Think global, act global:
Confronting global factors that influence conflict and fragility

OECD

Note to the reader

This paper reflects a study sponsored by the OECD DAC's International Network on Conflict and Fragility (INCAF) on global factors influencing the risk of conflict and fragility.

Its aim is to stimulate reflection and discussion during a consultation period from September to the end of 2012 with a broad range of stakeholders, such as OECD members, the UN system, the international financial institutions, the European Union and the International Dialogue on Peacebuilding and Statebuilding.

The aim of this consultation period is to identify and agree a few promising initiatives for strategic international action that can confront some of these global factors. The entry points proposed in Section 5 offer starting points for discussion. They are all in need of greater detail and better linkage with existing initiatives. We invite key stakeholders to engage on these issues.

A final version of this paper will be published early 2013, reflecting inputs, debates and corrections.

Executive summary

The process of globalisation has brought innumerable improvements and opportunities. It has not, however, made the world a more stable or equitable place. Increased interdependencies ensure that local events and shocks – whether political, economic or social – can reverberate and multiply rapidly at a global level, and influence local events elsewhere. Examples include the social impact of burning copies of the *Koran* in Afghanistan on Islamist movements in the Middle East and the Sahel region; and food riots caused by commodity price spikes that result from rapid changes in global demand and supply. However, shocks are only one face of the volatility of a globalised world; another face is the more structural factors that work their effects more gradually. While the autocratic regimes in Tunisia, Libya and Egypt may have been relegated to history with astonishing speed, the powerful technological platforms that supported those popular uprisings, and fed citizens' awareness of alternative governance models and economic malaise, were all influenced by long-term external as well as domestic factors. Moreover, globalisation allows both licit and illicit activities to flourish. For example, the vast expansion of the global marketplace for illicit goods and services hangs on the coat-tails of its legal counterpart, and offers easy access to resources such as ideas, funds, weapons, services, recruits, and even loyalty.

There is no doubt that many areas of life in developed, developing and fragile states alike have been subject to profound and rapid change triggered by globalisation over the last few decades. However, fragile states are particularly vulnerable to the dynamics and risks involved in the process of globalisation because of their generally weak governance systems and/or low capacity. Their limited resilience and abilities to engage productively mean that fragile states can become both "risk dumps" and multipliers of the more pernicious factors associated with globalisation. Today, about 20% of UN member states (around 40 countries) are estimated to be fragile (depending on the fragility index involved). These are home to approximately 1.5 billion people. They are unlikely to achieve most of the Millennium Development Goals and experience a significant slice of today's organised violence.

This paper analyses eight "global factors" that influence conflict and fragility. Global factors are defined as licit and/or illicit processes operating at the international, regional or cross-border level that influence a state's risk of fragility and conflict. These factors were identified on the basis of expert interviews, a brief literature review and the experience of members of the OECD DAC's International Network on Conflict and Fragility (INCAF). Each factor has been analysed in a separately-published thematic research paper; this synthesis report brings together the main findings, grouped into three broad categories:

1) Growth and wealth
2) Meaning and movement
3) Violence and security

This report generates new insights on the interrelations and overlaps between these factors, and makes recommendations for practical international action that can help address the influence of these international factors more effectively and coherently.

Key findings: growth and wealth

Sustained economic growth is an essential ingredient for any country to escape fragility permanently. Yet if this growth is uneven it can create or exacerbate divisions in society, and economic reforms create losers as well as winners. Three global economic aspects particularly affect fragile states:

Global factor 1. **Economic liberalisation policies and measures**, which have a high likelihood of introducing significant uncertainties, increasing inequality and financial/fiscal risks. In fragile states, liberalisation measures must be introduced carefully, and gradually based on independent risk assessment. Such independent assessment, however, is often unavailable. External assistance should focus on establishing the right liberalisation conditions for fragile states to mitigate these risks. This includes developing capacities for economic, statistical and fiscal analysis and good governance through institution building.

Global factor 2. **International barriers to exports:** barriers to exports from fragile states often go beyond simple tariffs to include complex due diligence and rules of origin requirements. Key external barriers to agricultural exports involve developed country restrictions on imports of certain products, the costly diversity of preferential trade agreements and non-tariff barriers such as phytosanitary rules. In addition, important domestic obstacles reduce a fragile state's ability to increase higher value-added exports, including the inability to address market failures in the form of information externalities and co-ordination problems. As a result, many fragile states continue to export low-value goods that generate little growth or jobs.

Global factor 3. **The effect of aid on post-conflict growth:** whilst post-conflict economies grow at an additional 1% above the expected average, this growth starts slowly and only occurs if there is no continuation of low-level violence. Aid can have a moderate effect on post-conflict growth, contributing to between 0.05 and 0.1% extra growth for every extra 1% of aid when measured as a percentage of GDP. However, aid must be balanced with increases in other sources of revenue to avoid dependency. Support levels could be capped over time in post-conflict environments, *e.g.* at 50% of domestic tax revenue.

Key findings: meaning and movement

Events and ideas work their influence across the globe rapidly and profoundly. They allow people to broaden their intellectual horizons and opportunities in ways that were unimaginable just a generation ago. However, they can just as easily spread intolerance, violence and marginalisation. Similarly, easy of travel, transport and modern communication technologies allow us to learn immeasurably more about what is going on elsewhere in the world than ever before and to co-operate in new and progressive ways. However, these technologies also allow illegal actors to operate in ever more complex ways and facilitate the spread of pernicious ideas. Two issues explored here are indicative of some of these wider trends:

Global factor 4. **The spread of radical Islam in parts of the Sahel region:** this is occurring through a top-down approach targeting political institutions and governing structures; a bottom-up approach targeting the educational system and civil society; and the advent of more sophisticated forms of communications technology. It has encouraged the formation of groups

which act violently against the state, delegitimising state institutions and local cultural and religious practices. This has fuelled a mostly anti-system, grassroots "exit" phenomenon.

Global factor 5.   Migration from fragile states to fragile states: fragile states contribute 18 million migrants and 8 million refugees in 2000. More than 20% of these migrants and more than half of the refugees settle in other fragile states. Thus, migration is likely to be both a consequence and a possible cause of conflict and fragility. Migration from fragile states in search of higher incomes and greater wellbeing is an important development strategy that should be supported. While popular attitudes towards migration are currently negative in most rich countries, with political will and careful regulatory control it may be possible to open space for supporting migration as a development strategy.

Key findings: violence and security

Violence and insecurity can be both a symptom and a cause of conflict and fragility. Policymakers must focus not only on the violent symptoms of conflict but also on the underlying factors that drive violence. Globalisation has made it easier to mobilise violence, which has in turn affected the nature and methods of those that "trade" in violence or use violence to achieve their aims. Three specific aspects stand at the heart of this trade in violence and its impact on conflict and fragility:

Global factor 6.   Transnational organised crime (TOC): this piggy-backs on the process of globalisation to connect global supply and demand for illicit goods and services. Fragile states are attractive to TOC as transit points due to their institutional fragmentation and opportunities to exploit social and economic inequalities with little prospect of any legal or social backlash. High levels of poverty, patchy oversight and poor inter-agency co-ordination make it easy to secure official complicity through *e.g.* selective bribery and corruption. Once established, TOC can undermine the capacity of fragile states to provide public goods, compromise their legitimacy and provoke more conflict.

Global factor 7.   The international market in military goods and security services: this offers access to the arms, expertise and capacity that can enable states to provide security for their citizens and render peace support operations more effective. However, goods and services accessed via those markets can also be used by irresponsible actors to increase the risk of conflict and fragility. International and national policy and regulation has not kept pace with developments in these markets. The ease with which security "services" can be purchased on a commercial basis is of particular concern. More effective controls are required at source, destination and in transit areas. Developing and enforcing legal controls seems necessary to avoid, for example, reinforcing unequal access to security, and ultimately, justice, but poses significant capacity challenges for fragile states.

Global factor 8.   International engagement with non-state armed groups (NSAGs): This has been rather simplistic and confused: the war on terror has ensured that NSAGs are frequently labeled as terrorist groups. However, NSAGs often provide for needs that the state does not or cannot (e.g. the little security available in fragile states). International actors need to be more balanced in their assessment of the different types, roles and levels of legitimacy of NSAGs, improve their ability to navigate the contradictory policy environment they have created and develop more standardised ways of working with NSAGs.

Eight global factors: Four areas of convergence

The eight global factors feature dense webs of interdependencies and interconnections among them. Four areas of convergence have been identified in which they converge. These areas offer valuable lenses through which current strategy, policy and programming should be considered.

1. **The difficulty of growing out of fragility:** Growing out of fragility in a globalised economy is a difficult business. Global factors introduce significant constraints on the abilities of fragile states to do so. Liberalisation strategies and measures can raise more risks than opportunities if the right preconditions, capacity and sequencing are not in place. A reduction in the levels and likelihood of violence is also important for economic growth, especially in the post-conflict period. This, however, demands less confrontational approaches to transnational organised crime and non-state armed groups, and better management of the global market for security goods and services.

2. **The influence of complex multipurpose networks:** Licit and illicit networks (*e.g.* criminal, revolutionary and terrorist) are ubiquitous in fragile states, as elsewhere. However, networks in such states more easily compete, overthrow or co-operate with the state. The nature and purpose of networks and states are critical to assess whether such strategies have positive or negative effects on conflict and fragility. Networks typically meet demands that the state does not, show a high degree of resilience and are enabled by the increasing mobility of ideas, people and technology. They also easily fuse with public and private actors and organisations where governance and oversight are weak. As networks in fragile states are rarely accountable or transparent, these characteristics create a high risk of abuse of public authority and a focus on private rather than public interests. However, networks are a fact of life in fragile states and international actors will inevitably engage with networks that straddle the licit/illicit divide as part of any support to a process of negotiated statebuilding. The implications for international engagement are relatively clear. The strategic long-term focus needs to be on increasing state capacity, improving governance and accountability, better education and increasing the availability of legitimate employment. What is critically needed now, however, are feasible options for international engagement that either focus on short-term containment, on engagement, or both.

3. **Failing regulation:** The international system sets great store by regulation. Addressing some of the aspects of the "dark side of globalisation" – such as transnational organised crime and illicit markets in military goods and services – relies heavily on a combination of classic international and national regulation. However, regulation is difficult to enforce because fragile states often have neither the capacity or will to regulate; much existing regulation is incomplete or contradictory, and powerful states are not in a hurry to harmonise it; and regulation does not focus comprehensively enough on complex global supply chains. There needs to be a better understanding that regulation is not just a matter of command and control; better harmonisation and streamlining of regulation; and "double regulation" of the activities in fragile states by international enterprises, NGOs and so on. This means these actors will be regulated by the fragile state itself and by their own state and international laws. However, this raises challenges around sovereignty, practicalities and political will on both sides.

4. **The power of ideas and legitimacy:** Powerful external ideas have a strong influence on developments in fragile states. Where states and their societies lack the skills to debate and evaluate ideas in a free and well-informed manner, there is a greater risk that powerful ideas will erode state legitimacy and undermine the traditional norms and values that unify diverse societies. Key constraints include access and capacity restrictions in the marketplace for ideas, the important role of "bottom-up" ideas that spread through less formal channels, and the instrumentalisation of external ideas by elites or non-state armed groups. These can be addressed, for example, through better education and by creating the spaces and climate for ideas to be contested.

Nine entry points for confronting global factors

The paper proposes nine concrete entry points where the international community (including the G20, IFIs, UN system, OECD and International Dialogue) can confront some of the negative global influences on conflict and fragility. These entry points are summarised in Table 1 and described in more detail in Section 5. They provide a starting point to discuss, identify and agree a few promising initiatives for strategic international action that can confront some of these global factors. They are all in need of greater detail and better linkage with existing initiatives. The engagement of key stakeholders on these issues will be critical, and fragile and conflict-affected states are naturally key stakeholders in respect of all entry points.

Table 1. Nine global initiatives for action to confront global factors

Entry point	Objective	Possible lead	Key stakeholders
1: Build a coalition to re-focus and globalise the current approach to drugs	Identify feasible, alternative approaches to drug supply, transit and demand that are focused on public health, harm reduction and development, and advance the international debate	Organization of American States and the Global Commision on Drug Policy	Global Partnership for Effective Development Co-operation, UNODC, ECOWAS
2: Agree a binding international regulatory framework for the security services industry	Develop a binding framework to regulate the operations of private security companies in fragile and conflict-affected states on the basis of a solid cost-benefit analysis	OECD members (Switzerland, US, UK), UN SC	Civil society, AU, ECOWAS, OECD
3: Launch a global migration initiative to stimulate development	Develop a global pilot scheme for targeted and controlled migration from fragile states to developed countries to build skills and knowledge for development	International Organisation for Migration	EU, OECD
4: Strengthen initiatives to stimulate profitable, public-private partnerships for development	Identify mechanisms to increase seed funding, investment and risk coverage for public-private partnerships in fragile states that take account of their particularities	IFC, World Bank and UN Global Compact	Private foundations, OECD
5: Create an international capacity for independent economic risk assessment	Enable fragile states to request/ conduct integrated assessments of the effects of liberalisation measures and privatisation programmes on their economies	G20	IFIs, OECD
6: Prioritise activities that increase GDP in fragile states in peace- and statebuilding strategies	Ensure that international priorities and existing funds increase support to GDP enhancing functions in fragile states	IFIs, International Dialogue	UN PBSO and UN DP, OECD
7: Support innovative governance partnerships via peace- and statebuilding strategies	Develop operating methods, capacity and risk analysis tools to support hybrid forms of governance	UN PBSO, UN DP, International Dialogue	OECD DAC, civil society
Entry point 8: Create a global match-making facility to support long-term partnerships for higher education	Couple the knowledge and funding needs of fragile states with institutions for higher education that wish to establish international partnerships, and donors	Global Partnerships for Education and Effective Development Co-operation	UNICEF, OECD, British Council, Upeace
9: Ensure international post-conflict interventions build mechanisms and capacity for data capture and analysis from day one	Develop a standard method to establish data baselines and databases in post-conflict environments to enable better interventions and policymaking	UN SC and UN Statistical Division	International Dialogue, OECD DAC

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Acronyms and abbreviations

AGOA	African Growth and Opportunity Act
BCPR	Bureau for Crisis Prevention and Recovery (part of UNDP)
CNDD-FDD	National Council for the Defense of Democracy – Forces for the Defense of Democracy
DAC	Development Assistance Committee
DRC	Democratic Republic of the Congo
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EU	European Union
FCAS	Fragile and conflict-affected states
FDI	Foreign direct investment
GDP	Gross domestic product
INCAF	International Network on Conflict and Fragility
IFIs	International Financial Institutions
IPI	International Peace Institute
IOM	International Organisation for Migration
LDC	Least developed countries
LTTE	Liberation Tigers of Tamil Eelam
NSAG	Non-state armed group
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
PBF	Peacebuilding Fund
PBSO	Peace Building Support Office
PRSP	Poverty reduction strategy paper
PSC	Private security company
PSG	Peacebuilding and statebuilding goals
RUF	Revolutionary United Front
SPLM	Sudanese People's Liberation Movement
TOC	Transnational organised crime
UAE	United Arab Emirates
UN DESA	United Nations Department of Economic and Social Affairs
UN DPA	United Nations Department of Political Affairs
UNDP	United Nations Development Program
UN HCR	United Nations High Commissioner for Refugees
UN ODC	United Nations Office on Drugs and Crime
UN SC	United Nations Security Council
WTO	World Trade Organization

1.   Introduction

The intensity, depth and pace of global change over the last two to three decades have put the world into a spin to which it is still adjusting. Globalisation has become a byword for modernity. In its broadest sense globalisation refers to the acceleration of political, social and economic change brought about by greater international interdependencies and access to goods, services, markets, people and ideas.[1] These interdependencies have primarily been enabled by the reduction of space and time as critical barriers to interaction through the falling cost and increased ease of transportation and communication. Aided by factors such as technological advances, global trade, economic integration and the temporary dominance of liberal, democratic and free market ideas and principles, globalisation has arguably even become self-sustaining. More narrowly, globalisation refers to the integration of economic activities via international markets (Wolf, 2005). Strong normative notions of liberalism, and even modern imperialism, are often argued to underpin the concept (*e.g.* Klein, 1999; Wolf, 2005; Heine and Thakur, 2011). Much has also been made of the "dark side of globalisation" (*e.g.* Heine and Thakur, 2011), as increasing interdependencies and access to global markets facilitate both licit and illicit activities.

Many areas of life have been subject to profound and rapid globalisation-induced change over the last decades in fragile, developing and developed states alike.[2] However, as fragile states are particularly vulnerable to external influences and tend to be under the international spotlight for their associated violence, poverty, corruption and inequality, they are subject of this paper (Box 1.1). The paper specifically focuses on how fragile states have been influenced by globalisation-induced change. Four general characteristics are especially relevant for conflict and fragility:

1) The costs and benefits of globalisation occur differently for different states, groups and people at different points in time. History, natural endowments, political leadership, military might and clever strategies have all influenced the ability of states to play the great game of globalisation to their advantage, but the conditions under which they have been able to do so successfully vary wildly. As a result, it is difficult to state with any degree of certainty that fragile states are the "losers" of globalisation, but they do have fewer opportunities to seize the opportunities it creates. A lack of access to licit markets, poor mobility of their people and limited access to good education, for instance, all stand in the way. New global partnerships and approaches are necessary to remedy this situation.

2) Political, regulatory and cultural mechanisms to translate, cushion and mediate globalisation-induced change lag behind its swift pace and momentous economic impact. The parallel

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[1] It is argued that the period of around 1875-1914 was the first attempt at economic globalisation. In fact, the world in that period was much more open, free and integrated than many would think today (for an anecdotal example see Zweig, 1942). This globalisation did, however, disintegrate in the ruins of the First World War, unable to overcome the challenge of nationalism (Bayly, 2004; Judt, 2010). This experience underlines the need to build international institutions and networks for political and social governance at the same speed as economic globalisation and liberalisation occur (*e.g.* Heine and Takhur, 2011).

[2] Much of this globalisation-induced change has created new paradoxes. For example, global integration of economic markets has proceeded fastest, making geographic location less significant (*e.g.* trade in financial products, off-shoring and outsourcing). Yet, politics have mainly remained local or national, which creates challenges for regulation, identity and loyalty. States remain the primary units of political organisation and regulation, but often lack the flexibility and capacity to engage at regional, trans-boundary or sub-national levels to identify innovative solutions to new problems. Moreover, small, local actions can have large, global consequences (think Somali pirates hijacking an oil tanker during a period of strained US-Israel-Iran relations, which increases household spending across the globe via rising oil prices); while looming global issues (climate change, the Doha round, the war on drugs) do not generate an effective international response despite a decade of international conferences.

existence of global economies, national polities and local societies generates significant tension between how wealth is generated and distributed, how and where legitimate power can be exercised and the creation of meaningful identity. Brittle structures of global governance barely manage these tensions, which are being exacerbated by the tumultuous competition between Asian tigers, African lions and Western incumbents. This is particularly problematic in fragile states where governance, trust and regulatory quality are typically weak, and different cultural attitudes may not connect with many of the liberal ideas at the heart of globalisation. This leads people to turn to alternative sources of identity and livelihoods.

3) The increasing interdependency and complexity that result from globalisation practically guarantee that changes will have unexpected consequences and unanticipated trade-offs. Where modern policy challenges meet classic governance structures confined by national boundaries, policy incoherence quickly results. The trouble is that the risks and costs of such incoherence tend to be shifted towards those states least able to handle them because of their weak capacity and contested legitimacy. For example, every year significant political attention, troops and funds are made available to fragile states, while at the same time trade barriers, the war on drugs and the easy availability of arms and private security services hinder development, stimulate violence and undermine governance. Thus, while fragile states certainly need external help to pursue the critical priorities that may allow them to escape from fragility, this help is often compromised by such incoherence and the muddle of external objectives, results, criteria and priorities.

4) The interdependencies resulting from globalisation-induced change easily – although not inevitably – lead to further interdependencies. This makes the starting position important. Where initial access or exposure to positive interdependencies is marginal, catching-up becomes more difficult.[3] Conversely, already dense connections make it easier to create and use new avenues for even greater prosperity (*e.g.* American prowess in information technology and entrepreneurial culture undoubtedly made it easier for Silicon Valley to emerge). Fragile states, however, typically find themselves at the fringes of networks of positive economic interdependencies and, as will be discussed, at the centre of networks of negative interdependencies.

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[3] Modern supply chains span the globe, which has enabled global industrialisation to occur via "trade in tasks". In this process developing countries specialise in niches in global production chains by combining cheap labour with an attractive investment environment for multinationals (*The Economist*, 2012a). The difficulty for fragile states lies in creating the right conditions. For example, timeliness is of the essence in global trade, but many such countries are characterised by red tape, corruption, derelict infrastructure or even violence, all of which keep industrialisation away.

There are currently about 40 countries caught in so-called fragility traps (*i.e.* most have been fragile for decades now) (Collier, 2007; Andrimihaja *et al.*, 2011). These countries are home to approximately 1.5 billion people and lag 40-60% behind other low and middle-income countries in their achievement of the Millennium Development Goals (The World Bank, 2011). Moreover, a significant slice of today's violence takes place in these countries, which are particularly vulnerable to relapsing into conflict and will suffer its dark shadow far into the future (HRSP, 2010; Fearon, 2010; Jones and Elgin-Cossart, 2011). This creates significant local, regional and global externalities and costs. Examples of the latter include piracy, drugs trade, migration, illicit flows and corruption. Hence, a thorough look into how different global factors influence levels of fragility and conflict in such states is a justified endeavour and – from the perspective of taking shared responsibility for the global supply and demand chains established through globalisation – a moral obligation.

