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From "Aid Conditionality" to "Engaging Differently": How Development Policy Tries to Cope with Fragile States

As the 21st century gets underway, development policy finds itself faced with a number of new challenges. On the one hand, it has, in the Millennium Development Goals (MDGs), set itself a number of ambitious targets geared to improving the living condition of broad segments of the world population. On the other hand, the progress of a significant number of countries is blocked by the chronic failure – or even complete breakdown – of the state.

Which states can be labeled as "fragile"? *The Economist* has adopted a cautious approach, publishing a list of 20 "candidates for failure" in March 2005 based on World Bank data. It highlights the close correlation between state failure and conflict: 15 of these 20 countries have experienced armed conflict at some point since 1990. The UK's Department for International Development (DFID 2005) has produced a list of 46 "fragile" countries which scored poorly against key performance and development indicators and appeared in the World Bank Country Policy and Institutional Assessment (CPIA) ratings at least once between 1999 and 2003 (World Bank 2003a, 2003b).

A comparison of the socio-economic conditions in these fragile states with those of other poor countries reveals alarming disparities. Per capita income in fragile states amounts to just half that of those of the comparison group. Child mortality is twice as high and maternal mortality is actually three times greater than in other poor countries. Around one-third of the population is malnourished and a high proportion of the population suffers from malaria (DFID 2005: 9). De facto, the Millennium Development Goals (MDGs) are beyond the reach of these countries, yet these 46 countries are home to 870 million people, who make up 14% of the world's population (see Figure 1).

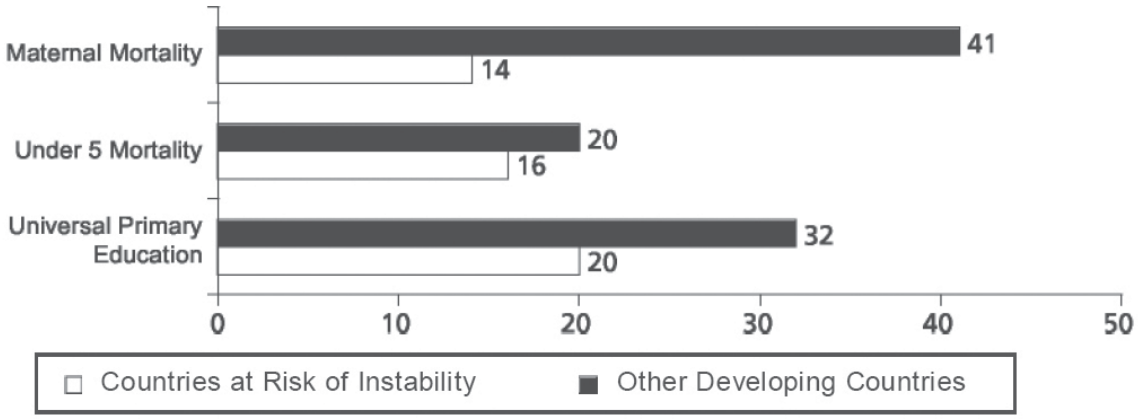

Figure 1: Likelihood of Meeting MDGs (Source: U.K. Prime Minister's Unit 2005)

Fragile statehood has, especially since the 9/11 terrorist attacks in the US, also come to be perceived as a threat to global peace and security. Various Western countries and international organisations have declared failed states to be serious threats to their security, well being, and strategic interests, even though the empirical evidence to support this argument is rather weak (Patrick 2006). However, from a local and regional perspective, state failure does represent a major security threat, both for the citizens of the failing state and for neighbouring countries.

