

The Politics of Poverty: Elites, Citizens and States

Findings from ten years of DFID-funded research on Governance and Fragile States 2001–2010

A Synthesis Paper



Acknowledgements

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Disclaimer: This synthesis presents some key findings of DFID-funded research and the resulting policy recommendations of the researchers: it does not necessarily reflect DFID policy.

Executive Summary

Evidence shows that in order to deliver sustainable international development we must be able to understand and work with its politics.

Governance describes the way countries and societies manage their affairs politically and the way power and authority are exercised. For the poorest and most vulnerable, the difference that good, or particularly bad, governance, makes to their lives is profound: the inability of government institutions to prevent conflict, provide basic security, or basic services can have life-or-death consequences; lack of opportunity can prevent generations of poor families from lifting themselves out of poverty; and the inability to grow economically and collect taxes can keep countries trapped in a cycle of aid-dependency. Understanding governance, therefore, is central to achieving development and ending conflict.

During the 1990s donors came to realise that development required better ‘governance’, and DFID recognised early on the need to work with the research community to identify ways of improving governance for better development outcomes.

The Centre for Future States and the Citizenship, Accountability and Participation Programmes (Institute of Development Studies, Sussex); the Crisis States Research Centre (London School of Economics); and the Centre for Research on Inequality and Ethnicity (CRISE, Oxford University) have been funded by DFID over the past ten years. This paper provides a brief overview of what these different programmes have told us about governance, fragility and conflict in the developing world.

The key message from all four research programmes is that to understand development we must understand the politics that shape it. Ultimately it is political decisions that will shape whether or not the Millennium Development Goals are reached, revenues are raised to fund investment, and growth occurs.

The research argues that the **political settlement** is central to all development; and one that does not exclude powerful players is more likely to prevent conflict. But settlements also need to work at the grass roots level, representing the interests of social groups. **Security is a precondition for development;** this is a matter of survival and must be prioritised in countries recovering from conflict. Evidence presented here shows that in countries where cultural or ethnic groups feel there is **economic, political and social inequality, wars are more likely.** The future face of insecurity is not restricted to civil wars – **more and more people are dying in social violence, particularly in cities** [Chapters 2, 3 and 4].

The research looks at how **governments can become more inclusive, and therefore more stable.** States that are accountable only to some groups or that do

not regard some members of society as ‘citizens’ create inequalities that can fuel conflict. **When citizens actively participate in society through local associations and movements outside the state, there are benefits to both state and society** [Chapters 5 and 6].

The poor, more than any other group, rely on basic **public services**. For vulnerable families, **access to education and healthcare are important routes out of poverty**. The politics matters: services work better for the poor when poor citizens participate in reform of service delivery and the research looks at how this can be most effectively achieved. In conflict affected states the provision of services is very sensitive. Service delivery targeting excluded groups can reduce political tensions and improved security [Chapter 7].

DFID-funded research has made a key contribution in drawing attention to the **importance of taxation in building effective states**. Taxes, raised in ways that encourage economic growth and promote political accountability, build the political legitimacy of the state and offer the eventual **‘exit strategy from aid’**. Tax revenues allow states to provide security and public services while prioritising their own (rather than donor) policy concerns. Tax reforms can encourage interest groups in society to mobilise politically – an important bargaining process between state and citizen-taxpayers who perceive they may have a genuine stake in better government [Chapter 8].

Economic growth allows people to **escape cycles of poverty** and countries to end dependency on aid. But the findings shown here question some of the blueprints donors recommend for achieving growth. Some of the most successful examples of rapid economic growth in the developing world, such as China and Vietnam, have certainly not followed the ‘investment climate’ prescription. Donors may need to acknowledge the **political dynamics of growth**, including that some forms of informal relationships between business and state in developing countries can succeed in generating and sustaining high levels of growth [Chapter 9].

The report concludes [Chapter 10] with a proposal to improve how the international community commissions and uses governance research, indicates why further governance research is needed, and how DFID plans to respond.

This research adds depth to our understanding of development as a political process, provides rich evidence based on country experience, and points to the questions which aid agencies must address in order to be effective – including in more fragile countries. It demonstrates that durable reforms need to be constructed, nationally and locally, in a way that fits each political context and it challenges donors to build the capacity to contribute to this effectively.

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Chapter 1

Introduction



“For the poorest and most vulnerable, the difference that good, or particularly bad, governance makes to their lives is profound”

1.1 Background: 2001–2010

During the 1990s donors came to realise that development required a strategy for building the capabilities of the state so governments could create the conditions and deliver the services necessary to reduce poverty. The need for better ‘**governance**’ (that is, political systems and public institutions) that could deliver the necessary policies and services and combat corruption was outlined in DFID’s 2001 governance strategy.¹

However, the international community at that time lacked clarity or consensus on how to build the necessary political systems and public institutions. Many development agencies were uncomfortable about recognising that politics is central to all governance issues. Attempts to transfer blueprints and ‘good practice’ from the developed world met with repeated failure. In many cases Western models of public sector reform did not work when transplanted, and the introduction of multi-party elections failed to deliver genuine democracy. **Early on DFID saw the need to work with the research community** to try to identify how to improve governance for better development outcomes.

1.2 Governance Research shapes Development Thinking and Practice

Governance makes a big difference to all of us: it determines our security from conflict, disease and destitution; our freedom to participate in our societies and to have a say in the way we are governed; and our opportunities to educate ourselves and to be economically productive, securing a better future for ourselves and our communities. **For the poorest and most vulnerable, the difference that good, or particularly bad, governance makes to their lives is profound:** the inability of government institutions to prevent conflict, provide basic security, or basic services can have life-or-death consequences; lack of opportunity can prevent generations of poor families from lifting themselves out of poverty; and the inability to grow economically and collect taxes can keep countries trapped in a cycle of aid-dependency. **Understanding governance therefore is central to achieving development** and ending conflict. Why do countries with similar conditions achieve startlingly different development outcomes? Policy-makers and researchers share an interest in understanding how some countries build durable secure states while others become mired in violence. We need to know why one country may perform well in revenue collection, while apparently identical revenue-collection institutions elsewhere may fail to function; or why an electoral process in one country achieves coalitions for change, but the same process in another leads to political instability and even conflict.

1. DFID (2001). Making Government Work for Poor People: Building State Capability. Effective political systems were recognised as one of the seven key capabilities. This paper represented the international consensus at that time.

This paper provides a brief synthesis of some of the answers to these critical concerns. It outlines the findings and operational implications from the major research programmes (see Box 1) on governance funded by DFID over the last 10 years. The investment in this research, less than 0.5% of DFID expenditure on governance reforms,² has helped in providing **intellectual depth and coherence** for DFID governance programmes. DFID-funded research has also had a much wider impact due to the important cross-cutting role of governance in all country and sector programmes, and due to DFID's leading role in shaping international thinking on governance through engaging the World Bank, OECD DAC, EU, UN and other international and bilateral organisations as well as partner governments. The long-term **impact** and **rate of return on investment** in governance research appears considerable when, for instance, improving the political legitimacy of the state in Africa is calculated to be worth up to 2.5% GDP per annum, and some governance reforms deliver immediate very high returns.³

Box 1 DFID-Funded Governance Research Programmes

- The **Centre for the Future State** (based at Institute of Development Studies, Sussex).
- The **Centre on Citizenship, Participation and Accountability** (Institute of Development Studies, Sussex).
- The **Centre for Research on Inequality, Human Security and Ethnicity** (CRISE, University of Oxford).
- The **Crisis States Research Centre** (London School of Economics).

1.3 Development is Politics

The key message from all four research programmes has been the **centrality of politics** in building effective states and shaping development outcomes. It shows 'politics' not as an abstract concept, but as an essential determinant of the Millennium Development Goals – that is, better educated, healthier, more prosperous people. The research has delivered this message in many ways. **It provides evidence of politics as the 'driver of change'** and as the ultimate cause of people's security and access to justice. It shows how local the local political economy influences taxation⁴, fragility and the ability of

2 Governance research cost under £23m over ten years. During the five years to 2009 around 19% of DFID resources, (£2.9bn) were allocated to governance-related reforms (11% bilaterally and 8% multilaterally) according to the 2010 DFID Governance Portfolio Review (May 2010). Governance research findings also inform much broader programmes given the important cross-cutting role of governance in all country and sector programmes.

3 Englebort, P. (2002). State Legitimacy and Development in Africa; the DFID Governance Portfolio Review (2010) found that in Uganda tax reforms in the mid-2000s yielded 800% or additional revenue of £80 million over 4 years on total donor investment of £9.5 million.

4 DFID-funded research on the importance of the political dynamics of bargaining and accountability that make taxation critical for state-building directly shaped OECD DAC work, and was the inspiration for the 'tax as state-building' approach adopted at the establishment of the African Tax Administrators Forum in 2007. See also Everest-Phillips, Max (2010), State-Building Taxation for Developing Countries: Principles for Reform *Development Policy Review Vol 28 (1)*, pp75-96.

citizens to participate in their own development. At country level it has helped deepen an understanding of how horizontal inequalities created conflict in Nepal and the need to redress them in post-conflict work.⁶ Insights on the role of citizen participation (in promoting health outcomes) helped improve the design of a \$200m World Bank health reform programme in Brazil.

The research has helped drive an evolution in donors' development thinking.

Ten years ago, the international community's governance emphasis was on technocratic features. These included government administrative structures, resource management, personnel processes, and procedures to provide an environment where trained officials could function more efficiently. Governments' role in service delivery was acknowledged, but economic reform policies still pushed technical solutions, underpinned by a belief in liberalisation of the economy and the downsizing of the state. 'Democracy promotion' was based on over-optimistic assumptions.⁷

The limited success of these policies brought a demand for a better understanding of governance, anchoring public administration in the much broader context of public authority and political legitimacy. In responding to this challenge, DFID-funded governance research has made a critical contribution. It has highlighted the **role of contestation and bargaining** between the state, elites and citizens in building the public institutions that deliver development. It has illustrated the essential role of **indigenous political processes** for working out a country's own development and institutions – something the transfer of blueprints from another country or the developed world could not achieve. In doing so, it has cast light on the difficult questions and trade-offs that donors must address when they design interventions aimed at reducing poverty and boosting development.

5 Eg Unsworth, S (2006), *Getting Better Governance: Insights from new Research Trocaire Development Review, Dublin*, pp17-33.

6 Murshed, SM and Gates, S (2005), Spatial horizontal inequality and the Maoist insurgency in Nepal, *Review of Development Economics No 9(1)*, pp121-134; Brown, G (forthcoming), Post-conflict policies in Nepal, in Langer, A, Stewart, F and Venugopal, R *Policies, towards Horizontal Inequalities in Post-Conflict Situations*, London: Palgrave.

7 See especially the work of Thomas Carothers, including: *Aiding Democracy Abroad* (1999), and *Critical Mission: Essays on Democracy Promotion* (2004).

8 E.g. Problem-driven Governance and Political Economy Analysis, World Bank 2009: "Governance and political economy analysis has a crucial part to play in enhancing the effectiveness of development. Across the World Bank, there is a widely shared perception that we need to gain a better understanding of the environments in which Bank operations are taking place and seek to promote progressive change (IEG 2006, 2008). This coincides with an increasing recognition that governance and political economy (GPE) factors play a powerful role not only in a country's overall development path, but also for shaping policies in various sectors and the way they are being implemented. Moreover, an analytic approach to governance and political economy is essential to making progress in addressing governance to unlock development, as committed to in the 2007 GAC Strategy and subsequent Implementation Plan". <http://siteresources.worldbank.org/EXTPUBLICSECTORANDGOVERNANCE/Resources/PGPEbook121509.pdf?resourceurlname=PGPEbook121509.pdf>; Tools for institutional, political, and social analysis of policy reform: a sourcebook for development practitioners, World Bank: "It is increasingly recognized that failure to anticipate political and institutional challenges is often a chief cause of unsuccessful policy reform processes, with unintended social consequences for often vulnerable and poor groups." http://siteresources.worldbank.org/EXTTOPPISOU/Resources/1424002-1185304794278/TIPs_Sourcebook_English.pdf.

Research has shown that **political context and process** is central to shaping the way politicians and policy makers decide for or against progressive changes that can deliver legitimate, capable, accountable and responsive states. It has helped explain why some countries achieve economic growth and political stability, while others remain locked in conflict and poverty. It has provided **evidence and analytical tools** to show how to work with the structures, relationships, and interests that support or undermine change.⁸ However, while all this has helped with the design of country programmes and projects, we still need a better understanding of the politics of development and how to influence it for faster poverty reduction. Donors need to invest in their own capacity to address this new governance agenda.

1.4 Impact

The research output has been extensive. Over the last decade the four research centres have produced more than 600 working papers, books, briefing notes and peer-reviewed academic journal articles, covering a wide variety of governance topics. These have involved both theory and fieldwork in Asia, Africa and Latin America – from middle-income countries such as Brazil to low-income ‘fragile’ and post-conflict states such as the DRC and Afghanistan or the ‘failed’ state of Somalia.⁹ This **synthesis** makes available some brief highlights. We hope it will also stimulate interest in the detailed academic findings and policy recommendations in their own right. It aims to encourage you to go back to the original research, and also to read the synthesis of findings that each programme has produced. And it seeks to promote general desire for **better evidence** of ‘what really works’ for delivering cost-effective international development.¹⁰

The research programmes and the academic researchers involved have had a highly productive **iterative relationship** with the international development policy community, regularly contributing to informal and formal consultations. These consultations have been supported by the type of evidence, analysis and theoretical innovation that can only be built up by **long-term** research programmes. The research has also provided intellectual capital, helping DFID engage effectively in international approaches to dealing with governance issues, including those relating to fragile states.¹¹ Many of the findings have been taken on board, not just by DFID, but more widely by the international development community. Long-term research **partnerships between northern and southern researchers** – which have been a critical feature of these programmes – have allowed the fostering of expertise and knowledge networks that should continue well beyond the life of the research programmes themselves.

9 E.g. Leonard, D (2009) Re-Creating Political Order: the Somali Systems Today IDS *Working Paper No 316*, Brighton: IDS.

10 DFID Research and Evidence Division Annual Review 2010.

11 Moore, M and Unsworth, S (2006), Britain’s New White Paper: Making Governance Work for the Poor, *Development Policy Review No 24(6)*, pp707-715.

Increasingly through the 2000s, the international community placed governance at the heart of international development, and within that affirmed the centrality of politics to building effective states. For example, a recent OECD Development Assistance Committee paper states:¹⁴

State legitimacy matters because it transforms power into authority and provides the basis for rule by consent, rather than by coercion. In fragile situations, a lack of legitimacy undermines constructive relations between the state and society and thus compounds fragility.

This overt recognition by the international community of the **importance of politics in historical context** owes much to the insights gained from the research reported here. This synthesis of the research findings aims to draw attention to the most pressing and practical policy messages. The key theme is politics, but this is not confined to the politics of elites. Rather, it reveals how the **political relationships between elites and citizens** dictate development outcomes.¹⁵ Delivering development involves working with the **political dynamics of poverty reduction**. It does this by addressing social justice and extremes of inequality as ‘bottom-up’ as well as ‘top-down’ political, social and economic processes that sustain effective states, efficient markets and vibrant societies.

1.5 Cross-cutting themes

Three cross-cutting themes are particularly worth noting. The first theme that runs through many of the findings is the ever closer interaction of the **global, regional, national and local** units of political and social organisation and analysis. As well as looking at the vital impact of local context in determining development outcomes, the research programmes have also examined the critical ties binding the local and state level to much wider regional and global trends and interventions. Thus, the international dimensions of conflict, bad governance and fragile and unresponsive states are highlighted as an area of particular importance for international donors where they have most leverage. The second theme concerns to what extent and how **informal institutions** support or undermine state-building. Informal processes emerge as vital in the political settlements, service provision and citizen engagement of many developing countries. The third is **gender**. Although little of the research specifically addressed gender issues, all yielded relevant findings. These included: the gender dimensions of conflict and inequality; the role of women as recipients, providers of social assistance and promoters of social activism; and the relations between gender, participation and citizenship.¹⁷

14 The OECD-DAC Principles for International Engagement in Fragile States, for example, now commits development agencies to understand the local political contexts in which they work. The DAC website states: “There is growing recognition among donors of the importance of understanding the political, economic and social processes that promote or block pro-poor change, and to understand the role of institutions, power and the underlying context in developing countries”: http://www.oecd.org/document/8/0,3343,en_2649_34565_3795_7768_1_1_1_1,00.html.

15 Hossain, N and Moore, M (2001) Arguing for the Poor. Elites and Poverty in Developing Countries *IDS Working Paper No 148*.

17 There have been strong links with the Women’s Empowerment RPC on women’s participation. See also http://www.bridge.ids.ac.uk/bridge/reports_gend_CEP.html#Citizenship.

BOX 2 Research Highlights – and ongoing debate

Among the most original and influential findings to emerge from this body of DFID-funded governance research, are some seminal, pioneering and authoritative books:

- Professor Mick Moore and colleagues associated with The Centre for the Future State wrote the first ever book on the role of taxation in the state-building process in the developing world.
- From the Crisis States Research Centre, Jonathan Di John put forward pioneering insights on political economy through his detailed study of the different impacts of oil on the development of Venezuela's economy; his colleague Antonio Giustozzi produced highly topical work on the political dynamics and economic importance of warlords in Afghanistan.
- The Citizenship Research Centre delivered perhaps the most important single body of evidence on how active citizens can shape development outcomes – with a wealth of original in-depth case studies from southern contexts showing how citizens mobilise to express their voice, realise their rights, and hold states to account.
- CRISE researchers, led by Professor Frances Stewart, wrote a leading academic text on violence, inequality and ethnicity.

But, while the research programmes featured in this paper share many key policy messages, they are not in universal agreement. This is not surprising. DFID-funded research seeks answers to complex and difficult questions – areas that need to be addressed in future governance research programmes. These include, for example, the relative importance of informal institutions, or how to prevent the potential of democracy to be a benign developmental force from becoming instead the catalyst for violence and conflict, particularly in post-conflict countries.

1.6 Breakdown of the Report

The substance of this synthesis is organised around eight key policy questions (see Box 3) highlighting key findings and noting where gaps in knowledge require future research. The focus throughout is on the policy answers – how we should all do things differently as a result of these messages – whether through better recognition of the trade-offs of difficult policy choices, or through identifying new opportunities.

Box 3 Key policy questions:

1. How can we enhance the incentives of elites to support inclusive long-term development?
2. How far should we approach 'fragile' states differently from non-fragile states? And what forms does this 'fragility' take?
3. How should we approach problems of violence and security, particularly in fragile states?
4. How can states become more equitable and inclusive?
5. How can we help citizens build more effective states?
6. How can states deliver better public services?
7. How can taxation promote state-building?
8. What forms of governance really deliver economic growth?

The following eight Chapters report on the eight major themes identified in Box 3. Each chapter indicates the key policy messages contained within the theme in question.

The research argues that the **political settlement** is central to all development; and one that does not exclude powerful players is more likely to prevent conflict. But settlements also need to work at the grass roots level, representing the interests of social groups. **Security is a precondition for development;** this is a matter of survival and must be prioritised in countries recovering from conflict. Evidence presented here shows that in countries where cultural or ethnic groups feel there is **economic, political and social inequality, wars are more likely.** The future face of insecurity is not restricted to civil wars – **more and more people are dying in social violence, particularly in cities** [Chapters 2, 3 and 4].

The research looks at how **governments can become more inclusive, and therefore more stable**. States that are accountable only to some groups or that do not regard some members of society as ‘citizens’ create inequalities that can fuel conflict. **When citizens actively participate in society through local associations and movements outside the state, there are benefits to both state and society** [Chapters 5 and 6].

The poor, more than any other group, rely on basic **public services**. For vulnerable families, **access to education and healthcare are important routes out of poverty**. The politics matter: final phrases should be improve security not improved security.

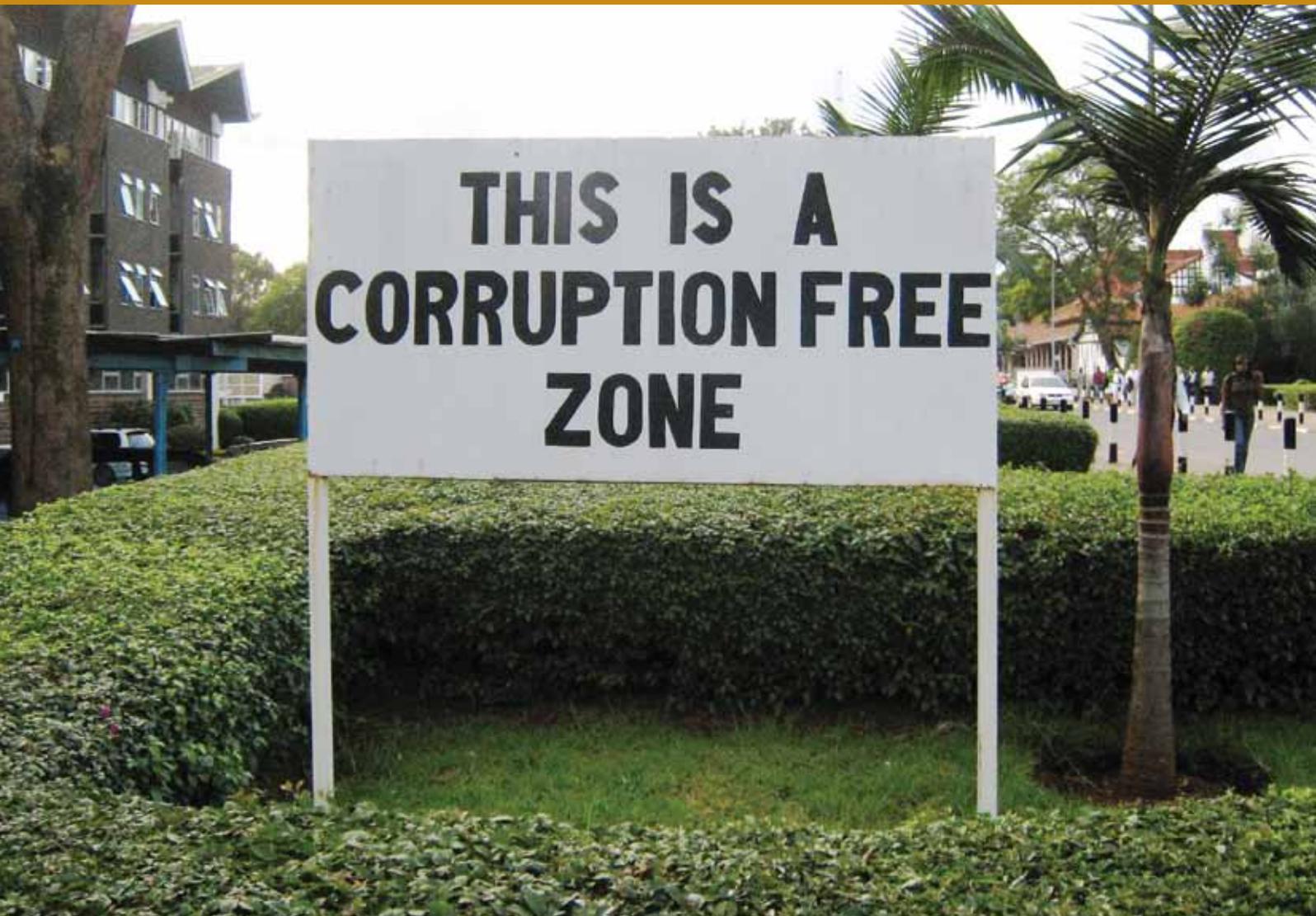
DFID-funded research has made a key contribution in drawing attention to the **importance of taxation in building effective states**. Taxes, raised in ways that encourage economic growth and promote political accountability, build the political legitimacy of the state and offer the eventual **‘exit strategy from aid’**. Tax revenues allow states to provide security and public services while prioritising their own (rather than donor) policy concerns. Tax reforms can encourage interest groups in society to mobilise politically – an important bargaining process between state and citizen-taxpayers who perceive they may have a genuine stake in better government [Chapter 8].

Economic growth allows people to **escape cycles of poverty** and countries to end dependency on aid. But the findings shown here question some of the blueprints donors recommend for achieving growth. Some of the most successful examples of rapid economic growth in the developing world, such as China and Vietnam, have certainly not followed the ‘investment climate’ prescription. Donors may need to acknowledge the **political dynamics of growth**, including that some forms of informal relationships between business and state in developing countries can succeed in generating and sustaining high levels of growth [Chapter 9].

The report concludes [Chapter 10] with a proposal to improve how the international community commissions and uses governance research, indicates why further governance research is needed, and how DFID plans to respond.

Chapter 2

Elites and Development



“Exclusionary political settlements are associated with high levels of violence and poor development outcomes.”

The evidence suggests that:

- We cannot deliver sustainable development without understanding how effective, accountable public authority evolves through a political process of bargaining between elites, as well as between the state and organised groups in society.
- We must recognise that such ‘political settlements’ always matter, underpinning the state and state-society relations, while exclusionary politics threaten political stability.
- We must properly understand history and informal institutions – both are always important to the political settlement.
- We need to tackle the perverse incentives that globalisation may have created for political elites to perpetuate the fragility of states.

Political settlement means a common understanding, usually between elites, that their best interests or beliefs are served by a particular way of organising political power. The text below gives a fuller explanation.