Thus the process of globalisation – by connecting supply and demand for resources, products and services between the richer and poorer parts of the world, facilitating licit as well as illicit activities, and increasing interdependencies – generates powerful international constraints and opportunities that influence both national developments and the incentives of individual domestic stakeholders –, especially in the economic sphere. Conflict-affected and fragile states feature a heightened sensitivity and lower resilience to such influences because of their generally weak institutional capacity, high incidence of corruption, the often contested legitimacy of their political settlement, high levels of poverty and inequality and a legacy or threat of violence (*e.g.* WB, 2011; OECD, 2011a, 2011b). For the same reasons, they also easily mutate, multiply or transmit such influences, often in unexpected or negative ways.[4]

Against this backdrop the paper analyses how eight global factors influence conflict and fragility (Table 1.1). Each factor is analysed in a separate paper (listed under "core references" in the bibliography) and their analysis is synthesised here. The thematic research papers can also be consulted from late September 2012 at *www.oecd.org/dac/conflictandfragility*. The same webpage contains a cross-impact matrix that maps the interactions among factors. The eight factors are grouped under three broad themes (Figure 1.1).

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[4] Surprisingly, fragility has typically been analysed at the level of individual states and is often explained in terms of domestic political economy processes. However, this has probably underestimated the role of international factors in both the analysis and action. The 2011 *World Development Report* (The World Bank, 2011) points to this lacuna but does not take it up in much detail.

Table 1.1 The eight global factors explored in this project

Growth & wealth	Meaning & movement	Violence & security
1. Economic and financial liberalisation measures 2. International barriers to exports from fragile states 3. The effect of aid on post-conflict growth	4. Radical ideas and modern technology (focusing on the spread of radical Islam in parts of Sub-Saharan Africa) 5. Migration from fragile to fragile states	6. Transnational organised crime 7. International markets for military goods & security services 8. International engagement with non-state armed groups

Global factors are defined as licit and/or illicit processes operating at the international, regional or cross-border level that influence the risk of fragility and conflict domestically.[5] Figure 1.1 depicts this set of factors.

Figure 1.1 The influence of eight global factors on conflict and fragility
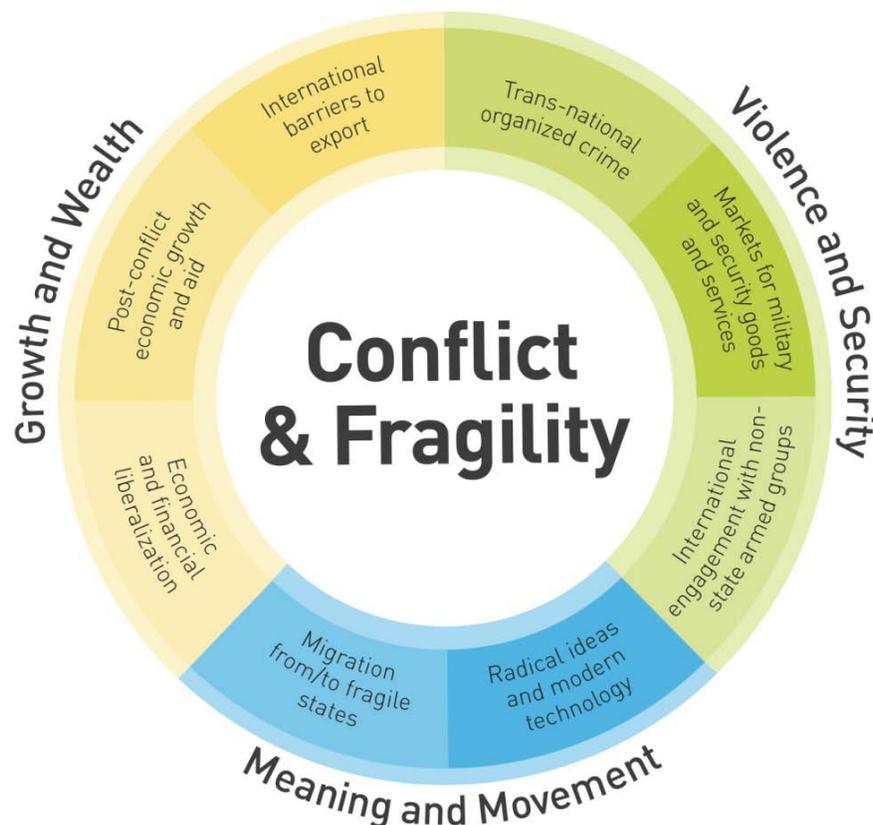
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The purpose of the paper is to generate new insights by analysing how, against the backdrop of globalisation, these eight global factors interrelate and how this influences conflict and fragility (Box 1.2). It must be noted here that the term "conflict and fragility" covers a broad and diverse range of issues and countries – including countries as varied as Afghanistan, Nigeria and North Korea. One common approach is to categorise fragile and conflict-affected states by their capacity and legitimacy: some suffer from low capacity, others from low legitimacy, and still others suffer from both (OECD, 2011b). This diversity means that while this paper analyses broad trends and effects, inevitably there will be tremendous variation between cases. Understanding the specific context will be critical for country-specific analysis or action.

Section 2 outlines the methodology while Section 3 offers brief summaries of each thematic paper.[6] This provides the basis for Section 4, which examines four areas where the global factors converge, *i.e.* where their interdependencies are high. Next, Section 5 suggests nine entry points that the international community, and OECD in particular, should consider to reduce the influence of these international factors on conflict and fragility. Given the novelty of its interdisciplinary and holistic approach, the paper is in essence an intellectual exploration of uncharted waters and its findings must be considered in this light. Finally, section 6 concludes the paper and offers suggestions for further research. Annex A links the entry points to the Peacebuilding and Statebuilding Goals (PSGs) as agreed by the International Dialogue on Peacebuilding and Statebuilding (IDPS, 2011a; 2011b; Box 3.1); Annex B provides examples of how the entry points can be implemented.

Box 1.2 A brief project background

This paper is the principal output of the research project Global Factors Influencing the Risk of Conflict and Fragility, commissioned by the OECD and INCAF in September 2011. It was conducted by a consortium of universities and think tanks: The International Centre for the Prevention of Crime (Canada); Geopolicity (United Arab Emirates); the Clingendael Institute (the Netherlands), Oxford University's Centre for the Study of African Economies (United Kingdom), Royal Military College (Canada), Saferworld (UK) and Cranfield University (UK). The OECD, Cranfield University and Saferworld managed and co-ordinated the research team. The aim of the project was to open a new dimension for OECD/INCAF work by identifying how global influences on fragility and conflict can be confronted effectively.

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[6] The thematic research papers can be consulted from late September 2012 on: *www.oecd.org/dac/conflictandfragility*

2. Methodology

The project aimed to produce innovative results while balancing an ambitious scope with tight resources. It achieved this through three strategies: 1) an experienced and diverse research team from a consortium of think tanks and research institutes, all part of broader networks and North-South linkages to enrich the work. This optimised the chance of producing new thinking; 2) strong management, necessary to harness such diversity and synthesise results; and 3) an appealing theme which inspired the research team to make significant intellectual effort.

Here we provide an overview of the project the design principles; the parameters guiding each of the thematic papers; how thematic areas were chosen; and some important research limitations.

2.1 Research design principles

The project was structured by three important design principles:

1) **Two sets of products:** The project first developed a) separate thematic papers on eight different global factors on the basis of a common structure; these papers were subsequently used to analyse linkages between factors to produce b) this synthesis paper. The production of the final synthesis paper was also supported by a one-day roundtable held at Saferworld's offices in London which gathered members of the academic and policy community.

2) **An evolutionary production process.** The project was conceived in a gradual manner in which the focus, thinking and papers were produced in stages with regular check-ins and discussions on direction and progress. Views from diverse scholarly, policy and practice communities were invited throughout the project.

3) **An extended peer review.** Each thematic paper was peer reviewed by both academics and policy experts to test the ideas emerging from theoretical as well as practical perspectives. This helped ensure that the evidence used to inform the synthesis paper stood up to the scrutiny of different sources of international expertise. The peer review process was further supported by a roundtable discussion held at the United Nations Development Program's Bureau for Crisis Prevention and Recovery (UNDP/BCPR) in New York with a range of UN entities, the World Bank, Parliamentarians for Global Action and the International Peace Institute. Finally, it was complemented by an internal review of papers amongst the research team. This required each researcher to review one other paper on a theme related to their own.

2.2 Scope of research

To maintain focus and maximise the potential for cross-fertilisation of analysis, four parameters were developed to guide each thematic paper:

1) **Take an "outside-in" perspective**, *i.e.* focus on factors that primarily originate beyond national boundaries and examine their effects on conflict and fragility within such boundaries.

2) **Maintain a focus on conflict and fragility**, *inter alia* recognising the need to support the work of the International Dialogue on Peacebuilding and Statebuilding.

3) **Consider both positive and negative influences** of global factors. There is a tendency for the international debate on conflict and fragility to be dominated by a focus on negative globalisation trends, even though some examples of positive consequences are available (both intended and unintended).

4) **Develop entry points for action** at both the strategic and programmatic levels on the basis of relevant academic literature and the policy discourse.[7]

2.3   *Choosing thematic areas*

Eight thematic areas formed the foundation for this work (Figure 1.1). They were selected on the basis of expert interviews, a brief literature review and the experiences of INCAF members. They are not an exhaustive inventory of the global drivers of conflict and fragility – to have analysed all such factors would have been well beyond the scope of the project. The main priority was to identify key issues within these areas that directly affect conflict and fragility but which have been relatively little researched.

Other thematic areas could have been more explicitly included in the project although some have been considered to some extent in the eight thematic papers. These include resource scarcity and climate change (mainly because evidence suggests a weak direct relation with conflict and fragility; *e.g.* see OECD, 2012c); money laundering and illicit flows (because extensive work on this is already being undertaken in the OECD's Governance Network); remittances and diaspora (addressed to some extent in the papers on migration from/to fragile states; the influence of radical Islam and modern technology, and international engagement with non-state actors); inequality (resulting from both strong external and domestic factors); gender (less clearly a factor that influences fragility from an outside-in perspective); commodity flows and price shocks; as well as business investment (both covered to some extend in the paper on economic and financial liberalisation).

2.4   *Limitations*

As with any research project, limitations apply. This project had five main constraints:

1) Resource constraints: these ruled out any in-depth fieldwork. The project therefore relied heavily on the research team's knowledge and experience. Fortunately, a number of other parallel field-based engagements involving members of the research team enabled many of the preliminary findings emerging from the research to be tested in fragile countries. For example, field work involving project leaders took place in Sierra Leone as part of the Peacebuilding Fund's Thematic Review of Peacebuilding and Security Sector Reform between January and June 2012.

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[7] Policy discourse is often in the form of "grey literature", which reflects the tendency for scholarly work in this field to often be outpaced by policy discourse.

2) A largely Northern-based research consortium: Efforts were made in the tendering stage of the project to solicit Southern bids, but these either did not materialise or proved to be of lower quality than the other bids. Nevertheless, throughout the project a number of Southern based researchers were engaged.

3) The impossibility of studying all global factors affecting fragile states (already discussed above).

4) The impossibility of studying all the implications of each global factor selected: Due to the need for a focused and feasible project, each factor only concentrates on outstanding challenges. This inevitably leaves important issues unaddressed.

5) The eight research papers remain working papers rather than being published in peer-reviewed journals. However, each paper was subjected to robust peer-review processes, as described above.

3. Key research findings

Before moving into the main synthesis, in this section we describe the key findings of each of the thematic areas, organised under the three themes displayed in Figure 3.1. These summaries take stock of the debate on each issue, contour the knowledge frontier and take account of the policy response to date. They also provide the building blocks for the remainder of the analysis. These reveal how the eight factors are interlinked and their many interdependencies. For a more in-depth treatment of each of the issues, including detailed references, please refer to the underlying thematic papers (listed in the Bibliography).

Figure 3.1 Linkages among global factors
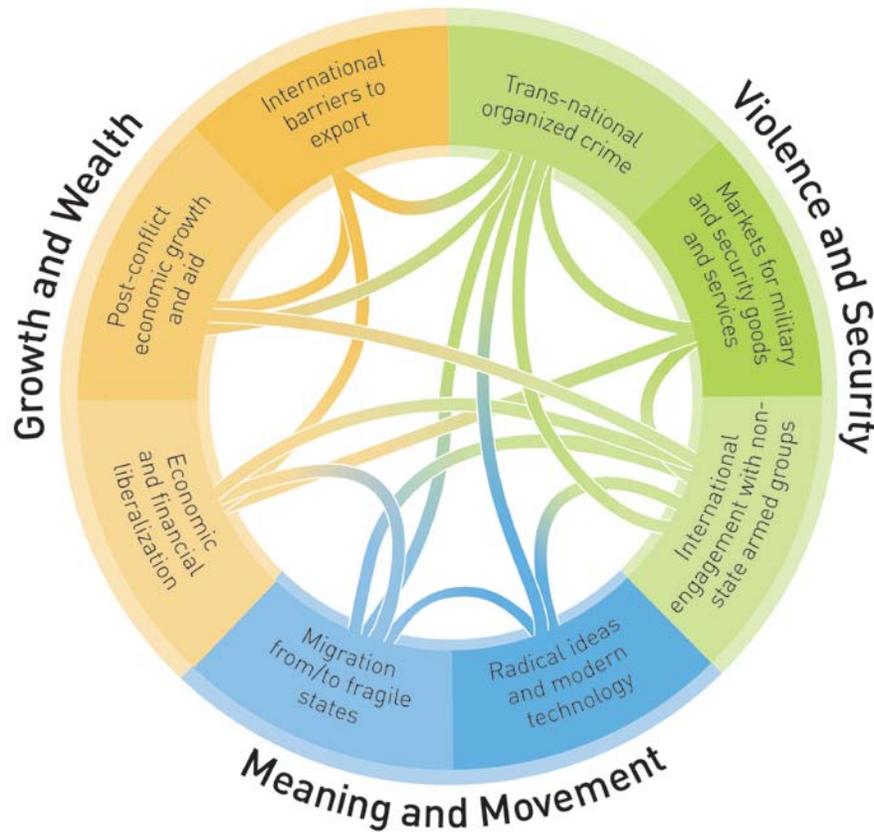
3.1. Growth and wealth

This project has investigated three aspects of economic development and growth that are particularly relevant to fragile states. Firstly, it considered the big picture of how international actors advance economic liberalisation in fragile states. Secondly, it looked more specifically at the role of aid in supporting growth in post-conflict environments. Thirdly, it assessed the role of exports from fragile states as an element of growth, exploring whether barriers to exports within

the international trading system influence fragile states' ability to export. The main findings (Factors) are discussed in turn below.

Growth is central to development and is one precondition for reducing poverty. It is closely related to the first Millennium Development Goal (Eradicate extreme poverty and hunger[8]). Progress towards the other MDGs also to some extent depends on growth, since it should – at least in theory – ensure that more resources are available to achieve other developmental goals. Growth is even more important for fragile states, given the linkages between growth and revenue mobilisation which are essential to finance core state functions and services. Fragile states have limited command over necessary resources to build a more stable future, and much of their populations may be frustrated or angry about their perceived lack of economic prospects. Sustained economic growth is thus an essential ingredient in any recipe for making fragile states less fragile. This is recognised in the Peacebuilding and Statebuilding Goals (Box 3.1), particularly in the goals for economic foundations ("generate employment and improve livelihoods") and revenues and services ("manage revenue and build capacity for accountable and fair service delivery").

Box 3.1 The International Dialogue on Peacebuilding and Statebuilding

The International Dialogue on Peacebuilding and Statebuilding is an international, open partnership that brings development actors, civil society, and the g7+ group of conflict affected and fragile states together to improve the quality of national and international engagement in conflict-affected and fragile states. These partners realized a major political agreement in Korea in November 2011, "The New Deal for Engagement in Fragile States", which lays out a novel framework consisting of three sets of commitments to deliver change (IDPS, 2011b):

- To use five peacebuilding and statebuilding goals (PSGs) to guide (inter)national focus, policy and funding towards fragile states. These goals are considered as stepping stones towards other objectives, such as the Millennium Development Goals, and revolve around 'legitimate politics', 'security', 'justice', 'economic foundations' and 'revenue and services'. Annex A shows how the entry points identified in this paper will help move fragile states towards the PSGs;

- To adopt new ways of working that recognize the importance of supporting political dialogue and national leadership, and that enable country ownership to identify priorities for action, lead planning, and that create effective partnerships to support the process of transition from fragility to greater resilience;

- To make new commitments to how aid and domestic resources will be delivered and used in fragile states. This includes national and international actors agreeing to be more transparent, to manage risks better together, and to deliver aid in a timely and predictable fashion.

Source: for more information
see *www.oecd.org/international%20dialogue/anewdealforengagementinfragilestates.htm*

It matters both how growth is generated and how the state manages, taxes and redistributes that growth. Unequal growth can create or exacerbate divisions in society, and economic reforms can create losers as well as winners. Some economic systems, such as patronage-based or illicit ones, may encourage actions that undermine good governance and the rule of law, with negative

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[8] See: *www.un.org/millenniumgoals/poverty.shtml*

impacts on many spheres of life beyond economic activity. Less inclusive forms of growth are likely to increase instability and undermine sustained development.

Factor 1: The influence of economic liberalisation

There is no agreed definition of economic liberalisation; however, the concept broadly refers to the process of removing or loosening restrictions on economic activity. It is underpinned by the notion that resource allocation via open economic markets and free private agents is the most efficient and effective way of maximising wealth generation. To achieve this requires a democratic political framework and a high-quality regulatory environment. Together these can generate a level playing field, address trade-offs with non-economic priorities and redistribute wealth.[9] Here, economic liberalisation refers to nine policy areas: fiscal discipline, exchange rate management, tax reform, public expenditure prioritisation, financial liberalisation, trade liberalisation, foreign direct investment, privatisation, de-regulation and property rights.

While there is little systematic evidence of how liberal economic choices in the global market affect the development of fragile states, economic liberalisation in theory promises to resolve two challenges that fragile states typically face: 1) increasing the revenue base to support the core capacities required to grow, secure and regulate the state and economy; and 2) reducing the cost of large public sectors that often dominate private interests.

However, the adoption of liberal economic measures can introduce significant uncertainties into fragile states because of a lack of knowledge about its effects and the transmission thereof into their domestic economies (Box 3.2). Despite the diversity of their political-economic structures and legacies, liberalisation policies and measures are still regularly applied to fragile states as blueprints, with no adaptation to context. At best they become hybrid structures with significantly increased economic risks and opportunities. Liberalisation can increase inequalities if there is political interference or preferential elite access, *e.g.* to credit and privatisation windfalls. Finally it can increase financial and fiscal risks because of increased exposure to volatile global markets.

Box 3.2 Economic liberalisation in Kosovo: a mirage?

Kosovo's efforts to achieve economic liberalisation seem to have resulted, more than a decade after the conflict, in 43% unemployment, poverty rates of 48% and deep socio-political fractures. These are set – incredibly – against a backdrop of steadily-rising GDP. It seems that the demands of liberalisation have proven too great a test for Kosovo's post-conflict institutions.

These effects can occur for three key reasons:

1) Many fragile states have political economic histories and realities that are, at least in the short term, incompatible with liberal concepts and measures (*e.g.* socialism in Iraq or patrimonialism in Afghanistan).
2) Weak state capacity makes it difficult to ensure adequate risk assessment, regulation and supervision of the liberalisation process.

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[9] The post-Washington consensus has only been slowly rebalancing wealth creation as the dominant objective of economic activity with an increasing emphasis on inclusive growth, social investment and regulatory protection. However, although the thinking is slowly shifting, it takes years for this to trickle down into actual policy and practice.

3) Weak transport and other essential value chain infrastructure, knowledge and regulatory regimes make it difficult to profit from liberalisation.

Financial and trade liberalisation, foreign direct investment (FDI) and exchange rate management are viewed as important channels for domestic growth and the main pillars on which liberal market structures are built and connected to the wider world. They are therefore the key transmission mechanisms through which liberalisation influences fragile states:

- *Financial liberalisation* is the process of freeing financial flows from regulatory controls. It mainly affects fragile states by increasing their exposure to international resource flows – such as aid, FDI, remittances and trade – that can be volatile (*e.g.* they can be affected by a global economic downturn, or by exchange rate fluctuations); to lending dependency on foreign banks (especially where foreign ownership of banking assets is high); to the destabilising influences of capital account (de-) regulation; and the likely exclusion of poorly capitalised groups from potential gains like increased economic growth and access to finance.

- *Trade liberalisation* refers to the removal of obstacles to the global exchange of goods and services. It can expose fragile states to price shocks and trade imbalances resulting from global price volatility, a reduced demand for exports when fragile states' currencies appreciate against major currencies, and makes illicit economic activity attractive as a hedge against volatility. Both trade and financial liberalisation are particularly salient for fragile states with few primary export commodities or market destinations as these are harder hit by price and demand fluctuations.

- *Foreign direct investment (FDI)* is the net inflow of investment to a foreign economy to acquire a lasting management interest in an enterprise operating there. It is often critical to the growth of fragile states such as Sierra Leone and Liberia, and necessarily demands regulatory reforms to allow international capital flows to be protected and profits extracted. It can expose fragile states to corruption, political (state) capture by powerful lobbies and nepotism. These can result from hasty privatisation and monopoly formation when markets are not yet competitive (*i.e.* nearly always), as well as via the unbalanced fiscal policies that can be implemented by fragile states hoping to attract FDI to achieve growth targets and increase taxation revenue.

- *Exchange rate management* involves setting the relative value of domestic currencies. It affects fragility when such mechanisms are insufficiently flexible in the face of rapidly changing global or regional terms of trade or shocks. For example, pegged currencies can result in real exchange rate depreciation, which has debt service consequences; it can also reduce global competitiveness. Intermediate exchange rates seem most sensible to reduce exposure to the vagaries of global finance.