In any case, the securitisation of state failure (Lambach 2006) has prompted a flurry of international activity to stabilise and consolidate fragile states. Development discourse had been energised by the agreement on the MDGs, and rocked by a debate about aid effectiveness. These various factors combined to channel development thinking into a new direction, forcing a re-evaluation of policies that had been largely ineffective in fragile states. This led to the realisation that the key to both socioeconomic success and the stabilisation of fragile states must be sought in efficient, transparent, participatory, and accountable governance structures. According to this view, the promotion of good governance not only means providing support for state institutions, but also involves support for nonstate institutions at the local, regional, national, and – increasingly – transnational level. Accordingly, this approach does not strive for "governance beyond the state" – as a rule, the *sine qua non* for viable development and transformation is state institutions that show at least signs of rudimentary or partial consolidation.

The present study analyses, from a conceptual perspective, development-related approaches to dealing with fragile states.. The first part of the paper starts out by defining what is meant by the term 'fragile states' and specifying where the central problems must be sought. In the second part it goes on to ask how, despite all adversity, external actors may still become (or remain) engaged. The third part analyses state-building as a revitalised development paradigm and sketches out an understanding of the state which differs from both conventional notions of the strong security state and the neoliberal concept of the minimal state. The fourth and final part presents the most important conclusions.

1. Fragile States – A Central Challenge for Development Policy

The state can, in the words of Baker and Ausink, be defined as "a political entity that has legal jurisdiction and physical control over a defined territory, the authority to make collective decisions for a permanent population, a monopoly on the legitimate use of force, and a government that interacts or has the capacity to interact in formal relations with other such entities" (1996: 4).

A properly functioning state will, in essence, fulfill six core functions (Debiel 2005): it will guarantee (1) collective and individual security (security governance); (2) legitimate political decision-making processes subject to horizontal and vertical checks and balances (political governance); (3) institutionalized conflict mediation and enforcement of the law (judicial governance); (4) law-bound implementation of legislative decisions and effective taxation (administrative governance); (5) distributive justice and the provision of basic social services (social governance), and (6) the basic infrastructural and legal conditions needed for the development of economic activities (economic governance).

Fragile states are countries that lack the capacity to produce sufficient amounts of these political goods, resulting in a dearth of security and basic social services for the population. Two types of countries should be differentiated depending on the performance of the state:

1. Countries that lack, to some degree, rule of law, protection from violence, and social infrastructure will be referred to as *unstable* states (also called *weak states* in the literature). While such countries have in large measure maintained a monopoly on the legitimate use of force, their political and administrative systems are hampered by structural deficits that render them ineffective and weak. Their judicial systems do not function properly, and large segments of the population lack sufficient access to them. While these states maintain some basic social services, provision is susceptible to disruption, and the economy is unable to develop due to an underdiversified structure of production and faulty or inadequate incentive systems. In most such countries, corruption is endemic and physical infrastructure remains underdeveloped. Examples of such *unstable states* would include Egypt, Guatemala, and Cambodia.

2. In cases where states have not established, or have lost their sovereignty over large parts of their territory, or in cases where countries are caught up in the vortex of state breakdown, we speak of *failing states*. Here the state is unable to adequately fulfill its basic functions in the areas of security, politics, administration, justice, social services, and the economy. Such conditions often encourage the development of cases of "parastatehood" or "parasovereignty"; that is, cases in which nonstate institutions or traditional, local leaders have assumed sovereign powers and/or the responsibility for providing core state services. The formal economy will – with the exception of states with abundant natural resources – be dwarfed by the informal or criminal economy. Examples of such countries in the grip of state failure would include the DR Congo, Zimbabwe, or Myanmar. Similar conditions are also encountered in *post-conflict* situations, where the main concern is to reconstruct state structures (although these cases will not be systematically considered in this paper – see Debiel/Terlinden 2005).

The term "fragile states" does *not* cover failed states whose public institutions have come close to total collapse and which are virtually unable to provide services. There, development policy usually takes a back seat to humanitarian aid. However, a country recovering from armed conflict or near-collapse will again fall under the category of "fragile states."