2.1 The Political Settlement

Why do similar forms of political organisation and administration produce startlingly different development outcomes? Policy-makers and researchers share an interest in understanding how the balance of **power** between elites and social groups affects the ability of countries to end conflict and build durable states. We need to know why one country may perform well in revenue collection, while apparently identical revenue-collection institutions elsewhere may fail to function; and why an electoral process in one country achieves coalitions for change, but the same process in another leads to political instability and even conflict.

The concept of a **‘political settlement’** describes the types of informal as well as formal political bargains that can end conflict and bring sustainable peace, promote reform, development and poverty reduction – or fail to achieve any such progress.¹⁸

Recognise that effective, accountable public authority evolves through a political process of bargaining between elites and between the state and organised groups in society.

¹⁸ E.g. see Chandhoke, Neera (2010) Some Reflections on the Notion of an ‘Inclusive Political Pact’: A Perspective from Ahmedabad. *Crisis States Working Paper No. 71 (series 2)*.

Political settlements represent: “the forging of a common understanding, usually between elites, that their best interests or beliefs are served by a particular way of organising political power.”¹⁹ A political settlement therefore forms the relationship between formal and informal institutions and the distribution of power in society. The two must be compatible because “if powerful groups are not getting an acceptable distribution of benefits from an institutional structure, they will strive to change it’ and the combination must also have a minimal level of economic and political performance to be sustainable.”²⁰ And the underlying politics can allow some ‘pockets’ of effective governance to exist even in contexts of general failure.²¹

Understand how ‘political settlements’ underpin the state.

The historically specific dynamics of political settlements explain the difference in performance between countries with apparently similar endowments or disadvantages. Political settlements have been a feature of state building in all states. Every state is based on a political settlement that represents the outcome (but also ongoing process) of contention and bargaining between elites, and between social groups and those who occupy authority within the state and society more widely.

In Uganda and Rwanda, civil wars ended in victory for united political organisations which then had a free hand in reconstituting the state and setting the rules by which they operated. In contrast, the Tanganikya African National Union in Tanzania achieved its political settlement through the ballot box – gaining consensus among a critical proportion of elites and at least passive acceptance by their populations over the parameters of state-making.²²

Understand that history always matters.

It is the character of political settlements which explains why very similar sets of formal institutions – like democratic rules or rules governing macroeconomic management or trade liberalisation, or industrial policy – can have widely divergent outcomes, with important implications for development policy.²³ Patterns of history cast long shadows in governance which are too often poorly understood or ignored by outside development agencies.²⁴

19 DFID Working Paper States in Development: Understanding State-Building (2008)

20 See Khan, Mushtaq (2010) ‘Political settlements and the Governance of Growth Enhancing Institutions’ page 4. See also, North, Douglas et al (2007) Limited Access Order in the Developing World: A new approach to Problems of Development, World Bank Working Paper no 4359. North et al argue that in responding to the challenge of limited resources, elites aim to maximise their control to those resources, especially to unearned income (rents).

21 Leonard, D (2008) Where Are ‘Pockets’ of Effective Agencies Likely in Weak Governance States and Why? A Propositional Inventory, *IDS Working Paper No 306*, Brighton, IDS.

22 Hesselbein, G, Golooba-Mutebi, F and Putzel, J (2006) Economic and Political Foundations of State-Making in Africa: Understanding State Reconstruction. CSRC Working Paper No 3 (series 2), London School of Economics, London.

23 DiJohn, Jonathan and Putzel, James (2009) Political Settlements: Issues Paper, Governance Development Resource Centre.

24 E.g. Anathpur, K and Moore (2007) Ambiguous Institutions: Traditional Governance and Local Democracy in Rural India, *IDS Working Paper No 282*.

Meanwhile, the need to consolidate elites within formal structures of the state shapes the long-run success of such bargains – whether or not the elites involved agree to pursue their individual interests through a formal institutional apparatus (the state) or not. If they simply agree to work together but continue to operate through their own informal structures of authority, the process of state consolidation is undermined. In South Africa over the last 10 years, traditional institutions have, on a number of occasions, been in political competition with those of liberal democracy. Likewise, in Kampala, the capital city of Uganda, governance is characterised by politicians striking informal ‘bargains’ that build on their relationships with particular social groups, but that frequently undermine formal state rules, laws and regulations – with damaging effects for the city.²⁵

Identify the dangers to political stability from exclusionary politics.

Exclusionary politics are associated with high levels of violence and poor development outcomes.²⁶ Negotiating or renegotiating political settlements to reduce exclusion is particularly important in conflict and post-conflict situations. When power resides with the state and elite interests, this can involve compensation in return for their agreement to relinquish claims to power. Indeed, comparative case studies suggest that **who is included in the political settlement matters greatly**. Patterns of inclusion or exclusion within the political organisations that control the state can go a long way toward explaining the outbreak of civil wars in some Sub-Saharan African countries, such as Uganda and Cote d’Ivoire, where major groups were permanently excluded from power. Conversely, inclusive bargains can explain the absence of conflict in places like Tanzania and Ghana.²⁷

Negotiations to end civil wars have a major bearing on the **durability of political settlements**. In particular, the inclusiveness of the negotiating process and its outcomes, such as new political, economic and constitutional arrangements, profoundly affect the long-term legitimacy and stability of the post-war dispensation. However, achieving adequate inclusiveness and forging stable pacts among elites is extremely difficult in war-torn, deeply divided societies.²⁸ In these conditions many non-state groups have their own institutions and claims to legitimacy. Inclusive elite bargains have been achieved

25 Hesselbein, Gabi (forthcoming) The Economic Foundations of State-building and State Failure: A Political Economy of Sub-Saharan African States; Beall, Jo and Ngonyama, Mduduzi (2009) Indigenous Institutions, Traditional Leaders and Elite Coalitions for Development: the Case of Greater Durban, South Africa, *Crisis States Research Centre*, Working Paper No 55 (series 2); Chandhoke, Neera (forthcoming) Some Reflections on the Notion of an ‘Inclusive Elite Pact’: A Perspective from Ahmedabad, *Crisis States Research Centre*; Goodfellow, Thomas (2010) The Bastard Child of Nobody? Anti-Planning and the Institutional Crisis in Contemporary Kampala, *Crisis States Research Centre*, Working Paper No 67 (series 2); Gazdar, Haris and Sobia Ahmad Kaker (forthcoming) Policy Choices and the Politics of State-Building—Insights from Three Cities in Pakistan, *Crisis States Research Centre*.

26 CRISE briefing note.

27 Lindemann, Stefan, (2008) Do Inclusive Elite Bargains Matter? A Research Framework for Understanding the Causes of Civil War in Sub-Saharan Africa. *Crisis States Research Centre*, Discussion Paper No : 15 February; Lindemann Stefan (forthcoming) “Broad-based politics and violent conflict in Museveni’s Uganda, *CSRC Working Papers*; Lindemann, Stefan (2010) Inclusive Elite Bargains and Civil War Avoidance – The case of Zambia.; Langer, A (2009). Living with Diversity: The Peaceful Management of Horizontal Inequalities in Ghana *Journal of International Development* No 21(4), pp534-546; Langer, A (2005) Horizontal Inequalities and Violent Group Mobilisation in Côte d’Ivoire *Oxford Development Studies* No 33(1), pp25-45.

28 Healy, Sally (2009) Peacemaking in the Midst of War: an Assessment of IGAD’s Contribution to Regional Security *Crisis States Research Centre Working Paper No 59 (series 2)*; Nathan, Laurie (2006) No Ownership, No Peace: the Darfur Peace Agreement *Crisis States Research Centre Working Paper No 5 (series 2)*; Nathan, Laurie (2004) Accounting for South Africa’s Successful Transition to Democracy *Discussion Paper No 5*.

in some countries, such as Zambia, through political parties.²⁹ However, in the absence of parties with clear programmes, or formal or informal requirements for inclusivity, **elections may not be an effective vehicle** to achieve lasting elite bargains.³⁰ In countries like Ghana, an informal convention has meant that the presidents have generally included people from the major regions and ethnic groups in their governments.³¹ More formal provisions for inclusive government are in place in Nigeria, where the ‘Federal Character Principle’ informs appointments to ensure that major groups participate in power.³²



Photo: Jaipur, India, December 2009. © Max Everest-Phillips / DFID

29 DiJohn, J (forthcoming) Zambia: State Resilience against the Odds: An analytical narrative on the construction and maintenance of political order: An Analytical Narrative; Putzel, James and Lindemann, Stefan (forthcoming) Explaining State Resilience in Tanzania: an Analytical Narrative on State-Making.

30 Hesselbein, Gabi (2007) The Rise and Decline of the Congolese State: an Analytical Narrative on State-Making *Working Paper No 21 (series 2)*.

31 Langer, A (2009). Living with Diversity: The Peaceful Management of Horizontal Inequalities in Ghana. *Journal of International Development No 21(4)*, pp534-546.

32 Mustapha, AB (2009). Institutionalising Ethnic Representation: How Effective is Affirmative Action in Nigeria? *Journal of International Development No 21(4)*, pp561-576.

Recognise how the 'political settlement' shapes effective, accountable public authority.

In **fragile states**, and particularly post-conflict, political settlements supporting the state should be a first-order priority – even if these settlements come at the cost of accelerated development. Developmental outcomes in the long run can only happen once state power has been adequately consolidated. The implication for policymakers is the need to **fully understand political settlements**:

“To undertake development assistance programmes without understanding the political settlement on which a state rests can lead to unintended consequences of all sorts. Not only does the political settlement set the constraints for what can and cannot be accomplished with foreign assistance, but foreign assistance itself can have an impact on the political settlement.”³³

2.2 Elite Incentives

Address how the global context may create perverse incentives for political elites to perpetuate the fragility of states.

Elite incentives to pursue developmental aims are critical. The list of factors determining elite incentives has too often been described in purely domestic terms, where international donors often have limited leverage and domestic elites are easily portrayed as ‘lacking political will’, intransigent or venal. But research has shown that some features of the **global** environment can create **perverse incentives** for political elites to perpetuate the fragility of states, and to destroy state capacity.³⁴ Politicians may deliberately govern badly because globalisation has generated perverse incentives making it more tempting to take this course. Contemporary elites live in a globalised environment which may be weakening the positive incentives for the state-builders of the past, such as those of South Korea or Taiwan in the 1960s and 1970s.³⁵

To sum ambitious people in countries like Nigeria, Colombia, Haiti, Zambia, or Pakistan, the important signals come not only from what the developed world advises – even when that is backed by aid money – but the **behavioural incentives** created by rich countries in a globalised world. First, because wealthy countries are willing to pay such high prices for scarce **commodities** like oil, gas diamonds and coltan they signal clearly that getting a share in the huge surpluses to be earned from extracting and exporting such products is a good way to get ahead in the South. Second, the willingness of some people in the developed world to pay good money for recreational **narcotics** – even though their governments make them illegal – creates a major transnational industry. This industry

33 DiJohn, Jonathan and Putzel, James (2009) Political Settlements: Issues Paper, *Governance and Social Development Resource Centre*, p18.

34 Putzel, James (2005) Globalization, Liberalization and Prospects for the State *International Political Science Review Vol 26, No1*, pp5-16

35 But the research also recognises the many positive aspects of globalisation – not least the unprecedented poverty reduction over the last few decades.

depends on violence, the corruption of governments, and on preventing access to the legitimate agents of government of large populations and territories in producing areas. Third, foreign corporations still offer **bribes** for contracts, despite the efforts to eliminate this behaviour. Fourth, **external support for armed groups** has been a factor in a number of conflicts.

Other international conditions facilitate organised conflict and looting by ‘political entrepreneurs’. There have been huge technological strides made in producing cheap, enormously destructive **weaponry** – easy to use even by children. This provides people who hope to raise a little money from oil, diamonds, coca or coltan with strong incentives to arm themselves. As a result they can pursue power through forcible means rather than peaceful political competition, often also hiring Western and other highly trained **mercenaries**. In addition, sophisticated global **financial mechanisms** have allowed those who loot their own countries to safely invest the money abroad so that even if things go wrong at home, their families will be financially secure for generations.³⁷

There is scope for further **international action** to address such perverse incentives, and **international donors may have far more leverage** over international rather than purely domestic determinants of elite incentives. Some are already well advanced, including action on international tax evasion, money laundering, stolen asset recovery, corruption and terrorist financing. A range of ongoing initiatives are designed to mitigate the negative impact of natural resource revenues. They include the Kimberley process to prevent trading in conflict diamonds; the Extractive Industries Transparency Initiative (EITI) to encourage transparency about revenues paid by oil companies to producer governments; and various bilateral and regional initiatives to control illegal logging. There is scope to make all these work better. One of the most significant gaps is the international regulation of narcotics.³⁸

36 E.g. Medina, Carlos and Martinez, Hermes (2003) Violence and Drug Prohibition in Colombia *CSRC Working Paper No 32 (series 1)*.

37 Material here is drawn from Moore, M and Unsworth, S (2006), Britain’s New White Paper: Making Governance Work for the Poor, *Development Policy Review No 24(6)*, pp707-715. More detailed discussion of the international level incentives that discourage elites from developmental state-building can be found in IDS (2010) *An Upside-Down View of Governance*.

38 IDS (2010) *An Upside-Down View of Governance*, p26. See also World Bank (2010). *Innocent Bystanders: Developing Countries and the War on Drugs*. Washington DC.

2.3 State and Society

Don't neglect the role of state-society relations.

Political settlements do not operate separately from their societies, and in the long-term they need to gain deeper social legitimacy.³⁹ Political and social elites require the capacity to mobilise supporters.⁴⁰ Achieving a top-down political settlement between elites at national level may not be sufficient to sustain state-building – if it is not reflected at the local level, or if it excludes some groups – as this can provide an incentive for alternative elites to mobilise supporters against the settlement.⁴¹

States are particularly 'fragile' when large numbers of people living within their boundaries are disconnected from state institutions, or when state institutions are accountable only to an elite minority. This was the case in apartheid-era South Africa and is evident in some contemporary Latin American states where indigenous populations remain excluded from political processes.⁴² Durable political settlements should not only represent elites as inclusively as possible, but should require the relations between the state and society – 'the social contract' – to be robust and legitimate.

The **social legitimacy** of political settlements plays a central role in the durability of such settlements. Tanzania is a case in point, where the enduring legacy of post-colonial nation-building continues to influence contemporary political processes.⁴³



Photo: Women voters queuing, local government elections, Nigeria.
© Emma Donnelly / DFID

39 Eyben, Rosalind and Ladbury, Sarah (2006) Building Effective States: Taking a Citizens' Perspective *The Citizenship DRC*, Brighton.

40 Gazdar, Haris, Budhani, Azmat Ali, Kaker, Sobia Ahmad and Bux Mallah, Hussain (2010) The Open City: Social Networks and Violence in Karachi *Crisis States Research Centre, Working Paper No 70 (series 2)*; Gutierrez Sanin, Francisco, Pinto, Maria Teresa, Arenas, Juan Carlos, Guzman, Tania, Gutierrez, Maria Teresa (2009) Politics and Security in Three Colombian Cities *Crisis States Research Centre Working Paper No 44 (series 2)*.

41 Beall, Jo, Fox, Sean and Gazdar, Haris (forthcoming) Cities and Fragile States: a Research Overview, *Crisis States Research Centre*; Stewart (2008) Horizontal Inequalities and Conflict, Chapter 13. And alternatively, as the Citizenship DRC work on citizen action and policy change shows, effective social mobilisation can create pressures from the outside which strengthen the possibilities of elites to bring about reform: "Alliances between social actors and champions of change inside the state are critical to make policy change happen. Social mobilization structures provide opportunities for state-based reformers to generate change from within, just as political opportunity structures provide spaces for social actors to do so from without." *Citizenship DRC: recent book on Citizen Action and National Policy Reform*: ch.1, p23.

42 Gibney, M (2006) Who Should Be Included? Non-citizens, Conflict and the Constitution of the Citizenry *CRISE Working Paper No 17*. Oxford.; Barron, M (2008) Gender and Ethnic Inequalities in Latin America: A Multidimensional Comparison of Bolivia, Guatemala and Peru *CRISE Working Paper No 32*, Oxford.

43 CRISE and Citizenship research reflected in DFID Emerging Policy Paper (June 2009) 'Building the State and Securing the Peace', p. 5

2.4 Informal Institutions

Recognise the role of informal institutions in political settlements.

A key question that emerges in discussing political settlements and state-building – and which recurs in many of the following chapters of this synthesis – is the role of **informal institutions** and whether (and in what ways) donors should engage with them. Research shows that informal institutions and personalised relationships are pervasive, powerful and, in some circumstances, can contribute to progressive outcomes in poor countries. So, for example, in Somaliland, and to a lesser extent in Puntland, clan elders were responsible for selling the idea of disarmament to the main clans, and for negotiating the representation of other clans. (However by contrast, in southern Somalia, clan institutions were increasingly undermined by new warlords, harming the integrity and significance of traditional authority).⁴⁴

Often dismissed as ‘relics of “traditional” institutions that have not yet completely disappeared’, such political structures can in fact be highly adaptive. “Some of these unorthodox organisational arrangements are of recent origin, and constitute (smart) adaptations to prevailing local circumstances.”⁴⁵ The extent to which these diverse informal institutions exercise **effective and acceptable public authority** reflects both their origins and the context in which they operate. [Chapters 5 and 6 deal with the role of informal institutions in making states more accountable, and in delivering public services]. Informal institutions are also important in political settlements, particularly in ensuring their sustainability at **sub-national level**, and have been engaged by donors in countries such as Afghanistan and in Sierra Leone to support and facilitate national and local level elite bargains.

Recognise informal institutions and personalised relationships as pervasive, powerful and potentially able to deliver progressive outcomes in poor countries.

Some research however is more cautious over the wisdom of engaging informal institutional arrangements, seeing many as **antithetical to state-building** – especially in post-conflict situations. In **fragile and conflict-affected countries** an uncritical approach to the harnessing of informal institutional arrangements to achieve ‘progressive development outcomes’ runs the risk of promoting governance systems that are ad hoc in nature and which might undermine the legitimacy and authority of a state.⁴⁷

44 Leonard, David (2009) *Recreating Political Order: The Somali Systems Today*: CFS: IDS Working Paper No 316, p13.

45 Anhuradha Joshi and Moore, Mick (2007) *Institutionalised Co-production: Unorthodox Public Service Delivery in Challenging Environments*, p32

46 Thompson, Brian (2007) *Sierra Leone: Reform or Relapse?: Conflict and Governance Reform Chatham House Report*, p7.

47 Beall, Jo, Fox, Sean and Gazdar, Haris (forthcoming) *Cities and Fragile States: a Research Overview Crisis States Research Centre*; Davis, Diane E (2007) *Policing, Regime Change, and Democracy: Reflections from the Case of Mexico Crisis States Research Centre*, Working Paper No 22 (series 2); Goodfellow, Thomas (2010) *The Bastard Child of Nobody? Anti-Planning and the Institutional Crisis in Contemporary Kampala Crisis States Research Centre*, Working Paper No 67 (series 2); Fox, Sean (forthcoming) *The political and economic origins of Africa's ‘urban crisis’ Crisis States Research Centre*.

In some cases, formal institutional arrangements are able to engage positively with traditional structures of authority. A case study in Greater Durban found that peace-building and democratisation in post-apartheid South Africa was promoted by an effective administrative machinery. This was able to **contain customary authority** structures within a broader polity, political structures and processes that channelled the ambitions and grievances of traditional leaders, and a system of local government that drew on the presence and experience of chieftaincies to bring development to hard-to-reach areas.⁴⁸

48 Beall, Jo and Ngonyama, Mduduzi (2009) Indigenous Institutions, Traditional Leaders and Elite Coalitions for Development: The Case of Greater Durban, South Africa *Crisis States Research Centre, Working Paper No 55 (series 2)*.

Chapter 3 'Fragile' States



“There is no one-size-fits-all definition of, or approach to, state fragility – context is everything.”

The evidence suggests that:

- We must recognise that challenges to the state from rival institutions are a key threat to state resilience - but state resilience does not guarantee development.
- We must be careful to distinguish between different categories of 'fragile states' and the basic conditions under which a state is 'failed' or 'fragile' and tailor interventions accordingly to address their specific characteristics.
- We need then to be alert to and monitor the unintended consequences of all international interventions.
- We need however to be aware of the limitations of current governance indicators, and seek to improve the ways that state capacity and fragility are measured.
- We should also understand state failure from a citizen's perspective.

3.1 Fragility

Are fragile states different? Fragile and failing states are at the top of the international development agenda, and are also a central concern for international diplomacy and security.⁴⁹ But although various analysts of these concepts highlight similar 'symptoms' and stages of fragility and failure, there is no universally accepted definition of what distinguishes a fragile state from those which are not. Most developing countries are fragile in some ways, and states that are failing to deliver in some respects can be functioning in others. Moreover, states can move in and out of fragility. So if fragile states are at most a subset of especially vulnerable countries, this implies that we should not necessarily be approaching them differently in terms of aid and development.⁵⁰ There is no '**one-size-fits-all**' definition of, or approach to, state fragility, and 'context is everything'. Nonetheless, both academics and policymakers need frameworks that allow the ordering and structuring of information on fragility. The research summarised below has emphasised the importance of context and history, but has also drawn out features of different types of state fragility. This helps clarify how, if at all, we should be treating fragile states differently.

A failed state is one that cannot perform a limited range of basic functions.

⁵⁰ Stewart, Frances (2010) An Operational Definition of 'Fragile States' *CRISE Working Paper 51*.

There is a persistent danger of conceptual ambiguity in the way in which the term **failed state** is employed. If it is not to deteriorate into a mode of routinely criticising governments for failing to do one or all of the many things we would like them to do – achieve the Millennium Development Goals, promote economic growth, advance gender equity, ratify and observe any one of dozens of international agreements and codes of conduct – then it is important that the term be used **only to refer to failures to perform the basic functions of states**. So a failed state is one that is unable or unwilling to exercise authority over its population and territory, provide basic public goods, enforce law and order, and prevent those who have power from preying on those who do not.⁵¹

Distinguish between different categories of fragile states.

Whether we acknowledge it or not, when we speak about the '**failure of the state**' to control its borders or to provide 'public goods' we are drawing on differing definitions of **what a state is and what it is supposed to do**. The classic 'Hobbesian' definition emphasises the use of force as the foundation of a state. Max Weber elaborated on this idea in his definition of statehood: "a state [is] a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory." A broader definition of the state involves the idea of a 'social contract', which focuses on the relationship between the state and citizen. These concepts of the state were based on the study of European state formation, but they retain their influence on intervention and assistance policies to this day, and influence the debates on what model of the state is appropriate to specific goals (such as a transition from war to a stable peace, or the transformative tasks of sustainable economic development and growth).⁵²

The evidence emphasises the importance of distinguishing between different categories of state fragility. There are **fragile states** or **crisis states** that are under acute political stress – where institutions face serious contestation and are potentially unable to manage conflict and shocks. Then there are **failed states**, that can no longer perform basic security and development functions, have no effective control over their territory and borders, and can no longer reproduce the conditions for their own existence. The breakdown of states into different degrees of effectiveness underlines that state formation is a **historical process** that is open-ended and continually subject to contestation – particularly in the case of new/post-war states and low levels of development. Rather than states being pigeon-holed as successful or failed, state effectiveness exists along a continuum in which conflict and violence – far from an aberration of state formation and development – are an integral reality of these processes.⁵³

51 Harris, Dan, Moore, Mick and Schmitz, Hubert (2009) Country Classifications for a Changing World *IDS Working Paper No 326*, p31.

52 DiJohn, Jonathan (2008) The Concept, Causes and Consequences of State Failure: a Critical Review of the Literature. *CSRC Working paper No 25*, pp3-6.

53 DiJohn, (2008) *op.cit.*

3.2 Measuring Fragility

Be aware of the limitations of current governance indicators.

Many indicators of governance being derived from subjective surveys may be inherently flawed. They may provide only indirect measures of capacity, fail to capture the importance of legitimacy, and ignore the extent to which capacity varies within countries and across state functions.

Indicators are necessary (if not sufficient) to categorise a state as fragile, failing or failed. For example, the dimensions of state failure broadly measured by most indicators of state failure include:

- Violence
- Territorial control
- The provision of state services

Enduring **violence**, particularly directed against an existing government or regime appears to identify a failed state. However, political and criminal violence does not necessarily lead to failure and the absence of violence does not necessarily mean the state in question has not failed.

A second indicator of failed states concerns **territorial control** – the state's inability to control its borders and/or loss of authority over chunks of its territory. Finally, a commonly used indicator is the failure of the state to deliver **positive state functions** that underpin the social contract. These may include:

- Security
- Education
- Health
- Economic opportunity
- Environmental surveillance
- Making and enforcing an institutional framework
- Providing and maintaining infrastructure⁵⁴

The objective of public policy towards fragile states is to help them move away from fragility. But what this means for public action in practice will vary hugely according to the **source of fragility and the nature of the state**. Moreover, there is a general issue about which type of fragility to prioritise where a state is failing in more than one respect. However, the strong links identified between failure in state authority and in service provision suggest that both these dimensions should be given priority:⁵⁵

⁵⁴ DiJohn (2008) *op. cit.*

⁵⁵ DiJohn, Jonathan (2008) The Concept, Causes and Consequences of State Failure: a Critical Review of the Literature. *CSRC Working Paper No 25, pp3-6.*; Stewart, F (2010) Horizontal Inequalities as a Cause of Conflict: a Review of CRISE Findings *CRISE*, Oxford.; Stewart, F, Langer, A. and Brown, G (2007) Policies Towards Horizontal Inequalities. *CRISE Working Paper No 42, Oxford.*

Improve the ways that state capacity and fragility are measured.