The analysis suggests that a slow pace of liberalisation is appropriate, during which external assistance is used first to establish the relevant preconditions. The focus should be on the quality of governance, institution and capacity building, and statistical and analytical capacity building. Such an approach is necessary given the many hybrid forms of liberal policy adoption (Box

3.2).[10] Independent, high-quality risk analysis is crucial for responsible liberalisation, ensuring appropriate timing and tailoring of liberalisation measures. However, such analysis is often not independently available (but instead tied to grants, conditional loans, project funding or debt relief that come with requirements of economic reform, often in the form of liberalisation measures). It can also be insufficiently context-specific and lack a generally-accepted set of risk and vulnerability indicators for fragility contexts.

Factor 2: Barriers to exports from fragile states

There is a strong empirical link between growth and trade.[11] Exports should be a key component of most states' plans to grow out of fragility. Yet fragile states export a lot less than might be expected. They are home to around 15% of the world's population but account for only 2% of global exports. Is this because external actors are putting obstacles in the way of exports? This theme explores this question, looking primarily, though not exclusively, at international trading regimes, particularly those of OECD DAC member states.

Different fragile states have different export structures. It is helpful to group them into three categories: states whose primary exports are oil and minerals (20 out of 43 fragile states);[12] exporters of natural resources other than oil and minerals (17 out of 43); and six that export other goods and services. Perhaps unsurprisingly, different types and structures of exports have different implications for fragile states.

Fragile states that rely heavily on oil and minerals as primary exports suffer regular and high volatility in their revenues. Although the international trading system does not feature any barriers to such exports, these countries struggle with viable long-term financial planning and development, feature weak taxation-representation linkages and high levels of corruption and struggle to diversify their economies. This implies a need to create mechanisms that can help such countries smooth their income over time. Despite the absence of trading barriers, external legislation such as the Dodd-Frank Act[13] potentially has a large impact on the ability of fragile countries to export natural resources. Due diligence efforts on the basis of making businesses accountability for transparent results (as opposed to accountability for transparent efforts) will run headlong into weak national regulatory and implementation capacities. This may ultimately lead to reduced or rerouted export flows.

States that export other natural commodities face different challenges. Despite efforts to give poor countries preferential access to developed country markets, a number of diverse (and hence costly) tariff and non-tariff trade barriers to the export of certain agricultural commodities (*e.g.*

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[10] To avoid a "free for all", adequate oversight capacity must be built in fragile states *before* deregulation takes effect. By way of illustration, in Afghanistan the customs authorities were unwilling to relocate thousands of customs enforcement officers to the border due to their limited oversight capacities and the potential for corruption.

[11] There is some debate regarding the direction of causality, for example Rodriguez and Rodrik (2001) suggest that growth determines trade. However, Pattillo *et al.* (2005) suggest that trade in Africa has been closely associated with growth accelerations. There is also micro evidence that firms learn through exporting, in other words exports generate "learning by doing effects" and thus stimulate growth (Bigsten *et al.*, 2004).

[12] The figure of 43 is taken from the OECD compiled list of fragile states for its 2010 resource flows report (OECD, 2011c). A fragile state is classified as oil/mineral exporting when these products are its most valuable export (in relative terms).

[13] The Dodd-Frank Wall Street Reform and Consumer Protection Act is a federal statute in the United States that implements financial regulatory reform. Included in its provisions are requirements for companies listed on US stock markets to disclose payments to foreign governments (Section 1502) and an attempt at introducing a responsible supply chain traceability scheme with a focus on minerals (*e.g.* coltan and gold) in the DRC (Section 1502) (www.sec.gov/about/laws/wallstreetreform-cpa.pdf)

peanuts, sugar, dairy) remain in place. Combined with complex rules of origin, these hinder exports from fragile states. Research has estimated that removing these remaining trade barriers could increase exports from LDCs by as much as 17%, or approximately USD 2 billion annually.

However, the research finds that domestic obstacles are even greater than international trade barriers. These include: 1) bureaucracy, corruption and red tape, which in particular prevent "trade in tasks"; 2) weak policy and decision-making institutions which are unable to design and implement effective strategies to support industrial agglomeration (clustering); and 3) poor understanding of how global market places operate and the opportunities that exist, making it harder for domestic companies to compete on the global market. As a result, many fragile states continue to export low-value goods that generate few jobs, and they struggle to move towards exporting the high value-added goods needed to accelerate growth.

Factor 3: The influence of aid on growth in post-conflict environments

Aid is one of the key tools used by international actors to support development, in fragile states as elsewhere. There is a longstanding academic debate about the economic impact of aid on growth in developing countries. Several studies have found no strong relationship between aid and growth; some have suggested that aid works better in certain policy environments, while others dispute this. Aid is generally used to create an enabling environment for growth – yet an enabling environment may not be a primary constraint. Factors such as geographic isolation, political fragmentation and foreign policy interests may also play a role.

However, the research done for this study suggests that fragile states do tend to experience above-average growth in the decade after peace arrives. This "peace dividend" sees post-war economies growing at an additional 1% above the expected average. This growth starts slowly and peaks in the fourth, fifth and sixth years after the conflict has ended. However, this effect *only* occurs if there is no continuation of low-level violence. This suggests that international actors may need to prioritise post-conflict interventions which minimise violence and thus allow additional growth to be realised.[14]

The research also concludes that aid *can* have a positive, but moderate, effect on the peace dividend growth in this period. This amounts to between 0.05-0.1% extra growth for every extra 1% of aid, when aid is measured as a percentage of GDP. Yet the research does not support the idea that certain policy environments are more conducive to growth, and finds no evidence that particular kinds of aid or policy reforms cause this growth-enhancing effect. Instead, the available data suggests that aid substitutes for public investment in an environment of low taxation and low government revenues.

Another interesting and potentially important finding is that at the moment, the "post-conflict aid package" is not noticeably different from the way aid is allocated to non-fragile developing countries. In both cases, about 56% of aid is allocated to social and economic infrastructure. The only difference is that post-conflict countries receive higher relative levels of humanitarian aid.

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[14] For example, as the thematic paper on transnational organised crime suggests, it may be more appropriate for peace support operations to take a "managerial" approach to organised crime which seeks to limit its influence, rather than pursuing more aggressive strategies (Miraglia *et al.*, 2012).

This raises an important question: should the structure of aid differ in post-conflict environments, and would this improve the chances of achieving sustainable peace and/or higher growth?

If aid does help to achieve growth in post-conflict environments, this might imply that donors should simply increase aid flows. Yet aid must be balanced with increases in other sources of revenue to avoid dependency. Support levels could be capped over time in post-conflict environments, *e.g.* at 50% of domestic tax revenue.

Developing other sources of revenue is challenging, however. Increasing taxation does not tend to be a feasible short-term option because the tax system suffers during the conflict. Moreover, attempts to increase tax rates often result only in a further reduction of the formal sector as more individuals and businesses seek to avoid taxation. Nonetheless, clever taxation can be an important recovery strategy. For example, where imports increase as a result of post-conflict growth, customs duties can become an important source of revenue. Hence, support for the development of customs and excise institutions might serve the double purpose of improving border control to reduce illicit flows and increasing revenues. Natural resource revenues are also an option, but from the perspective of generating *inclusive* growth they are attractive only when exploration rights can be transparently auctioned for relatively short time periods.

3.2.   Meaning and movement

One way of thinking about globalisation is in terms of ease of movement. Transport and technology make movement much easier than ever before. This is true of physical movement, whether of people or goods, but it is equally true of the movement of information, ideas, beliefs and attitudes. It is of course far too simplistic to label this phenomenon as either "good" or "bad". Ease of travel allows people to broaden their horizons and opportunities in ways that were unimaginable just a generation ago, but it also facilitates transnational crime and terrorist activity. Similarly, modern communication technologies allow us to learn immeasurably more about what is going on elsewhere in the world than ever before and to co-operate in new and progressive ways, but they also allow illegal actors to operate in ever more complex ways and make it easier to spread pernicious ideas.

For fragile states, this poses two key questions. Firstly, what effects do these greater movements of people, goods and ideas have on conflict dynamics? Secondly, if we can identify – at least to some degree – whether a specific movement is likely to be positive or negative, how far and how effectively can such movements be managed in a way that controls their negative impacts while accentuating the positive ones?

This project has looked at two forms of movement that are demonstrative of some of these wider trends. The first is the spread of radical Islam in the Sahel region and the role that modern technology has played in this process. The second looks at migration from and to fragile states.

Factor 4: The spread of radical Islam in parts of the Sahel

Processes of radicalisation are not unique to the Muslim world. However, the recent spread of radical Islam in parts of the Sahel is a good example of how ideas and ideologies can spread rapidly in a way that destabilises societies, leading to violence and conflict. It is also an example of how modern technology is facilitating and accelerating such processes.

Radical Islamism has been described as having generated anti-system, mostly grassroots movements with a variety of political, social and economic goals which are often beyond the control of the state (Haynes, 1997; Osagaye, 1999). Known as the "exit" phenomenon, it is driven primarily by external factors – and to some extent by external actors. Economic migrants moving from one fragile state to another, and other displaced groups who have little social or legal status with the state, can also have an interest in promoting the phenomenon.

The impacts of radical Islam have been analysed primarily in the context of the "War on Terror", with much less attention paid to the way in which radical Islamic ideas affect fragile and conflict-affected states. Yet there are some obvious links between the spread of radical Islamist ideas and the risk of conflict (Box 3.3). Radical Islamists tend to encourage the formation of groups which act violently against the state and which seek to delegitimise state institutions, local cultural and religious practices. This fuels conflict in two ways. Firstly, it can result directly in the marginalisation of groups that are seen as unacceptable or threatening, thus creating and exacerbating divisions within society. Secondly, it seeks to subvert and/or undermine the state's governance capacity by pressing the state to adopt its inherently divisive view of the world. This can delegitimise institutions, mechanisms and views that promote peaceful co-existence, whether directly (*e.g.* security and justice mechanisms, a free media, etc.) or indirectly (*e.g.* the education system).

In addressing the potential spread of Islamist ideas that have the ability to shape political movements, two forms of Islamist discourse must be considered:

1) the *co-ordinative* form (the way in which Islamic discourse is practised among radical Islamist leaders); and
2) the *communicative* form (how Islamist ideas are deployed as topics of interactions between leaders and followers).

The spread of both forms of Islamist discourse by radical movements or groups is enabled by a top-down approach which targets political institutions and governing structures; a bottom-up approach, which targets the educational system and civil society; and the advent of more sophisticated forms of communications technology. The ease of operation and increased coverage of smart phones and mobile telephones has provided a platform to spread radical Islamist ideas in fragile states; it is harder for the state to shape or control people's views because far more sources of information are available from beyond the state's borders and fragile states have limited capacity to police information technology.

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Box 3.3 Radical Islam in Northern Nigeria

Virtually unheard of just a few years ago, *Boko Haram* has become a global brand name as it has rapidly expanded the frequency, geographic range and severity of its terrorist attacks. *Boko Haram* translates roughly as "Western education is sinful", though the group prefers to refer to itself as *Jama'at Ahl al-Sunnah lil-Da'wah w'al-Jihaad* (the Group of the People of the Sunnah for Propagating Islam and Jihad - JAS). Some local commentators argue that it is incorrect to think of JAS solely as an international terrorist organisation, as this overlooks the degree to which JAS draws on perceived injustices at the local level and the degree of tacit support that it has in some Nigerian communities. Nonetheless, JAS's ideology has clearly been strongly shaped by international radical Islamist ideas. Both JAS attacks themselves and the violent responses that have ensued threaten to exacerbate divisions between Nigeria's Muslim and Christian populations and between different regions of the country. They may also generate conflict among Nigerian Muslims, since radical Islamists consider traditional Nigerian Muslim practices as idolatrous and impure.

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Factor 5: The influence of migration from fragile states to fragile states

Migration has always been a part of human existence, and there are many reasons why people migrate, from natural disasters to conflict and/or a desire to improve one's lot in life. Unsurprisingly, most refugees tend to come from fragile states, but two facts about migration are more surprising. Firstly, relatively low numbers of migrants (not refugees) originate from fragile states. While it might be expected that fragility would make people particularly likely to migrate, in fact this does not appear to be the case. In 2000 about 13% of the world's population lived in fragile states, but only about 11% of the world's migrants originated from fragile states. One reason for this appears to be that migration requires investment; very low incomes make such investment impossible. Secondly, it might be assumed that migrants from fragile states would be most likely to end up in the world's wealthiest countries, but in fact less than a quarter of migrants end up in OECD countries, while nearly one in five settle in another fragile state. Why is this, and what impact does such in-migration have on these fragile states?

The research compares the relative influence of different push and pull factors[15] using statistical analysis and concludes that political factors are less strong for non-refugee migration, so that for example an autocratic government does not appear to be a major factor driving migration. By contrast, the presence of a diaspora community in the destination country is the strongest pull factor for migration, stimulating trans-border communities and flows of people, goods and ideas.

Interestingly, the costs and possible consequences of migration movements are poorly understood. There are studies on the economic impact of migrants in OECD countries, but there is little work on the impact of migration in developing countries. The limited evidence available suggests that migration can have economic benefits for rich countries (The World Bank, 2006). However, migration is not typically considered a development issue, yet it is an important potential route out of poverty because labour is the primary asset of the poor. Because of its international dimension, migration does not fit well with standard approaches to development

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[15] Push factors (*i.e.* factors that encourage people to leave) include the level of income in country of origin and the existence of a previous or on-going civil war. Pull factors (*i.e.* factors that attract people) include level of income in destination country, distance from the current location and the presence of a diaspora in the target country.

which focus on the state as the chief "unit" for and driver of development, rather than on the individual. Global institutions and rules for refugees are well developed, but absent for migration. Our current conception of "development" would change radically if international agencies shifted from their emphasis of improving the wellbeing of individuals who live in Sudan, Haiti and Tajikistan to assisting Sudanese, Haitians and Tajiks irrespective of where they live.

Popular attitudes towards migration are currently negative in most rich countries. It may be possible, however, that shifting OECD demographics, combined with participatory political processes to agree how immigrant entry should be managed and controlled, could increase the acceptability of migration and thus open up space for migration as a development strategy.

3.3. Violence and security

While violence and conflict are closely related, they are not synonymous. Insecurity and violence are present even in stable, conflict-free societies. For example, several Central American countries have seen huge spikes in drug-related violence in recent years. Similarly, a state's underlying fragility and potential for conflict does not always manifest itself – at least until too late – in the form of acts of violence. This reminds us that policymakers must focus both on the violent symptoms of conflict and on the underlying factors that drive violence, in particular the creation and entrenchment of structural conditions which allow it to persist and to replicate.[16]

Just as in other sectors, globalisation has facilitated the "movement" of and opportunities for violence and (in)security. This in turn has affected the nature and methods of those who "trade" in violence or use violence to achieve their aims. The project considers how this trade in violence functions, the impact it has on fragile states, and how international actors attempt to control it. Firstly, it explores the changing shape of transnational organised crime and its impact in fragile states. Secondly, it looks at international markets in military goods and security services, how they are regulated and how they operate in fragile environments. Thirdly, it looks at the varied nature of non-state armed groups and their status within fragile states and asks whether international responses to non-state armed groups are appropriate and effective.

Factor 6: The influence of transnational organised crime

Transnational organised crime (TOC) is defined as an international criminal enterprise that works rationally to profit from illicit activities that are often in great public demand. Its continued existence is based on the use of force, threats, monopoly control and/or the corruption of public officials. The most important and profitable illicit good for TOC is drugs, which was estimated to amount to 85% of the global value of TOC in 2010 (or USD 125 billion per year) (UNODC, 2010). There have been three important recent developments:

- TOC structures have shifted from hierarchical groups controlling the production and distribution of illicit goods to groups controlling market gateways and logistical networks, with different groups playing different roles in the supply chain. This shift makes TOC actors more flexible and TOC harder to reduce.

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[16] For example, violent conflict results in the presence of trained fighters within society, the creation of a culture of violence and a proliferation of uncontrolled weapons. It also erodes the barriers to violence, in terms of formal and informal governance and conflict management mechanisms; but also by reducing the stock of social capital which links different groups in society.

- TOC piggy-backs on the process of globalisation to increasingly connect the global supply of and demand for illicit goods. As a consequence, effectively tackling TOC requires addressing both sides of the equation.
- Fragile states are important transit points and fulfil intermediary roles in global TOC value chains. As a result, TOC can be relatively insulated from the domestic economy and social relations. TOC also easily moves from one fragile state to another if the local environment becomes less permissive.

Several characteristics make fragile states attractive to TOC. To start with, their institutional fragmentation allows space to create stable relations between criminals and isolated pockets of corrupted officials. In addition, high levels of poverty and poor governance, management and inter-agency co-ordination make selective bribery and corruption effective (*e.g.* absent or defunct monitoring mechanisms prevent the need for system-wide bribery). Moreover, existing social and economic inequalities facilitate recruitment, network building and increase the perception of TOC legitimacy, while weak interpersonal ties and low levels of social capital reduce the likelihood of countervailing social responses. Once entrenched, TOC can generate new, endogenous dynamics such as the establishment of alternative and informal forms of social and economic regulation, protection rackets, capture of public sector resources, seizures of property and land, and eventual entry into the licit private sector.

Yet, fragile states are not passive victims of TOC: TOC depends crucially on both weak institutional capacity and the co-operation of local officials and security forces. Criminal entrepreneurs may invite TOC into the country, non-state armed groups may seek to obtain wealth or arms by engaging in TOC and local elites may initiate political-criminal alliances to mutual profit for votes, control and financial gains (Box 3.4). Access to TOC-generated income can be a powerful source of patronage.

Box 3.4 Takeover by invitation: transnational organised crime in Tajikistan

Tajikistan offers a good example of the intermediary role of fragile states in TOC value chains and of the co-operation by local elites with TOC. After Afghanistan became the world's largest heroin producer in the 1990s, Tajikistan became an important staging post for drug transit. Small-scale trafficking started during the Tajik civil war (1992-1997), but the drugs trade quickly rose to 30% of GDP in the post-conflict period. In the case of Tajikistan, TOC did not need to overpower the state. Instead, it was an integral part of the state's post-war reconstruction. A highly fragmented polity facilitated the formation of competing "TOC coalitions" among different criminal, political and military factions. Sporadic fighting and pact-making between the president and political-military leaders in the east of the country is, for example, said to be connected with the drugs trade, while geo-strategic interests concerning the International Security Assistance Force (ISAF) have kept Western critics silent.

Once established, TOC negatively affects fragile states in three major ways. Firstly, it undermines the capacity of states to provide public goods by establishing informal networks and infiltrating public institutions. Secondly, it compromises the state's legitimacy by jeopardising its "monopoly on violence" and eroding citizens' trust in the state. Finally, TOC can act as a "peace spoiler" in a post-conflict environment if it is not addressed properly. Any initial positive effects that TOC may have, such as the provision of rudimentary forms of governance, security and justice, disappear in the long run because its profit orientation tends to lead to increasing predation and a rise in violence.

The drugs trade and the current "war on drugs" bear particular mention because of their scale and profitability. The present approach is largely focused on reducing supply through law enforcement and criminalisation. Available evidence suggests that this approach is failing because it is not managing to reduce supply effectively. Instead it is having devastating consequences on the quality of governance and has pushed large numbers of people into poverty (*e.g.* see Global Commission on Drug Policy, 2011; *The Guardian*, 2011; Muggah and van Veen, 2011; Briscoe and Dari, 2012; Mannava *et al.*, 2010; and World Politics Review, 2011). Alternative models can be successful. For example, large-scale, low-threshold drug treatment and harm-reduction services helped reduce the estimated number of heroin-dependent people in the Netherlands from around 30 000 in 2001 to 18 000 in 2008, also reducing petty crime, public nuisance and health costs (Global Commission on Drug Policy, 2011). A number of Latin American leaders, notably Guatemala's President Otto Perez Molina, have recently advocated for new approaches that focus on decriminalisation and emphasise demand reduction and a public health approach more strongly.

Factor 7: The influence of markets for military goods and security services

The supply (or lack) of conventional weapons, expertise and capacity has a major impact on the way that actors plan and behave. Depending on what is available and how it is used, this supply can either reduce or fuel conflict and fragility; and support or undermine good governance, peace and security. Since the end of the Cold War, the nature of international markets for military goods and security services has evolved and expanded rapidly. On the supply side, there is a wider range of actors offering a wider range of services, and overall supply capacity has increased and continues to search for new markets. On the demand side, the collapse of the certainties of the Cold War period in the 1990s fuelled a wave of internal and localised regional conflicts, while 9/11 accelerated international concern about the costs of fragility to the international system as a whole. Insecurity and conflict have become more varied and more complicated in their nature, and this has driven demand for a wider range of military goods and security services. This demand comes not only from local actors (*e.g.* arms and ammunition, outsourcing security services, mercenaries), but also from international actors who are increasingly engaging in fragile contexts and need support from private security companies (PSCs) both to implement security-related activities and to protect their staff.

International markets in military and security assistance offer access to the arms, expertise and capacity that can enable states to provide security for their citizens. Properly regulated mil/sec assistance can provide positive incentives for legitimate and responsible governance, promote democratic norms on oversight, transparency and accountability of the security sector and facilitate strategic partnerships and alliances between states that share a positive agenda for peace. Such assistance can also render peacekeeping and peace support operations more effective.

Although international markets in mil/sec assistance can have benefits, they are always at risk of being used in a way that makes the situation even worse. In particular, they can make a direct contribution to human rights abuses, property damage and loss of life when accessed and used by irresponsible actors. Grave, persistent and widespread illegitimate use of force by state security services, violence perpetrated by NSAGs, the inappropriate use of private security providers by states, illegal behaviour by private security providers themselves, massive

corruption in arms deals and the diversion of state resources from other essential services can all threaten state legitimacy and increase the risk of fragility and violent conflict. Further impacts can include the exacerbation and prolonging of conflict and instability, undermining conflict prevention work or approaching it too much from a security perspective, and complicating both emergency humanitarian relief and longer-term development efforts.

