Helpdesk Research Report: Deteriorating Governance
15.01.2010

Query: What is the literature on deteriorating governance, including evidence on what can be learnt from past experience (1980s, 1990s, 2000s) about how the international community can effectively intervene to support a reversal of deteriorating governance situations?

Enquirers: DFID, Politics and the State Team

Contents

1. Overview

Definitions of deteriorating governance

Deteriorating governance is an emerging issue, of growing concern to donors, but one that has so far received little attention in the literature on fragile states. Whilst there is no internationally-agreed definition of 'deteriorating governance', it is often described as a situation in which there is a deterioration of both state legitimacy and state effectiveness, declining social and economic indicators (or CPIA scores), rising risk of conflict, a decline in the credibility of state institutions and weak accountability of government to society, and a lack of consensus between government and donors on development strategy. The term appears to have originated at the World Bank, which identifies 'deterioration' as one of four types of fragile states in its business model of support to LICUS. Other agencies, including the OECD, African Development Bank, and Asian Development Bank, have subsequently referred to 'deterioration', 'deteriorating governance', 'marked deterioration', 'political deterioration', or 'deteriorating governance and increased risk of crisis', in their strategy papers on fragile states.

There appears to be little conceptual distinction made between countries experiencing deteriorating governance (in terms of declining governance indicators), and those at heightened risk of conflict or crisis, or those more generally exhibiting worsening conditions and characteristics of fragility. Similarly, there does not appear to be a clear distinction made between states experiencing a gradual decline and those experiencing a more rapid descent into crisis, or a sudden deterioration. Furthermore, discussion of deteriorating governance appears to be focused exclusively on countries which are already classified as fragile states.

Causes and forms of deteriorating governance

The literature on the causes and forms of deteriorating governance is in its infancy, and draws heavily from the broader and more established literature on the causes of forms of fragility. Some of the prominent themes of the little available analytical work which has been done on the causes of deteriorating governance are:

- ➤ Common pathways to deterioration are escalation of communal conflict, state predation, regional or guerilla rebellion, democratic collapse, and succession and reform crises (Goldsmith, 2009).
- ➤ Identifying situations of declining (state) legitimacy, including the relationship between formal (state) and informal (non-state) sources of legitimacy, may improve the international community's ability to identify deteriorating governance.
- ➤ Not all forms of political deterioration follow the same trajectory. Forms of deterioration include conventional political deterioration, political deterioration amidst state collapse, political deterioration in transitional governments, risk of destructive political orders (Menkhaus, 2009).
- ➤ Elections are playing a role as triggers of violence.
- ➤ Informal political orders are prone to political deterioration as much as formal political orders, and this needs to be better understood (see Menkhaus, 2009, below).
- ➤ Governments are prone to political deterioration where there is lack of progress on essential tasks, or the performance of essential state functions. This includes the inability to provide public security, high levels of corruption, and poor provision of basic services (examples include Kenya pre-2007, and the transitional governments in Somalia and Sudan, which have failed to extend their authority and perform the rudimentary functions expected of a central government).

The literature on monitoring risks of crisis and instability is also seen to be relevant in understanding the causes and forms of deteriorating governance. A couple of recent examples from this vast literature have been included in this report. They emphasise (amongst other things) that increased risks of instability are often the result of transitions toward democratic governance, and that the quality of governance - specifically the interaction of autocracy and factionalism - are among the main explanatory variables in the onset of political instability.

Donor strategies and responses to deteriorating governance

Some argue the 'deteriorating governance' category of states is where the World Bank and other donors have experienced the most difficulty in successfully orienting their assistance strategies, and that it is extremely difficult for external actors to reverse or halt a situation of deteriorating governance. Others have suggested that donors have not always accurately assessed political deterioration, either for political reasons or due to a lack of available objective indicators. It was not possible to find any examples of successful interventions which have supported a reversal in deteriorating governance in the time allocated for this report. Goldstone (2009) suggests reversing deteriorating governance is likely to be particularly difficult where rulers benefit from conditions that provoke deterioration in the longer term, and that external support can be most helpful where rulers wish to improve their legitimacy or legitimate regimes wish to improve their effectiveness in governance.

