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**S.O.S**  
**A U.S. Strategy of State-Building**

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## **A U.S. Strategy of State-Building**

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**The views expressed in the following report do not necessarily reflect the views of SID-Washington, SID-Washington leadership or SID-Washington members. The Strategy Group participants participated in their individual capacity. The views reflected in this document do not necessarily reflect the views of their respective organizations.**

## Table of Contents

Executive Summary	4
Creating a U.S. Strategy for Fragile States	6
Core Issues in Fragile States	8
The Framework	
• Demographic Pressures	11
• Inequality	13
• Security Apparatus	15
• Criminalization and De-legitimization of the State	16
Nigeria: A Case Study	17
Strategy Group Recommendations	24
Appendix A: Strategy Group Participants	26

# A U.S. Strategy of State-Building

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## Executive Summary

Tunisia was the first domino to fall in the revolution that spread throughout the Middle East and North Africa (MENA) and became known as the *Arab Spring*. The spark that ignited the region was Mohamed Bouazizi's self-immolation in protest of injustice – a source of grievance and tension present in other fragile states across the globe. While political awakenings have brought about promising changes, they have also been followed by instability and division, exposing deeply-rooted challenges that are characteristic of fragile states.

Revolutionary changes in the MENA region will have long-lasting repercussions for U.S. interests – as will the rapid changes occurring in other fragile states beyond MENA, each of which is confronting its own complex challenges. Mali, for example, long praised as a stable democracy and success story, was in reality a fragile state that collapsed. Currently, some 40-60 states, representing over one billion people, are fragile political entities and potential arenas of instability.

The U.S. does not have a strategy for addressing the fundamental problem of fragile states. Several task forces, commissions, and working groups have examined the role of the U.S. in stabilization and conflict, focusing primarily on the threats of insurgency, terrorism, political extremism, and mass atrocities. But none has offered a strategy for addressing the underlying causes of state fragility that is both preventative and responsive. Such a strategy would enable the U.S. to focus on helping states move from fragility to stability, not merely on reacting to the symptoms of fragility from one crisis to the next.

This report builds on, but goes beyond, previous efforts and presents a strategy for state-building that is structured around four core issues that fragile states typically confront:

1. **Demographic pressures** – population growth, youth bulge, competition for scarce resources such as water, land, and food.
2. **Inequality** – a widening gap between rich and poor within states, discrimination, particularly along ethnic lines.
3. **A fragmented security apparatus** – either through formation of praetorian guards loyal to leaders or development of sects, militias or warlords, all of which undermine the monopoly of force by the state.
4. **Criminalization and de-legitimization of the state** – rigged elections, coups, corruption, underground economies.

The report examines the causes and effects of each of these issues on fragile states and offers practical options for addressing them within the context of a broader strategy. Nigeria is presented as a case study to help illustrate how these four issues are manifest in a fragile state that is of strategic importance to the U.S., and practical measures that could be taken to address them.

## A U.S. Strategy of State-Building

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In addition to adopting these four core issues as the framework for a more comprehensive state-building strategy, the authors of this report make six recommendations to the U.S. Government, which are to:

1. Strengthen and prioritize programs that enhance local institutional capacity for good governance, equal justice under the law, political inclusion, and public well-being. Such programs shore up the ability of host country governments to address the core issues identified in the framework.
2. Make the strategy part of the President's National Security Strategy, to be led by a high level official such as an Undersecretary for State-building within the Department of State. The Undersecretary must have sufficient authority, resources and staff to mobilize relevant agencies and resources throughout the U.S. Government, especially the regional bureaus. The current Bureau for Conflict and Stabilization Operations (CSO) should be merged into the staff of the Under Secretary.
3. Distinguish and decouple the strategy of state-building from military and intelligence activities focused on counter-terrorism and counter-insurgency. A well implemented state-building strategy may reduce the need for military responses and open up opportunities for governance programs to take the lead.
4. Partner U.S. assistance programs with the international business community, where appropriate, to alleviate pressures on fragile states by promoting economic growth, workforce development, jobs, and access to finance, know-how, international standards, competitive markets and diverse networks that increase exposure and breed tolerance.
5. Coordinate with multinational organizations, such as the UN, regional organizations, and major donor countries to avoid duplication of efforts, share the responsibilities of state-building, build on lessons learned, and promote best practices.
6. Ensure that any host country government the U.S. assists is a willing and able partner in the state-building strategy, and encourage international and local civil society organizations to be fully engaged.

The strategy puts host country governments in the lead, with the U.S. and other international actors playing supporting roles. It is a strategy that can be adopted right away—for example in response to countries in the MENA region—and is equally relevant to pre-conflict states and states in transition, to promote political stability, deter extremism, and avert mass atrocities.

This report and all of its recommendations were developed by a Failed States Strategy Study Group (hereafter referred to as The Strategy Group) with the sponsorship of the Society for International Development—Washington, DC Chapter's (SID-Washington), as part of the Security and Development Workgroup.

# A U.S. Strategy of State-Building

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## Creating a U.S. Strategy for Fragile States

There are few more urgent and complex foreign policy problems that confront the U.S. than how to deal with fragile states. The volatility of the Middle East and North Africa (MENA) region over the past two years is illustrative of both the urgency to act and the complexities of how to respond. More than five countries experienced uprisings. Among them, three resulted in regime change and one, Syria, has descended into a brutal civil war that has killed or displaced more than two million people. The crisis has stymied world leaders, including U.S. policymakers, who have vacillated on whether to engage, and if so, how. Meanwhile the UN has been paralyzed by the Security Council's inability to reach a consensus on what actions to adopt next.

Beyond the Arab Spring, fragile states dot the global landscape and bring with them myriad challenges that not only threaten the lives of innocent civilians, but also pose significant risks to the stability of their neighbors and the security of the broader international community.

The Society for International Development-Washington, DC Chapter's (SID-Washington) Security and Development Workgroup launched the Fragile States Strategy Group (hereafter referred to as the Strategy Group) in early 2012 to develop recommendations for a U.S. strategy for fragile states. The Strategy Group consisted of a group of foreign affairs experts who convened in a series of six in-depth policy sessions, with the aim of creating a basic framework for addressing the crises wrought by shattered states. The group focused primarily, though not exclusively, on countries that experienced an Arab Spring as test cases for its findings.