It is clear that policy and regulation have not kept pace with developments in these markets, either nationally or internationally (Box 3.5). The nature of the services provided, the complex commercial structures involved and the responsibilities of all actors to maintain peace and stability in the global order mean that more effective controls are required at source (the exporting state in the case of military goods, the "home" country in the case of PSCs), at destination and in transit areas. However, developing and enforcing legal controls poses significant capacity challenges for fragile states.

In particular, tension exists between sovereign rights and contested legitimacy. Every state has the need to acquire weapons and security services for self-defence and to maintain order. Yet the legitimacy of governments in fragile states is often weak or contested and they may have a history of human rights abuses. It is problematic that the perceived sovereign "right to export/import arms" within the current regulatory system often takes precedence over such considerations, unless it is blatantly clear that weapons will be used in ongoing conflicts (and sometimes not even then). Profits and/or perceived strategic interests often seem to trump ethics, hampering the enforcement of regulations. This suggests that the "default setting" for regulatory regimes needs to be more restrictive (a "presumption of denial" approach) and that greater priority must be given to how regulation can be more effectively implemented.

Box 3.5 How are markets for military goods and security services regulated?

Trade in conventional military and security equipment is considered a legitimate activity. States are typically free to make transfer decisions on a case-by-case basis as a matter of national discretion, unless the UN Security Council has put an arms embargo in place. Nonetheless, a number of international and regional agreements are in place to regulate the arms trade. These are, however, largely non-binding and are not always universally signed. At the international level, relevant agreements include:

- UN P5 Guidelines for conventional arms transfers (1991)
- UN General Assembly Guidelines for international arms transfers (1996)
- UN Small Arms and Light Weapons process, in particular its Programme of Action (2001)
- UN Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition (2005)

Trade in security services features fewer international agreements. Switzerland and the International Committee of the Red Cross have facilitated the creation of the *Montreux Document on Pertinent International Legal Obligations and Good Practices for States related to Operations of Private Military and Security Companies during Armed Conflict* (Montreux Document, 2008). It compiles existing international legal obligations of states involved in contracting, hosting and home to PSCs and sets out good practices. A follow-on initiative by Switzerland, the UK and US resulted in an *International Code of Conduct for Private Security Providers*, which sets international standards for PSCs operating in complex environments (ICOC, 2010). It is a non-binding code that has been embraced by the industry.

Source: Isbister and Donnelly, 2012.

Factor 8: The influence of international engagement with non-state armed groups

Non-state armed groups (NSAGs) are an endemic feature of fragile states. They are defined as groups that possess a hierarchical organisation, use violence for political ends, are independent from state control and have some degree of territorial control over a geographic area (Bruderlein, 2000; Policzer, 2005). In some states NSAGs control some territory or socio-ethnic groups. Such groups can enjoy high levels of legitimacy in the eyes of (parts of) the population and can be a key part of the fabric of informal, and even formal, governance structures.

International actors' approaches to NSAGs have been overly simplistic (failing to understand the range of different ways in which NSAGs are organised and operate); overly dismissive (with a tendency to assume that NSAGs are automatically "bad" and thus overlooking their potential positive influences); and confused (pursuing several, sometimes contradictory policy goals at once). In order to better understand the influence of NSAGs on conflict and fragility and to respond more effectively, greater understanding is required. The five elements provided below can help inform international engagement with NSAGs (Table 3.1).

Table 3.1 Five dimensions of non-state armed groups

Mobilisation dynamics	Domestic legitimacy	International legitimacy	Relations with civilians	Resource base
Ethnic/tribal	High	High	Abusive/conflicting	Community taxation and support
Or	*Or*	*Or*	*Or*	*Or*
Ideological/ religious	Low	Low	Protective/ co-operative	Capital based exchange systems

Understanding the nature of NSAGs across each of these five dimensions will help shed light on how they operate. For example, groups that rely on the local population for support tend to organise in a more participatory manner that protects local communities, while capital-based patronage networks tend to prey on communities and be more violent. This can affect the way in which they interact with external actors (Box 3.6).

Box 3.6 Implications of the resource base: How different groups dealt with post-tsunami humanitarian aid

The 2004 tsunami in the Indian Ocean had devastating effects in two areas where NSAGs were significant actors. In Sri Lanka, the most heavily-affected area was under the control of the Liberation Tigers of Tamil Eelam (LTTE). Similarly, in Indonesia, the tsunami devastated areas where the Free Aceh Movement (GAM) operated. Despite the relative similarities in the nature of the two conflicts, the two groups responded to the influx of humanitarian aid in very different ways. The LTTE was obstructive and failed to agree a compromise with the Sri Lankan government to allow relief aid to be allocated in areas it controlled. Analysts suggest that the LTTE felt threatened by relief workers gaining access to these areas, and had less incentive to accept humanitarian aid as it was largely funded by support from the Tamil diaspora overseas and thus reliant on the local civilian population for resources. In Indonesia, by contrast, the GAM was more aligned with the needs of the local population and heavily dependent on their support. It thus found greater value in relief aid and was more amenable to a peace settlement.

Leading on from this point, international actors need to be more comprehensive in their analysis and more balanced in their assessment of NSAGs. The tendency to see NSAGs as negative is shaped in part by the state-centric nature of the international system. It is exacerbated by the focus on counter-terrorism, which targets those NSAGs which *do* operate in a highly destabilising manner. This view inadvertently tars all NSAGs with the same brush. However, international actors need to be more ready to recognise that NSAGs sometimes perform functions that communities view as positive and that these functions could be better integrated into peacebuilding and statebuilding strategies. These can include a capacity to provide security to local populations; strong legitimacy with host populations (which can be used to lead communities into supporting and participating in inclusive political settlements); and their capacity to control violent actors (which can have positive benefits for both national and regional conflict dynamics). This means that understanding the different roles and levels of legitimacy enjoyed by NSAGs and, where possible engaging with them constructively in efforts to build and implement peace agreements, should be key elements in international engagement.[17]

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[17] It needs to be recognised that even groups that have the potential to act as positive change agents tend to struggle to overcome two legitimacy challenges once a peace agreement is signed. First, domestic legitimacy does not equate to

Constructive engagement with NSAGs is complicated, however, by the contradictory policy environment in which international actors are operating. Some policy communities, such as mediators and civil society groups, emphasise the importance of constructive engagement with NSAGs where possible. There is a vast literature on the importance of including NSAGs in peace settlements to ensure their effectiveness and durability. Similarly, humanitarian actors have long grappled with the question of how to deal with armed groups, and international engagement with NSAGs within the framework of a legally-binding agreement. Engaging with NSAGs is increasingly viewed as central to the planning of humanitarian and development assistance in conflict-affected areas. By contrast, although dependent in part on the government's legitimacy and behaviour, counter-terrorism efforts have tended to adopt a pragmatic approach of working with incumbent governments even when their legitimacy is contested domestically. This has offered these governments greater international legitimacy and resources; has encouraged the marginalisation of NSAGs that are perceived as a threat by the incumbent government (including through blacklisting of organisations deemed undesirable); and has led international actors to turn a blind eye to other NSAGs that are linked to members of ruling elites. Similarly, international actors have tended to assume that NSAGs automatically lie outside the statebuilding agenda and are inimical to it, and as such have failed to recognise that NSAGs (or more precisely, representatives of NSAGs and the communities that support them) often need to be *brought into the state* through an inclusive political settlement, which can lead them to renounce violence and pursue their goals through more peaceful means.

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international legitimacy (*e.g.* Hamas, Hezbollah). Second, their original support base and legitimacy must broaden as a result of coming into power; consider for example the Sudanese People's Liberation Movement (SPLM) or the National Council for the Defense of Democracy–Forces for the Defense of Democracy (CNDD-FDD). Only if these challenges are managed can conflicts be sustainably resolved and spaces provided for inclusive recovery (see *e.g.* de Zeeuw, 2008).

4. Four areas where the factors converge

This section identifies and analyses four areas where the eight factors described above converge:

1) **Growing out of fragility:** external blockages hindering sustainable economic growth.
2) **The influence of complex multipurpose networks:** the role and effects of networks in fragile states that compete and collaborate with the state.
3) **Failing regulation:** the challenges of effective regulation in fragile states where organisational and political capacity is weak.
4) **The power of ideas and legitimacy:** how external ideas influence and compete with established values and ideas in fragile states in pursuit of social mobilisation, change in established power structures or access to resources.

These areas of convergence reveal dense webs of interdependencies and interconnections among the eight factors (Figure 4.1). Analysing these areas offers important insights into the interplay among them, and how this affects conflict and fragility. As a result, they provide valuable lenses through which current strategy, policy and programming should be considered. This section discusses each area in turn, and considers its key issues and main effects on conflict and fragility.

Figure 4.1 Eight global factors, four areas of convergence
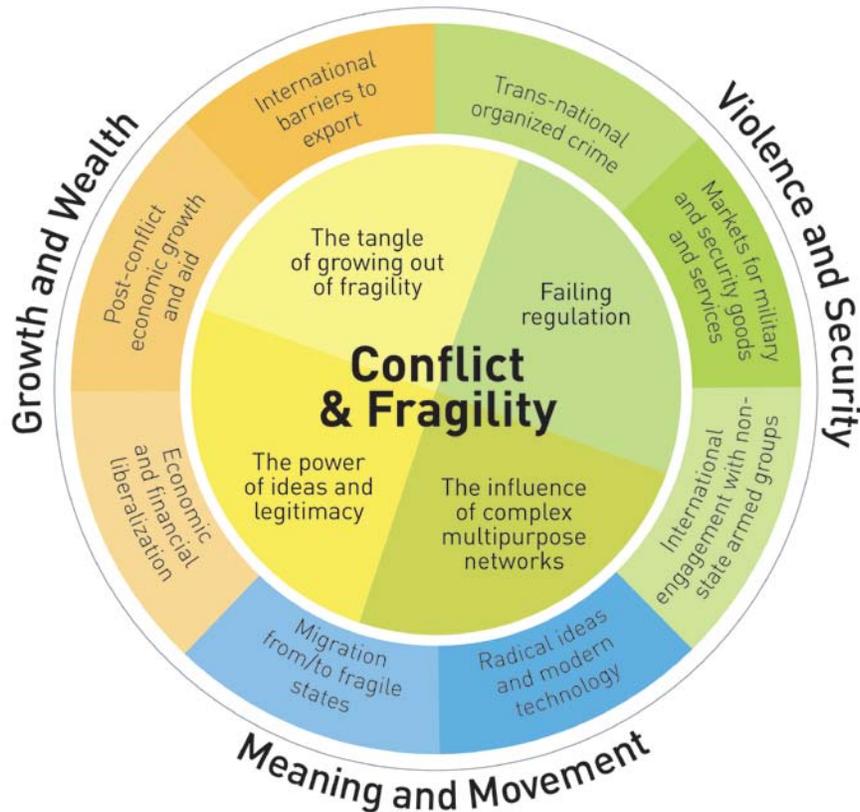
Area 1: Growing out of fragility

"Growing out of fragility" refers to the process of realising the sustained increase in economic growth that is required for development. Growth is one necessary condition for fragile states to move beyond fragility, in part because countries with stronger growth are less likely to (re-)experience civil war (Fearon and Laitin, 2003). It is, however, not the only condition. Growth must be broad-based and inclusive if it is to have a good chance of reducing poverty and lifting income across the board. A traditionally narrow focus on high GDP growth rates can mask social exclusion and income inequalities.

However, growing out of fragility in a globalised economy is a difficult business. If international economic markets are like the Pacific Ocean – vast, unpredictable and with many currents – then fragile states are akin to small, leaky fishing boats afloat in the middle of it with only rudimentary oars or rudders. They are starkly exposed to the push and pull of international economic markets (regional and global). While they need to connect with these markets to grow, they have little ability to make such connections effectively, let alone to regulate or channel the influences such as, for example, financial volatility or price shocks (Box 4.1).

Box 4.1 The backdrop of globalisation: Benefits for all, the many or the few?

Different states, groups and people have very different capacities to make the most of the opportunities, and to mitigate the risks, of globalisation (Wolf, 2005; Judt, 2010; UN, 2012). To some, globalisation means progress and wealth via liberalisation; but to others it can mean vulnerability and inequality if not appropriately managed. The gap in relative income inequality between the richest and the poorest countries is, for instance, estimated to be widening, while the same gap between the richest and poorest individuals is estimated to be narrowing (mainly as a result growth in India and China lifting many of their citizens out of poverty) (Wolf, 2005; Judt, 2010).

This dual nature of globalisation – in bringing risks and opportunities at the same time - also holds for a number of the global factors under scrutiny here.[18] Yet, the challenge of managing the risks involved in globalisation is compounded by the fact that increasing interdependencies have made the world a more complex place. This calls for more sophisticated ways of co-ordinating and innovating through networks that unite ever larger sets of actors (Rittel and Webber, 1973; Slaughter, 2004; Jones, 2011). Fragile and conflict-affected states do not typically have these skills, which has serious consequences for their quality of life, pace of development, risk resistance and ability to make the best of global opportunities.[19]

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[18] This is not confined to conflict-affected and fragile countries. For example, the backlash against perceived globalisation-induced inequality and inequity has spawned a variety of socio-political movements in Western countries such as "Occupy Wall Street", regular protests at G8/G20 summits and populist right-wing parties gaining power in Finland, the Netherlands and Austria.

[19] Recently, the policy discourse has begun to feature the term "resilience" to refer to the ability of individuals, communities and societies to prevent, mitigate and learn from shocks (*e.g.* Clarke, 2012). Although this offers a useful approach to disaster management, it does not adequately cover the ability required to mitigate the effects of the international factors described here because of its slightly reactive implications and its narrow focus on shocks. The effects of many international actors manifest themselves gradually and over long time periods.

Key issues

Analysis of the global factors shows that fragile states face five sets of external blockages to growth (Table 4.1 and Figure 4.2). In other words, they are not just afloat in the Pacific, but also constrained in the course they can set.

Table 4.1 External blockages to fragile states' growth

Factor	Global blockages to growth
Economic and financial liberalisation	1. International pressure for liberalisation measures that are intended to enhance growth but that are ill-sequenced or implemented too hasty, expose fragile states to further risks rather than opportunities
International barriers to export	2. Trade barriers hinder growth via agricultural exports
Radical ideas	3. The spread of radical ideas, promoted by external actors, undermines growth prospects because of the violence and discord it generates
Non-state armed groups and transnational organised crime	4. International engagement with non-state armed groups and responses to transnational organised crime can contribute to post-conflict violence that reduces growth
Markets for military goods and security services	5. Poorly-regulated markets for security goods and services can "equip" post-conflict violence, thereby undermining growth

There are also broader issues that limit the ability of fragile states to realise sustainable economic growth, especially through the export route. For instance, they may possess few comparative advantages in the global market, they may be geographically isolated, lack the ability to generate competitive economies of scale and face higher risks premiums on insurance and borrowing because of perceived political volatility. While these issues are not treated here, it is important to keep this bigger picture in mind. The remainder of this section offers a brief analysis of each blockage.

Figure 4.2 Global factors, external blockages to growth and effects on conflict and fragility
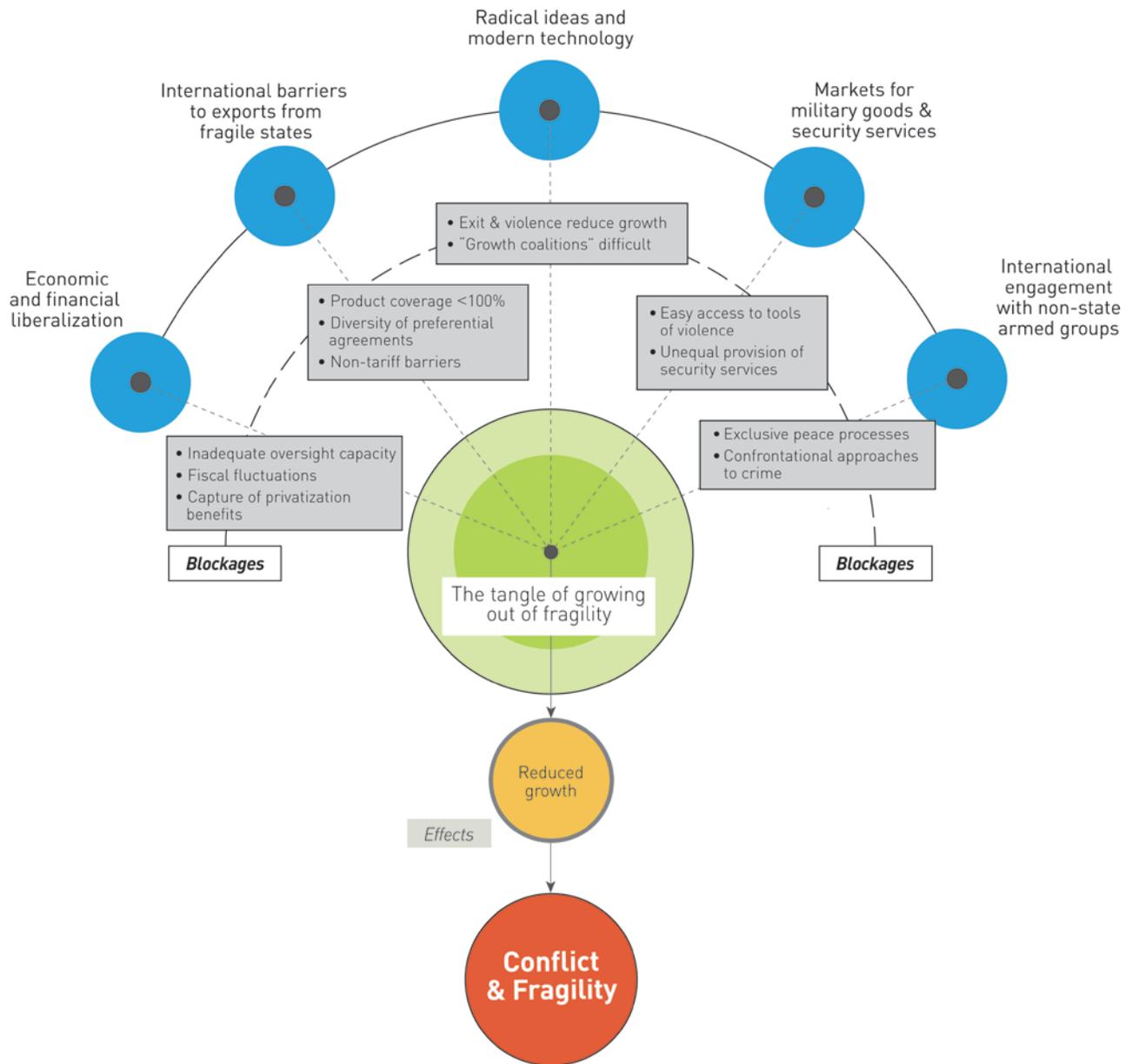
Key effects on conflict and fragility

Growth blocked by imposed liberalisation

External actors, such as donors or the international financial institutions, often advocate for the liberalisation of over-regulated fragile state economies on the assumption that greater operating freedoms for industry will stimulate entrepreneurship and competitiveness, which in turn will increase growth. However, several blockages to growth can arise for fragile states if liberalisation measures are not carefully designed, sequenced and implemented to fit local context and capacities:

- Deregulation without building adequate capacities for new oversight functions (*e.g.* financial or regulatory) can lead to corruption, monopolies and financial malpractice.
- Trade liberalisation potentially exposes fragile states to significant fiscal fluctuations, especially if their economies rely on exporting primary commodities (*e.g.* they will experience revenue shortfalls as a result of global downturns) or if they are import-dependent (*e.g.* which makes them vulnerable to price shocks).
- In the absence of adequate governance, competitive markets and transparent procedures, privatisation can easily lead to elite or insider capture of undervalued assets.

All of this is inimical to long-term, sustainable growth. Because of the dominance of liberal economic thinking, and the paucity of independent (risk) analysis, external actors risk, advertently or inadvertently, introducing such blockages and should ensure that the principle of "do no harm" underpins liberalisation efforts and measures much more strongly.

Growth blocked by trade barriers

There are at least three types of international barriers preventing fragile states from increasing growth through exports of higher value-added goods, especially agricultural. This is despite the World Trade Organization (WTO) commitment in 2005 to free market access for least developed countries (LDCs), the African Growth and Opportunity Act (AGOA), the Everything But Arms (EBA) initiative and a range of preferential bilateral trade agreements between fragile states and OECD countries:

- The existing preferential arrangements do not cover all products. Granting full coverage could increase exports from LDCs by as much as 17% (or 2 billion USD).
- The diverse range of preferential trade agreements in existence is complex for fragile states to understand and costly to comply with. An integrated scheme could simplify the situation, reduce costs and thus maximise exports.
- The many remaining regulatory requirements act as non-tariff trade barriers (so called "behind-the-border" barriers) to exports. More support to enable fragile states to meet these requirements, for example in the form of technical assistance, could help. Because most fragile states depend on agricultural exports, sanitary and phyto-sanitary standards merit particular attention (Elliott, 2010). Such barriers make shifting resources from the traditional agricultural sector (with low productivity) to manufacturing, the agro-industry and services (with high productivity) difficult (Page, 2012; Bigsten and Söderbom, 2011).[20]

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[20] In addition, many *domestic* barriers exist that prevent higher-value exports from accelerating growth. These centre on the inability of many fragile states to address market failures, such as information externalities and coordination problems. Fragile states typically need assistance for targeted efforts to increase the availability of certain skill sets, improve infrastructure and

Growth blocked by radical external ideas

The analysis of the spread of radical Islam in the Sahel region suggests that certain external actors promote ideas that encourage violence against the state and bypassing the state on ideological grounds. The resulting disobedience, resistance and delegitimisation of the state are all detrimental to growth, restricting space for post-conflict entrepreneurship and market innovation. In turn, a lack of growth and reduced prospects of development increase the likelihood of conflict. For example, leadership styles and coalitions matter for generating economic growth. In fact, "growth coalitions" are regularly associated with sustainable increases in growth (Narasimhan, 2012; DLP, 2012). To stimulate growth and entrepreneurship effectively, a degree of trust and a shared style of communication between state and business actors are essential (Peiffer, 2012). However, radical ideas that militate against the state easily lead to political strife and discord. This is likely to make the formation of such coalitions – and thereby growth – much more difficult.

