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## Exiting the fragility trap: Rethinking our approach to the world's most fragile states

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WIDER Working Paper 2017/181

## **Exiting the fragility trap**

Rethinking our approach to the world's most fragile states

David Carment<sup>1</sup> and Yiagadeesen Samy<sup>2</sup>

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**Abstract:** Those fragile states whose stagnation is so tenacious despite generous aid programs, and substantial and costly interventions, are stuck in a ‘fragility trap.’ Caught in a low-level equilibrium, trapped states appear to be in a perpetual political and economic limbo that can last for years and in several cases, decades. Our goal is to determine those features that trapped states have in common, and compare changes in those features over time with states that have successfully exited. The paper unfolds in four parts. In the first part we examine key concepts underpinning fragility traps in addition to conducting a review of current theorizing. In the second part we present the results of our large sample analysis. In the third part we compare the results of our comparative case studies with findings from the large sample analysis. In the fourth and final section we conclude with a discussion on how our findings inform policy.

**Keywords:** fragile states, Mali, Bangladesh, Yemen, Pakistan, Mozambique, Laos

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# 1 Introduction

It is frequently assumed that developing states experience sustained progress over time as their economies grow, their institutions consolidate and poverty diminishes. But for many, this is simply not the case. Those fragile states whose stagnation is so tenacious despite generous aid programs, and substantial and costly interventions, are considered to be stuck in a ‘fragility trap.’<sup>1</sup> States that are persistently fragile pose an unmet challenge to policy makers, theorists, and analysts because they show little indication of how they might exit from their political, economic, and social malaise. Caught in a low-level equilibrium, trapped states appear to be in a perpetual political and economic limbo that can last for years and in several cases, decades.<sup>2</sup>

In this paper we examine, compare and evaluate competing explanations of fragility persistence. There are three important reasons for doing this. For one, over the past decade, the majority of research, including our own, has focused on the causes of fragility (Naudé et al 2011, Carment, Samy and Prest 2008).<sup>3</sup> Absent in this very large and well documented research are studies of fragility persistence. We still do not completely understand why states that were once considered fragile have successfully recovered and have become stable, while others remain fragile for long periods of time.

Second, many of the countries stuck in the fragility trap are aid darlings (e.g. Afghanistan) that have shown little improvement in their conditions. The 2009 European Report on Development concludes that from 1979 to 2009 fragility levels of the bottom 35 countries had not improved despite generous aid programmes (EDR 2009, see also Cilliers and Sisk 2013). According to data from our Country Indicators for Foreign Policy (CIFP) project, more than half of the forty fragile states in 1980 are still classified as fragile in 2016. And of those, about 20 of the most fragile states remain stuck at the bottom ([www.carleton.ca/cifp](http://www.carleton.ca/cifp)).

Third, the persistence of fragility raises questions about the idea of managing transitions out of fragility, an issue raised by the Development Assistance Committee (DAC) of the OECD, in a recent report on fragile states (2015) and by Rachel Gisselquist (2015). The idea that state fragility is solely a transitory phenomenon associated with, for example, a post-conflict peace process, is empirically untrue. Our work on closed and unstable states shows that they move both forward and backwards in terms of their political and economic development so that stability and openness are never secure (Carment et al 2017). Indeed, it is often easier for a leader to create stability in a fragile state by closing the country than to build a civil society and establish accountable institutions.

Chauvet and Collier’s study on failing states provides one explanation for this behaviour (2008). They found the average duration of a failing state is a lengthy 54 years because external financing for resource exports and aid tend to encourage rents and thereby retard reforms (2008). Along similar lines, Andrimihaja et al (2011) argue that aid resources focused on poor property rights

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<sup>1</sup> Our prior research on traps focused on examples of specific state transitions but did not explore the question of causes (Carment et al 2015).

<sup>2</sup> With a focus on Africa, Andrimihaja et al. (2011) found that not only do the continent’s fragile states grow more slowly than non-fragile states, the probability that a fragile state in 2001 was still fragile in 2009 was 0.95. According to the authors, corruption, political instability and violence, insecure property rights, and unenforceable contracts conspire to create a ‘slow-growth-poor-governance equilibrium trap’ into which these most fragile states fall and which they denote as a fragility trap. They suggest growth focused aid will not work in such cases.

<sup>3</sup> In our previous research we found that fragility correlated strongly with economic growth, aid to fragile states tended to be more volatile and many states tended to be over aided beyond their absorptive capacity (Carment, Samy and Prest 2008). We also found that aid focusing on state society relations tends to be neglected relative to building strong state capacity and authority. A key factor in determining long-term stability, namely legitimacy, is generally ignored in the policy process (Carment, Prest and Samy 2008).

enforcement, corruption, insecurity and violence are needed to propel states stuck in the fragility trap towards better economic outcomes. But we as we will show such policy options are rarely successful because the incentives for leaders of trapped states to embrace reforms that effect their personal interests are too weak.

The paper unfolds in four sections. In the first section we examine key fragility concepts and related theories that could explain the fragility trap. In the second section, we present the results of our large sample analysis. In the third section we present the results of comparative case studies. In the fourth and final section we conclude with a discussion on how our revised model can inform policy. Our goal is to identify the features that trapped states have in common, and compare changes in those features over time with states that have successfully exited. We deploy a mixed methods approach consisting of large sample analysis and structured case comparison.

Our case analysis emphasizes state-society relations, specifically the role of legitimacy in underpinning the behaviour of political, social and economic elites.<sup>4</sup> A focus on legitimacy is important for a number of reasons. First, our previous studies found that legitimacy is rarely factored into aid allocation decisions (Carment, Samy and Prest 2008). Second, its absence correlates strongly with weaknesses in the institutional processes that uphold rules, norms and enforcement characteristics that collectively determine economic performance.<sup>5</sup> Third, our findings on the Arab Spring and democratic backsliding show that a lack of legitimacy is a key driver of instability and stagnation even when economic performance and state security are strong (Carment and Samy 2011, Carment and Tikuisis 2017).

## 2 Theory and Concepts

Fragility is a measure of the extent to which the actual practices and capacities of states differ from its idealized image (Carment, Prest and Samy 2009, 2008). The core structural elements of fragility that we use in this paper are represented by Authority (A), Legitimacy(L), and Capacity (C). Collectively known as ALC, they comprise our key organizing concepts for evaluating the change of states over time (Carment et al. 2015, [www.carleton.ca/cifp](http://www.carleton.ca/cifp))

Authority is defined as the extent to which a state possesses the ability to enact binding legislation over its population, to exercise coercive force over its sovereign territory, to provide core public goods and to provide a stable and secure environment to its citizens and communities. The definition of Authority thus derives in part from the Weberian definition of the state as having a monopoly on violence. Legitimacy refers to the extent to which a particular state commands public loyalty to the governing regime and generates domestic support for that government's legislation and policy. Such support must be created through a voluntary and reciprocal arrangement of effective governance and citizenship founded upon broadly accepted principles of government selection and succession that are recognized both locally and internationally. Capacity considers the extent to which a state can mobilize and employ resources towards productive ends. States that are lacking in Capacity are generally unable to provide services to their citizens and cannot

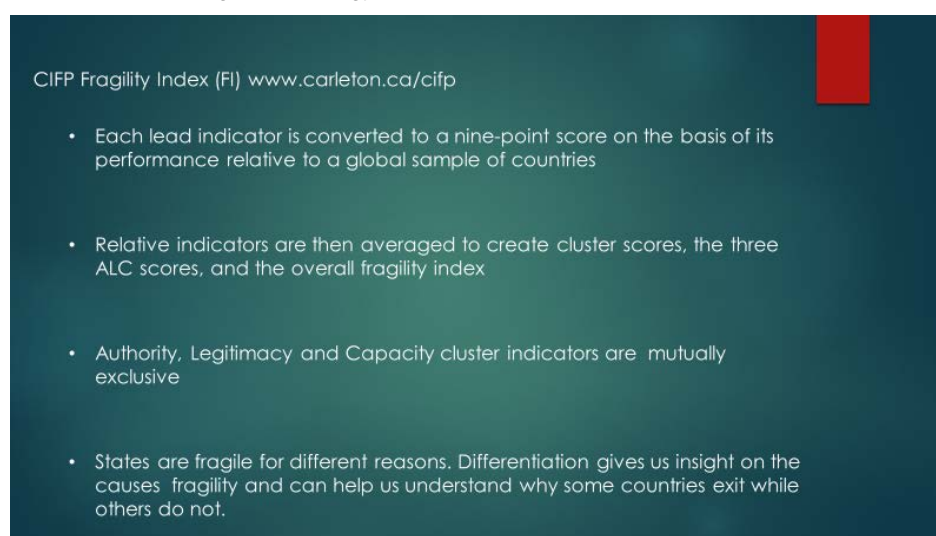
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<sup>4</sup> One can think of legitimacy first as a process that engenders viable and lasting state-society relations such as a just and fair legal system that improves the likelihood of compliance with the law (or input legitimacy) and secondly as an outcome from which society derives some lasting benefit such as security or education (or output legitimacy). Input legitimacy of a state may reflect mechanisms necessary for facilitating a realization of effective outcomes, while processes may relate to programmes and policies that a state is willing to undertake in order to attain effective output legitimacy.

<sup>5</sup> Indeed, North et al (2007) warn that institutional change can fail if reforms do not account for local challenges pertaining to distribution or violence. While it is possible for a government that lacks legitimacy to rule solely through coercion, this is ultimately less effective and more difficult, citing the costs involved in surveillance and punishment relative to legitimate rule.

respond effectively to sudden shocks such as natural disasters, epidemics, food shortages, or refugee flows. The table below provides an overview of our indexing methodology, the details of which can be found in Carment et. al (2009).

Table 1: Overview of indexing methodology



CIFP Fragility Index (FI) <a href="http://www.carleton.ca/cifp">www.carleton.ca/cifp</a>
<ul style="list-style-type: none"> <li>Each lead indicator is converted to a nine-point score on the basis of its performance relative to a global sample of countries</li> </ul>
<ul style="list-style-type: none"> <li>Relative indicators are then averaged to create cluster scores, the three ALC scores, and the overall fragility index</li> </ul>
<ul style="list-style-type: none"> <li>Authority, Legitimacy and Capacity cluster indicators are mutually exclusive</li> </ul>
<ul style="list-style-type: none"> <li>States are fragile for different reasons. Differentiation gives us insight on the causes fragility and can help us understand why some countries exit while others do not.</li> </ul>

Source: Authors' own, based on Carment et al (2009). See also [www.carleton.ca/cifp](http://www.carleton.ca/cifp) and [http://www.iaffairscanada.com/cifp/app/ffs\\_data\\_methodology.php](http://www.iaffairscanada.com/cifp/app/ffs_data_methodology.php)

We argue that to break free of a fragility trap, it is important to focus on those elements of statehood that can pull the country forward, akin to a four-wheel drive vehicle stuck in the mud that shifts traction only to the one wheel that has the best grip while letting the others do less work. Shifting power to the wheels that spin without traction will only ensure the vehicle remains perpetually mired. In this manner, we believe that exits out of fragility are not obtained through economic transformation or Capacity alone, especially if economic gains do not lead to positive changes in Authority and Legitimacy. To make this argument, we rely on our theoretical and conceptual foundations from past research (Carment et al 2017).<sup>6</sup>

We argue that a fragility trap model can be conceptualized as resulting from either one or a combination of various other traps that are related to Authority, Legitimacy and Capacity (Carment et al 2009). We briefly review the mechanisms behind these traps. Our ultimate objective is to determine how strong the linkage is between the fragility trap and these various other traps.

