## Preface:

I am greatly thankful to Aalborg University for having provided me with this excellent opportunity to obtain a degree in the subject I wish the most. Thanks to you all!

Problem-formulation: In an institutional perspective, emphasizing formal as well as informal structures, why has state-building in failed and failing states not been adequately achieved?

Puzzle: Why has some states failed and is it possible to prevent states from failing by adopting the right institutions or institutionalize certain values?

### Disentangling the problem-formulation:

Institutionalism refers mainly to new institutionalism and is provided to explain the variance an inadequacy of state-state building in failed states. A formal institution is a written rule whereas an informal institution is accepted practice. Structures are the arrangements that persist even where members come and go. Failed states are those states incapable of sustaining themselves as legitimate political entities within the international community. States are regarded as failed when they are unable to deliver basic public goods, security and opportunities to their citizens. Failing states refer to those states in risk of becoming failed states. State-building refers to the ability of a state to build a capable and stable state with the ability to sustain itself as a permanent member within the international community. Adequate state-building refers to the creation of strong and well-functioning states that are not susceptible to break-up.

### A note on me:

I am bachelorate in history from the University of Copenhagen. This study I have combined with political philosophy and studies of minorities. I am former employee at the Danish Embassy in Austria to the mission of OSCE, IAEA and CTBTO and former intern at the UN Department of Peacekeeping Operations in New York. At the Danish Embassy, I worked 11 months as a political assistant and got a thorough insight into topics of conflict prevention and international cooperation. I got to write several reports of conflict management, and how to engage illegal activities such as human trafficking and the diffusion of small arms and light weapons and money laundering. In the Department of Peacekeeping Operations I became part of a highly professionalized team that assisted the field missions by doing briefings and making maps and statistics available. I got acquainted with the politics of the UN towards failed states which mainly consist of efforts at disarming, demobilizing and reintegrating former combatants and in building viable institutions in post-conflict settings. I aim to become a peace-builder within the UN or in a NGO.

### Abstract:

In this paper, institutions are regarded as the main variable that explains political life and the reason certain states fail or prosper. States are seen to consist of formal as well as informal structures that shape and determine the range of possible outcomes.

I depart from the social contract by arguing that states fail when they are unable to deliver security and basic public goods. The state is seen to constitute the interests and preferences of a society and is established to serve the people. In an institutional perspective, the purpose of the state and its institutions is seen to solve collective action problems and enhance social welfare. Failed states are seen to be unable to create purposeful incentive schemes consisting of constraints and opportunities. The inability of these states to constrain decision-making, strike a power-balance, enforce the rule of law and create economic opportunities are regarded main variables that explain state failure. Subsequently, failed states are unable to infuse their structures with collectively shared values. Instead of adopting values such as inclusion, cooperation and tolerance, these institutions are often based on wealth-accumulation, favoritism and self-maximization. In the absence of transparent formal institutions, failed states are seen to generate institutions based on informal networks and personal relations. The possibilities of generating large sums of wealth and the access to spoils in combination with exclusive practices are seen to raise the political stakes and enhance social cleavages. By relying primarily on distributing economic and political privileges, the institutions in failed states have been described as rent-seeking, predatory, neo-patrimonial, clientelist and cleptocratic. The institutional arrangements are seen to be based on structures of unequal relations in contrast to transparent structures based on merit and equal access. I argue that failed states replicate unproductive institutional patterns due to historical legacies and deeply embedded social practices. The inability to change is associated with inflexible structures that are incapable to accommodate changes in the external environment and unable to integrate interests and align with preferences of the society. I apply the cases of Congo, Afghanistan and Haiti to exemplify the different trajectories toward state failure and the cases of Botswana and Costa Rica to contrast with countries that could have ended in failure but that emerged as relative successful. The former are seen to have missed the opportunity to change policy courses during punctuated equilibriums and to have continued to maintain largely repressive structures of resource extraction and subjugation.

## Introduction:

I am thankful for having the opportunity to be engaging in a topic that has for a very long time had my profound interest. As a student of development and international relations, I am concerned with creating peaceful relations among states and content and happy populations within them. Institutions are viewed as the dependent variable that explains most political outcomes and, thus, the factor that requires investigation and explanation.

### Research design:

The paper is divided into four parts with the aim of drawing up a more nuanced and composite picture of state failure. The first part is theoretical and consists of the social contract and institutional theory. The second part is analytical and aims at identifying cases of state failure. The third part is empirical and seeks to address the formal institutions of a country while the fourth part intends to provide some practical solutions.

In the first part, the social contract establishes a conception of statehood against which state failure can be compared. It explains the principles for political right and legitimate authority and predicts the causes of state failure. The social contract is justified on the grounds that it inspired the French and American Revolutions that subsequently paved the way for the modern nation state. Institutional theory is employed to establish a notion of strong institutional arrangements vis-à-vis weak institutional arrangements and with the aim of analyzing the institutional arrangements of a particular country. A state is seen to consist of formal as well as informal institutions, and state performance is regarded to be dependent on the institutions it has put place. Strong institutions are seen to create compelling incentives and infuse their institutions with shared values, while weak institutions are seen to be inflexible and incapable of change. Explaining variables include path-dependencies and punctuated equilibriums, agency, social capital and state capacity. These are regarded as independent variables in the explanation of flawed institutional set-ups.

The second part is intended to address informal institutional arrangements and identify the institutional arrangements in failed states. The section starts with identifying problems related to state failure and advocates for institution-building in the light of flawed approaches attempting at opening up domestic markets and liberalizing trade. The middle part seeks to address the informal institutions in failed states that are seen to constitute an essential part of their institutional framework. The section ends with the cases of Dem. Rep. Congo, Afghanistan and Haiti which are seen to be illustrating examples of a general phenomenon. The countries are selected due to geography and because they demonstrate the consequences of lacking well-functioning institutions. They capture three dissimilar ways to state failure and are analyzed in regard to four components: their propensity to repeat an institutionalized pattern, the significance of agency, their ability to create compelling incentives and ability to infuse institutions with shared values. Botswana and Costa Rica are applied to illustrate how countries that could have ended in state failure instead have emerged as relatively successful outcomes.

The third part focuses on the formal structures of failed states with the aim of advocating some common criteria for building capable and sustainable institutions. Lastly, the problem of state failure is inserted into a globalized context and a possible solution is suggested.

### Methodical approach:

I have approached the topic by applying a range of diverse academics and leading scholars, subsequently verifying their arguments with the content of various indexes. Their models, concepts and findings have provided the background for my own interpretation of the subject. Overall, I intend to be as short and concise as possible and stay as politically neutral and impartial as allowed by the topic. For the same reasons, I will refrain from any debate dealing with intervention or non-intervention. To the extent it engages a debate on state-building, a hypothetical consent on the part of the host governments should be imagined.

 In a traditional methodological sense, the approach is ontologically normative and epistemologically interpretive. The paper is normative in that it is concerned with how things ought to be and invokes principles of how to conduct and organize life. This attempt is justified due to the widespread discontentment in failed states in combination with the expectation that all people want to live happy and fulfilling lives. Additionally, the most beneficial institutional designs are viewed as context-specific, and I renounce the adoption of universal standards when these are regarded as detrimental to the populations. However, the paper cannot escape normative notions of how best to organize political life. An ontological approach would also include a few a priori assessments. Among these, I consider the state as the current paradigm for organizing political life and human beings as inherently self-interested. Additionally, politics is viewed as the distribution of power, resources and life-chances within a society and a contest over who get the most from a particular institutional arrangement.

In an epistemological perspective, politics as is regarded as shaped by interests and preferences and states as constructed through social, political and cultural processes. The composite and multifaceted nature of state failure leaves the paper without mono-causal explanations. Instead, state failure is regarded to be the outcome of deep structural relationships between social phenomena that cannot be directly observed. In many instances, however, it seems possible to measure the consequences of state failure and point to commonalities as well as to possible correlations. In this perspective, the paper comes out as an interpretation of the relationship between social phenomena and emerges as an attempt to understand rather than explain the forces involved in state failure.

The method of this paper mixes the qualitative and quantitative approaches. In a qualitative approach, the understanding of human behavior and political outcomes cannot be analyzed independent of context. The analysis would have to be sensitive to the social and historical circumstances to understand a certain phenomenon. In quantitative approach, observation and measurement depends on repeated incidences and the availability of credible data. In observing a number of similar cases, it becomes possible to make interferences about a certain type of political behavior and certain recurring outcomes. Where independent variables exist, relations are seen to be correlated, not causal. Lastly, the approach is deductive as well as inductive. In general, the paper deduces from the general to the specific by inferring from theory to solution and from analysis to conclusion. However, the paper is also inductive as it induces from specific cases and indexes and is informed by the reality. Generally, the approach is inclusive and holistic in that it aims to encompass as many important features as possible. The paper aspires to a rounded picture in contrast to a narrow and more confined representation of the topic.

## The Social Contract:

### Establishing the concept:

The social contract is a pact between man and nature, in which man exchanges his natural freedom for the safety and rights provided by a conglomeration of wills or interests, called the state. The compact instigates the state that becomes the organizing political principle, and the concept of the citizen who becomes subject to the state and its laws. To Rousseau, the essential question was how a human association could be constructed so that members would prosper and not lose sight of their rights of birth. In exchange for their natural independence, citizens are seen to have gained the security and liberties associate with statehood[[1]](#footnote-1).

As Rousseau states, the basic object of the social contract is to secure the preservation and prosperity of its members[[2]](#footnote-2). The contract is equitable in that it is common to all, useful in having no other objects than the general welfare, and just and stable in that it has the public and the executive powers as its guarantee[[3]](#footnote-3).

### The general will:

The state in the social contract is obligated to govern according to the general will of its constituents. The general will is perceived to be the accumulation of desires and preferences in a society and gives the state purpose and direction. It constitutes the common interest and ensures the well-being of its members. States are seen to degenerate into autocracies or tyrannies when the responsibility of the state to provide security and basic public goods is substituted for the pursuit of private gains. The government is then no longer seen to constitute the common interest, but the clamors of particular faction. Instead, the general will is subordinated to people who detach their own interest from that of the common interest. In such instances, the legislative corrupts, laws become abused and services cease to be principal business of the state. Political organization becomes rapacious and cares more for its own survival than in providing freedoms to the public at large. Citizens abstain from participating in public affairs and the government exercises repressive behavior without due regard to its laws and concepts of justice[[4]](#footnote-4). In the words of the social contract, states “decay and perish”[[5]](#footnote-5) as the basest interests prevail under the name of public welfare. As such, failed states manifest when the general will subsides and gives way to self-interested individuals.

### Promises of the social contract:

The social contract promises a free and equal relationship between the individual and the state as *“no man has any natural authority over his fellow man”*[[6]](#footnote-6). In establishing the social contract all citizens submit to the same conditions and enjoy the same rights, and the rights conferred to the state can never surpass the limits of public utility. The state is regarded as the legitimate exercise of the executive power and the servant of the people. Should the government or the executive have a will different from the general will, and at the same time wish to enforce their citizens into obedience, the social compact would immediately disappear and the body politic be dissolved[[7]](#footnote-7). This suggests that power exercised by the government derives from the people as a whole, and only as such can be regarded as legitimate. As Rousseau speculates, a state is illegitimate when the governing body acts contrary to the laws or regards itself above the legislation[[8]](#footnote-8).

For institutions to work well, a power-balance both within the state and between state and citizens must be maintained. A power-balance in the government is obtained by dividing the state and making the executive dependent on the legislative and vice versa. The state is divided into a government exercising the executive powers, and a civil society wielding the legislative power. This arrangement ensures an equal relationship whereby the power of the government and the power of citizens come into an equal proportion. In making the constituent parts of the state mutually dependent, everything becomes balanced and a stable equilibrium is reached. This reciprocal dependency creates unity in the government and cohesion in the stateand constitutes relations of *continued proportions* that make up a whole. In the words of Rousseau, one cannot alter the powers of the state without also destroying its proportions. In this view, a state fails when the balances of the state are disturbed and if the sovereign wishes to govern, the magistrates wish to legislate, and the subjects refuse to obey” [[9]](#footnote-9). Power and will then no longer act in concert and the state dissolves into anarchy and despotism.

### Virtues of good governance:

Certain values and virtues are assigned to good governance. The virtues of governance require state officials to subjugate private interests to the interests of all, thereby enacting the general will. As Rousseau notes, state officials need to possess values superseding personal interests and desires for personal wealth accumulation[[10]](#footnote-10). A lack of virtues coupled with opportunities for accruing large amount of wealth would ruin a state, eventually depriving it of its citizens[[11]](#footnote-11). In the social contract, it is perceived to be in society’s best interest that the wisest govern the multitude when it is assured that they will govern selflessly, and not for their own sake. The administration of public affairs should be entrusted the ones most capable and most accountable. It also suggests that the institutionalization of virtues and vales to a certain degree separates weak from strong states.

### The laws:

In the social contract, the law is ideally the *“declaration of the general will”*[[12]](#footnote-12) and the objective of every legal system is to ensure liberty and equality[[13]](#footnote-13). Established law ought to create the basis of lawful authority and give direction to the executive. As stated in the social contract, the object of the law must always be general, consider subjects collectively and actions as abstractions. In the most capable institutional set-ups, natural wants are conformed to meet the needs of the society. The legislation is seen to be a flexible system and the foundation for morality. Contrastingly, a legal system consisting of unsuitable and outdated laws is taken to is be asign of a state in decay[[14]](#footnote-14). However, it is not by the laws that the state survives, but by the power of the state to enforce its legislation.

Moreover, the same laws cannot be evenly applied to diverse countries, as laws are made of customs and manners and the opinions related to those. Instead, particular systems of institutions must be established for each nation on their own terms. As stated in the social contract, “*each nation contains within itself causes that influence it in particular way”**[[15]](#footnote-15)* rendering a particular legislation suitable for it alone. As countries are shaped by distinct events, their levels of development differ to such a degree that different governments may be good for different people, even for the same people at different times[[16]](#footnote-16). Rousseau even claims that we should refrain from attempting to govern a corrupt people by laws which suit only good nations as the *“regimen of healthy persons is unfit for invalids”*[[17]](#footnote-17). In his opinion, no unique and absolute form of government exists, but there may be as many governments different in nature as there are states different in size[[18]](#footnote-18). This implies that the even appliance of laws cannot be the same across countries as they exhibit a range of different traditions, customs, habits and “*cannot tolerate the same form of government”*[[19]](#footnote-19). As countries are formed according to unique paths, institutions must be specific to context to have maximal effect. Additionally, changing the formal system of a country necessarily takes time, as a country’s legislation is made up of slowly developing manners and customs.