There appear to be few documented cases, and a lack of consolidated lessons learned, in regard to how international actors can successfully intervene in situations of deteriorating governance. Donor's written strategies for responding to deteriorating governance tend to emphasize the need to build state accountability and transparency and to maintain enough institutional capital to facilitate eventual turnaround. Some of the reports included below further observe/recommend the following:

- ➢ Interventions must incorporate both the strengthening of state legitimacy and state effectiveness, based on an assessment of the sources of weakness in these two areas.
- ➢ The 2008 evaluation of the implementation of the Paris Declaration (see OPM, 2008 below) found that in deteriorating governance situations, because the key priority is often to arrest the deterioration in governance and to reduce the risk of conflict, alignment, ownership, managing for results and mutual accountability often take a back seat to initiatives aimed at conflict prevention or supporting a political settlement. Nevertheless, donor harmonization and co-ordination remains essential.
- ➢ External actors need to understand processes of traditional/customary legitimacy and facilitate constructive interaction between state and societal actors. International engagement with non-formal or hybrid actors can be useful.
- ➢ International actors need to better understand when elections might trigger conflict, and when a country is ready for peaceful elections.
- ➢ Cooperation among political, security, humanitarian, and development stakeholders is key.
- ➢ Development partners need to move away from "business as usual" to address the underlying causes of fragility and be flexible in terms of their engagement.

2. Causes and forms of deteriorating governance

Goldstone, J., 2009, 'Deteriorating Fragile States: How to Recognize Them, How to Help them', Report of the World bank Headline Seminar, 8th April, Washington
http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1224016350914/5474500-1257529177557/Notes_Jack_Goldstone_Deterioration_in_Fragile_States_HS_Apr8_09.pdf

This paper considers how the international community can recognize and respond to deterioration in fragile states. Its central premise is that detecting deterioration requires looking for signs of diminishing state legitimacy and/or effectiveness. Deterioration leading to state failure involves both declining legitimacy *and* effectiveness across the political system, the economy, and the provision of social services and basic security. Lesser degrees of deterioration can still have substantial adverse effects on economic performance, the well-being of the populace, and a country's vulnerability to the effects of natural disasters or spill-overs from crises in neighboring countries (2).

State effectiveness and/or legitimacy can deteriorate through five main pathways:

- ➢ *Escalation of communal group (ethnic or religious) conflicts*: In this instance, deterioration occurs because a major communal group has no incentive to participate in the government, and other players in the government provoke its withdrawal or rebellion. Strong but discriminatory regimes (which are effective but exhibit low legitimacy) may then lose control of suppressed groups; weak but inclusive regimes (which are legitimate but exhibit low effectiveness) can lose legitimacy where one group takes actions to impose harm on another group.
- ➢ *State predation (corrupt or crony corralling of resources at the expense of other groups)*: In this instance, deterioration occurs because the regime preys economically on the populace, has low legitimacy, but stays in power as long as it is effective enough to reward followers and repress opponents. 'When that effectiveness falters—because an economic downturn deprives the regime of resources, a country giving external support withdraws that support, or an error by the regime alienates its own supporters—such regimes collapse quickly, for the large potential opposition can be readily mobilized.' (4) In these circumstances, the international community can respond by diminishing the cost-effectiveness of violence and improving the effectiveness of government service delivery.

- ➢ *Regional or guerrilla rebellion*: This mode of decline is usually precipitated by low effectiveness compounded by a fall in state legitimacy among a social class or region.
- ➢ *Democratic collapse*: Democratic regimes can be paralyzed by factionalism or lack of adequate resources to maintain the security of the population. Democracies that are perceived to be ineffective may be replaced by military regimes through coups, or by more authoritarian leaders through elections.
- ➢ *Succession or reform crisis in authoritarian states*: In a succession crisis, a government whose legitimacy (or in some cases effectiveness) depends on the presence or political skill of the single powerful ruler may be fatally weakened when that leader dies. In this instance, provisions for a clear successor are needed.

