

“Securing Development”

Robert B. Zoellick

***President
The World Bank Group***

***United States Institute of Peace
“Passing the Baton” Conference***

January 8, 2009

Introduction

New Presidencies are invigorating because they offer a fresh start.

The challenges they face, however, are a mix of the new with stubborn recalcitrants of the past.

As Mark Twain once observed, “History may not repeat itself, but sometimes it rhymes.” So let’s take a step back to gain a fuller perspective on the challenge of “Securing Development” in 2009.

In 1944, delegates from forty five countries gathered at Bretton Woods to consider the economic causes that had led to the World War that was then raging. Their vision was not only to achieve military victory, but also to secure the peace.

That generation – like any other – had its blindspots. But it perceived one big idea: the nexus among economics, governance, and security. That gathering at Bretton Woods led to the creation of the International Bank for Reconstruction and Development, the original institution of what has become the World Bank Group. As the delegates noted, “Programs of reconstruction and development will speed economic progress everywhere, will aid political stability and foster peace.”

Over fifty years later, Afghanistan became the weak link in the global security chain.

The traumas of fragile states and the interconnections of globalization require our generation to recognize anew the nexus among economics, governance, and security. Most wars are now conflicts within states, and fragile states account for most of them.

Today, for the World Bank Group, the “R” in IBRD has a new meaning: reconstructing Afghanistan, Cambodia, Côte d’Ivoire, Haiti, Iraq, Kosovo, Liberia, the Palestinian territories, the Solomon Islands, Southern Sudan, Timor-Leste, and other lands of conflict. Last financial year, the Bank Group committed over \$3 billion in development assistance to countries plagued by fragility and conflict.

When states are breaking down or overcome by conflict, they create waves of danger. The first surge threatens the people living there. Fragile states have poverty rates averaging 54 percent. They account for a third of the deaths in poor countries from HIV/AIDS, a third of those who lack access to clean water, a third of children who do not complete primary school, and half of all the child deaths.

The next perilous wave caused by these states undermines their neighbors. As we have seen in South Asia and Africa, fragile states can create fragile regions. And fragile regions can become global threats.

Fragile states are a witches' brew of ineffective government, poverty, and conflict. They suffer from what Ashraf Ghani and Clare Lockhart have called a "sovereignty gap" – a disjunction between the state's capacity to govern by law and its capacity to provide for the needs of the people in practice.

Fragility does not just mean low growth, but a *failure* in the normal growth process, such that grinding, hopeless poverty becomes a persistent condition. Low and stagnant incomes, unemployment, and ineffective government can spark violence.

Paul Collier argues that the cycle of failed government, persistent poverty, and civil war creates a “conflict trap” for these countries, whereby violence in turn weakens security and institutional capacities, lowers incomes, destroys infrastructure, and redirects resources from development. Collier estimates that post-conflict countries are twice as likely as other developing countries to fall into conflict.

Too often, the development community has treated states affected by fragility and conflict simply as harder cases of development.

Yet these situations require looking beyond the analytics of both security studies and development – to a different framework of building security, legitimacy, governance and economy. This is not security as usual or development as usual. Nor is this about what we have come to think of as peace building or peacekeeping. This is about *Securing Development* – bringing security and development together first to smooth the transition from conflict to peace and then to embed stability so that development can take hold over a decade and beyond. Only by securing development can we put down roots deep enough to break the cycle of fragility and violence. This will not be easy.

I was struck how an observation of former U.S. National Security Advisor Anthony Lake parallels my experience:

Mention the deleterious political effects of a sound economic policy at a meeting of economic planners and watch their fingers drum impatiently on a table. Talk about the economic details at a conference of diplomats working on a political settlement and watch their eyes glaze. Tell a politician about the importance of painful economic sacrifice now for the sake of economic health later and watch his or her eyes widen in alarm.

Our appreciation of how best to secure development is still modest. This will be a challenge for the incoming Administration.

Today, I want to suggest ten considerations to help figure out what to do – or at least what questions to ask – in fragile situations.

Ten Priorities

1) First, in all things, one should keep in mind the need to build the legitimacy of the fragile state. In the terms of Clausewitz, building legitimacy is the “Schwerpunkt,” the center of gravity, of the strategy.

Of course security is fundamental, but it must be connected to achieving the strategic purpose.

Legitimacy in fragile situations is not just achieved through elections or agreements that share power among factions. In some cases, premature elections may actually trigger a new cycle of violence. Legitimacy needs to be earned by delivering basic services, especially visible ones.