### A rights-obligations structure:

In the establishment of the state, a rights-obligations structure is formed. The state is obligated to guarantee the natural rights and fulfill criteria of the general will,while citizens become subjects of the state and its legislation. The state has to secure the natural rights of freedom, liberty and equality that were never lost, only institutionalized and materialized into form. Every man has by nature a right to all that is necessary to him, and the state has to fulfill these criteria not to breach the social contract. By instituting a state, citizens gain the opportunity to form an even greater freedom which comes fore due to cooperation and through the achievement of personal safety. Possible benefits include the civil liberties such as freedom of speech, equality before the law and freedom of assembly. Citizens are also obliged to fulfill their part of the contract, which includes avoiding infringing on the rights of others, obey just laws, to comply with and enforce just contracts, and to defend the communities in times of need. The obligations are regarded as mutual, and in fulfilling the criteria of the state, citizens are, ideally, working to satisfy their own ends[[20]](#footnote-20). In short, obligations of the state are essentially welfare-enhancing and the requirements of citizens are seen to include the compliance with their natural rights. In a modern sense, this includes the provision of security and social goods, and in providing citizens with opportunities to live happy and fulfilling lives.

### Conclusion:

A state that is not able to embody the general will or the common interests is breaching the social contract. In a modern sense, the general will may be translated into the promotion of well-being, happiness or welfare in a particular country. The state must secure its individuals, distribute resources and deliver social goods fulfilling basic human needs. The social contract, thus, becomes an ideal of nationhood that enables the development of societies and human beings, who are always perceived as being free and moral equals. A state is seemed to be failing when self-interested individuals operate the state by substituting the common interest for self-interested purposes.

Hypothesis 1: States fail because of self-interested individuals

Hypothesis 2: By adopting the right institutions, it is possible to create sustainable and viable societies

## Institutionalism:

### Introduction:

The choice of institutional theory as explanatory model is due to its ability to explain and predict political outcomes. Originally, institutionalism has been applied to capture the formal rules and the official structures of government. Primarily focusing on good governance institutionalism has not been concerned with the broader environment in which the government was embedded[[21]](#footnote-21). However, more recent versions of institutionalism have emphasized the importance of informal practices in shaping political behavior. Governance is now regarded as shaped by formal and informal structures and institutions are regarded as historically and normatively embedded[[22]](#footnote-22). Institutionalists are now more concerned with questions of why institutions are unable to change and how they come to embody certain value-systems.[[23]](#footnote-23)

### Defining institutions:

Institutions are viewed as consisting of informal and formal rules that shape individual as well as collective behavior. Basically, rules are seen to guide and constrain the activities of individual actors[[24]](#footnote-24) and infer sanctions on non-compliance[[25]](#footnote-25). Institutions are seen to produce conformity and standardization, but also variation and ambiguity due to interpretation[[26]](#footnote-26). In the account of Douglas North, institutions are the *“rules of the game”* [[27]](#footnote-27) or the “*humanly devised constraints”* [[28]](#footnote-28) that shape human interaction. However, if rules and practices do not have significant impact on political conduct, they cannot convincingly be defined as institutions. To March and Olsen, an institution is *“a relatively stable collection of rules and practices, embedded in structures of resources that make action possible”*[[29]](#footnote-29). To Huntington institutions are *“stable, valued and recurring patterns of behavior*”[[30]](#footnote-30) and Weber conceptualized institutions as “*values, ideas and normative prescriptions that freeze a particular culture in a given time”*[[31]](#footnote-31). Aoki defines an institution as a *“self-sustaining system of shared beliefs about a salient way in which a game is repeatedly played*[[32]](#footnote-32)” and Lowndes and Roberts simply suggest that they consist of rules, practices and narratives[[33]](#footnote-33). Essentially, anything that produces some level of a *“stable, valued, recurring pattern of behavior*” may be described in terms of an institution[[34]](#footnote-34).

### Characteristics of institutions:

The following is found to be the essential characteristics of institutions:

**Institutions are sets-of-rules:** institutions are rules on behavior either formal or informal.

**Institutions are frameworks of meaning and understanding:** institutions consist of cognitive structures that give meaning to social behavior. They confer meaning as any rule needs interpretation.

**Institutions are products of cultural processes:** institutions are nested or embedded in particular value-systems.

**Institutions are cumulative**: institutions accumulate over time due to people’s interests and preferences.

**Institutions are interdependent and embedded:** institutions are not self-contained arrangements but embedded in their societies and interconnected with a range of other institutions which reinforce their effects, and complement them.

**Institutions are** **processes:** institutions are first and foremost dynamic processes that sustain or discard certain practices, norms and rules.

**Institutions are dependent variables:** institutions have to be adopted or invented and acted upon to have effect. They depend on actors acting them out.

**Institutions are regularized behavior**, not random acts.

**Institutional arrangements / set-ups / designs:** the formal structuring of interactions.

**Structures:** structures are the arrangements that persist while individual members may come and go[[35]](#footnote-35).

### Complexities of institutions:

Following are found to be the major complexities of institutions and is an attempt to reconcile otherwise contradictory elements:

Institutions exhibit **stability as well as dynamism.**

Institutionshave **enabling** **effects** (networks and partnerships) as well as **constraining effects** on action or courses of action (legal frameworks).

Institutions are **processes** of contestation and disagreement (lawmaking, social practices) as well **manifestations** of compromise and agreement(constitution, legislation).

Institutions are pervasive, obscure and **invisible** forms of understandings (social practices) as well as confined, discernible, and **visible** arenas (parliaments)

Institutions are **tacit agreements** (social rules) as well as **established agreements** (property rights).

In my account, institutions are interpreted as “*incentives of constraints and opportunities*“ or as “*rule-devised behavior”*. A tentative definition for the aim of this paper would see institutions as “*regularized behavior due to structures of constraints and opportunities”.* In this regard, institutions are perceived as sets of incentivesas well as acted-out rules. However, in this paper I am mostly concerned with the mechanisms through which actors exert control and influence. Consequently, particular attention will be devoted to power-conferring structures and the possible constraints on decision-making found in incentive schemes.

### Formal and informal institutions:

Institutions are seen to shape actors behavior through formal as well as informal means[[36]](#footnote-36). Structures may be formal, referring to a legislature or a legal framework, or structures may be informal, designating a pattern of repeated practices or a set of shared norms.

Formal institutions: constrain actors through rules that are formally contracted and recorded. They might manifest as amendments in a constitution, articles in national law or in the vast array of standards, regulations and polices pertaining to political decision-making[[37]](#footnote-37). They include governments, parliaments, elections, party programs, property rights, the market, legislatures, and bureaucratic structures.

Informal institutions: include traditions, norms, habits and every-day practices[[38]](#footnote-38). They take the form of unwritten customs and codes of conduct[[39]](#footnote-39) and are found deep within social culture and the value structure of a society. Interacting with the formal structures of the societies in which they are embedded, they support patterns of positive behavior such as cooperation and tolerance, or they may support largely negative frameworks such as corruption, division and social exclusion[[40]](#footnote-40). Consisting of entrenched practices, norms, and customs they are rarely the target of critique, reform or improvement.

Practices and social norms: are instructions on desirable behavior. They are specific to any particular setting and define the legitimate means to pursue valued ends[[41]](#footnote-41). Institutionalizing or deinstitutionalizing these practices may be of great importance for creating a culture of reciprocity, trust and service delivery. Informal practices, thus, should be regarded as key concepts in understanding the fundamental nature of well-functioning institutions.

Theorizing formal and informal institutions: social practices and codes of conduct would not count as institutions if they were not reiterated or exerted a profound influence on social structures[[42]](#footnote-42). Only to the extent social practices are *“acted out”* and continually repeated, they take the form of an institution. Formal institutions are the *“explicit rules”* that may have legal sanctions (laws, contracts, and treaties) whereas informal institutions are the abstract or unseen rules that more often will have social sanctions. Informal rules constitute the reality and prescribe the actual behavior that guide people in a day-to-day practice. In a political perspective, they may support positive patterns of human conduct such as accountability, transparency and integrity or they may underpin undesirable practices such as patronage, paternalism, fraud and shirking. Evading the informal rules of the game will lead to the missing out on important incentives and constraints that underlie human conduct[[43]](#footnote-43). Informal and formal arrangements are seen to be mutually constitutive when they reinforcing and enable or where they constrain and repress certain human conduct. They may also be complementary and interact through accommodation or competition and interact through substitution. In distinguishing formal from informal rules, it may more helpful to think of a continuum from highly formal to highly informal, as the interplay between formal and informal practices is conceived as a dynamic process that changes over time.

### Institutions as power-conferring structures:

Institutions confer power by allowing actors to decide which practices, rules and norms should have priority in a society. In prescribing or proscribing certain actions, social norms and practices become embodied in formal institutional arrangements [[44]](#footnote-44) with the consequence that some actors become empowered while others are being left[[45]](#footnote-45). The state has by different scholars been conceptualized as mechanisms that sustain power-differentials between advantaged and disadvantaged groups[[46]](#footnote-46). It is seen to embody power relations by privileging certain positions and by accumulating and distributing powers, hereby conferring legitimacy on some and neglecting others. For instance, Sened argues that institutions arise from the desire of one or more individuals to impose their will on others[[47]](#footnote-47). Institutions may take on messy and differentiated forms [[48]](#footnote-48)as they are always interpreted, enforced and enacted by actors who have potentially divergent and conflicting interests.

In a normative sense, institution-building is perceived as a highly selective process. Building institutions is regarded as a matter of norms and the practical implementation of prevailing practices. In an informal sense, the institutions of the state are seen to be *“carriers of interests”[[49]](#footnote-49)* and values beyond immediate political control. For instance, March and Olsen have examined how seemingly neutral arrangements can embody particular values, interests and identities that confer power on some at the expense of others[[50]](#footnote-50). This imperceptible power-structure may also be exercised through informal practices conveyed trough demonstration and example-setting. Individuals new to “the game” will learn about practices by observation and eventually imitate and replicate these practices. The implication of developing these routinizes is that certain practices become legitimized and firmly entrenched over time. Gradually, norms, practices and narratives become part of an institutional set-up and enforcement mechanisms are put in place to ensure compliance and punish transgression[[51]](#footnote-51). In general, these social practices are strengthened through links to narratives that provide normative justifications and work to embed the practices over time[[52]](#footnote-52). In some instances, these practices come to be understood as common sense as they are elevated to the status of formal rules and become desired or condoned patterns of interaction. Consequently, social practices and informal codes of conduct can be of significant importance in empowering certain actors over others.

In a rational choice sense, institutions are perceived as expressing power-settlements in a society through constraints and opportunities that are unevenly distributed[[53]](#footnote-53). The range of acceptable action is restrained by legislation but each new introduced rule has the potential to destabilize the power-structure by empowering one set of actors, while drawing power away from another[[54]](#footnote-54). The institutions of the state are seen to be *“strategically selective”*[[55]](#footnote-55) and present and uneven playing field that may generate support as well as resistance. Proponents of the rational choice theory consider how reducing power asymmetries though incentive schemes can encourage disadvantaged people to find their collective and individual voices.

Conclusion: institutions are seen as tools to achieve certain objectives in particular contexts. The institutions of the state empower some and disempower others and secure compliance through selective enforcement mechanisms[[56]](#footnote-56). Structures of governance, hence, are never value-neutral but embedded in power-conferring structures that include or exclude different actors[[57]](#footnote-57).

### Principal-agent models of institutions:

In agency-oriented approaches, institutional processes takes on a *mutually constitutive* character as actors and institutions are seen to co-shape each other and engage in a dialectic relationship. How decisions translate from the personal to the institutional level, however, is still not fully understood. In the perspective of Anthony Giddens, decision-making instantiates and manifests in the interactions between individuals within structures that are not external to the actors[[58]](#footnote-58). Institutions are then formed and shaped in the actions of individuals and are not seen to have any objective existence beyond their effects on behavior[[59]](#footnote-59).

In a normative understanding, actors bring into institutions their ideas and values and experiences from former political or non-political settings[[60]](#footnote-60). Institutional outcomes, thus, come to depend on the interests of influential individuals and their capacity to shape the institutions in accordance with personal preferences[[61]](#footnote-61). Political actors are seen to act in accordance with rules and practices which are “*socially constructed, publicly known, anticipated and accepted”*[[62]](#footnote-62)*.* Through a *“logic of appropriateness”**[[63]](#footnote-63),* political actors seek to fulfill the obligations of a certain identity and the practices and expectations associated with acting out a particular role that they may fulfill more or less adequately. Actions take place within structures of meanings that confer predictable identities and social roles, and this is seen to have a restraining effect on possible outcomes.

In a rational choice understanding, institutions depend upon the interests, preferences and strategies of the individuals within the institutional set-up. Political arrangements may be highly personalized, or they may reflect an equal power-balance due to incentives for coalition-building and institutionalized checks on the decision-making. The rational choice understanding is important in designing institutions with the aim of structuring political decision-making so as to eliminate random, self-interested elements[[64]](#footnote-64). In both the normative and rational choice understanding, institutional outcomes are dependent on the agency of influential actors who determine how the institutions are put to use.

### The purpose of institutions:

In rational choice theory, institutions can be conceptualized as humanly devised constructions designed to solve collective action problems[[65]](#footnote-65). Collective problems include public goods delivery, redistribution of resources, dealing with externalities and market failures and might be overcome by the rational cooperation between self-interested actors. In a normative sense, institutions are meant to producing collectively desirable outcomes in accordance with widely accepted norms of policy-making. The purpose of the institution depends on the preferences of the agents controlling it, and the ability of the system to accumulate shared preferences. Conclusively, institutions may be created in order to serve self-interest, or they may be directed toward some conception of a common good. The purpose of any institution is to produce collectively desirable outcomes and enhance human well-being.

### Incentive structures:

Institutions are perceived as arrangements of rules and incentives in which actors behave in response to basic constraints and opportunities. These incentive structures can be found in the political structures within a state as well as in state-society relations. In a state-society relation, incentives are the basic tools a government utilizes in order to regulate human conduct and reach a desired outcome. They include raising or reducing wages, increasing or decreasing taxes, rules related to contractual rights, provisions on security and rules on punishment for deviant behavior. Incentives also include employment based on merit, and access to information and to the decision-making structures. In the above mentioned relation, the opportunity-constraint structure is operative if power is equally dispersed, collectively shared or adhered to by a large segment of the population. In institutional arrangements where power is perceived as illegitimate or concentrated in the hands of the few, the incentive structure becomes ineffective or inoperable.

In a state-state relation[[66]](#footnote-66), the ability and capacity of actors to pursue their preferences are shaped and constrained by the institutions in which they make their choices[[67]](#footnote-67). When benefits from pursuing instrumental policies are great, and constraints on powers are absent, individuals are likely to pursue policy-decisions detrimental to overcoming collective action problems[[68]](#footnote-68). Ineffective incentive schemes will provide an opportunity for individual actors to shape their institutions so as to maximize their individual capacity, and enhance risks of non-compliance such as shirking, free-riding and tax-avoidance[[69]](#footnote-69). Ineffective incentive schemes would also be unable to constrain the presence of veto-players who would possibly block the decisions of otherwise rational actors. Perceiving the state as a means of personal wealth accumulation and assuming that self-interested and rational individuals act on utility-maximizing incentives, such arrangements will persist as long as they serve unconstrained political actors[[70]](#footnote-70).