Some DFID-funded research on state fragility has cast doubt on the use of cross-country data as a tool to measure deficiencies in state capacity. Existing frameworks for measuring state capacity and fragility may be inherently flawed for a number of reasons. Current measures are aggregate based on subjective surveys – a method that loses even more precision when associating two variables that are poorly or vaguely defined. As a result, existing metrics provide only indirect measures of capacity, often providing results that can be full of anomalies, and ignore the extent to which capacity varies within countries and across state functions. Measurement tools need to incorporate **higher levels of complexity** and to be used in combination with **good qualitative and historical analysis**.⁵⁶

3.3 State-Building and Peace-Building

Service entitlement may fail to recognise inequalities between groups. Aid and policy dialogue can contribute to reducing such failures, especially where aid accounts for a substantial proportion of GDP. It is essential that group inequalities be explicitly considered, measured and addressed since conflict often results where different forms of inequality occur simultaneously [see Chapter 5].⁵⁸ To be effective, policy needs to be directed at the main source(s) of the problem, whether, for example, it is revenue deficiency or poor allocation of resources or limited productive opportunities for the population.

Legitimacy may require policies which move countries towards inclusive democratic systems where political and civil human rights are broadly respected.⁵⁹ Yet there can be trade-offs in this area. **Premature transition to democracy** under external pressure can provoke exclusionary policies and suppression of human rights. And in peace-making contexts, insistence on human rights – including criminal investigations of major violators – can make it more difficult to reach a peace accord. Where the government itself is responsible for these failures, which may even be the intended consequence of government policy, a human rights approach may help hold government to account, especially where it has agreed to international human rights conventions. Significant obstacles to tackling the root causes of fragility also include **entrenched political interests** against inclusive policies, excessive autonomy of the military or police, and high levels of corruption.⁶⁰

56 Francisco, Gutierrez Sanin (2009) The Quandaries of Coding and Ranking: Evaluating Poor State Performance Indexes CSRC *Working Paper No 58 (series 2)*.

57 Francisco, Gutierrez Sanin and Peña, Andrea Gonzale (2009) Force and Ambiguity: Evaluating Sources for Cross-National Research - the Case of Military Interventions *Crisis States Research Centre Working Paper No 50 (series 2)*; Francisco, Gutierrez Sanin and Peña, Andrea Gonzalez (forthcoming) Military interventions and Democracy Revisited.

58 CRISE Briefing Note.

Recognise that challenges to the state from rival institutions are a key threat to state resilience.

A **fragile state** is one that is particularly vulnerable to crises (economic, social, political, or environmental), where crises can easily lead to violence. The most important indicators of state resilience are:

- The ability of state organisations to maintain **basic security** (to be able to put down armed challenges to state authority and protect the state's population from organised violence against their persons and property – including violence emanating from the state itself);
- The ability of state organisations to **raise revenues** to finance the basic functioning of their operations;
- The ability of state organisations to ensure their **primacy** over rival institutions among the state's significant population (whether these emanate from families, tribes, language groups, religious organisations, regional power brokers, warlords, criminal gangs or neighbouring states);
- The ability and willingness of the state to provide basic services to all citizens; and
- A lack of bias or favour by the state in allocation of jobs and resources among major groups.⁶¹

59 However, it should be noted that legitimacy in fragile states is derived from multiple sources, sometimes even in contradiction with democracy. This could be securing privileges for a majority identity group at the expense of those of a minority group, using exclusion to promote a national identity, or promoting authoritarian government for the good of the nation. See: Do No Harm: International Support for Statebuilding, OCED 2010.

60 Stewart, Frances and Brown, Graham (2008) *Fragile States CRISE Working Paper No 51*.

61 DiJohn, Jonathan (2008) *The Concept, Causes and Consequences of State Failure: A Critical Review of the Literature CSRC Working Paper No 25*.

3.4 Resilient States are not necessarily Developmental

Recognise that state resilience does not guarantee development.

Debates persist over the degree to which non-state institutions threaten state-building. In fragile states, where the institutions of the state have not achieved hegemony, the presence of many alternative sources of authority, including 'traditional' and other informal institutions, can undermine the state and contribute to conflict. These institutions "offer opportunities for political entrepreneurs of all shades to pre-empt state consolidation or challenge state authority in terms justified by rival sets of rules and values."⁶² As research findings on Afghanistan have shown, warlords, criminal gangs, regional power brokers, traditional authorities and religious organisations each have their own institutions, and anchor their claims to legitimacy within them.⁶³

In contrast, a state that can ensure basic security, basic revenue raising and the pre-eminence of its institutions is a **resilient state, but it may not promote development**. Indeed there can often be a trade-off between resilience and accelerated development, especially in fragile states, and so some researchers conclude that **policies should be sequenced** with this in mind. Short-term measures to secure peace can have significant (positive and negative) implications for long-term state-building and economic growth.⁶⁴

Understand and monitor the unintended consequences of donor interventions.

The standard 'Washington Consensus' reforms that characterised development assistance in the 1980s and 1990s may have been 'correct' according to economic theory but often politically aggravated state fragility. Economic 'structural adjustment' was advocated with no attention to the ways in which it could disrupt political settlements, by undermining elite incentives to work under state rules and undercutting popular loyalty to the state. Nor did it address the political implications for the distribution of resources.

Liberalising markets in fragile states needs careful planning, to ensure basic food security and livelihoods in ways that are politically feasible, inclusive and constructive.

Understanding the economic foundations of state fragility and failure, and their political dynamics, must be much more central in policy discussions.⁶⁵

62 Putzel James (2008) *Land and Conflict: Institutional Multiplicity and the Causes of Violence Paper presented to WB Conference; Land Governance in Support of the MDGs: Responding to New Challenges*, Washington DC (2008 under revision).

63 E.g. Giustozzi, A (2009) *Empires of Mud: Wars and Warlords of Afghanistan*, London: C Hurst & Co and New York: Columbia University Press; Giustozzi A, (2007) *Armed Politics and Political Competition in Afghanistan Working Paper*, Bergen: C. Michelsen Institute, pp24; Giustozzi and Orsini, D (2009) *Centre-Periphery Relations in Afghanistan Between Patrimonialism and Institution-Building: The Case of Badakhshan Central Asian Survey* pp1-16; Giustozzi, A and Ullah, N (2007) *The Inverted Cycle: Kabul and the Strongmen's Competition for Control over Kandahar, 2001-2006 Central Asian Survey No 2*.

64 DFID Emerging Policy Paper (2009) *Building the State and Securing the Peace*, p3.

65 Putzel, James et al (2005) Special Issue: Globalization, Liberalization and Prospects for the State *International Political Science Review*, Vol 26, No 1; Hesselbein, Gabi (2010) *The Economic Foundations of State-building and State Failure: A Political Economy of Sub-Saharan African States*.

3.5 Citizens in Fragile States

Understand state failure from a citizen's perspective.

It is dangerous to assume that states have a monopoly on violence, and that they exercise the security function in the best interests of all citizens. In many contexts government security forces are seen by many citizens not as serving the whole population but as existing to protect the interests of the state itself, of transnational or local private capital, or of particular population groups – defending the interests of some sectors by wielding violence against others. “This creates a climate of insecurity which enables state elites to offer despotic power as a solution while they preserve their privileged access to wealth and resources.”⁶⁶ In other contexts, where official state security provision is weak or inadequate within certain geographical pockets, security provision is effectively delegated – with varying degrees of complicity or tolerance – to non-state organisations. These often deploy a mix of violence and protection to perpetuate political, social and economic control. In both cases – where there is large-scale conflict or more everyday forms of criminal violence – the insecurity not only contributes to the fragility of states, but also to the **fragility of citizenship**. This limits people's perception of their political community, and hence their willingness to engage in the public sphere.

Violence can be perpetuated by state elites who use it to preserve unequal distribution of resources. Such elites may ally with private violent groups ‘behind the scenes’; they may tolerate or even encourage routine abuses by state security forces; and may fail to deal with the sources of violence within society, and even gain from the illegal wealth accumulation which takes place through it. This creates a climate of insecurity enabling state elites to offer despotic power as a solution, while preserving their privileged access to wealth and resources.⁶⁷

With few opportunities for mobilising – with civil society weakened and the chances for participating in formal political systems often blocked – **citizens in fragile states** are less likely to have access to basic services, accountable institutions, and other resources. In order to build effective state-society interactions, **support to non-violent civil society organisations** in these contexts is essential.

66 Pearce, J. (2007) Violence, Power and Participation: Building Citizenship in Contexts of Chronic Violence *IDS Working Paper No 274*, p8-9.

67 Pearce, J. (2007) Violence, Power and Participation: Building Citizenship in Contexts of Chronic Violence *IDS Working Paper No 274*, p8-9.

Chapter 4

Violence and Security



“Of the 34 countries furthest from reaching the MDGs, 22 are in, or emerging from, conflict.”

The evidence suggests that:

- We need to understand, monitor and address the causes of conflict and social violence, including horizontal inequalities.
- We must get better at recognising when security is the state's most important function. Violence not only contributes to the fragility of states, but also to the fragility of citizenship. States that cannot or will not maintain a basic level of security for all their citizens may represent a far greater threat to human welfare than failed ones.
- We should identify when and why the 'natural resource curse' arises from many factors other than 'greed'.
- We need to be more aware of the regional dimensions of conflict, and recognise that regional security arrangements are only as strong as the interests they share.
- We need to do more to tackle urban violence as a growing threat to development.

4.1 Violence and Development

Why are some countries at particular risk of experiencing violent conflicts and civil wars? As mentioned above, violence is a key indicator of fragility that can directly undermine the state, or can create pockets of state failure. Although not all conflicts are confined to the poorest areas of the developing world, low income countries are particularly prone to violent conflicts and civil wars. When this does take place, some sections of society may benefit, but the conflict usually results in the dramatic slowing of the country's overall development process.⁶⁸ Of the 34 countries furthest from reaching the MDGs, 22 are in, or emerging from, conflict.⁶⁹

For this reason, policymakers are keen to understand and address the causes of conflict.⁷⁰

Understand properly the causes of conflict.

Over the timeframe of the research programmes represented here, several academic theories have been developed on the causes of civil war, each carrying its own policy implications. Scholars from a variety of disciplines have focused on different factors, in order to understand causes of conflict and why certain civil wars last longer than others. Some used case studies and political economy analysis, while others relied on statistical data covering a large number of countries.⁷¹

68 Brown, Graham and Langer, Arnim (2010) Horizontal Inequalities and Conflict: A Critical Review and Research Agenda' *Conflict, Security and Development* 10 (1): 27-55.

69 Investing in Development: A Practical Plan to Achieve the MDGs UN Millennium Project (2005).

70 It is clearly proven that low income countries are more at risk of civil war, and it is also a matter of some consensus that civil war has a negative impact upon inclusive developmental goals.

71 Fearon, James D (2004) Why Do Some Civil Wars Last Much Longer than Others? *Journal of Peace Research*, Vol 41, No 3, pp275-301

Different theories have been developed to understand the motives for conflict.⁷²

Some alleged causes of conflict recur regularly including:

- Natural resources, especially primary commodity exports.⁷³
- Individual gain from war (often closely related to the natural resources factor).
- Severe inequalities between rich and poor, or between identity groups.
- The role of ethnic diversity and particularly ethnic elites.
- The presence of large numbers of young men, or ‘youth-bulge’.

4.2 The ‘Resource Curse’

Understand when and why the ‘natural resource curse’ arises.

The presence of primary ‘point source’ commodity exports, such as gas and oil, metals or precious stones, substantially raises the risk of conflict, and civil wars.⁷⁴ This heightened risk is attributed to the opportunities for extortion that natural resources represent.

Natural resources encourage increased competition for power among the elite (because of the greater ‘spoils’ arising from control of the state). However the **precise causal relationships between primary commodities and risk of conflict** are disputed.⁷⁵

In fact, the role of natural resources in explaining conflict in specific cases is open to doubt – most developing countries are characterised by little or no industry and thus by an overwhelming dependence on agriculture and/or mining. In these countries these sectors comprise the principal area of economic activity both for rebels, ordinary businesspeople, national or international companies and the state. Reliance on extractive resources does not explain why extraction is sometimes organised on a non-violent basis, and why, at other times, warlords take control of the process.⁷⁶ It is **the way mineral endowments are distributed geographically and exploited, and the way economic rents are distributed that affects conflict.**⁷⁷

72 As discussed in Cramer, Chris (2002), *Homo Economicus Goes to War: Methodological Individualism, Rational Choice and the Political Economy of War* *World Development* Vol.30 No 11, pp1845-1864

73 Ross, Michael L (2004) *What Do We Know About Natural Resources and Civil War?* *Journal of Peace Research* Vol 41, No 3, pp337-356; Collier, P and Hoeffler, A (2001) *Greed and Grievance in Civil War*, World Bank: Washington DC.

74 According to Collier and Hoeffler, when other variables are held at their mean, a rise in primary commodity exports to 33% of GDP, raises a country's risk of civil war from 1% to 22%.

75 Nathan, Laurie (2005) *The Frightful Inadequacy of Most of the Statistics: A Critique of Collier and Hoeffler on the Causes of Civil War* *CSRC Discussion Paper No 11*, p9.

76 Hesselbein, Gabi (2007) *The Rise and Decline of the Congolese State: an Analytical Narrative on State-Making* *Working Paper No 21 (series 2)*, p5.

77 DiJohn, Jonathan (2002) *Mineral Resource Abundance and Violent Political Conflict: a Critical Assessment of the Rentier State Model* *CSRC Working Paper No 20 (series 1)*.

There appears to be a link between the presence of primary commodities and the likelihood of conflict **where exploiting primary commodities creates high horizontal inequalities**. It is the relationship between these two variables that can translate into both separatist struggles and local-level conflict.⁷⁸ The discovery of natural resources can generate sharp increases in regional inequality. And where these resources are located in ethnically or religiously distinct regions of a country, separatist conflict may emerge. This is particularly the case if the groups are relatively poor, or if they feel that they are not benefiting from the exploitation of the resources.

A study⁷⁹ of separatist movements in Southeast Asia finds that the **discovery of natural resources** in the Indonesian province of Aceh was a vital development in the transformation of Acehnese discontent. The objective of the rebellion changed from securing local rights to secession from Indonesia. Natural resources in Indonesia have created an ‘aspiration to inequality’ in provinces where they are located. Natural resources also played an important role in stoking ethnic separatist claims in post-communist Russia, while the discovery of oil in Sudan has transformed the country’s conflict.⁸⁰ In Bolivia, ongoing disputes over natural resources – forest, gas and land – have polarised society, leading to increasingly violent opposition from civic committees and property owners in the lowlands.⁸¹

Natural resources associated with local-level conflict appear in the Niger Delta region of Nigeria and in many instances in Peru, where mining developments have been linked with conflicts over entitlements. Here, too, the distribution of resources among local groups, or between local groups and companies, is often unequal and can so feed local-level conflict.⁸² The presence of natural resources is often believed to be a negative factor, above and beyond the risk of conflict, in militating against improving governance by feeding corruption and supporting inequitable and unsustainable growth patterns.

Effective exploitation of natural resources for development is therefore the source of a major political dilemma and much policy debate in resource-rich countries such as Indonesia and Nigeria. Do the people in such regions have special rights to resources found there? If these rights are granted, horizontal inequalities will emerge as resource-rich regions become far richer than their neighbours. Alternatively, should the state redistribute the revenues (as, for example, with the INPRES (Instruksi Presiden) programme in Indonesia under President Suharto and the redistributive formula in Nigeria), which while moderating horizontal inequalities may also lead to unrest?

78 Brown, GK (2008) Horizontal Inequalities and Separatism in Southeast Asia: A Comparative Perspective, in Stewart, F (ed) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*, Basingstoke: Palgrave Macmillan, pp252–281; Tadjoeuddin, MZ (2007) A Future Resource Curse in Indonesia: The Political Economy of Natural Resources, Conflict and Development *CRISE Working Paper No 48*. Oxford: CRISE, University of Oxford.

79 Tadjoeuddin, MZ (2007) A Future Resource Curse in Indonesia: The Political Economy of Natural Resources, Conflict and Development *CRISE Working Paper No 35*, Oxford.

80 Treisman, D (1997) Russia’s ‘Ethnic Revival’: The Separatist Activism of Regional Leaders in a Postcommunist Order *World Politics No 49(2)*, pp212–249.

81 Gray Molina, G (2008) Bolivia’s Long and Winding Road *Inter-American Dialogue Andean Working Paper*, Washington DC: Inter-American Dialogue (IAD).

82 Material here is drawn from Stewart, Frances (2010) Horizontal Inequalities as a Cause of Conflict: A Review of CRISE Findings *CRISE Overview*, p15.

Revenue-sharing agreements, which are perceived as fair, are consequently a vital component of peace agreements in locations where high-value natural resources are located.⁸³

Understand the 'Resource Curse' beyond 'Greed or Grievance'.

Some of the research casts doubt over some highly influential theories of the economic cause ('greed') of civil conflict in natural resource dependence.⁸⁴ These ideas, which have been widely reported in the media and by policymakers,⁸⁵ underplay the political rationale for violence.⁸⁶ The evidence, it is argued, suggests that **rebellions are not caused principally by the opportunity for rebel predation of natural resources, but by more complex political economy dynamics** provoking civil wars.⁸⁷ Rebellions have multiple political, social, economic and historical causes, which include grievances arising from authoritarianism and inequality.⁸⁸ The internal dynamics of particular civil wars, and the war and peace-economies that drive them, have different and contested 'rules of the game'. Understanding how these operate is essential to the success of state-building interventions in countries such as Afghanistan. The political economy of state and non-state armed forces in Afghanistan shows that uncertainty limits the incentives for governing coalitions to consolidate state power, as opposed to accumulating their own reserves in anticipation of future conflict.⁸⁹

83 Bagattini, Gustavo Yudi (2008) The Political Economy of Stabilisation Funds: Measuring their Effectiveness in Resource-Dependent Countries, *IDS Working Paper*; Mejia Acosta, A (2008) How do Natural Resource Rents Affect Budget Coalitions?: A Comparative Study of Three Andean States; Arellano-Yanguas (2008) A Thoroughly Modern Resource Curse?: The New Natural Resource Policy Agenda and the Mining Revival in Peru, *IDS Working Paper No 300*, Brighton: IDS.

84 Collier, P and Hoeffler, A (2001), Greed and Grievance in Civil War *World Bank*, Washington DC.

85 Nathan, Laurie (2005) The Frightful Inadequacy of Most of the Statistics: A Critique of Collier and Hoeffler on the Causes of Civil War *CSRC Discussion Paper No 11*, p1.

86 E.g. Gutierrez-Sanin, Francisco (2008) Stupid and Expensive?: A Critique of the Costs-Of-Violence Literature *Crisis States Working Paper No 48 (series 2)*.

87 See, for example, Ballentine, Karen and Sherman, Jake eds (2003) The Political Economy of Armed Conflict: Beyond Greed and Grievance, Boulder Co London: Lynne Rienner Publishers; Cramer, Chris (2002) Homo Economicus Goes to War: Methodological Individualism, Rational Choice and the Political Economy of War *World Development Vol 30, No 11*, pp1845-1864.

88 Ibid; Gutierrez-Sanin, Francisco (2003) Criminal Rebels? A discussion of war and criminality from the Colombian Experience *Working Paper No 27 (series 1)*.

89 Giustozzi, A (forthcoming) The Art of Coercion, London: Hurst; Giustozzi, A (2009) Empires of Mud: Wars and Warlords of Afghanistan, London : C. Hurst & Co and New York: Columbia University Press; Giustozzi, A (2009) The Afghan National Army: Unwarranted Hope? *RUSI Journal*, pp34-40; Giustozzi, A (2007) Auxiliary Force or National Army: Afghanistan's 'ANA' and the Counter-Insurgency Effort, 2002-2006 *Small Wars and Insurgencies Vol 18, No 1*, pp45-67; Giustozzi, A (2007) Armed Politics and Political Competition in Afghanistan *Working Paper, Bergen: C. Michelsen Institute*; Giustozzi, A and Orsini, D (2009) Centre-Periphery Relations in Afghanistan Between Patrimonialism and Institution-Building: The Case of Badakhshan *Central Asian Survey*, pp1-16; Giustozzi, A and Ullah, N (2007) The Inverted Cycle: Kabul and the Strongmen's Competition for Control over Kandahar, 2001-2006 *Central Asian Survey No 2*.

4.3 Violence and Inequality

Monitor and address horizontal inequalities as potential catalysts for conflict and violence.

Most studies that have focused on the relationship between inequality and conflict have examined how ‘vertical inequalities’ such as income inequalities between individuals, or simple inequality between rich and poor, is related to conflict. They generally find little relationship.⁹⁰ Group dimensions of inequality have been neglected in these studies. However, some evidence now suggests that discrimination and inequalities between culturally defined groups or horizontal inequalities make conflicts more likely.⁹¹ Horizontal inequalities are defined as inequalities among groups which perceive themselves as differentiated, on four dimensions:⁹²

- **Economic** – in ownership of assets, incomes and opportunities.
- **Social** – in access to services such as education, health and housing and in education and health outcomes.
- **Political** – in the group distribution of political opportunities and power, political voice and participation.
- **Cultural Status** – differences in the recognition and (de facto) hierarchical status of different groups’ cultural norms, customs and practices.

Conflict is more likely where economic, social, political and cultural forms of **horizontal inequalities occur simultaneously**, and where some groups are deprived across every dimension. In these cases, group leaders or elites who face political exclusion, and their potential followers or ethnic constituents – who see themselves as experiencing unequal treatment with respect to assets, jobs and social services – are more likely to be inspired to mobilise along ethnic group lines and possibly engage in violence.⁹³ An econometric study of 55 countries found that political exclusion has a very strong impact on the relationship between socioeconomic horizontal inequalities.

Perception of inequality also matters. People are concerned about perceived injustices rather than ‘real’ (statistically measurable) inequalities of which they might not be aware. Normally, one would expect there to be a relation between perceived and observed inequalities, so ‘objective’ horizontal inequalities are relevant to political action. Yet politically perceptions matter since leaders, the media and educational institutions can influence discernment of inequality, even when the underlying reality remains unchanged. Perceptions surveys in Ghana and Nigeria showed that the majority of those questioned believed there to be little difference in educational access according to group, despite school records showing large variations.⁹⁴

90 Stewart, Frances (2000) Crisis Prevention: Tackling Horizontal Inequalities *Oxford Development Studies No 28* pp245-262; Østby, Gudrun (2008) Polarization, Horizontal Inequalities and Violent Civil Conflict *Journal of Peace No 45*, pp143-162.

91 Stewart, F (ed) (2010) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*, London: Palgrave.

92 Ibid.

93 Langer, Arnim (2005) Horizontal Inequalities and Violent Group Mobilization in Côte d’Ivoire *Oxford Development Studies No 33(1)*, pp25-46.

94 Langer, A and Ukiwo, U (2008) Ethnicity, Religion and the State in Ghana and Nigeria: Perceptions From the Street, in Stewart, Frances (ed) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*, Basingstoke: Palgrave Macmillan, pp205–226.

Horizontal inequalities have been **neglected in international development policy**, and none of the main strategies – poverty reduction, growth promotion or structural adjustment – takes them into account. But the evidence suggests that a lasting solution to conflict must tackle exclusion and inequality. Purely military action to eliminate those responsible for violence may not work because, as long as inequalities and grievances exist, new leaders will be able to mobilise support. Policies to address horizontal inequalities are not only clearly required in countries that have suffered conflict, but should also become a component of development policies in general. Such policies act both as a conflict prevention measure and a contribution to the creation of a just and inclusive society. For a summary of possible policy approaches to horizontal inequalities, see Figure 1.

Figure 1: Policy approaches to reduce Horizontal Inequalities⁹⁵

		Policy Approach		
		Direct HI-reducing	Indirect HI-reducing	Integrationist
Dimension	Political	Group quotas; seat reservations, consociational constitution; 'list' PR	Voting system designed to require power-sharing across groups (for instance, two-thirds voting requirements in an assembly); specification of boundaries and seat numbers to ensure adequate representation of all groups; human rights legislation and enforcement	Geographical voting spread requirements; ban on ethnic/religious political parties; requirements that political parties include comprehensive national representation
	Socioeconomic	Quotas for employment or education; special investment or credit programmes for particular groups	Anti-discrimination legislation; progressive taxation; regional development programmes; sectoral support programmes (for example <i>Système de Stablisation des Recettes d'Exportation - Stabex</i>)	Incentives for cross-group economic activities; requirement that schools are multi-cultural; promotion of multi-cultural civic institutions
	Cultural status	Minority language recognition and education; symbolic recognition (for example, public holidays and attendance at state functions)	Freedom of religious observance; no state religion	Civic citizenship education; promotion of an over-arching national identity

95 Stewart, Frances (2010) Horizontal inequalities as a Cause of Conflict: A Review of CRISE Findings *CRISE Overview Paper No 1*, p21.

4.4 Regional Dimensions of Conflict

Be more aware of the regional dimensions of conflict.