The first of these traps is the *poverty trap* (Azariadis 1996), whose existence has been debated by economists for quite a while. Kraay and McKenzie (2014) review various types of mechanisms that can give rise to poverty traps and conclude they are rare and restricted to remote areas. According to them, the cross-country evidence shows that even low-income countries tend to experience positive growth rates. They are thus skeptical that a big push in the form of aid or loans as advocated by Sachs (2005) is needed.<sup>7</sup>

<sup>6</sup> For example, Carment et al (2017) identify three scenarios where states may become unstable and remain trapped. The first is where the state's ability to provide security and social services does not improve, resulting in a failure to strengthen Legitimacy. The risk that such states face is a closure of the political system. The second is where the country fails to develop effective Capacity, in which populations are unlikely to commit to open political systems and democratic consolidation if they do not see tangible improvements in local conditions, thus contributing to potential unrest and instability. The third is where weak or hybrid democracies backslide and Authority is weakened. Each example highlights the importance of the Authority, Legitimacy and Capacity constructs and their relationship to potential 'traps' examined below.

<sup>7</sup> Easterly (2006) compares per capita income growth rates for the poorest fifth of countries over fifty years and finds that their growth rate was not zero; nor does he find evidence of stationary income for the poorest countries.

Many fragile states have, or are experiencing, conflict; conflict-affected countries are almost by definition considered to be fragile but that may not necessarily be the case. It seems natural to thus examine the *conflict trap* as leading to fragility traps. Collier et al. (2003) argue that once countries fall into civil wars, the risk that conflicts will happen again increases significantly. We can speak of a conflict trap if the first conflict onset increases the risk of long-term conflict significantly. In essence, the likelihood that a country will experience civil war depends largely on whether it has faced a civil war before. Evidence of such a trap would be found in both the duration and recurrence of conflicts. According to Collier (2007), conflicts have a higher likelihood of occurring in low-income countries, in environments where growth is either slow or even stagnant and declining, and in countries that are heavily dependent on primary commodity exports such as oil and diamonds.<sup>8</sup>

Third, Pritchett et al (2010a,b) and Pritchett et al. (2013) argue that fragile states are caught in a 'big stuck' or *capability trap* that prevent them from implementing basic functions that include provision of services, maintaining law and order, and security and other forms of output legitimacy. The authors do not explain why exactly the capability trap exists but instead attempt to explain how countries are able to continue to get away with not acquiring capability. Distortions in regards to aid disbursements may be key. According to them, the capability trap occurs when apparent reforms are presented to attract flows of development resources even when those reforms may not be yielding actual improvements. This implementation failure, according to the authors, has to do with 'isomorphic mimicry' in which institutional dysfunction apparent by the lack of public goods distributed. Such mimicry is most acute under conditions of 'premature load-bearing' whereby unrealistic expectations impose too much pressure on local structures and weaken capability.<sup>9</sup>

Fourth, Takeuchi et al. (2011) argue that the process of state building, namely how effective and legitimate states are formed, should be the main mechanism to overcome fragility, similar to what is proposed by the OECD/DAC principles for engaging in fragile states (OECD 2007). They consider two types of trapped states. First, capacity trap states similar to capability trap states, are those unable to provide security and social services, and have thus failed to build legitimacy. Initially, a lack of security prevents the government from delivering these public goods, which weakens legitimacy and then capacity. This creates a vicious circle between lack of capacity and the establishment of legitimacy. Second, *legitimacy trap* countries have a high capacity to provide security and services, but suffer from high inequalities and authoritarian management. Being successful, and achieving relatively high legitimacy initially, subsequently acts as a disincentive for states to respond to new challenges and delegitimizes them further (Tikuisis et al 2015).

In order to measure the capacity and legitimacy of states, Takeuchi et al. (2011) use the political stability indicator (as a measure of the capacity of the state to maintain public order), and the voice and accountability indicator, respectively, from the World Governance Indicators of the World Bank. A country that is in a capacity trap would have seen a stagnation or deterioration of both indicators over time, while those in a legitimacy trap would have seen an improvement in capacity

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<sup>8</sup> Bruunschweiler and Bulte (2009) dispute the claim that natural resource abundance leads to conflict by arguing that the measure of resource dependence is endogenous; once instrumented for, resource dependence is no longer significant in conflict regressions and conflict increases the dependence on resource extraction.

<sup>9</sup> In order to illustrate the presence of capability traps, Pritchett et al. (2010a) use indicators drawn from various sources that measure the ability of the state to deliver, namely the quality of government, government effectiveness, progressive deterioration of public services, and optimum use of resources by government (that is, resource efficiency), as evidence of a lack of state capability. There is thus a similarity between their approach and the governance trap of Collier (2007) but Pritchett et al. (2010b) are careful to avoid broad measures of governance that include political factors because it is their view that states can be highly capable without being democratic.

but not in legitimacy (voice and accountability).<sup>10</sup> Compared to the ALC framework proposed by Carment et al. (2009), which distinguishes between Authority and Capacity, here capacity includes both political stability *and* the provision of social services. There is also a ‘feedback loop’ between capacity and legitimacy as described above. For our purposes we will statistically test Takeuchi’s legitimacy trap. Case studies will allow us to determine the value of feedback loops between two or more of our ALC constructs.

### 3 Methodology

In order to test the utility of each of these traps we need clear criteria for selecting those countries that have been stuck for several years and show no signs of improvement over time. Using the CIFP structural dataset, countries trapped in fragility are selected by the number of times (more than half) that they appeared in the top 20 fragile countries over a 35-year period from 1980 to 2014, and whose long-term trajectory based on fragility scores does not show signs of improving. In other words, both the ranking and fragility scores of countries are taken into account using the criteria specified below. Table 3 is an updated and revised version of an earlier list in Carment et al. (2015).

Table 2: Using indices to classify countries

Using Indices To Classify Countries
<ul style="list-style-type: none"> <li>• The CIPF dataset reaches back to 1980 (further on some data points with some gaps). This panel structure gives us a thirty five - year window to examine three types of countries: <ul style="list-style-type: none"> <li>➤ <b>Type 1:</b> those that have been stuck in a fragility trap (top 20, 6.5 and above).</li> <li>➤ <b>Type 2:</b> those that have moved in and out of fragility (move in and out of top 40 with scores above and below 6.0).</li> <li>➤ <b>Type 3:</b> those that have exited fragility (exited top 40 for the last 10 years).</li> </ul> </li> </ul>

Table source: Authors’ own

By selecting countries on the basis of how often they rank among the worst performers, and a deterioration in performance based on actual fragility scores, we shield ourselves from the likelihood that the rank of countries is affected by the fact that others are doing better than them while they are also improving, rather than them doing worse.

<sup>10</sup> According to Takeuchi et al. (2011), examples of countries that are in a capacity trap are Afghanistan, Sudan, Iraq and the Democratic Republic of the Congo, while countries in a legitimacy trap include Cambodia and Rwanda.



Table 3. Using indices to classify countries: typology

Using Indices To Classify Countries		
Typology of Countries		
Fragility Trap	Exit/Stabilized	In/Out of Fragility
Afghanistan	Algeria	Cameroon
Pakistan	Bangladesh	Central African Republic
Chad	Benin	Guinea
Ethiopia	Cambodia	Guinea Bissau
Sudan/S. Sudan	Guatemala	Iran
Yemen	Malawi	Laos
Dem. Rep. of the Congo	Mozambique	Mali
Somalia		Mauritania
Burundi		Rwanda
Uganda		Senegal

Table source: Authors' own

As a result, our selection criteria allows us to capture the persistence of fragility over time, which is ultimately what one would expect for countries that are trapped. It also allows us to identify countries moving in and out of fragility and those that have exited as the table above shows.

Table 4: Fragility trap countries, 1980–2014

Fragility Trap Countries, 1980-2014		
Country	# of times in top 20	# of times fragility score > 6.5
Afghanistan	35	27
Burundi	32	18
Chad	25	13
Dem. Republic of Congo	26	18
Ethiopia	31	14
Pakistan	29	8
Somalia	28	14
Sudan/South Sudan	30	17
Uganda	28	2
Yemen	25	12

Table source: Authors own

We now examine which of the four traps identified above matter the most for fragility trapped states. We first examine correlations between proxies for the four traps and CIPF's fragility index for both trapped and all non-trapped countries.<sup>11</sup>

We build on the approach taken by Naudé et al. (2011), who identify four causes of fragility: conflict, low development status, vulnerability and the lack of a developmental state. In our case, conflict intensity is related to the conflict trap, low development status (per capita income) is related to the poverty trap, and lack of a developmental state is related to the capability and legitimacy traps. We do not consider vulnerability to be as relevant here because our focus is more on countries that are trapped whereas vulnerability, especially to natural hazards, tends to be

<sup>11</sup> Our analysis does not consider the natural resource trap as a direct driver of fragility because it is expected to affect either institutions and conflict (the conflict trap) or income and poverty (the poverty trap).

associated with small island developing states. To be sure, vulnerability can contribute to fragility but is not considered to be a root cause of the fragility trap. Furthermore, the extent to which countries are resilient or less vulnerable, is partly a function of strong institutional foundations, which should be captured by capability and Legitimacy.<sup>12</sup>

Figure 1: Building a fragility trap model

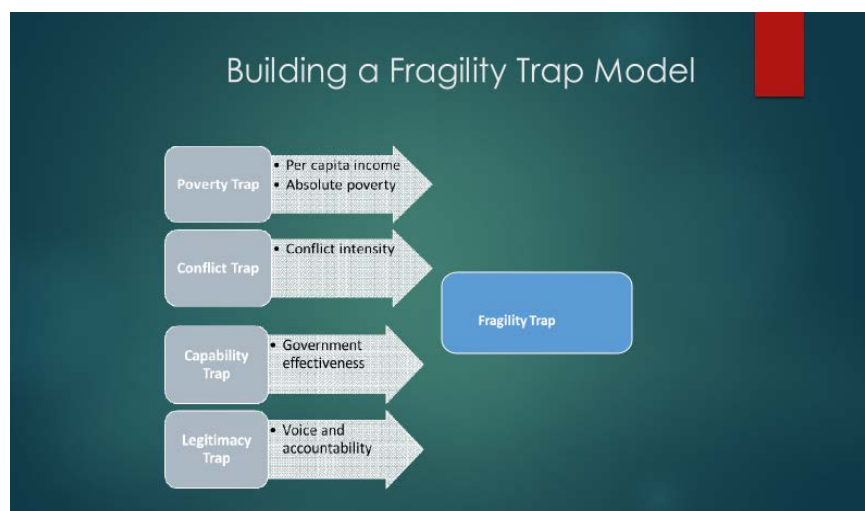


Figure source Authors' own

The following variables are considered proxies for each of the traps: per capita income; conflict intensity from the UCDP/PRIO dataset, which measures the level of fighting (minor or war) that a state-based conflict reaches in each year, for the conflict trap; government effectiveness from the Worldwide Governance Indicators of the World Bank for the capability trap; and voice and accountability from the Worldwide Governance Indicators of the World Bank for the legitimacy trap.