From a rational choice perspective, decision-making is predictable and can be directed through incentives and disincentives attached to different courses of action. Institutions may provide stable means of action and produce predictable outcomes or they may enhance the risk of conflict by providing access to large sums of spoils. In this perspective, a socially desirable institution is that which is capable of constraining individual self-maximization where this is collectively destructible and, subsequently, able to enforce rules that enhance collective welfare[[71]](#footnote-71). In effective institutional set ups, constraints and opportunities are seen to determine the behavior of individuals and their actions are regarded to change in response to the incentives presented by a particular structure.

In normative theory, incentives are created through formulating rules in relation to value-premises inherent in an institutional arrangement. Members of an institution are inclined or disinclined to follow a particular due to social consequences associated with transgression. In this perspective, constraints on power are seen to be stemming from informal codes of conduct, social practices and norms of behavior.

Conclusion: In effective institutional set-ups, incentives of constraints and opportunities are well developed through elaborate incentive schemes and able to direct the behavior of its members by shaping activities that lead to socially desirable outcomes. In the expectation that these activities might produce collectively undesirable outcomes[[72]](#footnote-72), the aim of such a structure is to regulate self-interest and curb the rational pursuit of individual gain.

### Infusion with values:

Institutions must be infused with collectively shared values to have positive effects. In normative sense, attention is redirected from a means-oriented logic of consequentialism towards a logic of appropriateness[[73]](#footnote-73). The central question is and not the potential costs or benefits of an action but whether it conforms to the norms of society.

In a state-society relation, institutions confer meaning and values that defines the individual, the group and the society[[74]](#footnote-74). Social practices are seen to be shaped by the habitual observance of agree-upon rules and norms, and through the evolution and internalization of values and new identities[[75]](#footnote-75). In the event an idea becomes accepted and embodied into structural form, an institution is created with a potentially identity-shaping effect. As in the opportunity-constraint structure, the diffusion of values needs to be coupled with enforcement mechanisms to increase the likelihood of agreement. In this regard, for institutions to effective, they must be supported by clear and encompassing values that ensure their compliance[[76]](#footnote-76). As argued by Peters, to become effective in decision-making, organizations require a certain amounts of shared values and a formalized pattern of interaction[[77]](#footnote-77). Normative values commonly refer to undiscriminating practices, the settlement of disputes through non-violent mechanisms, the fair distribution of scarce resources and promotion according to merit. However, shared values in well-founded institutions, commonly held to be welfare-enhancing, also include an appeal to even higher moral claims such as participation, tolerance, inclusion, cooperation, trust and equality. Values in fragile states are commonly regarded as based on exclusion, predation, greed and corruption. In the above understanding, institutions may be turned into instruments for delivering public goods or instruments of predation depending on how they are being put to use.

Conclusion: In a normative perspective, successful institutions are able to internally integrate and externally disseminate collectively welfare-enhancing values that raise the overall prosperity of society. In a rational choice perspective, values, norms and goals are largely a product of design, in that creating the right incentives will lead to the adoption of better values. The main difference between the two strands, hence, is that in normative institutionalism, values, norms and goals are seen to be an incremental adoption or assimilation into an existing system[[78]](#footnote-78). In rational choice theory, welfare-maximizing values are seen to be created through the right incentive schemes.

### Institutional change:

In regarding institutions as power-conferring structures, change typically occurs when it is in the interest of the power-holders and those with sufficient bargaining strength to make the required adjustments[[79]](#footnote-79). Institutional change typically involves the renegotiation of the respective powers in the executives and in the responsibilities the actors are seen to be required to perform. Clegg points to competition between groups of actors over scarce resources[[80]](#footnote-80) while Sabatier seeks to demonstrate that conflict over policy ideas is the main driver of institutional change[[81]](#footnote-81). In any circumstance, changes in the external or internal environment constitute a threat or an opportunity to change a certain policy-course.[[82]](#footnote-82)

In focusing on informal institutions, normative institutionalism claims that once a certain pattern is destabilized, space is opened up for deliberation over opposing norms and practices. Since institutions to a great extent are based on compliance and conformity, a great source of change is seen to be non-nonconformity. Interesting examples include the campaigns of non-violent resistance by Mahatma Gandhi for national independence, and the black civil rights movements in the American South lead by Martin Luther King Jr[[83]](#footnote-83). In both instances, fundamental transformations of social and legal institutions were achieved by not complying with basic rules of the political order[[84]](#footnote-84). In this perspective, change occurs when a critical mass has been reached and when the institutions of the state come under sufficient stress. Similarly, Brunsson and Olsen argue that the greater the disjuncture between the values professed by an institution and the values held by the surrounding society, the more likely change will come about[[85]](#footnote-85). In institutionalism, a standard logic for institutional change regard frustrated expectations. Institutional change is seen to arise due to a discrepancy between performance and expectations[[86]](#footnote-86). Hence, if an institutional set-up is unable to produce desired outcomes and if a sufficiently amount of people at the same time possess the necessary strength and capacity, institutional change will transpire. Institutional change may also occur due to gaps between formal and informal institutions that create the necessary space for creative solutions[[87]](#footnote-87). However, without a sufficient demand and the necessary political will, institutional change is unlikely to occur.

Theorizing institutional change: Institutions need a certain degree of flexibility to be able to accommodate demands and frame new ideas into the existing structures. Historical institutionalists argue that institutional change has its origins in the accumulation of effects that have matured over several decades[[88]](#footnote-88). In their view, gaps between demand and results are seen to be an explaining factor for endogenously derived processes of change[[89]](#footnote-89). Normative institutionalists view institutional change due to changes in customs within the institutional framework in which certain values may be emphasized and enhanced while others may be deemphasized or ignored[[90]](#footnote-90). A workable design is seen to require practical experimentation and recombination as well as installment of mechanisms of evaluation and revision. In this sense, institutions change when they are considered incompatible with more affirmative values[[91]](#footnote-91). An example includes the dissolution of the former Soviet Union and the transition of the Eastern European states into more market-friendly economies. From these examples is seems evident that values may become incompatible with the outside environment and that institutions may come under such a strain that they crumble, change or completely disintegrate. In a rational choice sense, institutional change is seen to take place when likely benefits outweigh the expected costs[[92]](#footnote-92). In this regard, the challenge of changing institutions is to construct a “pay-off matrix”[[93]](#footnote-93) that makes it in the interest for actors to comply.

According to Thelen, change is a process determined by the nature of preferences, and institutions might evolve in the pursuit of *“perceived interest”*[[94]](#footnote-94). Historical institutionalism claims that change occurs with the ambiguity over the interpretation of rules and assumes that change is almost impossible to design.

Conclusion: In contemplating the persistence of past institutions and the continuation of former practices, well-founded institutions should be regarded as country-specific and most capable when they are able to integrate or assimilate local customs. Building capable institutions, thus, is less about transferring a particular institutional arrangement than building a stable framework within which change can occur and certain outcomes become more likely. In combining normative, rational and historical viewpoints, successful institutional change requires that norms and practices are altered through incentives and constraints, and that the institutionalized practices are regarded as firmly embedded within the society.

### Replicating unproductive institutions:

According to normative institutionalism, institutions will attempt to reproduce themselves over time[[95]](#footnote-95). To the extent rules, practices and narratives are repeated they become part of an internalized pattern with the effect that rules and systems of governance are replicated or reproduced.

 In normative institutionalism, institutions are seen to replicate themselves by socializing new members into the norms and values that define the institutional set-up[[96]](#footnote-96). In being accustomed to certain behavioral patterns, acts become routinized and the institutions are reinforced. States get stuck in traditional institutional set-ups and come to repeat an already established pattern. In this context, institutions might continue to recreate value systems which are not beneficial to the society at large.

Rational choice theory posits that institutional arrangements persist as long as they serve the interests of rational utility-maximizing actors[[97]](#footnote-97). An institution, in which procedural values of efficiency and resource extraction have come to dominate, is in risk of being exploited by any group to achieve random political ends. States organized along this way is likely to degrade into instruments for self-enrichment instead of organizations for welfare-enhancement. As Kuipers and Boin proclaim, an organization devoid of moral principles may be considered a *“spineless organization”* [[98]](#footnote-98) and an efficient and obedient machine ready to serve its new masters. Similarly, Thelen and Steino have stressed that unproductive institutions persist because new actors intend on pursuing the same policy goals through the existing institutional arrangements. In general, unproductive institutions are maintained because actors benefit from the existing arrangements and see new rules as hostile to their interests[[99]](#footnote-99). As power-conferring structures, institutions are likely to retain capacities and enhance structural inequalities that put limits on attempts to empower those at the bottom of society[[100]](#footnote-100). In stressing the cultural embeddedness of institutions, even if formal rules are applied, established unproductive practices may remain due to the narrative that is used to support and legitimize them. As noted by several scholars, stopping people doing the things the way they are used to is even more difficult than getting them engaged in new activity[[101]](#footnote-101). Historical institutionalists similarly stress that institutions are incapable of change to the extent they are embedded in informal, reiterated, unproductive traditional practices and codes of conduct[[102]](#footnote-102). [[103]](#footnote-103) In facing new problems, actors opportunistically fit new challenges into pre-existing models which have been used in the past. An illustrating example include the revolutions in the Middle East or the “Arab Spring” which has, so far, not lead to any better outcome for the populations in general. Actors are seen to inherit institutional set-ups which contain both compromise and conflict and then go on to reproduce these tensions in their efforts at reform[[104]](#footnote-104). Institutions are seen to have deep historical roots and linked to familial and community-based practices, making them hard and resilient to change. As stable, valued and recurring patterns of behavior, institutions have proved resistant to change and this explains why certain unproductive patterns persist.

Conclusion: Emphasizing learnings from game-theory, actors tend to reproduce a certain pattern insofar they are unable to cooperate on essential matters of mutual interest. In this perspective, actors will have to do repeated games to establish greater cooperation and the mutual compliance needed to overcome collective action problems[[105]](#footnote-105). States are seen to fail when they reproduce certain patterns of behavior and are incapable of changing unproductive institutional set-ups.

### Aligned, flexible and stable institutions:

I theorize that a sustainable and viable institutional arrangement is created from institutional alignment in combination with stability and a high degree of flexibility. A sustainable institutional arrangement is aligning formal with informal rules, is able to adapt to new circumstances and guide its citizens toward a conception of the common good through reliable and stable structures.

Institutional arrangements are aligned when formal and informal rules are harmonized. Where practices, norms and rules reinforce each other, institutions are viable and sustainable, and vice versa, where these corrode or subvert each other, institutions are weak and fragile. When rules, narratives and practices combine, institutions are seen to be most efficient and able to accommodate changes in the environment. Institutional change emerges from the interplay between norms, practices and values and stability arises from their alignment. As a result, the greater the dissonance between formal and informal rules, the less sustainable the institutional set-up is perceived to be.

Flexibility is the ability to accommodate new viewpoints and the ability to adapt to external circumstances. In order to ensure sustainable and viable frameworks, institutions need to exhibit flexible structures and be able to operate in different environments in different contexts. Flexibility reflects the capacity for adaptation and the possibility for accommodating benefits associated with learning and adoption.

Stability is achieved through incentives and regulative mechanisms. In the right combination, a society is able to guide and steer its constituents towards its desired ends. Ideally, stability is built around a set of shared values adhered to by a large segment of the population and embraced by voluntary agreement. However, any institutional arrangement must to some extent secure install enforcement mechanisms to guard itself deviant behavior. Such mechanisms may rely on direct regulative mechanisms as well as on commitment-building activities and confidence-building measures. The main objective is to ensure compliance and make rules stick according to the original intention.

In well-established arrangements, normative values and rational incentive structures coalesce to form a viable and sustainable institutional arrangement. Aligned, flexible and stable institutional structures reflect a viable and sustainable framework that predicts the conditions for relative success.

### Theoretical positions: conclusions:

Well-functioning institutions must be able to overcome collective action problems and serve its original purpose of accommodating the general will by enhancing human well-being.

In rational choice theory, well-functioning institutions are made by purposeful incentive schemes. States fail because utility-maximizing individuals escape constraints and manipulate institutions to serve individual and private interests.

In a normative sense, well-functioning institutions are infused with shared values. States fail because actors are unable, incapable or unwilling to adopt the right values.

In combining rational choice theory with normative standards, institutions have to develop purposeful incentive schemes in combination with shared values.

Lastly, well-functioning institutions are seen to align formal with informal preferences and adapt to circumstances in the external environment through flexible structures. States fail when they are unaligned and inflexible.

##

## Explaining variables:

Path-dependencies:

This explaining variable pertains to do historical contingency and decisions made in the past. Previous policy-decisions and institutional arrangements are seen to determine subsequent policies creating a “lock-in effect” that make structures resilient to later policy alteration. Institutional legacies are seen to constrain or enable the scope for institutional and political action. Path-dependency suggests that once policy-makers have started down a particular path, the probability of remaining on that path increases over time[[106]](#footnote-106). The argument explains that small and contingent events can have significant consequences and that it can prove very difficult to reverse a particular course of action once it has been introduced[[107]](#footnote-107). Following the logics of path-dependency and its subsequent log-in effects, an institutionalized arrangement will continue along the lines of traditional structures and previous policy-preferences[[108]](#footnote-108).

### Punctuated equilibriums:

Punctuated equilibriums are regarded as sudden challenges or disruptions in periods of relative stability that cannot be easily accommodated within an existing institutional set-up. Path-dependency is seen to prevail during normal times, and for change to come about, external events have to overcome the existing state of equilibrium.

Punctuations in the equilibrium may emerge due to moments of disruption which are typically are by external shocks[[109]](#footnote-109). They are regarded as critical junctures in that the costs of change are reduced, and actors are allowed a wider space to change an existing institutional framework[[110]](#footnote-110). The notion of punctuated equilibrium is borrowed from the neo-Darwinian evolution theory and refers to the environmental dependency of institutions[[111]](#footnote-111). The equilibrium of the original path is punctuated by some external event, for instance by a conflict or change in ideology which opens up a creative space in which it becomes possible to adapt to new policy ideas and embark on a embark on a different trajectory. In this view, punctuations may be caused by legitimacy problems, global economic growth, the introduction of new policies or other effects stemming from interdependence or lock-in effects[[112]](#footnote-112). To rational choice scholars, punctuations are seen as moments in which strategic agents are capable of acting beyond the confines of existing institutional set-ups as actors may have lost sight of their real or perceived interests[[113]](#footnote-113). In short, when a stable equilibrium is punctuated, potentially new ideas, norms and values are more likely to become embodied in institutional form. In these critical moments a spaces emerges in which it becomes possible to change the policy course and alter the rules of the game[[114]](#footnote-114).

### Agency:

In an agency-oriented perspective, change is brought about by influential individuals and powerful actors who have sufficient capacity to change a policy course. Institutional change is viewed as agent-driven and dependent upon the policy choice and the preferences actors bring with them[[115]](#footnote-115). Notable examples include Robert Mugabe, Siaka Stevens and Mobutu Sese Seko who were able to fundamentally change their institutions and the courses of their countries.

## Part 2: Identifying cases of state failure:

This section will identify causes of state failure. I argue that the process of state failure is caused by self-seeking elites who fail to create incentive structures based on collectively shared values. The social contract remains unfulfilled to the extent states are unable translate accumulated resources into security, basic public goods and social opportunity.