*This report focuses on four core issues that fragile states typically confront. These factors are central to shaping the future of fragile states—representing some 40-60 entities and over one billion people—that are teetering between a descent into violence and disorder or economic and political development.*

Previous efforts like the HELP Commission, the QDDR and several Presidential Directives have cited the need for a strategy for addressing fragile states, but it has not yet been formulated. These and other efforts have yielded recommendations to protect civilians in conflict, prevent mass atrocities, and other worthy if tactical stabilization measures. But they have stopped short of addressing the root drivers of state fragility that lead to conflict.

The U.S. is still approaching the challenges posed by fragile states on an ad hoc basis, country-by-country and crisis-by-crisis. Decisions to intervene in Egypt (diplomatically), and with NATO in Libya (militarily), but not in Bahrain, and incrementally in Syria, are guided by circumstances rather than strategy. Moreover, beyond an immediate response, the U.S. is ill-equipped to address the underlying reasons for the crisis, and without resolving the causes, a sustainable transition from fragility to stability is unlikely.

The U.S. is not alone in this dilemma. While there are state-building projects around the world, with rare exceptions, such as Britain's foreign assistance program dealing with fragile states, there is not typically a comprehensive strategy to guide policy decisions. This project partially

## A U.S. Strategy of State-Building

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fills that gap by creating a conceptual framework for such a strategy, one that is not focused so much on bureaucratic management as it is on policy content. The Strategy Group has taken into account recommendations of prior working groups and commissions, recent developments worldwide, various cultural and historical contexts, and political realities within the U.S., such as constraints imposed by financial austerity, changing alliances, shifting priorities and U.S. public opinion. The latter is understandably wary of additional engagement in overseas conflicts after enduring a decade of war in Afghanistan and Iraq and continued counter-terrorism and counter-insurgency operations world-wide. All of these considerations underscore the need for a coherent and viable strategy that makes the best use of limited resources and selective engagement.

This project is rooted in the assumption that, while the U.S. should be mindful of lessons learned, it is time to move beyond the kind of thinking that was shaped by the Vietnam era or even 9/11. Diplomatic choices cannot be narrowly defined to avoiding military quagmires or decimating terrorist organizations. The many crises unfolding in fragile states require fresh ideas, innovative capabilities, and selective engagements. With this report, The Strategy Group offers a step in this direction

Drawing on SID-Washington's institutional network of foreign nationals, aid workers, development practitioners, legal experts, international conflict resolution practitioners, and leading scholars, The Strategy Group sought to answer the question: "what are the elements of an effective U.S. strategy for fragile states?" The goal was to submit the recommendations to the Administration and the 113th Congress after the 2012 election.

The four issues or themes that constitute the focus of the strategy: demographic pressures, inequality, fragmented security apparatus, and criminalization and de-legitimization of the state; were drawn from the twelve indicators of state fragility enumerated in The Failed States Index (FSI). The FSI is an annual global assessment of 177 states that has become the analytical standard-bearer used by policymakers, the media, the private sector and scholars around the world. Produced by The Fund for Peace (FfP), an independent educational and research organization, the FSI has been published in Foreign Policy magazine since 2005.<sup>1</sup>

These themes are particularly relevant to events unfolding in the countries of the Arab Spring. Thus, the Strategy Group had a unique opportunity to both develop the framework and analytically apply it in a timely fashion to an area where rapid change is occurring and policy decisions have to be made.

The Arab Spring illustrates how rapidly and unexpectedly state fragility can devolve into chaos because of deficiencies in the four areas identified in this framework. Violent uprisings, growing youth bulges, endemic corruption, mounting inequality and multiple militias all represent the hallmarks of fragility occurring in the Middle East and North Africa. A comprehensive strategy

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<sup>1</sup> Details on the FSI and the indicators highlighted here can be found on the FfP website: [www.fundforpeace.org/fsi](http://www.fundforpeace.org/fsi)

## A U.S. Strategy of State-Building

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that will protect U.S. interests, promote more open societies, contain extremism, and promote good governance is needed.

It is important to note that the Strategy Group regards the recommendations in this report as a starting point, not the last word. Activities within the strategy will need to be tailored to the specific needs of individual countries. We hope, nonetheless, that what is presented here will serve as the basic template for a wider approach to fragile states that will be elevated within the hierarchy of national security concerns, included in the President's National Security Strategy and led by a high level official in the State Department, as suggested in the recommendations.

### Core Issues in Fragile States

This report focuses on four core issues that fragile states typically confront. The degree of conflict risk that each issue represents varies by country and there may be other major issues beyond those highlighted here that should be included when assessing individual states. Nonetheless, these four challenges are nearly always present in fragile states struggling to sustain the rule of law, protect individual rights, create a just social order, provide public services, and build economies that offer balanced growth and equal opportunities. These factors are central to shaping the future of fragile states—representing some 40-60 entities and over one billion people—that are teetering between a descent into violence and disorder or economic and political development.

*The central recommendation of the Strategy Group is that the U.S. should adopt a comprehensive state-building strategy, addressing four key issues or themes: 1) demographic pressures, 2) inequality, 3) a fragmented security apparatus, and 4) the criminalization and de-legitimization of the state.*

Previous approaches to fragile states have tended to focus on building state institutions, often led by the military. While building institutions is essential, these efforts run the risk of being formulaic and uncoordinated, with an emphasis on security over other desired outcomes, such as good governance, financial transparency, economic justice, demographic needs, and political legitimacy. Where these other issues are not addressed, security is unlikely to be sustained. For example, a stable society requires a functioning judicial system. In evaluating the strength of the judicial system, one must not only look at the number of judges, courts, and prosecutions in a country, but also at whether citizens have access to these institutions, due process is upheld, judgments are perceived as fair, and the aggrieved have access to reasonable dispute resolution mechanisms. Only then will the goals of rule of law institution-building succeed.

The emphasis on the four core issues is thus intended to focus on outcomes. Unless states in transition are trending in the right direction along the four main areas of concern outlined in this report, their fragility – or risk of failure – is likely to increase. If they are trending in the right direction, they are more likely to experience stability and growth.

As noted earlier, the strategy of state-building advocated here applies to countries at risk of looming civil conflict as well as countries emerging from internal war, revolutionary change, or



## A U.S. Strategy of State-Building

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other major political conflict, such as insurrections or unconstitutional regime change. It is far preferable, and much less costly, to act preventively before major violence erupts than afterwards. Because state fragility often drives conflict, or can undermine a state's resilience in coping with the pressures that make it weak, a state-building strategy may be applicable as both a preventive and responsive policy – to avert conflict as well as to move beyond it.