2. "Stay Engaged, but Differently", or: Changing Approaches to Dealing with "Difficult Partners"

In the 1990s donors were reluctant to engage politically and financially with unstable and failing states. There were good reasons for this: the chances for success of external engagement are, as numerous empirical studies have shown, low as long as recipient countries violate the principles of good governance or lack the capacities needed for a properly organised state. This is why, after the Cold War, development co-operation focused primarily on "good performers" that were moving in the direction of market-oriented democracy. Accordingly, fragile states used to receive less development aid than other LICs (UK Prime Minister's Strategy Unit 2005: 27), effectively making them "forgotten states" (Levin/Dollar 2005).

Recently, however, aid flows to fragile states seem to have increased. A study by the World Bank Independent Evaluation Group (2006) reported that bank lending to Low Income Countries Under Stress (LICUS) increased between 2003 and 2005, although certain post-conflict LICUS received a disproportionate share. Nevertheless, this confirms the observation that state-building and peace-building objectives have received a higher priority in development policy, displacing considerations about aid effectiveness. However, the report notes, these goals are still inadequately defined. So what can be done to stabilise fragile countries and counter the dangers that they represent? Experience gained in recent years has brought us closer to an answer. The key message is, "Stay engaged, but differently." As both the World Bank and the OECD Development Assistance Committee (DAC) have noted, 'ignoring' crisis countries is a policy fraught with risk (World Bank 2002, OECD/DAC 2001).

2.1 Co-operation with, versus Circumvention of, Partner Governments

Merely increasing aid is not the way to go, since development assistance can easily be used to support predatory regimes. Unfortunately, attaching conditionalities to aid payments – a more 'traditional' approach – has proven itself to be ineffective: "Extensive studies of IMF/World Bank policy and financial conditionality in structural adjustment programmes in the 1980s and 90s show that even extremely large economic incentives (up

to 50% of governmental budgets) were not able to change policies if the country's elite – or at least reforming elements within it – were not already aligned. The fact that conditionality was seen as overly coercive reduced the incentives' political legitimacy and produced a culture of 'gaming the agreements' which undermined their effectiveness." (UK Prime Minister's Strategy Unit 2005: 112-113)

When dealing with fragile states, development policy cannot any longer afford to cling to standardised models of intergovernmental co-operation. Structural adjustment, liberalisation, or privatisation programmes are bound to fail if a country's political-administrative system does not have a sufficient level of effectiveness. These measures only have a prospect of success when there is domestic demand for them and there are institutions in place that are in a position to define and implement bodies of rules.

This has led donors to develop guidelines for co-ordinating their development policy with partner governments. This approach, christened "alignment" by the OECD/DAC (2004), aims to match donor strategies, policies, and budget planning to the standards and procedures used by recipient governments. The intention is to promote "local ownership" and to support the effective implementation of measures provided. This can be undertaken on a structural level (*systems alignment*) or on the substantative level of the measures pursued (*policy alignment*).

At the same time, however, a lack of development-oriented strategies, widespread corruption, or repressive rule among recipient governments may make development co-operation with such governments a highly problematic proposition. Therefore, in addition to capacity (see 1.), we need to introduce political will as a further prerequisite of recipient countries (Moreno Torres/Anderson 2004: 18-19). Here we can distinguish countries whose governments are willing to pursue development-oriented policies from those where such a strategy is largely absent. Combining these two traits, we come up with four ideal-type cases (see Table 1).

Table 1: Donor Behaviour in Fragile States

	Political Will to Implement Development Strategies	**No Political Will**
Partly functioning institutions (unstable states)	(1) Systems and policy alignment; budget support a reasonable option (e.g. Georgia, Mongolia, Tanzania)	(2) Political conditionality of development assistance, systems alignment, sector programs only under strict conditions; concentration on change agents (e.g. Algeria, Azerbaijan, Cuba)
Breakdown of institutions (failing states) or: post-conflict reconstruction of institutions	(3) Priority on institution-building, "zero-generation reforms"; policy alignment sometimes preferable to systems alignment; avoidance of contentious reforms (e.g. Afghanistan, East Timor, Sierra Leone)	(4) Partnership-oriented development co-operation questionable, and so possibly better to bypass the state sector; project work; "shadow systems alignment" a feasible option (e.g. Haiti, Myanmar, Zimbabwe)

Sources: Compiled by the authors, in part borrowing from OECD/DAC 2004: paras. 9-12 and DFID 2005: 8 (which apply similar criteria).