Post-conflict growth blocked by confrontational international approaches to organised crime and insensitive engagement with non-state armed groups

Post-conflict economic recovery and high growth rates are important for sustaining peace. The research confirms that post-conflict economies experience a peace dividend in the form of higher than average growth rates (+1%). However, this is only true if low-level violence also comes to an end. There are two main external factors that can perpetuate this violence:

1) Leaving important non-state armed groups out of a peace agreement: this increases the chances of such groups taking up arms again. Analysis for this project suggests that since 9/11 international actors have increasingly perceived all non-stated armed groups as terrorist organisations. This attitude makes it less likely that they will be included in peace processes, even if they are domestically legitimate groups.

2) Seeking to confront transnational organised crime (TOC) rather than managing it: external actors – especially peacekeeping operations – have tended to confront TOC in post-conflict situations. Such confrontation easily results in higher levels of violence, which are inimical to growth and will likely lead to further violence. As TOC is often embedded in conflict zones it seems a wiser strategy to aim to gradually transform it rather than confront it head on.[21]

Violence fuelled by markets for security goods and services

The patchily-regulated international market for arms and the unregulated market for security services ensure that both are in ample supply for those with the motivation and means to acquire them. This situation results to a significant extent from the lack of interest of external actors, such as major arms and security services exporters, in agreeing a more restrictive approach to the export of arms and the provision of security services. Negotiations within the UN on the Arms

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support the introduction of new production and management techniques. Such policies can be part of packages that stimulate 'trade in tasks' and agglomeration strategies (*e.g.* creating special economic zones). In keeping with the analogy of fragile states being akin to small boats afloat on the Pacific, this amounts to having a limited ability to make repairs and upgrade the craft to navigate global economy currents more easily.

[21] The relationship among conflict, violence and economic growth is complex. For example, Mexico's flourishing FDI is occurring despite a backdrop of terrible violence. Colombia, one of the continent's most violent countries, is another strong Latin economic performer. In the main, however, post-conflict countries only enjoy a growth dividend if low-level violence is halted. External actors can modestly stimulate this growth by tailoring their assistance correctly. The sustainability of this growth will depend on many other factors.

Trade Treaty may change this state of play for international markets for military goods, but the treaty is likely to leave some issues unaddressed and the provision of security services untouched. A practical consequence is that non-state armed groups, governments or criminal networks who wish to start or prolong violence will retain easy access to a vast range of resources. This situation in a fragile state is significantly damaging for growth prospects, especially in the post-conflict period.

Area 2: The influence of complex multipurpose networks

In this research, the focus is largely on illicit or hybrid networks (*i.e.* that combine licit and illicit activities and/or actors). A network refers to "any collection of actors that pursue repeated, enduring exchange relations with one another and at the same time lack traditional organizational hierarchy to arbitrate and resolve disputes that may arise during the exchange" (building on Podolny and Page, 1998). This means that continuous interaction and a lack of formal hierarchy are key features of networks.[22] They are omnipresent in developed, developing and fragile states alike (e.g. Milward and Raab, 2003, 2005, 2007; Slaugther, 2004, 2009) and encompass great variation (Box 4.2).[23] For instance, networks can be licit or illicit in nature[24] and enjoy vastly different degrees of legitimacy – both internationally and domestically. This brings criminal, terrorist, revolutionary and religious networks, networked non-state armed groups and many others into the picture. From a public interest perspective networks can be forces for good – even when violent – and for bad. A more positive example includes the loosely-networked Communal Defense Forces in Sierra Leone, which, although they clashed violently with both the Revolutionary United Front (RUF) and the Sierra Leonean Army, were considered highly legitimate by the communities they served. A similar case can be made for Maoist communities in Nepal. A negative example includes Al Qaeda-inspired religious networks of terrorists.[25]

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[22] Networks can feature informal, atypical hierarchies on the basis of e.g. ideology, relations, threats or reputation.

[23] However, much analysis focuses on networks in the Western world as innovative forms of governance that can deal with complex problems spanning institutional mandates or geographic boundaries, such as the Global Environmental Facility or the UN Global Compact initiative (*e.g.* Kahler, 2009; Slaughter, 2004, 2009).

[24] A network enjoys international legality when it complies with international law. It enjoys domestic legality when it complies with domestic law (*e.g.* intelligence networks). However, some networks may be domestically legal but illegal internationally; consider, for instance, networks based in or sponsored by fragile autocratic states such as Khadafy's Libya or Hussein's Iraq. A distinction must also be made between networks and networked actors. Networks consist of networked actors, but networked actors do not necessarily use only networks to realise their objectives (for example, a non-state armed group like the LTTE uses both networks and hierarchy to serve its purposes). For a discussion on networks as structures and networks as actors see Kahler (2009).

[25] It is also helpful to consider networks, markets and hierarchy as different methods for organising transactions. Markets organise transactions on the basis of specification of goods/services, demand/supply and legal sanction. Hierarchies do so on the basis of organisational structure, employment and corporate processes. Networks organise transactions on the basis of trust, flexibility and personal contact (Powell, 1990; Eilstrup-Sangiovanni and Jones, 2008). A key difference between licit and illicit markets is that the latter cannot rely on the legal enforcement of contracts in case of dispute.

Box 4.2 The backdrop of globalisation: Multi-layered governance in a state-centric world

Over the last four to five centuries states have become the dominant form of socio-political organisation.[26] Over this period, a limited set of European states has accomplished two critical tasks: they have slowly crowded out and eliminated alternative models of governance through a process of wealth accumulation, alliance formation and warfare (*e.g.* Tilly, 1992); and they have gradually improved their ability to control their territories (Bayly, 2004). These tasks, however, have each been completed to a very different degree at the global level. The period 1945 to 1995 in particular "standardised" the *form* of governance offered by the state, but without, in many places, realising a parallel increase in its *functionality*.[27] The result is a broad range of formally equal, sovereign states with vastly different capacities and levels of legitimacy. It is recognised that many fragile and conflict-affected states feature low capacity, low legitimacy, or both (OECD, 2011b). They are, in a way, "victims" of the rapid globalisation of this form of state governance. Their vulnerability has, paradoxically, created more opportunities and incentives for alternative forms of governance to establish themselves, such as a broad diversity of non-state armed groups and networks that often compete or co-operate with the state in ways that can be both positive and negative, but which are often not accountable, not transparent and focused on private rather than public interests.

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[26] States, as independent political communities, are typically characterised by having a government that asserts sovereignty over a certain territory and a certain population (Bull, 2002).
[27] The number of states (as measured by membership of the United Nations) increased by about 375% in this period through successive waves of decolonisation and implosion.

Key issues

Six of the global factors presented in Section 3 are relevant to this theme: economic and financial liberalisation; the spread of radical Islam and modern technology; migration; transnational organised crime; international markets for military/security goods and services; and international engagement with non-state armed groups (Figure 4.3). The analysis points to four key issues, mainly in relation to networks that are considered illicit from an international perspective.

Figure 4.3 Global factors, multipurpose networks and the effect on conflict and fragility
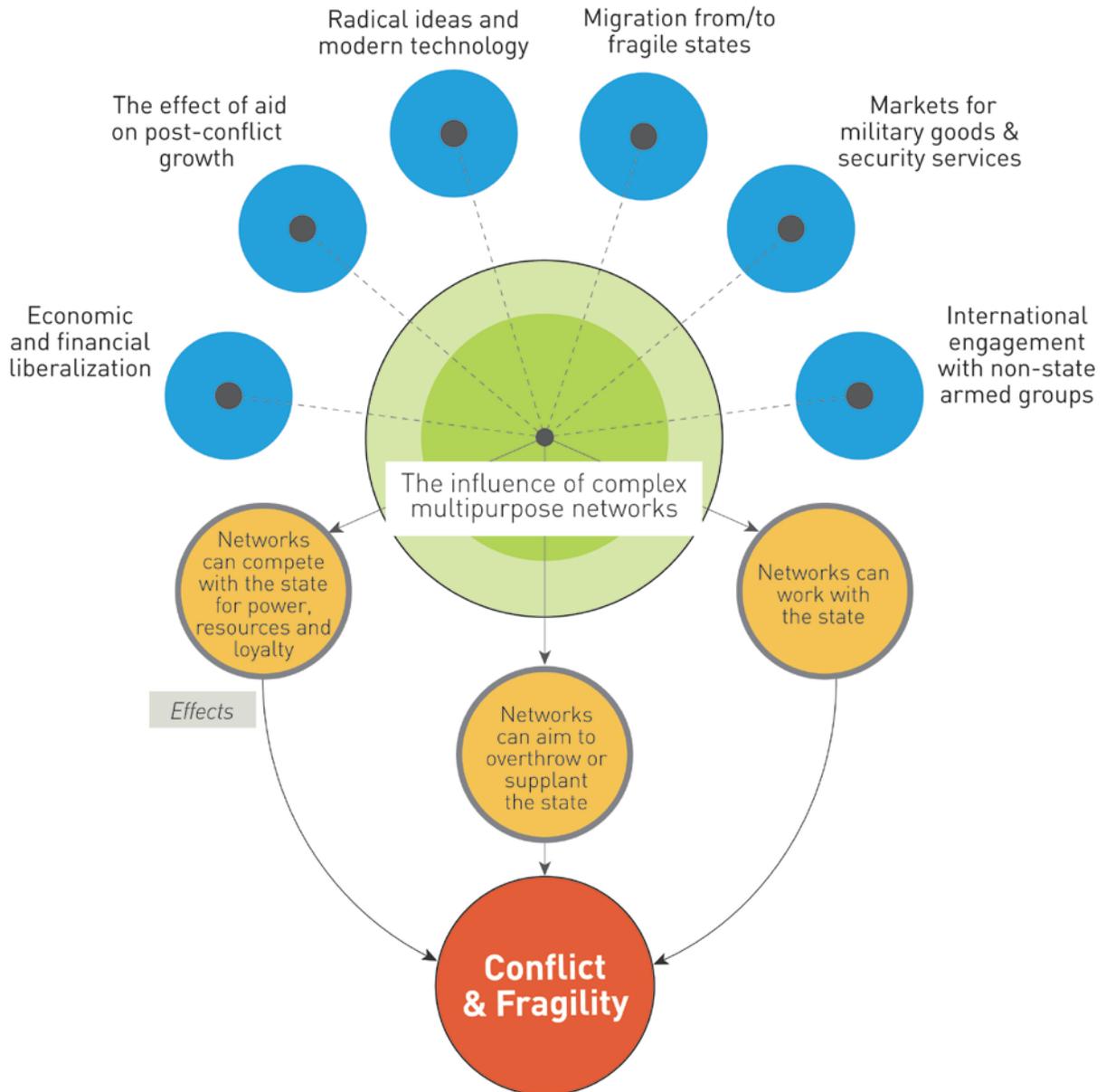
Networks in fragile states meet demands that the state does not

While the governments of most fragile states bear the rights and duties of sovereign statehood, they are often unable to fulfil their duties or meet the needs and aspirations of their citizens. Networks can fill the gap, providing employment and development opportunities. For example one could consider terrorism and the drugs trade as businesses open at entry level to people living in fragile states (Milward and Raab, 2007). Religious and even criminal networks can provide some form of governance and even security – although their sustainability and fairness are extremely limited. Revolutionary networks can "provide" freedom. As a result, networks are ubiquitous and highly diverse, ranging from radical Islamist networks in the Sahel to criminal networks in Guatemala or Tajikistan; from networks of freedom fighters in Syria or Libya to networked non-state armed groups in Lebanon.

Networks in fragile states are persistent

The persistence of networks in fragile states has at least three causes. First, even if destroyed, networks are likely to resurrect themselves as long as the issues that originally brought them about remain (Kenney, 2003; Milward and Raab, 2007). Given the poverty, violence, lack of livelihoods and meagre educational prospects in many fragile states, illicit networks arise in part out of need, as discussed above. Fragile states offer a nearly limitless recruitment base. Second, it is often thought that the removal of key leaders can destroy a network (*e.g.* in the wars on drugs or terror), but this assumption does not seem to hold up under close scrutiny. The loss of particularly charismatic or skilled leaders may reduce network capacity temporarily, but the segmentation of many networks ensures they tend to have adequate capacity for regeneration (*e.g.* Kenney, 2003; 2007). Third, networks tend to be highly flexible and scalable learning organisations (Kahler, 2009; Duffield, 2010).[28] They are able to adapt quickly under pressure and move easily across boundaries.[29] Hence, the disruption of their activities has to be very intense if it is to reduce their capacity to act.

Networks are sustained by the increasing mobility of ideas, people and technology

Globalisation has significantly increased the mobility of ideas, people and technology, which offers useful solutions to two critical problems that illicit networks face. First, transactions between "nodes" in illicit networks are more difficult compared with licit networks because they need to be covert, and are therefore costly. Second, illicit networks cannot recourse to legal or formal hierarchical methods to resolve disputes and their transactions are therefore also risky, both to the network themselves and for those conducting them (who face the risk of capture, injury or death) (Milward and Raab, 2003).

An ideology shared across a network reduces risks (*e.g.* of infiltration) and costs for networks (*e.g.* of recruitment and payment), and increases their capacity to regenerate. In fragile states, ideas and ideology often either spread freely in the absence of effective regulatory frameworks, or are "dictated" by autocratic governments. Both facilitate the use of ideology for network purposes. Moreover, migrant communities are often connected by transnational social networks on the basis of, for instance, kinship, ethnicity or religion (Adamson, 2005). Such bonds create

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[28] Criminal and terrorist networks tend to be organised either as supply chain or hub-and-spoke models (Eilstrup-Sangiovanni and Jones, 2008). Illicit networks often transpose successful licit organisational models. A hub-and-spoke model can, for instance, take the form of a franchise model or a conglomerate. Each feature different methods of governance and control (building on Milward and Raab, 2003).

[29] An example is the contrast between the confluence of arms, diamonds, state-sponsored criminality and international terrorism in West Africa around 2000 and the current situation in which, for instance, Liberia and Sierra Leone are heralded as examples of successful post-conflict recovery. Most of the issues, however, are alive and well in Côte d'Ivoire, Guinea and Guinea-Bissau.

the trust that also makes interaction in networks more reliable and less risky. From this perspective, the 25% of migrants from fragile states who end up in other fragile states form attractive potential network nodes and connectors across often porous borders. Finally, modern technology in environments with low levels of registration, regulation and enforcement helps networks to interact unchecked and with greater ease. For instance, in Sub-Saharan Africa this is mostly based on mobile phone platforms, but if Internet connectivity improves without simultaneous improvement of oversight and regulatory capacities, an even more powerful platform will rapidly be created.

Networks fuse easily with public and private actors and organisations
The lack of democratic controls and transparency, institutional fragmentation, corruption and dysfunctional governance in many fragile states facilitate the rise of "grey" networks. These fuse multiple licit and illicit actors and activities to pursue licit and illicit goals simultaneously. For instance, political and business elites allegedly control much of the licit and illicit trade in the Kenyan port of Mombasa for both political and commercial profit (Gastrow, 2011). Often the state and such networks become indistinguishable, especially amongst the governing elite. This is a matter of particular concern as such networks typically lack accountability and lead to the formation of hybrid elites. They can also enable the use of state assets for illicit purposes and confer a competitive advantage on state-fused networks in the form of a legitimacy premium and privileged access to resources (*e.g.* international finance and aid). Examples include the network-based strategy of the Sudanese state to spread radical Islam to neighbouring countries, the use of territory; the extension of diplomatic passports to criminals or terrorists (a ploy also recently used by the Mossad); and the use of state regulated (air)fleet registries for illicit trade (Milward and Raab, 2003).

Key effects on conflict and fragility

To understand how networks affect conflict and fragility, one must understand the nature of the networks and the state in which they operate. It is important to keep in mind that although certain networks may be considered as illegitimate in international arenas (*e.g.* Hezbollah-Hamas) or even outright illicit (*e.g.* drug networks), this does not necessarily make them illegitimate domestically. Another problem is that even domestically legitimate networks often engage in activities that are both internationally and domestically illicit (*e.g.* Al Qaeda engaged in kidnapping in the Maghreb). There are three basic strategies of interaction between networks and fragile states, each of which can have both positive and negative effects on conflict and fragility:

- *Networks can compete with the state for power, resources and loyalty.* The goal of some networks is to obtain part of a fragile state's territory, authority or resources. Poverty, corruption, a lack of governance and a desire for power can fuel such competition. For example, Hezbollah-Hamas and the Sudan People's Liberation Movement (SPLM) competed, as networked actors, with their respective states in open conflict. Similarly, criminal organisations have also attempted to co-opt resources and loyalty by providing forms of governance and security. However, whereas the former can be framed as domestically legitimate struggles, this is more difficult to claim for the latter. In all cases, the short-term effects of the resulting violence have been devastating in terms of destruction and loss of life. For example, more than 1.9 million people have died in South Sudan since the start of the civil conflict in 1983 (US Committee for Refugees, 2001), while the Mexican authorities estimate that 12 903 people were killed in violence blamed on organised crime between

January and September 2011 (BBC News, 2012).[30] However, there can be positive longer-term effects: the people in South Sudan, for instance, arguably enjoy greater political freedom today than they did in a unified Sudan.

- *Networks can aim to overthrow or supplant the state.* Revolutionary network strategies, based on for example a mixture of ideology (*Boko Haram*, the Muslim Brotherhood) or grievance (Libyan militias working in co-ordination), can resist states that are autocratic or otherwise perceived as unjust. Although political crises, terrorist campaigns, coups or rebellions will in most cases lead to serious bloodshed, such strategies can be powerful forces for positive change and the public good as witnessed by several of the events in the Arab Spring. Whether such gains actually hold largely depends on the policies and actions of the "new" state. A complicating factor is that networks pursuing revolutionary strategies, such as the Free Syrian Army, can simultaneously be engaged in legitimate (resisting the murderous Assad regime) and illicit activities (arms trade) and have both radical religious and liberation objectives.

- *Networks can work with the state.* Again, depending on the nature of the network and the state, this can have negative and positive consequences for conflict and fragility. Licit networks can assist legitimate but weak states with much-needed capacity. For example, the *Ataya* network in Sierra Leone[31] provides critical support for state authorities in terms of improved election and public order planning. Alternatively, religious networks can provide much needed support to the poorest and the most destitute whom the state cannot reach. However, illicit criminal networks can also work with government officials for mutual enrichment, leading to the abuse of public office and the creation of deep relations of official complicity. This erodes state capacity and legitimacy from within, which will likely make the political settlement and state-society relations more fragile. Worse, autocratic but fragile states can work with, create or sponsor violent networks who engage in terrorism or crime (*e.g.* Khadafy's Libya or Iran). In turn, this opens up space to violently challenge state authority elsewhere, and deepens fragility.

The implications for international engagement are relatively clear. The strategic focus needs to be on increasing state capacity, improving governance and accountability, better education and increasing the availability of legitimate employment. The current thinking on statebuilding offers a valid long-term strategy in this regard (*e.g.* OECD, 2011; The World Bank, 2011).

However, networks are a fact of life in fragile states and turning the aspiration of the state to be the "single sovereign" into reality is a very long way off for most. What is critically needed now are options for international engagement that either focus on short-term containment, on engagement, or both. External engagement will inevitably have to carefully assess the legitimacy

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[30] The estimated official figure for deaths in Mexico related to organised crime over the past five years is 47 515 people (BBC News, 2012).

[31] *Ataya* is a strong, highly flavoured and highly sugared green tea that, if consumed quickly and in large quantities, can act as a stimulant. "*Ataya* bases" provide gathering spots for all Sierra Leoneans of all walks of life, including the young and old, the employed and unemployed. In recent years, these bases have been used as venues for youths to meet, become aroused and then disperse to cause election violence. In more recent years, the *Ataya* Base National Union for Advocacy has formed and registered as a government-recognised voluntary organsiation. Whilst the union membership includes former combatants to the conflict, its mission is to promote, protect, supervise and unite all *Ataya* bases in the country and ensure that they are not used for political purposes (based on discussions with members of the Office of National Security, Sierra Leone, April, 2012),

of networks in fragile states, as well as the costs of resisting or supporting their activities in terms of the effects on conflict and fragility. In particular, it may be necessary for donors to support grey or fused networks as part of a process of negotiated statebuilding, backed up with resources and legitimacy. This should probably take a pragmatic approach that limits the risk of strengthening illicit structures and activities, while encouraging licit ones. The preceding analysis provides a few starting points, but requires further research. It is an open question as to how compatible such a "realistic" approach is with the technical and normative nature of much development aid.

Area 3: Failing regulation

Failing regulation refers to the combination of a lack of oversight and low levels of compliance with international, regional and national rules and norms (Box 4.3). As regulation forms a key component of governance, failing regulation is often symptomatic of weak governance structures, both state and non-state. Since poor governance is regarded by international actors as a major obstacle to effective economic reforms, strengthening regulatory governance is a crucial aspect of the broader economic reform agenda (Minogue and Carino, 2007). Traditional concepts of regulation refer to the role of legal institutions[32] and practices supporting a "rule-based"[33] environment principally involving issues of compliance and accountability (Ogus, 2002). As there is no acceptable definition of regulation which covers all the different regulatory systems found in the world, we define regulation as the diverse set of instruments by which governments establish requirements for enterprises and citizens. It is sub-divided into economic, social and administrative regulations (OECD, 1997). This wider definition of regulation[34] links directly to many of the issues and trends identified in the factor analysis, and is an important zone of convergence for this work.