A state-building strategy is not a panacea for all conflicts. It is not likely to work in countries with predatory regimes and recalcitrant elites bent on preserving their own power and wealth instead of acting in the nation's best interest, such as Bashar al-Assad's Syria. Moreover, the timing, scope, and nature of a state-building strategy must be tailored to each country's needs and receptivity. Even in states that may be receptive, policies will not always have the same effect. Liberia, for example, would be a better candidate for a concerted state-building strategy than, North Korea. In some states evidencing signs of reform, such as Burma (Myanmar), a state-building strategy may offer promise, but there must be a clear commitment by the leaders to adopt genuine reform, not just enough reform to get sanctions lifted or obtain short-term political gain. The U.S. should carefully assess each country to identify which are willing, committed, and promising partners.

State-building is not a quick-fix or a short-term project. There must be a commitment by all partners to stay the course. To be successful, the strategy must have external support and buy-in from the host government. Local leaders must be committed to strengthening their own institutions and press for sustainable policies that achieve inclusive development, freedom and justice for their populations. Where commitment from the local government is lacking, the U.S. should not adopt a state-building strategy of the kind advocated here.

Some skeptics are wary of state-building policies, even if they hold promise of success. They argue that such efforts have more often ended in failure than success and that they squander resources that are better spent at home. While there have been past failures, they have been largely due to the lack of local buy-in, resources, or sustained interest by external stakeholders. Iraq and Afghanistan are also sometimes mistakenly cited as precedents for this strategy, but this is misleading. Both countries were recipients of enormous investments by the U.S. to build new institutions and establish security but our efforts were focused primarily on counter-terrorism and counter-insurgency, led by the military

Moreover, there have been more successes than usually acknowledged. Several successful states are evidence of the efficacy of state-building. In the 1970s, for example, India was predicted to be a country headed toward famine due to a population explosion and widespread poverty. While India still has many problems, it also has a dynamic economy and is the world's largest democracy. South Africa, once seen as heading toward a race war, likewise defied the assumption of an inevitable conflagration by abolishing apartheid, negotiating a political transition and adopting one of the most liberal constitutions in the world. South Korea has made stunning progress in the last four decades, evolving from a poverty-stricken dictatorship to a prosperous capitalist democracy. Other states have benefited from UN peacekeeping missions, international aid, and new leadership, such as Liberia, Cote d'Ivoire, Timor Leste, and

## A U.S. Strategy of State-Building

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Sierra Leone. All of these countries demonstrate that strong local leadership coupled with reasonable levels of international support can achieve a great deal.

Some observers may feel that a state-building strategy is unnecessary. They point to existing programs that support democracy, economic development and counter-insurgency as evidence of U.S. state-building. These are worthy initiatives that often complement state-building, but do not alone constitute state-building, and can sometimes work at cross purposes. For example, an emphasis on holding quick elections can be premature if there is no constitution, rule of law, or transparency in election procedures. Elections

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can trigger conflict without prior political consensus on major issues, such as the distribution of authority, revenue allocation, and security sector reform. In highly conflicted societies, state-building should be a precondition for holding elections, not the other way around. International attention to fragile states has often waned quickly in the wake of elections despite the fact that institutions remain weak and vulnerable.

Existing efforts aimed at conflict resolution in fragile states, such as the newly created State Department Bureau of Conflict and Stability Operations (CSO), represent a step in the right direction, but the bureau is limited in resources, mainly supports short-term or crisis initiatives, has limited buy-in from regional bureaus, and has not embraced the wider strategic issues addressed in this report. Thus far, U.S. state-building policy has been divided by fragmented agency jurisdictions, including regional and functional bureaus, and has been largely focused on building local security forces as a way to combat global terrorism.

Some argue this is as it should be: the U.S. should confine itself to fighting terrorism, Islamist extremism, or anti-western insurgencies and leave state-building to others. That would leave the U.S. in the position of responding to endless crises, without dealing with the underlying pathologies that give rise to extremism and terrorism. Eliminating extremists is not going to eliminate the underlying sources of anti-Americanism, and more radical leadership will fill the ranks of those that are removed. This does not mean the U.S. should adopt a wholesale policy of “nation-building” which would require instilling a sense of patriotism and national identity to unify a fractured country. Only local actors can do that. But in selected cases, the U.S. can help strengthen the political infrastructure of local elites, civil society organizations, and government institutions that are fundamental to functioning democratic states.

Today, more countries and international agencies are turning their attention to this task – strengthening political infrastructures. In one promising multinational initiative, the G7+ countries are working with the OECD and a cohort of fragile states toward a “New Deal for Engagement in Fragile States.” Nineteen fragile states have volunteered to take the lead on self-assessments using country-specific indicators that they have helped to identify.

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## A U.S. Strategy of State-Building

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The United Kingdom has decided to focus its economic aid programs on fragile states. Germany has outlined new guidelines and a shared inter-agency strategy for fragile states. “The problem of fragile countries will grow and we will have to deal with conflicts more often,” said German Foreign Minister Guido Westerwelle. “We know that the resources of classic diplomacy alone are not sufficient.”<sup>i</sup> Nor are the resources of classic military operations or aid policies. The three elements of policy—diplomacy, defense, and foreign aid—must work together, with a common strategy, even if they are in different domains.

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With the U.S. winding down its military role in Iraq and Afghanistan, the time is ripe for Washington to adopt a new approach. By doing so, the U.S. would be enhancing its own security and building a more peaceful future that should spur international economic recovery as new markets open up, trade improves, and investment opportunities appear.

### The Framework

The Strategy Group urges the U.S. administration to adopt a strategy of state-building focusing on the four key areas discussed below. In deciding whether to embark upon a state-building strategy, the U.S. should ask the following questions of at-risk states:

#### Demographic Pressures

***Can the state create the conditions to fulfill public aspirations for social justice and economic opportunity to cultivate a productive labor force—especially among youth—or will it face rebellion and unrest?***

Population trends are dividing the world into more than the economic “haves” and “have-nots.” There is also a substantial generational difference that is creating a wider divide within as well as between nations: the developed world is aging, while the developing world is getting younger. Indeed, the growing youth bulge, particularly in low income countries, is seen by some experts as the most critical economic development challenge ahead. Ninety percent of the world’s youth now live in developing countries. In the Middle East, 65% of the population is under the age of 30; in many African countries, roughly 50% of the population is under the age of 15. These youthful populations are often unskilled or inadequately-educated for productive employment. Alienated from the main social, political, or economic life of their countries, they are frustrated with the rampant corruption that blocks their personal advancement. Aided by the information revolution and the spread of social media, millions of young people are finding

## A U.S. Strategy of State-Building

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common cause in protesting over unfulfilled aspirations that their governments are either unable or unwilling to address. While youth bulges alone are not determinative of conflict, unemployed youthful populations in conflict-torn regions are more likely to engage in violent behavior than older populations.