We consider per capita income for the poverty trap. The government effectiveness variable measures perceptions of the quality of public services, the quality of the civil service and the extent to which it is independent from political pressures, the quality of policy formulation and implementation, and extent to which government is committed to policies. The voice and accountability variable measures perceptions of the extent to which citizens can participate in the selection of government, as well as freedom of expression, freedom of association and a free media. Both the government effectiveness and voice and accountability variables range from -2.5 to 2.5, with higher values corresponding to better governance scores. The results presented in the table below provide correlations between these variables and CIFP's fragility index, both for the overall sample of non-advanced countries, the overall sample of non-advanced countries excluding trapped countries (that is, non-trapped countries), and for the fragility trap countries

<sup>12</sup> In evaluating each of the trapped cases we also tested for absolute poverty as a measure of low development status. Due to missing data we cannot use that data for these tests. When we examine data on absolute poverty, most of the trapped countries have seen the number of people living on less than \$1.90 per day decline over time, as well as a decline in the headcount ratio. Burundi and the Democratic Republic of the Congo are the only two countries where the number of people living in absolute poverty has increased; however, the headcount ratio has decreased in each case. This supports weak evidence of a poverty trap.

Table 5: Correlates of fragility, 1980–2014

**Correlates of fragility, 1980-2014**  
Note: all correlations are significant at the 1% level.

Variable	All Non-Advanced Countries	Non-Trapped Countries	Trapped Countries
GDP per capita	-0.47	-0.47	0.22
Conflict	0.34	0.28	0.19
Government effectiveness	-0.77	-0.76	-0.67
Voice and accountability	-0.67	-0.63	-0.60

Table Source: Authors' own calculations

All of these correlations are significant at the 1% level and there are no surprises as far as the signs go, except in the case of GDP per capita for trapped countries. In the broader sample of all non-advanced economies, there is an expected negative and significant relationship between per capita income and fragility, that is, lower incomes are associated with higher fragility. However, in the case of countries trapped in fragility, it is interesting to note that higher fragility is associated with higher per capita incomes, meaning that despite increases in income in these countries over time, they have remained fragile (or alternatively, that fragility has not prevented these countries from improving their income levels).

This simple and preliminary correlation exercise shows that the poverty trap explanation is quite weak, a point also made by Easterly (2006) and Kraay and McKenzie (2014) for broader samples of countries. When we test whether as a group the mean income growth rate for the trapped countries is zero, we statistically reject the hypothesis of zero mean over the period 1980 to 2014.

The conflict variable remains significant across the various samples. However, it is weakly correlated at 0.19 with fragility when the trapped countries are considered, which is somewhat surprising given that many of these countries tend to be affected by ongoing conflicts and instability. This result can be explained by the fact that not all of the countries have had high-intensity conflicts over the full period under examination though several emerged from large scale conflict prior to the period under observation. On the other hand, the government effectiveness (capability) and voice and accountability (legitimacy) variables remain significant and highly correlated with the fragility index for the overall sample, non-trapped and countries trapped in fragility. They both indicate that deteriorations in capability and legitimacy are significantly correlated with poor fragility scores.

In order to further test which of these traps correlate the most with the fragility index for countries that are trapped, we estimate the following regression using panel data for the period 1980–2014:

$$fragility_{it} = \alpha_0 + \alpha_1 \ln(gdppc_{it-1}) + \alpha_2 conflict_{it-1} + \alpha_3 governmenteffectiveness_{it-1} + \alpha_4 voiceandaccountability_{it-1} + u_i + v_t + e_{it}$$

where  $i$  indexes countries and  $t$  indexes time; the various independent variables are as defined above and lagged one period;  $u_i$  and  $v_t$  are country and time specific effects and  $e_{it}$  is the normal disturbance term. The Hausman test provided strong evidence against the null hypothesis that

there is no misspecification in the case of random effects for the different models estimated. As a result, fixed effects (FE) estimates with period dummies are reported (column (2) as well as panel corrected standard errors that account for both cross-section heteroscedasticity and autocorrelation. We also show how the estimates vary using ordinary least squares (OLS) and random effects approaches (RE) – see columns (1) and (3).<sup>13</sup>

Table 6: Fragility as function of various traps

Fragility as Function of Various Traps				
For the period 1980-2014:				
$fragility_{it} = \alpha_1 + \alpha_2 \ln(gdppc_{it}) + \alpha_3 conflict_{it} + \alpha_4 governmenteffectiveness_{it} + \alpha_5 voiceandaccountability_{it} + \mu_i + \gamma_t + \epsilon_{it}$				
Explanatory Variables	(1) OLS	(2) FE	(3) RE	
Constant	5.466** (34.584)	5.295** (9.395)	4.909** (17.094)	
log(GDPPC)	0.093** (3.502)	0.122 (1.263)	0.191** (4.146)	
Conflict	0.036* (2.079)	0.045* (2.235)	0.033 (1.575)	
Government Effectiveness	-0.376** (-8.764)	-0.268** (-3.221)	-0.371** (-4.586)	
Voice and Accountability	-0.148* (-2.423)	-0.243** (-3.413)	-0.172* (-2.368)	
#Observations	121	121	121	
#Countries	9	9	9	

Table source: Authors' own

The results confirm what was observed from the simple correlations. The poverty trap story does not hold for the countries trapped in fragility once country fixed effects are accounted for. The legitimacy and capability traps are the most significant, followed by the conflict trap.<sup>14</sup>

To summarise our preliminary analysis we find that on the one hand improvements in Capacity do not guarantee that countries will be able to escape the fragility trap, especially when corresponding improvements are not happening to Authority and Legitimacy. Capacity becomes important once countries are able to exit the fragility trap. On the other hand, we find that Legitimacy and capability (the latter captured under CIEP's Authority cluster) are important. This conclusion supports similar findings from North, 1995, 2005; North et al 2007; Carothers, 2007; Goldstone and Ulfelder, 2004 on a broader range of cases.

<sup>13</sup> Note: Except where indicated otherwise, the figures in parentheses are the robust t-statistics.

\*\*\* indicates 5(1) percent level of significance. Coefficients on time and country dummies not reported.

<sup>14</sup> There are two caveats here. First, the sample size is inevitably small because it examines only the countries that are trapped (excluding Somalia because of gaps in data). Second, the time period considered includes only 16 years because of lack of data for the government effectiveness (capability) and voice and accountability (Legitimacy) variables. Where Authority, Capacity and Legitimacy are capitalized the references is to the ALC construct.

## 4 Case Study Comparison

Case comparison is an appropriate methodology to further examine these relationships. While we were able to identify the leading indicators most closely associated with the fragility trap we need to explain the underlying causal relationship between the ALC clusters these leading indicators represent and fragility persistence. We also need to know under what conditions Capacity matters. As we have surmised Capacity appears to matter only *once states have exited fragility*. In drawing up a list of potential cases for comparison, we draw two from each of the three types of states identified above: states that remain deeply fragile (Type I); states that exit fragility only to fall back into it (Type II) and; states that exit the fragility trap (Type III). For each of the case studies we use CIFP data to track their fragility rankings and ALC performance over a 35 year period. For ease of interpretation and brevity we identify only the main inflection points over time and their relationship to A, L and C and relevant ALC interactions in order to identify potential feedback loops. We have selected six cases. Yemen and Pakistan for Type I, Mali and Laos for Type II and; Bangladesh and Mozambique for Type III.

### 4.1 Type I - Pakistan and Yemen

Despite being among the most fragile countries in the world, both Yemen and Pakistan are not among the poorest. Though the War on Terror is important financially for both countries, their fragility can be traced to events well before 2001 (Brehony 2011, Dunbar 1992). Pakistan is a bureaucratic authoritarian state by design which has emptied the country of strong legitimate rule over the past four decades. Yemen has experienced multiple civil wars in which the most recent multi-dimensional conflict is a continuation, with greater regional import and numerous non-state actors.

#### *Yemen*

Yemen, a country of 25 million inhabitants on the southern tip of the Arabian Peninsula, has been stuck in a fragility trap for over 35 years. It has ranked in the top forty most fragile countries for its entire post-unification history. It has ranked among the top 20 most fragile countries more than two-thirds of that time. Though it is the poorest in the Arab region, both CIFP and the World Bank, consider Yemen, like Pakistan, a middle-income country or a Middle Income Failed and Fragile state (MIFF) (The Economist 2011).<sup>15</sup> Simply put, Yemen's dysfunction is not a Capacity problem but a Legitimacy and Authority one (Engers et al 2002, Carment et al. 2015) with destructive interactive effects between them.

Yemen reflects the qualities one would expect in a fragile state but its performance also challenges them. On the one hand, Yemen has suffered through multiple civil wars, armed secessionist movements, and the presence of major terrorist groups. A significant portion of the population remains below the poverty line, and major indicators of Human Development, Environment and Demography are very poor (The Economist 2015). On the other hand, Yemen did not undergo regime change until late in President Saleh's tenure as leader of the country over three decades. Indeed, Saleh proved adept at exploiting the 'Politics of Permanent Crisis' in order to redirect rents towards strengthening the military and his clan (BBC News 2016).

In examining the figure below we see that Yemen's overall fragility ranking has deteriorated since 1990. Prior to unification, Yemen experienced fluctuating, yet moderate, levels of fragility, generally ranking in the mid-40s each year except 1986. This increase in fragility corresponds to

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<sup>15</sup> See <http://www.economist.com/node/18986470>

the South Yemeni civil war, which occurred the same year (Brehony 2011, Dunbar 1992) . Yemen experienced a sharp deterioration in fragility following unification, falling from a rank of 46th in 1989 to 6th in 1990. Yemen's fragility rank remained low in the following years before increasing to 29th in 1995, marking a return to stability and growth that lasted until 1998. In 1998, Yemen's fragility once again fell into the top 20, receiving a rank of 16th, and then 6th by 2001. Yemen's fragility rank has remained among the top 10 most fragile countries since then, falling to 4th place in 2015 following the outbreak of civil war and Saudi intervention.