Civil wars and regional instability are mutually reinforcing, and therefore cannot be properly understood and addressed as separate phenomena. States with weak capacity are frequently unable to prevent the movement of violence into and out of their territories. States beset by internal conflict often support rebels in neighbouring countries. And colonially imposed borders dividing ethnic groups remain a major factor in inter- and intra-state conflict.⁹⁶

Regional security arrangements are only as strong as the interests they share.

The UN and donor organisations may have an **overly optimistic view of the role of regional organisations** in addressing intra- and inter-state conflict and contributing to regional stability and development. Regional organisations have very mixed records in this regard. Many of them are organisationally and politically weak because their member states are weak, lack common values and are in serious conflict with each other.⁹⁷ Efforts like the African Standby Force may hold promise for promoting stability and security in Africa, but will need significant political support – as well as external backing – to develop the critical command and control, and logistics functions required.⁹⁸

96 Nathan, Laurie (2010) Power, Security and Regional Conflict Management in Southern Africa and South Asia, *Comparative Social Research, Oslo*: Peace Research Institute of Oslo; Healy, Sally (2009) Peacemaking in the Midst of War: An Assessment of IGAD's Contribution to Regional Security *Working Paper No 59 (series 2)*; Giroux Jennifer, Lanz, David and Sguiatamatti, Damiano (2009) The Tormented Triangle: the Regionalisation of Conflict in Sudan, Chad and the Central African Republic *Working Paper No 47 (series 2)*; Matveeva, Anna (2007) The Regionalist Project in Central Asia: Unwilling Playmates *Working Paper No 13 (series 2)*; Nathan, Laurie (2004) Security Communities and the Problem of Domestic Instability *Working Paper No 55 (series 1)*.

97 Pinfari, Marco (2009) Nothing But Failure? The Arab League and the Gulf Cooperation Council as Mediators in Middle Eastern Conflicts *Working Paper No 45 (series 2)*; Moller, Bjorn (2009) The African Union as Security Actor: African Solutions to African Problems? *Working Paper No 57 (series 2)*; Moller, Bjorn (2009) Africa's Sub-regional Organisations: Seamless Web or Patchwork? *Working Paper No 56 (series 2)*; Moller, Bjorn (2008) European Security: The Role of the Organisation for Security and Co-operation in Europe *Working Paper No 30 (series 2)*; Moller, Bjorn (2008) European Security: The Role of the European Union *Working Paper No 29 (series 2)*; Matveeva, Anna and Giustozzi, Antonio (2008) The SCO: A Regional Organisation in the Making *Working Paper No 39 (series 2)*; Sridharan, Kripa (2008) Regional Organisations and Conflict Management: comparing ASEAN and SAARC *Working Paper No 33 (series 2)*.

98 Marshall, Jeffery E (2009) Building an Effective African Standby Force to Promote African Stability, Conflict Resolution and Prosperity *CSRC Discussion Paper No 16 (series 2)*.

4.5 Security and Long-Term Development

Be able to recognise when security is the state's most important function for long-term development outcomes.

'Security requirements may need to trump all other development needs' in certain stages of state-building.⁹⁹ State collapse and conflict are part of the challenging and contested process of development, transforming 'neo-patrimonial' societies into modern capitalist societies requiring a rational and bureaucratic state. Where the formation of a modern state is incomplete, the monopolisation of coercive power is the primary concern.¹⁰⁰ Only once a state has established security forces, which function with a unified chain of command, can state building turn to developing other forms of legitimisation of the state – such as service provision and the concession of political entitlements.¹⁰¹ But prioritising security must not be a justification for actions that undermine human rights, the meeting of humanitarian responsibilities, or the emergence of new forms of democratic citizenship.

The UN and donor governments **view security as a vital public service** and consequently devote substantial resources and effort to security sector reform in post-conflict societies. But their efforts can be undermined by the failure to adhere to the principle of national ownership. The security process has to be owned by the state in question, as the expedient of externally supplied security is unsustainable in the long-run.¹⁰²

99 Consultation with James Putzel, cited in DFID Working Paper (2008) States in Development: Understanding State-building, p8.

100 Hesselbein, Gabi (2007) The Rise and Decline of the Congolese State: An Analytical Narrative on State-Making *Working Paper No 21 (series 2)*; DeGoede, Meike (forthcoming) Elite Bargains, Political Settlements and the Armed Forces in the DRC: Dilemma's of Loyalty, Effectiveness CSRC Working Paper, draft.

101 Giustozzi, A (forthcoming) *The Art of Coercion*, London: Hurst.

102 Nathan, Laurie (2007) No Ownership, No Commitment: *A Guide to Local Ownership of Security Sector Reform*, Birmingham: University of Birmingham.

4.6 Fragile States, Fragile Citizenship

Recognise that violence not only contributes to the fragility of states, but also to the fragility of citizenship.

The fear and mistrust that result from violence limit people's perception of their political community and so contribute to a '**fragility of citizenship**' on various levels, with direct consequences for the quality of democratic governance. Violence is extremely **disempowering** to individuals. In many cases, the victims are unwilling or unable to speak out against the violence to which they have been subjected. Violence is frequently legitimated through a process of dehumanising others, labelling them as dangerous, not belonging or unimportant. This might be through the use of ethnic and religious stereotypes to justify violence, or the way private security provision reinforces inequalities between the secure rich and insecure poor. The use of violence deters citizen action in more direct ways as well. The physical appropriation of space by non-state security organisations prevents citizens from assembling and mobilising.

Active citizenship, however, can emerge even in contexts of violence (see Box 4). In many of these cases, existing, but often unrecognised associations can – if given the proper support – provide building blocks for citizens to exercise their rights in non-violent, socially legitimate ways. Creating such spaces for active citizenship requires a more honest recognition of the role of state in violence, a better understanding of how communities co-exist with violent groups and individuals, and tools for countering the insidious effects of violence on people's perceptions of their community.¹⁰³

103 Citizenship DRC work passim.

Box 4 Examples of active citizenship and emerging civil society in contexts of conflict and fragility

In Angola, civil society appeared to have been decimated by 25 years of conflict and war and authoritarian rule. Yet research shows that local civil society associations emerged amidst the conflict, in the displacement camps, and have often continued to this day.¹⁰⁴

In Mexico, groups of indigenous people met to discuss how different kinds of violence affect their communities, and shared their reflections with organisations focusing on health, justice, and education. Recognising the role of violence in limiting access to each of these areas has been an important step toward addressing how the state can better relate to marginalised and extremely poor rural indigenous villages.¹⁰⁵

In Northern Nigeria, youth groups, religious groups, and other local civil society organisations have helped create dialogue between communities fragmented by riots. The state has been unable to address the rising tensions because it is seen to be implicated in the problem. The role of these local groups is therefore unique in fostering interaction between divided segments of the population. This interaction can also generate a basis for articulating claims on the state for improved security and services without fuelling the current divisions.¹⁰⁶

In Rio de Janeiro, Brazil, local civil society groups are often co-opted by drug trafficking factions and militias, making state intervention and articulation with *favelas* (slums) increasingly difficult. Without legitimate and non-violent civil society groups at the community level, the state is often unable to effectively intervene within the *favela*, either in terms of increasing security, or improving infrastructure and providing other services.¹⁰⁷

104 Ferreira, Idaci and Sandra Roque (2010) *The Nucleo Representativo das Associações (NRA) of Dombe Grande, Angola: Building Democracy and Citizenship at the Local Level*, in Schattan Coelho, VP and von Lieres, B (eds) (forthcoming) *Mobilizing for Democracy: Citizen Engagement and the Politics of Public Participation*, Zed Books: London.

105 Cortez Ruiz, Carlos (2009) *Action Research Against Violence: An Experience from Southern Mexico*, in *Violence, Social Action and Research, IDS Bulletin Vol40 (No. 4)* Brighton: IDS.

106 Abah, Oga, Jenkeri, Steve, Okwori, Zakari and Alubo, Ogoh (2009) *Participatory Theatre and Video: Acting Against Violence in Northern Nigeria*, in *Violence, Social Action and Research, IDS Bulletin Vol40 (No. 4)*, Brighton: IDS.

107 Wheeler, Joanna (2009) *'The Life That We Don't Want': Using Participatory Video in Research Violence*, in *Violence, Social Action and Research, IDS Bulletin, Vol 40 (No 4)*, Brighton: IDS.

In many places characterised by conflict and violence, these spaces have been filled by undemocratic and unaccountable non-state influences from gangs and drug lords to youth militias and rebel groups. While they perpetuate violence and take from the community, they also provide services and some forms of security to poor communities.¹⁰⁸ It is critical to understand the nature and role of these intermediaries. Otherwise there is a risk that the very interventions designed to promote state capacity and civil society participation will actually reinforce the position of the informal and often armed groups that can dominate local structures of governance. In Brazil for example, the conditional cash transfer programme Bolsa Familia, which accounts for about 2.5% of the country's total expenditure, has been **co-opted by armed gangs** in the favelas. Gang leaders decide who receives the monthly stipend in their neighbourhoods, a discretionary power that bolsters the authority of the gangs and not the state.¹⁰⁹

Invest more in understanding the underlying determinants of 'social violence'.

In fragile parts of otherwise effective states there is room for scepticism on the potential of civil society to support the priorities of state-building.¹¹⁰ Field work conducted in the city of Ahmedabad in India provides a specific case of serious failure on the part of civil society, state officials and organisations to effectively respond and protest the perpetration of violence and human rights abuses between Muslim and Hindu factions in the city. So **we cannot assume that all civil society organisations will be democratic**, nor that unless people come together across religious, caste and other ethnic divides, civil society will be unable to monitor and respond to transgressions.¹¹¹ While civil society is an essential pre-condition for democracy – and is significant in building sociability and solidarity, shared experiences and identities – a state monopoly over violence, and a visible effort to neutralise political projects along ethnic lines, may be necessary preconditions for its efficacy in fragile contexts.

Recognise that states that cannot or will not maintain a basic level of security for all their citizens may represent a far greater threat to human welfare than failed ones.

108 Rodgers, Dennis (2007) Slum Wars of the 21st Century: the New Geography of Conflict in Central America. *Crisis States Working Paper No 10 (series 2)*; Rodgers, Dennis Urban Segregation from Below: Drugs, Consumption and Primitive Accumulation in Managua, Nicaragua. *Crisis States Working Paper No: 71 (series 1)* October 2005; Rodgers, Dennis (2003) Dying For It: Gangs, Violence and Social Change in Urban Nicaragua *Working Paper No 35 (series 1)*. Rodgers, Dennis and Jones, Gareth, (2009) Youth Violence in Latin America: Gangs and Juvenile Justice in Perspective, Palgrave Macmillan,.

109 Material here and Box 2 are drawn from Development Research Centre, Citizenship, Participation and Accountability, Comments submitted to DFID on the emerging policy paper 'Building the State and Securing the Peace', October 2009.

110 E.g. Freund, William (2009) The Congolese Elite and the Fragmented City: the Struggle for the Emergence of a Dominant Class in Kinshasa *Crisis States Research Centre, Working Paper No 54 (series 2)*.

111 Chandhoke, Neera (2009) Civil Society in Conflict Cities: the Case of Ahmedabad *Crisis States Research Centre, Working Paper No 64 (series 2)*.

Although some kinds of violence are not overtly political, violence is frequently related directly to political context, including: the **quality of political organisation** in a country; the capacity of states to deliver basic welfare to their citizens; and to the degree of vertical inequalities present in a country.¹¹²

Tackle urban violence as a growing threat to development.

Where states fail to exert effective control over their cities, disaffected urban populations may foment violent protest and precipitate civic conflict. Violence may then increase in step with the progress of **rapid urbanisation**. Social violence (such as gangs and social disorder resulting in high rates of homicide) is overtaking sovereign and civil conflicts (wars and insurgencies). About five times as many people are killed as a result of social violence every year as are killed in wars, insurgencies and political conflicts. This raises the spectre of the consequences of ‘weak’ states, which may function well but be characterised by pockets of failure – as opposed to failed or failing states.

Urban violence has gender dimensions. One study¹¹³ revealed a common pattern of interlinked negative factors that have created a downward spiral, increasing the vulnerability of women across conflicts in very disparate cultural and political settings. Evidence from Colombia, Palestine, the Balkans, Sudan, Angola and Central and West Africa, identified five interlinking factors that create the downward spiral:

- Displacement
- Psycho-social health and HIV
- Economic impoverishment
- The destruction of education
- Sexual violence

The cycle could only be broken by **empowering women** to overcome the deep patterns of psychological and social oppression inflicted on them. Separate research¹¹⁴ explored how the severe rupture that occurred in the politics of KwaZulu-Natal in the mid 1980s left its marks on post-apartheid society and politics. Here, political violence was concentrated in certain areas and disproportionately affected women.

112 Beall, Jo, Goodfellow, Thomas and Rodgers, Dennis (2010) Cities and Conflict, *Crisis States Research Centre*; Chandhoke, Neera (2009) Civil Society in Conflict Cities: the Case of Ahmedabad *Crisis States Research Centre, Working Paper No 64 (series 2)*; Fox, Sean and Hoelscher, Kristian (2010) The Political Economy of Social Violence: Theory and Evidence from a Large-N Study *Crisis States Research Centre*.

113 Brittain, Victoria (2002) Women in War and Crisis Zones: One Key to Africa's Wars of Underdevelopment *Working Paper No 21 (series 1)*.

114 Bonin, Debby (2004) Understanding The Legacies of Political Violence: An Examination of Political Conflict in Mpumalanga Township, Kwazulu-Natal, South Africa, *Working Paper No 44*.

Chapter 5

More Equitable and Inclusive States



“A critical factor for stability and socio-economic equity is to have inclusive government, in which all major groups are represented.”

The evidence suggests that:

- We must find ways to promote effective citizenship, recognising that citizenship can be exclusionary as well as an inclusive. Deepening genuine democracy is not a simple process in development, and democracy is not built simply through 'top down' political institutions.
- We should recognise how global trends impact both positively and negatively on citizenship.
- We should be more aware of the disadvantages of decentralisation: it can consolidate local inequalities and elite capture.
- We need to consider how to strengthen the informal local institutions that work for the poor: since informal ('traditional') local governance institutions are persistent, influential and very diverse, they matter for development outcomes.

5.1 Responsive and Accountable States

Inclusion and equality imply a need for the state to be responsive and accountable. But **responsive and accountable to whom?** And what do donor agencies or partner governments mean by 'society'? For the international development community, the ubiquitous phrase 'the poor' has been used as a 'catch-all' concept defining their concerns. Yet 'the poor' implies economic description that gives no sense of the deeper development ambition of fostering empowered citizens living in a democratic effective state. Other terms – 'civil society' and 'NGO' – **misleadingly** imply entities distinct from the state rather than existing in an entwined relationship with it.

Successful 'developmental states' like South Korea, Taiwan or Botswana were not necessarily those where citizens, directly or as part of civil society or the private sector, could hold public institutions or leaders to account by democratic means.¹¹⁵ So there is a need to **understand how states and elites orchestrate, thwart or respond to reform movements or networks in society** (often with members/adherents inside the government) seeking to promote social justice.¹¹⁶

Besides accountability, a critical factor for stability and socio-economic equity is to have inclusive government, in which all major groups are represented. This can be secured through informal conventions, but constitutional design can play a major part.

115 DFID uses the 'Capability, Accountability and Responsiveness' (CAR) framework in its approach to state-building.

On the literature on 'developmental states', where responsiveness and accountability to citizens has been very low in formative stages of development in states such as Japan, Taiwan, South Korea, China, Malaysia. See the works of Chalmers Johnson, Robert Wade, Alice Amsden, Ha Joon Chang, Bruce Cummings, etc.

116 See particularly the work of Merilee Grindle.

So constitutions need to ensure all major groups are represented in parliament and government. Many states inherited a ‘Westminster-style’ constitution which can result in one group monopolising power. This threatens political stability and may make equitable development unlikely. Constitutional design can ensure power-sharing. This might be by proportional representation or an alternative vote system, by reserved seats and positions in cabinet, or by a system that includes both a Presidency and a Prime Minister.¹¹⁷

5.2 Effective Citizens

Promote effective citizenship.

The term citizen connotes someone with rights, aspirations and responsibilities in relation to others in the community and to the state. It is a political term. It implies a **relationship both between citizens themselves and between the state** and all those living within its borders.¹¹⁸ It is in marked contrast with a perspective that sees people living in aid-recipient countries as beneficiaries of welfare or as customers choosing between services.

But the word **citizen** is still relatively little used by government aid agencies. One reason is that it tends to be seen as a term that is connected with formal, documented membership of a nation state, and therefore excludes from consideration some of the most marginalised, such as migrants and refugees. Another reason is that, until recently, the ultimate recipients of aid have either been seen as ‘beneficiaries’ who receive what others decided was good for them or as ‘users’ who make choices in relation to services provided. A third reason is that **citizenship** is a word containing overlapping meanings. Consequently, citizenship can be variously understood as belonging (to a certain place, group or community), as status (as compared with a non-citizen) as national identity (Swedish rather than Swiss), and as relating to rights and duties.

Many differing types of citizen engagement help to build an **active sense of citizenship** that goes beyond the legal identity of a citizen, and involve the development of citizens capable of claiming rights for themselves – even when they had been unaware of these rights.¹¹⁹ In Bangladesh, large-scale NGOs have taken over many functions of the state. These NGOs, beyond delivering services, can also contribute to the formation of a sense of citizenship for its members – though this depends a great deal on how they go about their work. This sense of citizenship will be crucial in constructing stronger relationships between citizens and the state, and increasing the capacity to act (and democratic character) of the state in Bangladesh.¹²⁰

117 Stewart, F, Brown, G and Langer, A (2008). Major Conclusions on the Relationship between Horizontal Inequalities and Conflict,’ in: Stewart, F (ed) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*, Basingstoke: Palgrave Macmillan, pp285-300.

118 Material here is drawn from Eyben, Rosalind and Sarah Ladbury (2006) *Building Effective States: Taking a Citizens’ Perspective The Citizenship DRC*, Brighton. p5.

119 Gaventa John and Barrett, Greg (2010) So What Difference Does it Make? Mapping the Outcomes of Citizen Engagement *Synthesis Paper (in draft)*, p22.

120 See e.g. Kabeer op.cit.

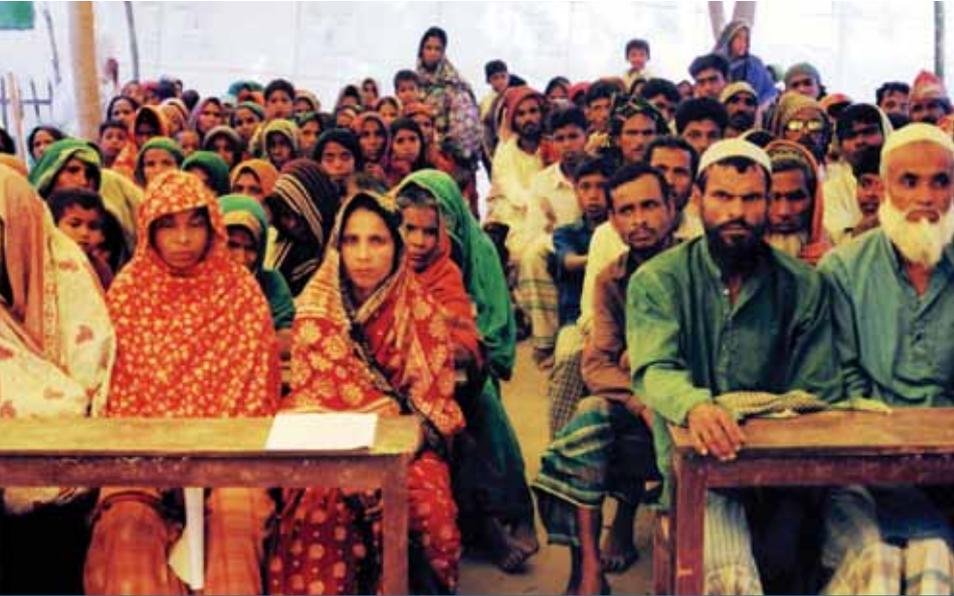


Photo: Bangladesh adult education class.
© DFID Bangladesh office staff / DFID

Recognise that citizenship can be exclusionary as well as an inclusive.

While citizenship can be an inclusive term, in certain contexts it also can have **negative connotations** – becoming a tool of exclusion, especially in fragile states.¹²¹ There are dangers in regarding citizenship as an inherently positive concept, given the way that citizenry in some ethnically diverse

countries can be experienced as the **‘tyranny’ of the ethnic majority**. Inequalities between groups are often institutionalised in the way a state defines who is, and who is not, a citizen. In some cases, individuals or groups are treated as non-citizens, even in the countries where they live. **Exclusionary definitions of citizenship** can deepen group inequalities and grievances, becoming a means of mobilizing groups against each other, and of inciting or perpetuating conflict.¹²² In some settings, the ethos of citizenship may be used by states to perpetuate minority rule or repress vocal minorities.¹²³

Exclusion from citizenship, which can happen on both national and local levels, is a form of horizontal inequality in itself, and constitutes an important source of inequalities in terms of resources and political rights. For example, **non-citizenship** may deny people the right to work, to join a union or receive government assistance. **Denial of citizenship is frequently a deliberate political act**, taken for an assortment of reasons. Historically, indigenous groups in Latin American countries were denied citizenship rights of both a political and economic nature. The factors causing loss of citizenship vary. A common cause is migration (legal and illegal) and forced displacement – with enormous impacts upon the citizenship rights and identities of those affected.¹²⁴

121 Pearce, Jenny (2007). *Violence, Power and Participation: Building Citizenship in Contexts of Chronic Violence IDS Working Paper No 274*, Brighton: IDS.

122 Gibney, Matthew (2006) *Who Should be Included?: Non-citizens, Conflict and the Constitution of the Citizenry CRISE Working Paper No 17*.

123 Brown, Graham (2005) *Making Ethnic Citizens: The Politics and Practice of Education in Malaysia CRISE Working Paper No 23*.

124 Mehta, Lyla and Napier-Moore, Rebecca (2010) *Caught Between National and Global Jurisdictions: Displaced People’s Struggle for Rights*, in Gaventa, John and Tandon, Rajesh (2010) *Citizen Engagements in a Globalising World*.

In some cases, subsequent generations are also debarred from citizenship. Less commonly, states can explicitly revoke citizenship rights, as happened to the Jews in Nazi Germany and to Asians in Uganda. A third way in which citizenship can be lost is when the state itself changes form. For example, the Roma population became stateless when the Czech Republic separated from Slovakia in the 1990s.¹²⁵ At a national level, denial of citizenship has been critical in inciting rebellion in Côte d'Ivoire,¹²⁶ and has been a major source of local conflict in Ghana.¹²⁷ Three ideal principles for more developmental citizenship might be that:¹²⁸

- Everyone should be a citizen somewhere, and those without citizenship should be accorded it in the country where they are located;
- De facto membership of a state should confer the right to citizenship, where de facto membership is defined by contributions and ties to the society; and
- An extended period of residence should bestow citizenship rights.

Where any or all of these three principles are breached for significant numbers of people, particularly if they belong to a common ethnic or religious group, denial of citizenship can provoke conflict.

Even those people without formal citizenship rights ascribed by a particular state also have certain rights as **global citizens**, growing from international norms and agreements, including the Universal Declaration of Human Rights.

Recognise how global trends impact on citizenship.

For citizens of poor countries, the dispersal of authority and power from local to global, and the wider range of state and non-state organisations who consequently impact their lives, has simultaneously created some opportunities for inclusion and engagement, but closed down others. In some cases, transnational forms of action contribute to the much-anticipated **rise of the global citizen**, who can use international solidarity to build local and national forms of citizen empowerment and state responsiveness. In other cases, however, the shifting landscapes of global authority serve to create **new forms of exclusion**, and the weakening of already fragile forms of citizen engagement.¹²⁹ Examples such as the Global Campaign for Education, the *Vía Campesina* campaign, and the anti-asbestos movement suggest that this new landscape of authority has enormous implications for social mobilising, rights and accountability.

125 Gibney, Matthew (2006) Who Should be Included?: Non-citizens, Conflict and the Constitution of the Citizenry *CRISE Working Paper No 17*.

126 Langer, A (2008) When do Horizontal Inequalities Lead to Conflict?: Lessons from a Comparative Study of Ghana and Cote d'Ivoire In Stewart, F (ed.) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*, Basingstoke: Palgrave Macmillan, pp163–189

127 Tsikata, D and Seini, W (2004) *Identities, Inequalities and Conflicts in Ghana* *CRISE Working Paper No 5*, Oxford: CRISE, University of Oxford.

128 Gibney, Matthew (2006) Who Should be Included?: Non-citizens, Conflict and the Constitution of the Citizenry *CRISE Working Paper No 17*.

129 Gaventa, John and Tandon, Rajesh (2010) *Citizen Engagements in a Globalising World*.

5.3 Decentralisation

Federalism and decentralisation can each contribute to power-sharing and sustaining political stability. Federalism distributes power across society, and in large, diverse countries can make a major contribution to power-sharing and sustaining peace. But the design of the constitution is critical, because ethno-federalism (where each region includes just one group) can lead to separatism. This was the case of Biafra in Nigeria – Nigeria’s redesigned federal system, with a much larger number of small and multiethnic states has been vital for the political stability of the country.¹³⁰ Decentralisation can also help diffuse power. For example, it has made an important contribution to reducing national level conflict in Indonesia.¹³¹

Be aware of the disadvantages of decentralisation: it can consolidate local inequalities and elite capture.