### Conceptualizing failed states:

Inspired by the rapid decolonization during the 1950’ies and 1960’ies and the collapse of the Soviet Union, the concept of failed states can be traced back to the effort to limit human rights abuses and the attempt to justify armed intervention Somalia and Yugoslavia in the early 1990’ies. Among the first scholars to apply the term were Helman and Ratner who 1993 referred to a *“disturbing new phenomenon”[[116]](#footnote-116)* whereby states were becoming utterly incapable of sustaining themselves as members of the international community[[117]](#footnote-117).Internal conflict, government breakdown and economic deprivation were regarded as evidence that something had to be done. In 2003, Rotberg stated that it was possible to speak of failed states where states were becoming *“convulsed in internal conflict and unable to deliver any positive political goods to their citizens*”[[118]](#footnote-118). In the subsequent years, analysts increasingly began to emphasize the conceptual distinctions among failed states, by differentiating between states unable to deliver political goods and states unwilling to carry out such tasks[[119]](#footnote-119).

### Dimensions of state failure:

In the failed states literature, much attention has been devoted to legitimacy, capacity and efficiency. Among the most noteworthy academics, Charles Call has referred to the above as “gaps” insofar they are inadequately achieved.

A gap in capacity is seen to exist where the institutions of the state are no longer capable of delivering public goods and services to the population[[120]](#footnote-120). Here, capacity refers to the ability of the state to deliver security, rule of law, financial management and public goods such as primary education and health care. The understanding of capacity is seen to vary with traditional practices, resource scarcities and is generally dependent on what is deemed as normal by a particular society[[121]](#footnote-121). A gap in security exists where states are unable to provide satisfactory levels of security in the face of organized armed groups. Societies emerging from will confront peculiar problems related to the presence of armed conflict, such as pernicious effects on the infrastructure, declining levels of social trust and efforts at disarming and reintegrating former belligerent groups. In general, the security gap reflects this inability of states to resolve conflicts between social groups in the society[[122]](#footnote-122). Lastly, a gap in legitimacy exists where a significant portion of a society rejects the rules regulating the exercise of power and the accumulation and distribution of wealth[[123]](#footnote-123). Legitimacy is subjectively expressed and relies on public opinion but is generally equated with rules and processes that are sufficiently open, transparent and accountable to allow for popular participation[[124]](#footnote-124). The interaction and balancing of gaps in capacity, security and legitimacy is seen as critical in determining whether a state will fail or prove successful. Below is a box with selected countries sorted by gaps:

1

Figure 1: Intersecting gaps of statehood

Source Call (20 I 0)

|  |  |
| --- | --- |
| **CAPACITY GAP: Weak States** |  |
|  Bangladesh Malawi | Zimbabwe Equat.Guinea | **LEGITIMACY GAP: Repressing Autocracies**  North Korea |
|  | Burundi Ivory Coast **Haiti** Uganda East Timor | **Afghanistan** Sudan Somalia **DR Congo** Iraq |  Turkmenistan |  |
|  |  |  |
|  | Colombia Bosnia Tajikistan Guatemala **SECURITY GAP: War-torn States** |

State failure is associated with state breakdown in the above dimensions.

### Reflections on institution-building in the context of the failure of the Washington Consensus:

The focus on building stable state-institutions should be regarded as the natural outcome of the failure of the Washington Consensus to establish durable and sustainable states through liberalizing economies and opening up markets. This approach to state building has mainly been directed by the World Bank and IMF with a main focus on privatization, market regulations, reduction of fiscal gaps, administrative reforms, decentralization of governance and the enabling of law-making authorities. Richmond et. al. have suggested that the structural adjustment policies have resulted in increased corruption and in rent-seeking activities on behalf of the recipient states, and have weakened rational-legal structures that might have existed[[125]](#footnote-125). Taking into account the outcomes in Africa and Latin America, a realization has emerged that a durable economy requires a functioning state and has to be more sensitive to context[[126]](#footnote-126). In general, the international community is seen to have been too enthusiastic about opening up economies and reducing trade barriers, tariffs and liberalizing the economies[[127]](#footnote-127). The supposedly beneficial interplay between democracy and the market forces is now regarded as more conflictual. This is clear from the neo-liberal agenda of democracy promotion that, in many instances, has intensified social and economic rivalries and exacerbated political conflict[[128]](#footnote-128). As noted by former proponents of the Washington Consensus, a lot of troubled states that needed to be cut back in many areas simultaneously had to be strengthened in many others[[129]](#footnote-129). Milton Friedman, for instance, has admitted that basic institutions such as the rule of law have turned out to be even more basic than efforts at privatization. In sum, democratization, market reforms and eventual privatization of state-owned enterprises is likely to come out short without a substantial degree of institutional capacity[[130]](#footnote-130).

Considering the failure of the Washington consensus, the international community has to reallocate focus from liberalizing economies to building well-functioning institutions before or in parallel with opening up markets. Building stable and flexible institutions before liberalization must be regarded as a more advantageous way to secure peace and enhance human well-being[[131]](#footnote-131).

### Problems associated with state failure:

As part of a problem-based exercise, I will shortly describe some of the common problems associate with state failure. According to Lockhardt and Ghani, we are in the 21’st century moving towards a *“common security paradigm”**[[132]](#footnote-132)* where global order depends on states to perform their functions effectively. State failure regarded as part of a *world-wide systemic crisis* that constitutes the “*most serious challenge to global stability in the new millennium”*[[133]](#footnote-133). Similarly, Fukuyama has stated that weak and failing states have become the single most important problem for the international order[[134]](#footnote-134).

The severity of the problems associated with state failure has been accentuated by the statements of various influential actors. In 2002, the United States in its National Strategy declared that the country was *“less threatened by conquering states than by failing ones”[[135]](#footnote-135).* Soon after, the European Union backed its American allies and declared in its Security Strategy 2003 that state fragility posed a *“major threat to European security”* [[136]](#footnote-136). More humanitarian concerns were voiced by Kofi Annan who in 2005 claimed that “*if states are fragile, the people of the world will not enjoy the security, development and justice that are their right”[[137]](#footnote-137).* In general, world leaders seem concerned with weak states as they pose threats to their domestic populations as well as to the international society.

Problems associated with state failure are best captured by the Fragile State Index and the Index of State Weakness that rank countries according more than 100 indicators. In their view, failed states experience significant demographic pressures in the form of food scarcity, malnutrition, diseases and population growth. These pressures are in turn reinforced by a high number of refugees per capita and the incapacity to absorb internally displaced persons. Failed states are exposed to severe uneven economic development because of ethnic, religious or regional disparities, and they exhibit major dividing lines between the highest and lowest earning parts of society. Group grievances are widespread and pertain to discrimination, powerlessness, ethnic, sectarian and religious violence. In intensifying the problem, extensive poverty and economic decline strain the ability of the state to provide for its citizens and exacerbate frictions between haves and have-nots. The states are unsettled by socio-economic factors such as inflation, economic deficits, governmental debt, high unemployment rates (especially among the youth), and low levels of GDP per capita or levels of real purchasing power. Legitimacy is undermined by corruption, lack of representation, an illicit economy, internal power struggles and lack of political participation. The provision of public services, such as education, health care, water and sanitation are extremely limited. Basic human rights are violated or unevenly protected, including freedom of the press, civil liberties, religious freedom and political freedoms. The monopoly on violence is challenged by competing elements in the society and the security apparatus is weakened due to the amount of internal conflicts, military coups, small arms proliferation, rebel activity, riots and protests. The ruling elites are factionalized and engage in deceitful political competition and fraudulent elections. Finally, failed states are often highly dependent on the external environment in the form of international aid, the presence of international troops or foreign assistance. In 2015, the world’s most failed states included South Sudan, Sudan, Somalia, Central African Republic, and the Democratic Republic of Congo. These states are perceived to be in a *“high alert situation”* of risking complete state failure. However, the list should be regarded as a continuum of decreasing state effectiveness from capable states to failed and entirely collapsed states. In this regard, only one state, Somalia, is experiencing complete state failure as it has no functioning central government in place. According to the Uppsala Conflict Data Program, insofar state-based internal armed conflicts is taken as a proxy indicator, the international community is currently witnessing 50 cases of state failure.

**Uppsala Conflict Data Program. Department of Research and Conflict, 2015.**

**Number of conflicts:** Non-state based (dark red), state-based (light red) and one-sided violence (pink). A conflict is interpreted as the use of armed force between two parties resulting in at least 25 battle-related deaths per calendar year[[138]](#footnote-138).

Conclusion: Failed states pose threats to their own populations and produce negative externalities to the international community in the form of refugee flows and by allowing criminal networks to become entrenched in their societies[[139]](#footnote-139). The challenge of well-functioning states is to restore these entities to become hosts of content populations and, subsequently, sustainable members of the international community.

### Institutions in failed states:

Institutions in failed states are frequently built around informal structures based on connections, networks and personal relations. These institutional arrangements are captured by phrases such patrimonialism, predation, rent-seeking, clientelism and kleptocracy. As theorized earlier, the purpose of the state and its institutions is to overcome collective action problems and create collectively desirable outcomes.

In failed states, however, large amounts of wealth are accumulated without subsequent redistribution and without translating public resources into public goods. Institutional arrangements often rely on tax collection or resource extraction without following a reallocation scheme and without providing the necessary economic incentives for the general population. In the words of Acemoglu and Robinson, the institutions are designed so as to extract incomes and wealth from one subset of society to benefit another[[140]](#footnote-140). States which extract large incomes and rely on highly institutionalized extractive structures are seen to have an inbuilt propensity to generate struggles that result in one group replacing another in a repeated pattern of resource extraction, subjugation and wealth accumulation. To the common citizen, these institutions remove the incentives to produce a surplus as profits are often expropriated or seized by the state. In economic terms, the institutions manifest in the form of monopolies, state-owned enterprises and widespread corruption. Economic growth is regarded as unsustainable and limited due to a long-term and highly selective catch-up process characterized by low levels of investments and innovation. Extractive institutions are contrasted with inclusive institutions that enforce property rights, create a level playing field, and encourage investments in new technologies and new skills and that are more conducive to economic growth[[141]](#footnote-141). Such institutions are infused with normative values of participation, cooperation, tolerance and coalition-building. In extractive states, however, the institutions are unaligned and unable to accumulate the interest and preferences of society at large. In general, extractive institutions fail to overcome collective action problems and enhance the general well-being.

Patrimonial institutions are institutions based on personal relations of subordination. In states with patrimonial institutions, personal considerations, favors, promises and privileges dominate. In these institutional arrangements there is no clear separation between the private and the official spheres and the state-apparatus becomes easy target of politicization. The bureaucracy of the state is viewed as a purely personal affair of the ruler”[[142]](#footnote-142)and political power is considered a personal privilege. The purpose of patrimonial institutions is not to solve collective action problems, but to supply jobs to clan, tribe or family members and distribute and allocate patronage and economic benefits. In more extreme cases, patrimonial institutions may become predatory. Such institutions are seen to extract resources without providing public benefits and has by Peter Evans been described as institutions that *“prey on its citizens and provide no services in return”* [[143]](#footnote-143). Covert market transactions or a shadow economy dominates the public realm and the state degenerates into a “*perverse form of public enterprise*”[[144]](#footnote-144). Basic goods are not provided or kept to a minimum and services of the state are often sold to the highest bidder. Young has argued that the institutions in such set-ups lose their capacity to translate public resources into sustenance of infrastructure and valued amenities.

Clientelism is a political system of mutual benefits and conditional loyalties in which individuals of unequal power are linked through the exchange of favors[[145]](#footnote-145). The process is also referred to as patronage or client-patron networksto denote the distribution of jobs, loans, compensations or other monetary or political favors based on personal relations. In these circumstances, it refers to a chain of bonds between political patrons and their individual clients or followers[[146]](#footnote-146).

The concept was originally developed by anthropologists and sociologists in the 1970’ies to capture the hierarchical social relations found in the countryside and in many agrarian societies[[147]](#footnote-147). For instance, Robinson and Verdier have found that the poor and marginalized people often are drawn into these networks as pragmatic means to find solutions to their everyday problems since they often have limited access to formal sources of assistance[[148]](#footnote-148) . They argue that such arrangements become particularly attractive in environments with high inequality and low productivity[[149]](#footnote-149). Although the clientelism originally was taken to explain village and neighborhood politics, the concept is now used to characterize entire political systems[[150]](#footnote-150). Clientelism tends to flourish in insecure political and economic environments and has become an integral part of a “politics of survival”to both patrons and clients in many societies. Observers of developing countries commonly note on nationwide pyramids of patrons and clients culminating with the national leader*[[151]](#footnote-151)*. Rather than relying on formal and legitimate means of governance, clientelist systems are seen to be sustained through the distribution of favors to a select group of preferred clients. Social practices of clientelism are seen to have undermined state capacity in several countries where political office is abused as a source of obtaining benefits for particular constituents[[152]](#footnote-152). Furthermore, patron-client networks sustain unequal relationships and have proven extremely difficult to overcome as influential persons profit from their continual preservation..

Rent-seeking is the attempt by the established elite to obtain an increased income by manipulating the social or political environment for their own benefit. Essentially, rent seekers amass profits without producing anything in return or by making a productive contribution to society[[153]](#footnote-153). They differ from profit-maximizing activities in that they create absolutely no positive spill-over to the public. The classic example of rent-seeking behavior is described by Robert Schiller who describes a feudal lord installing a chain across a river who then hires a collector to charge passing boats a fee every time they pass through his land. As he argues, there is nothing productive about the chain or the collector and the lord has made no improvements to the land or the river, and is helping nobody except for himself. All he has done is found a way to make money from something that used to be free[[154]](#footnote-154). In general, rent-seeking is said to distort economic incentives and deflect the productive energies of a society’s most ample members*[[155]](#footnote-155)*. By the use of illicit methods, rent-seekers bribe the state so that an inefficient company wins a key contract while in other cases, the state gives preferential treatment to certain companies, resembling the use of methods and tactics found in client-patron networks. Potential competition is skewed in favor of state-owned corporations that in effect come to monopolize a certain sector of the economy. The expenses associated with preferential treatment are undermining general welfare and the activities are seen to generate social waste rather than social surplus[[156]](#footnote-156). In more legal terms, rent-seekers may create interest-groups or lobby to reduce competition so as to sell goods at higher prices or obtain other kinds of advantages. As the state exercises profound powers in various areas of the economy, such as in allocating property rights and in levying taxes, certain groups may be advantaged at the expense of others, and contracts may be awarded on the basis of persuasion and government affiliation. Although not always deemed illegal, these political deals and economic transactions may have grave consequences and potentially deleterious effects on the economy.

Lastly, kleptocracy is associated with political corruption and is often referred to as *“rule by thieves*”. It captures the abuse of elected office for personal gain where state funds are purged directly into the pockets of the leaders. As political systems, they occur in states unable to create the necessary constraints on the power balances and allow a single ruler and perhaps a whole family to exploit the state for personal gain. The state accepts huge bribes in return for political favors, and those who have captured the states or installed themselves as leaders become extremely affluent. These corrupt practices have become highly institutionalized in failed states as means for acquiring personal wealth and political clout.