Figure 2: Yemen's fragility rank

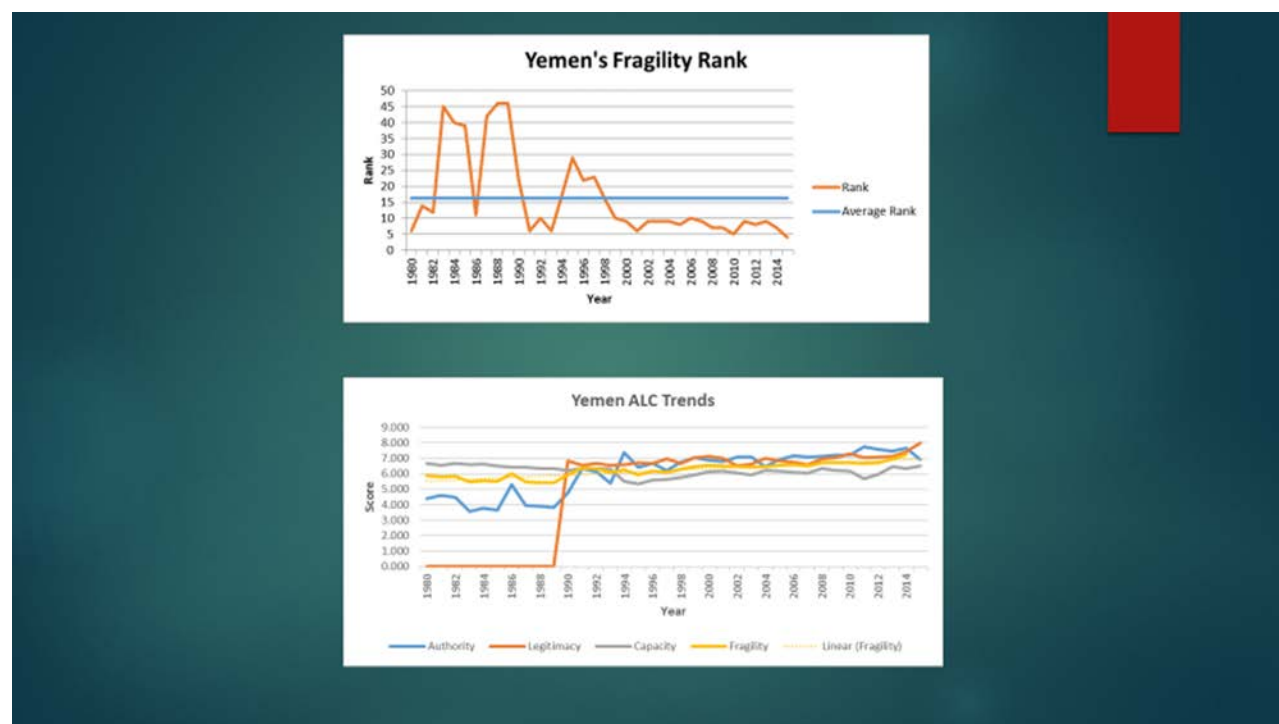


Figure source: Authors' own

The ALC trend analysis shows that Authority and Legitimacy appear to be the clearest drivers of fragility. Authority in particular appears to be the most volatile cluster, varying from a low of 3.57 in 1985 to a high of 7.76 in 2011. Yemen's Authority scores peak in the post-unification period (1990-1994), as well as before and during the 1994 civil war. Over the past decade, the Authority measure appears to rise and fall with conflict and terrorist events, rising sharply with an increase in violence since 2010.

Yemen's Legitimacy is relatively weak over the sample period, with scores remaining between 6.0 and 7.5 since data became available in 1990. Interestingly, Yemen's Legitimacy scores are the highest of the ALC variables in the post-unification period, suggesting early challenges with regime support. Yemen's Legitimacy scores remain relatively high throughout the 1990s, dipping slightly in 2001 and corresponding to Yemen's support for the War on Terror. Yemen's Legitimacy scores increased considerably during the 2000s and beyond, reaching a high of 7.99 in 2015. These changes correspond with the declining legitimacy of Saleh's regime, his removal from power, and the success of the Houthis in seizing control of the government in 2015. The fact that Yemen's ALC ceiling is extremely high is evidenced in the small uptick in these scores after the fall of Saleh.

In examining the importance of Legitimacy and Authority we argue that Saleh's leadership ideology had essentially been one of regime survival, as the system of governance under his rule was a savvy mixture of Islamic, conservative, and liberal economic policies (EIU 2002). Furthermore, his



Legitimacy stemmed primarily from his regime's ability to maintain stability and to provide rewards to his clients. The lesson that Saleh took from the 1994 civil war is that excessive democracy leads to secessionism (Colton 2010, Carment 2011). The institutions and political structures which Saleh developed to secure his rule, are textbook examples of a closed-access system (North et. al 2007). The incentives for Yemen's leadership to maintain the status quo were strong enough that any significant developmental reforms would require a destruction of the country's intricate system of patronage. Aid could not buy political reform. This is clear when we consider that when Saleh eventually collaborated with the US in the Global War on Terrorism (GWOT), he used rents to satisfy his clients and to suppress opposition to his regime through the cover of anti-terrorism efforts (Carment 2011).

Legitimacy improved slightly under Hadi's subsequent but brief leadership, owing to his efforts to implement a number of reforms like a federal system of government. However Legitimacy scores remained relatively high, reflected in continuing corruption in the government and rising unemployment leading to protests and ultimately unrest in the South (Almosawa and Kirkpatrick 2014). These last problems struck a serious blow to Hadi's government, as the Houthis were able to force the government to resign and gain considerable influence over the state through the ceasefire agreement that Hadi was forced to sign. The Houthis were able to take control of the government in 2015 (BBC 2017). The subsequent civil war has been fought between Houthi rebels, forces loyal to Hadi, who formed a government-in-exile, and a Saudi-led coalition fighting the rebels.

In addition to a breakdown in Authority and Legitimacy, Yemen has had a very high population growth rate of 3.46% and an extremely large 'youth bulge' of 46.4%. More than 18% of its total labour force is unemployed, especially in urban areas. Its urban population is growing at a rate double that of the total population and city infrastructure is increasingly unable to handle that growth. Nearly half of Yemen's population lives below the poverty line with a daily income of US\$2.00. Although many natural resources are located in the South, a reduced portion of public funds from an unsympathetic government leaves them hindered by grinding poverty. An analysis of Yemen's budget shows the regime's priority has been military spending, an area dominated until recently by Saleh's relatives. Military expenditures are typically four times the amount spent on health care (Boley et. al. 2017, Carment 2011).

Oil accounts for almost 90% of export earnings and around 70% of government revenue, making the country susceptible to internal shocks such as droughts and floods and external shocks. Based on current trends, oil reserves are expected to be depleted within 10 years (BTI 2006). Yemen is one of the most water-scarce regions in the world with water tables falling by about two meters a year; a rate of extraction that exceeds precipitation by about 70%. Without corrective action, groundwater supplies in Yemen's capital, Sana'a, are expected to be exhausted very soon and already are unsafe to drink. Some 50,000 Somalis flee to Yemen per year leading to the diffusion of their conflicts.<sup>16</sup>

Yemen's fragility trap is a function of mutually reinforcing structural constraints built around the rent economy. Saleh carefully constructed a patronage system that provided benefits to a select few clients (Clark 2010). But that narrow support base also constrained Saleh's ability to improve the country's economy, for example through structural adjustment, and improved social services. As long as resources were available, the regime was secure and did not need to reform though the

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<sup>16</sup> The country ranks 133 out of 169 on the Human Development Index, with a per capita Gross Domestic Product (GDP) of about US\$1,000 compared to an average of about US\$26,000 for the other Gulf states. Yemen's GDP annual growth average of 2.6 per cent is far below the regional average of 5.9 per cent. Literacy and life expectancy are among the lowest in the world. There is a plethora of small arms scattered among Yemen's diverse tribal peoples, making security a major challenge (see <https://carleton.ca/cifp/wp-content/uploads/1349-1.pdf>).

country itself remained deeply fragile. When those narrowly distributed benefits began to diminish, so too did Saleh's hold on power. Ultimately the concentration of personal power and the neglect of the periphery, left the field open to new challengers, such as disaffected southerners, Islamist groups, and the northern Houthi movement.

### *Pakistan*

Pakistan, a country of approximately 197 million people, has struggled to establish legitimacy since its independence from former British India in 1947. Pakistan has experienced three military coups (1958, 1977 and 1999), and a series of conflicts over the controversial Kashmir region and contested Federally Administered Tribal Areas (FATA). Despite these challenges, Pakistan has made significant economic gains since 2000, almost quadrupling its GDP from US\$73 billion in 2000 to US\$269 billion in 2015. This growth led Pakistan to attain Lower Middle Income status in 2008. While Pakistan is predicted to continue experiencing relatively high rates of economic growth, reaching 4.5% and 4.8% over the 2016 and 2017 fiscal years, it remains one of the most fragile states in the world (ADB 2017).

Figure 3: Pakistan's fragility ranking and ALC trends



Figure source: Authors' own

Several of Pakistan's most notable declines in fragility rankings are linked to regime change where we see Authority as a key driver in each instance (Carment et al 2007). In the years following President Zia-ul-Haq's death in 1988 and the re-emergence of civilian government, Pakistan's fell to 14th in terms of global fragility. Similarly, in 1999, the year of Musharraf's infamous coup and conflict in the Kashmir region, Pakistan's fragility declined to 9th in the world. More recently, Pakistan reached a fragility ranking of 6th in both 2007 and 2010. The low rank in 2007 corresponds to mass protests in response to the suspension of Chief Justice Chaudhry, the Red Mosque disaster and Musharraf's declaration of a state of emergency. In 2010, the low fragility rank corresponds to Pakistan's flood disaster and a marked rise in sectarian violence. Since 2010, Pakistan has made modest improvements to its fragility rank, moving up to 22<sup>nd</sup> in 2015. Despite such gains, it is important to note over the period of 1980–2015, Pakistan had an average fragility



rank of 15<sup>th</sup>, firmly in the top 20 most fragile states. Despite episodes of relative stability, Pakistan has not broken out of the top 20 most fragile countries since 1994, and has been ‘trapped’ in fragility over the past two decades. This is best expressed in its Authority and Legitimacy performance over the last 20 years both of which have deteriorated significantly while Capacity remains stable. We see matching spikes in Legitimacy and Authority which indicate they are playing a direct causal role even when Capacity is stable.

As Pakistan's inability to control internal conflict, environmental degradation and a highly unequal society increase over time, the Legitimacy of its government, whether civilian or military continues to erode and challenges from within increase. Indeed, developmental aid to Pakistan has been used to shore up a centralized Authority structure, whether it was perceived to be legitimate or not. That reinforced Authority structure, a kind of bureaucratic authoritarianism, has been in place since the 1950s.