Effective decentralisation requires an effective state. Decentralisation transfers resources and responsibilities from central to local governments. The term encompasses a spectrum of measures. These range from the transfer of government functions outside the capital, to the transfer from the centre of decision-making and administration of public functions, and to full devolution, where local governments are granted

significant political and financial autonomy. The aim of decentralisation is usually to bring government closer to the governed. Local governments might appear to be inherently more accountable to their constituencies than regional or national governments. But the evidence shows that decentralisation – widely practiced since the 1990s – has had a considerable variety of outcomes.¹³²



Photo: Campaign posters for the 2007 Nigerian presidential elections.
© DFID Emma Donnelly / DFID

130 Suberu, R (2009) Religion and Institutions: Federalism and the Management of Conflicts Over Sharia in Nigeria *Journal of International Development* No 21(4), pp547-560; Brown, Graham (2010) Federalism, Decentralisation and Horizontal Inequalities *CRISE Policy Briefing* No 3.

131 Diprose, Rachel (2009) Decentralization, Horizontal Inequalities and Conflict Management in Indonesia *Ethnopolitics* No 8(1), pp107-134; Brown, Graham K and Stewart, Frances (2008) Decentralization and conflict: Introduction and overview. *Conflict, Security, and Development*, 8. 4 - Special Issue on Decentralization and Conflict.

132 E.g. Ganesh Prasad GS, Mahumdar, M, Natraj, VK and Raman, A (2007) Centralised Initiatives and Decentralised Responsibilities: A Study of Selected Indian States, *ISS Occasional Paper Series No 35*, Delhi: ISS.

A **‘strong central state’ has too often been confused with a ‘highly centralized state’**. Strong central states can co-exist with, and indeed often depend on, strong local government. Effective urban governance requires a system of institutions, representation and administration at the city-level that results in a unified vision for city development.¹³³ The potential **pitfalls of decentralisation** are that it is no more likely, in and of itself, to be more accountable. Decentralisation policies can be used by politicians at higher tiers of government to win the support of recalcitrant regional or local leaders. The result is sometimes to strengthen the hand of central states in local government at the cost of local empowerment.

Importantly, **power at the local level can be more ruthlessly exercised** than at the centre and vulnerable members of society can be excluded just as easily. For example, research in South Africa showed that competing interests remained clustered around local government in ways that tended to exclude women.¹³⁴ Particularly important here was the role of traditional authorities in local government, which is considered in Box 5.¹³⁵ The variable success of decentralisation in different districts and municipalities in Bolivia depended on local political and economic dynamics – the incentives for powerful local elites to capture decentralised powers, were the key factors in explaining this variation.¹³⁶

Box 5 Informal institutions in South Africa and India

The incorporation of ‘traditional’ authority in transitional democratic institutional and organisational frameworks can have negative consequences for women. Research in the north east of India demonstrated a secular trend towards reinforcing the subordinate position of women, through the incorporation of local traditional authorities in governance structures. Privileging community identity and promoting group rights has had a negative effect on the struggle to protect the rights of women. However, other research has revealed a more complex picture. A study in urban South Africa showed that the incorporation of traditional authorities was seen as a pragmatic exercise by the ANC government, which – while unattractive in many ways for women – left open possibilities for surmounting the more oppressive dimensions of patriarchy. It was also at the local level, where women in civil society were organising most vigorously and effectively, and where the battle would be won to increase women’s political representation and involvement in public office.

133 Beall, Jo and Ngonyama, Mduduzi (2009) Indigenous Institutions, Traditional Leaders and Elite Coalitions for Development: The Case of Greater Durban, South Africa *Crisis States Research Centre, Working Paper No 55 (series 2)*; Beall, Jo and Fox, S (2009) Cities and Development: Routledge Perspectives on Development; Goodfellow, Thomas (2010) The Bastard Child of Nobody? Anti-Planning and the Institutional Crisis in Contemporary Kapala *Crisis States Research Centre Working Paper No 67 (series 2)*; Fox, Sean (2010) ‘The political and economic origins of Africa’s ‘urban crisis’ Crisis States Research Centre.,.

134 Beall, Jo Crankshaw, Owen and Parnell, Susan (2002) Social Differentiation And Urban Governance In Greater Soweto: A Case Study of Post-Apartheid Reconstruction *CSRC Working Paper No 11 (series 1)*.

135 Box 5, which discusses implications of informal institutions for women, is drawn from Beall, Jo (2005) Exit, Voice and Tradition: Loyalty to Chieftainship and Democracy in Metropolitan Durban, South Africa *CSRC Working Paper No 59 (series 1)*; Beall, Jo (2004) Decentralisation and Engendering Democracy: Lessons from Local Government Reform in South Africa *Working Paper No 54* (and revised version – Decentralizing Government and De-Centering Gender: Lessons from Local Government Reform in South Africa *Politics and Society No 33(2)*, pp253-276; Apurba, K Baruah (2004) *Ethnic Conflicts and Traditional Self-governing Institutions A Study of Laitumkrah Dorbar Working Paper No 39 (series 1)*; Sharma, Manorama (2004) Critically Assessing Traditions: The Case of Meghalaya *Working Paper No 52 (series 1)*; Chandhok, Neera (2005) The Political Consequences of Ethnic Mapping *Discussion Paper No 14*.

136 Material here draws heavily on Beall, Jo and Fox, S (2009) *Cities and Development*, Routledge Perspectives on Development, pp209-214.

Box 5 Informal institutions in South Africa and India (continued)

Research on 'customary village councils' (CVCs) in the South Indian state of Karnataka, showed that CVCs – generally understood by outsiders as archaic, illegal and tyrannical bodies – were valued by the people they govern, particularly by women, and interacted synergistically with formal local democratic institutions. CVCs in India are corporate, representative bodies, not radically different in character from the formal, elected local councils with which they interact. These institutions were found to be far less 'traditional' than commonly thought by outsiders. They had adapted well to the more democratic environment, by recruiting local political entrepreneurs who have no claim to membership on the customary criterion of caste leadership, but whose skill lies in their ability to help obtain resources from higher levels of government. In Karnataka state, CVCs are becoming more like formal elected local councils – less hierarchical and exclusive, and more representative and pluralistic. They are also often very formal in procedure, and almost always highly accountable, especially for the ways in which they use money.

Sources: Beall, J. 'Exit, Voice and Tradition: Loyalty to Chieftainship and Democracy in Metropolitan Durban, South Africa.' CSRC Working Paper No : 59 (series 1) January 2005; Beall, J. 'Decentralisation and Engendering Democracy: Lessons from Local Government Reform in South Africa' CSRC WP54 (November 2004); Ananthpur, K. and Moore, M (2007) Ambiguous Institutions: Traditional Governance and Local Democracy in Rural India IDS Working Paper 282, Brighton: IDS

Investigation into the impact of decentralisation on **group inequalities** and conflict in multi-ethnic societies, uncovers a **similarly mixed story**. Decentralisation into smaller units appears to help prevent the emergence of national-level violence, particularly where these smaller units cut across ethnic boundaries. Decentralisation is credited with containing ethno-regional pressures in Nigeria and in post-Suharto Indonesia. In contrast, the continuing ethno-regional pressures in Pakistan are largely linked to the concentration of power in Punjab state, which constitutes more than 50% of the population. But if smaller units of decentralisation are better in general from a conflict-prevention perspective, they are not problem-free. **Local elections** for newly powerful local positions in smaller units can stoke **ethnic tensions**, and can lead to sustained pressures for the creation of smaller units.

In Indonesia and Uganda, the competition for local political office was a driving factor in the emergence of communal conflicts during decentralisation. In both countries, however, ethnic violence associated with local elections has been more closely linked to the **process of redistricting** than to the conduct of local elections per se. In Indonesia, a recent moratorium on the creation of new provinces and districts has been accompanied by a decrease in communal tensions. Meanwhile, in Uganda, an escalation of violence has accompanied Museveni's promotion of redistricting, linked to patron-client building imperatives. Local elections, in other words, may not in themselves be conflict-inducing, but where they are open to boundary manipulation, they may be.¹³⁷ However, while **decentralisation can provoke conflict at the local level, it may reduce national level conflict.**¹³⁸

5.4 Informal Institutions

Consider how to strengthen the informal local institutions that work for the poor.

In many parts of the South, public authority is often exercised through 'informal' or 'traditional' institutions.¹³⁹ Local youth vigilante groups provide protection for property and persons and punish wrong-doers. Traditional chiefs allocate land and adjudicate disputes. Informal councils collect the money needed to bribe irrigation engineers and allocate water. Traditional leaders negotiate access to government funds in return for blocs of votes, or promises to exclude insurgents from their territory. As a result there are extensive debates among researchers and policymakers about the appropriate response to the influence of these traditional, informal institutions. Should governments support them, suppress them, work with them, reform them, or simply ignore them? These debates can become quite heated and polarized. Some see traditional authorities as more able to adapt to local cultures and environments than state bureaucracies. Others condemn them as **embodiments of uncomfortably 'pre-modern' values** of patriarchy, hierarchy and superstition – and see them as failing to meet acceptable standards of legality and accountability. And it is all the more confusing because the same institution can exhibit very different faces. The traditional chiefs, who keep their community free of hard drugs, might also be driving away young men from low status families by preventing them from marrying until they have worked for years to pay 'customary' high bride prices to community elders.

137 Brown, Graham (2010) Federalism, Decentralisation and Horizontal Inequalities *CRISE Policy Briefing No 3*.

138 Brown, Graham (2010) op.cit.

139 E.g. Ananthpur, Kripa and Anirudh, Krishna (2009) Formal Perceptions of Informal Justice, in Singh, Amita and Zahid, Nasir Aslam (eds) Strengthening Governance through Access to Justice, *New Delhi*: PHI Learning pp52-64; Ananthpur, K. and Moore, M (2007) Ambiguous Institutions: Traditional Governance and Local Democracy in Rural India *IDS Working Paper No 282*, Brighton: IDS; Ananthpur, K (2004) Rivalry or Synergy: Formal and Informal Local Governance in Rural India *IDS Working Paper No 226*.

Recognise that since informal ('traditional') local governance institutions are persistent, influential and very diverse, they matter for development outcomes.

Informal (often misleadingly confused with 'traditional') local governance institutions can, and do, exercise **effective and acceptable public authority**, depending on both their origins and the contemporary institutional context in which they operate. Detailed research finds informal institutions to be:

- **Diverse in character, effect and in 'acceptability'** – that is the extent to which they conform to norms of equity, pluralism and accountability. They have very different histories. In most villages of the Pakistani Punjab, hereditary large landowners still hold sway, exercising enormous influence over villagers' lives and often bargaining away their votes. Yet some villages are informally governed in a more pluralistic way by councils representing small landowners. In parts of Karnataka state, India, so-called 'traditional village councils' openly compete with political parties – often persuading their constituents to forego expensive electoral contests for seats on formal local government bodies in return for consensual, uncontested nominations.¹⁴⁰
- **Surprising** – informal institutions become more effective and 'acceptable', not where formal state institutions are most defective, but when they supplemented and interacted with effective formal institutions. Comparisons between informal local governance institutions (ILGIs) in India and Pakistan suggest that a major determinant of their acceptability rests in the ways in which, historically and currently, they relate to formal state institutions. ILGIs that descend from organisations answerable mainly to local landlords during the colonial period, tend to be more hierarchical and exclusionary. Those with roots in institutions that were more closely linked to the formal colonial state are more likely to be representative and inclusive – and effective. The most active ILGIs tend to be those that interact most closely with formal state institutions.¹⁴¹ The better informal institutions are not those that substitute for the worst governments, but those that coexist with better formal governance.¹⁴²
- **Useful to poor and vulnerable people in some cases** – it is important to consider the merits of informal institutions in the context of the other institutions with which they compete or overlap. More precisely, reformers should ask what opportunities informal institutions provide for poor people. Where informal local institutions are effective, rural citizens are likely to approach formal or informal institutions for different decisions and services. If access to formal courts is slow and expensive, do traditional-informal institutions provide a better, voluntarily accessible alternative? Conversely, if poor people fear that their own informal local council will not adjudicate a land dispute fairly, what scope do they have to go to a more formal tribunal or a court?

140 Ibid.

141 Anath Pur, Kripa & Moore, Mick (2010) Ambiguous Institutions: Traditional Governance and Local Democracy in Rural South India Journal of Development Studies Vol 46 No 4, pp.603-623.

142 Data from Afrobarometer indicates that Africans are more likely to express positive attitudes toward 'traditional authorities' if they also have positive attitudes toward formal government institutions.

If a traditional leader acts as a bottleneck preventing people from using their own contacts to get secondary school places for their children, then weakening traditional authority may provide people with a wider choice. But if a contested election for a local government body costs a great deal of money – which the electorate will pay later in bribes for access to government services or ‘leakages’ from the official budget – does an informal political agreement not to contest the election benefit the poor?

5.5 Democracy

Recognise that deepening genuine democracy is not a simple process in development.

Why does democracy often fail to flourish? Democratic government is the ideal model of state responsiveness and accountability, and a long-term goal of state-building. However, since the intense post-Cold War optimism of the early 1990s, explicit democracy promotion programmes seem often to have failed to ‘export’ models of democratic institutions and processes. Experience showed that many countries may have imitated the form of electoral politics, democratic institutions, and functioning civil society organisations, yet missed the substance of democracy.¹⁴³ The violence and intimidation that accompanied the imposition of new democratic processes in Iraq and Afghanistan further discredited the notion that Western-style democratic institutions could credibly be transferred to any context. The quality of participatory politics and democracy might seem to be on the retreat globally, in North and South, in what has been called a ‘**democratic deficit**’ or a ‘democratic recession’.¹⁴⁴ Many question whether the democratic institutions that emerged from northern experience indeed are appropriate to the historic conditions of the South, and whether democracy itself can deliver on problems of extreme poverty, growing inequality and social justice.¹⁴⁵

DFID-funded governance research has contributed to this vital debate, finding that democratic institutions can be a double-edged sword. Fully-functioning democracy reduces the **risk of ethnic conflict**, by creating good institutional channels for the legitimate expression of grievances. But **elections are frequently the spark for violence**, particularly in newly established democracies, and where elections are conducted largely along ethnic lines.¹⁴⁶

143 Benequista, Nicholas and Gaventa, John (2009) Democracy-Support: From Recession to Innovation. www.opendemocracy.net. CSRC research on the Democratic Republic of Congo demonstrates that the introduction of elections has contributed little or nothing to achieving substantive democracy, while the curbing of full-blown electoral competition in Rwanda may have been essential to securing peace, and –in the long-run, favouring substantive democracy. See Hesselbein, Gabi (2007) *The Rise And Decline Of The Congolese State: An Analytical Narrative on State-Making Working Paper No 21 (Series 2)*; Putzel, James, Lindemann, Stefan and Schouten, Claire (2008) *Drivers of Change in the Democratic Republic of Congo: The Rise and Decline of the State and Challenges For Reconstruction - A Literature Review. Crisis States Research Centre Working Paper No 26 (Series 2)*; Golooba-Mutebi, Frederick (2008) *Collapse, War and Reconstruction in Rwanda: An analytical Narrative on State-Making. Crisis States Working Paper No 28 (series 2)*.

144 Friedman, Thomas, L (2008) *The Democratic Recession*, *New York Times*.

145 For more information on DRC’s democracy work see: http://www.drccitizenship.org/Research_themes/deepening_democracy.htm.

146 Brown, Graham (2010) *Federalism, Decentralisation and Horizontal Inequalities CRISE Policy Briefing No 3*.

Recognise that Democracy is not built through ‘top down’ political institutions.

The perception that democracy might be on the retreat has prompted fresh thinking in the field of democracy promotion, away from a one-size-fits-all strategy.¹⁴⁷ The evidence suggests the necessity of a ‘societal’ approach that looks at how social mobilisation, NGOs and ordinary citizens also help to create the conditions for democratic institutions to be effective. The examples of citizens’ mobilisation around democracy show the important role for organised citizens to play an active part. In Nigeria, Africa’s largest democracy, the 2007 election saw donors’ spending focus on the government-appointed commissions to oversee fair elections. However, it was civil society organisations, who received relatively little external money, that mobilised to monitor the elections themselves and that have subsequently organised into **powerful grassroots campaigns** calling on congress to adopt reforms – such as a much-needed law to make electoral fraud a criminal offence.¹⁴⁸ Research on citizenship provides evidence that **democracy is not built through political institutions or developmental interventions** alone, but that organised citizens also play a critical role by articulating demands for new rights, mobilizing pressure for policy change, and monitoring government performance.¹⁴⁹ Nonetheless, the **design of political institutions is of considerable importance in diverse societies**, particularly in democracies. Institutions which allow power to be monopolised by one side or another exclusively, are likely to be associated with electoral fraud and violence.¹⁵⁰



Photo: Vijana Tugutuke (Youth Arise) Voting Campaign, Kenya.
© Thomas Omondi / DFID

How do we measure the success of our democracies? Whether we like it or not, leaders and their constituencies implicitly judge democracies on economic growth. More explicit attempts to evaluate democracies – such as the Freedom House Index, Afrobarometer and Mo Ibrahim Governance Index – focus heavily on institutional criteria. The research adds a new and complementary standard: the **degree to which a democracy fosters a sense of citizenship**. We need indicators that reflect that. Learning or gaining citizenship is not only a legal process of being defined as a citizen, but involves the development of citizens as actors, capable of claiming rights and acting for themselves.

147 See, for example the work of Thomas Carothers of the Carnegie Foundation.

148 Gaventa, John and Benequista, Nicholas (2009) Reversing the Flow: A New Democratic Conversation? *Alliance Magazine* No 14 (2), pp56-58.

149 See Cornwall, Andrea (ed) (2006) *Spaces for Change? The Politics of Citizen Participation in New Democratic Arenas* Zed Books), Newell; Wheeler, Peter and Joanna (2006) *Making Accountability Count, IDS Policy Briefing, No 33*, Brighton: IDS.

150 Brown, Graham (2010) *Federalism, Decentralisation and Horizontal Inequalities CRISE Policy Briefing No 3*.

Chapter 6

Effective Citizens, Effective States



“Citizens may engage with the state not only through electoral processes as voters, but also through local associations and social movements outside of the state.”

The evidence suggests that:

- Whether or not citizen engagement can promote positive change depends on the political context. Broader based participation is often necessary but not sufficient.
- We must find legitimate ways to help citizens to engage in different dimensions of the policy process.
- But we need to be clear that not all civil society organisations contribute to the development of active citizens, and not all claims to represent the poor are legitimate. We also need to look beyond a narrow concept of 'pro-poor' to support middle class political engagement in development.
- We should put more effort into increasing women's participation in civil society.

6.1 Active Citizens

Is there a role for ordinary citizens in 'state building' or is that process driven only by elites? 'Good' governance requires the active involvement of citizens and civil society, a view reflected in the number of NGOs and 'participatory governance' programmes supported by many donors.¹⁵¹ Citizen engagement can, under certain conditions, contribute to conferring legitimacy, demanding accountability, influencing responsive policies, countering elite capture of resources, and implementing effective services. Citizens may engage with the state in a number of ways. This is not only through electoral processes as voters, but also through local associations and social movements outside of the state, as well as (the increasingly prevalent) formalised participatory governance or co-governance mechanisms. The research has provided evidence to show how citizen-led initiatives build effective state institutions.

A review of 100 examples of citizen engagement in 20 countries found evidence of positive outcomes related to:

- The strengthening of citizenship itself, such as through building knowledge and awareness of rights.
- The strengthening of practices of participation, such as building alliances and relationships, and the emergence of new voices and issues in the public arena.
- Building responsive states and institutions through greater access to development resources, access to rights, and strengthened accountability.¹⁵²

151 As noted by a World Bank consultant, cited in Gaventa, John and Barrett, Greg (forthcoming) So What Difference Does it Make? Mapping the Outcomes of Citizen Engagement. *Synthesis Paper* (in draft), p1.

152 Gaventa, John and Barrett, Greg (2010) So What Difference Does it Make? Mapping the Outcomes of Citizen Engagement. *Synthesis Paper* (in draft).

The research highlighted some **very compelling large scale examples** of where citizen mobilisation or engagement contributed to national level policy changes, which in turn led to new development outcomes, especially in the work on *Citizen Action and National Policy Change*. It documents, for example, how the urban reform movement in Brazil known as the *Right to the City* campaign led to access to public goods and housing for the urban poor, as well as to increased state capacity for urban planning.¹⁵³ Similarly, the *Treatment Action Campaign* demonstrated the role of citizen engagement in securing public recognition of HIV/AIDS as a health issue, and to over 60,000 people gaining access to publicly supplied anti-retroviral medicines;¹⁵⁴ in Mexico the campaign on maternal mortality contributed to changes in national level budget reforms on the issue,¹⁵⁵ in Chile, citizen action on child rights led to a decrease in child poverty;¹⁵⁶ and in the Philippines, the movement for land reform improved access to land and livelihoods for poor farmers.¹⁵⁷

These examples point to several lessons for the conditions under which such change can occur. For example:

- Change comes through broad coalitions, who also link to and build alliances with reformers in the state.
- Such change is dynamic, iterative and may take many years to achieve.
- Such change requires contention and contestation – both inherent in how they are framed as well as in how they are fought.

This view challenges approaches to participation and civic engagement, which reduce such processes to technical solutions, or to notions of and process of ‘national ownership’ achieved through non-contentious consultation and dialogue – but which veil vast chasms of differences in power and interests.

153 Avritzer, L (2010) Democratizing Urban Policy in Brazil: Participation and the Right to the City in Gaventa, J and McGee, R (eds) *Winning Change: Citizen Activism and National Policy*, London and New York: Zed Books.

154 Friedman, S (2010) Gaining Comprehensive AIDS Treatment in South Africa: The Extraordinary ‘Ordinary’, in Gaventa, J and McGee, R (eds) *Citizen Action and National Policy: Making Change Happen*, London and New York: Zed Books.

155 Layton, MD, Campillo Carrete, B, Ablanedo Terrazas, I and Sánchez Rodríguez, AM (2010) Reducing Maternal Mortality in Mexico: Building Vertical Alliances for Change in Gaventa, J and McGee, R (eds) *Winning Change: Citizen Activism and National Policy*, London and New York: Zed Books.

156 Fuentes, C (2010) Protecting the Child in Chile: Civil Society and the State in Gaventa, J and McGee, R (eds) *Winning Change: Citizen Activism and National Policy*, London and New York: Zed Books.

157 Borras Jr, SM and Franco, JC (2009) Transnational Agrarian Movements: Struggling for Land and Citizenship Rights *IDS Working Paper No 323*. Brighton: IDS; Borras Jr, SM and Franco, JC (forthcoming) Campaigns for Land and Citizenship Rights: The Dynamics of Transnational Agrarian Movements, in Gaventa, J and Tandon, R (eds) *Globalising Citizen Engagement*, London and New York: Zed Books.



Photo: Community road-building in northern Uganda.
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While there are many examples of the contributions of citizen engagement to building responsive states, these do not always occur. In other examples, engagement can lead to **elite capture, clientelism and patronage**, or increased frustration of those involved. Moreover, the types of strategies and outcomes that can be expected vary a great deal according to context.¹⁵⁸ Yet these are dependent in turn, on a combination of the forms of mobilisation used and the political contexts in which they occur. In fragile states or emerging democracies, **associational forms of citizen mobilisation** may contribute most importantly to the constructing of

citizen awareness, and to deepening practices of democratic participation. In more developed democracies, **social movements** and engagement in formal governance processes were important for building state responsiveness, and developing a more inclusive and accountable political process.

Recognise that whether or not citizen engagement can promote positive change depends on the political context.

Citizen mobilisation and participation can contribute to building responsive and accountable states in many ways. Nevertheless, it does not always do so, and – as observed throughout this document – will **not occur with a blueprint approach**. So it is important to be very aware of what kinds of engagement are most likely to contribute to which kinds of outcomes, in differing political settings.

6.2 Participation

‘**Participatory governance**’ involves looking at the relationship between civil society and the state. As well as strengthening the capacity of civic organizations to hold the state to account as an autonomous, countervailing, power against the state, it also seeks the **active participation** of citizens in the processes of governance with the state, through what is also known as ‘**co-governance**’.

158 In their work on Mobilising for Democracy, for instance, Coelho and von Lieres develop eleven cases studies of how citizen mobilisation has generated democratic outcomes in seven countries in the global south.

There are a range of concrete examples:

- New forms of citizen involvement in national policymaking
- Community associations
- Mobilisation and social movements
- New legal mandates for citizen participation in local governance that emerged during the wave of democratic decentralisation in the 1990s from Brazil, South Africa to Bangladesh and India.¹⁵⁹

These examples represent **new opportunities** for citizen engagement. But almost a decade after participation has become more widely used in development practice – and strengthening the demand side has become attractive in governance strategies – it has become much clearer that **such spaces do not necessarily challenge or change dominant power relations**. Creating new spaces for previously excluded groups is not enough by itself to erase deeply embedded cultural inequalities and styles of debate that can be exclusionary. Other factors also need to be in place, such as political incentives, strong mobilisation, enabling legal frameworks, and good institutional design.¹⁶⁰ Legal frameworks which encourage the participation of previously marginalised groups, such as the panchayati reforms in India, can help to strengthen the voices of women, excluded castes and indigenous people. However, other forms of mobilisation and empowerment support usually need to accompany them.¹⁶¹

Recognise that making space for broader based participation is often necessary but not sufficient.