Conclusion: The above suggests that less entrenched informal institutions provide the actual foundation for much decision-making in failed states. Self-maximizing elites rely on informal networks and informal institutions to perpetuate power and distribute economic benefits. In this regard, state failure is perceived to be the outcome of self-seeking elites creating extractive institutions in combination with structures of clientelism and personal networks and patronage.

## The cases of Congo, Afghanistan and Haiti:

The Dem. Rep. Congo, Afghanistan and Haiti are applied as illustrating cases of state failure. The countries are placed in the high alert category in the Fragile States Index 2015 and host fairly discontented populations according to Happy Planet Index**[[157]](#footnote-157)**. The findings of these indexes suggest an inability to fulfill the basic tenets of the social contract.

### The case of the Democratic Republic of Congo:

The Dem. Rep. Congo is the fifth lowest ranking country in the Fragile States Index 2015 and is portrayed as a classical example of state failure. The country has hardly experienced any growth since its independence in 1957 and still ranks among the poorest countries in the world[[158]](#footnote-158).

 The poverty of Congo is seen to be caused by its colonial and pre-colonial history and in its tendency to repeat an unproductive institutional set-up. In pre-colonial times, Congo was ruled by a narrow elite and income was based on the plantations around the capital. Slavery was central to the economy and taxes were arbitrarily imposed. When European colonizers arrived in the 15’th and 16’th centuries they were described a country with miserable poverty and profound lack of technology that neither had invented the wheel, the plow or the art of writing[[159]](#footnote-159). As the center was extracting of resources from the rest of the country[[160]](#footnote-160) smallholders had moved their villages away from the central markets in order to reduce the incidence of plunder and to escape the reach of slave traders[[161]](#footnote-161). From an early stage, the Congolese are seen to have got accustomed to coerced labor and a societal order where any extra output would have been subject to plunder or expropriation[[162]](#footnote-162). The Belgian legacy is seen to have worsened and reinforces these trends as Leopold II treated Congo as his private holding rather than as a potential autonomous part of Belgium. The colonization became financed by huge loans granted by the Belgian state and the sale of concessions to foreign economic entrepreneurs that contributed to a *“pattern of decentralized exploitation of the local population”[[163]](#footnote-163)*. In the course of the 60 years of colonization and exploitation, the Belgian administration exhibited little interest in the development of sustainable governing structures. The Congolese were excluded from the political affairs and subjugated into forced labor under slave-like conditions. The result of the colonizing agenda was uneven economic development and enhanced social, ethnic, and economic cleavages. Traditional and sustainable communities that might have existed became severely disrupted due to violent oppression and forced migration.

 In the 1950’ies, as in many other colonies, a movement for liberation gained momentum and independence was achieved in 1960. As the Congolese were unable to agree on the main features of the trajectory of the state, Congo almost immediately decayed into violent struggles over the control of the state and its administration. The Belgian policy of direct and exclusive rule that had prevented the emergence of Congolese administrators meant that only a few Congolese had a higher education or the necessary skills to transform the colonial administration into the political infrastructure of a capable state[[164]](#footnote-164). Two different concepts for state-building emerged in the form of Patrice Lumumba who emphasized a strong central state with a leftist program, and Joseph Kasavubu who envisaged a decentralized model with a stronger role for the local tribes. The early years of independence, hence, became marked by ethnic rivalries, power struggles and attempts at external intervention[[165]](#footnote-165). The disagreements were finally brought to an end in 1964, but the underlying conflict over the structure of the trajectory of the state and the political representation of the various factions remained unresolved[[166]](#footnote-166). In 1965, General Mobutu staged a coup paving the way for a highly personalized regime that endured until his disposal in 1997. During the struggle for independence, Mobutu and his associates succeeded in articulating cultural identities and social cleavages that mobilized people along ethnic and religious lines. People in Congo started to suffer more from his erratic repression and maladministration than they profited from the limited security that the he and his administration was able to deliver. In resembling the former Belgian administrative practices, Mobutu increasingly regarded the national economy as his private property and his rule quickly degenerated into a simple system of predation and self-help with little economic development. During the Cold War, the Western powers acquiesced to corruption, bad governance, and clientelist politics[[167]](#footnote-167). To the West, Congo served as a resource of strategically important natural resources, such as uranium and copper, and Mobutu served as a safeguard against Soviet attempts to gain influence in the country. While Mobutu’s rule had limited territorial reach, he managed to rule the country through the 1980’ies without major outbreaks of civil war[[168]](#footnote-168).In the 1990’ies, the western countries withdrew their support of Congo in line with a new emphasis on good governance, a liberal market economy and democracy promotion. Simultaneously, conflicts in neighboring countries spilled-over into Congo, notably the conflicts in Rwanda, and the economy went into a downward spiral undermining the continuation of former client-patron relationships. The large number of Hutu refugees in the north-eastern Kivu-provinces provoked an attack by the Tutsi-dominated Rwandan Patriotic Front and instigated the first Congolese War (1996-1997) during which Mobutu was finally toppled in 1997. The presence of Rwandan forces strengthened the opposition that was able to install Laurent Kabila (1997-2001) in May 1997. In replacing Mobutu, Kabila turned to the same behavior of predation, exploitation and clientelism as Mobutu and the Belgian administration had employed. In a neo-patrimonial manner, Kabila replaced the heads of 37 state-owned enterprises and replaced them with his own appointees, thereby increasing his political and economic control of the state[[169]](#footnote-169). Unable to bridge the differences in society, he antagonized a large share of the Congolese population and conflicts broke out culminating in the Second Congolese War (1998-2003) that ended with more than 5 million dead, mainly by disease and starvation[[170]](#footnote-170) and the establishment of a Transitional Government in 2003. Laurent Kabila was succeeded by his son Joseph Kabila in 2001 who initiated peace negotiations with the involved parts and engaged in thorough peace agreements early in his tenure[[171]](#footnote-171). As noted by the Bertelsmann Transformation Index, the agreements led to a comprehensive power-sharing in the political institutions and in the military[[172]](#footnote-172). Although the war was officially over, violence in the east between different rebel groups and control over the resource rich Kivu-provinces has continued up to this day[[173]](#footnote-173).

### Reflections on the Congolese developmental path:

Tendency to repeat a pattern: Congo’s colonial and precolonial institutions are regarded as among the main explanations for its lack of economic growth and ability to provide public services. The European colonizers in the nineteenth century are seen to have centralized the state in order to increase their capacity to extract income and sustain their political power and reinforcing an unproductive pattern of wealth-accumulation, subjugation and exploitation. When the country gained independence in 1960, former tribal leaders were able to capture the state and use it to serve their own purposes. The reiteration of former political institutions, social practices and economic incentives is regarded as main explanation for the inability of Congo to create positive development. In present-day, Congo continues to function as a source of income for its political elites in spite of its plenty resources and potential to perform basic public functions. Instead of enhancing general welfare, Congo seems unable to escape a legacy of highly extractive institutions.

Significance of agency: Congo also illustrates how agency can lead a country down a destructive path to the brink of disaster. Under Mobutu, income rates peaked in 1981 at 463.5 $ per capita but fell towards the end of his reign, eventually declining by a third to 136.7 $ per capita in 1997[[174]](#footnote-174). Between 1990 and 1995, inflation soared and reached 3000 %, contributing to the collapse of the formal economic sector[[175]](#footnote-175). Lack of primary health-care meant that under-five mortality averaged 176 deaths per 1.000 births at the end of his reign. Mobutu is regarded to have institutionalized a highly corrupt regime and his rule is regarded as unparalleled by his capacity to institutionalize kleptocracy at every level of the social pyramid[[176]](#footnote-176). In the 1970’ies, 15-20 % of the operating budget went directly to Mobutu and his affiliates and he is estimated to have acquired over 8 $ billion dollars by siphoning off various resources to banks in foreign countries. For instance, in 1977 Mobutu’s family took 71 $ million from the National Bank for personal use[[177]](#footnote-177). Since his disposal, the average income per citizen has more than trebled, life expectancies have climbed from 49.1 to 58.7 years and the means years of schooling have increased from 2.9 years in 1995 to 6 years in 2014 according to the Human Development Index[[178]](#footnote-178). Mobutu exemplifies a leader whose preferences, values and ideals had a detrimental effect and a much worse outcome than what might have been expected.

Incentive structure: The incentive structures in Congo are severely undeveloped and illustrate how political institutions determine economic incentives and the scope of economic growth. According to the Index of Economic Freedom, continuing political unrest has led foreign businesses to limit their operations within the country. The highly uncertain regulatory environment is seen to discourage entrepreneurial activity[[179]](#footnote-179) and the expansion of economic activities[[180]](#footnote-180). Political power continues to be narrowly concentrated in the hands of small elite who are regarded to have few incentives to enforce property rights, provide basic pubic services and encourage economic progress. For fear of political opposition and economic competition, leading figures in Congo have not been willing to build a state capable of delivering security and basic public goods. Instead, these have been incentivized by the perspective of access to large amounts of spoils stemming from the country’s extractive institutional arrangements. The government’s inability to provide security and basic public goods is seen to deprive citizens of economic opportunity. The abundance of natural resources has not been transformed into a compelling incentive structure and Congo has still not achieved any significant structural transformation.

Value structure: The value structure in Congo is highly corrupt and a culture has formed in which basic political goods, even security, have become marketed. A wealth-generating extractive institutional set-up provides the foundation for patrimonialism, clientelism and networks of patronage. Congo has thus far not been able accumulate shared preferences or make purposeful incentive structures that enhance the overall prosperity of society.

Conclusion: Congo exemplifies a state in which resources and access to wealth have provided a platform for continual contestation. Irresponsible elites are seen to repeat a negative pattern of wealth-extraction and political subjugation and exploit the state and its institutions for their own self-benefit. In general, Congo is seen to reiterate a system of absolutism and clientelism that empowers and enriches a few at the expense of the many[[181]](#footnote-181).

### The case of Afghanistan:

According to the Index of State Weakness, Afghanistan is in 2015 the second-most fragile country in the world[[182]](#footnote-182). Once a country on a successful trajectory of institution-building, it has since failed to create a government with the ability to enforce the rule of law and deliver basic public goods. Afghanistan is host to a slightly unhappy population and ranks just below world average[[183]](#footnote-183).

The Afghanistan history can be interpreted as a constant struggle over statehood between those wishing to create a centralized state and those resisting such attempts. State formation can be traced back to the founding of a kingdom in the eighteenth century, when a commander in the Persian army founded the Durrani Empire. From being a province under formal Persian rule, the new state became a loose federation of tribes and principalities that rejected to become the subjects of central control. Instead, the tribes and principalities insisted on their right to self-rule and were prepared to fight to maintain their independent status. With the death of their leader, Achmad Shah, various clans fought among themselves over the issue of succession. In consequence, the empire decomposed into various regional centers of power and turned its capital, Kabul, into one among several regional power centers, in spite of its claim to special status within the kingdom. State-building was initiated by Abdur Rachman in the late nineteenth century by the imposition of a nation-wide tax and the formation a standing army loyal to the centre and continued into the 1920’ies by Amanuallah by the introduction of schooling, gender equality and equal rights irrespective of religious and tribal associations[[184]](#footnote-184). These reforms provoked violent resistance from the provinces and the leadership was eventually toppled by a new set of rulers led by Nadir Khan who abolished most reforms though retaining some of the institutions, such as schooling for boys and equality before the religious laws. During the Cold War period, schooling was expanded, roads were built, factories were established and the army was modernized. In the mid 1970’ies, Afghanistan had a fairly liberal constitution and was among the largest exporters of dried fruits and nuts on the planet[[185]](#footnote-185). However, the country was centrally ruled by a small and exclusive elite that relied on favoritism and corruption[[186]](#footnote-186). The political institutions had no means of integrating and representing various provincial and tribal interests and accumulating preferences at a national level. Lack of substantive progress coupled with a weak power-base fostered resentment against the political ambitions of the center. In 1973, the king was ousted by a government and installed by Prince Da’ud and the communists. Ensuing reform programs provoked new violent protests and the attempt to enact an even more vigorous top-down approach form the centre led to fierce battles among communist and Islamist groups[[187]](#footnote-187). In 1979, The USSR intervened and initiated a disastrous war of attrition that lasted for 10 years. Following Soviet withdrawal in 1989, Afghanistan soon engaged in an ever increasing number of in-fighting over their autonomy and control of the center. When the Taliban captured the state in 1996, and ended the supposedly unfair reign of Massoud, they usurped the state bureaucracy and used it to serve their own agenda[[188]](#footnote-188). While gaining control of the capital, their rule never extended to the entire country and decentralized violence became substituted for centralized repression and the curtailment of religious freedoms and civil rights. Instead of engaging in state-building, their reign resulted in the subjugation of sub-state actors under Pashtun standards of public morality, the Pashtunwali, were elevated to the law of the land[[189]](#footnote-189). Millions of Afghan children grew up illiterate in refugee camps and became accustomed to weapons as instruments for acquiring power[[190]](#footnote-190). The ouster of Taliban in 2001 did not end fighting but led to the regrouping of their forces and continued armed struggle.

### Reflections on the Afghan developmental path:

Tendency to repeat a pattern: Conflicts in Afghanistan have erupted over the control of the center and are, paradoxically, driven by a desire to retain a decentralized state structure based on ethnic affiliations and religious identities. These struggles have been interpreted as means to strengthen the relative power positions of local warlords in the overall political system[[191]](#footnote-191). The process of western intervention has merely emphasized the division between Islamic law and Western statutory law, rather than the potential for accommodation and integration[[192]](#footnote-192).

Significance of agency: Because Afghanistan has never formed a strong centralized state, agency has had a comparatively little effect in this country. Conflict over succession in the early years of state formation as well as regional leaders and local warlords may have had some influence on the trajectory to the development of the country. Rachman and Amanullah are seen to have positively contributed to the trajectory of the country before state capture and subsequent intervention.

Incentive structure: The incentive structure in Afghanistan is severely encumbered by the continuing threat to security. The inability of the government to deliver protection and basic services on a reliable basis has eroded confidence in the state. Institutions that might have encouraged stability and possibilities, such as schools, universities and libraries, have been corroded by insurgencies in the districts and corruption in the ministries. Afghanistan’s agricultural sector relies heavily on the cultivation of opium, and peasants are overwhelmingly incentivized by access to the market for narcotics. Having far less to offer in terms of economic spoils compared to Congo, a shadow economy has emerged in Afghanistan where drug production and sales of opium accounts for 35 % of the GNP. From being virtually non-existent prior to the Soviet invasion, drugs and opium production has now become a resource that both the government and the warlords have an active interest in sustaining with the effect of inducing criminal activity and reducing trust in the institutions of the state. The wide-spread proliferation of small arms and light weapons make earnings through legal activities even more unlikely. The incentive structure has been constrained by the privileging of local elites and the thorough engagement in corrupt client-patron systems. Economic progress and development assistance during the cold war has not lead to sustainable economic diversification, but has rather facilitated a culture of rent-seeking. Incentives to engage in illegal activates are encouraged by the lack of property rights and the inability of the state to provide law and order. Overall, political institutions are treated with suspicion and are seen to discourage the general development of the country by favoring particular ethnic and regional sub-state actors.