The paper argues it is often difficult for external intervention to reverse deterioration in fragile states, particularly where rulers or ruling groups benefit from conditions that provoke deterioration in the longer term: 'Reversal is most difficult where current leaders are committed to actions or conditions that contribute to fragility. It thus may take identification of individuals or groups willing to work for change and who are committed to restoring long-term strength and viability to their society and government for positive change to occur…On the other hand, where rulers wish to improve their legitimacy or legitimate regimes wish to improve their effectiveness in governance, external support can be most helpful in halting or reversing deterioration in fragile states. In such cases, donors need to identify the specific areas with deficits of legitimacy or effectiveness, identify the pathways of actors and events contributing to those deficits, and develop a targeted strategy for improvement. It is most important that legitimacy and effectiveness be addressed across all sectors.' (6)

See also:

Goldstone J., 2008, 'Pathways to State Failure', Conflict Management and Peace Science, vol. 25, no. 4, pp. 285-296
http://www.informaworld.com/smpp/content~content=a905794388~db=all~jumptype=rss

This paper analyses sources of state failure, and how donors can help prevent it. It considers in more detail the five pathways to state failure outlined in Goldstone 2009 above and similarly emphasises that because state failure involves a state losing both effectiveness and legitimacy, donors need to focus on building both state effectiveness and state legitimacy to reverse or halt it.

The paper briefly discusses some of the available indexes and predictive models used to identify and predict state failure, but notes that simply listing these factors provides no dynamic sense of how they combine, or with what weights, to lead to state failure. 'The "tipping" points are not merely shifts in some index—such as employment, or income per capita, or deaths—rather, they are shifts in the perceptions and incentives embodied in institutional arrangements, such that people rather suddenly shift their behavior and allegiances to those institutions.' (p.4) Analyzing failing states, and finding ways to avert failure, thus depends on identifying clusters of institutions and incentives that produce stability, or that undermine stability when they change (along the lines of the new institutionalist approach).

Responding to state failure is difficult because of the myriad of variables and interests involved. Nevertheless, some general guidelines for interventions are:

- ➢ 'Determine whether the state is low on effectiveness, legitimacy, or both.
- ➢ If low on legitimacy but high on effectiveness, seek out ways to re-establish legitimacy such as previous popular leaders or, if the conditions are right, elections. Democracy, however, is not a panacea.

- If high on legitimacy but low on effectiveness, long-term aid and technical support is needed to help build the state's capacity to govern. Short-term fixes and over-promising will only undermine legitimacy and hasten failure.
- Interventions must incorporate both factors to ensure state stability.
- If state collapse is imminent, security and political legitimacy must take precedence, as without them no further progress can be made.' (p.6)

Menkhaus, K., 2009, 'Deteriorating Governance: Observations from the Horn of Africa', Paper presented to the World Bank Headline Seminar on Deteriorating Governance, 8th April 2009, Washington
http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1224016350914/5474500-1257529177557/Notes_Menkhaus_Deteriorating_Governance_Horn_of_Africa_HS_Apr8_09.pdf

This paper highlights some of the important themes and debates regarding political deterioration, using illustrative examples from the Horn of Africa (HOA). It argues that not all forms of political deterioration follow the same trajectory, and identifies a number of types of political deterioration that have been witnessed in the HOA:

1) *Conventional political deterioration*: This refers to countries which have recently experienced serious backsliding or political deterioration, usually occurring around elections e.g. Kenya's post-election political violence in 2008 and Ethiopia's post-election political crisis in 2005. Elections are playing a role as triggers of violence in countries where political life is reduced to regime survival. Kenya exhibited several of the indicators considered 'warning signs' of political deterioration, including low government legitimacy, inability to provide public security, high levels of corruption, and poor provision of basic services.
2) *Political deterioration amidst state collapse*: This refers to situations where there is de facto state collapse but 'governance without government' endures, and informal political orders co-exist with formal government. Informal political orders are prone to political deterioration, mainly as a result of attempts to revive the formal state and abolish informal structures, which can result in the deterioration of security and rule of law (e.g. attempts by the Somali transitional government to abolish/undermine local-level sharia courts).
3) *Political deterioration in transitional governments*: This special category has not received adequate attention. Transitional governments are prone to political deterioration where there is lack of progress on essential transitional tasks, or where there is lack of progress on government capacity building (e.g. both the TFG in Somalia and the GOSS in Sudan have failed to extend their authority and perform even the rudimentary functions of a central government). The international community is often heavily invested in transitional governments and have strong incentives to provide continued support even where there is political deterioration.
4) *Risk of destructive political orders*: Robust but destructive political orders can manifest at either the state or sub-state level (e.g. the shabaab jihadist movement in Somalia) but donors have reached deals with these predatory authorities in order to ensure access.