Clean up the garbage.

To achieve legitimacy, it is not only the services that matter, but who performs them: They should be undertaken by the government and local people as soon as feasible. This strategic consideration should guide both the handoff from humanitarian aid to development and the design of transition services. Even as donors pursue short-term objectives, they need to begin to strengthen and transfer responsibilities to ministries and local authorities.

Second, the most important service for a fragile situation is the establishment of a relatively safe and secure environment. Given the linkages between breakdowns in the economy and stability, security and development need to go hand in hand, mutually reinforcing each other.

In practice, this means more interaction on the ground between security and development staff so they can communicate their respective interests, capabilities, and limitations.

Soldiers may not wish to – or think they cannot – defend fixed points or lines, such as villages or power lines, pipelines, and roads. But without some operational plan to minimize danger and disruptions, development may be impossible, and a fragile state's legitimacy undermined.

One lesson is that the numbers matter: As many as 15,000 military personnel are authorized to keep the peace in Liberia for a population of 3.6 million, while the Democratic Republic of the Congo has roughly the same number of peacekeepers but a population of more than fifty million in a country the size of Western Europe.

If we are serious about breaking the downward spiral of violence and state breakdown, larger forces need to be kept in place longer. To build confidence, UN peacekeeping mandates and renewals should be authorized for much longer than 6 to 12 months. In some cases, we may need mandates that are less restrictive, so UN operations can prevent the outbreak of violence.

To build legitimacy and effectiveness, international partners also need to assist the fragile state to build – and pay for – its own reliable police and armed forces. Properly organized and trained, local police and military are key to securing public support, gaining intelligence, and sustaining security.

Development experts, in turn, need to recognize the priority of using economic progress to boost security. When soldiers discuss the economics of security, their first priority is jobs – no matter how created. When a security gain can be leveraged, development projects may need to be suboptimal economically – “good enough” rather than first-best.

Third, the most fundamental prerequisite for sustainable development is building the rule of law and legal order, including respect for property rights. Yet the international security and development communities have let the task of building of justice and law enforcement systems fall between the cracks. It is not clear to me where the international capacity exists to help establish basic courts and tribunals to resolve disputes, train judges and advocates, and build prisons and police forces. The effort of UNDPKO to launch an office of Rule of Law and Security Institutions is at least a start, and well worth the support of the new Administration.

A legal order is not only vital to public safety – it is also a safeguard against the serious risk of criminalization of the state. Corruption adds to fragility and lack of legitimacy. Abuse of state power destroys confidence, and ultimately the state's legitimate and core purpose.

Fourth, local and national ownership in state building is fundamental to achieving legitimacy, trust, and effectiveness.

Community driven development programs, which give control over decisions on investing modest resources to community groups and local governments, have proven to be successful. At the national level, donors need to help governments develop the capacity to employ the national budget as a transparent tool for coherent planning and accountability. The starting point is to assist with the development of simple systems for financial management, payrolls, and procurement. Otherwise, channeling resources through a national budget will be like pouring water on sand.

If donors cannot work with a government to build national accountability systems that donors can trust, how can one expect the public to trust its own government?

Fifth, macroeconomic stability is a prerequisite for effective recovery. Countries need to get the fundamentals right – fiscal, monetary, and exchange rate policies – so markets can expand; trade can resume; people can rely on a currency as a store of value; and investors can feel more secure about saving and building.

But we also have to recognize that fragile states are just that – fragile, especially in the face of sudden shocks. They need specialized, real-time monitoring that can assess and respond with speed and flexible support. Reforms for economic stability need to be sequenced with political cycles to avoid triggering governance crises that will make economic reform impossible.

The international financial institutions – including the IMF and the World Bank Group – need tools to help quickly, such as by clearing arrears, and then to fill gaps promptly.

Sixth, effective efforts to address fragility and conflict must be grounded in a political economy that is capable of sustaining peace. This means taking into account the relationships between power and wealth in society. Conflict and instability can, after all, be a lucrative business for those in power who may exploit state resources or profit from violence. If links develop between political power and illegal economic activity, they can deprive the legal economy of an opportunity to grow, the state of revenue, and both of legitimacy. This may be especially dangerous in countries where there is natural resource wealth.

Putting in place the economics incentives for stability and peace may not be enough if donors do not have a good understanding of who wins and loses from peace settlements. Donors need to understand the history of a country and its people, who holds power and how power is brokered and used, and the relationship between these relationships and formal institutions. Too many perfect economic plans have floundered upon the rocks of political impossibility.