Value structure: The value structure of Afghanistan demonstrates the extent to which violence and crime have become institutionalized and a causal mechanism for its own reproduction. The attempts by a variety of different warlords to provide security have produced a society in which violence has become a recurrent social practice[[193]](#footnote-193). Self-help and acting in the defense of the family, clan or village is regarded as normal and even a moral obligation that includes taking the law into one’s own hands[[194]](#footnote-194). Afghanistan remains a country in which preferences are poorly aligned and where the evolution of values and internalization of new identities have been inadequately developed to correspond with the priorities of the external environment.

Conclusion: Afghanistan is an example of a country that has been unable to achieve a centralized state capable of enforcing and projecting the rule of law throughout its territory. The history of the country is shaped around the ambitions of local sub-state actors to gain control of the state to stay independent in order to maximize status or levels of security. State-society relations are based on patron-client systems and on institutions that privilege certain sub-state actors. A social contract has never manifested as the Afghan state never has been unable to accumulate preferences and provide security and basic public goods to its citizens.

### The case of Haiti:

Haiti illustrates a failed state where self-seeking elites have reproduced a set of extractive institutions through repression and various forms of taxation. The political institutions have traditionally been limited to a select group of individuals and coercive mechanisms of subjugation and violence have become institutionalized. Haiti is host to a discontented population with the average citizen rating him- or herself on 3.8 on a scale from 0-10 in the Happy Planet Index. More than 52 % of the population lives in multidimensional poverty according to the Human Development Index[[195]](#footnote-195).

 Haiti was the first site of European settlement in the Americas, and the first colony to achieve independence due to a successful revolution in 1804. However, within a few decades the country moved from one of the most prosperous French colonies to become the most impoverished political units in the Western hemisphere. The growth in the colonial period was to a very large extent facilitated by the use of forced labor on plantations and the exploitation of black people imported from African countries. By the declaration of independence in 1804 the plantations were seized from the French and power transferred to the military and the new administration under the leadership of Jean Jacques Dessalines. Proclaimed the new governor-general of Haiti, he was granted office for life and unusually wide powers. Having no qualifications for civil rule, Dessalines and his administration rapidly degenerated into a repressive regime in which Dessalines and his affiliates systematically exploited the people[[196]](#footnote-196). The new administration was unable to create the necessary political institutions of representation and participation that could have reconciled the heterogeneous elements of the society. Instead, constraints on the decision-making structures were ignored or remained largely absent, and power became confined to a narrow group of people. These initial decisions explain why Haiti headed down an unfortunate path of wealth accumulation without redistribution and translation of state assets into public goods. When a post-colonial rebellion later arose, the country was split between a despotic north and a liberal south. Although Haiti became a single state under Jean-Pierre Boyer (1818-1843), his attempts at state-building did not succeed but perpetuated the common dividing lines between haves and have-nots, mulattos and the blacks, majority and minority and the peasantry and the urban population. The mismanagement and growing predatory behavior of the dominant class towards the rest of the population is regarded among the most important reasons for this trajectory. External circumstances and conditions beyond the control of the Haitians also had a great impact. For instance, post-colonial Haiti needed foreign recognition to stabilize its economic institutions, but relevant trading partners refused this. Additionally, France demanded trade concessions from Haiti that greatly decreased the revenues of the state and curtailed the capacity of the government to fulfill its functions[[197]](#footnote-197). Experiencing internal as well as external difficulties in keeping up the export-led economy of the colonial period, the patterns of land use underwent a thorough rearrangement with substantial consequences for the economy. Apart from a few bigger export-producing estates, the predominant form of land use was turned into subsistence farming combined with a small surplus production for local markets. Two-thirds of the landowners came to possess one hectare of land or less, and the small plots barely sustained the peasants working at them. Haiti was unable to achieve self-sufficiency and has to this day been increasingly dependent on the import of food products. In these circumstances, grievances of the poor have been easily instrumentalized by those involved in a political struggle for control. The conditions have worsened over time due to soil degradation, over-population and deforestation that has led to increased competition for land and exacerbated the problem. In general, scarcities in land and food products contribute to a political climate of distrust and violence that have thrived from the nineteenth century to the present-day.

 The Haitian pattern of resource extraction and consolidation of power was temporarily interrupted by the American occupation between 1914 and 1934. The US occupation led to an improvement in the physical infrastructure but contributed little to overcome the existing political and economic development blockades. The foreign intervention strengthened labor practices that had been previously deployed by the economic elites. When the US later withdrew, the old struggles for power and representation continued until Francois Duvalier was effectively installed by the military to establish a rigidly repressive rule in 1957. Duvalier, and later his son, ended the subjugation of the blacks but relied heavily on paramilitary forces that ruthlessly suppressed all opposition. The regime consciously played up the ethnic differences between the blacks and mulattos in order to enhance their own claims to power. As has been the norm throughout Haitian history, narrow decisions of self-enrichment and repression has raised grievances among the population and led to rebellion and the installment of a new and differently composed government. The period after the downfall of the Duvalier’s’ in 1986 became characterized by a return to the past pattern of political unrest, coups and counter-coups. In 1990, Jean-Bertrand Aristide, a priest courageously resisting the rule of the Duvalier’s, won the first elections of the country and promised a fundamental renewal of the Haitian society along the lines and beliefs of the peasant population. However, his political reforms antagonized the elite, exacerbated unrest within the country and created a backlash within the security forces. Aristide was ousted and replaced by a military junta that soon became notorious for its involvement in drug dealing and smuggling[[198]](#footnote-198). By the assistance of the international community, Aristide was reinstalled in 1994 but was yet more unable to change the underling political culture and establish a capable and functioning state. In his reform programs, he encountered fierce and repeated resistance from the traditional power-holders. However, he never distanced himself from mob-violence committed in his name but instead viewed crowd-riots as an important source of support for maintaining his fragile political power vis-a-vis the established elites. Subsequent elections in 2006 and 2011 paved the way for more moderate governments under the leaderships of René Préval (2006-2011) and Michel Martelly (2011-2016). However, the country remains economically weak, politically fragile, dependent on international assistance and highly vulnerable to changes in the external environment. At the beginning of 2016, Haiti remains a nation with high poverty rates, high levels of organized crime, significant rates of unemployment and profound shortcomings in infrastructure and in the ability to provide public services.

### Reflections on the Haitian developmental path:

Tendency to repeat a pattern: Haiti is regarded as a nation that has reproduced an unproductive set of social practices in regard to central administration. The country’s continued violence is seen as a repetition of the patterns emerging from the difficult situation under which independence was originally achieved[[199]](#footnote-199). Since independence, the country has, unsuccessfully, struggled to achieve institutions aligned with the demands of the population.

Significance of agency: Haiti exemplifies the rent seeking-state where resources are collected through taxes and fees without any significant productive output. During the period of the Duvalier’s, the state is seen to have turned into a kleptocracy with Francois Duvalier personally stealing between 1.7 % and 4.5 % of Haiti’s gross domestic product for every year he was in office[[200]](#footnote-200). The recent presidency of Martelly (2011-2016) is regarded a failure as he has been not been addressing the urgent issues of reconstruction and reconciliation that the actual political situation demands[[201]](#footnote-201). As speculated by commentators, Haiti’s problems seem to be rooted in the predatory interests of the dominant class[[202]](#footnote-202). A desperately needed consensus on how to govern the country has not been reached.

Incentive structure: The incentive structures in Haiti were never formed with the aim of generating large amounts of surplus or with the intention of encouraging economic development. To this day, they remain insufficiently developed and are severely curtailed by inefficient government structures and by the incapacity to enforce the rule of law. Public investment in infrastructure, such as roads and educational facilities, are severely lacking and is challenged by a political volatile environment that enfeebles an already weak institutional arrangement. Reforms to improve the trade and investment climate have had little effect because of pervasive corruption and an inefficient judicial framework. The government’s effort to open up trade has been undermined by heavy bureaucracy and protracted processes that deter foreign investments. Setting up a business is an almost impossible process as it goes through 12 procedures, takes 97 days and costs the average citizen 235.3 % of its income[[203]](#footnote-203).

Value structure: The value structure that formed over the course of the years has been characterized by acquisitiveness, predation and subjugation. Haiti remains structured around the antagonisms between privileged elites who view the government as a means to extract resources, and the vast majority of the population who hope to gain effective access to basic security and public goods. Economic interests and political grievances are tied into a struggle over who controls the state[[204]](#footnote-204). Compared to Afghanistan and Congo, Haiti does not dependent on big rents derived from natural resources such as diamonds, oil or drugs in the form of opium. However, the state exhibits extractive features by collecting revenues through taxes and fees levied from various and often impoverished segments of the population[[205]](#footnote-205). A large share of these revenues are transferred to the state and those in control and only to a little extent redistributed or transformed into political goods and public services. The creation of a domestic infrastructure conducive to the delivery of public goods, the World Bank has measured the performance of Haiti in regard to the quality of trade and transport related infrastructure. In a total of 160 countries Haiti ranks 159, suggesting severe problems in relation to the quality of roads, ports, railways and the access to new information technology[[206]](#footnote-206). This in turn indicates that Haiti has grave difficulties in establishing a service-culture and the necessary levels of trust to make the state function effectively. Politics of identity, cultural cleavages and entrenched social practices seem to be the most important factors explaining the low levels of social and political development in Haiti[[207]](#footnote-207).

Conclusion: The incapacity to provide political goods an public services have suffered under rent-seeking activities, corrupt leaderships, weak institutions, an intimidated civil society, suspicion of neighbors, low levels of economic development and high rates of infant mortalities[[208]](#footnote-208). Commentators theorize that the country remains weak without completely failing, and others speak of an “economy of conflict” infused with cultural elements[[209]](#footnote-209). The idea of a mutual advantageous social contract between state and citizen remains almost non-existent.

### Comparing the cases of Congo, Afghanistan, and Haiti:

Congo, Afghanistan and Haiti have historically been ruled by elites who have created institutions with the aim of extracting resources from the surrounding society for their own benefit. Patronage networks continue to dominate public policy and the three states continue to suffer from predatory public officials who see the state as a source of personal wealth-accumulation rather than institutions for the public good. Political conflict is framed as a “zero-sum-game” that leads to a spiral of disintegration, civil strife and clientelist-based politics. The formal and informal institutions remain unaligned and the structures are inflexible and unable to accommodate to changes in the external environment. The incentive structures are weak or undeveloped, and potentially shared values are not adopted or meagerly institutionalized. Institutional patterns are continually repeated and based on informal practices and political decisions of the past. In 2016, the countries remain among the least sustainable states according to the Bertelsmann Transformation Index[[210]](#footnote-210).

The Bertelsmann Transformation Index 2016: Measuring the parameter **”sustainability”** (0-10): The countries receive the following score:

**Congo: 2.5 Afghanistan: 2 Haiti: 2 Botswana: 6 Costa Rica: 7**

### Successful cases of institution-building:

Some states that might have failed have instead emerged as relatively well-functioning states. Botswana and Costa Rica are examples of countries whose leadership and governance during critical junctures lead them on a path of positive political development. The fact that most failed states were never truly successful states does not prevent the comparison against the standards of successful cases. A country is not failed in that it was never successful but due to the inability to accommodate the expectations of its citizens and in fulfilling the promise of the social contract.

### Case of Botswana:

Botswana is an example of a state that could have ended in failure had it not embarked on a path of institution-building during the punctuated equilibrium in the post-colonial period. At the time of independence in 1966, it was impossible to predict that Botswana would rise to become one of the most successful African countries. 1960, it had an average income of 58 $ per citizen but is in 2016 one of Africa’s richest countries with an average income per capita of 6.360,6 $ per head[[211]](#footnote-211). The country has been politically stable and has had ten elections since independence, all characterized as being free and fair. Botswana is the least corrupt country in Africa according to Transparency International[[212]](#footnote-212) and is the second most successful African state in the “Fragile States Index 2015”[[213]](#footnote-213).

Among the reasons for Botswana’s relative success has been its continuation of its pre-colonial structures. Prior to becoming a British protectorate, Botswana relied on the Kgtola village-systems which were regular tribal gatherings meant to reach consensus on matters of common interest. These institutions comprised local assemblies and were used by Tswana-chiefs to discuss important issues of policies and legislation with their subjects. In general, consensus was stressed and the political structures were in general accessible and responsive[[214]](#footnote-214). The system combined strong central authority with local representation, and stressed the interconnectedness of human nature and created a balance of interest among different tribes. Boris Weber has described the Kgotla- assemblies *as “a democratic process in which the village chief would consult with local villagers who have the right to express their views and concerns”*[[215]](#footnote-215). This system of political organization is said to have laid a foundation for an open and accountable political culture that. In combination with Britain’s so-called “benign neglect” and the robustness and responsiveness of the indigenous Botswana structures, these were able to survive into post-colonial times.

In the post-colonial period, Botswana was favored by a government that put in place institutions enforcing property rights, ensuring macroeconomic stability and encouraging the development of an inclusive market economy[[216]](#footnote-216). Under the capable leadership of Seretse Khama (1966-1980) and Quett Masire (1980-1998), Botswana underwent rapid economic and social progress and political decisions were made to transfer property rights from tribes to the state. Among these, the decision by Seretse Khama to transfer mineral property rights away from his own Bangwato-tribe to the state, is seen to have contributed markedly to overall political stability. In general, political choices were made to have income flow to the state instead of placing it at the hands of former chieftains. In combination with support of the ranching communities and the colonial administration, Botswana embarked on a pathway away from state failure[[217]](#footnote-217).

### Reflections of the Botswanan developmental path:

Tendency to repeat a pattern: Because of its ability to preserve its institutional arrangements, Botswana has been able to avoid the effects of rent-seeking and predatory behavior that is seen to increase with the disruptions in traditional institutional set-ups. Botswana and other regions in Africa that sustained effective states in the pre-colonial period are seen to have been more capable in navigating through changed macroeconomic circumstances and periods of relatively incompetent governance. Today, Botswana’s institutions are among the most robust in the developing world and the country has been able to create lawful government and representative institutions[[218]](#footnote-218). Additionally, Botswana has been able to escape the most invasive effects of organizations such as the IMF and the World Bank because it has resources of its own.

Significance of agency: Under determined and visionary leadership, Botswana created a state strong enough to take full advantage of its plenty resources[[219]](#footnote-219). The state effectively exploited diamonds and minerals to the benefit of society at large, and not a single group or individual[[220]](#footnote-220). Botswana hereby managed to escape the *“resource curse”[[221]](#footnote-221)* that so many other land-locked African countries rich on minerals, diamonds or oil have experienced.

Incentive structure: Botswana is said to occupy an advantageous position in the international economy due to a resource-rich region and an incipient diversifying economy. Botswana is perceived to be setting an example in the management of large endowments of natural resources[[222]](#footnote-222). Economic growth has transpired due to foreign direct investment and has been facilitated by low taxes, political stability, and an educated workforce. The financial sector is fairly well developed, with an independent central bank and little government intervention[[223]](#footnote-223). Additionally, Botswana is perceived to be hosting an independent judiciary that protects property rights and enforces contracts. The relatively efficient regulatory environment and open trade policy has reinforced competitiveness, and diamond exports have ensured adequate flows of foreign exchange to the country. Incentive schemes are regarded as firmly established.