Whereas in some cases the international community has been taken by surprise by political deterioration (e.g. Eritrea post-1998), in other cases they have been unwilling to acknowledge political deterioration in strategically important states because the implications are too costly (e.g. Ethiopia after the 2005 crisis). The paper argues donor agencies have 'a tendency toward an institutional bias toward embracing the more hopeful interpretation of events in order to protect ongoing programs. The casualty can be accurate assessment of political deterioration'. (4) A related problem is the difficulty of securing accurate indicators of the government's performance.

Clements, K., 2009, 'Note on building effective, legitimate and resilient state institutions', Report of the World bank Headline Seminar, 8th April, Washington
http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1224016350914/5474500-1257529177557/Notes_Clements_Institution_Building_HS_Apr8_09.pdf

This paper argues legitimacy needs to be placed at the heart of the discourse on state effectiveness, with particular focus on the interaction between sources of legitimacy in the state realm, and non-state sources of legitimacy in the community and social realms. Non-state institutions enjoy grounded legitimacy - that is, legitimacy rooted in frameworks of customary traditions from which people derive their social meaning. Donors need to understand that sources of traditional legitimacy matter a lot in processes of state-building and deterioration.

Deteriorating governance (and declining internal legitimacy) can be predicted and identified under the following conditions:

> ➢ Growing differences of opinion and polarization between endogenous/customary institutions and exogenous/imposed institutions about the reach and significance of the state.
> ➢ Political leaders rely more on external sources of legitimacy (e.g. development organisations) than on indigenous sources of legitimacy.
> ➢ Profound disagreement along customary/non-customary lines about the acceptable rules for decision-making; community actors rather than state actors deliver services more effectively than the state; customary rulers invoke traditional beliefs against state predation.
> ➢ External actors withdraw their legitimization of the state or regime.
> ➢ Religious leaders mobilize the faithful in opposition to the state.
> ➢ Normative pluralism and open competition over which 'legal system' should prevail.
> ➢ State lacks legitimacy to govern by peaceful means.
> ➢ Tax bases are low and states rely on 'unearned income' (e.g. natural resource rents).

It is extraordinarily difficult for external actors to understand processes of traditional/customary legitimacy, since they are constantly undergoing change and reinterpretation. Nevertheless, several recommendations can be made to external actors, including:

> ➢ External actors need to facilitate constructive interaction between state and societal actors.
> ➢ Donors should understand that traditional and charismatic legitimacy are not residual and anachronistic types of legitimacy – they are here to stay.
> ➢ Donors should engage with 'bridging institutions' that can help the state system draw on traditional and customary sources of legitimacy.
> ➢ Instead of listing criteria of state fragility and doing vulnerability assessments, internal and external actors should focus on the strengths, and sources of legitimacy and resilience at the community and societal levels.

Assessing risk of deterioration/instability

Hewitt, J., 2009, 'The Peace and Conflict Instability Ledger: Ranking States on Future Risks', The Peace and Conflict Instability Ledger 2010, University of Maryland
http://www.cidcm.umd.edu/pc/

This ledger presents a ranking of 162 countries based on their estimated risk of experiencing major bouts of political instability or armed conflict in the three-year period 2008–2010. It argues that overall, increased risks of instability in the world are not the result of worsening government effectiveness in delivering services to the population or deteriorating economies, but rather the result of transitions toward democratic governance. In the context of transition from authoritarian regimes to democratic politics, policies that reduce the extent of factional-based political competition, that reinforce transparency in electoral procedures and that enhance government's ability to deliver core services to the population, can mitigate the risk of instability.