High population growth and urbanization also intensify competition for resources like food, water, land, and energy – creating more conflict drivers in poorer societies with weak governance structures. One particularly troubling case of this is Yemen, which suffers from considerable religious and tribal tensions, as well as a weak economy. It has few basic resources, including the most vital of resources, water. Yemen also has the highest fertility rate in the Middle East as well as the highest proportion of young people below the age of 24 (65.3%). It has a low rate of educational attainment among youth, particularly between the ages of six and 15, resulting in a less productive future workforce and, by extension, a weaker future economy.

Like the Middle East and Africa, South and Southeast Asia are also experiencing a youth bulge, but some are turning their large youth populations into an asset. Indonesia, for example, is reaping the benefits of a young, well educated workforce and a business-friendly environment. It is following in the footsteps of other Asian societies, like South Korea and the East Asian “tigers,” which combined plentiful labor with increased national savings, free markets, and investment in education and vocational training to produce a “demographic dividend.”

Another example of a country better situated to handle its demographic pressures is Tunisia. Among the MENA states in transition, it is furthest along in its journey to becoming a democratic society, notwithstanding the anti-American demonstrations it experienced in September 2012 in response to an American-made amateur video that offended Muslims. While there are still significant problems, Tunisia has a middle class, less ethnic diversity, and a history of legally protected rights for women that enables it to achieve educational advancement, economic productivity and political participation. Studies show that female education and economic activity reduce fertility. Progress for women in Tunisia has already begun to reduce demographic pressures and should bring more stability in the long term.

*The private sector has a critical role to play by providing opportunities and training for women and youth that have practical outcomes for businesses as well: a more productive local workforce, shared values that help the host country and corporate investors operate more efficiently, a more stable economic environment, and the social license to operate.*

To be effective, a fragile state strategy needs to address varied demographic pressures, including the issues of fertility, resource distribution, marketable education and job opportunities for the surging youth population, and generational change. While these are sensitive topics, there are many instances in which such policies have had success in environments that were once considered inhospitable. For example, family planning has worked in Indonesia, the world’s largest Muslim country, and in Iran.

## A U.S. Strategy of State-Building

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In Rwanda, where population density was among the highest in the world, the government's promotion of the use of contraception resulted in a 14 percent increase in use and a 50 percent reduction in maternal mortality. Since 2006 fertility dropped from an average of 6.1 children per female to 4.6, school enrollment rose to 90% and the poverty rate fell from 57% to 45%.

Fertility issues are sometimes avoided by external donors because they are deemed too culturally controversial compared to other development issues. Yet it would be a mistake to ignore this issue. Demographic issues – particularly population growth rates and women's health – are fundamental to fostering development, alleviating poverty, achieving social justice and abating conflict. Once action is taken by a state, demographic relief has long term economic and social benefits.

Girls' education is one entry point because educated women tend to have healthier and more prosperous families. Another entry point is youth training that leads to educational and economic opportunities, and a pathway for young people to become productive adults through vocational training, small business development, labor intensive infrastructure, and entrepreneurial endeavors. Such programs need to target young women as well as young men.

The private sector has a critical role to play in these efforts by providing opportunities and training for women and youth through local development programs. Such programs have practical outcomes for businesses as well: a more productive local workforce, shared values that help the host country and corporate investors operate business more efficiently, a more stable economic environment, and the social license to operate.

### Inequality

#### ***Can the state foster the conditions for inclusive economic and political development or will ethnic, sectarian, and religious conflicts deepen?***

Of the many uprisings since the Arab Spring began, none has been as brutal and protracted as the revolt in Syria. It is a classic example of a strongman state with a powerful military, but relatively weak political and economic institutions. Syria has shown how exclusive rule (in this case by a dominant family within the minority Alawite community) in an autocratic state can implode into sectarian civil war. Political exclusion and inequality are root drivers of internal conflict and state fragility.

With entrenched corruption, Syrian president Bashar al-Assad and his Alawite supporters cultivated not only political power but a strong majority stake in major economic enterprises and holding companies throughout the country, securing the economic foundations of political power. Office holders at every rank and level in the state bureaucracy, including the military, had participated in crony capitalism. Public resentment at the growing inequality and injustice in Syrian life played out on the streets in 2011, with peaceful demonstrations descending into a violent civil war. The system failed to provide jobs or economic security to the broad masses, skewing growth in favor of the wealthy. The situation further deteriorated as a result of severe

## A U.S. Strategy of State-Building

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drought that has devastated Syrian farming and driven an estimated one million people off the land. Rising food prices, which increased by nearly 20 percent in 2010, hit the poor hard and weakened the middle class. The likelihood of continued sectarian and religious conflict is high, with minorities—Alawites, Christians, and others—fearing a takeover by a vengeful Sunni majority.

Syria's story, unfortunately, is not uncommon. Throughout the MENA region, and in many other fragile states, inequality has given rise to conflict. It is critical to understand that inequality does not mean economic inequities alone. In some countries—including many of those countries involved in the Arab Spring—economic conditions were getting better when measured by typical aggregate national indicators, such as GNP or per capita income. Regardless of overall growth, however, uneven development along group lines deepens internal social divisions and magnifies group discontinuities. Widening gaps among identity groups have led to feelings of gross injustice and group grievance. In MENA, there is a general sense among the public that inequality is rising and becoming increasingly skewed. However, in resource rich countries in the region, where inequality is highest, unrest tends to be low. There are numerous potential causes for this: large portions of the population in Gulf Arab monarchies are not citizens or permanent residents; there has been some improvement in access to education (especially for women); inequality is socially accepted; and the average citizen is sharing in the wealth of the country.

Even in these societies, however, inequality is a source of resentment among the youth. Individual opportunity is limited to well-connected elites. In addition, in many MENA countries, there has been a dividing line between the wealthier coastal urban centers and poorer rural interiors. Even where economic growth rates are high, the absolute gap between rich and poor appears to be increasing. Gaps in income overlap with gaps in political power, prestige, resources, public services, and economic opportunity, with one group, clan, family or tribe dominating.

