
| - Overcome consequences of conflict or war  
- Prevent renewed outbreak  
- Shape the short-term and potentially mid-term recovery priorities  
- Articulate their financial implications on the basis of an overall long-term vision or goal | - Understand links between development and conflict, to improve effect of development on conflict | - Drivers of Change focuses on political economy  
- Strategic rather than tactical analysis  
- Three phases: Conflict analysis focused on context, actors, dynamics and scenarios  
- Analysis of current responses  
- Identification of ways forward | - Conflict Assessments identify causes and effects of violence and instability to define strategies that address them  
- Fragility Assessments evaluate different governance dimensions in fragile states and better understand the sources of fragility  
- Variables include:  
  - Economic and demographic trends; social groups’ access to services  
  - Mechanisms for political participation and social accountability  
  - Access to natural resources and economic opportunities  
  - Cultural divisions and the provision of security |
| - Phases include: Stabilization and Transition; Transformation and Institution building; Consolidation  
- Phases are not static | | - Structures, institutions, agents  
- Dynamics, understood as the interplay of structures and agents  
- Social groups as they relate to power and institutions | |

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DFID (2010). Building Peaceful States and Societies. A DFID Practice Paper


GSDRC Helpdesk Report, 2009, Non-State Providers of Health Services in Fragile and Conflict-Affected States http://www.gsdrc.org/go/display&type=Helpdesk&id=482


UNDP (2010). Fighting Corruption in Post-Conflict and Recovery Situations. Learning from the Past. Link