(1) If a state's institutions are still functioning reasonably well (unstable states), and if its government exhibits the political will to implement development strategies, donors should focus largely on existing structures and closely co-ordinate their policy priorities with the recipient government (systems and policy alignment). Budget support may make good sense in this framework; project work should largely be integrated within sector programmes, so that the results do not simply 'fall flat', but gain an effect over a large area. The countries in this group have the best prospects of moving from fragile to partially consolidated statehood in the near future.

(2) If governments in unstable states are unwilling to undergo further development, the priorities of donors and recipients will likely differ. In such cases, systems alignment alone is to be recommended. Budget support should be avoided, since the dangers of misuse are too high; sector programmes are possible under strict conditions and monitoring mechanisms.

Additionally, emphasis on the promotion of "change agents" (see 2.2) seems to be worthwhile.

(3) This group is made up of countries whose institutions have largely disintegrated while their governments have nevertheless embarked on a reform programme. In these countries, donors should provide proactive support for efforts to (re-)build state institutions, closely co-ordinating their policies with partner governments. *Policy alignment* sometimes has better prospects of success than systems alignment in that the task at hand will be to reconstruct or reform institutional structures. The donor-side policy agenda should be reduced as far as possible to a limited number of core measures that are actually feasible and verifiable and can present visible successes to the population ("quick impact"). For this approach the World Bank has coined the term "zero-generation reforms" (World Bank 2002). Reform should start out by skirting contentious issues so as not to provoke the resistance of "veto players" or "spoilers" (Stedman 1997) at the very start of a process of reconstruction or transformation.

(4) The most problematic cases are those countries which suffer from institutional breakdown and whose governments do not follow development strategies. In some cases – e.g. Myanmar or Zimbabwe – development co-operation may be questionable. One possibility for action consists of halting financial co-operation, concentrating instead on technical co-operation, which is designed to improve the skills and capacities of individuals and organisations and which can be misused less easily. If, however, donors, having conducted a detailed cost-benefit calculation, decide to stay engaged to some extent or other, co-operation with structures beyond the state may often prove necessary. Project-oriented measures are the vehicle of choice here; humanitarian aid will also be often needed. What is referred to as *"shadow" systems alignment* can be a promising way of avoiding the institutionalisation of parallel structures of service delivery. This is, in effect, an attempt to bring development co-operation measures, at least over the medium- to long-term, which are closer to alignment with a given country's institutional system – e.g. by designing support measures in such a way as to gear them to existing budget classifications, planning cycles, reporting and accounting procedures, or to established administrative units (OECD/DAC 2004). This approach may prove effective at a later stage when qualified non-state or sub-state personnel transfer to the government sector.

2.2 Strengthening "Change Agents"

It is precisely in situations where a given government lacks both the will to reform and sufficient political legitimacy that it is important to decide whether and in what form it may make sense to support "change agents." The World Bank and the OECD/DAC have been arguing, with increasing frankness, for a policy of directly addressing representatives of civil society and reform-minded forces in government (e.g. technocrats who are open to change). An important role may also be played by scientists and scholars with a certain measure of independence (OECD/DAC 2001: nos. 21, 22). Frequently, external actors will speak up clearly for freedom of information and other civil rights, supporting parliamentarians, independent judges, journalists, union representatives, and professional associations in their efforts to limit abuses of state power. The work of political foundations and academic exchange programmes can also contribute to supporting such reform-oriented forces.