More broadly, the ledger finds that instability emerges from a combination of five factors in the political, economic, societal and security domains:

> ➢ 'The key factor in the political domain is the institutional consistency of a country's governmental institutions.
> ➢ In the economic domain, it is openness to international trade: the more interdependent a country's economy with others, the less likely a country will experience instability in the near future.
> ➢ In the societal domain, the infant mortality rate is a crucial indicator of socioeconomic well-being.
> ➢ And in the security domain there are two factors: one is the extent to which a country is militarized, the other is whether neighbouring countries have armed conflict.' (p.5)

Marshall, M., 2008, 'Fragility, Instability and the Failure of States: Assessing the Sources of Systemic Risk', Working Paper, Council on Foreign Relations Center for Preventive Action, New York
http://www.gsdrc.org/go/display&type=Document&id=3305

This paper, based on the findings of the Political Instability Task Force (PITF), seeks to identify the key indicators that a state is likely to fail. The four key indicators for predicting political instability are: regime type, infant mortality, armed conflict in neighboring countries and state-led political discrimination. The most important indicator is regime type, specifically the condition of factionalism.

The paper concludes that 'perhaps the most important policy-relevant finding is the proposition that the more problematic outcomes of political instability and state breakdown are preceded by periods of less problematic, but no less distinct, periods of contentious politics or political crisis. This is the finding refined over the several years of work by the PITF: the qualities of governance and, specifically, the interaction of autocracy (instrumental authority) and factionalism (societal contention) are the main explanatory variables in the onset of political instability, at least historically.' (p.22) If international actors intervene when factionalism occurs, it should be possible to prevent the onset of ethnic war, genocide or regime change.

2. Donor strategies and responses to deteriorating governance

Donor strategy

World Bank, 2009, 'Understanding and Responding Effectively to Deterioration in Fragile and Conflict-affected States', Report of the World bank Headline Seminar, 8th April, Washington
http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1224016350914/5474500-1257529177557/HS_April_8_Deterioration_Report_FINAL.pdf

This report details the proceedings of the World Bank seminar which analyzed whether the international community can be effective in preventing, mitigating, or reversing serious state deterioration and, if it can, what kinds of instruments it can apply.

Deterioration in fragile and conflict-affected countries is defined as 'a weakening of state legitimacy and state effectiveness across government activities' (1). It involves both the corrosion of *legitimacy and effectiveness* (in terms of security, governance, and the provision of public goods). Deteriorating states experience a downward spiral of faltering legitimacy, low expectations, and diminishing capacity: 'When abuses of power cause a loss of legitimacy, a vicious cycle may result: the citizens' expectations of what the state can provide decrease, accompanied by falling revenues and subsequently an ever-decreasing capacity on the part of the state to provide essential functions. Eventually, such a vicious cycle can lead to political instability or economic collapse.' (4) Being able to identify situations of declining legitimacy may improve the international community's ability to identify deteriorating governance.

The report makes several recommendations to donors:

- ➢ International actors need to better understand when elections might trigger conflict, and when a country is ready for peaceful elections. More work on scenario planning for election-associated instability is needed.
- ➢ State legitimacy is multi-faceted and must be understood beyond the simple rational-legal dimension; thus international engagement with non-formal or hybrid actors can be useful. Donors could, for example, look for endogenous sources of strength and resilience. Another option is a bottom-up decentralized approach, working more with local actors.
- ➢ Development actors need to reach out more to beneficiaries to ensure ownership and
- ➢ legitimacy. Capacities in analysis, advance warning, operational response, and strategic response frameworks all need to be increased.
- ➢ More collaboration among international organizations in terms of scenario planning for deteriorating or potentially deteriorating situations is necessary.
- ➢ A single minded focus on a development, governance, or security agenda cannot therefore address deterioration – governance, the rule of law and legitimate institutions need to be given equal priority. Cooperation among political, security, humanitarian, and development stakeholders is key.

World Bank, 2005, 'Fragile States: Good Practice in Country Assistance Strategies', World Bank, Washington
http://siteresources.worldbank.org/INTLICUS/Resources/388758-1094226297907/FS_Good_Practice_in_CAS.pdf

This paper sets out the World Bank's differentiated approach to categories of fragile states, including its approach to deteriorating governance situations. It argues that in situations of

deteriorating governance, efforts to build state accountability and transparency may be an important pre-requisite to efforts to build state capacity.