It is important to recognise that making new spaces for public participation more inclusive is crucial. However, simply creating new spaces for previously excluded groups is not enough to erase deeply **embedded cultural inequalities** and styles of debate that can be inherently exclusionary.

159 Cornwall, A and Schattan, Coelho, V (eds) *Spaces for Change? The Politics of Participation in New Democratic Arenas*, Zed Books: London, pXIV; Cornwall and Coelho (eds) (2004) *New Democratic Spaces? IDS Bulletin*.

160 Ibid.

161 See, for instance, Mohanty, R (2007) *Gendered Subjects, the State and Participatory Spaces: The Politics of Domesticating Participation in Rural India in Cornwall and Coelho*, *Spaces for Change?* Zed Books; Mohanty, R (forthcoming) *The Infinite Agenda of Social Justice: Dalit Mobilisations in the Institutions of Local Governance*, in Coelho and von Lieres, *Mobilising for Democracy*, Zed Books.

Box 6 Brazil: Two Sides of Formalised Participation

Since the end of its military dictatorship in the mid-1980s, Brazil has become well known for experimenting with participatory democracy. The most internationally recognised of these experiments has been in participatory budgeting. But just as significant has been the advent of health councils, now found in nearly all of the country's 5,000-plus municipalities. Each month tens of thousands of Brazilian citizens – representing a spectrum of associations, social movements, unions, and non-governmental organisations – meet with those who run their health services and provide their health care. These councils are empowered by law to inspect public accounts and demand accountability, and some strongly influence how resources for health services are spent.

Who gets to sit in these new citizen assemblies? Those who represent the interests of public health managers and local political elites, or those who represent the genuine interests of citizens? Survey research carried out in 31 sub-municipalities of Brazil's largest city, São Paulo, suggests that public managers have tremendous influence over the outcome of councillor elections, so it matters whether or not they value citizen participation. Breaking the grip of powerful council members often depends on a public manager being willing to champion the cause of participation, on strong civil society groups or on other associations who refuse to let their constituencies be left out and on the rules and regulations that govern the election of councillors.

Sources: "Brazilian Health Councils: Including the Excluded?" by Vera Schattan P. Coelho, in *Spaces for Change? The Politics of Citizen Participation in New Democratic Arenas*, edited by Andrea Cornwall and Vera Schattan P. Coelho, Zed Books: London, 2007

State-created opportunities for public participation have huge potential to engage citizens, including those from poor communities, in debates about public policy – from local to national level and in a range of sectors. But the mere existence of these spaces does not guarantee that they will be held open for **substantive and sustainable engagement**. Attention to their design and functioning, and to the skills of those newly participating, is crucial.¹⁶²

Help citizens to engage in different dimensions of the policy process.

Engagement may be needed in mobilising to raise the profile of particular issues and placing them on the policy agenda, in participating in deliberations over policies, and in holding the state to account, through **mobilisation and participation** resulting in invitation to join committees and councils.

162 Caseley, J (2003) Multiple Accountability Relationships, Organizational Change, And Improved Service Delivery Performance in an Indian City: The Case of Metro Water *IDS Working Paper, No 211*; Joshi, A and Moore, M (2004) Institutionalised Co-production: Unorthodox Public Service Delivery in Challenging Environments *Journal of Development Studies Vol 40 No 4*, pp31-49; Masud, Mohammad O (2002) Co-producing Citizen Security: The Citizen-Police Liaison Committee in Karachi *IDS Working Paper, No 172*; Ayee, J and Crook, R (2003) Toilet Wars: Urban Sanitation Services and the Politics of Public-Private Partnerships in Ghana *IDS Working Paper, No 213*.

Reforms designed to create spaces for change interact with different histories, cultures and forms of power to produce radically different outcomes. Indeed, participation may be more effective when **social movements**, from the outside, hold open democratic spaces that create possibilities for **reformers on the inside** to change and implement policy. Social movements do not emerge only when the political system creates opportunities to do so. Alternative forms of political mobilisation such as **protests, social participation, activism, litigation and lobbying** engage with the formal institutions of representative democracy. These serve to contribute to strengthening state accountability and responsiveness, as well as complementing formal institutions of representative democracy. Evidence from Brazil suggests that **participation in protests** also contributed to a greater likelihood of participation in more institutionalised participatory budgeting processes.¹⁶³

The broader political environment – specifically the structure of power and organisation at the level of the state – can limit the effectiveness of collective action, and demand for better governance. In Peru, for instance, “much potentially interesting action runs into the sands of a corrupt, self-seeking political system”. In some countries, political systems have been built upon **rigid inequalities** that exclude segments of the population from the benefits of citizenship, and fundamentally inhibit collective action.¹⁶⁴ Yet in other cases, **enabling frameworks** for the state – such as the Right to Information Law in India or the Constitutional reforms on citizen participation in Brazil – can create new opportunities for informed citizen action.

163 Houtzager, PP, Gurza Lavalle, A and Acharya, A (2003) Who Participates? Civil Society and the New Democratic Politics in São Paulo, Brazil *IDS Working Paper No 210*, Brighton: IDS.

164 Munoz, Ismael, Paredes, Maritza and Thorpe, Rosemary (2006) Collective Action, Conflict and Ethnicity in Peru *CRISE Working Paper No 24*, p3; see also Thorpe, Rosemary (2009), Collective Action, Gender and Ethnicity in Peru: a Case Study of the People’s Kitchens, *CRISE Working Paper No 67*.

6.3 Civil Society

While donor support to civil society is critical, **not all civil society membership or engagement contributes to building more effective citizens, or more accountable and democratic states.** Much depends on the style and nature of the civil society mobilisation. In Bangladesh, a country with a very large number of NGOs, it is clear that membership of NGOs has been an important vehicle for associational life for poor citizens, especially for women. However, quantitative research across members of six of the country's largest NGOs shows considerable variation in their impacts on development and democracy. For instance, organisations which focus primarily on microfinance have “minimalist impacts” on the lives of poor women and their families, beyond those associated with livelihoods and finance. On the other hand, where organisations take a more social mobilisation approach, they may strengthen the awareness and ability of citizens to engage and to make rights claims, while not having a strong impact on their livelihoods.¹⁶⁵ In Kenya, a survey of over 500 participants in ‘empowerment’ training programmes by local civil society organisations found that these programmes scored very well on teaching political skills and values, as well as on strengthening the ability of grassroots communities to check abuses of power at the local level. However, they scored less well on contributing more broadly to the quality and equality of representation of diverse interests in local governance.¹⁶⁶

Recognise that not all civil society organisations contribute to the development of active citizens.

There is a need to recognise that all civil society organisations do not necessarily contribute to the development of active citizens. What NGOs do, and more important **how they do it**, also matters for development and democracy building. The support civil society organisations offer and **how they engage – as well as who they represent – really matter.** This is not just about capacity building. Many of the ‘civics’ training programmes by donors have been ineffectual, as evidence from Kenya shows.¹⁶⁷

165 Kabeer, N, Mahmud, S and Guillermo, J (2010) Changing the ‘Habits of the Heart’: NGOs and the Challenge of Development and Democracy in Bangladesh *IDS Working Paper*.

166 Musembi, C (2010) Have Civil Society Organisations’ Political Empowerment Programmes at the Grassroots Level Contributed to the Deepening of Democracy in Kenya?, in Coelho and von Lieres, *Mobilising for Democracy*, Zed Books.

167 Citizenship *DRC Studies*.

Evidence from São Paulo and Mexico City¹⁶⁸ suggests **new concepts of political representation** are emerging from the activity of civil society – operating within participatory governance mechanisms, rather than formal electoral channels or membership organisations. Brazil’s right to health and universal healthcare system show citizens building effective and inclusive states. The service delivery aspect of this example is considered in Chapter 7, but it has also fulfilled a state-building function in the creation of **participatory/stakeholder governance** institutions at federal, state, and municipal levels. Here, citizens (representing particular constituencies), public officials, and private sector representatives share power over the allocation of funds and monitoring of health policy. Citizens, in other words, can play a significant role in shaping the content of their citizenship, and influencing what kind of state institutions will provide critical services.

6.4 Who Really Speaks for Poor People?

Understand that not all the claims to represent the poor are valid.

In some circumstances however, state-created structures of participation are **less representative** than more established participatory organisations, like political parties and trades unions. Original data from Brazil¹⁶⁹ shows that many of these groups engage in what is claimed to be **‘political representation’**. However, in contrast to political parties and labour unions, these groups lack widely accepted and historically consolidated mechanisms through which the people they claim to represent can authorise representation or ensure accountability and responsiveness. In particular, most do not rely on formal electoral or membership mechanisms. While these organisations and their claims of political representation should not be dismissed (diverse cultural forms of representation can sometimes be important for example for marginalised groups), their legitimacy and their lasting contribution to participatory democracy remains uncertain.¹⁷⁰

The political environment limits the effectiveness of collective action, and demand for better governance in much of Latin America. There political systems have been built upon rigid inequalities that exclude segments of the population from the benefits of citizenship and fundamentally inhibit collective action.¹⁷¹

168 Citizenship in New Democracies: Evidence from São Paulo and Mexico City *IDS Working Paper No 285*, Brighton: IDS.

169 Houtzager, Peter P and Lavallo, Gurza, Adrian (2009) Participatory Governance and the Challenge of Assumed Representation in Brazil. *IDS Working Paper No 321*.

170 Ibid.

171 Munoz, Ismael, Paredes, Maritza and Thorpe, Rosemary (2006) Collective Action, Conflict and Ethnicity in Peru *CRISE Working Paper No 24*, p3; see also Thorpe, Rosemary (2009) Collective Action, Gender and Ethnicity in Peru: a Case Study of the People’s Kitchens, *CRISE Working Paper No 67*.



Photo: Bangladesh, August 2007.
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Include a focus on increasing women's participation in civil society.

6.5 Women's Participation

Women may be excluded from participation in civil society. Studies in Sao Paulo, Delhi, and Mexico City¹⁷² showed women were far less likely than men to participate in associational life, particularly because of their lower participation in **workplace associations** such as trades unions and

professional bodies. Sao Paulo had the smallest gender gap in associational participation, Delhi the highest. On the other hand, studies in Bangladesh show the key role that poor women have played in local associations, in both formal and informal labour markets. Women's participation is affected by domestic and other factors, it is critical that support for civil society and citizen engagement include conscious and deliberate strategies for promoting women's participation.

Supporting women's associational activities can have an important impact on their relations to the state and political system more generally.¹⁷³ In Sao Paulo, the effect appears to be of about the same magnitude as giving people secondary education – more educated people being more likely to be active citizens. For the 20% of people in the city with only primary education, the increase in citizenship activity with associational participation was the same as the increase achieved from having secondary education. So **involvement in an association can play a vital role in closing the gap in active citizenship between the well-educated and rich, and the less-educated and poor.**¹⁷⁴ But, as work in Bangladesh cautions, much depends on the nature of the association itself.¹⁷⁵

172 See Houtzager, Peter and Acharya, Arnab (2010) Associations, Active Citizenship and the Quality of Democracy in Brazil and Mexico, *Theory and Society*.

173 Kalpana, K (2008) The Vulnerability of 'Self-Help': Women and Micro-Finance in South India, *IDS Working Paper No 303*, Brighton: IDS.

174 Kabeer, N (2009) Citizenship Narratives in the Absence of Good Governance: Voices of the Working Poor in Bangladesh *IDS Working Paper No 331*, Brighton: IDS; Houtzager, P and Acharya, AK (forthcoming) Associations, Active Citizenship and the Quality of Democracy in Brazil and Mexico, *Theory and Society*.

175 Kabeer, N (2009) Citizenship Narratives in the Absence of Good Governance: Voices of the Working Poor in Bangladesh *IDS Working Paper No 331*, Brighton: IDS; Houtzager, P and Acharya, AK (forthcoming) Associations, Active Citizenship and the Quality of Democracy in Brazil and Mexico *Theory and Society*.

In supporting women's participation, special attention should be paid to the following challenges:

- Building women's confidence, speaking skills and knowledge of the issues under discussion, as well as women's association and forms of mobilisation which support them in public spaces. Formal inclusion of women is not sufficient in itself to ensure their inclusion.
- Creating networks and linkages between women would-be political candidates and women in political office, between women in politics and women in movements and women's organisations, and among women within political institutions – even if they are from different parts of the political spectrum can strengthen women's effective participation.
- Addressing the barriers to women's participation in public life: the way women are treated in public when they speak out; the way what they say is listened to and whether it is heard; whether women are asked to speak if they raise their hands; attitudes of family members and partners to women going out alone to meetings; and a host of other cultural and social dimensions. These need to be addressed to ensure that women are able to participate as citizens in the public arena. This must include working with men on their own restrictive attitudes and behaviours, as well as work that helps family members (and especially mothers-in-law) to understand why it is good that women are taking part in these spaces. Research in India shows how the sphere in which women were encouraged most to participate was in relation to their roles as mothers. For women to act as citizens, it is vital to broaden a sense of what they are able to contribute beyond their domestic roles.¹⁷⁶

176 Mohanty, Ranjita (2007) Gendered Subjects, the State and Participatory Spaces: the Politics of Domesticating Participation in Rural India, in Cornwall, Andrea and Coelho, Vera Schattan P, Spaces for Change: the Politics of Citizen Participation in New Democratic Arenas, Zed Books, pp76 – 94.

6.6 Coalitions for Change

Look beyond a narrow concept of 'pro-poor' to support middle class political engagement.

The urban middle classes play a particularly critical role in driving forward progressive and stabilising reforms. Too narrow a focus on 'the poor' tends to overlook the central role of the non-poor, non-elite groups that are really driving forward progressive long-term sustainable 'pro-poor' reforms.¹⁷⁷ When organised, the middle classes – such as in professional associations of accountants, doctors or lawyers – combine organisational capacities and technical expertise to influence governments effectively to improve security, service delivery, and other development aims. They provide the bulk of the resources and capacities required to support a vibrant civil society (such as NGOs and social movements). **It is usually broad based coalitions, not just 'the poor' or 'civil society', which bring about change.**¹⁷⁸ On the other hand, professional bodies which are not closely linked to the grassroots may never achieve reforms that make concrete improvements to the lives of those directly affected.¹⁷⁹

177 Chakrabarti, P (2008) Inclusion or Exclusion? Emerging Effects of Middle-Class Citizen Participant on Delhi's Urban Poor, in Houtzager, P, Joshi, A and Gurza Lavalley, A (eds) (2004) *State Reform and Social Accountability: Brazil, India and Mexico IDS Bulletin Vol 38*, No 6, Brighton: IDS; Acharya, A, Gurza Lavalley, A. and Houtzager, P, Civil Society Representation in the Participatory Budget and Deliberative Councils of São Paulo, Brazil, *IDS Bulletin Vol 35*, No 2; on health professionals in Brazil, related to non-poor non elite groups driving progressive reforms, see Dowbor, M (2008) *Origins of Successful Health Sector Reform: Public Health Professionals and Institutional Opportunities in Brazil* in Houtzager P, Joshi A and Gurza Lavalley, A (eds) *State Reform and Social Accountability, Brazil, India and Mexico IDS Bulletin Vol. 38 No 6*, Brighton: IDS.

178 Sumich, Jason (2010) *Nationalism, Urban Poverty and Identity in Maputo, Mozambique* Crisis States Research Centre, *Working Paper No 68 (series 2)*; Beall, Jo, Fox, Sean and Gazdar, Haris (2010) *Cities and Fragile States: a Research Overview*, *Crisis States Research Centre*; Gazdar, Haris and Sobia, Ahmad Kaker (2010) *Policy Choices and the Politics of State-Building—Insights from Three Cities in Pakistan* *Crisis States Research Centre*; Fox, Sean (2010) *The Political and Economic Origins of Africa's 'Urban Crisis'* Crisis States Research Centre.

179 Gaventa, J and McGee, R (2010) *Citizen Action and National Policy Reform*, Zed Books.

Chapter 7

Improving Public Services



“Poor people rely on public services to provide them with the skills, healthcare and livelihood support needed to fulfil basic human rights and to succeed in the labour market.”

The evidence suggests the need to recognise that:

- Market-oriented reforms in service provision have not necessarily improved basic services for poor people;
- Public sector reforms can restrict opportunities for groups to shape policy and organise effective monitoring of service delivery; and
- 'Strengthening civil society' is not sufficient for pro-developmental outcomes.

So support delivery of better public services by:

- Involving citizens in service delivery reform to improve accountability, but be aware that formal participatory mechanisms can exclude the poor.
- Implementing reforms in ways that create opportunities for collective action.
- Understanding how informal accountability mechanisms may be working for poor people.
- Recognising the importance of non-state and informal provision of services.
- Addressing group inequalities in service delivery but recognise the dangers of entrenching divisions.
- Considering rights-based approaches.

7.1 Improving Public Services

Recognise that market-oriented reforms in service provision have not necessarily improved basic services for poor people.

Improving the coverage and quality of basic services for poor people is an enduring development challenge. Poor people, more than any other group, rely on public services to provide them with the skills, healthcare and livelihood support needed to fulfil basic human rights and to succeed in the labour market. Access to education is the main route for escaping poverty, while lack of healthcare is one of the main reasons why households fall into poverty.

Fashions have come and gone in development approaches to service delivery. Support for public service reform to improve direct provision of services was followed by ‘New Public Management’ approaches in the 1990s that sought to change incentives of providers, by giving service users more choice. There was a big expansion in the number and types of providers as services were decentralised, contracted out and privatised.

There is little evidence, however, that these market-oriented reforms worked in developing countries. So donors began emphasising the importance of strengthening ‘direct accountability’ of service providers to users. These included arrangements to encourage the participation of poor people, and to strengthen their ‘voice’ through complaints systems, citizen charters and other mechanisms. However, such approaches to enhancing **direct accountability** – which focus on action by individual consumers may do little to help poor people who have **no access** to services in the first place – and are too vulnerable to undertake the effort and risks involved.¹⁸⁰

More recent efforts to improve citizen participation in service delivery have involved shifting focus from the role of citizens in *ex-post* accountability to their role *ex-ante* in **the formulation of policy**. This has been the case recently in the reform of the Brazilian health service attending to its indigenous population. Such efforts have huge potential to engage citizens, including the poor, in debates about public policy, from local to national level and in a range of sectors. Such opportunities help deliver for poor people when three conditions are in place:

- Political will from within
- Strong, legally empowered design
- Effective mobilisation and representation by citizens¹⁸¹

Recognise that public sector reforms can restrict opportunities for groups to shape policy and organise effective monitoring of service delivery.

180 Houtzager, P and Acharya, AK (forthcoming) Associations, Active Citizenship and the Quality of Democracy in Brazil and Mexico *Theory and Society*.

181 Shankland, Alex (forthcoming) We Got it in Our Heads That We Should Do the Job of the State: the Indigenous Peoples’ Movement and the Health System in Acre, Brazil, in *Mobilising for Democracy: Citizen Engagement and the Politics of Public Participation*. Coelho, VSP and von Lieres, B (eds) Zed Books: London; Cornwall, Andrea, Romero, Jorge and Shankland, Alex (2008) *Brazilian Experiences of Citizenship and Participation: A Critical Look, IDS Discussion Paper No 389*.

Research focused on two sectors – health and social assistance – in two large cities (São Paulo and Mexico City) revealed how **public reforms in service delivery affect the ability of poor people to mobilise and make demands on the state**. These occurred against the background of major shifts over the past two decades – including decentralisation, the creation of participatory institutions, and big increases in the number and types of service providers.¹⁸² For example, reforms such as cash transfer programmes in Brazil and Mexico can undermine opportunities for citizen involvement. The example of the Renda Mínima, or Minimum Income Guarantee, in São Paulo in the early 2000s is illustrative. In this case, a political party anxious to be seen to be delivering services to the poor, designed a system of income guarantee grants that purposefully excluded civil society organisations previously involved in service provision to the poor. The state, in seeking to expand its ability to serve its citizens, ended up **crowding out civic involvement**, and undercutting an important source of accountability and oversight.¹⁸³ Top-down reform or very fragmented provision (health sector reform in India, for example) can also impede citizen participation.

Box 7 Trade-offs in Accountability Reforms

PROGRESA/Oportunidades is a conditional cash transfer programme in Mexico in which the heads of poor households (usually women) are provided with funds to improve the family's access to education, healthcare, and nutrition. In reaction to decades of corrupt, single party rule by the Partido Revolucionario Institucional, social programmes, such as PROGRESA, have been designed to operate under strict central control, in an effort to limit opportunities for clientelism at the local level. Planning and execution of the programme intentionally bypassed officials at other levels of government, and, to eliminate discretion, recipients were targeted based on a mathematical scoring system.

For many years, there was not even a formal system for beneficiaries to articulate demands to the central authority. Not until 2003 was a Citizens Complaint System established to enable citizens to communicate via telephone or letter with the National Coordination office. When this system broke down, central officials responded by removing some of the restrictions that had been imposed at the programme's inception. New intermediaries, in the form of local officials and volunteers, were introduced to help facilitate accountability through the system. These new actors soon took advantage of the ample opportunities to extract 'rents' from their positions of authority, demanding concessions, bribes, and work-in-kind in exchange for allowing the transfers to continue.

The design of the programme had compromised one form of accountability for another. In seeking to restrict opportunities for corruption, the Mexican government also hindered linkages for feedback and citizen demand necessary for successful service delivery particularly in the context of urban-rural, centre-periphery divides.

182 Dowbor, M 2010 (forthcoming) From Pre-Constitutional Turning-Point to Municipalized Public Health System: Reform in the Health Sector and its Actors *Lua Nova*, Vol 78, São Paulo: CEDEC.

183 Houtzager, P (2008) The Silent Revolution in Anti-Poverty Programmes: Minimum Income Guarantees in Brazil, in Houtzager, P, Joshi, A and Gurza Lavalle A, (eds) State Reform and Social Accountability: Brazil, India and Mexico *IDS Bulletin Vol 38, No 6*, Brighton: IDS.

Accountability structures must allow for both individual action and collective action to generate sufficient impetus for change. Centralised control has its limitations, and elements of societal collective action can be useful in extending accountability into areas and levels of decentralisation where the state has difficulty penetrating.

Hevia de la Jara, F. (2008) 'Between Individual and Collective Action: Citizen Participation and Public Oversight in Mexico's Oportunidades Programme' IDS Bulletin Vol 38, No 6, Brighton: IDS.

7.2 Collective Action

Implement reforms in ways that create opportunities for collective action.

The way services are reorganised or delivered clearly affects opportunities for **collective action**. This underlines the need to understand the impact of all public policy interventions on the ability and incentives of different groups to mobilise. For instance, the existence of the private licence-holder in the case of the Public Distribution System for providing subsidised food grain enabled public officials in Delhi to demand better performance without publicly criticising their own colleagues.¹⁸⁴ In Mexico, the central government, as well as many state-level governments, have formal agreements with social organisations to collaborate on the design and implementation of social policy. Chief among these collaborations is reproductive health policy, in which NGOs and the government would work together to improve services and breadth of coverage. The Inter-Institutional Group on Reproductive Health gave the women's movement in Mexico privileged access to forums for policy design and monitoring. As a result of the strong relationships between public institutions and NGOs, many of the services provided and advocated by the NGOs have since come under government remit, representing a successful use of social accountability for positive policy change.¹⁸⁵

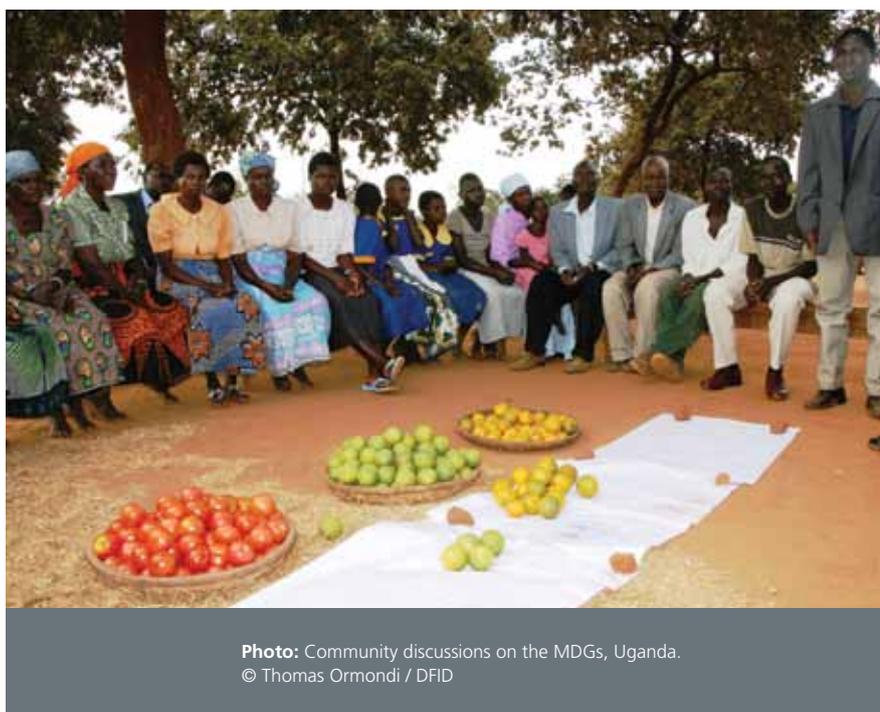


Photo: Community discussions on the MDGs, Uganda.
© Thomas Ormondi / DFID

184 Chowdhury, A (forthcoming) Social Accountability and Public Service Delivery in Delhi.

185 Gomez-Jauregui (2008) Participation in Reproductive Health Policies in the Context of Health System Reform in Mexico, in Houtzager, P, Joshi, A and Gurza Lavalle, A (eds) State Reform and Social Accountability: Brazil, India and Mexico *IDS Bulletin Vol 38, No 6*, Brighton: IDS.