However, support of "change agents" is ambivalent, since it may not serve to overcome cleavages, but, rather, to deepen them. For instance, in predominately Islamic societies, religious-fundamentalist forces are often arrayed against secular forces. If external actors press for rapid modernisation and concentrate on a narrow urban elite, they might exacerbate intra-societal conflict, destroy valuable "social capital" (Putnam 1993) and alienate rural segments of the population. In supporting democratic and civil society forces, donors are thus challenged to ensure that these actors are capable of bridging ideological and social divides (OECD/DAC 2003: 14).

2.3 Flanking Support in "Turnaround Situations"

Research on political transformation highlights the importance of windows of opportunity, i.e. time slots during which external actors can have a particular impact. During so-called "turnaround situations" a change of political power may offer new elites a once-off opportunity to set profound reform processes in motion (Haggard/Kaufmann 1995). In such a context, "the interests associated with the old regime [may be] discredited and disorganized, thus providing an opportunity for reform that would not otherwise be there. In the longer run, however, the opportunity structure closes, as reformers must appeal to a broader spectrum of potential beneficiaries" (Hyden et. al. 2003: 12).

Under such conditions, external efforts can encompass policies like lifting trade barriers, debt relief, aid commitment, supporting constitutional reform, as well as selected co-operative projects (anti-corruption efforts, freedom of the media, the judiciary, parliament). However, times of substantive change are fraught with risk. In critical situations – e.g. situations involving calls for release of opposition leaders or for fair and free elections – nothing less than a country's future may be at stake. Problems are quite likely to emerge when a power struggle is resolved in a confrontational manner and when competition among elites is asymmetrical (Merkel et al. 2003: 229, Table 21). In these situations, external actors may exert constructive influence by providing mediation forums, promoting conflict-resolution mechanisms in the country concerned, and working actively for a reconciliation of interests. Furthermore, advisory services can be offered to support the elaboration of new political rules anchored in a new or revised constitution. In this connection donors should throw their weight behind efforts conceived to ensure that political competition is structured as symmetrically as possible, i.e. to prevent one side from playing the dominant role. In other words, external actors should support the *process* of reconciliation, not particular *actors*, lest they be perceived as partial.

3. State-building as a Revitalised Development Paradigm

Step by step, the "engaging differently" paradigm has supplanted the "political conditionality" approach and its underlying assumptions of exporting good governance standards to crisis regions. This entailed a partial re-orientation of the goals of development aid, which led to a revitalisation and an updating of the concept of state-building.

For a long time, state-building was understood as an historic process of state formation in specific forms of political organisation exemplified by the European 'model' that started in late medieval times and replaced empires and kingdoms (Tilly 1975). With the decolonisation of the 1950s and 1960s, modernisation theory (e.g. Deutsch 1966) assumed that post-colonial countries would undergo a similar process of state- and nation-building (Smith 1986). This analogy, however, soon proved wrong – the majority of states simply didn't catch up with the industrialised world.

The state-building approach has been revitalised in recent years in light of experiences with state failure and wars in Somalia, Rwanda, Cambodia, Bosnia, Afghanistan and many other cases – in particular in post-conflict countries. The major contrast with former concepts is the role that external actors are supposed to play. Among development-oriented discussion of state-building, we can differentiate three major approaches: the dominant, technocratic equation of state-building with building governmental institutions, the broad concept of nation-building, and, in between the two, a concept of "embedded state-building" that focuses on institution-building, but explicitly takes into account how state institutions are embedded in social contexts (see Figure 2).