The report defines fragile states with deteriorating governance as 'characterized by significantly declining CPIA scores and rising conflict risk: while state capacity may differ, these environments commonly share a decline in the credibility of state institutions and weak accountability of government to society, together with lack of consensus between government and donors on development strategy.' (25) The report argues that this category of states is where the Bank and other donors have had most difficulty in reorienting assistance strategies effectively. Nevertheless, there are some basic lessons emerging from country strategy implementation in these situations:

> *Reorienting the assistance strategy:* Avoid "business as usual" and reorient the assistance strategy to meet new circumstances. Objectives may cover some or all of four basic pillars: (i) stemming the decline in governance; (ii) maintaining institutional capital; (iii) stemming the decline in social indicators; (iv) supporting efforts to prevent conflict escalation and restart dialogue. In general, situations of significantly deteriorating governance will indicate use of an interim strategy note rather than full country assistance strategy**.**

> *Stemming the decline in governance:* Focusing on the transparency of government decision-making and financial management is a key strategy. This may not be successful in reversing the decline, but provides potential to check more severe financial abuses and create a space for internal actors to demand more accountability.

> *Maintaining institutional capital:* A key challenge, particularly in states with historically strong public administration capacity, is to maintain enough institutional capital to facilitate eventual turnaround without exacerbating unaccountable government. This can be done through direct support for social service delivery, continued training of service delivery workers, and using social funds which can provide a positive role for lower level governmental service delivery workers.

> *Stemming the decline in social indicators:* A significant decline in social indicators can cause long-term damage so continued investment in human capital and social protection is important. However, in deteriorating governance, development programs are often operating either under conditions of centralized decision-making and lack of transparency within government, or active conflict and insecurity, or both. 'In these conditions, new development programs should generally make increasing use of non-government, private sector and community-driven mechanisms; or should insulate financial flows and decisions on beneficiary targeting from political interference, as in the case of social funds; or should ensure broad-based ownership of government-executed programs amongst both government and non-government stakeholders.' (p.24)

> *Contributing to peace-building initiatives in a situation of rising conflict risk:* Opportunities for economic and developmental interventions to contribute to peace-building goals include: (i) combining efforts with diplomatic actors to clearly signal to national counterparts the risks of any actions which may escalate conflict risk, and the economic benefits of commitment to peace-building; (ii) input on specific economic issues which are important for mediation efforts and may serve as a way to restart dialogue; (iii) use of community driven initiatives to contribute to local conflict prevention.

These good practices are illustrated through a short case study of the Bank's approach to Papua New Guinea, on p. 25.

World Bank IEG, 2006, 'An IEG Review of World Bank Support to Low-Income Countries Under Stress', The World Bank, Washington
http://lnweb90.worldbank.org/oed/oeddoclib.nsf/24cc3bb1f94ae11c85256808006a0046/a4d6461b0067e049852571f500551e1b/$FILE/licus.pdf

This evaluation concludes the World Bank needs to develop a more effective approach to deteriorating governance situations. In Papua New Guinea, for example: 'the Bank has stayed engaged, but it is not clear what the engagement is achieving. The Bank's country team expressed concern about' where the country is heading and how the Bank can contribute. The implicit objective seems to' be simply to "stay engaged" while continuing to' think about possible courses of action.' Australia too—one of Papua New Guinea's' major donors—seems unsure of the best way forward, seemingly reverting back to the previously tried and failed government capacity development approaches of the 1980s. Lack of donor coordination and widespread confusion concerning the best course of action to promote a sustained and effective development agenda has left the Bank somewhat inactive and ineffective in Papua New Guinea'. (p. 59)

African Development Bank, 2008, 'Strategy for Enhanced Engagement in Fragile States', African Development Bank, Tunis
http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/30736191-EN-STRATEGY-FOR-ENHANCED-ENGAGEMENT-IN-FRAGILES-STATES.PDF