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[32] Some analysts argue that regulatory governance is about more than legal institutions – it also includes the interactions of the legal and administration systems with political institutions and processes (Majone, 1996; 1997).

[33] A "rules-based" environment should be distinguished from the 'rule of law'; the latter refers to a state where government decisions are made by applying known legal principles. This is a concept which is often discussed in conjunction with the concept of democratic government.

[34] For further analysis of this broader definition of regulation, see Minogue and Carino (2007).

Box 4.3 The backdrop of globalisation: In norms, governance and regulation we trust

Although norms and mechanisms for international governance have always existed, their level of universality, density and intrusion has increased significantly over recent decades.[35] Three developments are particularly relevant to this paper:

1) International norms have significantly decreased the *acceptability* of the use of violence (not its actual use) between and within states as a legitimate means to effectuate change and resolve disputes (*e.g.* HSRP, 2010; Münkler, 2005).[36] Hence, non-performing governments today face a reduced likelihood of international acceptance of their elimination, amalgamation or competition by violence. Yet, they continue to benefit from international recognition purely on the basis of the norms of sovereignty and state equality.

2) International norms and governance have, unsurprisingly, developed in a piecemeal and rather fragmented fashion and so has their institutional anchoring. For instance, the international governance of peace and security primarily centres on the United Nations, the governance of trade is largely organised through a series of WTO arrangements and the IFIs are at the heart of many financial and economic norms and regulations.

3) Many international norms and governance mechanisms now rely on a combination of soft and hard regulation for their implementation and enforcement. Soft regulation forms a type of bottom-up, primarily voluntary form of responsive regulation. It is conducted by regulatory networks of government and non-government actors which allows for networking around capacity deficits (Braithwaite, 2006). The creation of what started as a voluntary network of many small and incapacitated human rights organisations in Nepal serves as a good example of a voluntary form of responsive regulation. In 2006 and 2007, the network consolidated its researchers and pursued an evidence-based approach to investigating alleged human rights abuses by members of the security forces. This voluntary network has since developed into the Nepal Security Sector Network, which includes both government and non-governmental members.

Not surprisingly, these three developments are highly problematic in fragile states because the legitimacy of their government is often contested while their capacity to deal with fragmentation and enforce regulation in both the classic and more modern sense is weak.

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[35] A dimension not addressed here is that while international norms, governance and regulation were initially mostly attempts to peacefully regulate interaction between states as key actors of the international system (*e.g.* Bull, 2002), they increasingly seek to incorporate non-state actors into their arrangements in recognition of growing global complexity and are more and more considered as solutions to those challenges of globalization and modernity that states fail to resolve on their own.

[36] This is not to say the world has become a safer place, but suggests that in the long-run states find it much more difficult to legitimately sustain their military interventions in other states (*e.g.* the US in Afghanistan and Iraq or NATO/EU in Bosnia-Herzegovina).

Key issues

Six of the global factors examined in Section 3 converge in this zone: economic and financial liberalisation, international barriers to export, the spread of radical Islam and modern technology, transnational organised crime, international markets for military/security goods and services and international engagement with non-state armed groups.

Figure 4.4 Global factors, failing regulation and the effects on conflict and fragility
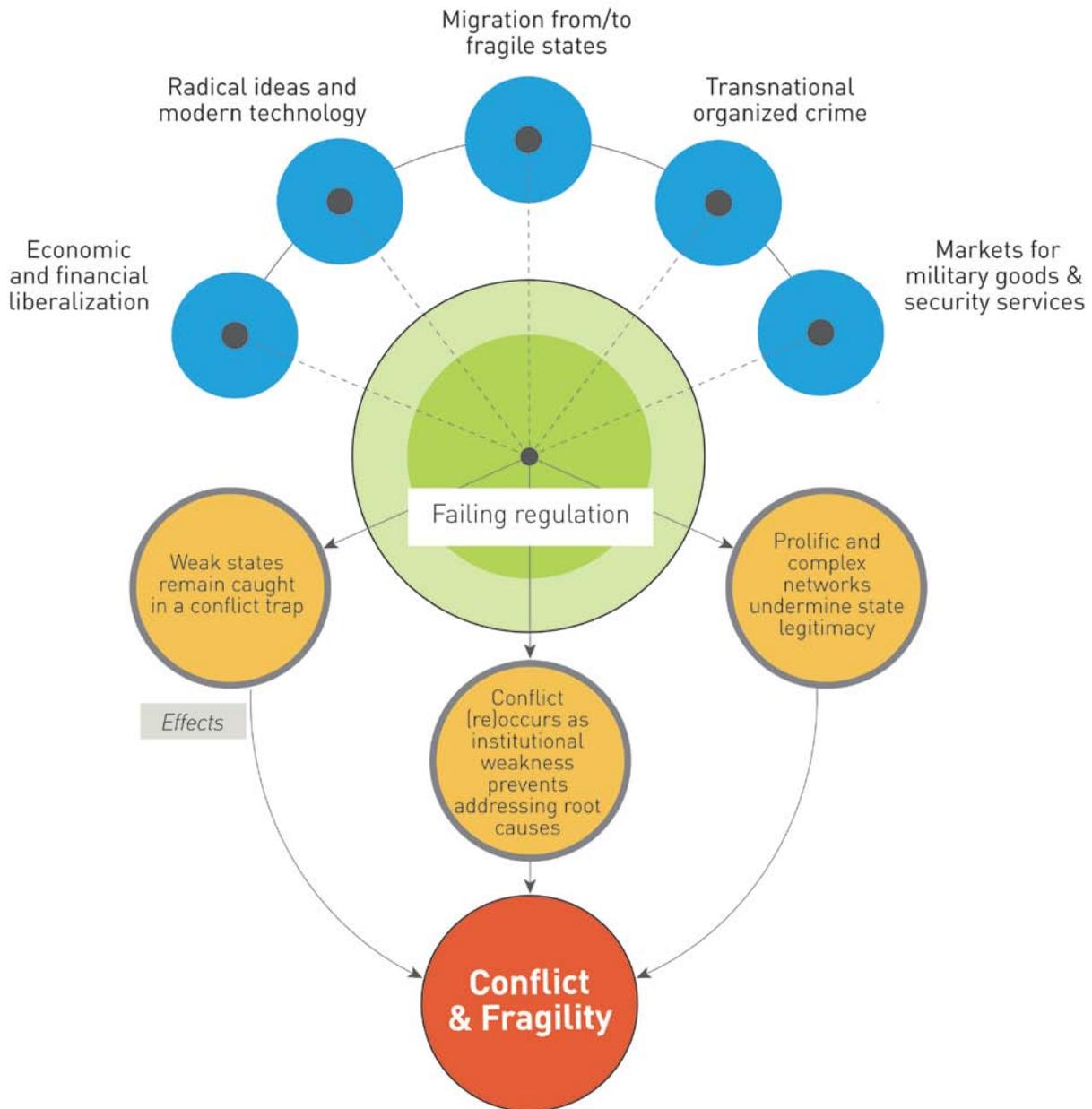
Addressing some of the aspects of the "dark side of globalisation" (Heine and Thakur, 2011) – such as transnational organised crime and illicit markets in military goods and services – relies

heavily on a combination of classic international and national regulation. For example, efforts to counter transnational crime and money laundering in more developed states are supported by a "platform" which extends from Interpol and regional/border security frameworks through to national criminal legislation and community watch programmes. Each element of this regulatory governance system may contain gaps which can enable a wide range of illicit globalised activities. In fragile and conflict-affected states, gaps emerge across these regulatory systems for three main reasons: 1) weak enforcement capacity; 2) complex and prolific supply chains; and 3) misalignment of international and domestic regulation.

Weak enforcement capacity

The weak enforcement capacity of fragile states renders domestic regulation ineffective, particularly where the problem targeted by the regulation is cross-border or beyond the reach of formal state authorities (*e.g.* where ethnic and tribal kinships adopt a more regional profile). These local and regional governance structures may be influenced by transnational and organised crime and the activities of NSAGs. The prospect of any "bottom-up" or "civic" regulation is also challenged by a weak or politicised civil society. The latter may form part of a broader group which may have to bear the cost of compliance and may therefore attempt to weaken the rules or prevent them altogether (O'Hagan, 2004; Woolfson, 2006).

Sub-regional regulatory frameworks designed to address some of these illicit and transboundary trends are also undermined by weak enforcement capacity. For example, based purely on the weak overall "sum of the parts", regional organisations such as the Economic Community of Central African States (ECCAS), the Mano River Union and the South Asian Regional Cooperation (SARC) have, over the last decade, become virtually moribund and have failed to step in and compensate for the weak regulatory capacity of individual states despite the many provisions for regional regulation and cross-border agreements written into the charters of these organisations.

The lack of national and regional institutional capacity to enforce regulation is further weakened by a lack of general knowledge of the case for regulation, a lack of governance pre-conditions to ensure national compliance with externally imposed regulatory frameworks and the absence of alternative regulatory models for consideration. In this context, externally-imposed regulation should not be introduced until national regulatory bodies have the sufficient education, knowledge and skills required to regulate.

Complex and prolific supply chains

Complex and prolific global supply chains for goods, people and services pose significant challenges for regulation. These supply chains are complex because of their many production stages that are often located in different jurisdictions. They are prolific because of the number of actors involved, their frequency of use, and density across continents. Universal regulation, such as the different UN treaties governing drugs, will likely fail if it does not address all stages of the global supply chain and if it does not adapt as the chain expands. When weak national institutions are unable to keep up with global developments and apply global rules and regulations inconsistently, supply chains can become segmented to take advantage of different levels of law enforcement in different countries. The significant discrepancies among global legal and regulatory systems allow individuals and groups operating within the global supply chain to conduct the unregulated movement of people, assets and ideas. For example, migrant

communities close to poorly-monitored border areas can provide important staging posts in licit and illicit global supply chains, such as human trafficking. As these groups can often exist and operate outside any national status, their activities can support both licit and illicit transactions, which may be fuelled by remittance funding.

The transport of powerful ideas and ideologies through complex and prolific supply chains also occurs when there is a lack of regulatory governance. For example, radical Islamic ideas have been spread through smart phones in Chad; a country where Internet-enabled computers remain a luxury product. With many people in fragile states born, bred and buried without having been nationally registered, regulating the use of telecommunications and the external provision of mobile telephones becomes challenging. This is particularly the case when such phones can be powered by an old car battery. In Nigeria, current Internet use accounts for 32.2% of all Internet use on the continent (including North Africa).[37] Here the proliferation of networks of radical Islamic groups such as *Boko Haram* can be further strengthened by using unregulated telecommunications to transmit powerful sermons and visuals locally, regionally and worldwide. This reach can eventually affect more moderate Muslim groups who have become disillusioned with the secular state and its inability to enforce the law.

Misalignment of international and domestic regulation
Regulation also fails if international and national regulations are not sufficiently aligned with each other. This misalignment occurs as a result of incompatibilities between the context in which international and regional regulatory frameworks are developed, and the national context and norms of the country expected to implement the framework (Box 4.4).[38]

Box 4.4 Mismatched national and international regulations: some examples

1) Money laundering is not a criminal offence under current national laws in Namibia. Therefore, conduct which is a feature of money laundering can only be forbidden, investigated, prosecuted and controlled if the conduct amounts to one of the recognised common-law crimes linked to theft (Goba *et al.* 2011). This issue reflects one of many areas of dissonance between international and national legislation and underscores the need for global regulatory frameworks to consider national and regional legal traditions and norms.

2) The traditional method of chewing coca leaves (*acullico*) has been practised and used legally by people in the Andean region of South America for years to prevent altitude sickness, and to suppress pain, thirst and hunger. However, their international classification as a "drug" prevents coca leaves from being transported across regional borders (*e.g.* between Argentina and Bolivia); this occurs even though the chewing of coca leaves is considered to be legal in both countries. Although coca leaves contains very small amounts of cocaine, the production of cocaine requires complex chemical processes and the consumption of coca leaves does not produce a "high".

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[37] See *www.internetworldstats.com/stats1.htm,* accessed 5 September 2012.
[38] For more information on the calls for better adapting of standardised rules to context in the area of rule of law and law reforms, see Trebilcock & Daniels (2007).

Key effects on conflict and fragility

Fragile states typically feature inadequate regulatory and supervisory capacity, but are at the same time part of global value chains, licit and illicit. Consequently, they tend to be specifically vulnerable, for example because of not being able to counter illicit activities adequately. The fact that they are usually the weakest and most unstable parts of the international market exacerbates their vulnerability as risks of globalization, non-functional regulation and illicit activities tend to gravitate towards them. This is a common trend in transnational organised crime particularly the 'War on Drugs') and the international markets for military and security assistance (the use of private security companies). Such illicit activities put an additional burden on the already weak state capacity to enforce regulation, with the following impacts:

- *Weak states remain caught in the conflict trap:* the lack of alignment between international and domestic regulation limits prospects for economic growth in weak states. As a lack of economic growth prevents countries from breaking out of cycles of conflict, one could argue that the absence of a feasible and functioning regulatory framework directly increases the chance of renewed conflict. The lack of economic growth is also further aggravated by the absence of knowledge of international regulatory standards and how these apply to the different growth opportunities. For example, certain African countries that aspire to make their agricultural exports competitive on the global export market sanitary and phytosanitary standards which must be met before their products can be competitive. Even with more knowledge of these standards, their lack of harmonisation across OECD countries results in high transaction costs which prohibit the entry of weak and fragile states into global markets. Whilst national loans and debt relief can create an incentive for fragile states to agree to certain regulatory provisions and frameworks (or to claim to have such frameworks in place already), lack of knowledge can significantly impairs their regulator's ability to actually regulate.

- *Conflict occurs because institutional regulatory weakness makes it difficult to address root causes:* a weak regulatory and supervisory capacity can rapidly re-create the conditions that drove earlier unrest and conflict. For example, a lack of economic development caused by institutional weakness can lead to a high number of unemployed and disenchanted young people who may subsequently fall prey to powerful ideas and discourse, and political and gang-based violence. Moreover, fragile states are unlikely to be able to deal with or protect their citizens from economic and political agents, who may be empowered by global economic conditions, and who seek to exploit these conditions in a way that perpetuates the root causes of conflict. For example, the lack of protection by the Ministry of Labour for workers employed by international mining companies in Sierra Leone has led to many recent demonstrations and unrest in mining communities; similarly, as evidenced by the recent 2007 election and 2010 bi-election violence in Sierra Leone, high levels of unemployment provide an incentive for male youths to succumb to calls for political violence.

  The lack of national registration and census data held by institutions makes it difficult for the state to enforce the law, while weak civil society – and the absence of an education system which supports the wider knowledge of international regulatory practices and their impact – impairs a state's ability to promote "responsive" and "ground-up" regulatory governance. The net effect is increased protection for those who, under the proposed regulation, may have to bear the high cost of compliance.

- *Prolific and complex networks will continue to undermine state legitimacy:* the inability of a state to develop its economy and adopt new (or comply with existing international) regulatory frameworks, can create more "nodes" within an already complex supply chain which undermines the legitimacy of the state. This accounts for economic migrants who pursue opportunities in weak and fragile states, for those providers and receivers of international military and security assistance, and NSAGs and transnational organised criminal networks which occupy territory beyond the reach of formal state authorities and which facilitate the transboundary movement of people, assets and ideas. This further strengthens the national and regional legitimacy of hybrid systems to the detriment of the legitimacy of the state.

Shared responsibility for the effects of globalisation on conflict-affected and fragile states requires more stable parts of the market (*i.e.* industrialised nations and, to a lesser extent, emerging economies) to take a bigger share of these risks. Such shared responsibility will require a political response, including the reorientation of international policy frameworks, using the armed forces in different ways overseas and increasing spending on international development targeted at conflict-affected and fragile states.

Area 4. The power of ideas and legitimacy

A "powerful idea" is a concept or a thought process which has the ability to mobilise people and shape national identity. Powerful ideas can develop to inform political systems, wider governance and legislative structures, as well as the role of society and the relationships between actors within a society. These societal "paradigms" characterise the attitudes, beliefs and behaviour of people. Traditional ideas with deep historical relevance and wide appeal develop into a national culture. Other ideas may only develop into something which characterises the beliefs and behaviour of a particular group, community or region.

Ideas are many and varied and can range from disciplinary schools of thought (such as Keynesian economics and green politics) to more traditional beliefs which shape the activities of communities and wider institutions, such as religious and educational organisations. The Sufi influence in many Islamic cultures, and the pedagogical approach of Montessori education are two examples of ideas which have gradually become institutionalised in many societies. The global reach enabled by modern technology enables the ideas of even small groups to quickly influence a larger global audience.

Any idea which comes with even a marginal element of support can influence the relationship between the state and society in a way which may not conform to Western conceptions of how a state and society should be linked and separated. This introduces an interesting association between issues relating to powerful ideas and perceptions of state legitimacy (Box 4.5). State legitimacy concerns the very basis on which state and society are linked and by which state authority is justified. A lack of legitimacy is a major contributor to state fragility because it undermines state authority, and therefore capacity (OECD, 2010). As issues relating to legitimacy are multidisciplinary in nature (Gilley, 2006), the nexus between powerful ideas and perceptions of legitimacy in weak and fragile states forms an important zone of convergence for the global factors analysed in this work.

Box 4.5 The backdrop of globalisation: Competing ideas

Intertwined with the process of globalisation, the past two or three decades have also witnessed the emergence on the world stage of a number of countries characterised by their rising political and economic influence, underpinned by high economic growth and relatively stable governance.[39] These countries tend to be referred to in the economic sense, e.g. Asian tigers, emerging economies, or, recently, African lions (Radelet, 2010) and include the likes of Brazil, India, Russia, South Africa and China, as well as the oil/gas fuelled Gulf states (notably Qatar, the UAE, Saudi Arabia and Kuwait).

Two important consequences of their rise are that they offer credible ideas and models for the organisation of the state, the economy and growth, which compete with the dominant Western liberal-democratic, free-market paradigm. They also provide alternative sources of finance, goods, services and legitimacy. Their increasing role has already made it more difficult to agree new international norms and regulatory frameworks that can manage the effects of global developments and events. Consider, for instance, the limited progress made by recent international conferences in Doha (trade), Rio (sustainability) and Durban (climate). It also enables more selective and pragmatic engagement on the part of fragile states. For example, the US Dodd-Frank Act and OECD due diligence guidance attempt to reduce the use of minerals to fuel conflict. While these norms and regulations may decrease demand from Western buyers for minerals from the Eastern DRC, supply could simply be re-routed to non-Western buyers.

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[39] Industrialisation in some countries after World War II started by exploring labour cost advantages in manufactured goods, followed by subsequent moves up the value chain through skills development, FDI, joint ventures and IP theft while using state assets to stimulate knowledge development and to build champions that could compete globally.

Key issues

Six of the global factors examined converge in this zone: economic and financial liberalisation, the spread of radical Islam and modern technology, migration from/to fragile states, transnational organised crime, international markets for military/security goods and services, and international engagement with non-state armed groups (Figure 4.5).

Figure 4.5 Global factors, ideas and legitimacy and the effect on conflict and fragility
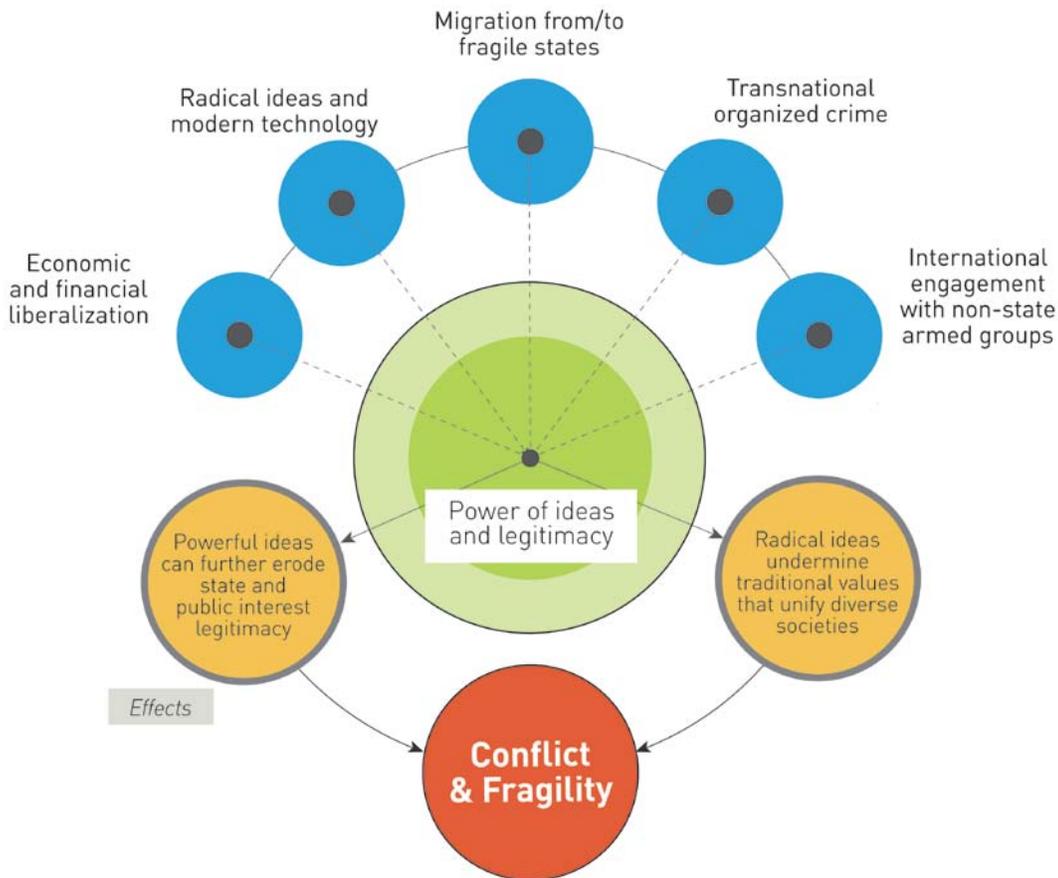
The theme of the power of ideas is closely related to that of complex multipurpose networks (Area 3) as some of these networks are driven by, or spread, a certain set of ideas. But the generation of ideas themselves represents the embryo of all of the themes presented in this work, irrespective of where or by whom the germ of an idea was conceived. Where the marketplace for ideas is rich, where a good education system and plenty of independent research are available, and where wide consultation as well as healthy debate is institutionalised, ideas can be pursued in an optimal way. However, where these elements are not in place, the unfettered flow and implementation of ideas can have a widespread impact on both state-society and society-society relationships, often fuelling existing areas of tension or vulnerability. The following issues arise in fragile and conflict-affected states that impact on both the state and society's ability to pursue and progress ideas in a healthy way:

Restrictions prevent good management of the "marketplace" for ideas

Conflict and fragility reduce the quality and availability of education in fragile states. [40] This significantly impairs a society's ability to assess ideas critically and evaluate a range of options associated with an idea. In fragile states where people do not enjoy a free press, freedom of thought or access to countervailing knowledge and ideas that could support a more permissive debate, certain ideas can take root without opposition and be enforced on society. Where many restrictions prevent the further discussion of ideas, they may become indoctrinated or institutionalised, while other more historical and traditional ideas become debased or devalued. The Arab Spring illustrates how new ideas can gain credibility, particularly amongst the youth. However, the middle-income countries involved in this uprising – such as Tunisia and Libya – did not face the same restricted access to knowledge, education and other basic needs that prevent the populations of fragile states from responding in a largely peaceful way.