Conclusion: Botswana broke a possible pattern of unproductive institutions because it seized the crucial punctuated equilibrium of postcolonial period independence to build relatively aligned and inclusive institutions. Botswana’s developmental path resulted not only from capable leadership but also from underlying social values rooted in the relatively homogenous Tswana-society. The consensus oriented Kgtola-system enabled participatory and pluralistic structures to emerge and operate[[224]](#footnote-224). Botswana has, to a significant extent, been able to build context-specific institutions and create an incentive structure based on collectively shared values.

### Case of Costa Rica:

Costa Rica started its developmental path from the same poor conditions as neighboring Panama and Nicaragua, but has fared much better in terms of human development, government effectiveness and economic growth[[225]](#footnote-225). Strategies for enhancing general welfare has been achieved with an average GDP of 10.415 $ per capita[[226]](#footnote-226) and in 2015 Costa Rica is described as a very stable country in the Fragile States Index[[227]](#footnote-227).

Colonized by Spanish settlers in 1524, Costa Rica suffered heavily due to disease, war, relocation and exploitation that reduced the native population from around 400.000 in 1500 to fewer than 10.000 in 1610. Because of its lack of resources such as gold and silver, its distance from the Spanish capital in Guatemala and the legal prohibitions under Spanish law, a Spanish governor in 1719 described Costa Rica as “*the poorest and most miserable Spanish colony in all America*”[[228]](#footnote-228). The lack of an indigenous population available for forced labor also had the effect of preventing the establishment of large haciendas, and most Costa Rican settlers were free to work on their own land. The outcome was a small-farmer, largely self-sufficient economy emerging during the colonial period[[229]](#footnote-229). Costa Rica gained full independence from the Spanish Crown in 1838 after a series of revolts. In what turned out to be a crucial decision, the new administration chose coffee to become the main crop for exportation and income, and in 1890, exports of coffee generated 80 % of the country’s revenue and income. In 1870, General Tomas Guardia seized control of the government and made some of the country’s most progressive reforms in education, military policy, and taxation. Surplus extracted from the coffee production was channeled into an expansion of infrastructure and paved the way for rising imports. In the 19’th and early 20’th century, politics in Costa Rica was an exclusive and elitist affair, involving little more than 10 % of the citizens and power was firmly entrenched among the landed elite. However, the nature of the ruling elite was markedly different from most other Latin American countries. Costa Rica did not become subject to the semi-feudalistic Spanish hacienda system where natives were controlled by a rural elite. The rural working class remained free of extra-economic coercion and the peasantry was largely perceived as independent. The political supremacy of the landed elite was imbued with liberal values of religious freedom, freedom of the press and the promotion of public education[[230]](#footnote-230). As early as in 1884, a law passed that established compulsory secular education[[231]](#footnote-231), and today the country has an adult literacy-rate of 99.8 % according to the Human Development Index. In 1940, an election saw the emergence of Rafael Calderón (1940-1944) who turned out to be a talented national leader that responded to popular demands. The most important results of his tenure were a social security system and a new labor code. When Calderón was toppled by social democratic forces, they continued the welfare-oriented policies he had initiated[[232]](#footnote-232). By 1949, a liberal structure had been formed in which the rural elite was forced to share political influence with a range of sub-state actors in the society. In the following decades, a broad coalition between urban middle sectors and popular groups gained increasing influence over the state apparatus. Their common ground was a commitment to economic and social modernization and an expanded role of the state. The balancing of powers between those preferring status quo and those advocating change has been an important factor in the shape of the Costa Rican trajectory.

### Reflections on the Costa Rican developmental path:

Tendency to repeat a pattern: Because of its peripheral status, Costa Rica avoided the most detrimental effects of Spanish colonization. The country played a marginal role in the Spanish colonial system and the rigid hierarchies associated with Spanish colonial rule never firmly entrenched themselves. In combination with few ethnic divisions and low levels of population density, the country had a somewhat advantageous starting point.

Significance of agency: It has been argued that political leaders at critical moments or during punctuated equilibriums chose to accommodate the demands of key groups in society and took the country on a different trajectory from that of other Latin American states[[233]](#footnote-233). Thomas Guardia and Rafael Calderón have been regarded as critical for these developments.

Incentive structures: The incentives structures in Cota Rica are somewhat obstructed by political interference and persistent corruption. However, Costa Rica has implemented a wide range of policies that support open markets and facilitates entrepreneurship and investment[[234]](#footnote-234). Business procedures have been rationalized and the judicial system is relatively transparent.

Value structures: Social structures in Costa Rica have been regarded as decisive for political outcomes. Family life in Costa Rica is of high importance and inhabitants cultivate relationships to their families as well as to extended relatives. Though the value structure in Costa Rica emphasizes individual autonomy and self-sufficiency, the individual-self never exists in separation but in relation to family, kinship and friends. Costa Rican’s are said to possess an immense love for their land and for their ancestors and they actively strive to conserve and improve their territorial unit[[235]](#footnote-235). Additionally, Costa Rica also has a broad range of interest groups, ranging from social movements and community organizations to unions and business and professional associations[[236]](#footnote-236). The above has contributed to high levels of trust, a good working ethic and an innate propensity to share with others.

Conclusion: Costa Rica has been favored by its insignificant position within the Spanish colonial system and by relatively capable leadership figures during critical junctures. Structures of social divisions and economic hierarchies have not manifested to the same degree as in neighboring countries. In Costa Rica, the elite has been relatively more willing to combine self-interest with the pursuit of the general development of the country.

### Conclusion: Costa Rica and Botswana:

During punctuated equilibriums, critical decisions were made by visionary and far-sighted individuals who took the countries down a more beneficial developmental path. Leading elites emerged who chose policies that strengthened state-building rather than the short-term interests characterizing elites in most fragile states. In this way, Costa Rica and Botswana avoided the fighting over spoils that led to violence and state fragility elsewhere. Instead, economic gains were largely used for state building and directed towards building capacity to enforce the rule of law and distribute social and economic goods. Both countries had a peripheral status during the colonial period with the implication that external domination had less adverse effects here than in many other former colonies. Moreover, few foreign interventions took place and outside interference has generally been more benign, less disruptive and reasonably well managed[[237]](#footnote-237). In sum, Costa Rica and Botswana avoided the pitfalls of creating purely self-seeking elites and the adversarial external domination. Combined with relatively effective leaderships and responsive governments during critical junctures, these countries escaped potential state failures. What the two countries share are more efficient governments that base their decisions on the rule of law, national economies that are capable of sustained economic growth and more developed national communities.

## Part 3: Transforming state institutions:

In the following I will explain some of the features characterizing well-functioning institutions in order to clarify why some states experience institutional decay. Effective institutions are seen to create compelling incentive-structures, infuse institutions with collectively shared values and effectively adapt to external circumstances.

### Qualities of successful formal institutions:

In the following, I will compare the administrative, political, security and judicial institutions of failed states to the successful formal institutional set-ups which are largely perceived to be welfare enhancing. The section is based on the estimations of leading scholars and the content of major indexes. For empirical validation, I will use the Bertelsmann Transformation Index which is a collaboration of almost 300 experts from top academic institutions who have gauged and measured transitional countries paths toward democracy and a market economy[[238]](#footnote-238). Institutions are compared against the social contract in the expectation of providing public services through administrative institutions, justice through judicial institutions, protection through security institutions and equality through political institutions. In the administrative sense, states breach the social contract when private interest comes to dominate in the public sphere. In a judicial sense, states breach the social contract by the arbitrary appliance of the law and in the uneven access to the judicial institutions. In a security-related sense, states breach the social contract when unable to protect its people. Lastly, states breach the social contract by not accumulating and distributing interests and preferences through legislatures, elections and party structures.

### Administrative institutions and the provision of public services:

The administrative institutions carry out and enforce government-mandated regulations and are responsible for providing public goods and services to citizens in areas such as infrastructure, health care, development and education[[239]](#footnote-239). Effective administrative institutions are characterized by meritocratic recruitment and promotion, salary competiveness and high degrees of autonomy.

Meritocratic recruitment and promotion refers to a process whereby civil servants are hired and promoted based on their competence and the needs of the state. States have a number of tools to ensure merit in hiring and promotion, for instance, they may require the candidates meet certain criteria, educational levels or technical standards. As Göran Hydën notes *“competence, and thus better performance, stems from competition based on merit rather than personal contracts or illicit payments”[[240]](#footnote-240)*. While raising competence levels of civil servants, meritocratic recruitment also generates institutional coherence which is regarded to increase the motivation of individual officials[[241]](#footnote-241). In Congo under Mobutu, administrative institutions became completely privatized, and were converted into an instrument of self-enrichment. Instead of recruiting the most capable staff, many African states have preferred to use administrative institutions as sources of patronage. In the Middle East, the institutions have in general been described as overstaffed, unproductive, excessively centralized, corrupt or incompetent[[242]](#footnote-242).

Salary competitiveness refers to the importance of paying civil servants in the administrative institutions sufficiently to deter their propensity to engage in corrupt behavior[[243]](#footnote-243). Civil service salaries are also supposed to be high enough to attract and retain highly skilled employees. Competitive salaries are beneficial for sustainable institutional arrangements because they increase the competency and performance of the staff, ensure a higher retention rate and most likely prevent fraud. In most of Africa, salaries for civil servants are much too low which makes it difficult for managers to motivate their staff and increase the prospect for defection. In Congo, the best and most capable workers have escaped to the private sector and those who continue to work in the public domain are forced to take second jobs[[244]](#footnote-244).

Institutional autonomy refers to the extent to which career stability is guaranteed, and internal promotions for civil servants exist. In effective institutional set-ups, special laws cover the terms of employment and provide protection during times of uncertainty[[245]](#footnote-245). In Congo, the government has not provided a long-term career path for civil servants. The similar notion goes for several Latin American states where jobs often are based on connections to a particular politician. The high frequency of job-circulation makes it difficult for the employees to gain expertise or develop organizational loyalty. In effective institutional set-ups, promotions are based on clear standards and guidelines and are driven by merit and performance. A second feature of autonomy is the ability to protect institutions from being politicized. Autonomous institutions put limits to the practice of dismissing civil servants and make them less able to intervene in staffing decisions. Many Latin American countries exhibit low levels of autonomy because administrative positions are appointed, and not based on entrance exams or other qualifications.

Conclusion: In effective institutional set-ups, civil servants are recruited on the basis of merit and qualification. The bureaucracy is independent of political interference and political neutrality is expected.

In the Bertelsmann Transformation Index 2016 measuring the parameter of **“basic administration”** (1-10) the countries receive the following score:

**Afghanistan 3. Congo 2. Haiti. 2. Botswana 8. Costa Rica 10.**

### Judicial institutions and the provision of justice:

The judicial institutions are the institutions of the state engaged in interpreting and enforcing laws, distributing sentences and mediating in conflicts. They are established to ensure that policies are evenly applied and consistently enforced in an unbiased manner[[246]](#footnote-246). In effective institutional set-ups, judicial institutions apply fair and impartial decisions and their judges are capable of making choices independent of politicians and the demands of government. The appointments are based on merit and the assignment of cases is driven by qualification, as opposed to political affiliation and partisan affinity. The main features of the judicial institutions in strong institutional set-ups include independence, integrity and accountability, efficiency and transparency and equal access[[247]](#footnote-247).

 Judicial independence implies that decisions are rooted in law and legal precedent and remain unaffected by the government or other political sectors of the society. Insofar politics is conflated with the judiciary, laws become arbitrarily interpreted and outcomes will vary from one case to the next, resulting in the loss of faith in the legal system among the public. In well-functioning institutional set-ups, the law works to curb the power of influential individuals and other institutions of the state. However, failed states have seen repeated attempts at controlling the court system. In Congo under Mobutu, the judiciary merely functioned to as so approve the decisions of the executive, and to the public it had no function at all. In the Middle East, tradition has that authority is often delegated to alternative courts, religious centers or to institutions such as the military. Judicial integrity refers to the inclination of judges to abide by standards of ethical conduct, whilst accountability implies that these standards are enforced and that actions of judicial officials are regularly monitored and reviewed[[248]](#footnote-248). Generally, in weak institutional set-ups, existing laws and legal frameworks are not seen to be the basis of decision-making. To the contrary, political interference has become the norm and decisions are largely driven by political motivations and bribery. In weak institutional set-ups, these factors have formed the basis for a dependent judiciary in many weak and fragile states.

Judicial efficiency refers to the expediency of cases in an economical manner, while transparency is meant to ensure public access to the management of cases. The World Bank has found that overtly complicated and unclear procedures are detrimental to judicial institutions that need to rely on simplified procedures to function properly[[249]](#footnote-249). Moreover, by making information transparent, an elaborated case management system has the potential to deter judicial corruption. Illustratively, countries in Latin America have fallen short on these parameters as they often rely on highly centralized judicial systems where the assignment of staff is fixed and without reference to case load or backstopping[[250]](#footnote-250).

Finally, equal access measures the extent to which the judicial system it is equally available to all citizens regardless of socio-economic conditions, geographic location or social background. In several instances, procedures, formalities or language exclude a large share of the population. For the average Haitian citizen, it is nearly impossible to get access to the judiciary, due to high costs of appealing, endemic corruption and language problems[[251]](#footnote-251). In many places in Africa, people are unable to get access to justice because of distance or because they cannot afford it. For instance, in Congo, only about 20 % of the population is seen to have access to the formal judicial system[[252]](#footnote-252).

Conclusion: In effective institutional set-ups, independence, efficiency, transparency and equal access ensure that the judicial is impartial and that laws are interpreted and enforced in a just and consistent manner. In weak institutional set-ups, judicial institutions are subject to political interference and incapable of protecting public interests.

In the Bertelsmann Transformation Index (2016) on the parameter measuring ”**judicial independence”** (1-10) the countries receive the following score:

**Afghanistan 3. Congo 3. Haiti 3. Botswana 9. Costa Rica 9.**

### Security institutions and the security guarantee:

Security institutions are the institutions of the state engaged in the protection of its citizens, law enforcement and control of borders[[253]](#footnote-253). The primary task of security institutions is to protect its citizens from violence and defend the state against external or internal threats. In the absence of well-functioning security institutions, non-state actors emerge to fill the needs of citizens. Research indicates that effective security institutions are professionalized, have a centralized command structure and are accountable to the civilians[[254]](#footnote-254).

 Professionalism implies that the security forces are well-trained, well-funded, well-organized and internally cohesive. Firmly established procedures of career advancement and entry requirements ensure that members are selected based on performance. Several non-professionalized militaries have recruited due to political ties, social status or affiliation with an ethnic group. In Congo, the military was filled with officers from Mobutu’s own region and the troops were recruited almost entirely based on ethnicity. In Haiti under Francois Duvalier, incompetent officers loyal to Duvalier were allowed to gain high positions within the security organizations.[[255]](#footnote-255). In general, weak institutional set-ups suffer from political interference in the military structures and hiring as well as promotion is based on political loyalties, ethnic ties and personal affiliation.