Seventh, a focus on building state legitimacy, capacity, and performance cannot lead us to overlook the sustainable engine of recovery and growth: a healthy private sector.

Enforceable property, contract rights, and basic security that prevent predation on business offer the foundation. Transparent and simple rules lower the costs of doing business and enable people to get started without fearing confiscations by the state.

Given the risks and uncertainties of investing in a post-conflict environment, fragile states will need a combination of public and private support. Institutions such as the World Bank Group, through its private sector arm, the International Financial Corporation, can provide investment and advisory services, help assess the investment climate, develop basic financial services and microcredit, encourage better governance and rule of law, and enable an environment for private sector activity.

We need to develop more innovative models for leveraging public and private capital to build basic infrastructure – such as power plants, ports, and communications, transport, and energy systems.

Eighth, states, international institutions, foundations, NGOs, and the private sector all have a role to play in helping these countries: But without greater coordination – and even integration of activities – we will overwhelm the very governments we seek to help.

The average developing country hosts 260 visits from donors a year. Cambodia has 22 different donors in the health sector, with 109 separate projects. In 2006, across all developing countries, donors directed 70,000 aid transactions, and the average project size was only \$1.7 million. This overload is a huge burden for any developing country's reform team; in a fragile state it can overwhelm a small team.

We need joint assessments that reflect an inevitably dynamic process of rebalancing security, governance, and development – always with an eye on building legitimacy. We need joint benchmarks to encourage convergence of strategies. And the countries need donors to create greater interoperability.

Greater use of Trust Funds – where donors pool resources – could reduce the administrative burden on weak governments of having to deal with so many different donor procedures. The United States, Japan, and some in Europe have been reluctant to contribute to trust funds.

Furthermore, a more diverse group of partners may be able to broaden the support for these countries. Brazil is leading the UN Peacekeeping operation in Haiti. China's investors are a growing source of investment in developing countries, including many fragile ones, just as its peacekeepers are serving in larger numbers in UN operations. And the development of more effective and larger African Union peacekeeping forces would be of great benefit, especially if they could be interoperable with developed country forces and logistical networks.

Ninth, consider the Regional Context: States in fragile situations can be both the cause of regional unrest and the object of manipulation by neighbors.

Successfully resolving conflict inside national borders may not be enough to build a lasting peace. We need to recognize the consequences of cross-border ties, whether tribal and ethnic, religious, or other transnational identity groups; population movements; trade and smuggling routes; narcotics and criminal rings; or political links. These connections may underpin hostility, or be the key to easing it.

Resolving conflict requires a regional approach that provides positive incentives to neighbors and seeks to dissuade spoiling neighbors.

We have some successful examples, such as the EU's support for reconstruction in the Balkans through the incentive of EU membership, and the role of the ECOWAS in Sierra Leone and Liberia. In early days, the Bonn process for Afghanistan appeared to encourage the recognition of common interests in lowering trade barriers, investing in energy and transit, controlling illegal narcotics, and pledging political non-interference, but that accomplishment has frayed seriously.

Tenth, these are not quick-fix countries: support needs to be for the long-haul. Money and humanitarian aid flood into the more fortunate countries at the beginning of a post-conflict settlement, often beyond the state's capacity to absorb it. But when the "CNN moment" has passed, aid tapers off and attention shifts to another crisis

If we are serious about the problems of countries in fragile situations or coming out of conflict, funding mechanisms need to ensure continuity and stability of resources over a decade or more. This will require changing financing parameters for fragile and post-conflict states. The World Bank, for example, is constrained by the allocation formula our donors establish for the International Development Association, or IDA, our largest source of highly concessionary financing.

So what guidance might these principles offer in practice?

First, Afghanistan: The counterinsurgency model of clear, hold, and build can only succeed if security is combined with effective governance and development. Yet to actors on the ground the meaning of “security” may differ. As one Canadian development official told me – to a soldier in body armor and a female NGO worker living in a village “security” means very different things.

Numbers matter. NATO needs more troops in Afghanistan. But their mission cannot be just to kill the enemy, because given the regional realities, there will always be more to fight. NATO’s security plans need a tighter link to development outcomes that boost local legitimacy, ownership, and eventually, security by Afghans for Afghans. Foreign military actions that kill innocent Afghans trade tactical wins for strategic losses.

To build legitimacy, we need to achieve concrete results – for example, the delivery of basic services, operated by national authorities working closely with local communities.