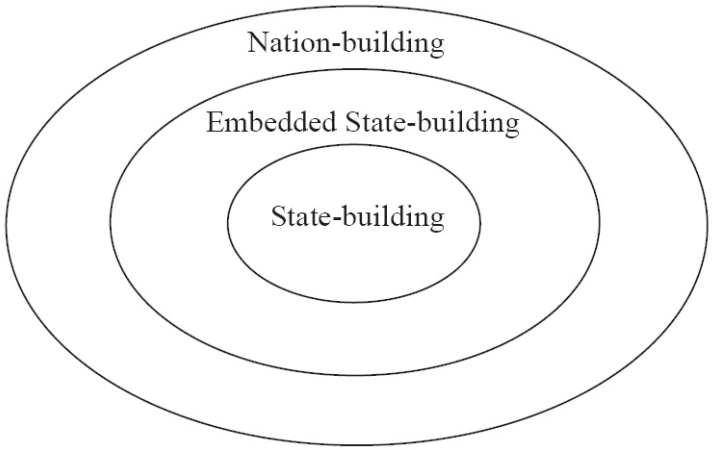

Figure 2: Three Concepts of State- and Nation-building (Source: © Tobias Debiel / Daniel Lambach)

3.1 Different Approaches to State- and Nation-building

State-building as social engineering: Fukuyama understands state-building as creating new, and strengthening existing, governmental institutions (2004: 7). This activist understanding (in contrast to the historical process outlined above) tries to speed up state-building through deliberate institutional design: "The model chosen by the international community is a shortcut to the Weberian state, an attempt to develop such an entity quickly and without the long, conflictual and often brutal evolution that historically underlies the formation of states" (Ottaway 2002: 1004).

Due to its roots in modernisation theory, this approach is very optimistic about the changes development policy is able to effect in developing countries. As a result, it promises quick results, and discounts the importance of informal institutions and of cultural and ideational factors. It also considers its prescriptions basically apolitical, i.e. it advocates technocratic reforms and does not foresee conflict regarding their implementation.

Nation-building: Tied to the concept of state-building, the notion of nation-building is more sensitive to these shortcomings, yet it presents an even more ambitious policy agenda, since its goal is not just to construct a functioning state apparatus, but a well-ordered *nation*-state. As a result, in addition to institutional reform, it calls for the national integration of society and the creation of a shared identity (Hippler 2005). Proponents of nation-building accept that the latter two goals are very hard to achieve for external actors and instead advocate that such actors identify and nurture internal processes of nation-building.

State-building and nation-building are frequently used interchangeably (Rondinelli/Montgomery 2005), particulary in the US debate, where nation-building represents a catch-all concept for post-conflict reconstruction (Fukuyama 2004: 140-141, Talentino 2002). It is important, however, to separate the two analytically.

Embedded state-building: We advocate an extended understanding of state-building that is situated between the technocratic agenda of state-building and the overly ambitious project of nation-building. Our notion of state-building focuses on the role of political institutions and the way they are embedded in society.

In his case studies on democracy in the Philippines or on the politics of HIV/AIDS in Uganda, Putzel (1999, 2004) implicitly develops a model of internal state-building that is embedded in and informed by societal dynamics. Putzel puts forward the argument that an incongruence between democratic, formal and informal institutions is a major impediment to processes of democratisation. Societal groups, Putzel argues with reference to Putnam (1993), have different effects on democracy: while some organizational forms (such as patronage, clan and language groups) weaken democratisation, voluntary organizations have a positive effect.

This approach still focuses on building up the institutional capacity of the state. However, it also emphasises that reforms to that effect have to be aligned with local structures and resonate with local interests. External actors can still provide financial aid and technical assistance in many areas of state-building, but we do not adopt the expansive catalogue of measures from the good governance agenda, which covers all the bases from the protection of human rights, norms of accountability, and gender equity to consensus-based democracy, poverty reduction and pro-poor growth (Klemp/Poeschke 2005). Instead, this concept is informed by the view that sustainable state-building can only take place when external and domestic interests are aligned – it is simply impossible to 'impose' Western state structures on a resisting society.

