

The Neglected Local Foundations for Fixing Failed States

by Roger Myerson, October 2021

<http://home.uchicago.edu/~rmyerson/research/fixinglocal.pdf>

For almost 20 years, a broad international coalition invested heavily in supporting a new state to govern Afghanistan. The coalition was led by the United States, with substantial support from allies in NATO and elsewhere, and the World Bank also provided significant assistance. The leader of the state in its last seven years was a former official of the World Bank, Ashraf Ghani, who was co-author (with Clare Lockhart, 2008) of a widely respected book about *Fixing Failed States*. But in spite of all the expertise and support from the richest and most powerful nations in the world, this state has collapsed in utter defeat, and it is time for a serious discussion about why all these international efforts were so misdirected.

Some might try to avoid this hard question by suggesting that it was just an impossible mission, but we should not accept this simplistic answer. Afghanistan is not ungovernable, and most of its people were initially receptive to the promises of this internationally-supported state-building project. The vast resources that were provided by the international coalition should have been more than adequate for a better outcome. Clearly something was fundamentally wrong in the way that international experts approached the challenges of state-building.

When the experts are ready to see where they went wrong, an article that they should read is a deeply insightful paper about "ungoverned spaces" by Jennifer Murtazashvili in the *Journal of International Affairs* (2018). Murtazashvili argues cogently that wherever people live in the world, they are never ungoverned. In a weak or failed state where people cannot rely on a national government, they seek basic protection and other essential public services from local groups. People have been living in communities with various forms of local leadership since long before there were any nation-states, and local community organizations have a vital role in people's lives even in strong states. We should understand that when a national government has failed to serve its people, local leadership becomes even more important to them.

Ghani and Lockhart (2008) appropriately emphasized the importance of good government for economic development. In successful countries, national prosperity has depended on a government that could provide essential public goods and services with efficiency and accountability. When there are no credible mechanisms for accountability in government,

nothing prevents state officials from diverting state funds to benefit themselves and their cronies, squandering resources that were meant to serve the public. So Ghani and Lockhart taught that the long-term value of foreign assistance may depend on whether it tends to promote or undermine the effectiveness and accountability of government in the recipient state.

The critical question, then, is how to establish political mechanisms by which powerful state officials can actually be held accountable for the quality of the public services that they are supposed to provide. But although their book included many examples of good government initiatives from autonomously elected local governments in rich countries, Ghani and Lockhart did not consider the possibility that autonomous local governments might also have a key role in the development of effective systems of political accountability for poorer countries.

Political accountability ultimately depends on expectations about how people would respond to their leaders' performance. Leaders enjoy the privileges of power only as long as their status as leaders is recognized by people in their society. The standards of public service that leaders must satisfy can be raised only by a cultural shift in which people throughout the society begin to expect more from their leaders. Changing general social expectations among millions of people in a large nation may be very difficult, however. In a small community where everyone can talk to each other, it may be easier for people to coordinate or identify a respected neighbor to speak for them on local issues, but all the voices in a village could still be negligible in national politics. So in a nation where the state has failed, people may have significantly more confidence in their ability to hold leaders accountable at the local level than at the national level.

In particular, there may be a realistic skepticism in failed states about promises that democratic national elections would create incentives for state officials to provide good public service. In the Republic of Afghanistan, the power to supervise the government was concentrated in the hands of the national President, who was accountable to the people only once every four years, and who even then could expect to face only opponents who have had no real opportunity to earn the trust of people outside their own tribe or ethnic group. Even if such quadrennial elections were not corrupted, they would be a very weak thread on which to drive a political imperative for state officials to serve people better. When a majority of the population does not trust anybody in national leadership, it may be very hard to create such trust from nothing, and national elections will accomplish nothing unless better candidates can be found.

But where people have some confidence in their local leaders, this confidence can be the

vital seed from which effective national democracy can grow. Elections become more competitive when local leaders can prove their qualifications to compete for higher office by serving people well in autonomous institutions of local government. However, Afghanistan's centralized state did not recognize any autonomous local political institutions, and so the national President had both the incentive and the ability to undermine popularly trusted local leaders, to prevent their becoming strong competitors for higher power in the state.

The fundamental point, which has been largely missing from experts' state-building doctrine, is that successful states are built on a balanced distribution of power between the national government and autonomous local governments. The right balance can vary across nations, and local governments in many successful countries may be responsible for between 20% and 50% of all public spending. In any state, this balance must be determined by an extensive process of political debate and negotiations.

Advocates for a strong national government can point out that modern economic development depends on national public investments which are beyond the reach of any local government, as there can be significant economies of scale in public goods. But in the absence of any proven mechanism for holding the new national leaders accountable if they abuse their power or neglect local concerns, people may naturally fear and resist a sudden centralization of power. Trust in a new regime can be built up only gradually, in a process of negotiations where people see the new national leadership responding to their local concerns. Thus, in the political reconstruction of a nation where the state has failed, the essential first step to establishing good sustainable government may be in the negotiations between national and local leaders to develop a balanced working relationship with a mutually accepted distribution of powers and responsibilities.