The National Solidarity Program, which the Afghan government launched with the support of the World Bank, offers an attractive foundation on which to build. The National Solidarity Program has already reached 17 million Afghans in 22,000 communities in all 34 provinces. It uses small block grants to support community projects, selected by village-based, elected community development councils, to build infrastructure such as roads, irrigation works, water supply, electricity, and schools. The NSP’s projects have an economic rate of return close to 20 percent.

There is an opportunity to expand the NSP and build on its model of local self-governance: democratically elected development councils lead to more involvement and greater representation of the population at community level. By interconnecting and consolidating some local projects, a renewed NSP could foster integration within Afghanistan while expanding the network of public involvement.

Afghanistan's international supporters also will have to keep in mind the strategic objective of helping it to build a legitimate self-sustaining state. At present, two-thirds of aid to Afghanistan flows outside the government. This frustrates those trying to build the institutions of a legitimate Afghan government. With strong, effective ministerial leadership, there have been great advances in basic health, education, and telecommunications services. Now the government needs the help of its partners to focus on missed opportunities: lagging sectors such as agriculture, private sector development, infrastructure, and energy. At the same time, it needs to vigorously attack pervasive corruption.

Of course, the international partners have bypassed the government because of lack of confidence in its capacity, transparency, and commitment to achieve results. So increased reliance on the national budget would need to be combined with stronger public financial management, efforts against corruption, investment in human capacity, and a common understanding on results to be achieved.

With 62 different partners, such mutual accountability would require more and better donor coordination, and pooling of funds to support measurable national objectives; in return, the government would strengthen the leadership and effectiveness of key ministries.

These steps would give the Afghans “strategic space” to build for the longer term. The government will need time to build a larger army. It needs to overhaul its police force. It needs help building legal and judicial systems that can support the development of private enterprise.

Historically, Afghanistan has been a weak state whose internal politics have been manipulated by stronger neighbors. That picture is unlikely to change completely. But a complementary regional diplomatic effort – such as the earlier Bonn process – can draw out neighbors’ shared interest in fostering economic integration with an Afghanistan that threatens no other states’ security.

As part of this strategy, security and development must be integrated to substitute legitimate agriculture and business for the opium economy. As we have seen in Colombia and elsewhere, narco-regimes will gradually take over legitimate governments; they cannot co-exist. In Afghanistan, the opium business both finances the war within the fragile state and corrupts its legitimacy. The income from drugs is concentrated near the top of the pyramid – roughly 80 percent of their export value goes to less than 15,000 traffickers and traders, while the remaining 20 percent is spread over 350,000 farming families. This suggests targets for both law enforcement and rural development.

In Haiti, securing development is no less vital. Two hundred miles from our shores, Haiti's stability matters. Yet the record is disappointing. After two U.S. armed interventions in the last twenty years, five peacekeeping missions, and billions of dollars, Haiti nevertheless remains a country with some of the worst human development indicators in the world.

Haiti was the site of too many feel-good projects draped in national flags. Haiti's partners paid insufficient attention to governance, anti-corruption, and building legitimacy of the government. Too many sterile debates about which comes first – security or development. And compounding that record, a geography that has put Haiti in the eye of four successive natural disasters destroying some 15 percent of Haiti's GDP, further aggravating a year of catastrophe wrought by food and fuel crises.

Yet for all that, over the long-term *Haiti Fatigue* may prove far more devastating to the country's future than natural disaster. Under a democratically elected President, Haiti now has an opportunity to break the cycle of violence and under-development, but it requires doing development differently.

What would Securing Development mean for Haiti? Before it was hit by food and fuel crises and four natural disasters, Haiti's economy was beginning to show the first signs of a turn around. But the results hadn't yet reached critical mass or visibility.

Today, in addition to the monies needed for reconstruction, Haiti needs: additional investment in law and order – training of police, judges, prison reform; the creation of an enabling environment for private sector investment to build on the investment potential of the Haitian diaspora and the over \$1 billion in remittances that flow to Haiti each year; recapitalization of the textile industry to enable it to take advantage of the US HOPE II Act; and a much closer integration between peacekeepers and development teams in building roads, upgrading slums, and in the crucial areas of port and customs reform – to help capture the over \$200 million in customs and tax revenues that go uncollected every year.

This doesn't mean turning swords into plowshares – it does mean ensuring that swords and plowshares work together to harvest development, helping to build the legitimacy of the state and undermining spoilers.