This also means that while this approach acknowledges the important role of identity in conflict resolution and political integration, it is less certain that processes of identity-formation (nation-building) can be constructively aided by external actors. Instead of nation-building, we focus on fostering social cohesion and (re-)building social capital. Development policy tends to underestimate the importance of this issue, focussing on goals that can more easily be defined and achieved, e.g. the reconstruction of the infrastructure (Fukuyama 2004). While the importance of visible 'quick results' should not be discounted, social cohesion does not get the attention that it deserves. (Re-)Building social capital is arguably one of the most important goals in fragile states, and one of the most difficult to achieve (Colletta/Cullen 2000).

3.2 Embedded and Effective Statehood – Orientations beyond the Minimal State and the Leviathan

This does not answer the eternal question 'how much' state is necessary for development and peace. In the 1980s, 'the State' was much vilified as bureaucratically bloated and as an impediment to development. Accordingly, structural adjustment programs sought to shrink the state apparatus, liberalise the economy and privatise state-owned enterprises. This approach indeed led to a shrinking of inefficient bureaucracies, but it also failed to recognise the state's essential operational and regulatory functions. This ideological bias triggered structural adjustment to indiscriminately target the state apparatus. Instead of selectively pruning bureaucratic excesses and ta-

king steps to strengthen core action capacities, the final outcome was often the reduction of core state functions, a process that ran counter to development interests (see Fukuyama 2004).

As a result, development policy gradually rediscovered the importance of the state (World Bank 1997). Today, conventional wisdom can be expressed in the following axioms: (a) state institutions must be effective, but without overplaying their hand by assuming functions beyond their reach, and (b) the integrity, effectiveness, and legitimacy of state institutions must be anchored locally and should never simply be imposed by means of top-down approaches.

In bringing about effective statehood the concern is neither to trim publicly perceived functions with a view to creating a 'minimal state' or to create an all too powerful state that bullies its citizens and chokes off the governance capacities of economy and society. The concern must instead be to find the right balance between an effective state sector and a society capable of controlling the state and articulating its own interests. This in turn means that the state needs a certain measure of autonomy to realise, in given cases, coherent strategies against the resistance of particularist interests in society. At the same time, civil society needs a level of self-organisation sufficient to enable it to monitor and exert pressure on politics and administration.

In considering which state functions should be supported and which reduced, the terms "scope" and "strength" provide a useful differentiation (Fukuyama 2004: 6-14). The term 'strength' designates, in this connection, the state's ability to plan and implement policies and legislation in a transparent fashion. 'Scope', on the other hand, denotes the reach of state activities, the functions and goals for which a government sees itself responsible. The latter can be hierarchised in a certain form. If, e.g., state structures are disintegrated, or state institutions are in no more than a rudimentary state, initial efforts will focus on minimum functions, i.e. provision of public goods like security and order or guarantees for property rights, but also protection of vulnerable population groups. If a state is able to fulfill its basic functions in a halfway reliable manner (unstable statehood), the government will be able to concentrate on regulatory functions (e.g. environmental and competition policy) and the development of social infrastructure (education, health) and human security (freedom from pervasive and imminent threats to the physical and psychological integrity of the person). It is only at a third stage, when

state structures have been stabilised and consolidated, that the state will be able to play a meaningful, proactive role, e.g. in the sense of industrial policy or welfare-oriented redistribution policy (see Table 1).

Table 1: The Scope of State Functions

Minimal functions	Providing pure public goods: - defence, AM law and order - property rights - macroeconomic management - public health Improving equity: - protecting the poor	In particular relevant for: "failing states"/"recovering states"
Intermediate functions	Addressing externalities: - education - environment Regulating monopoly Overcoming imperfect education Insurance, financial regulation Social insurance	In particular relevant for "unstable states"
Activist functions	Industrial policy Wealth redistribution	In particular relevant for: 'take-off' and consolidated states*

* Not covered by the present study.
Source: Fukuyama (2004: 9, Figure 2); based in part on World Bank 1997; column 3 added by the authors.