Like Yemen, Pakistan's fragility challenges appear to be linked to problems of Legitimacy which further undermine its Authority structures. Systemic social fissures which pit ethnic and sectarian groups against each other form the unsteady foundation on which Pakistan's political institutions are built (Polity IV Country Report 2010). Inequality between ethnic groups, in particular, has highlighted poor Legitimacy as various calls for self-government by provincial regions seeking autonomous control over their resources clearly demonstrate a loss of confidence in the capacity of Pakistan's regimes to act in their interest (Mezzera and Aftab 2008). In addition, continued elite capture of power and resources has contributed to the depreciation in the quality of Pakistan's institutions (Diamond 2000, Carment et al 2007). The result is a governance system that explicitly favours networks of unelected ruling elites, and a public with little trust for ruling regimes (Shah 2008).

In examining Pakistan's experience with fragility, there appear to be two main conclusions. First, in the absence of government systems willing to invest in development and wealth re-distribution, uneven growth exacerbates tensions and contributes to instability. In Pakistan, the historic concentration of wealth and power along ethnic lines, in an already divided society is problematic. Islam has proven to not be the glue that binds the country together (Tudor 2014). Moreover, unkept promises by political leaders assuring improvements amidst continued development challenges has undermined the Legitimacy of Pakistan's regimes (Mezeera and Aftab 2008).

Second, and perhaps more fundamentally, elite capture of the state and the benefits it accrues as a result, demonstrate there are few incentives for ruling regimes to enact political and economic reform. Without such changes, stability in Pakistan is likely to remain a difficult task even in the face of economic growth. Indeed, the outgoing UNDP Pakistan Director said it best when he warned that ‘the only way a critical change could happen in the country [Pakistan] was when the influential, the politicians and the wealthy, would sacrifice short term, individual and family interests for the benefit of the nation’.<sup>17</sup>

#### *Summary – Lethal and Vicious Feedback Loops*

These two cases demonstrate negative interactions between Legitimacy and Authority. We see that once Pakistan experienced internal Legitimacy challenges there was an effort to buttress existing Authority structures as a bulwark against dissent and violence. Such an emphasis, exemplified in

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<sup>17</sup> ‘You cannot have an elite that takes advantage of very cheap and uneducated labour when it comes to making money, and when it is time to party it is found in London, and when it's time to buy things it is in Dubai, and when it's time to buy property it invests in Dubai or Europe or New York. The elite needs to decide do they want a country or not,’ <https://tribune.com.pk/story/1171773/former-undp-director-takes-aim-pakistans-elite-scathing-final-interview/>

the United States' long term aid program for Pakistan, led to potential distortions in both the selection of aid recipients in Pakistan, and the type of aid provided that did not contribute to reform.

This lends credence to a legitimacy trap for Pakistan in which a 'shoring up' of Authority structures results in a vicious cycle of further decline where Legitimacy (and Capacity) are undermined and in turn Authority is further challenged. The negative reinforcement of Pakistan's Authority structures is achieved through an institutional and political system built on perpetuating inequities not just among regional minority groups but between the urban rich and poor. While the former respond negatively to assimilative pressures, policies on in-migration and economic competition, the latter are caught up in immense distributional problems. Simply put, the sequencing of Pakistan's increasing fragility appears to begin with a weakness in Legitimacy structures which rather than being adaptively modified in a positive way are negatively reinforced, with the consequence of increasing instability over the short run. We call this a *vicious feedback loop*.

In comparison, the incentives for Yemen's leadership to maintain the status quo were, until recently, strong enough that any significant developmental reforms would require a destruction of the country's intricate system of patronage. That was unlikely to happen as long as Saleh was able to accrue rents from aid and the oil sector and the support of the US in the GWOT. In fact through his collaboration with the US in the War on Terror, Saleh was able to maintain his control on power, and use the cover of anti-terrorism efforts to suppress opposition to his regime while bringing members of Al Qaeda into his inner circle (Carment 2011).

Yemen exemplifies the inherent problem of those states suffering from weakening Authority over time. With heavily reliance on the rent economy driving the Yemeni patronage system, future decisions became 'bound', and options more limited.<sup>18</sup> The trap is akin to a lobster trap from which there is no escape. Having governed for so long by using the country's oil wealth to pay off potential opponents, it is hard to see how Saleh could have effected systemic transformation without bringing the political economy to its knees. We call this a *lethal feedback loop* because the eventual outcome for a trapped state like this is ruin.

One can now understand how both countries have been trapped for so long. In Pakistan's case the centralization of state Authority and the pursuit of development policies, privileged maximizing revenues and rents rather than social welfare. This is a process in which non-elected institutions and elites dominate, and there is little institutional incentive for political change.<sup>19</sup> In Yemen's case before the conflict started in 2011, heavy reliance on rents and selective aid, though diminishing with time, minimized incentives for political and social transformation.

## 4.2 Type II - Mali and Laos

Laos and Mali are countries that have moved in and out of fragility for over thirty years. Both are landlocked, surrounded by regional instability, poor, aid dependent and afflicted by environmental vulnerability. The picture of Mali's fragility is a country that continually 'exits' fragility, only to re-enter it further down the road. Mali's spectacular collapse in recent years has sparked a re-examination of its characterization as a model of stability in North Africa, a country that was supposedly reforming in response to targetted aid. It isn't simply that Mali's recent dip as a result of

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<sup>18</sup> <https://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?locations=YE>

<sup>19</sup> Such as Pakistan's low tax rates which in turn generate low accountability and reduce state capabilities.

the 2016 insurgency kept it from being considered ‘stabilized.’ Mali has followed this rollercoaster pattern for over 35 years.

In contrast, Laos (Lao People’s Democratic Republic - Lao PDR) has never really been considered a model of stability. Though both countries have been afflicted by environmental calamity such as drought, Laos has shown, unlike Mali, that it can recover effectively from such events. Even though the country has struggled to maintain internal cohesion and territorial integrity, the Communist takeover in 1975 provided some regime stability by bringing to an end years of civil war. Since then, Laos’s leaders have been slow to bring political change to the country. There is a cautious if not steady approach borne from decades of war and regional interference.

### *Mali*

Mali has been in and out of fragility at least four times with no improving trend evident. In fact, a deteriorating trend is discernible in the last 5 years. The four times Mali entered the top 40 are consistent with the historical analysis. The first entry, 1985–86, matches a period of policy upheaval coupled with student demonstrations and a brief border war with Burkina Faso in 1985, and droughts in the north. The second entry around 1990–92, correlates with the collapse of Traoré’s regime, the subsequent coup, and the faltering transition to institutional hybridity. A third entry occurs around 1994 which aligns with the ‘restarting’ of the Tuareg conflict. The final inflection starts in 2006 which matches the start of the third Tuareg rebellion, and the ongoing multi-party insurgency that resulted in the 2012 coup. Mali’s main source of fragility is due to constant Authority challenges related partly to ineffective control of territory and people. We can see spikes in Authority associated with the four inflection points noted above. Deep and abiding Capacity problems most closely associated with a weak economy keep Mali near the fragility cut-off over the entire period. In qualitative terms, by keeping Mali near the cut-off, these structural weaknesses render the country extremely vulnerable to shocks.

Mali was long considered, at least since the mid-1990s, a model of African democracy becoming an ‘aid darling’ in the process (Bergamaschi 2014). These assumptions were firmly undermined by the 2012 coup against President Amadou Toumani Touré in the midst of a major secessionist conflict. That conflict, which has its immediate roots in a 2006 insurgency, effectively detached Mali’s three Northern provinces – Gao, Kidal, and Timbuktu – from government control, and led to their occupation by Islamist groups connected to Al-Qaeda (Emerson 2011). This new threat prompted a major military intervention by France, followed by a UN mission which succeeded in temporarily ousting the groups and regaining partial control of the North.

Mali’s performance shows that political and economic gains are both achievable and easily reversed. In Mali’s case we witness extreme forms of isomorphic mimicry and rent seeking in which elites take on the trappings of western institutions to generate international support while failing to incorporate and develop fundamental institutional strengths over time. Mali’s very weak Capacity performance is compounded by its weakness across the other two dimensions of Authority and Legitimacy (WDI 2013). Catalyzing effects such as environmental catastrophes and regional conflict, coupled with poor decision-making precipitate crises leading to regime upheaval and political calamity (Benjaminsen 2008, Shaw 2013). When stressed, such as during a coup, Mali’s core Capacity weaknesses show through and recovery is slow (Belik et al 2012).

Figure 4: Mali's fragility ranking and ALC trends

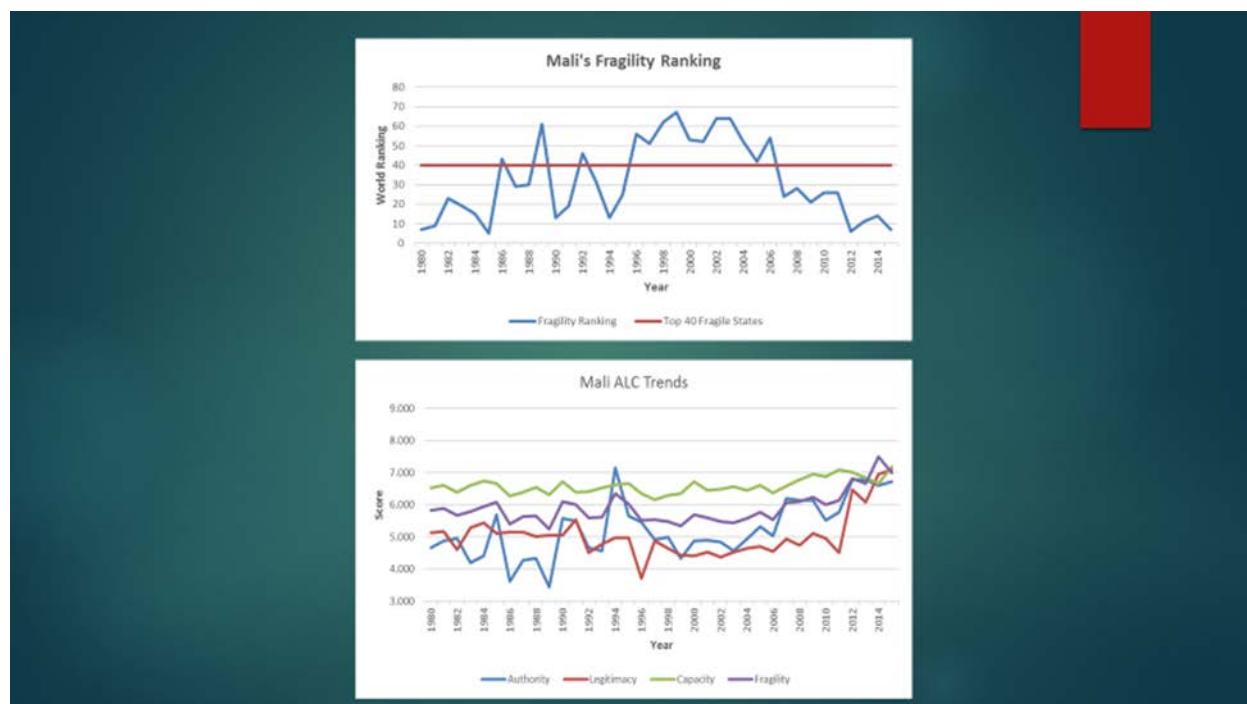


Figure source: Authors own

These structural problems are coupled with poorly implemented policies related to distribution, such as the inability to develop an efficient and sufficient private sector in the face of an aid-based rent seeking economy.<sup>20</sup> To be clear, Mali's wavering fragility is not caused directly by specific shocks, such as drought, coups, or regional conflict (Bergamaschi 2014). We see that Capacity is consistently above the general fragility trend line, which is indicative of a stability ceiling. Secondly, Authority, is generally lower than the average line, but 'punctures' the line during Mali's entries into fragility. Finally, Legitimacy is consistently lower than the trend line, but is still fairly close to it suggesting isomorphic mimicry.