A lack of regulation increases the incidence and scale of both top-down and bottom-up idea dissemination processes

In fragile states with weak governance institutions and failing regulation, ideas spread through both top-down and bottom-up processes. Top-down processes refer to the dissemination of ideas through existing formal state structures, while bottom-up ideas spread through more informal grassroots institutions and processes. Depending on a country's political culture, top-down processes supporting the dissemination of ideas are relatively predictable; however, where regulation is weak, ideas disseminated from the bottom-up are more difficult to identify and influence. Whilst many bottom-up processes – such as those which shaped the political debates of the Arab Spring – provide beneficial effects in terms of democratisation, civil society growth and accountability, other "bottom-up" efforts can be engineered in parallel to, and in support of, elitist goals. In countries like Chad and Sudan (prior to the independence of South Sudan), top-down political ideas concerning the adoption of Shari'a Law were pursued in parallel with bottom-up influencing strategies through educational and other social institutions.

External ideas are co-opted to enable illicit behavior

As discussed, the idea of economic liberalisation has often been pursued as an inherently attractive and superior set of measures for wealth creation – irrespective of context. As a result, fragile states have regularly had to adopt liberalising measures and policies without adequate analysing or assessing the risks and consequences. Usually the results were less than optimal because the basic requirements for successful liberalisation were not present (Section 3). Various actors, including both criminals and elites can, however, use liberalisation processes to support illicit behaviour: 1) transnational and organised criminal networks use the same liberalised arteries of the global economy as those used by licit activities; and 2) liberalisation means that more and more services can be contracted out, including security services in fragile states. The contracting out of security services can compromise state legitimacy since it surrenders its *de jure* monopoly on the use of violence if it does not retain sufficient control and oversight of those acting on its behalf; this signals its inability to provide the basic public good of security. Therefore, global ideologies that do not respect context or capacity will be captured by for-profit entrepreneurs of all sorts, licit and illicit.

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[40] Despite the current levels of international assistance to South Sudan, the April 2012 closure of the University of Juba serves as one of many examples of this phenomenon. This came about as a result of a decision by the Vice-Chancellor following violent cross-campus inter-tribal clashes between students from the Greater Equatoria regions and Dinka groups.

Weak governance can allow ideas to spread

The weak governance systems characteristic of fragile and conflict-affected states can allow mechanisms to emerge for spreading powerful ideas. In areas considered outside of the reach of state authorities, both migratory groups and non-state armed groups can spread goods, services, people and ideas. Migrant communities from Chad, Niger and Sudan in Northern Nigeria have proven particularly receptive to radical Islamist ideas, especially communities with a low social status. Non-state armed groups use modern technology to amplify and improve their branding, increase their attractiveness and facilitate their operations (*e.g.* LTTE, *Al Qaeda*).   In the promotion of the international statebuilding discourse across fragile countries, the international donor community has also played an active role in spreading powerful ideas, such as liberalisation, particularly as grants or loans may be conditional on the understanding and implementation of a specific idea. Because fragile and conflict-affected countries are dependent on external support, they are particularly vulnerable to external ideas; ideas which may require further nuancing to suit the more fragile national context.

Key effects on conflict and fragility

The effect of these constraints on the ability of state and society to pursue and progress ideas in a healthy way are two-fold:

- *Public interest legitimacy becomes further eroded:* non-state armed groups and transnational and organised criminal networks can corrupt existing powerful ideas and symbols of public interest legitimacy, especially when they ally themselves with key stakeholders from government and non-government institutions, and when political goals become dominated by commercial interests. This can lead to the disempowerment or corruption of existing ideas which have provided an element of common ground and stability for multi-cultural and multi-ethnic societies. In states where non-state armed groups provide governance and livelihoods for communities within their areas of operation, these groups can delegitimise the state and gain legitimacy themselves (Box 4.6). [41] This weakens the state further because the population might not only regard the governance provision by such networks as legitimate, but their core activities (*e.g.* drug trafficking and terrorism) might also come to be seen as legitimate if they provide the financial foundation of effective public provision. This creates multiple power bases and can lead to violent struggles between groups.

Box 4.6 The Taliban as a source of sustenance

In a number of regions in Afghanistan, Taliban fighters have historically provided certain communities with minimal provisions for survivability such as security and access to food, water, shelter, free education and, in some areas, employment. This has strengthened their legitimacy and has made some communities reluctant to support the efforts of other service providers, including the government.

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[41] It is recognised that NSAGs often emerge to fill the gap in certain basic provisions (security, justice, sustenance, etc.) supporting community/regional survival. However, this observation should not overlook the way in which these groups mobilise and exist by way of arms and violent activities to force populations to conform to their authority.

- *Traditional values which unify diverse societies are undermined:* the bottom-up and top-down impact of the promotion of radical Islamic ideas in certain sub-Saharan African countries has spurred significant change within the social infrastructure of these countries. This impact has, in some cases, diminished the importance of traditional cultures, norms and practices which had provided some elements of unification across diverse, multicultural societies. The erosion of these traditional norms and values can prompt further questions regarding the legitimacy of the state and lead to violent conflict. For example, in a number of post-conflict West African countries where common perceptions of religious tolerance and freedom have ensured a relative peaceful coexistence across all religious sects, concerns are growing over the expansion of radical religious groups. Based on the frail economic conditions in fragile states, this emerging trend could create tension, and a spiral of violent "action-reaction", between these religious groups and unemployed youths. The current situation in Mali demonstrates how radical ideas promoted by Tuareg rebel groups have dismantled many existing religious institutions and the common perception of the people towards religious freedoms.

5.   Entry points for international action

Having explored how a number of global factors influence conflict and fragility, we now turn to concrete entry points for the international community to confront some of them through targeted initiatives that resonate with the OECD's focus on development. First we ask which areas the international community should prioritise for action?

- **Global issues, global responsibilities.** Many of the challenges that fragile and conflict-affected states face have a global dimension and are exacerbated by the process of globalisation. Globalisation has resulted in higher levels of interconnectivity among very diverse levels of capacity. As a consequence, some actors, including OECD countries, are much better placed and able to seize global opportunities and address global risks than others. Such actors need to take on global responsibilities which match their role and opportunities. Without doing so more strongly, conflict and fragility cannot be effectively addressed and the local, regional and global costs will continue to be paid in full.

- **High-risk exposure.** Fragile and conflict affected states are exposed to high risks because of their limited capacity and limited options for adjusting dominant international concepts to their context (such as liberalised and licit economies and state-centric governance); their marginal role in the licit part of the global economy; and their rather more central role in the illicit part of the global economy. These risks include dependency on volatile resource flows, exposure to illicit activities and vulnerability to external ideas that stimulate violence. Such risks impede sustained and equitable wealth creation that can be used for development and make relapse into violent conflict more likely.

- **Knowledge, skills and social capital.** In a complex world, knowledge matters. For instance, it is vital to identify and meaningfully consider opportunities for progress. Skills are required to seize such opportunities and social capital is needed to absorb, steer and channel the changes they will bring. Yet, such skills are not widely available in many fragile and conflict-affected states. Selective distribution of, and access to, knowledge and skills easily increase inequality. The absence of platforms for free and informed debate facilitates oppression and radicalisation, and protects vested interests. The lack of adequate analysis prevents awareness of the costs and benefits of alternative policies.

These three areas set the framework for nine concrete entry points below that are high-impact and feasible. These entry points are largely framed as initiatives for global action at the strategic level. They should be taken up by international or national policy makers and politicians, and build on what already exists. This means that all of them require further work and discussion with key stakeholders. Nevertheless, as they have benefitted from the research underpinning this project, they provide solid starting points for a political debate. Given the dense interconnections among the global factors discussed, taking action on any of the entry points should have positive spill-over effects on other factors and areas.

Annex A links these entry points with the International Dialogue's Peacebuilding and Statebuilding Goals (Box 3.1). Annex B offers concrete examples of how they can be implemented.

5.1. Global issues, global responsibilities

The influence of global factors means that fragile states will not be able to overcome all aspects of their fragility by themselves. Dominant global political, security and economic considerations significantly limit both the definition of their problems and the direction of the solutions they can entertain. The analysis suggests that emerging and developed economies need to take action on three global issues in particular if their aim is to reduce conflict and fragility:

Entry point 1: Build a coalition to re-focus and globalise the current approach to drugs

In terms of profitability and market value, the drugs trade is at the heart of transnational organised crime. The levels of violence, complicity and corruption it generates, makes it is a critical development challenge. Governance, the licit economy and security suffer where the drugs trade is strong. It is of significant concern, therefore, that the current "war on drugs" – the dominant policy response to date – appears to be failing and is pushing large numbers of people into poverty instead. What is required instead is an approach that: 1) targets demand reduction much more strongly (which mainly originates from OECD countries); 2) complements the current focus on law, order and criminalisation with a public health approach; and 3) considers (partial) legalisation.

Concrete actions
The Organization of American States (OAS) and the Global Commission for Drug Policy should work with the Global Partnership for Effective Development Co-operation, UNODC and ECOWAS to:
- intensify the global debate on tackling drugs from the development angle;
- synthesise existing evidence of the impact of the current approach to drugs control on poverty, livelihoods, violence and inequality, and;
- build an effective coalition for change to advocate for a more innovative global policy towards the drugs trade that focuses on its entire supply chain (supply, transit and demand), a public health approach and harm reduction while rigorously monitoring direct effects in OECD countries as well as on conflict and fragility.

Benefits
A public health approach to the drugs trade, tackling demand and considering (partial) legalisation will reduce its profitability. This will reduce the supply and transit that are so damaging to fragile states. An approach that is less aggressive and less focused on law enforcement is also likely to reduce levels of violence and crime in such countries, which will open up space for investment and development.

Issues
A major change in the political discourse from being "tough on crime" to "concerned about health" will require good evidence and courageous leadership. Moreover, while a different approach will lower costs in the long run, it may increase short-term costs for OECD countries. Development finance can play a role in covering some of these costs.

Entry point 2: Agree a binding international regulatory framework for the security services industry

The current business environment for this sector is largely unregulated. The result is that security services are for sale across the globe. Conflict-affected and fragile states are characterised by low levels of transparency and oversight, low levels of security, high risks of securitisation and unequal access to security. In these environments, such services easily become a good for the privileged few, or are used and abused to amass wealth or power. Clear principles, criteria and risk assessment methodologies should be developed in the form of a binding legal framework that focuses on minimising harm in fragile states. Experience suggests that voluntary attempts at self-regulation have so far failed to adequately strengthen standards in the private security services sector.

Concrete actions
Individual OECD members, especially Switzerland, the US and the UK, should work with *e.g.* civil society, the AU, ECOWAS and OECD, and for the UN Security Council to:
- assess the costs and benefits of the current situation to developed, developing and fragile states in more detail on the basis of recent experiences with the Montreux document and the International Code of Conduct for Private Security Providers (ICOC) (Montreux Document, 2008; ICOC, 2010);
- do so in close collaboration with ministries for development, foreign affairs, defence, economics and finance, as well as the private sector and the International Dialogue to ensure a balanced assessment; and
- develop an international, legally-binding framework to regulate the operations of private security companies in fragile and conflict-affected states.

Benefits
Clear and binding principles and parameters to guide the sale, delivery and implementation of security services in fragile states will provide better protection for the poor and vulnerable. They can also help curb and avoid the excesses that can come with a booming industry, while offering companies involved an avenue to give real meaning to their corporate social responsibility commitments.

Issues
This initiative will require significant mobilisation by civil society given the lack of appetite to pursue legally-binding regulation at international or national levels among key supplier states and the current dominance of self-regulation. This offers an interesting opportunity for new partnerships, such as those developed during previous campaigns to negotiate an international Arms Trade Treaty or to ban landmines. However, the length, difficult progress and complexity of the current UN Arms Trade Treaty negotiations (which focus on the regulation of arms rather than security services), may reduce diplomatic and civil society appetite for such an exercise.

Entry point 3: Launch a global migration initiative to stimulate development

Labour is the primary asset of the poor and a vital component of their individual development options. By restricting labour mobility we are closing off one route out of poverty. Enabling controlled and selective migration from fragile and conflicted-affected states to other developing

and/or OECD countries can be an important development strategy if done at sufficient scale (Box 5.1). A migration strategy must be designed in a way that allows for the transferring of skills, remittances and knowledge back to fragile states. For example, migrant Somalis have leveraged their experience in the management of remittance flows to support the development of private and mini banks in Ethiopia while migrant Ethiopians have supported the health sector in South Sudan.[42]

Box 5.1 How much migration will bring development?

Calculations suggest that if a total of 2 000 low-skilled workers were allowed to migrate from Haiti to the United States they could contribute around USD 380 million to Haiti over a 10-year period. This suggests that migration that reduces poverty does not necessarily have to involve mass movements (Clemens and Pritchett, 2008; Glennie and Gottfried, 2012).

Concrete actions

The IOM, EU and OECD should work together to:
- develop a global pilot scheme for targeted and controlled migration, focusing, for instance, on one Arab Spring or g7+ country. The scheme could be similar to German professional traineeships that combine training with working;
- work with ministries for development co-operation, home affairs and immigration, to ensure such a scheme is balanced, feasible and supported by positive perceptions of migration.

Benefits

There is evidence that suggests that migration is beneficial for high-income countries in economic terms (World Bank, 2006) and that social tensions can be managed if migration schemes are well designed and carefully planned (Castles and Miller, 2009). If perceptions of migration in OECD countries can be altered in the positive sense, a global migration initiative, building on experiences of *e.g.* the IOM to date, could offer a low-cost, high-impact contribution to development.

Issues

The pilot scheme will require the selective relaxation of migration rules and quota, as well as the use of development funds to finance administrative cost, the creation of traineeships and opportunities to acquire practical skills. These are intensely political issues – good evidence, political and public support and good public relations will be essential to realise them. The pilot will also have to establish the scale required for migration to have a beneficial impact on development in fragile and conflict-affected states (Box 5.1).

5.2. Reducing risk exposure

The analysis demonstrates that the risks inherent in being connected to the global economy are greatly accentuated in fragile and conflict-affected states. This is largely because they often need the funding that comes with demands for economic or political change, but lack the political power and substantive knowledge to ensure such demands are appropriately sequenced and risks managed. It is also because their political systems are characterised by elite control, a lack

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[42] Based on interviews with a senior member of the Government of Ethiopia's Revenues and Customs Authority (ERCA).

of transparency and corruption that raise the risk of inappropriate capture of the benefits of, for instance, liberalisation measures. Three risks stand out: 1) vulnerability caused by low knowledge, poor skills, low productivity, and weak connectivity; 2) the risks of poorly-adapted liberalisation measures; and 3) the risk of an executive-centric approach to governance while actual governance is often provided by sub-national or non-state entities.

Entry point 4: Strengthen initiatives to stimulate long-term profitable public-private partnerships for development

Exports are a key route out of fragility because of the wealth and jobs they can generate. Yet many fragile states struggle to export higher value-added goods because of remaining international barriers, as well as political and technical domestic constraints. More structured support for, and facilitation of, public-private partnerships that combine political relations, technical know-how and business savvy to overcome such constraints can markedly increase the export opportunities of some fragile states. An example is the Ethiopian-Dutch horticulture partnership. Leveraging longstanding research networks and the export potential of Ethiopian horticulture, the partnership helped the sector become more sustainable and to grow, focusing on process, product and functional upgrading of production, management and governance methods (de Boer and Pfisterer, 2009).

Concrete actions
The IFI's (IFC and World Bank in particular), UN Global Compact, private foundations (such as the Gates Foundation) and the OECD should work together to:
- assess how existing mechanisms, such as the IFCs investment services, can be strengthened in a way that provides increased seed funding, investment and risk coverage for public-private partnerships in fragile states that bring Western and Southern stakeholders together with government support. It is critical that such mechanisms take account of the particularities of fragile states and can work with higher risk thresholds (OECD, 2012b). This could for example take the form of a global trust fund, but only if this can be connected to funds that support peacebuilding and statebuilding more broadly, such as the World Bank's Peacebuilding and Statebuilding Funds, or BCPR's Thematic Conflict Prevention and Recovery Trust Fund.
- monitor progress to learn lessons and develop a basic process and structures for how such partnerships can be set up on a larger scale.

Benefits
This entry point can strengthen the current focus in donor countries on increasing the role of their private sector in development. Such partnerships can strengthen both public and business relations while being development focused *and* profitable. They have a high potential for generating several win-win situations. This initiative would also help to achieve the International Dialogue's Peacebuilding and Statebuilding Goals (Box 3.1 and Annex A).

Issues
Such public-private partnerships will work if they are development focused and if the private partners are clear on how they will balance development with profitability. The recent evaluation of the UK's CDC group shows, for instance, that private sector investment financed by a development-focused stakeholder does not necessarily generate developmental impacts (House

of Commons, 2011). Care is needed in the design of such partnerships to avoid the public sector taking on all risks while all gains accrue to the private sector.

Entry point 5: Create an international capacity for independent economic risk assessment

Fragile states cannot cope with liberalisation if it comes too hard and too fast. Understanding the drivers of growth, the investment climate, the labour market, trade value and volume, and value chain development in a specific socio-political-economic environment is critical to making sure that liberalisation measures and (public) investments maximise welfare, minimise the risk of social exclusion and retain adequate safety nets. Many fragile states lack fiscal or monetary policy units and the core capacities for the analysis on which corrective economic policy measures can be identified and agreed. Furthermore, elite connections and vested interests can easily block or instrumentalise risk assessments where transparency, oversight and a sound knowledge base are weak or absent. The results can be devastating. For example, the global financial crisis has thrown up a number of instances of how fragile states that had resisted wholesale financial liberalisation reforms were better able to ride the storm (Middlebrook, 2012).

Concrete actions
The G20, IFIs and OECD should work together to:
- develop a business case for an international economic risk assessment capability, analogous to the concept of *Tax Inspectors Without Borders* (OECD, 2012a) to:
  - o develop adequate political economy metrics to evaluate the risk of exposure to external economic stresses; and
  - o conduct integrated assessments of the effects of liberalisation measures and privatisation programmes on fragile economies.

Benefits
An international economic risk assessment capability will reduce the vulnerability of fragile states to shocks and unintended effects of liberalisation because its analysis is likely to lead to better policies and implementation measures. This will introduce crucial stability by helping prevent food, humanitarian and energy crises. This will save lives and reduce costs to donors. It will also increase the benefits of liberalisation efforts in a globalised economy.

Issues
Currently the IFIs provide much advice on risk assessment to fragile states. This raises dependency risks, as they are also in charge of much of the programme and project funding that comes with it. An appropriate division of labour and streamlined processes of information exchange and decision-making between an independent risk assessment capacity and the IFIs will need to be agreed as part of this initiative. Also, independent risk analysis will be politically sensitive because the policy decisions it may inform are likely to generate winners and losers. Hence, it may be instrumentalised and this risk will need to be addressed in the design of such an advisory capacity.

Entry point 6: Prioritise activities that increase GDP in fragile states in peacebuilding and statebuilding strategies

Without sufficient capacity and (licit) revenue to stimulate economic development and create wealth, it is more difficult for fragile states to maintain the peace. Yet, much immediate post-conflict support is focused on operational security, elections and democratic governance. A stronger focus is needed on the functions of government that are vital to increasing GDP. This can include, for instance, customs and excise (many fragile states are net importers), or natural resource management[43] (an area easily exploited by external actors). An opportunity to provide such support was, for example, missed in post-conflict Haiti. Although the port, customs and excise authorities were essential for generating state revenue, support for the security sector focused on police and justice reforms without taking account of this dimension (Fitz-Gerald, 2008).