4. Conclusion

In the 1990s donors were reluctant to engage politically and financially under the difficult conditions of state breakdown and failure. The chances for success of external engagement were, as numerous empirical studies had shown, low as long as recipient countries violated the principles of good governance or lacked the capacities needed for a properly organised state. This is why, after the Cold War, development co-operation focused primarily on 'good performers' that were moving in the direction of market-oriented democracy. However, international donors in recent years have more

and more realised that it is neither feasible nor desirable to disengage fully from crisis countries. Taking into account the great heterogeneity of development paths, development co-operation no longer has the option of clinging to standardised models of intergovernmental co-operation. Empirical evidence shows that approaches that push for, or indeed force, reforms by imposing political or economic conditionalities have largely failed. Structural adjustment, liberalisation, or privatisation programmes did not work in countries whose political-administrative systems had not already reached a certain level of effectiveness. Political conditionality brought about positive results only when strong social groups in a recipient country called for such measures.

To "engage differently", international donors are re-orienting their policies towards two available and relevant reference points: the effectiveness of state institutions and the political will of the government. Particular attention is given to the the extent to which the support of "change agents" is an effective tool. The World Bank and the OECD/DAC, among others, have been arguing for a policy of directly addressing representatives of civil society, reform-minded forces in government (e.g. technocrats who are open to change) and even the diaspora. Support for such groups can indeed trigger a process of transformation, in particular in post-conflict situations. At the same time, however, it is also a risky undertaking and can easily further exacerbate the alienation between Western-oriented population segments and the rest of the population and may undermine a genuine process of nation-building.

The traps and challenges that state fragility poses to development policies have led to the re-emergence of the state-building paradigm. Although it is too early to say 'goodbye to good governance', a shift in focus is becoming evident. This new development is not without problems. First of all, there are competing understandings of a ‚functioning state' and associated priorities in the process of state-building within the donor community which might send mixed signals to local actors and place an unmanageable burden on their shoulders. Secondly, state-building approaches may imply substantial interference or even intervention by outside actors into the societal and political affairs of 'partner countries'. Donors might be tempted to impose their models – and undermine the ‚ownership rhetoric' that shapes most of the relevant documents. State-building will thus only suc-

ceed if it is based on a sound understanding of societal dynamics of state formation and a reflective assessment of the limits of external contributions in this regard. Neither technocratic models of state-building nor broad 'all-inclusive' approaches – that equate state-building with an OECD model of good governance – will be able to capture the complex realities at work in crisis regions. Instead, a new paradigm is required that follows the model of an embedded and effective state and sees the role of external actors not so much in 'stage-managing' processes of state-building, but rather in facilitating and supporting indigenous processes as long as they meet certain normative minimum criteria.

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Abstracts

The article outlines recent changes in the development policy approach towards fragile states. Central to this new approach is a greater sensitivity towards the conditions in the partner country and a greater focus on change agents and turnaround situations. This approach has revitalised the concept of state-building. The article claims that the current understanding of the term is too narrow and offers an outline of the concept of 'embedded state-building' which recognises the societal context of political reform. This approach offers the greatest possibility of success in 'difficult environments'.

Der Artikel befasst sich mit Veränderungen in der Entwicklungszusammenarbeit mit fragilen Staaten. Charakteristisch für die neue Herangehensweise ist eine bessere Berücksichtigung lokaler Bedingungen sowie einer besseren Einbeziehung von Reformkräften. Diese Neuausrichtung hat

zu einer Wiederbelebung des Staatsbildungskonzepts geführt. Die bisherige Interpretation dieser Strategie ist jedoch zu eng, so dass sich der Artikel für eine Strategie des „*embedded state-building*", also für eine gesellschaftliche Einbettung politischer Reformen, ausspricht. Dieses Vorgehen verspricht größere Erfolgschancen für die Zusammenarbeit mit instabilen Partnerländern.

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