Decentralization and autonomy would at face value appear to be a viable coping mechanism for a beleaguered nation with limited resources to pay the army and its civil service (Keita 1998, Pézard and Shurkin 2013). But beyond these distributional constraints, decentralization also ensured that no faction could usurp presidential authority essentially keeping various groups less powerful than the centre. Coupled with a military that was weak, underfunded and corrupt we can identify the conditions that led to the Tuareg rebellions and Mali's return to extreme fragility (Florquin and Pézard 2004). Bamako had neither the ability nor the legitimacy to project power and influence into the Northern hinterland. That factions organised themselves along ethnic and religious lines is telling, considering the civilian based structures of the nomadic Tuareg lent themselves to political orders that were at odds with the more sedentary peoples of the North and the South (MRG 2013, Shaw 2013). It is only relatively late in Mali's weakened state that we see the rise of more militant organisations as Mali's border becomes a fertile place for corrupt border trafficking and related activities (Larémont 2011).

<sup>20</sup> The development industry is the major source of rents. Whoever controlled local development offices became the local development broker, which further allowed powerful groups to solidify their positions.

Laos hovers very close to the Top 40 cut-off mark. As important as its individual shifts into fragility are, they are caused by events which are not that severe. With the exception of a brief border conflict with Thailand, there is only a long-running but low intensity insurgency now dissipated with time. As a result, Laos has been in and out of fragility five times over the last 35 years. The entries by Laos into the top 40 are consistent with the historical analysis (Stuart-Fox 1997). The first entry between 1987 and 1989, coincides with a series of severe droughts in the country and a border war with Thailand. The second entry in 1996, occurred amidst ambushes by Hmong insurgents and severe flooding. The third in 1998, matches the fallout from the Asian Financial Crisis of 1997. Then in 2000 and 2003, a series of bombings and insurgent clashes reflecting internal party and domestic discord put the country into fragility two more times (Bourdet 2000). Laos' exit from fragility from 2005–09 and subsequent improvement is a result of the regime's clamp down on security and economic stabilization.

The Lao Peoples Revolutionary Party (LPRP) has been the undisputed governing party since 1975. So there is very little political destabilization.<sup>21</sup> Natural disasters are important, but the most severe only caused 30 deaths; furthermore, they are a staple across the region (Savada 1994). Yet, Laos continues to struggle. Even once proximate triggers (such as a flood or a series of bombings) come to an end, Laos' advances are not unlimited (Thayer 2000). Where its neighbours improve, Laos struggles (BTI 2012). This has been the case since independence. This struggle is most evident in the frequent spikes in all three ALC clusters up until about 2000 when Capacity stabilizes. Following that, we see the deteriorating effects of one party rule reflected in deteriorating Legitimacy performance while Authority improves (IISS 2000).

Figure 5: Laos fragility ranking and ALC trends

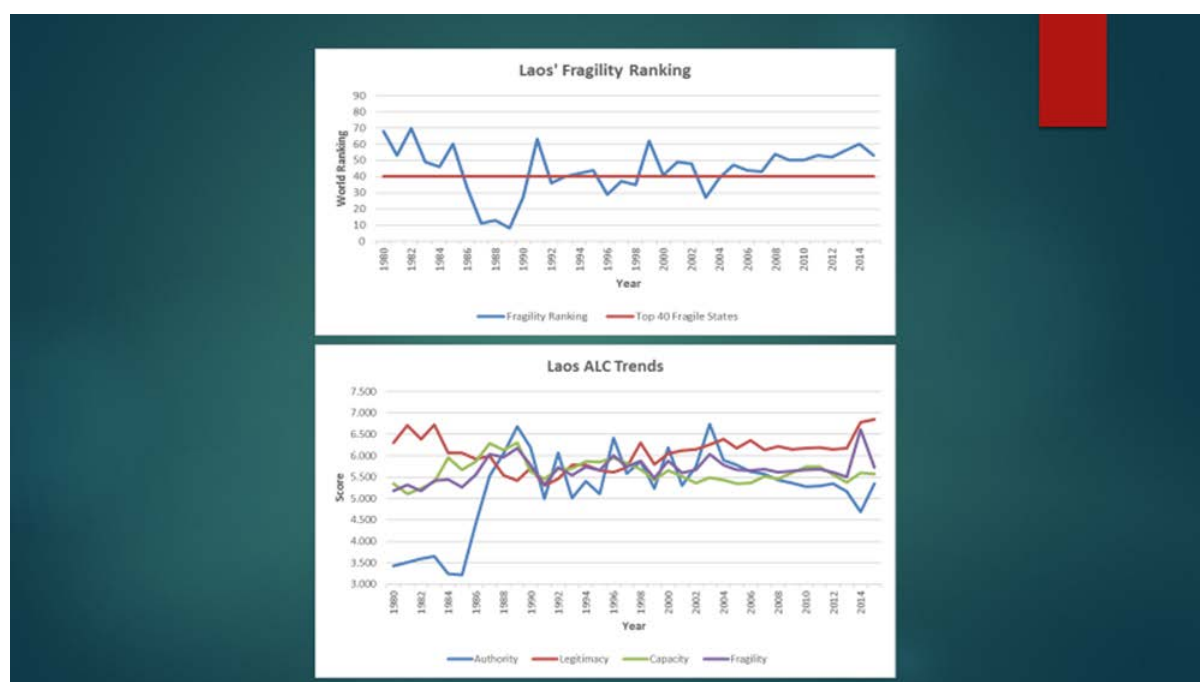


Figure Source: Authors's own

<sup>21</sup> For example, given the history of disparate and generally small-scale, individual land holdings in Laos, collectivization under the LPRP was implemented because of ideological conviction and the fact that its neighbour Vietnam was pursuing a similar policy not because of geographic necessity. It was abandoned in 1979 indicating that the regime understood that to stay in power would require pragmatic policy shifts (Kerkvliet 2009).

Laos's fragility is particularly concerning given that its neighbours Thailand, Vietnam, and China have drastically improved their economies and standards of living over the same period. By the same token Laos has recently moved out of fragility due to the effects of regional economic growth (St. John 2006). In brief, while internally unstable and weak, Laos's core structural deficits are partly offset from the strengths of its neighbours (EIU 2017). However these same neighbours have on occasion shown to be negative influences on Laos' stability through an open and often fierce manipulation of elites and the factions that divide the country (Crossette 1988). One might conclude that simply surrounding a country with economically vibrant states is sufficient to move a country out of fragility. But for Laos that regional dimension carries with it both immense risk as well as fortunes. Laos, despite being located in a region which has seen a significant increase in incomes and standards of living over the past 35 years, has remained relatively stagnant until recently.

#### *Summary - Immobilism and Instability*

Laos's performance shows that regime stability does not guarantee country stability. Nor does being landlocked, resource-dependent and divided by conflict guarantee permanent fragility. Laos has the potential to permanently exit from fragility should its entrenched elites accept reformist measures. Here we see some viable contrasts with Mali. Laos is different from Mali in that it has had the same regime for the entire period under study. And unlike Mali's regime, vacillating between authoritarian and democratically elected, the LPRP has over the course of the last 35 years demonstrated it has the ability to project its power over undergoverned spaces. The collapse of the Hmong insurgency in 2006 is a testament to this.

But if there is a weakness in Laos's trajectory it is simply that its leaders are slow to make policy decisions that could improve the lives of average citizens. These outputs in turn would create expectations and raise accountability. Instead, the regime concentrates on liberalizing and expanding only those sectors which it fully controls for fear they could lose power, influence and income (Bourdet 2001, EIU 2016).

The rent economy is also slightly different in each case (Dommen 1995, Bourdet 2001). While Mali's leaders have raised extracting rents from aid to an art form, Laos's leaders have shown that more and better income comes when it is tied primarily to the growth of its regional trading partners and an export-driven economy. Roads and bridges across the Mekong to Thailand, a high-speed railway between Thailand and China, and electricity for Thailand from the Nam Theun II Dam are examples of this.

Thus, we see two divergent paths for Mali and Laos. Will Mali regress even further and succumb to lethal feedback loops or will it permanently exit fragility? Of the two, Laos has the greater likelihood of permanent exit assuming that reformists within the government eventually succeed. Conversely, Mali's poor economic performance coupled with an economy based on aid dependence ensures even further reductions in Legitimacy. Given the ongoing conflict in the North it is reasonable to assume that for now the country will focus on security issues at the expense of stronger state-society relations.

### **4.3 Type III Bangladesh and Mozambique – Virtuous Feedback Loops**

Bangladesh and Mozambique have been fragile for much of their existence. Yet, both countries have managed to pull themselves out of the crucible of regional conflict, civil war and entrenched poverty and have stabilised over time. Moreover, the ALC trend lines for both countries have begun to stabilize and cluster together which is a recognition of decreasing volatility. Bangladesh and Mozambique are also the youngest nations in this study, having achieved statehood in the early



1970s. Perhaps their improvement and progress, while halting and still far from perfect, is simply a reflection of how serious their political and economic situations were at independence: Bangladesh, highly indebted, deeply divided and still recovering from its brutal and destructive breakup with West Pakistan; Mozambique one of the poorest on the African continent following its protracted, gruesome and equally horrific civil war.

### *Bangladesh*

Bangladesh qualifies because from 1980 to 2015, it gradually improved its fragility ranking, in particular its Capacity ranking (Alamgir 2009). Our assessments point to Bangladesh being one of the few states to have succeeded in exiting severe fragility, having left the ranks of the 40 most fragile states in 1991, with the era of military rule finally coming to an end and parliamentary democracy restored. Bangladesh's transition is reflected in the country's rankings. Despite Bangladesh's comprehensive structural weaknesses and uneven, if not ineffective, periods of poor governance, the country has gradually improved its fragility scores over the past three decades as reforms take root. Since that time, its ranking has fluctuated somewhat, but it has only qualified as fragile twice since the 1980s (2004–05 and 2007–08). On the whole, Bangladesh's situation has improved remarkably over the course of the 35 year period, given that it began as the third most fragile state in the world (Asadullah, Savoia, and Mahmud 2014). As the graph below shows, this structural transformation is the result of an overall improvement in Bangladesh's Authority and Legitimacy, rankings. However, both of these remain somewhat high as of 2016 along with Capacity, leaving Bangladesh potentially vulnerable to a return to fragility if adverse conditions were to emerge.