 In effective institutional set-ups, the security forces rely on a centralized command structure with clear guidelines and chains of command. The national army is regarded the most well-trained, best equipped and best paid security unit in the country able to outcompete rivaling military actors. However, due to their obsession with personal survival, leaders of weak states try to coop proof their regimes by creating special security guards and parallel armed forces. These detached structures undermine the capacity and the effectiveness of the centralized armed forces and create autonomous centers of violence in spite of efforts to balance the agencies. In weak institutional set-ups, the armed forces lack proper training, and are recruited due to their ethnic or social backgrounds. Usually, a presidential elite guard is formed consisting of loyal members tied to the president by tribe, ethnic group or region. In Congo, Mobutu in 1984 decentralized the police forces and created a civilian guard of 10.000 units under the command of one of his closest associates[[256]](#footnote-256). In Haiti, Duvalier attempted to remove the threat of the armed forces by fragmenting the military structure and by creating his own personal security forces[[257]](#footnote-257). This included the formation of a presidential guard and the use of the private and highly repressive “Tonton Macoutes”. In Afghanistan, the military has never been centralized, become professionalized or been accountable to the government. Recruitment problems have resulted in private militias been absorbed into the national army, but these sections have overwhelmingly remained loyal to their local warlords. Efforts to conscribe additional troops have consistently been met with resistance, and the recruits have been poorly paid and refused to work under a centralized command. In general, the national army is known for its lack of equipment and necessary training to secure its territory, effectively leaving Afghanistan without a monopoly on violence. Additionally, Afghanistan lacks the human resources to operate its military effectively, and many hastily appointed generals have had no professional military background. To this day, building a professionalized and centralized Afghan army remains one of the most important tasks for state builders.

Civilian accountability implies that the security institutions of a country are responsible to the demands of the citizens. A structure of accountability is strengthened by a constitutional and legal framework that separates the powers of the security from that of the political institutions. In the absence of effective and accountable institutions, coups have in several African countries become an institutionalized method for changing governments. In more stable security frameworks, civilian oversight and supremacy has prevented such efforts. Applying judicial oversight would ideally subject security personnel to the civilian justice system and deter rogue behavior on the part of security personnel.

Conclusion: Effectively institutional set-ups are characterized by professionalization, a centralized security structure and civilian accountability. In weak institutional set-ups, budgets are insufficient, there is no clear internal chain of command and the personnel are poorly trained and rarely subject to monitoring.

The Bertelsmann Index 2016 on the parameter on **”monopoly on the use of force”** (1-10) the countries receive the following score:

**Afghanistan 3. Congo 3. Haiti 3. Botswana 10. Costa Rica 10.**

### Political institutions and the achievement of equality:

The political institutions of a state are engaged in decision-making, in selecting public officials and in articulating new policies[[258]](#footnote-258). Political institutions are comprised by legislatures, electoral procedures and party structures and vary according to coherence, complexity, autonomy and adaptability.

 Legislatures are selected groups of people with the responsibility of making and passing laws within a political unit. They include parliaments, committees and ad hoc commissions. Ideally, the legislative branch provides an important check on the power of the executive. Steven Fish has made a comprehensive list of factors that determine the level of institutionalization and the strength of the legislative vis-à-vis the government[[259]](#footnote-259). Most importantly, legislatures must have power to make independent investigations and constitute an effective mechanism for oversight in relation to the security agencies[[260]](#footnote-260). In effective institutional set-ups the legislatures play a central role in the policy making process by holding their governments accountable and by scrutinizing their decisions[[261]](#footnote-261). Moreover, they serve as important forums for political debate, are required in the appointments of ministers and must be immune from dissolution by the executive[[262]](#footnote-262). However, in weak institutional set-ups, the legislatures have no influence over internal affairs and the political appointments, and have become completely subservient to the leadership[[263]](#footnote-263). In Latin America, most legislatures rarely initiate legislation and the executive has considerable power to shape the domestic agenda. Another important factor is whether the legislature contains individuals who are highly skilled and experienced in policy-making. In many African countries, legislatures are mostly staffed by individuals who obtained their posts through networks of personal relations[[264]](#footnote-264). These organs of the state that might promote integrity of the law and ensure fairness and transparency have instead served to prolong the tenure of unfavorable candidates under legal pretense. In order for legislatures to work well, the political systems have to generate more favorable conditions for committees and legislatures to act independently in the policy process.

 Elections are the formal state-run events that are meant to determine the selection of political leaders. In countries with free and fair elections, human rights are respected and there is equality and non-discrimination in terms of who can vote. In fragile states, elections are a mere pretense to democracy and serve to maintain and prolong regime stability[[265]](#footnote-265). Recent elections in Haiti have ended the interim period of President Jocelerme Privert but have come without any ratification by the Parliament. The disputes over his mandate have given rise to riots and his possible removal by force[[266]](#footnote-266). Congo held its first multiparty elections for 41 years in 2006, but they were boycotted by the opposition due to claims of fraud and led to armed clashes and growing fears of instability. Elections in Afghanistan held in 2014 were the first time power was democratically transferred in the history of the country. However, allegations of fraud were raised by the contending parties and the US had to broker a “unity-government” effectively installing Ashraf Ghani as the president[[267]](#footnote-267).

 Forming political parties in transitioning democracies are seen to enhance the quality of representation and are found to be a vital stabilizing factor[[268]](#footnote-268). Party structures connect ordinary citizens to political actors and allows for political participation. Huntington has argued that highly institutionalized political parties are autonomous, coherent, complex and adaptable and are important prerequisites for stability[[269]](#footnote-269). Autonomy refers to the extent to which political organizations and procedures exist independently of particular individuals. Political parties in effective institutional set-ups are not subordinated to the personal preferences of a leader or a narrow group but have their own priorities and sets of values. In weak institutional set-ups, there is no exchange or alteration in the leadership of the parties and they tend to disintegrate when a leader deceases or abandons the party. Political parties in Africa are often seen to be the tools of powerful leaders and their most important function is to allocate patronage. In the Middle East, institutionalized and programmatic parties have often become the instruments of single families, most notably in Syria under Assad and Iraq under Hussein. In several Latin American countries party structures have been undermined by charismatic leaders who overshadow political ideologies and who have proved to weaken the political organization. Parties also need to have coherent structures to act as a unified organization, although flexible enough to tolerate a substantial degree of internal dissidence. In effective institutional set-ups, coherent party structures enable voters to identify with party programs and keep politicians responsible when they are elected into office. In weak institutional set-ups, political parties are fragmented are unable to provide voters with coherent platforms for decision-making.

In effective institutional set-ups, parties are linked to civil society and the party-structures are well entrenched. When firmly rooted in civil society, parties are more prone to provide regular electoral competition and electoral uncertainty is reduced. In weak institutional set-ups, the linkages between parties and voters are less evident and parties have fewer connections to civil society. In several conflict-prone societies, although political parties are legal, systems are designed to promote individual candidates, not to establish coherent party structures. Additionally, parties in weak institutional set-ups are less organized, poorly financed and not represented in the administrative structures on a nation-wide level.

Conclusion: Legislatures, elections, and political parties are seen to reduce the propensity of political instability. These institutions may be evaluated according to their level of institutionalization by referring to autonomy, coherence, complexity and adaptability.

The Bertelsmann Transformation Index 2016 on the parameter **”commitment to democratic institutions”** (1-10) the countries received the following score:

**Afghanistan 3. Congo 2. Haiti 2. Botswana 9. Costa Rica 10.**

Insofar states pursue the recommended polices, they would come out legitimate in the social contract. The promotion of strong institutions in the above domains would provide citizens with basic goods and services, access to security and with equal opportunities.

## Problem-based solutions:

The following is to be understood as possible solutions to the problem of state failure, and include closing the sovereignty gap and creating international incentive schemes.

### The Sovereignty gap:

The sovereignty gap captures the distance between the expectations of the international community and the ability of a state to fulfill its functions adequately. In this perspective, states are seen to fail because they are recognized as legitimate political entities within the international system without necessarily being able to fulfill the responsibilities required of them.

 A sovereignty gap has emerged due global norms of sovereignty and non-intervention. For instance, the Charter of the United Nations stresses the right to sovereignty and guarantees territorial integrity and political independence[[270]](#footnote-270). Prohibiting members of intervening in matters of internal affairs, the UN has in effect issued a sovereignty-guarantee and eliminated the risk of external elimination. Unlike the European nation states that evolved in a context of fierce competition for trade and territory, present-day political entities are able to survive in spite of severe shortcomings in capacity and in the ability to administrate their political units. However, the consequences of state breakdown and subsequent human rights catastrophes have led to the emergence of a new norm within the international community where sovereignty is combined with a sense of responsibility. The Paris Charter of 1990 was among the first to articulate a new notion of sovereignty as both a right and responsibility[[271]](#footnote-271). It contains a set of common values and affirms the respect for human rights, democratic governance and a free market economy[[272]](#footnote-272). In 2001, the International Commission of Intervention and State Sovereignty argued that the international community had a duty to protect people in conflict from gross human rights violations[[273]](#footnote-273). Few years later, a UN Summit confirmed the “responsibilit*y* to protect”and emphasized that the primary responsibility to protect domestic populations lies within each individual state, although the international community is supposed to assist and encourage states in exercising this responsibility[[274]](#footnote-274). The summit stated that all governments have a responsibility to *“protect their people from war crimes, genocide, ethnic cleansing and crimes against humanity”*[[275]](#footnote-275). It emphasized a collective responsibility to act and the need for states to build state capacity to that end. From this it appears that sovereignty has taken on an additional characteristic and has become a right as well as a responsibility. The basic tenets of sovereignty that, since the Treaty of Westphalia, have relied on territory, authority and a permanent population now seems to be supplemented by a fourth aspect, the respect for human rights.

Conclusion: Having obtained legitimacy from the external community, weak states have ignored the need to forge the kind of mutual ties that characterizes the social contract. However, the international community is now advocating for states to develop into sustainable entities that respect human rights and international agreements.

### International incentive schemes:

Understanding institutions as “*regularized behavior due to structures of constraints and opportunities”* the process of state failure might be remedied due to international incentive schemes that incentivize self-interested actors to embark upon more benevolent paths of politics.

Actors in failed states are often disinclined to restraint detrimental policies and pursue more beneficial outcomes as they are not fully internalizing the costs of their actions[[276]](#footnote-276). Meanwhile, to the international community, failed states pose costs on the international system in the form of “negative externalities” such as refuge flows and lost trade and investment opportunities. As the negative effects are dispersed among a variety of heterogeneous actors these create a “collective action problem” in which no single nation perceives it in their own interest to take action. In many instances, thus, the international community refuses to act as they expect the costs associated with restoring order and rebuilding countries will outweigh the likely benefits. In such a context, firmly established structures of incentives must come into existence in which leaders are incentivized to make beneficial public decisions.

International incentive schemes would include the suspension or desertification of states committing gross human rights violations and of states unable to exercise formal control of their territory[[277]](#footnote-277). Such a process implies that states no longer would be certified to partake in international organizations on the same terms as fully sovereign states. Desertification would also be a strong signal that something is fundamentally wrong within a country, and that the international community no longer is willing to tolerate human rights violations or continue the fiction that a state is exercising full legitimate authority[[278]](#footnote-278). An international incentive scheme would include the prospects of favorable trade agreements, targeted development, improved access to regional markets, conditioned aid delivery, reduction in payment deficits, assisting in law enforcement, provision of technical expertise and counterterrorism assistance[[279]](#footnote-279). Regional organizations such as the EU, AU, ASEAN or ANDEAN could cease economic assistance, impose smart sanctions, ban international travel of miscreant leaders, freeze overseas accounts, suspend the nations from participating in their organizations and publicly criticize them[[280]](#footnote-280). In general, structures of incentives based on aid and investment must be applied to persuade failed states to embark on a more humane path.

### Conclusion:

From the social contract it is theorized that states need to institute the common interest by accumulating preferences and accommodate the different demands and expectations of a society. States are regarded as failing when they are incapable of translating resources into opportunities, security and basic public goods. From institutional theory it appears that institutions operate effectively when they create elaborate incentive structures, are infused with collectively shared values and cultivate flexible structures with the ability to adapt to changes in the external environment.

In an institutional perspective, emphasizing formal as well as informal structures, state-building in failed states is seen to have been inadequately achieved due to the inability of elites to adopt the right incentives, the incapacity to institutionalize shared values and because of a tendency to reproduce and sustain an unproductive institutional pattern. States are seen to be failing because of unaligned and inflexible structures that are incapable of effectively accommodating changes in the external environment.

Incentives are needed for people to be productive and engage in welfare-enhancing activities. In failed states, constraints and opportunities consisting of law enforcement, private property rights, salaries, and future opportunities have not been adequately put in place. Institutions that reward efficiency and increased productivity are largely absent, and any extra output may be subject to extraction or expropriation. Laws are regarded to be unevenly enforced and arbitrarily applied. In this perspective, an institutional framework that aims at solving collective action problems and that encourages individuals to engage in mutual beneficial activities has not been sufficiently achieved.

For institutions to function optimally, shared values have to be institutionalized and become an integral part of the existing institutional set-up. In failed states, the preferences are not accumulated and interests are neither harmonized nor aligned. Instead of collective welfare-enhancing values, the state is built around narrow and exclusive practices of patrimonialism, favoritism and clientelism. Unable to integrate shared values, the state becomes an object of contestation and an instrument for repressing rivaling sub-state actors. In this perspective, states fail because they are unable to integrate collective values and distribute resources effectively and evenly.

Failed states tend to reproduce an unproductive pattern that is detrimental to the general development of the state. Institutions of the past are replicated and an unfavorable pattern of extraction, subjugation and exploitation is perpetuated. The ability of the institutions to extract resources and generate high incomes increases the economic and political stakes and the propensity for certain value-systems to be recreated. Instead of creating institutions of equal competition and merit-based promotion, central agents concentrate their power and create rigid and inflexible structures based on informal codes of conduct. In this regard, institutions fail as they are incapable of change due to highly personalized informal structures.

Central actors and agency is regarded an important factor for failed state-building as critical decisions during punctuated equilibriums have been decisive for shaping the trajectory of a particular country. Especially in the immediate post-colonial periods, the usual path-dependencies were punctuated and allowed for path-shaping activities to occur. Countries embarking on pluralistic institutions of coalition-building and broad participation in this period are seen to have reached more beneficial outcomes. In viewing agency as a central component of state failure, restoration comes to depend on generating a demand and the necessary political will for change to occur. Hence, closing the sovereignty gap by creating international incentive schemes is seen as a possible solution to the problem of state failure.

As contemplated in the social contract, states need to raise the general wellbeing of its constituents and embrace the common interest by accumulating the divergent preferences and interests within a society. However, as evidenced by the country cases, failed states are operated by narrow elites who maintain the institutions of their country in order to enrich themselves and enhance their political power. In this regard, states fail when extractive institutions are used for self-interested purposes instead of being directed towards enhancing the general welfare of a society.

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