But radical change does not necessarily happen because an autocrat is overthrown, as they have been with remarkable speed, in the countries of the Arab Spring. In many cases, old power structures still exist, whether controlled by the military, other security agencies, the judiciary, a specific ethnic group or a religious faction. In some states, secular activists demonstrating for democracy have been pushed aside by these entrenched interest groups. Whether successor regimes—be they linked with the Muslim Brotherhood as in Egypt, or diverse factions as in Libya—will be able to reduce inequality, or change public perceptions about it, is an open question.

History suggests that fundamental change does not come quickly. In some cases, where the old order has crumbled and a power vacuum exists, the country is vulnerable to extremist groups that may oppose democratic change or try to impose a new hierarchy of absolute power, as in Libya. The explosive violence of the attack on the U.S. compound that killed the U.S. Ambassador and three other Americans was deplored by many Libyans who demonstrated



## A U.S. Strategy of State-Building

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against religious extremism. Still, it exposed the splits within the country, the dangers of sectarianism, and the security vacuum that persists in post-Gadhafi Libya.

Economic growth does not have to increase regional and ethnic inequality. A commitment to inclusive politics and economic growth, transparency and anti-corruption, and the creation of opportunity for the poorest economic groups, fosters greater long-term economic growth and stability and reduces the pressures for ethnic and regional conflicts.

### Security Apparatus

***Can the state maintain a legitimate monopoly on the professional use of force or will it have to contend with independent militias and warlords?***

Most fragile states have highly dysfunctional security sectors. Rulers either personalize their armed forces and police or train them to be praetorian guards loyal to only them, or the country is overwhelmed, as post-Gaddafi Libya has been, by rival sects and militias that continue to challenge the monopoly of force that is supposed to be reserved for the state.

Common remedies include foreign assistance programs aimed at disarmament, demobilization, reconstruction and development (DDR) or security sector reform (SSR) – where external parties help to build a central security apparatus that operates under elected civilian control and adheres to professional standards. Even if successful, this emphasis on security, while understandable at the outset, tends to dominate external policies, resulting in a skewed policy that neglects the police, the justice system, civil society and governance – important building blocks for stability and democracy. The result is often a strong local military that resists democratic transformation. An excessive focus on the military can also contribute to the formation of sectarian factions and warlords within the security structure, each competing for dominance. Iraq and Afghanistan both confront these dilemmas today.

Priorities for building a security apparatus that can help strengthen a fragile state include strong civilian control of all armed security forces; accountability mechanisms to ensure that all armed security forces adhere to rules of democratic and professional engagement and law-enforcement; and integration of security forces with properly financed systems of prosecution, courts, and prisons to promote justice and rule of law.

This underscores the importance of a more balanced approach to state-building. Security must be a priority in any country undergoing radical change. However, more emphasis needs to be given to governance structures, not only to promote democratic practices but to strengthen security by making the forces legitimate, professional and effective. SSR must also be linked to economic change, especially to diminish inequality among identity groups and to offer income-producing jobs to unemployed youths who may otherwise join militias. The military should also be trained to fulfill its true function which is to defend the country against external aggressors—while the police, whose training is often neglected, must be trained for internal security and the protection of civilians. This may be difficult if a country is still fighting an insurgency and

## A U.S. Strategy of State-Building

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terrorism. Still, external parties tend to fuse policing, military action and counter-insurgency together, unintentionally undermining the political infrastructure of a democratic state.

### **Criminalization and De-legitimization of the State**

*Can the state enforce the rule of law and establish legitimate authority or will it be dominated by corrupt, criminal, and terrorist networks?*

Criminalization and de-legitimization of the state refers to the government's loss of moral authority in the eyes of the public. This can occur under a number of circumstances, including brutal government repression; violent upheavals from coups, assassinations, popular uprisings and rebellions; or the corrosive effects of corruption on society. Most external parties focus on elections, but in a state-building strategy, abating corruption can be as important as conducting elections. It is arguably the single most pervasive phenomenon undermining stability in fragile states.

Corruption comes in many forms and in different intensities. In some countries, such as North Korea, the state is organized as a systematic criminal operation. Activities such as drug trafficking, counterfeiting, money laundering, smuggling and weapons proliferation are central components of the state-controlled economy. Experts have estimated that 35-40 percent of all North Korean trade, and an even higher percentage of its revenue, is accounted for by black market activities, with the state invoking sovereignty and non-interference as buffers against outside criticism. Similar activities can also occur in collapsed states that have no effective government, such as Somalia, where pirates compete with business people, and there has been no state regulation, state taxes or state security. Whether the state is itself a criminal enterprise, or there is a non-existent state, illicit activities reign supreme.

A more common occurrence is entrenched state corruption. The state is not an organized criminal enterprise, but appointments, bribes, kick-backs, contracts, and jobs are meted out as rewards for political support and regime loyalty. Such activities erode the moral basis of governing, as in Pakistan and Syria. Eventually, widespread corruption infects society as a whole, becoming a corrosive force that breaks down trust not only in government, but also in the economy and civil society.

Finally, there are states in transition that are struggling to transform themselves from corrupt societies into meritocracies, such as South Korea. A lingering village culture underlies modernity, producing inconsistent behavior. Many former presidents are in jail in South Korea, indicating the presence of the rule of law, but it is coupled with a persistent informal political rewards system, albeit not one that undermines functionality, as in Pakistan and Syria.

South Korea's "Seoul Spring", a predecessor to the Arab Spring, was spawned by the assassination of authoritarian leader Park Chung Hee in 1979. It was brought to a brutal halt when martial law was declared, and at least 200 demonstrators were killed, in May 1980. Not until June 1987 would South Korea's new leader, Chun Doo Hwan, agree to step down and



## A U.S. Strategy of State-Building

allow direct elections of the president. Fast forward 20 years, and South Korea's per-capita income has topped \$20,000 (2007) and its economy is ranked 15<sup>th</sup> largest in the world. This is a dramatic transformation considering South Korea was one of the world's poorest countries only a half-century ago, with per-capita income at less than \$100.

South Korea transitioned from an authoritarian regime to a democracy and from poverty to a major development success over the past two decades. Its transition was conservative and gradual, but democracy was the ultimate winner.

Not all fragile states have the luxury of time on their side. Gradual evolution is surely preferable, but the events of the Arab Spring and dramatic changes elsewhere indicate that historic changes are challenging the status quo. In states showing signs of political decay, these four core issues seem to be trending downwards – there are rival non-state militias, growing corruption, revolts initiated and fueled by youth, and yawning inequalities. There needs to be better early warning of such developments, better response times for prevention, and better strategies for dealing with the trends.