This strategy paper sets out the African Development Bank's approach to fragile states along a continuum of performance from 'marked deterioration' to gradual improvement. Marked deterioration is characterized by failing economic and financial management; significant corruption and poor governance; no consensus between development partners and government on development priorities; and deteriorating economic and social indicators. The report argues that in situations of markedly deteriorating performance, intensified efforts to support government accountability and transparency may contribute to improved capacity. Furthermore, 'for countries moving towards more fragility, with a risk of drifting to conflict or crisis, intensified provision of policy advice and efforts to strengthen institutional and administrative capacity could contribute materially to stabilizing deteriorating situations and help prevent conflict.' (p.18)

The report profiles the case of the Governance and Economic Management Assistance Program (GEMAP) between the National Transitional Government of Liberia and key development partners, arguing 'GEMAP is a groundbreaking example of strong donor coordination in a deteriorating governance environment'. (p. 26) This program, the report argues, has been successful in securing Liberia's revenue base, in improving budgeting and expenditure management, improving procurement practices and addressing corruption.

ADB, 2007, 'Achieving Development Effectiveness in Weakly Performing Countries (The Asian Development Bank's Approach to Engaging with Weakly Performing Countries)', Asian Development Bank
http://www.adb.org/Documents/Policies/Achieving-Development-Effectiveness/SecM30-07.pdf

This strategy paper briefly documents the ADB's approach to deteriorating governance. ADB uses the LICUS/OECD fourfold classification of fragile states, which includes states exhibiting 'deteriorating governance or rising conflict risk' and adapts its business model to these situations accordingly. In such situations, the strategy notes there is likely to be a decline in governance and social services, multi-donor conflict prevention efforts, and limited new financing. Programs are likely to emphasize the use of community approaches, private sector partners, nongovernment organizations, and ring-fenced mechanisms (possibly including

service delivery and local economic development). Programs may also focus on transparency, dialogue, and maintaining institutional capital to facilitate eventual turnaround, and on community level conflict prevention and governance reform.

<u>**Donor responses to deteriorating governance**</u>

OPM/IDL, 2008, 'The Applicability of the Paris Declaration in Fragile and Conflict-affected Situations', Oxford Policy Management and The IDL Group, Oxford
http://www.opml.co.uk/policy_areas/aid_policy/fragile_states/fragile_states.html

This evaluation concludes that in situations of deteriorating governance, partnerships between national governments and the international community 'can be seen as (at best) problematic in relation to the model of development partnership that the Paris Declaration envisages'.(p.7) In situations of 'gradual deterioration', where the key priority is to arrest the deterioration in governance and to reduce the risk of conflict, alignment, ownership, managing for results and mutual accountability take a back seat to initiatives aimed at conflict prevention or supporting a political settlement. Furthermore, in deteriorating environments, reducing aid risks triggering a further increase in tensions between development partners and government, may intensify domestic political conflicts, or may adversely impact on the poor. 'Harmonisation, however, remains crucial if development partner engagement is to collectively contribute to stabilisation and improved governance, including agreeing on and conducting joint and shared analysis of the context.' (p.9)

Broad lessons for effective engagement by development partners in situations with deteriorating development partnerships and increasing risk of conflict relate to how to better analyse, predict and plan for potential crises and conflict and include the following:

> ➢ 'Development partners need to develop further shared approaches to conflict analysis in order to anticipate and where possible prevent state failure and conflict. Shared political economy and conflict and risk analysis is a prerequisite for effective engagement and a "do no harm" approach.
> ➢ Development partners need to shift their engagement and programmes away from "business as usual" to address the underlying causes of fragility.
> ➢ Development partners need to design programmes and instruments so that flexible engagement is possible, including supporting alternative programmes and instruments and monitoring and accountability mechanisms at different levels (both within and outside government)'. (p.7)

U4 Helpdesk, 2008, 'Donor Responses to Corruption in Deteriorating Governance Environments', U4 Anti-corruption resource centre
http://www.u4.no/helpdesk/helpdesk/query.cfm?id=167

This report briefly discusses the dilemmas donors face in deciding whether/how to engage (or disengage) in deteriorating governance environments exhibiting corruption, and the difficulties associated with identifying appropriate forms of engagement. It finds that overall 'no joint response has been explicitly formulated by the donor community on whether/how to engage with countries where governance deteriorates' (2). In practice, given the international consensus on the importance of staying engaged in fragile states, disengagement or suspension of aid has been the option of last resort. Engagement through civil society organizations or UN agencies, to bypass corrupted government structures, remains an option. 'In high risk environments, aid modalities have been designed to prevent and reduce corruption risks through the use of conditionality or strengthened public finance management systems when providing direct budget support.' (p.3)