When Bangladesh, gained independence from Pakistan in 1971, its future appeared bleak; its economy in shambles after winning independence, its peoples divided and its leadership powerless. The independence government led by Sheikh Mujibur Rahman soon descended into authoritarianism and military rule (Zaman 2012). Within a few decades, Bangladesh's fortunes reversed course, as repressive military rule was supplanted by a nascent and partially dysfunctional multiparty system in 1991 that continues to this day. Its economic performance improved over the years, moving from a low-income country to a low-middle-income one in 2016. Growing by an average of 6% every year since 2004 (World Bank 2016).<sup>22</sup>

Often hailed as an economic development success, Bangladesh has progressed more than most other countries of similar economic status (Asadullah, Savoia, and Mahmud 2014). Manufacturing, especially in the garment and textile industries, has acted as the engine of the country's growing economy. NGOs and SME financing have supported development within rural areas (Gautam and Faruquee 2016, Chemin 2008). At the same time, a harsh environment with a high propensity for flooding and other natural disasters, has rendered the country more fragile than it otherwise would be.<sup>23</sup>

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<sup>22</sup> World Bank. 2016. Helping Bangladesh Reach Middle Income Country Status. World Bank. Available at: [http://www.worldbank.org/en/news/feature/2016/04/07/World\\_Bank\\_Group\\_s\\_New\\_Country\\_Partnership\\_Framework\\_helps\\_Bangladesh\\_Reach\\_Middle\\_Income\\_Country\\_Status](http://www.worldbank.org/en/news/feature/2016/04/07/World_Bank_Group_s_New_Country_Partnership_Framework_helps_Bangladesh_Reach_Middle_Income_Country_Status) [Accessed August 12, 2017].

<sup>23</sup> To be sure diaspora remittances has been hugely important in offsetting the consequences of repeated flooding and have supplanted foreign aid as the largest financial flow. We argue that diaspora activities are important and their externalities effect other areas of state fragility in positive ways. However, remittances in particular tend to be counter-cyclical and as such are not the primary solution for solving fragility (Carment and Calleja 2017)

Figure 6: Bangladesh's fragility ranking and ALC trends

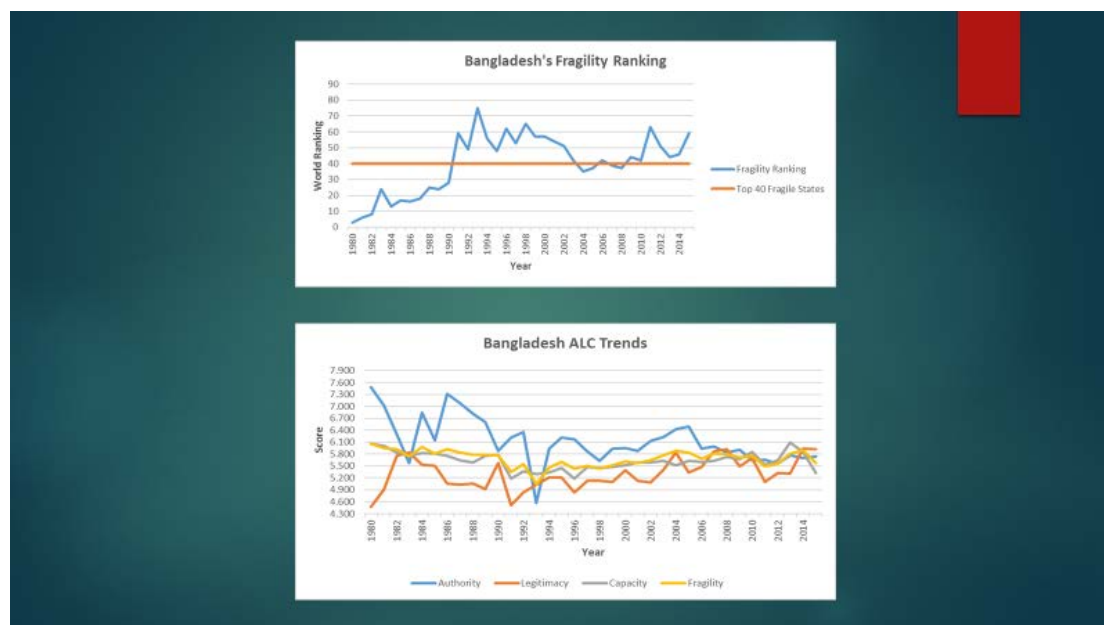


Figure source: Authors' own

Though the country's overall fragility does not exhibit a large change, the convergence of A, L and C over time is worth noting. For the first half of the 1980s, Authority scores fluctuated dramatically, improving, then worsening and then improving again. Conversely, Legitimacy scores worsened and then improved over the same time-frame with Authority changes lagging one to three years behind. This pattern of Authority following Legitimacy represents a general trend for the next 20 years. However from about 2000 onward, A, L and C converge and fluctuate less, indicating that the country reached a period of greater stability. In this second phase Legitimacy had an important role in guiding Bangladesh's transition out of fragility. Economic improvements are underpinned by the Legitimacy of government actions. When the economy deteriorates Legitimacy is weakened as well. Simply put, Capacity matters but it is not the reason why Bangladesh exited fragility.

Our findings indicate that Bangladesh's structural transformations followed a four-stage path in which contentious and violent political events are matched by elite efforts, civilian and military, to rebalance the political order. These four stages are themselves divided into two phase. The first phase consists of military rule and a halting but successful civilianization process. The second phase sees the rise of coalition parties and their co-optation of smaller parties eventually leading to highly personalised, combative and dynastic two-party political rivalry (Islam 2013). With respect to this second phase, instead of a 'ratcheting up' in which instability begets greater direct military involvement, there is a 'ratcheting down' where the military civilianizes and political parties increase their toe-hold on government, build coalitions and mobilise their followers to intervene in the political space for mostly peaceful protest and nonviolent action (Knox 2009, Tasnim 2012). Here we see the beginnings of Bangladesh's shift from a closed-access order to an open-access order, from a hybrid political system to a system attempting to, but not quite succeeding in, deepening its commitment to democratic and institutionalized political processes (Zaman 2012).

This two-phase exit from fragility is very much a recognition of how susceptible to crises (manmade and environmental) Bangladesh was at independence and the decade after. Each successive wave of destabilising events, corresponds with subsequent improvements in Legitimacy and Capacity to help move the country out of danger. Conversely, when stability is achieved



through coercive and repressive acts especially in the first phase, Legitimacy tends to deteriorate leading to counter-efforts to rebalance the delicate equilibrium. Key among these changes is a civilianization process that saw Bangladesh, after its seminal war of independence, move away from direct control by and dependence on the military.

We have yet to see the country fully institutionalise democratic processes. While output legitimacy in the form of improved service delivery and human development has improved through a growing economy, and an active civil society, processes remain messy. Leaders of both the BNP and the Awami League have not yet realised the benefits of respecting the results of an election. To counter these fundamental constraints on inter-elite cooperation, resilience comes in the form of strong patron-client relations which mobilise a wide swath of interests from the urban elite to the marginalised rural poor (Riaz 2014). Deepened social capital is mostly related to the involvement of NGOs and civil society networks (Kabeer, Mahmud, and Castro 2012, Khandker and Koolwal 2010, Khandker et al 2016). In this case, rather than generating political de-participation, the general populace is actively engaged along party lines but across economic lines. If there is weakness in the country's vast patronage system, it is that the country's secular leadership stands long accused of corruption and embezzlement of aid funds (Knox 2009). This helps strengthen Saudi Salafist funding for madrassas and Islamic charities. Indeed, Bangladesh is witnessing a growth in an underclass of poor, working-class young men shifting to a more puritan and confrontational strain of Islam.

In sum, the key structural transformation for Bangladesh was the removal of overt military control in domestic crisis management and its replacement with political mobilisation opportunities that would be channeled through party contestation, political reforms and economic liberalisation. Only after political reform, supported in large part by international donors, do we see an economic takeoff and associated changes in Authority. So despite crises being partly a function of elite political machinations and rivalries, there are specific factors and processes which have helped Bangladesh progress. Key among these is the conscious decision to legitimize multi-party politics by incorporating civil society within the political process, thereby broadening the political arena for the inclusion of new political and economic actors and the pursuit of high-growth export-driven manufacturing and production which would mobilize a work force in overpopulated urban centers.

### *Mozambique*

For its part, Mozambique exited severe fragility at the end of the civil war in 1992. The primary trend for Mozambique since the mid-1990s has been improvement in its Authority and Capacity clusters from a ranking of the 40<sup>th</sup> most fragile state in 1980 to less than half that severe by the middle of this decade. Mozambique exited severe fragility at the end of the civil war in 1992 (Birmingham 1992). The primary overall trend since then has been improvement. Moreover, Authority, Legitimacy and Capacity have begun to stabilize and cluster together at this lower level of fragility (ADB 2008)

Mozambique's irregular exit from fragility was witness to at least three inflection points. For our purposes, the period under study begins in the midst of the civil war or the onset of the 35-year window through which we track fragility processes. The first inflection point occurs between 1977 and 1991 with the signing of a peace agreement and restructuring of the economy (Alden 1995, Abrahamsson and Nilsson 1995). The second inflection point occurs between 1992 and 1994 with international oversight to enforce the peace agreement (Chan, Venancio, Alden and Barnes 1998).<sup>24</sup>

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<sup>24</sup> These changes, though positive, were partly associated with unrest during contested elections and Mozambique's difficulties in implementing structural reform. See in particular Dunne (2006) and Addison et al 2003.

The final inflection point occurs between 1995 and 2016 where Mozambique slowly becomes less fragile and the government remains in power through two more sets of elections (Alden 2001, de Sousa 2003). In the last five years we see a deterioration in Mozambique's rankings. This is a reflection of the country's increasing debt load, increasing internal challenges to one-party rule, and a decline in export earnings. At the same time, the country has become victim to the same decline in growth that has beset other commodity producing countries in Africa. Higher consumer spending and increased investment in energy, transport and resources have not sufficiently offset these declines (Jones and Tarp 2016).

Figure 7: Mozambique's fragility ranking and ALC trends



Figure source: Authors' own

In the overall ALC sequencing profile for Mozambique, Legitimacy rankings improve ahead of Authority and Capacity performance. Through the period of the civil war from 1980 to 1989, Legitimacy scores slowly improved, and from 1989 to 1990 see their largest overall improvement. Following improvements in Legitimacy are comparable improvements in Authority scores. Authority scores remain high for approximately three years after the major improvement in Legitimacy is seen, thereafter a similar improvement is seen in Authority, from 1992–93. This pattern indicates that improvements in Legitimacy are correlated with, if not driving, subsequent improvements in Authority.

Mozambique's future is less clear-cut than Bangladesh's (Dinerman 2008). Mozambique's exit from fragility is far from certain though its people remain resilient (Hanlon 2004, Hanlon and Mosse 2010). Jones and Tarp argue that if there is major constraint for Mozambique it is its inability to match poverty reduction with rapid economic growth (2016) especially as new sectors such as mining show lower levels of productivity.