President Preval has required senior government officials managing public resources to disclose their financial assets as a public check on corruption and conflict. The Haitian leadership now needs to go further by forging a national consensus to put aside partisan conflict in the Parliament and in the streets to support three or four development objectives that the country and its international partners can rally around over the next few years. To catalyze this Haitian political process, donors need to unite much more effectively.

To do so, donors must reduce the administrative burden they impose on the very weak Haitian state. The United States should agree to pool its resources with others through trust funds, so Haiti and its supporters can concentrate effort efficiently on building government effectiveness while achieving the baseline development goals. It certainly would help if donors – which are also the World Bank’s shareholders – would permit us to help more by authorizing exceptional funding support. With a national political consensus, backed by sufficient and coherent aid, Haiti could target the development level of Central America over the next decade.

Liberia offers a stark contrast to Haiti: A poster-child for post-conflict development. But Liberia, like Haiti, underscores the need for new approaches.

Front-loading resources to provide tangible benefits to an embattled populace is key. As President Johnson-Sirleaf told me: “A dollar today is worth more to us than \$50 in three years time.” But development business-as-usual too often calls for a strait-jacket of track-records, arrears clearance which takes too long, or for mathematical formulae for resource allocations that defy the political realities and opportunities on the ground.

There are ways to overcome these restrictions without throwing away good money, and the Liberia experience suggests how they might work.

Take just two: To fill an early sovereignty gap before democratic elections in 2007, the transitional government and donors agreed to co-signing authority by expatriate agents on vouchers, checks, and other government expenditure instruments to combat corruption and conflict over spoils. Another example was deployed to produce an immediate peace dividend: an innovative labor-intensive program was spearheaded by UN peacekeeping forces and partially financed by the World Bank to rehabilitate rural roads, increasing access to remote and insecure provinces while creating jobs on the back of a disarmament, demobilization, and reintegration program.

Both short-term measures, both designed to help bridge a gap from conflict to stability. Neither were the routine approaches of our development or security playbooks.

Twenty-five years ago, Liberia was a middle income country and the richest in West Africa; it exported rubber, timber and rice. Liberia can prosper again on the same sources of income – its rich natural resources – and its geographical position. But to rebuild a legitimate state and to heal a traumatized society, growth will have to be more broadly distributed, backed by a social contract that offers basic health, education, and water services to all.

The massive UNMIL force has kept troublemakers at bay, while the national army and police are being rebuilt. But with unemployment rates for young people at about 60 percent, insecurity still shadows Liberia. Liberia needs a combination of basic infrastructure, basic services delivered by communities, and new investment that creates jobs, including for small enterprises.

It will take money to rebuild roads, water, energy, and telecom systems – probably several billion dollars. But what is the price of another disintegration of Liberia? Funds could be used more effectively if the assistance to Liberia – currently about \$300 million a year – were contributed through a multi-donor trust fund connected to building government capacity and achieving results.

The Government has done much to improve the investment climate. But Liberia needs to get the port of Monrovia working again. The World Bank – including IFC, our private sector arm – would also like to innovate through public-private partnerships to assist with both basic utilities and building a network to assist small-scale farmers with access to inputs, finance, marketing channels, and appropriate technologies. But already attention to Liberia is waning. Its heroic President is feted, but what she really needs is more help. The new Administration could give Liberia a high priority, with a strategy of building regional integration in West Africa.

For Liberia, Afghanistan, and Haiti to succeed at the vital points where security, governance, and development intersect, all three will need more resources, more donor co-ordination through trust funds, and more high visibility results. If we are serious about helping these countries, donors must step up to this challenge. But so must their national leadership.

In Liberia, I traveled with President Johnson-Sirleaf to one of the town halls she holds throughout the country to explain the government's goals, introduce Ministers, take questions, and forge a sense of national endeavor. Whether it is building consensus in Liberia, taking on corruption in Haiti, or facing the risks of opium production in Afghanistan, strong and decisive national leadership matters. Even the best laid development plan will founder on the back of national indifference. Secure development requires national ownership. Outsiders can help, but they cannot substitute for local ownership and responsibility.

A final word: Development is a tough business in the best of circumstances. In fragile states it is not only that much harder, but presents a different type of challenge for which our traditional tool-kit is ill-equipped. Unfortunately, our primary institutional tools – both national and multilateral – talk about innovation while stifling it with bureaucratic governance. Risk is only accepted if ventures succeed.

Security development in fragile states will have the qualities of a venture fund; performance will vary. We shouldn't retreat from risk, but mitigate and manage risks to the full extent possible in the clear knowledge that some projects will fail, but that without innovative and flexible approaches none will succeed.

The stakes are very high.