The report describes examples where donors have disengaged, or withdrawn/suspended aid, from countries which exhibit deteriorating governance and corruption, including Zimbabwe, Uganda, and Kenya. Partial or full disengagement is often imposed as a form of sanction on corrupt or undemocratic regimes. However, the report finds that 'in the absence of systematic research or documentation of disengagement processes and impact, it is difficult to conclude whether and under what circumstances such forms of political pressure have been used and can be successful in yielding the expected results and promoting a sustained political will to address corruption in developing countries. At the same time, there is a growing consensus that such measures are likely to impose a heavy burden on the segments of population which are most dependent on aid assistance…Such exit decisions are made unilaterally, with no opportunity for the partner country to gradually prepare and adjust to donors' phasing out.' (p.3)

The report finds that in the wake of the largely unforeseen Kenya crisis, there has been some discussion of how the international community can anticipate deterioration. It is noted that 'donor joint assessments of the governance situation in fragile states could constitute a first response to deteriorating environments, including a corruption assessment, as corruption undermines state legitimacy and may feed into political instability. A comprehensive diagnostic of the governance situation can equip donors with the information they need to anticipate and prevent such dramatic developments as well as identify ways to address the deteriorating circumstances before they lead to conflict outbreaks.' (p.8)

Brown, S., 2009, 'Donor Responses to the 2008 Kenyan Crisis: Finally Getting it Right?', Journal of Contemporary African Studies, vol. 27, no. 3
http://www.informaworld.com/smpp/content~db=all~content=a915760843
Also available at: http://aix1.uottawa.ca/~brown/pages/Stephen_Brown_Kenya_crisis.pdf

This article analyses donor responses to the 2008 Kenyan crisis, arguing that while their reactions to the crisis were a vast improvement over their responses to previous elections and eruptions of political violence, they failed to learn some important lessons from the past and take a more proactive role in preventing violence, 'notably because they disregarded key governance problems that made violence easily imaginable, if not utterly predictable'. (p.1) This includes signs of rising political violence and growing social tensions during the 2007 electoral campaign such as extrajudicial execution of suspected members of Mungiki, and hate speeches by candidates and on local-language radio stations. Donors also failed to pursue the matter of President Kibaki's unilateral appointment of 19 new commissioners of the 22 members of the Electoral Commission of Kenya (ECK). More broadly, donors failed to address the underlying causes of electoral violence in the past, including ethnic tensions rooted in inequity − usually real but also perceived − in access to land, monetary resources and political power. 'In the five-year period since the previous elections, if not since the return to multipartyism in 1991, donors had rarely engaged the government of the day in a sustained serious manner on the governance problems that exacerbated political and ethno-regional tensions.' (p.3)

Nevertheless, the article concludes that despite being wholly unprepared for widespread electoral violence and having some disagreement in the first few days over the best strategy to follow, donors soon coordinated their actions to an unprecedented degree. However, the focus on stopping the violence as quickly as possible by brokering a power-sharing arrangement left many crucial issues unresolved or even unaddressed. In its first year in power, the coalition government has done little or nothing to address the deficient governance that underpinned the violence in the first place. Essentially, donors prioritized the re-establishment of order and stability, which involved abandoning the search for justice and an outcome that reflected the democratic will of the voters. In the longer-term, this could unwittingly hamper democracy and promote more violent conflict.

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Selection of websites visited
International Network on Conflict and Fragility (INCAF), Crisis States Research Centre, Centre for International Development and Conflict Management (University of Maryland), Country Indicators for Foreign Policy (CIFP), Center on International Cooperation (NYU), World Bank, USAID, DFID, International Crisis Group, OECD, CIDA, AusAID, International Peace Institute, Brookings Institution, Governance Matters (World Bank), Christian Michelsen Institute (CMI), Alertweb, Informaworld, Google, Google Scholar, Asian Development Bank, African Development Bank, GSDRC, Eldis, Governance Assessment Portal (GAP).