Certainly the successful establishment of America's own constitutional government was characterized by long and intense negotiations about the appropriate balance of power between the provincial authorities and the new national government. In the language of the American Revolution, *the people* who formed the fundamental basis for the new nation were understood to be the enfranchised inhabitants acting together in their local communities throughout the land. If this understanding had been applied in Afghanistan, the first principle of a state-building project there should have been respect for the autonomous authority of traditional village institutions; instead, the American-led intervention focused on building a centralized national government

that implicitly threatened them. In the 18th century, the first amendments that Americans demanded after ratifying the US Constitution included an assurance of local authorities' right to maintain autonomous militias; but in the 21st century it took years for American policy-makers to recognize the importance of supporting locally controlled security forces in Afghanistan and Iraq.

Ghani and Lockhart (2008, p165) acknowledged that an effective state is not necessarily a centralized state, but the only reason for decentralization that they suggested was that the state might transfer some decision-making powers down to various forms of local government when doing so could enhance the implementation of the national policy agenda. There was no consideration of the fact that autonomous local authorities may have been handling some public responsibilities before new state was established, and that many people might trust their local institutions more than the new state, and that the key question could actually be what powers do people want transferred up to the national leaders of their new state.

When the international community is providing assistance for the establishment of a new state, the vital process of negotiating this distribution of powers and responsibilities between national and local authorities should be a primary focus of the foreign assistance. (See World Bank, *Making Politics Work for Development*, 2016.) A program of foreign assistance that focused only on central administrative capabilities could implicitly threaten the local authorities that people have come to trust, by encouraging national leaders to govern without them. When the goal is to support the formation of an effective and accountable state, an international intervention should be encouraging national and local leaders to work together while respecting the need for a negotiated balance of power between them. So an international state-building mission should be actively engaged with local leaders throughout the country, not just with national political leaders. The strategic direction of the state-building mission must be informed by a detailed understanding of local political concerns in every part of the country, as well as the views of those who would lead the new national government.

Thus, an international state-building mission should be directed by a team that includes local development officers who can monitor and respond to local political issues in every part of the country. If an international intervention to rebuild a failed state would truly respect the ultimate sovereignty of the people who live there, then the intervention's first action should be to send out a team of local development officers to provinces and districts throughout the country,

to engage with people at the local level where their political life has been based under the failed state. During the term of the intervention, its local development officers should have primary responsibility for directing all foreign aid in their district, to ensure that the aid serves to support and encourage trusted local leaders who work constructively with the new state.

Such a locally distributed development team should be an essential component of a state-building intervention from the beginning (see also Myerson 2021). In the absence of such a team, the intervention would be operating without information about one side of the vital negotiations for national political integration. The American-led interventions in Afghanistan and Iraq eventually became more responsive to local political issues, but only after the interventions had lost many people's confidence during an initial period of misdirection with insensitivity to local concerns.

Of course, assistance to improve the capabilities of the national government's military forces and administrative agencies should also be a major component of international efforts to help fix a failed state, for all the reasons that Ghani and Lockhart have discussed. But here we should particularly reinforce Ghani and Lockhart's emphasis on the primary importance of developing a functional finance ministry for the national government. The ability of the national finance ministry to reliably and transparently distribute budgeted funds can be essential for earning the confidence of local leaders in power-sharing agreements that promise to distribute central government revenues to local government budgets. Long after the foreign interveners have departed, an effective central finance ministry will have a key role in implementing the decentralized distribution of powers and responsibilities that was negotiated during the state-building process.

The structure of government in any nation must ultimately be determined by people in the nation, not by foreigners. But there will be times, hopefully rare, when violence and suffering in a failed state may call for some form of international assistance for the political process of rebuilding the state. The next time that such a state-building intervention is needed, the experts who guide it should approach their mission with an appreciation of the vital role that trusted local leaders must have in developing the foundations for an effective and accountable state.

References:

Ashraf Ghani and Clare Lockhart, *Fixing Failed States* (Oxford, 2008).

Jennifer Murtazashvili, "A tired cliché: why we should stop worrying about ungoverned spaces and embrace self-governance," *Journal of International Affairs* 71(2):11-29 (2018),
<https://www.jstor.org/stable/10.2307/26552327>

Roger Myerson, "Stabilization lessons from the British Empire" (2021),
<http://home.uchicago.edu/~rmyerson/research/sblessons.pdf>

World Bank, *Making Politics Work for Development: Harnessing transparency and citizen engagement*, Policy Research Report, Development Research Group (World Bank, 2016),
<https://www.worldbank.org/en/research/publication/making-politics-work-for-development>