Like Bangladesh, Mozambique's political and economic interdependencies were most evident in its formative years after the war. Where catalysing negative effects had the potential to shift the country downward, political leadership moved the country in a more positive direction with the support of the international community (Hume 1994). When stressed, as in a time of political upheaval, Mozambique's leaders revealed a modest ability to recuperate (Manning 2002). To be sure, both aid and extractive industry rents have aggravated Mozambique's fragility by undermining

regime legitimacy and effectiveness due to poor distribution (Ottaway 2003). Maputo's growth is not matched by equivalent gains in the hinterland (Stasavage 1999).<sup>25</sup> Perez and Le Billon (2013) argue that Mozambique's continued low development is a function of a low tax burden on elites which in turn puts minimal pressure on these elites to provide social spending for all Mozambicans. The absence of accountability is key here.

Output legitimacy hangs in the balance. For example, the country's supply of food is at risk, leading to alarming numbers of people lacking permanent food security. Forty four per cent of children under 5 are chronically malnourished, and at some point during the year at least a quarter of the population suffers from acute food insecurity (Phiri 2012). Mozambique is the third most at-risk country from weather hazards in Africa, with droughts, flooding and other climate-change-induced high-temperature weather patterns acting as a destabilizing force (World Food Program 2011). These statistics illustrate some of the consequences of the lack of spending on social welfare and infrastructure, which occurs in tandem with increasing corruption and cronyism. (TI 2014). If the political leaders of Mozambique are able to recognize ahead of time that their continued rent-seeking behaviour will eventually lead to massive discontent within the general population, a pulling-out of donor countries from aid arrangements and a risky economic climate for investors, then they may be able to stave off some of these risks.<sup>26</sup>

### *Summary - The Value of Virtuous Feedback Loops*

Since their calamitous and inauspicious beginnings, both Mozambique and Bangladesh have been beset by assassination, mass killings, destructive political infighting and deep corruption. Yet their economic circumstances have improved significantly, despite an enduring dependence on foreign aid. To be sure, both Mozambique and Bangladesh possess significant structural problems that continue to hamper their economic growth and political development, in particular Mozambique, whose structural economic weakness is beginning to reveal itself (Jones and Tarp 2016).

It is here that Bangladesh provides lessons for Mozambique. For example, Bangladesh's ultra-poor, who constitute the poorest 17.6 per cent of the population are supported by various initiatives including a programme to drive down that number even further. Similarly the Grameen Bank provides credit to SMEs, further strengthening capacity among the rural poor. Bangladesh represents the virtue of investing in human capital.

Politically, as hybrid democracies, both countries have substantial difficulties in managing political transitions without violence and political unrest. Mozambique has been a nominal one-party state since independence, though its constitution introduced multi-party elections in 1989. Bangladesh is a multi-party democracy but one consistently undermined by cronyism and dynasticism. To be fair, much of Bangladesh and Mozambique's corruption might be reinvested in their respective economies creating a kind of virtuous, if not inefficient, feedback loop. But other virtuous feedback loops are present, including the aforementioned investments in human capital projects, gender empowerment (in the case of Bangladesh) and spontaneous forms of privatization. These all serve to indirectly improve Legitimacy and Authority by reducing social unrest and improving Legitimacy outputs.

Both countries exited from fragility through two stages. First by overcoming the adversities of war as well as meeting the challenges of natural and man-made disasters (flooding in the case of

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<sup>25</sup> See: World Bank. (2013). 'Mozambique' <http://www.worldbank.org/en/country/mozambique/overview>

<sup>26</sup> World Bank. (2007). *Aid that Works: Successful Development in Fragile States*. Washington, DC: The World Bank, <https://openknowledge.worldbank.org/bitstream/handle/10986/6636/379590REVISED01OFFICIAL0USE0ONLY1.pdf?sequence=1> World Food Program. (2011). 'Fighting Hunger Worldwide', overview on Mozambique, <http://www.wfp.org/countries/Mozambique/Overview>.

Bangladesh, demining in the case of Mozambique), and second by focusing on economic growth where reforms were implemented and supported by the international community. In the first phase we see decreasing volatility in both Legitimacy and Authority and only later in the second phase improvements in Capacity based on export growth and more diversified economies.<sup>27</sup>

In comparison to the other types of states in this study, Bangladesh and Mozambique illustrate that, while long term stability is not easily achieved, it is possible given the right mix of policy decisions to support political and economic reform, support from the international community and reasonably independent political institutions. Exceptional export-driven economic growth has resulted.<sup>28</sup> Distribution and equality remain significant stumbling blocks. Ultimately, state-society relations and not economic growth will determine if both countries will maintain their trajectories. Rapid economic growth has the potential to empower a large number of citizens while at the same time leaving their political voices unheard and their needs unsatisfied.

## 5 Conclusions

We began this paper by arguing that trapped states exhibit specific features that keep them trapped. Statistical testing showed that capability, legitimacy and conflict (to some extent), were key drivers related to the fragility trap. We associated the capability and conflict trap explanations with CIFP's Authority cluster and legitimacy with CIFP's Legitimacy cluster and, using case-studies, compared changes in ALC performance over time.

We can now discuss the overall results from our analysis. In regards to conflict we see that it was present in all six cases though none were trapped by it. Three of the six, Bangladesh, Pakistan, and Mali experienced multiple coups: while two, Yemen and Mozambique experienced at least one coup or coup attempt.

The two countries that successfully exited namely Bangladesh and Mozambique emerged from large-scale civil war costing millions of lives that destroyed their economies. But their transitions proved successful, in so far as political and economic processes emerged that were sustainable, and reasonably legitimate. In contrast, our two in-and-out states experienced sporadic conflict but these were regionally driven low-intensity insurgencies that drained the Capacity of the state to project Authority and build Legitimacy. More so for Mali than Laos.

Finally, our two trapped states have had long running low-intensity conflicts. Only in Yemen's case might we conclude that unresolved conflict has contributed to its trapped status. While Yemen failed to overcome its long-standing and deep North-South divide, Pakistan has not yet collapsed under internal pressure despite, and perhaps because of, the military's dominance in political affairs. But that dominance comes with the cost of deteriorating state legitimacy and limited political freedoms. These results tend to support our original finding that conflict is not a strong enough reason to explain why states remain trapped.

We surmise that a more likely explanation relates to the lethal and vicious feedback loops inherent in the actions of political elites and their institutions that are both perceived as unreliable and ineffective by the citizenry. Negative perceptions of both process and output legitimacy contribute

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<sup>27</sup> The fertile ground for Mozambique's economic growth arose paradoxically from its war time destruction. After the war the state was so weak that spontaneous privatization became the norm. State ownership changed to state investment in private firms. Further demining made infrastructure and agricultural development and investment possible.

<sup>28</sup> In Mozambique's case LNG has the potential to contribute to growth even further.

to popular dissent that further weaken state legitimacy (Carment 2011, Carment et al 2007). This finding is similar to Ismael's (2016) study which shows that citizens of a trapped state delegate power to the state to provide public goods due to their own lack of capacity to do so. If the government does not appear to be willing or able to fulfill performance expectations such as providing public goods and order, the population will not consider it to be legitimate and will be more likely to disobey it (Gisselquist 2015). In this way a capability trap leads to weakened legitimacy and ultimately conflict.

The government of a trapped state such as Yemen that lacks sufficient resources to retain supporters is even more likely to lose their narrow power base, thus becoming more vulnerable to challenges that destabilize it. Disengagement of the local population then occurs when elites benefit from the perpetuation of undergoverned spaces and seek out rents autonomously. This disengagement can set in a cycle of violence on the periphery, a decline in state capacity and limited success in reclaiming territory resulting in a weakened state. Mali has shown this pattern as well.

Pakistan shows a second, less lethal causal relationship in which elites overextend their authority. A key driver in this case is not the inherent weakness of institutions (which can be concealed) but deeply politicized patron-client relationships driven by unelected (and therefore unaccountable) rent-seeking elites. Even when stabilized by a civilianized military regime, such patron-client systems come at the cost of creating deeper inequalities of exchange and structures of legitimized and routinized, coercive dependence. Such personal rule ultimately undermines the institutional coherence required for a viable democratic society because rule is ultimately arbitrary.

The inherent difficulty of a fragile state attempting to exit the trap under these conditions is straightforward. Leaders are able to survive with a small but powerful support base by tying private welfare to their own welfare. Even though the state is the primary instrument of power and may even indeed possess overwhelming coercive capacity, its leaders lack the autonomy to affect concessions for reform. Since a necessary ingredient for implementing reform is public support for such policies, elites that are unaccountable to the large population (in which the possibility of overturning the government is always present) have little incentive to pursue change. Legitimacy is weakened even further when elites are forced to expend greater resources on coercive means in order to ensure they are obeyed.<sup>29</sup>

In brief, states remain trapped or fall back into fragility when they fail to provide public goods that benefit large parts of the population, even in the face of improved Capacity. Situations where there is a decline in the provision of public goods is often followed by decreasing voluntary compliance, such as tax payment, which can in turn reduce government effectiveness further (Levi and Sacks 2009).

In terms of policy insights we have two recommendations. First, because states stuck in a fragility trap lack Legitimacy does not mean we should just look at Legitimacy unidimensionally. Since Legitimacy processes are important, societal consent and participation in systems of governance (local, regional and global) and effective leadership must be examined. We also need to consider indigenous forms of political and economic organization with the recognition that partial liberalization as seen in Mali, Bangladesh and Mozambique is a strategy not for democratization, but to sustain control politically and economically. Providing social groups with a degree of

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<sup>29</sup> A more detailed assessment would need to include local elites. Our Mali case is suggestive. Debiel (2009) and his coauthors find that local actors and power-holders do not always evade interaction with the state which they regard as a potential source of income, power, and legitimacy. Menkhaus (2014) shows how important it is to incorporate both sub-state and non-state actors into the decision-making apparatus. Central governments will be politically ineffective without accommodating local actors who control important levers of power.

freedom allows states to pursue a ‘divide and rule’ strategy whereby control is maintained by playing groups against each other.

Second, since output legitimacy matters we need to examine all of its dimensions not just service delivery. Key areas to focus on are territories that are typically ‘undergoverned’ and where group cohesion is low with respect to the treatment of minorities and women. We should also examine public perceptions as expressed in surveys in response to unfair and inequitable distribution of resources for public welfare.

Finally we should re-examine Chauvet and Collier’s (2008) insights on how aid can and cannot buy reform. Due consideration should be given to the circumstances in which aid distortions contribute to increasing fragility and the disruptive effects that occur as the aid industry evolves (Kharas and Rogerson 2012).<sup>30</sup>

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<sup>30</sup> The authors argue that agencies providing development finance for improved social welfare, for mutual self-interest in growth and trade and for the provision of global public goods will find that, in each area, disruptors to their programme may force a change in positioning. These disruptors include climate change, philanthropy (including remittances) and South-South trade and finance.

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