*Nigeria could benefit greatly from a robust U.S.-Nigeria partnership to support a state-building strategy. All four core issues outlined in this report are in need of urgent attention in Nigeria, the most strategically important U.S. ally in sub-Saharan Africa.*

### Nigeria: A Case Study

#### Why Nigeria?

As noted earlier, some 40-60 states, representing well over one billion people, are fragile political entities and potential arenas of instability. Nigeria is one of these states. It ranks among the top 20 at-risk states in The Fund for Peace's 2012 Failed States Index. The Mo Ibrahim 2012 African Governance index ranked Nigeria 42nd out of 54 states. The 2012 Human Development Index placed Nigeria in the Low Human Development category, or 156<sup>th</sup> out of 185 countries. Demographic pressures, uneven development, limited political legitimacy, and the security apparatus are all trending badly, with Nigeria's institutional capacity assessed as weak or poor.



Nigeria is important because, with an estimated 167 million people, it is the world's sixth most populous nation. One in four Sub-Saharan Africans is a Nigerian. The UN projects Nigeria to be one of eight countries expected to account collectively for one-half of the world's total population increase by 2050. By 2100, the population could soar to between 505 million and

## A U.S. Strategy of State-Building

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1.03 billion people. The average fertility in Nigeria is 5.5 children per woman, but there are stark regional differences. Over the last five years, fertility rates have declined in the south, but rose to 7.3 in the north - population disparities that will have serious economic and political implications.

Nigeria is the political heavyweight on the continent. It has been a leader in peacekeeping activities, responding to conflicts in West Africa and elsewhere. Abuja, Nigeria's capital is vying for a permanent seat on the UN Security Council and wants to join the G20. The World Bank ranks Nigeria as a middle income country. It has the second largest economy, and the second largest stock market in sub-Saharan Africa, after South Africa. It is the U.S.'s largest African trading partner, with one of the world's fastest growing economies, averaging a 6.8% growth rate between 2005 and 2012.

Oil accounts for over 95% of Nigeria's foreign exchange revenue and 80% of its budget revenue, but agriculture remains the biggest contributor to the GDP. Other industries, including telecommunications, finance, and construction have recently rebounded—evidence of the country's economic potential, despite poor infrastructure, unreliable power supply, inadequate educational institutions, and widespread corruption.

Nigeria has a rapidly growing middle class as well as a healthy upper class with numerous multi-millionaires. However, wealth is still highly concentrated in the hands of a few. Most of Nigeria's population lives in extreme poverty. Roughly 100 million Nigerians, or two thirds of the population, live on less than US\$1 per day. Official unemployment among all age groups is 23%, but unofficial estimates put the figure closer to 40% nationally.

With some 250 ethnic groups, Nigeria has a complex social structure and rich cultural traditions in art, music, dance and literature. Its most distinctive cultural feature, however, is its mixed religious composition. Roughly half the population is Muslim and half Christian. Historically, religious groups have co-existed in relative peace, but Nigeria is facing growing religious tensions and a brutal insurgency from Boko Haram, a fundamentalist Islamic group. According to human rights groups, attacks, along with casualties caused by military responses, have accounted for nearly 3,000 deaths since 2009.

Nigeria survived an existential test during the Biafra civil war from 1967-1970. It survived that test, but at the cost of roughly one million people. It is uncertain whether the country could survive another test of national unity. Security challenges exist not only in the far north with Boko Haram, but in the Middle Belt with mixed Christian and Muslim populations, and in the oil-producing Niger Delta, where a lingering rebellion protesting environmental damage and human rights abuses erupted in the 1990s. An amnesty for the Niger Delta militants has quelled but not eliminated the risk of further conflict in the region. Moreover, periodic inter-communal outbreaks of violence continue to erupt periodically in the Middle Belt.

What follows is an assessment of the core issues Nigeria faces, using a state-building lens, and how they might be approached.

# A U.S. Strategy of State-Building

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## Demographic Pressures

Nigeria's population is defined by the two most volatile demographic trends: a large youth bulge - about two-thirds of the country's population is under the age of 30; and high urban unemployment, estimated by civil society groups to be approximately 50% for those in the 15-24 years age group. Unemployed and underemployed urban youth have contributed to increases in crime, kidnapping, and political discontent.

The Strategy Group recommends a two-prong approach: a program to lower fertility rates to reduce demographic pressures over the long-term and short term programs designed to educate, train and employ unemployed youth. A crash program for maternal and child health, to include family planning options, such as child spacing and expanded girls' education, would also help bring down fertility rates. This could be integrated into current programs to stem the spread of HIV/AIDS, and build up the health system generally.

Nigeria made contraceptives free in 2011 and the government is promoting smaller families. However, that has not yet substantially impacted fertility rates nor helped unemployed youths, an estimated two million of whom are seeking jobs each year. For both job creation and economic growth, there need to be public works programs and infrastructure development. The country should also launch crash job training programs beyond those offered to Niger Delta militants who accepted the amnesty offer; upgrade existing elementary, secondary and university educational facilities; improve teacher training; and provide new vocational and trade school facilities and adult literacy training. Many of these programs could be launched in collaboration with state governments, with particular emphasis on the north and other states that are lagging behind.

## Uneven Development and Inequality

Although national figures show that Nigeria's economy is booming, data from Nigeria's Bureau of Statistics and other sources show that the majority of the population is actually growing poorer and more unequal each year. The percentage of Nigerians living on a dollar a day or less rose to more than 60% in 2010, 10% higher than six years before. The northern, and especially the northeastern, sections of the country are the poorest by several measures, including education, child mortality, and household wealth. Some poverty indicators are particularly striking. Women in the south have at least twice as many years of formal education as women in the north. Child mortality figures improved between 1990 and 1999 but fell significantly after 1999. Children in Muslim households in the north are now twice as likely to die before the age of five as children in Christian households in the south. Income distribution is also skewed: about 96 million Nigerians have access to only 20 percent of total consumables in the country, with the largest poverty rates in the north.

## A U.S. Strategy of State-Building

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Since disparities in wealth and education tend to parallel religious and ethnic divides, uneven development generates group grievances along religious and ethnic lines. Boko Haram originated in a minority group, mostly ethnic Kanuri in Borno state in the northeast, among the poorest of the poor in Nigeria. The literacy rate in Borno state is two thirds of the literacy rate in Lagos, the financial capital in the south. Per capita income is 50% lower in Borno than in the south. School enrollment is 75% lower.