Involve citizens in service delivery reform to improve accountability, but be aware that formal participatory mechanisms can exclude the poor.

Where groups are involved during **significant moments** of public reform, they are more likely to be able to influence the design of institutional mechanisms. This allows them to remain engaged in monitoring implementation. Local groups are also **more likely to undertake accountability** activities when they participate in policy reforms, and/or are part of networks linking them to the public officials. This finding is important, because it is often assumed that involvement by groups in policymaking will result in their co-optation by the state. However, formal links to enhance **citizen 'voice' do not always operate** in the wider public interest. Participatory mechanisms established under the Bhagidari programme in Delhi were initially restricted to the better-off 'planned' areas. This assisted resident welfare associations in those areas to capture increased amounts of public spending, and to make demands based on narrow class interests that disadvantaged the urban poor.¹⁸⁶

The extent to which **citizens are allowed to define** the terms in which they participate – the issues they address and the form of deliberation – is essential for success. Rules for making deliberation and decision-making both more efficient and inclusive are important, exemplified by participants in Brazil's Health Councils.¹⁸⁷

Recognise that 'strengthening civil society' is not sufficient for pro-developmental outcomes.

In São Paulo, participatory mechanisms, which were an integral part of health and social assistance reforms, have been important in shaping opportunities for collective action. That said, the **issue networks** that brought together civil society and policymakers in multiple, formal and informal ways proved to be more influential. This suggests the need for some caution, especially on the part of external organisations, about their ability to engineer quick institutional fixes. Collective action that benefits poor people **does not arise automatically** from strengthening civil society organisations. Existing networks will greatly influence whether strengthening particular organisations translates into greater capacity to shape policy, and on whose behalf. For example, strengthening organisations that are located on the margins of the network and have few relations to the state is likely to have limited impact. On the other hand, strengthening those central to the network and well-connected to the state is likely to produce far greater impact.

¹⁸⁶ Chakrabati, P (2008) Inclusion or Exclusion? Emerging Effects of Middle-Class Citizen Participation on Delhi's Urban Poor *IDS Bulletin No 38.6*, pp96–104

¹⁸⁷ Coelho, Vera Schattan P (2007) Brazilian Health Councils: Including the Excluded?, in Cornwall, Andrea, Coelho, Vera Schattan P (eds) *Spaces for Change? The Politics of Citizen Participation in New Democratic Arenas*, Zed Books: London, and Andrea Cornwall, Andrea Schattan, Vera and Coelho, P (eds) (2007) *Democratizing the Governance of Health Services: Experiences from Brazil*, in Cornwall, Andrea, Schattan, Vera and Coelho, P (eds) (2007) *Spaces for Change? The Politics of Citizen Participation in New Democratic Arenas*, Zed Books: London, 2007.

Facilitating the formation of linkages between existing groups, and between them and the state, may be particularly important. **Investing in strengthening networks** that have a strong vertical reach (from policymakers to the grassroots) might be a good strategy for achieving improvements in social accountability.

7.3 Accountability

Understand how informal accountability mechanisms may be working for poor people.

Efforts to improve service delivery through formal mechanisms of accountability – including elections and institutional checks and balances – often fail. In such circumstances, **collective action by, or on behalf of, poor people** to demand accountability from policymakers and service providers may be effective. While groups exercising this kind of **‘social accountability’** lack the ability to impose formal sanctions, they can have an impact by exposing the failures of government and service providers. They may thus impose reputational and political costs, and in some cases trigger formal accountability mechanisms – for instance through the courts, or an ombudsman. To be effective, such action needs to be targeted and sustained over a period of time, and groups need leverage – for example through access to **information**.¹⁸⁸

The research illustrates a rich **repertoire of tactics and practices** through which citizens have used their agency to influence health policy. Examples include: direct action and demonstrations; letter writing; petitioning; internet campaigns; strategic non-participation; subversion of official attempts to gather information; pursuing claims in the courts; strikes; occupations; taking officials hostage to make demands; and a variety of other non-violent forms of protest and resistance.

In South Africa, activists drew on these and other tactics, which made use of cultural repertoires that included imagery, songs and dances that had been part of their earlier experiences in the struggle against apartheid.¹⁸⁹ Autonomous organisations not affiliated with state institutions are also important places for citizens to **experiment with new ways of thinking** and action before engaging with officials. This is especially true for marginalised groups, who can use these spaces to negotiate common agendas, understandings strategies and identities – and to do so using more inclusive forms of communication.¹⁹⁰ So cultivating citizen participation in service delivery means finding unobtrusive ways to support these spaces, or at least prevent them from being undermined.

188 Joshi, A (2008) Producing Social Accountability? The Impact of Service Delivery Reforms *IDS Bulletin No 38.6*, pp10–17; Pande, S (2008) The Rights to Information and Societal Accountability: The Case of the Delhi PDS Campaign, in Houtzager, P, Joshi, A and Gurza Lavalle, A (eds) *State Reform and Social Accountability: Brazil, India and Mexico IDS Bulletin Vol 38, No 6*, Brighton: IDS.

189 Cornwall, Andrea and Leach, Melissa (forthcoming) *Synthesis Paper (in draft)*.

190 See Leach, Melissa, Scoones, Ian and Wynne, Brian (2005) Introduction: Science and Citizens: Globalization and the Challenge of Engagement, in Newell, P, and Wheeler, J (eds) *Rights, Resources and the Politics of Accountability*, Zed Books: London; Leach, Melissa, Scoones, Ian and Cockburn Kristy (2006) *Science and Citizens: Local and Global Voices IDS Policy Briefing No 30*, Brighton: IDS.

Social accountability works for poor people because acting collectively gives them greater political influence. As such, it can offer a sharper, more targeted form of accountability than elections. It can also help address the issue of what standard of services ought to be provided, by highlighting deficiencies in existing provision or entitlements. Unlike formal accountability mechanisms that emphasise process and adherence to existing standards, **social accountability provides a forum for citizens and service providers to evaluate outcomes** and, if necessary, negotiate improved standards.¹⁹¹

7.4 Non-State Service Providers

Recognise the importance of non-state and informal provision of services.

The absence, or weakness, of state services in **fragile situations** usually means the majority of services are delivered by non-state organisations. While this can result in the fragmented and uneven provision of services – and possibly undermine long-term state legitimacy and credibility – donors must grapple with the **trade-offs** between providing acceptable public services through non-state means, and allowing people to go without basic services. This tension raises the issue of supporting state capacity to transition from non-state to direct provision in the long-term.

In some contexts, where the state is constrained and cannot wholly provide services, **co-production models** have developed where citizens and public agencies assume mutual responsibility for service delivery. Instead of a public agency responding to service demands, it now develops and works with **citizens as co-producers** to satisfy service demands. As an alternative form of service delivery, co-production can actively involve citizens in a participatory and democratic way. It can give them an opportunity to provide service providers with information about the needs of their communities, and may be the most economically viable solution in situations where public agencies need to operate with reduced revenues, in conjunction with the rising costs of service delivery.¹⁹²

¹⁹¹ Ibid.

¹⁹² Houtzager, P, Gurza Lavalle, A and Acharya, A (2003) Who Participates? Civil Society and the New Democratic Politics in São Paulo, Brazil *IDS Working Paper No 210*; Joshi, A, and Moore, M (2004) Institutionalised Co-production: Unorthodox Public Service Delivery in Challenging Environments *Journal of Development Studies Vol 40 No 4*, pp31-49.

7.5 Inequalities and Rights

Address group inequalities in service delivery, but recognise the dangers of entrenching divisions.

Service delivery initiatives everywhere but especially in fragile states should aim to reduce social exclusion and close horizontal inequalities. This sometimes takes the form of **'affirmative action.'** There is a large range of potential policies, both indirect and direct, for alleviating socioeconomic inequalities – which have been adopted in many parts of the world. Indirect policies are attractive in avoiding entrenchment of difference, but their effect tends to be slow and partial. **Affirmative action programmes can play a role in incorporating specific groups in politics, as with the Indian policies towards women and dalits.**

However, targeting and programming for marginalised and vulnerable groups in service delivery are highly complex and political, and can **exacerbate existing political tensions.** Such policies may meet vigorous opposition from the privileged groups who would lose, at least relatively, which may prevent the policies being initiated. In extreme cases affirmative action policies, if poorly handled, can themselves contribute to the escalation of conflict. Moreover, these policies can entrench ethnic difference, especially when they have been in place for a long time¹⁹³ Nonetheless, they can also play an important part in reducing tensions and addressing horizontal inequalities as they did, for example, in Malaysia following riots in the late 1960s. Often, the best approach to reducing horizontal inequalities is to adopt a combination of direct, indirect and integrationist policies. The latter can offset some of the undesirable effects of affirmative action.

Incorporate rights-based approaches where politically viable.

Rights-based approaches to service delivery are also important. They affect people's access to resources, services and institutions. If poor and marginalised groups are to realise their rights to water, health, housing or a living wage, responsive institutions matter.¹⁹⁴ More responsive institutions can facilitate people to realise their rights, and gain access to the resources they need.¹⁹⁵

193 Stewart, F. Langer, A and Brown, G (2007) Policies Towards Horizontal Inequalities. *CRISE Working Paper No 42*. Oxford; Burger, R and Jafta, R (2010) Affirmative Action in South Africa: An Empirical Assessment of the Impact on Labour Market Outcomes *CRISE Working Paper No 76*, Oxford.

194 Joshi, A (2006) Do Rights Work? Law, Activism and the Employment Guarantee Scheme, in Moore, Mick, Patel, Sujata and Joshi, Anuradha (eds) *Employment Guarantee*.

195 Moore, M and Jadhav, V (2006) The Politics and Bureaucrats of Rural Public Works: Maharashtra's Employment Guarantee Scheme *Journal of Development Studies No 42(8)*, pp1271-1300; Houtzager, P, Gurza Lavalle, A. and Acharya, A (2003) Who Participates? Civil Society and the New Democratic Politics in São Paulo, Brazil, *IDS Working Paper No 210*.

A rights-based approach therefore has the potential to enable dialogue between state and citizens, rather than the state imposing and the citizens resisting; it allows **citizens to consider their responsibilities** as well as the responsibility of the state.¹⁹⁶ In India, education is guaranteed by the state, enshrined in 2002 as the Right to Education bill. This formal recognition gives citizens a potent formal mechanism for demanding access to a broadly equitable education. Should anyone feel they are receiving a substandard education or being altogether deprived of their right to education, there is a legal process so they can demand accountability from the state.¹⁹⁷

Where social movements exist that are able to weave together international discourses on rights with local symbols and values, and where participatory spaces allow citizen groups to demand their entitlements, **the state often becomes more capable of protecting and enforcing human rights**. Bangladeshi garment workers benefited from a global movement in support of workers' rights in developing countries. The result was an adoption of codes of conduct by numerous international companies. HIV/AIDS activists in South Africa were able to tap into global patient rights advocacy networks to bypass an inhospitable domestic political environment, and compel improved recognition and services for HIV/AIDS patients.¹⁹⁸

196 Chambers, R, Gaventa, J, Kabeer, N, Morago, L, Norton, A, Nyamu, C, Scoones, I, Singh, R and Shankland, A (2004) The Rise of Rights: Rights-based Approaches to International Development IDS Policy Briefing No 17, Brighton: IDS.

197 Mehta, A (2008) Good Effort, But Must Try Harder: Civil Society Organisations and Education in Delhi, in Houtzager, P, Joshi, A and Gurza Lavallo A (eds) State Reform and Social Accountability: Brazil, India and Mexico *IDS Bulletin Vol 38, No 6*, Brighton: IDS.

198 Robins, S (2005) From 'Medical Miracles' to Normal(ised) Medicine: Aids Treatment, Activism and Citizenship in the UK And South Africa *IDS Working Paper No 252*, Brighton: IDS; Mahmud, S and Kabeer, N (2006) Compliance Versus Accountability: Struggles for Dignity and Daily Bread in the Bangladesh Garment Industry, in Newell, Peter and Wheeler, Joanna (eds) *Rights, Resources and the Politics of Accountability*, London: Zed Books.

Chapter 8

Tax as State-Building



“Tax reforms can enhance government accountability through encouraging interest groups to mobilise in supporting, resisting or proposing policies.”

The evidence suggests that:

- We need to recognise taxation reform as a profoundly political 'state-building' activity. This means we should use tax reform to enhance political accountability, and prioritise tax systems that build effective national and local public authority and improves the link between central and local authority. We should also seek to develop tax systems to build the state's administrative and economic capacity.
- We should recognise that progressive taxation properly linked to expenditure, can improve legitimacy through redistribution that tackles politically destabilising inequalities.
- We must always worry that aid can undermine tax effort, so consider how taxation might improve genuine country ownership such as by expressly acting as the matching funds for local political priorities.

8.1 Tax is Politics

Recognise taxation reform as a profoundly political 'state-building' activity.

Over the last decade, the contribution of taxation to governance has been one of the most original and influential themes in DFID-funded governance research. This interest was originally stimulated by recognising the important historical evidence for taxation as central to state-building.¹⁹⁹ DFID-funded governance researchers also perceived that – while the contemporary international aid and development community was directing useful attention to issues of the quality of public spending in poor countries – issues of the quality of revenue management were largely being ignored despite being central to building a legitimate state.²⁰⁰ Democratic elections do not themselves ensure state legitimacy. Neither do 'quick impact projects' in which aid agencies seek to fill urgent needs. Legitimacy comes in large part from government delivery of services that people want and need. Elections provide an avenue for the citizenry to voice demands. Responding to such demands requires **capacity to raise not just spend public resources effectively.**²⁰¹

199 Odd-Helge Fjeldstad and Moore, Mick (2009) Revenue authorities and public authority in sub-Saharan Africa *Journal of Modern African Studies* 47(1), pp1-18, Cambridge: CUP.

200 Moore, Mick (2007) How does Taxation Affect the Quality of Governance, *Tax Notes International Vol 47 (1)*, pp79-98; Brautigam, Deborah, Fjeldstad, Odd-Helge and Moore, Mick (eds) (2008) *Taxation and State Building in Developing Countries: Capacity and Consent*, Cambridge: Cambridge University Press.

201 DiJohn, J (2010) The Political Economy of Taxation and Resource Mobilisation in Sub-Saharan Africa CSRC.

The history of Western Europe – and especially of Britain in the 17th, 18th and 19th centuries – provides the clearest evidence that **state-society bargaining over taxation helps strengthen government capacity, accountability and responsiveness to citizens.**²⁰² The situation in poor countries today is different and less clear-cut. Governments do not face the kind of external threats that historically gave rulers and the ruled strong common interests in bargaining over taxation. Taxpayers are more diverse, with fewer shared interests, and they are commonly also beneficiaries of government spending or employment. Many governments have alternative sources of revenue from natural resource rents and aid.²⁰³

Use tax reforms to enhance government accountability.

Taxation is a profoundly political activity, intrinsically linked to the political dynamics and political evolution of a country.²⁰⁴ Tax reforms can enhance government accountability through encouraging interest groups to mobilize in supporting, resisting or proposing policies. The recent history of taxation in Ghana is a good illustration.²⁰⁵ During periods when governments possessed significant amounts of ‘public goodwill’ in the wake of successful elections, policies to expand taxation faced little overt public opposition. Conversely, during times of government unpopularity, or intense political conflict between parties, the implementation of expansive taxation policies was decidedly more difficult to achieve. This reinforces the notion that citizen perceptions of politics are closely intertwined with their willingness to pay taxes.²⁰⁶

Taxation is also a **core governance function** that reflects strongly on underlying capacity and authority of the state. It has the potential to shape relations between state and society in significant and distinctive ways – sometimes providing an important catalyst for public demands for responsiveness and accountability. Tax revenues allow states to provide security and public goods, possibly in redistributive and progressive fashion. Taxation is not simply therefore ‘technical’, but is an area where international development agencies can use their insight that ‘politics matters’ to offer technical support that is also expressly designed to promote effective state-building.²⁰⁷

202 Moore, Mick (2007) How Does Taxation Affect the Quality of Governance? *IDS Working Paper No 280*, Brighton: IDS; Moore, M (2004) Revenues, State Formation, and the Quality of Governance in Developing Countries *International Political Science Review*, Vol 25, No 3, pp297-319; Moore, M and Schneider, A (2004) Taxation, Governance and Poverty: Where do the Middle Income Countries Fit? *IDS Working Paper No. 230*.

203 Mejia Acosta, Andres and Renzio, Paolo de (2008) Aid, Rents and the Politics of the Budget Process *IDS Working Paper No 311*, Brighton: IDS.

204 Lledo, V, Schneider, A and Moore, M (2004) Governance, Taxes and Tax Reform in Latin America. *IDS Working Paper No 221*.

205 Prichard, Will (2009) The Politics of Taxation and Implications for Accountability in Ghana 1981-2008. *IDS Working Paper No 330*, Brighton: IDS.

206 Friedman, S (2003) Sending Them a Message: Culture, Tax Collection and Governance in South Africa *Policy: Issues and Actors Vol. 16*, No. 3. Centre for Policy Studies: Johannesburg.



Photo: Rwanda Revenue Authority poster, Kigali 2008.
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Prioritise tax systems that build effective public authority.

Extractive capacity is a fundamental feature of a modern nation state. As such, taxation, and **the administrative system** required to support it, contribute to state-building by expanding the **information base and the territorial reach** of the state [the ‘Domesday Book effect’].²⁰⁸ For instance, agricultural taxes – while not always an effective policy for promoting output growth – often resulted in expanding the territorial reach of the state, and linking the state and political parties to rural interest groups. So it is important to expand tax capacity beyond the capital/dominant city, with over 80% of total tax revenues often coming from these sources.

The diversity of the tax base is a strong **indicator of the ability of the state** to engage with different sectors and regions, and is indicative of the degree to which state authority permeates society. In **fragile and post-war states** such as the DRC and Afghanistan, by successfully capturing these resources, the central authority not only increases its revenue base, but also reduces rival sources of taxation from regional warlords or local political bosses. In this way, taxation and security policy are often inter-related.²⁰⁹

Develop tax systems to build the state’s administrative and economic capacity.

Administrative limitations are often identified as the main constraint to the ability of states to collect revenues in general and direct taxes. Yet, closer study reveals that **limited taxation capacity is often the deliberate result of elite bargains** and political settlements. In Africa, particularly, one of the main mechanisms through which political stability and order are maintained is through providing economic rents, sometimes in the form of **tax exemptions**. Tax collection capacity reflects the nature of politics and elite bargains, and tax systems and taxation patterns in countries provide a window into the nature of political systems.²¹⁰

208 Everest-Phillips, Max (2010) State-Building Taxation for Developing Countries: Principles for Reform. *Development Policy Review* Vol 28, 1, pp75-96; Hlophé, D and Friedman, S (2002)...And Their Hearts and Minds Will Follow...? Tax Collection, Authority and Legitimacy in Democratic South Africa, *IDS Bulletin*, Vol. 33, No 3. Institute of Development Studies.

209 Hesselbein, G, Golooba-Mutebi, F and Putzel, J (2006) Economic and Political Foundations of State-Making in Africa: Understanding State Reconstruction *CSRC Working Paper No 3 (series 2)* London School of Economics: London.; DiJohn, Jonathan (2008) The Concept, Causes and Consequences of State Failure: A Critical Review of the Literature *CSRS Working paper No 25*, pp3-6.; DiJohn, J (2010) The Political Economy of Taxation and Resource Mobilisation in Sub-Saharan Africa *CSRC*; Gutierrez, F (2009) Politics and Security in Three Colombian Cities *CSRC Working Paper No 44 (series 2)*. London School of Economics: London.

210 DiJohn, J (2010) The Political Economy of Taxation and Resource Mobilisation in Sub-Saharan Africa *CSRC*.

Taxation capacity is also influenced by **production strategies**. **States will tend to protect, develop and relate most closely to those sectors/activities from where they can best extract revenue.** In many cases, disappointing growth in the tax base is the result of privatisation, and of mining contracts that demand only modest royalty rates from multinationals in order to attract foreign direct investment. Zambia and Mozambique are examples of low real tax growth, especially in corporate taxes.²¹¹

International financial institutions and aid donors have developed the proposition that, in weak states, **revenue collection authorities** are more effective when they operate autonomously from the state (and particularly the finance ministry) – when they act as a commercial entity at arms length from the government, rather than as a department within the government administration. However, evidence suggests that the establishment of autonomous revenue authorities does not in itself typically lead to a clear or sustained improvement in the performance of tax administrations. It can both signal and support reform, but may also have little lasting effect. Despite the common label, **autonomous revenue authorities** vary widely, especially in their relationship to political authorities.²¹² They generally enjoy real autonomy from governments only when they can demonstrate that this is in the government's interest.²¹³

8.2 Tax and the Informal Economy

A persistent challenge for many states in the South is the problem of taxing the **informal sector**. By definition, the informal sector is not regulated by the state. To tax the informal sector is to formalise it, and this is not just a technical problem but a **challenge of state-building**.²¹⁴ The informal economy **can constitute over 80% of economic activity** in many poorer countries, and **informal businesses are not always small, or poor**. And because informality appears to be growing absolutely and relatively in most poor countries, this is weakening the state's capacity to fund basic services for the poor. When the informal sector is taxed it is often under-taxed, and almost always taxed arbitrarily.²¹⁵ The last two decades of tax administration reform in developing countries have seen little progress in this area. There is a wide range of 'indigenous' techniques and experiences, especially in Africa, that may have wider applicability in finding politically feasible methods for taxing the informal sector.²¹⁶

211 Di John, J (2010) Zambia: State Resilience Against the Odds: An Analytical Narrative on The Construction and Maintenance of Political Order *CSRC Working Paper*, London School of Economics, London.

212 Joshi, Anuradha and Ayee, Joseph (2009) Autonomy or Organization? Reforms in the Ghanaian Internal Revenue Service *CFS*.

213 Fjeldstad, Odd-Helge and Moore, Mick (2009) Revenue Authorities and Public Authority in Sub-Saharan Africa *Journal of Modern African Studies* No 47(1), pp1-18, Cambridge: CUP.

214 Mitchell, Harrison and Garrett, Nicholas (2009) Beyond Conflict: Reconfiguring Approaches to the Regional Trade in Minerals from Eastern Congo *Crisis States Research Centre, Communities and Small Scale Mining and Conflict Resolution Group*; See also Everest-Phillips, M (2008) Business Tax as State-Building in Developing Countries: Applying Governance Principles in Private Sector Development *International Journal of Regulation and Governance* No 8(2), pp123-154.

215 E.g. see Everest-Phillips, Max and R. Sandall (2008) Linking Business Tax Reform with Governance: How to Measure Success. DFID/FIAS Washington DC; FIAS; (2009) Manual on Tax Simplification. World Bank.

216 Joshi, A and Ayee, (2008) Associational taxation: A pathway into the Informal Sector? Ch 8 in Brautigam, Deborah, Fjeldstad, Odd-Helge and Moore, Mick (eds) *Taxation and State Building in Developing Countries: Capacity and Consent*, Cambridge: Cambridge University Press; Joshi, A and Ayee, J (2002) Taxing for the State? Politics, Revenue and the Informal Sector in Ghana, in *IDS Bulletin*, Vol 33, No 3. Institute of Development Studies.

8.3 Tax and Local Government

Develop tax systems to assert local public authority.

Property taxes are generally under-exploited in poor countries. Yet, the role of land and property taxes is especially important as local governments seek to raise revenues in the context of decentralisation reforms. There is particular scope to expand effective taxation in medium and larger size towns and cities. Property and land taxes are some of the few significant potential sources of taxation for municipal governments.²¹⁷ The smaller the jurisdiction (such as the cities of Kampala, Dar es Salaam, and Managua), the more compelling the case for involving a central government agency in property tax assessments, to reduce the influence of local elites.²¹⁸ Property taxes have the potential to provide the financing of urban infrastructure investment which is central to improving the production and export capacity of light manufacturing plants – many of which are located in urban centres. They can also serve as impetus for the creation of urban **property databases**, which could help improve the synergy between municipal taxation and urban planning.

8.4 Tax Effort and Aid Dependency

The **relationship between foreign aid and domestic taxation is significant.** Because many low-income countries are highly aid-dependent, donor polices should seek to improve the **incentives of government leaders to enhance tax collection efforts.** Donors should also **avoid by-passing the state** in the delivery of social services and in taxation. Research on Afghanistan suggests that aid would do more to promote capacity to plan and execute policies if channelled through the central government. The current situation in Afghanistan features a dual public sector where the bulk of expenditure (including procurement, the payments system and the delivery of services) is made directly by donors with only a small proportion of spending going through the parliament and the budget process. While international service provision may be more efficient and effective in the short-term, the long-run consequences for state-building are likely to be negative. The state is unable to develop reciprocal relationships and mutual obligations with interest groups through a centrally operated fiscal system.²¹⁹

217 Venkatachalam, P (2009) An Overview of Municipal Finance Systems in Dar-es-Salaam, Tanzania *CSRC Occasional Paper No 10*. London School of Economics: London.; Venkatachalam, P (2007) Municipal Finance Systems in Conflict Cities: Case Studies on Ahmedabad and Srinagar, India. *CSRC Working Paper No 15 (series 2)*. London School of Economics: London.