Concrete actions
The IFIs, International Dialogue, UN system (UNDP and PBSP), OECD and International Dialogue should work together to:
- establish which critical "GDP-enhancing" functions should be strengthened as part of efforts to realise the relevant Peacebuilding and Statebuilding Goals (Box 1.1. and Annex A);
- identify what type of external support and global initiatives would have the highest impact and ensure these are prioritised in their peacebuilding and statebuilding strategies; and
- feed findings into the global debate on the post-2015 development agenda.

Benefits
Combined with public-private partnerships and an independent economic risk advisory capacity, this initiative will improve the ability of fragile states to get the most out of joining the global economy. Identifying the economic potential of a fragile state at the earliest opportunity can boost confidence for foreign investors, sustain new institutions and create employment opportunities for young people. This will make it easier to escape the conflict trap.

Issues
A focus on increasing GDP is relatively politically neutral and hence attractive. However, the use and distribution of the additional revenue will raise governance issues. Hence, it is important to link this issue with existing insights and commitments made in, for example, the International Dialogue's 'New Deal for Engagement in Fragile States' and OECD's governance and transition financing work (IDPS, 2011b; OECD, 2012b).

Entry point 7: Support innovative governance partnerships via peacebuilding and statebuilding strategies

International engagement in fragile states is too focused on the central state. This overlooks opportunities for harnessing civic initiative and alternative governance arrangements. Hybrid governance structures (regional, state and local/non-state) are the norm in fragile states. The connection between the capital city and the periphery is critical for sustainable peace but often

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[43] Public-private partnerships (see entry point 4) can be useful for natural resource management. However, a balance would need to be struck between transparency, revenue generation through *e.g.* taxation, corporate social responsibility and profitability.

neglected by existing funding instruments and frameworks. There is a need to understand better how structures can be supported and what the risks are.[44] Support provided to the Chiefdom Security Committees (CHIESECS) in Sierra Leone offers an interesting example. Here, funding from the UN Peace Building Fund (PBF) has helped forge a formal link between traditional committees at the lowest level of state administration and the capital city based Office of National Security (ONS). The CHIESECS have been instrumental in providing support for early warning of unrest and violence, particularly in border area districts; and for assuring community participation in state security matters.

Concrete actions
The UN system (UNDP and Peace Building Support Office in particular) and International Dialogue could work with civil society and the OECD DAC to:
- understand how communities most affected by security challenges can be effectively engaged by institutions of the central state from a grassroots perspective. Lessons can be learned from recent evaluations of high-impact, high-risk PBF funded security sector reform initiatives (*e.g.* Fitz-Gerald, 2012).
- develop operating methods, capacity and risk analysis tools for supporting such hybrid forms of governance networks; and
- prioritise this issue in peacebuilding and statebuilding strategies where appropriate and articulate strategies for delivery.

Benefits
This approach to governance means that externally funded interventions will go beyond capital city institutions. Support to regions and communities can enhance the sustainability of peace and stability. This issue is particularly important as the Peacebuilding Fund, and UN PBSO, develop more strategic approaches to their programmes and activities. If future strategic peacebuilding frameworks encompass "social cohesion" within and across communities, the traditional focus of external actors on the institutions of the central state will have gained a useful complement.

Issues
Such an approach may be contentious for three reasons. First, governments in fragile states keen to centralise their authority, may be reluctant to engage. Second, donors may not be able to manage the perceived additional risks of this type of engagement. Third, supporting alternative governance partnerships requires the ability to be pragmatic. For instance, given the overlapping nature of licit and illicit networks and the fact that transnational organised crime is often embedded in conflict zones, such engagements will inevitably entail dealing with unsavory power brokers until community and governance capacities are strengthened. More state-based approaches also face this dilemma, but often attempt to bypass it by conveniently considering the central state as a source of governance that is legitimate by definition.

5.3.   *Knowledge, skills and social capital*

The analysis shows that the ability of fragile states to deal with global influences is hampered by a lack of knowledge, poor quality information, no space for open debate and a dearth of well-educated and skilled followers and leaders. Increasing international support for building capacity

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[44] Mansuri and Rao (2012) discuss these issues in relation to participatory approaches that work through communities or decentralisation strategies.

in these areas will help fragile states to grow out of fragility. Such support should be delivered at sufficient scale, organised in a relatively apolitical manner to avoid partisan co-option and will have to connect knowledge acquisition with capacity for implementation.

Entry point 8: Create a global match-making facility to support long-term partnerships for higher education

The aim of this entry point is threefold: 1) to generate practical knowledge and skills in areas such as public financial management and local administration – backed-up by a capacity for professional certification that stands the test of competitive global markets; 2) to develop fora for critical debates on new ideas and ideologies; and 3) to stimulate and develop collaborative leadership skills, attitudes and approaches.[45] Such educational partnerships will benefit from linking with the global migration initiative proposed in entry point 3.

Concrete actions
The Global Partnerships for Education and for Effective Development Co-Operation, the OECD, UNICEF and academic funding organisations such as UPeace and the British Council should:
- assess the impact of existing academic partnerships supporting the award of (post) graduate degrees in fragile states,[46] as well as scholarship programmes that support students from fragile states to study regionally and internationally; and
- create a global match-making facility based on this impact assessment that can couple the knowledge needs of specific fragile states in respect of skills training, (post) graduate education and leadership development with institutions for higher education interested in establishing international partnerships. The facility should also assist in match making for funding.

Benefits
New educational partnerships will help create a permissive environment in which policymakers can debate issues that require in-depth analysis. Support for educational programmes will also help develop a civil society with a mandate for both knowledge sharing and research integrity. They would also avoid the kind of token "bureaucratic education" characteristic of many donor-funded training and mentoring programmes, which are unlikely to lead to the skills required for reformers to apply reforms to the reality of their country. Programmes which target the professional development requirements of existing and future leaders also help create personal networks that enable wider knowledge-sharing and consultation. Regional scholarship opportunities may prevent "brain drain" more effectively and promote regional research interests.

Issues
Such programmes must be in line with government policy in fragile states on education, which may not always be compatible with the policies of funding or partnering organisations. A practical balance will have to be struck between creating a free space for learning, and behaviour or expression outside of the learning environment, especially in the short term. Innovative approaches will be needed to promote programme sustainability. Lastly, mentoring institutions

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[45] Examples of 2) and 3) include the likes of the Bucerius Summer School (www.bucerius-summer-school.de/h/bucerius_summer_school_2012_3_en.php) or the Burundi Leadership Development Program (Wolpe, 2011).
[46] For example, Montpellier University (France) has an academic partnership with the Lebanese University (Beirut); Cranfield University (United Kingdom) has one with the Civil Service University (Ethiopia).

will not wish to compromise their standards and, as such, any partnership will need to ensure quality assurance.

Entry point 9: Ensure international post-conflict interventions build mechanisms and capacity for data capture and analysis from day one

The aim here is to gradually improve the ability of administrators, businessmen, civil society and leaders to take decisions on the basis of good data and quality analysis. Benefiting from the often significant international footprint during the post-conflict period, mechanisms for data capture and analysis could be built to generate baseline and monitoring data while national capacity is built in parallel. This will equip national decision-makers with part of the necessary tools to govern effectively once the international community leaves. While this does not sound "sexy", it is essential for many fragile and conflict-affected states to improve the quality of their policy implementation.

Concrete actions
The UN Statistical Division, the OECD, the UN Security Council (to ensure this is taken up in peacekeeping mandates) and the International Dialogue could work together to:
- develop a standard method to establish data baselines and databases on the basis of existing perception surveys such as the *Barometer* series and the Demographic and Health Surveys (DHS) currently conducted by Macro International. It should allow for easy customization to context so that it can inform policy-making and programming interventions in tailor-made fashion;
- establish and support matching hardware and software requirements; and
- build national capacity building for data gathering, analysis and research in parallel to ensure the long-term sustainability of such systems.

Benefits
Improvements in the areas cited above would provide important data on people, assets and ideas, and their subsequent movement. For example, census data on national citizens is critical for such things as infrastructural development, election planning, and the monitoring of cross-border movements. Similarly, data on criminal convictions and correctional sentences are central for fair and equitable standards of justice. All such data potentially increase the ability of policymakers and leaders to take better informed decisions.

Issues
The insights that can result from good quality data becoming publicly available can trigger resistance from vested interests as their activities suddenly become 'visible' (for example, see *The Economist*, 2012b). In turn, this can narrow policy options. Hence, workable agreements must be established upfront on the availability and accessibility of data capture and data analysis initiatives. Also, groups and individuals may be reluctant to share their views honestly and openly, for fear of retribution and/or persecution in fragile environments. High standards of integrity in data capture and storage will be vital, not for consumer protection, but for physical protection. Finally, a lack of physical infrastructure in areas of fragile states will present difficulties for comprehensive data capture. This needs consideration.

6. Conclusions and areas for further research

The speed and impact of globalisation have had a number of unexpected, unplanned and unintended consequences. This includes, in particular for fragile and conflict-affected states, a significant level of externally-induced instability. Despite significant and continued international investment in such countries, most have yet to escape the cycle of instability and remain highly vulnerable, with local, regional and global consequences. For example, an African state that was fragile in 2001 had a 95% chance of still being fragile in 2009 (Andrimihaja *et al.*, 2011). And since 2003 every new civil war has begun in a country that has already experienced a civil war (World Bank, 2011).[47]

The impact of global factors on conflict and fragility as discussed in this paper suggests that the more developed and richer members of the international community will have to increase their efforts towards creating long-term stability by confronting some of these global factors if a reduction of conflict and fragility is their aim. In fact, given the relentless progress of globalisation and the ever-increasing interdependencies among nations, reducing sources of instability is a matter of enlightened self-interest. Our in-depth analysis of eight global areas affecting fragile states has advanced the understanding of these multi-dimensional and inter-connecting issues. It suggests that the failure of external actors to address the negative consequences of globalisation has contributed to the plight of fragile states. In addition, it highlights that more can be done to enhance some of the opportunities for fragile states by entering into the global economy.

Based on this multidisciplinary analysis, the paper makes nine recommendations for where international organisations (including the G20, UNSC, OECD, IFIs and International Dialogue), can be effective in improving the resilience of fragile states to the risks and opportunities of a globalised world. These are clustered into three main themes:

1) taking shared responsibility for managing global problems – such as drugs and unregulated arms and private security "services" – and for turning migration into a development opportunity;
2) reducing the risk faced by fragile states in being connected to the global economy; and
3) building knowledge, skills and social capital.

Suggested areas for further research

The work exposes the need for further research in four broad areas: economic development and external investment; national educational experiences; the non-state agenda; and the movement of goods, people and ideas.

Economic development and external investment
- Use at least three national case studies, and a political economy approach, to analyse the liberalisation experience over the past ten years.

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[47] The number of countries listed in the Failed States Index's "warning" and "alert" zones remained largely unchanged between 2007 and 2010 (van Veen, 2011).

- Use industry and country-specific studies to assess the relative importance of international and domestic constraints to exports.
- Assess the impact of aid on growth in a number of post-war countries.
- Use an industry/sector-based approach to identify the factors of successful regulation.

National educational experiences
- Use a longitudinal study to evaluate the impact of externally-assisted in-country post-graduate education programmes.
- Use an alumni tracking approach to identify where different generations of policymakers and civil society leaders from fragile states were educated.

The non-state agenda
- Use a comparative analytical approach to evaluate the outcomes of engagements between external actors and non-state systems of governance.
- Analyse the behaviour, operating mechanisms and consequences of transnational organised crime in fragile and conflict-affected states.

The movement of goods, people and ideas
- Undertake studies on ammunition tracing in order to identify flows of illicit conflict ammunition and related diversion points.
- Analyse factors which contribute to the relative failure of sanctions regimes in order to explore better ways of bringing about behavioural change in those countries subject to embargos.
- Analyse the types of threats and opportunities posed by different non-state armed groups and the extent to which these different groups co-operate with each other with respect to resources and capacity.

Glossary

Conflict

A perceived divergence of interests, a belief that the parties' current aspirations are incompatible (Pruitt and Kim, 2004).

Conflict prevention

Actions undertaken to reduce tensions and to prevent the outbreak or recurrence of violent conflict. It consists of operational prevention, (*i.e.* immediate measures applicable in the face of crisis) and structural prevention (*i.e.* measures to ensure that crises do not arise in the first place or, if they do, that they do not recur) (OECD, 2009).

Conflict sensitivity

Systematically taking account of the positive and negative impacts of interventions, in terms of conflict or peace dynamics, on the contexts in which they are undertaken, and, conversely, the implications of these contexts for the design and implementation of interventions (Conflict Sensitivity Consortium, 2004).

Elites

Those small groups of people in formal or informal positions of authority and power who take or influence key economic, political, social and administrative decisions (Leftwich and Hogg, 2007).

Fragility

A fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile regions or states are also more vulnerable to internal or external shocks such as economic crises or natural disasters. More resilient states exhibit the capacity and legitimacy of governing a population and its territory. They can manage and adapt to changing social needs and expectations, shifts in elite and other political agreements, and growing institutional complexity. Fragility and resilience should be seen as shifting points along a spectrum (OECD, 2011).

Globalization

The acceleration of processes of political, social and economic change due to increases in international interdependencies and international access to goods, services, markets, people and ideas.

Global factor

Licit and/or illicit processes operating at the international, regional or cross-border level that influence the risk of fragility and conflict domestically.

Hybrid systems or groups

A system or group composed of elements of different origin with different purposes. Most systems or groups are hybrid, but to different degrees. A hybrid economic system can, for instance, combine elements of a formal market economy with elements of an informal, "grey" economy. A hybrid group, such as political-criminal elites, combines positions, activities and objectives in the public and private sectors, including licit and/or illicit activities in both areas.

Industrialisation

The structural economic change that is generated by shifting resources from low into high productivity uses.

Legitimacy

A political order, institution or actor is legitimate to the extent that people regard it as satisfactory and believe that no available alternative would be vastly superior (Bonnell and Breslauer, 2001). Power or dominion that is seen as legitimate by those subject to it constitutes authority (Weber, 1947). This provides the basis for

rule by primarily non-coercive means (OECD, 2010).

Networks	Any collection of actors that pursue repeated, enduring exchange relations with one another and at the same time lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange (Podolny and Page, 1998).
Non-state armed group	Groups that possess a hierarchical organisation, use violence for political ends, are independent from state control and have some degree of territorial control over a geographic area (Bruderlein 2000; Policzer 2005).
Peacebuilding	Actions and policies aimed at reducing the risk of lapsing or relapsing into conflict and creating the necessary conditions for sustainable peace by building trust and addressing the deep-rooted structural causes of violent conflict in a comprehensive manner (UNSG, 2009; OECD, 2011).
Peacekeeping	Actions undertaken to preserve peace, however fragile, where fighting has been halted and to assist in implementing agreements achieved by the peacemakers (UNSG, 1992).
Political settlement	The balance or distribution of power between contending social groups and social classes on which any state is based (Khan, 1995, 2000; cited in Di John and Putzel, 2009).
Peace agreement	A form of political settlement intended to end or significantly transform a violent conflict so that it can be addressed more peacefully.
Statebuilding	An endogenous process to enhance capacity, institutions and legitimacy of the state, driven by state-society relations (OECD, 2011).
Transnational organised crime	A continuing criminal enterprise that rationally works to profit from illicit activities that are often in great public demand. Its continued existence is based on the use of force, threats, monopoly control and/or the corruption of public officials (Albanese, 2010). To this must be added an international dimension, meaning the dealings of organised crime must happen through at least two countries.

Annex A: Connecting the entry points with the International Dialogue

↓ Entry points	Peace and Statebuilding Goals of the International Dialogue →				
	PSG 1 Legitimate Politics	PSG 2 Security	PSG 3 Justice	PSG 4 Economic Foundations	PSG 5 Revenues & Services
1: Build a coalition to re-focus and globalise the current approach to drugs		Approaching drugs supply, transit and demand from a public health / harm reduction perspective will reduce high levels of violence			
2: Agree a binding international regulatory framework for the security services industry		Clear public standards and principles for buying security services will help ensure they are provided in a more equitable, just and transparent manner			
3: Launch a global migration initiative to stimulate development				An organised and structured approach to migration and return can help significant up-skilling and revenue generation	
4: Strengthen initiatives to stimulate profitable public-private partnerships for development				Global know-how and local competitive advantages combined with public support can strengthen economic foundations by generating exports	
5: Create an international capacity for independent economic risk assessment				Liberalisation measures that are better fit-to-context and paced can strengthen economic foundations with risks being clearer	
6: Prioritise activities that increase GDP in fragile states in peacebuilding and statebuilding strategies				More focus on generating revenue and using it in an accountable manner enlarges the cake that enables societies to make development choices	
7: Support innovative governance partnerships via peacebuilding and	Support for innovative governance partnerships that engage sub-national				

statebuilding strategies	and non-state entities can improve both public legitimacy and effectiveness				
8: Create a global match-making facility to support long-term partnerships for higher education	Building practical skills and opening space for reflection / contestation of ideas increases the ability to look forward and imagine alternative development choices				
9: Ensure international post-conflict interventions build mechanisms and capacity for data capture and analysis from day one	Better capacity for data gathering and data analysis can help better decision making across the PSGs				

Annex B: Examples of how the entry points can be implemented

Entry point	Strategic policy	Programming
1. **Build a coalition to re-focus and globalise the current approach to drugs**	• Organise a series of high profile, open debates featuring researchers, Latin-America, African and Western leaders to discuss the merits and demerits of the current approach, as well as alternative approaches, publicly • Commission in-depth research to quantify the costs and benefits of current and alternative approaches	• Support efforts to bring municipal, public health, law enforcement and administrative actors together in efforts to reduce levels of violence in areas heavily affected by drugs production or trade • Implement efforts to improve the accountability, transparency and effectiveness of law enforcement organisations • Develop and fund alternative livelihoods programmes in drugs-producing areas
2. **Agree a binding international regulatory framework for the security services industry**	• Evaluate the range of issues at stake and their effects in the current unregulated situation • Assess the effects of past voluntary approaches in more detail	Develop standards for PSCs for the contracting out of security and justice, stabilisation and rule of law programmes with ODA funds, or for developmental purposes
3. **Launch a global migration initiative to stimulate development**	Start a conversation with Ministries of the Interior to explore how selected and temporary migration aiming at skills transfer to fragile states might be enabled	Explore whether programmes can be set up in developing countries with significant populations of immigrants from fragile states to help them improve themselves and return at an appropriate moment
4. **Strengthen initiatives to stimulate profitable public-private partnerships for development**	Draft a generic policy that lays out the principles that should drive such partnerships and create a funding mechanism to nurture relevant initiatives as part of integrated statebuilding efforts	Use ODA funds as seed money and partial risk coverage for private partnerships with public involvement in high-value agricultural sectors
5. **Create an international capacity for independent economic risk assessment**	• Authorise the development of such a capacity within *e.g.* the OECD as part of its development strategy implementation • Ensure that any policy on fragile states or post-conflict reconstruction emphasises the need for gradual economic liberalisation supported by appropriate risk management • Start a conversation in the appropriate World Bank fora on how such risk assessment can be improved and standardised in Bank procedures	• Facilitate the exchange of knowledge and experience in this area by supporting a high-level workshop which provides a launch of networked capacity in this field • Commission research which analyses the drivers of growth, the investment climate, the labour market, trade value and volume, etc. across a representative sample of fragile states • Deploy human capacity to accompany initial assessment teams which analyse the prioritisation of recipient government reforms (*e.g.* public administration reform programmes)

6.	*Prioritise activities that increase GDP in fragile states in peacebuilding and statebuilding strategies*	• Ensuring that plans for post conflict reconstruction and growth include sufficient attention for 'generating-wealth-quickly' institutions • Start conversations with the UN on the use of Post-Conflict Needs Assessments; with the g7+ on the fragility spectrum; and with the WB on poverty reduction strategy papers to boost such functions •	Support the provision of advisors and mentors to critical agency functions such as tax, financial regulation, land ownership and border control
7.	*Support innovative governance partnerships via peacebuilding and statebuilding strategies*	• Introduce a focus on community resilience and local governance that support national cohesion as part of statebuilding policies • Build strategic partnerships with a limited number of (I)NGOs to pilot new approaches that are scalable and can be adequately monitored	• Support cross-community seminars, which share socio-economic experiences relating to communal fishing, communal farming and community justice • Support the development of a network of local governance structures which could be represented in a donor-funded national dialogue process, *e.g.* in Côte d'Ivoire, Yemen or Libya
8.	*Create a global match-making facility to support long-term partnerships for higher education*	• Draft a generic policy that lays out the principles that should drive such partnerships and create a funding mechanism to nurture relevant initiatives as an integrated part of efforts to support statebuilding • Encourage the development of permissive environments in which to engage in academic debate	• Support capacity building through academic partnerships between like-minded institutions • Create high-powered opportunities for existing and future leaders to expose themselves to new thinking and networks, such as through the World Economic Forum and the Bucerius Summer School • Support scholarship opportunities for middle and senior managers to attend courses at regional academic centres of excellence
9.	*Ensure international post-conflict interventions build mechanisms and capacity for data capture and analysis from day one*	Explore ways to generate more reliable and standardised data on fragile states with the likes of the UN and WB that can be used to improved evidence-based policy	• Provide financial support for regularly conducting Demographic and Health Survey (DHS) type surveys in fragile states to generate baseline information • Support sector activities, such as data collection and research on all individuals implicated in the judicial chain (*e.g.* detained in correctional services) • Support a national census

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This synthesis paper mainly uses and builds on the eight thematic research papers that were produced for the project. These are listed as "core references" below. They have not been cited throughout the synthesis paper to avoid an overload of citations. However, each thematic paper features a wealth of references that can be consulted in their respective bibliography sections. The synthesis paper has also benefited from additional research, especially in respect of the areas of convergence identified. This research is reflected under "other references" below and fully cited throughout the paper.

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