In addition to regional disparities, there are widening gaps between the rulers and the ruled. One measure of the extent of self-aggrandizement of the political class is the salary structure of officials. Nigerian senators, for example, have appropriated to themselves US\$1.7 million in annual salary and allowances. Nigerian representatives get US\$1.4 million annually. Nigeria lawmakers are the highest paid legislators in the world, not including opportunities they and other officials have for personal enrichment from holding public office. State and local government workers enjoy similar benefits.

Inequality is not confined to economic issues alone, however. There are also statutory and constitutional provisions that lead to political disenfranchisement and economic marginalization. Constitutionally, for example, at the state level the rights of indigenes take precedence over migrants, including those whose ancestors who had settled in the area generations ago. Indigene rights have been used to discriminate against “others” based on lineage, rather than, as intended, for minority protection. Conflicts erupt over access to land, school, jobs, contracts, appointments and voting rights. Indigene/settler rivalry has had especially tragic consequences in the Middle Belt, where friction between local farmers (Christian indigenes) and itinerant herders (Muslim migrants) has resulted in thousands of retributive killings and a Christian/Muslim divide that has enflamed the county.

Though most civilians oppose political violence, militants further exploit public sentiments of marginalization and injustice. To quell the violence, the government must do more than merely eliminate insurgents through force or buy them off through amnesties. The Strategy Group recommends tailored action in each region to combat volatility born of inequality. In the north, it must address the two major grievances which drive Boko Haram’s agenda—indiscriminate violence by the authorities against its members, and economic inequality between northern and southern states. In the Middle Belt, communal tensions may be relieved by creating designated grazing and farm zones, establishing special land courts to adjudicate disputes, and replacing indigene preferences with residency requirements that allow long-term settlers equal rights at the state level. Nationally, policies must be adopted to reduce the gaping inequalities between the rich and the poor, starting with limiting self-aggrandizement and corruption among political elites.

*Of the four core issues, a fragmented security apparatus is the most in need of urgent attention in Nigeria. The state faces several challenges that undermine its monopoly on the legitimate use of force.*

# A U.S. Strategy of State-Building

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## Security Apparatus

Of the four core issues, the fragmented security apparatus is the most in need of urgent attention in Nigeria. The state faces several challenges that undermine its monopoly on the legitimate use of force.

First, Nigeria has two organized armed insurgencies: the Islamic fundamentalists in the north and the insurgency in the southern Niger Delta, both of which are riven by internal factionalism. The Niger Delta has been quiet since an amnesty was declared in 2011, but, other militants excluded from the amnesty have threatened to resume activities if basic economic grievances are not addressed.

Second, numerous private armies are formed by “godfathers”—politicians, business tycoons, former military leaders, and party operatives, for particular purposes, such as election intimidation or protection rackets. Ethnic militias or vigilante groups have also been formed for self-protection and retribution against rival groups when ethnic and religious tensions flare.

Third, criminal gangs, cults (including among university students), kidnapping rings, and smuggling networks employ violence to serve their own interests. Unplanned, spontaneous violence can flare up easily. Mob justice is not uncommon, for example, against suspected thieves who are often beaten or lynched on the spot by the public. In certain areas of the country, it is not clear whether violent acts are perpetrated by insurgent groups, criminal gangs, private militias, vigilante groups, or rogue security forces, as investigations are rare.

Finally, there is the reported brutality of the state security agencies. In parts of the north, the Nigerian army is feared as much as Boko Haram. Crackdowns against insurgents often result in mass roundups that detain people in prison indefinitely, without lawyers or courts, or lead to summary executions. Extrajudicial killings occur without accountability. These abuses strengthen the narrative of Boko Haram that the people are being suppressed by a corrupt and abusive regime.

The Nigerian police in particular, are in need of radical reform because they are undermanned, underequipped, and undertrained. Although the Nigerian army is one of sub-Saharan Africa’s most seasoned forces, with extensive peacekeeping experience, it has not been trained to deal with domestic unrest, is dismissive of civilian casualties, and is intent on retaining its privileges. Its harsh methods are creating a backlash, despite some success in killing members of Boko Haram.

Nigerian President Goodluck Jonathan expressed a lack of confidence in the security forces in a statement he made in January 2012. He alleged that members of Boko Haram had infiltrated the highest level of civilian agencies, including the executive, legislative, and judicial branches of government, as well as the armed forces and police. He noted that in some respects, the current situation is worse than during Nigeria’s civil war in the 1960s. During that conflict, at

## **A U.S. Strategy of State-Building**

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least it was clear who the enemy was. Today, he said, elders in the northwest do not even know if their sons are members of Boko Haram. The President provided no further details to substantiate his charges.

While it is a secretive and amorphous group, Boko Haram has become Nigeria's biggest security threat. Observers fear that it may be linking up with other terrorist groups, such as Somalia's El Shabaab and AQIM (Al Qaeda in the Maghreb) in the Sahel. The collapse of Mali, where two-thirds of the country was controlled by an Islamist group, is especially troublesome for Nigeria. Islamists in Mali and Nigeria have similar religious and ideological agendas. The origin of both groups is rooted in local, not global, grievances, and the sharing of experiences, resources, and recruits could be advantageous to both.

These multiple threats can best be countered, not only by strengthening the country's intelligence and counter-terrorism forces, but by strengthening the rule of law, professionalizing the security sector, and encouraging good governance. Above all, the state must get to the root grievances that have spawned insurgencies. It must offer a credible alternative to the militants that will ensure equal justice, civilian protection under the law, and developmental opportunities.

### **Criminalization and De-legitimization of the State**

Most analyses of state legitimacy focus on the quality and conduct of elections. This is a critical factor in Nigeria, because most elections since independence in 1960 have been mired in controversy. This includes the 2011 contest, deemed as the fairest in the country's history by international observers but regarded as rigged by many people in northern Nigeria. Moreover, elections have not been as open and competitive as they could be. Since the return to civilian rule in 1999, one party has dominated the federal government, the People's Democratic Party (PDP), although rival parties have captured gubernatorial and local government seats.

Constitutional crises have also chipped away at political legitimacy. The PDP rotates nominees every eight years between northern and southern candidates. However, when President Umaru Yar'Adua, a northerner, died in office in 2010 before he could complete his term, the party's rotational principle was contested by those who cited a constitutional provision that dictated succession should pass to then Vice President— Goodluck Jonathan, a southerner. Jonathan ascended to the presidency, and then won re-election independently in 2011 over the objection of many northerners who believe he wrongly ascended to the Presidency in 2010.