218 Venkatachalam, P (2009) An Overview of Municipal Finance Systems in Dar-es-Salaam, Tanzania *CSRC Occasional Paper No 10*. London School of Economics: London.; Rodgers, D (2008) An Illness Called Managua *CSRC Working Paper No 37 (series 2)*; Goodfellow, T (2010) The Bastard Child of Nobody?: Anti-Planning and the Institutional Crisis in Contemporary Kampala *CSRC Working Paper No 67 (series 2)*.

219 Lister, S (2007) Understanding State-Building and Local Government in Afghanistan *CSRC Working Paper No 14 (series 2)*. London School of Economics: London.

Project aid can create problems for revenue projections since much of the inflows remain off-budget – they are not reported to the Ministry of Finance. To the extent that the **budget is a focal point of political contestation**, donors could enhance accountable governance by **insisting that project aid be reported by line ministries to the finance ministry**.²²⁰

Consider how taxation can improve genuine country ownership by acting as the ‘matching funds to aid’ for local political priorities.

There is a need to consider much more carefully the **relationship between foreign aid and domestic taxation**. Because many low-income countries are highly aid-dependent, it is important for donor policies to improve the **incentives of government leaders to enhance tax collection efforts**. The evidence suggests that donors should enter into a multi-year compact with post-conflict government to provide matching funds for direct budget support purposes. The **matching funds approach** can address these concerns, if donors match a percentage of the funds collected by the government up to a fixed limit. The matching percentage could be reduced over time, reflecting the increased capacity of the government to raise revenue. The main advantage of this approach is that it increases the **incentives for revenue collection**, since state officials will know that raising extra revenue will mean additional inflows of donor resources. The matching funds approach can:

- Tighten the link between revenue raising and increasing expenditure.
- Provide greater certainty to facilitate building stronger cash-flow skills in the treasury.
- Reduce the time spent by ministers in pursuing donors and persuading them to turn promises of aid into disbursements.

Such an approach provides the incentives of power holders to undertake reforms that can contribute to state-building and capacity.²²¹

Develop tax systems that seek to promote political accountability.

Taxation is one main nexus that connects the incentives of state officials with those of interest groups and citizens. Taxation enhances government accountability when it provides a focal point around which interest groups (such as producers groups, labour unions, and consumer groups) can mobilize to support, resist, and even propose tax policies. There is strong evidence that **accountability effects operate in contemporary African countries** – in response to changes not only in the source of government funding but also the level and salience of tax demands. Governments that demand more of their domestic taxpayers generate corresponding political demands to explain their revenue needs to citizens/politicians, and to promise some kind of reciprocity.

220 CSRC research on Zambia and Mozambique; see also OECD, Do No Harm: International Support for Statebuilding. Central budget support does not create this problem of off-budget inflows of resources.

221 CSRC briefing paper on tax and aid.

Detailed evidence from Ghana shows that the challenge of raising tax revenue does create a process of bargaining between state and society. Tax conflicts seem to have been a **significant influence on political reforms** over the last two decades. Tax protests by small traders were among the first signs of popular resistance to the Rawlings regime. Progressive governments have only been able to pass new tax laws by earmarking the funds for popular public spending programmes. Conflicts over taxation have catalysed the formation or strengthening of several important civil society organisations. And the inability of the government in the late 1990s to raise revenue in the face of public opposition was a crucial factor in its electoral defeat in 2000.²²²

Yet, while there appears to be a tangible relationship between taxation and accountability, it is important to note the role of **contingent factors**. These can be: the broader state of politics; the role of elites; the mobilising capacity of civil society; the motives for the tax increase; and the type of tax in question. While certain tax reforms have created a clear appearance of accountability, actual accountability is less certain, and heavily reliant on the continued oversight role of citizen groups. At present, in Ghana, these efforts seem to be frequently mediated by elite political forces, casting doubt on the independent ability of citizen groups to effectively demand accountability around taxation issues. Taxation can be a catalyst for public mobilisation and for forcing the government to make important concessions to the public interest, but these positive outcomes depend on the political and social context.²²³

Box 8 Politics affect tax relationships in Latin America

Compared to other developing countries, Latin America has a low average tax take. Wealth is under-taxed, and there has been heavy dependence on indirect taxes with a narrow base, multiple rates and high levels of exemption. To a significant degree, elites have exercised sufficient influence over the details of fiscal legislation and over the tax collection process to ensure that – even where the overall tax take is high – the burden falls mainly on indirect taxes and on poor people. Tax administration has tended to be highly centralised; capacity to tax is limited; there is extensive tax evasion, especially by wealthy people; and processes of making and changing tax policy are not very transparent. All of this helps to explain the lack of a social contract – in Latin America but also in many other developing countries – based on state-society bargaining around tax. Given such obstacles, the prospect that countries in Latin America or elsewhere might move towards establishing more open, rules-based, equitable arrangements for negotiating tax might sound like a tall order.

Source: IDS, 2005. 'Signposts to More Effective States' IDS: Brighton.

222 Prichard, W (2009) *The Politics of Taxation and Implications for Accountability in Ghana 1981-2008 IDS Working Paper No 330*, Brighton: IDS.

223 Ibid.

8.5 Tax and Inequality

Recognise where taxation can improve legitimacy through redistribution that tackles politically destabilising inequalities.

An effective tax system is central to any exit strategy from aid.²²⁴ Governments must be able to ensure sustainable funding for social programmes, and for public investments to promote economic growth and development. Because aid generally diminishes over time and is often volatile, domestic resources are necessary to sustain these institutions and programmes. Properly designed fiscal policies can be effective tools for **redressing social and economic inequality**. Fiscal policy (the level and composition of a government's taxation and expenditure can be used to address different kinds of inequality within a country – inequality between individuals or households (vertical inequality) and inequality between groups (horizontal inequality). Taxation is particularly relevant for addressing economic inequalities, and expenditure for social inequalities.²²⁵ The tax system can contribute to reducing inequalities directly by increasing its progressiveness, and indirectly by raising additional revenue to finance expenditure devoted to reducing inequalities.

Raising taxes also plays a political role which is especially important in post-conflict countries and urban areas. Those who pay taxes both have and perceive they have a stake in the government, particularly representative government. The urban middle class are critical to state revenue collection, and have to be convinced of it being worth their while.²²⁶ An urban focus is important for revenue collection and expenditure, and to link taxation and welfare. If people cannot see benefits in cities, especially in security and basic health, they will avoid taxation.²²⁷

224 DFID Tax Briefing Note 2009.

225 Stewart, F. Brown, G and Cobham, A (2009) The Implications of Horizontal and Vertical Inequalities for Tax and Expenditure Policies *CRISE Working Paper No 65*, Oxford.

226 Gutierrez, F (2009) Politics and Security in Three Colombian Cities CSRC Working Paper No 44 (series 2, London School of Economics: London.

227 Venkatachalam, P (2007) Municipal Finance Systems in Conflict Cities: case studies on Ahmedabad and Srinagar, India *CSRC Working Paper No 15 (series 2)*, London School of Economics: London.

Chapter 9

Governance and Economic Growth



“The orthodox approach to improving the investment climate may be right in its long-term goals, but the methods of reaching these goals are suspect – in practice such formal rules rarely work.”

The evidence suggests:

- Not to overlook informal relationships that really shape the investment climate; relations between political and economic power are always pivotal to development.
- Understand the historical evolution of markets - don't put the cart before the horse.
- Learn from 'unorthodox' growth successes.
- Support the politically appropriate management of natural resources: formal mechanisms are only effective if revenue sharing arrangements have the support of political elites.
- Leverage the productive sectors of the economy in fragile states to promote not just growth and jobs, but also the authority of the state.

9.1 The Politics of Economic Growth

Why does economic growth so often flourish despite the 'wrong' contexts, yet often fail under the 'right' institutional conditions? In advanced developed countries, the relationship between public authority and private capital takes place within widely accepted formal rules, and relationships are relatively indirect and impersonal. But these arrangements are the product of a long history of political conflict and socio-economic change. They cannot easily be replicated and may not be an effective short-term option to promote investment in developing countries. So policy advice to countries suffering from low economic growth has found it:

- **Easy** to provide national policymakers with a list of '**orthodox**' reforms required to imitate developed countries' current contexts – for example, strengthening the legal protection of property, making commercial contracts legally enforceable, and reducing 'red tape'.²²⁸
- **Difficult** to say how actually to implement some of these reforms within the typical five-year lifespan of a government.
- **Impossible** to guarantee that, even if the government somehow implemented the reforms, substantial increases in investment and growth would follow.
- **Impossible** to explain why some regions in the world have had high levels of investment and economic growth, without having the desirable institutions in place.

²²⁸ For the standard policy prescription see the World Bank 'Ease of Doing Business' approach, and the World Development Report 2005 on the Investment Climate. WDR 2005 did however recognise, in its concluding pages, that very little was really known about how the political economy contexts dictated the effectiveness of the approach it advocated: op cit p235.

9.2 What Really Works?

Don't overlook informal relationships really shaping the investment climate.

Reforms of the 'investment climate' often rely on formal rules **rather than informal relationships**. This means concentrating on institutional reform, such as of the legal protection of property rights and the legal enforceability of commercial contracts.²²⁹ This 'orthodox' approach to improving the investment climate may be right in its long-term goals, but the methods and processes of reaching these goals is suspect, because in practice such formal rules rarely 'work'. It is often difficult to actually implement the reforms recommended by the orthodox investment climate approach.

Understand history – don't put the cart before the horse.

In places where the quality of public institutions is weak, where governments may be fragile, arbitrary, or representative only of narrow interests and thus lack credibility, formal legal institutions may be neither impartial nor effective.²³⁰ In adopting relatively ambitious but standardised reform programmes, governments may be trying to do too much too quickly. So, although a **weak legal and regulatory environment** might deter politically poorly-connected foreign investors, it is far from a barrier for politically well-connected domestic investors.²³¹ In time, such domestic investors often become the strongest and most influential constituencies – driving real, locally politically 'owned' and therefore genuine reform. Consequently, rather than seeing OECD-type formal investment climate institutional arrangements as a precondition for a market economy, it is more useful to understand **how institutions such as 'rule of law', or property rights develop in response to genuine political demand**.²³² This requires policy-makers to have a far better grasp not just of economic theory but how economic growth really happened in now developed countries.²³³

229 Moore, M and Schmitz, H (2008) Idealism, Realism and the Investment Climate in Developing Countries *IDS Working Paper No 307*, Brighton: IDS.

230 Moore and Schmitz, (2008) *op.cit.*

231 Williams, T (2009) An African Success Story: The Case of Ghana's Cocoa Marketing Industry *IDS Working Paper*, Brighton: IDS.

232 Moore and Schmitz, (2008) *op.cit.*

233 Chang, Ha-Joon (2002) Kicking Away the Ladder: Development Strategy in Historical Perspective; Everest-Phillips, Max (2007) The Myth of Secure Property Rights *SPIRU Working Paper, ODI*; see also the seminal works of Professor Mushtaq Khan of SOAS.

Learn from 'unorthodox' growth successes.

The dramatic boom in the **Chinese economy** over the last two decades may be the best example of success in the 'wrong' context. China has enjoyed high levels of investment driven by investment conditions very different from, and in some respects **contrary to**, the orthodox rule of law formal policies and institutional arrangements that are prescribed by most international institutions. When China first opened up to foreign investment, there was very little commercial law, and few courts to enforce it, while property rights as conventionally understood were very weak. And yet investors, in particular Chinese investors, were not deterred. The Chinese authorities were able to provide adequate assurances to investors by exploiting and manipulating the highly-centralised institutional environment. **Political commitment from the reformist leaders** was strongly expressed and competitive markets were introduced only gradually.

The first investors in the non-state economy were often enterprises belonging to local governments, making it easier for the gradual emergence of individual capitalists who remained in the Communist Party. The ownership of new enterprises by local governments (as units of the Party) provided considerable protection against potential predation from higher levels of government and focused political energies on mutually beneficial opportunities to promote economic growth. This directly challenges the notion that a viable investment climate requires the restraining of the power of the state. In China, and also Vietnam, policymakers exploited and shaped relations between the **different levels of the state** to make it acceptable from the perspective of investors.²³⁴

Having itself promoted investment in a state-driven manner, China's role as an emerging investor in Africa appears not to be as state-driven as commonly thought. Research in three African countries and eight Chinese provinces has challenged conventional wisdom that the investment was mainly resource focused, conducted by large State-Owned Enterprises, and driven by Chinese state interests rather than market forces. The study shows instead the importance of **Chinese small- and medium-sized businesses in Africa**. As a result, the notion of a Chinese 'top-down model' needs to be qualified and more constructive relationships may contribute to both Chinese and African development goals.²³⁵

234 Moore and Schmitz, (2008) *op.cit.*

235 Gu, Jing (2009) China's Private Enterprises in Africa and the Implications for African Development *A European Journal of Development Research Vol 21, 4*, pp570–587.

9.3 Power, Relationships and Economic Growth

Recognise that power relations are pivotal to economic as well as political development.

The variations in investment performance between sectors or regions within a single country show how far relatively short-term personal relationships between politicians and investors – often of a transitional kind – played an important part in explaining different outcomes. A study of the political economy of two cities in Indonesia showed how **relationship-based**, rather than rules-based, **cooperation between government leaders and local firms provided an effective mechanism to boost investment where governance was weak**. Although it also suggests that the creation of rules-based institutions may be necessary to sustain growth in the medium term.²³⁶

Another study investigated the way relations between public officials and private investors have influenced investment outcomes at the national level in Egypt.²³⁷ The informal relations between policymakers and private investors played a role – alongside regulatory and other changes – in increasing the levels of productive private investment in Egypt after 2004, when the regime brought business leaders into the cabinet and made economic growth a high political priority. Investment then thrived in certain sectors, where business and political leaders had existing close ties. The research found that – although **informal state-business relationships** were not the sole direct cause of an increase in private investment – they played a critical role in unleashing the dynamic development of specific sectors. These relations became effective when there was a **common understanding of the problems and a common interest in addressing them**. This provided space to find sector-specific solutions. So, obstacles and risks for investors were reduced, and their chance of reaping a profit were increased, while the reputation of political leaders and policymakers associated with boosting growth and job creation were enhanced.

But of course, depending on political context, **these informal relationships are too often not positive**. In Nicaragua, far from seeking to promote economic growth, the government seems instead to be seeking to profit from monopolies over protected sectors of the domestic market, while ignoring the broader global economic context.²³⁸

236 Patunru, A, McCulloch, N and von Luebke, C (2009) A Tale of Two Cities: The Political Economy of the Investment Climate in Solo and Manado, Indonesia *Manuscript*, Brighton: IDS.

237 Abdel-Latif, A and Schmitz, H (2009) State-Business Relations and Investment in Egypt, *IDS Research Report No 61*, Brighton: IDS.

238 Rodgers, D. 2008. "An Illness Called Managua" *Crisis States Working Paper 37 (series 2)*.

Informal relationships and exclusive bargains **can help boost investment** in the short term, even though more inclusive and institutionalised arrangements may be needed to sustain it over the longer term. But **informal relationships can – and historically do – pave the way for the development of more rules-based economic governance**. In the meantime, they facilitate productive cooperation between political authority and economic power, leading to better economic growth and job creation. For policymakers, understanding that informal arrangements can offer effective transitional ways of **increasing productive investment** is important, because in the short-to-medium-term it suggests ways to shift incentives and increase productive dialogue between public officials and private investors. The findings also suggest that external organisations need to accept their limited ability to directly influence these key but informal processes. Furthermore, pushing OECD-type normative investment climate or ‘ease of doing business’ reforms may even prove counter-productive in some political economy contexts.²³⁹

9.4 Natural Resources

Support the politically appropriate management of natural resources: Formal mechanisms are only effective if revenue sharing arrangements have the support of political elites.

Formal mechanisms for managing natural resource revenues (for instance, through decentralisation, earmarking or independent oversight bodies) only work when revenue sharing arrangements have the support of political elites.²⁴⁰ However, oil windfalls and similar natural resource finds need not however create a ‘resource curse’ leading to corrupt governance.²⁴¹ The political economy of economic growth in Venezuela since the discovery of oil in 1920, for example, shows Venezuelan use of oil ‘rents’ creating dramatic variations in growth- and productivity-enhancing impacts.²⁴²

239 Jonathan Di John (2009). *From Windfall to Curse?: Oil and Industrialization in Venezuela, 1920 to the Present*, Penn State University Press.

240 See also Arellano-Yanguas, Javier (2008) *A Thoroughly Modern Resource Curse? The New Natural Resource Policy Agenda and the Mining Revival in Peru* *IDS Working Paper No 300*, Brighton: IDS.

241 Rosser, A (2006) *The Political Economy of the Resource Curse: A Literature Survey*. *IDS Working Paper No. 268*, Brighton: IDS; Rosser, A (2006) *Escaping the Resource Curse, A Review Essay* *New Political Economy No 11(4)*, pp557-570; Rosser, A (2004) *Why Did Indonesia Overcome the Curse?* *IDS Working Paper No 222*, Brighton: IDS.

242 Di John, Jonathan (2009) *From Windfall to Curse? Oil and Industrialization in Venezuela, 1920 to the Present*. Penn State University Press.

9.5 Promote both Economic Growth and Political Stability

Support the productive sectors of the economy in fragile states to promote both growth and jobs, but also the authority of the state.

The Venezuelan case offers an alternative political economy framework for explaining how politics shapes the dramatic variations in economic growth in the past century. It argues that growth and decline in Venezuela is explained by the extent to which the political process has made the **country's development strategies and political settlements compatible**. Far from being exceptional, this political economy of **industrial policy** and economic growth applies across Latin America and beyond.²⁴³ It also applies in **fragile states** where a **growth-enhancing political settlement** is essential to promote the productive sectors of the economy. This is particularly the case in agriculture and livestock, in order to create growth and jobs, and also bolster the authority of the state.²⁴⁴



Photo: A display of seized guns in Ghana.
© Clive English / DFID

243 Di John, Jonathan (2009) *From Windfall to Curse?: Oil and Industrialization in Venezuela, 1920 to the Present*. Penn State University Press.; Hesselbein, Gabi (forthcoming) Economic Resource Mobilisation in DR Congo, Rwanda, Tanzania and Zambia: The Case of Agriculture; Hesselbein, Gabi (forthcoming) The Economic Foundations of State-building and State Failure: A Political Economy of Sub-Saharan African States; see also Everest-Phillips, Max (2007) Beyond Constraints: Promoting the Politics of Economic Growth in Developing Countries SPIRU Working Paper ODI.

244 Hesselbein, Gabi and Garrett, Nicholas (2010) Economic Resource Mobilisation in DR Congo, Rwanda, Tanzania and Zambia: The Case of the Mining; Harris, Dan, Moore, Mick and Schmitz, Hubert (2009) Country Classifications for a Changing World *IDS Working Paper No 326*, Brighton: IDS; Moore, M and Schmitz, H (2008) Idealism, Realism and the Investment Climate in Developing Countries *IDS Working Paper No 307*, Brighton: IDS.

Chapter 10

Conclusion



10.1 How should we do things differently?

This short synthesis can offer only a flavour of the rich findings produced by the four DFID-funded research centres that have been investigating governance issues in development over the past decade. You are strongly encouraged to examine the **more detailed synthesis** of their research produced by each research centre, as well as their original work – all available on the DFID Research **R4D website**.²⁴⁵

The research has produced important new insights and offered many practical policy messages, but it has also revealed major challenges. It shows, for example, that reforms often do not fail for lack of ‘ownership’ or ‘political will’ but because of the **wrong starting assumption**, that progressive change is only achieved through strengthening formal, rules-based institutions. The evidence instead underlines the **complexity** of sustainable governance reform. It also highlights the frequent **gap between research findings and current practice**.

Governance research frequently produces high-level advice that can often be difficult to translate into aid-financed operations (‘politics matters’, for example), or detailed findings on local contexts that may not be universally applicable. Governance research also regularly exposes the powerful institutional barriers raised within aid agencies against accepting the consistent message coming from both research and evaluation reports – that as **outsiders they have far less influence** over local development processes than is often assumed. Yet the urgency to adjust donor policy thinking and practice to the central messages from the research covered here is rapidly growing. **Global shifts** in economic and geopolitical relations are fundamentally changing the operational context for Western donors. So traditional donor-recipient relationships urgently need to change.

No amount of understanding can substitute for better donor practice.

The research underscores that good understanding of the political context is essential if donors are to be effective in promoting development. So donors always **need to approach country contexts with a good working understanding of key lessons on governance drawn from research**. This can take time as well as serious effort, and to apply the understanding donors need to engage with the stakeholders in the countries they aim to support. The range of stakeholders, inside and outside government, can be extensive, particularly where governance is contested. These requirements sit uneasily alongside the drive to deliver development with a light touch and ‘to do more with less’. The research findings strongly suggest a need for some rethinking of current development practice.²⁴⁶

²⁴⁵ www.research4development.info/.

²⁴⁶ See also the Future State RPC synthesis (2010): Upside-Down Governance.

10.2 Build an international community of practice in governance research

The experience of the DFID-supported governance research programmes points to the importance of developing and supporting multi-partner research networks – which can work together over a period of time – to develop Southern owned research agendas and ensure the communication and use of findings. With this in mind, DFID is seeking to promote proper harmonisation of the international community on the **commissioning and use** of governance-related inter-disciplinary research to improve development outcomes. This will also require bringing together research partners with differing skills and academic disciplines, from differing types of institutions and contexts, to promote **Southern capacity and ownership** over not just research but its formulation and policy application. It also requires academics and policymakers – united in a desire to promote better development outcomes – to work more effectively together at translating knowledge into evidence for improving the impact of aid and development.

10.3 What more governance research is needed?

Governance and politics are now widely recognised to be at the centre of all effective poverty reduction endeavours. The demand for evidence on ‘what really works’ to deliver international development will continue to grow, and DFID is seeking to address this. For example, recognising that the **capacity to research** governance-related issues in Africa has dramatically declined in recent decades, DFID has recently launched a major new initiative to address this. DFID continues to fund the **Africa Power and Politics research programme**²⁴⁷ that, since 2007, has been seeking ‘mid-level theory’ to bridge the gap in governance research between generalisation about ‘neo-patrimonialism’ and highly context-specific local realities in the African continent. DFID is also planning to launch in 2010 **four new research centres**. These aim to improve operational insights on fragile states, non-fragile states and the political economy of taxation in order to promote state-building and effective governance in developing countries. These will tackle the many governance and political economy research questions – some contested and controversial – to which we **still need answers** based on solid evidence. Such as:

- How can we better foster genuine political commitment to pro-poor development?
- What kinds of state-business relations are most conducive to promoting job creation and economic growth in differing political contexts?
- What institutions build effective citizenship and give ‘voice’ to poor and marginalised people in fragile or post-conflict contexts?

So we aim to build on the success of the last decade. DFID-funded governance research has radically improved our understanding of how development really happens. In our continuing efforts to promote the use of best evidence, based on value-for-money research, **DFID Research and Evidence Division is committed** to working closely with international partners, to ensure the continuing impact of high quality governance research on promoting aid effectiveness, poverty reduction and sustainable development.

247 See <http://www.institutions-africa.org/>

Details of more than 5,000 DFID Research programmes and their results can be found on the DFID's research portal: www.research4development.info

This synthesis and all supporting information can also be found on:
<http://www.research4development.info/politicsofpoverty.asp>

What is international development?

International development is about helping people fight poverty. Thanks to the efforts of governments and people around the world, there are 500 million fewer people living in poverty today than there were 25 years ago. But there is still much more to do.

1.4 billion people still live on less than \$1.25 a day. More needs to happen to increase incomes, settle conflicts, increase opportunities for trade, tackle climate change, improve people's health and their chances to get an education.

Why is the UK government involved?

Each year the UK government helps three million people to lift themselves out of poverty. Ridding the world of poverty is not just morally right, it will make the world a better place for everyone. Problems faced by poor countries affect all of us, including the UK. Britain's fastest growing export markets are in poor countries. Weak government and social exclusion can cause conflict, threatening peace and security around the world. All countries of the world face dangerous climate change together.

What is the Department for International Development?

The Department for International Development (DFID) leads the UK government's fight against world poverty.

DFID has helped more than 250 million people lift themselves from poverty and helped 40 million more children to go to primary school. But there is still much to do to help make a fair, safe and sustainable world for all.

Through its network of offices throughout the world, DFID works with governments of developing countries, charities, nongovernment organisations, businesses and international organisations, like the United Nations, European Commission and the World Bank, to eliminate global poverty and its causes. DFID also responds to overseas emergencies.

DFID's work forms part of a global promise, the eight UN Millennium Development Goals, for tackling elements of global poverty by 2015.

What is UKaid?

UKaid is the logo DFID uses to demonstrate how the UK government's development work is improving the lives of the world's poorest people.

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