In Nigeria, flawed elections are but one factor that has undermined public trust in the government. Demographic pressures, uneven development, and the fractured security apparatus have taken their toll on political legitimacy, along with weak governance and endemic corruption. Indeed, corruption has been one of the most persistent factors undermining public trust in political elites. Government office is seen as the principle route to economic gain and political success, with heavy outlays of government revenue diverted for self-dealing, patronage, largesse, and the accumulation of personal wealth.



## **A U.S. Strategy of State-Building**

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Another source of corruption is bunkering, or oil theft, a practice that involves both official and unofficial networks and accounts for the loss of at least a billion dollars a month according to the Nigerian Finance Minister. In addition to fraud in the allocation of fuel subsidies, the cost of theft related to oil mismanagement was estimated at approximately \$14 billion in 2011.

Parliamentary inquiries, testimony by the Governor of the Central Bank and the 2012 Report of the Petroleum Revenue Special Task Force, chaired by Mallam Nuhu Ribadu, have all verified the loss of tens of billions of dollars in oil and gas revenue from deals struck between certain multinational companies and government officials. It is unlikely that any top-level officials will be arrested even if public outcry continues. Typically, it is mid-level officials and a handful of small scale scam artists that take the fall, adding to public cynicism.

The fuel subsidy is seen by the public as the sole benefit average citizens derive from the country's oil, but the subsidy is economically unsound, and estimated to cost the government about \$15 billion a year, more than half of the \$25 billion budget for 2012. When the government abruptly attempted to end the subsidy in January 2012, a nationwide strike brought the country to a halt, one of the few times the public united across ethnic and religious lines. Eventually, the government had to back down, cutting the subsidy by only half.

A long history of poor public services has further undermined political legitimacy. Another recent hike in military expenditures continues to depress spending on public services. A record \$5 billion—or 20% of the 2012 budget—is being spent on the military, reputedly to meet the threat of Boko Haram.

### **Nigeria: Recommendations**

Nigeria is a country that could benefit greatly from a robust U.S.-Nigeria partnership to support a state-building strategy. All four core issues outlined in this report are in need of urgent attention in Nigeria, the most strategically important ally of the U.S. in sub-Saharan Africa.

Nigeria is a good candidate for a state-building strategy because of its strengths and enormous potential. These include a vibrant civil society, a free press, a burgeoning middle class, a highly educated professional class, an enterprising population, significant capital resources, a small but dedicated group of government reformers, abundant natural resources, and a revival of economic growth. Nigeria is attracting renewed interest by foreign investors and it continues to aspire to fulfill its goal of being recognized as the economic and political giant of Africa.

The Nigeria-U.S. Bi-National Commission (BNC), created in 2010, is an attractive entry point for a dialogue on raising the level of engagement. Currently, the BNC is limited to five aid targets: 1) Good Governance, Transparency and Integrity (focusing on elections and anti-corruption), 2) Energy and Investment, 3) Agriculture and Food Security, 4) Regional Security and 5) the Niger Delta.

## **A U.S. Strategy of State-Building**

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As important as these topic areas are, they lack an integrated strategy that would address some of the key deficits in state-building. There is little attention, for example, to demographic challenges and uneven development. Security sector programs are heavy on counter-terrorism, but light on professionalization of the security forces and protection of human rights domestically. Strengthening political legitimacy is seen predominantly as an exercise in holding credible elections, but the rule of law is neglected. Although there are commendable programs that address the spread of HIV/AIDS, improve agriculture, foster food security and promote development in the Niger Delta, there is insufficient emphasis on the north. Only two northern states receive U.S. aid: Bauchi and Sokoto. More could be done with local civil society, the business community, and respected elders to address the issue of economic impoverishment in the north.

A comprehensive U.S. state-building strategy planned in close collaboration with local partners will provide a path for Nigeria's sustained security. Even more importantly, if successful, such a policy would demonstrate that negative trends in fragile states, even highly complex ones like Nigeria, can be reversed, provided that the engagement is made early enough, the host country is committed enough, and collaboration proceeds long enough to make a difference.

### **Strategy Group Recommendations for a Fragile States Strategy**

The central recommendation of the Strategy Group is that the U.S. should adopt a comprehensive state-building strategy, addressing four key issues or themes: 1) demographic pressures, 2) inequality, 3) a fragmented security apparatus, and 4) criminalization and de-legitimization of the state. Most fragile states face one or more of these issues. Indeed, sustainable security in these states is not likely unless there is improvement in these areas. The particular means adopted in each country will vary, and be determined in consultation with host governments and civil society organizations.

This four-fold framework is essential for a more systematic and comprehensive strategy that will not only strengthen fragile states, but will help achieve other international goals, including economic development, the prevention of atrocities, and a reduction in extremist movements that lead to insurgency and terrorism. In light of budgetary pressures, it represents a manageable, feasible and practical approach for a U.S. strategy of state-building with four clear areas of emphasis, in which the host country would take the lead, with adjustments made based on the needs of the country.

Such a strategy should be part of the President's National Security Plan and led by a high level official in the State Department who is given sufficient authority, resources and staff to coordinate and implement the strategy across the relevant agencies. The Strategy Group recommends the creation of an Under Secretary for State-Building in the State Department to fill this role. Staffing could come from the existing Bureau for Conflict and Stabilization which should be merged with the Under Secretary's office.



## A U.S. Strategy of State-Building

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Using the four-fold framework, the Under Secretary for State-Building should promote and coordinate programs that enhance local institutional capacity for good governance, equal justice under the law, political inclusion, and public welfare.

A Strategy for State-Building should be distinguished and decoupled from military and intelligence operations that focus on counter-terrorism and counter-insurgency. Indeed, successful state-building policies, launched early, may well obviate or reduce the need for such operations in states threatened by extremists or militants.

The Strategy for State-Building should be implemented in partnership with all necessary stakeholders, including international and regional organizations, the business community, and international and local civil society organizations.

Careful identification of which fragile states to work with is critical to its success. Not all at-risk states should be considered potential partners. Only countries that are of strategic interest whose governments are willing partners and modestly capable should be considered. They will be allied with the U.S. in a new diplomatic experiment that aims to strengthen bilateral relationships, improve regional security, protect human rights, promote good governance, and prevent violent conflict. With such an ambitious agenda, the U.S. government must be confident that the host government is a willing and able partner that will adopt genuine reforms and engage local civil society as an important part of the state-building endeavor.

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<sup>i</sup> “German Cabinet Shifts Stance on “Failed States,” accessed at [www.dw.de/dw/article/O,16251005,00html](http://www.dw.de/dw/article/O,16251005,00html) on 19.09.2012

# A U.S. Strategy of State-Building

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