

The Tampere Lecture 2004



# State-Building by the International Community – Are Outsiders Able to Bring Democracy?

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I thank the Tampere Club for inviting me to give this lecture. I was asked to discuss the topic of democracy. I have decided to concentrate on the issue of democracy building, especially in post-conflict societies. I will also discuss the transition from autocracy to democracy. What do we know about state-building? What can be the role of outside actors in the process, can democracy be established by outsiders? These are some of the questions I will try to answer.

## **I. Democracy today**

During the last two decades democracy has strengthened its position in the world both on the ideological and on the practical level. After the end of the Cold War the international community has become more united behind the idea that totalitarian structures cannot credibly challenge democracy as an organising principle for a state. Also dictatorships use great resources and efforts to organise national elections – which they of course win. “When the enemies of democracy mouth its rhetoric and ape its rituals, you know it has won the war”, writes Fareed Zakaria in his recent book.

It has also become increasingly acknowledged, that democracy and a market-based economy go hand in hand. While those countries, that the Freedom House labels as liberal democracies constitute nearly half of the world’s states and 45 per cent of its population, they generate 89 per cent of the economic output of the world. Efforts to improve economic efficiency are restricted in autocratic political systems and stable democracy requires a solid foundation of market economy. This is also proved by the recent Bertelsmann Transformation Index, a study by the Bertelsmann Foundation on the status of democracy and market economies in the world as well as the quality of political management.

There is another possible link between the political and economic system of a country. Fareed Zakaria argues, that wealth in natural resources hinders a country's political modernisation as well as its economic growth. States, which have access to easy money, for example from natural resources, will remain undeveloped politically. This is because with other income resources, the government does not have to tax its citizens. When a government taxes people it has to in return provide benefits, such as services, accountability, good governance and representation.

The transition to democracy and market economy improves a country's capacity to develop and its future opportunities. However, the process of transition is associated with major risks. The Bertelsmann study concludes, that the path to democracy is often blocked or sporadically pursued because political decision-makers lack the will or capacity to engage in long-term strategic planning. The process is even more difficult, if the country aiming to transform has gone through a violent conflict.

## **II. State-Building**

After the end of the Cold War the nature of peacekeeping and the means of managing crisis situations have been profoundly transformed. A majority of today's armed conflicts happen inside states rather than between them. These conflicts often involve systematic violations of human rights and of international humanitarian law. They are also characterised by collapsed state structures, and political mobilisation based on ethnic or religious identities. It has been estimated that wars in and among failed states have killed more than eight million people since the early 1990s.

Weak or failed states have increasingly been recognised as a problem with security implications far beyond the immediate neighbourhood of the failing state. These states provoke humanitarian disasters, commit human rights abuses, drive mass-immigration and often become safe havens for terrorist and other criminal organisations.

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Whether we are talking about reconstructing war-torn societies, creating functioning states out of failed ones or simply helping poor countries to develop, we are essentially talking about three things: how to promote good governance, how to improve democratic legitimacy and how to create or strengthen self-sustaining institutions.

We actually know very little about creating a democracy. What we do know is that it is a complex, difficult and long-term task. As Francis Fukuyama who has recently written about the challenges of state-building says: “While we know a lot about state-building, there is a great deal we don’t know, particularly about how to transfer strong institutions to developing countries. We know how to transfer resources across international borders, but well-functioning public institutions require certain habits of mind and operate in complex ways that resist being moved.”

State-building has two distinct phases, both of them critical. The first one includes stabilising the country in question, offering humanitarian assistance and disaster relief, rebuilding infrastructure and restarting the economy. The second phase begins when stability has been achieved and consists of creating self-sustaining political and economic institutions that will ultimately permit competent democratic governance and economic growth.

According to Fukuyama the first phase is quite well understood and although difficult, it lies within the capability of the international community. The second phase, the transition to self-sustaining development, is far more challenging, but even more important in the long run. I totally agree with Fukuyama. There is a need to rethink the way that the international community acts in state-building exercises.

The simple truth is that we do not know enough about democracy building. One of the reasons is that we do not have clear historical precedents. Germany and Japan after the Second World War demonstrated that an extensive and sustained international presence can contribute to the establishment of stable democracy. But the Germany and Japan of 1945 were somewhat exceptions. These countries were defeated after lengthy wars, lacked memories of colonisation and had coherent social, economic and bureaucratic structures. They were countries with some wealth, educated populations and technical know-how, which cannot be said about many countries where the international community is engaged now.

A low per-capita income, limited experience with democracy and long history with autocratic and sometimes brutal rule are not conditions that tend to foster democracy. While it does not necessarily take higher per-capita income to establish a democracy, it certainly helps in sustaining it. No democratic country with per-capita income above 6 000 dollars has ever reverted back to autocracy. The connection between wealth and democracy is shown also in the Bertelsmann Transformation Index. The poorest countries obtained the lowest democracy score. But there are also examples of the opposite: The African country Mali has for

example been able to stabilise its democracy despite very unfavourable economic conditions.

We also know that democratic transitions are dangerous. Autocratic leaders might feel themselves threatened by democratic reforms and respond by cracking down. A destructive kind of nationalism can surface (think of Milosevic's Yugoslavia). States in transition are also more likely to become involved in wars than either stable democracies or autocracies.

Foreign occupation, even one which is accompanied by large amounts of money, does not guarantee an unproblematic transition to democracy. Bosnia Herzegovina has been under the supervision of the international community since December 1995. The country has received a lot of aid: in the late 1990s foreign assistance made up to a quarter of Bosnia's gross national income. While this international effort has kept the situation relatively calm, it has not set the country on a clear path to democracy. The situation in Kosovo is no better.

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Success in state-building requires three things: clarity of purpose, time, and money. With clarity of purpose I mean essentially a vision of the end-state of the operation and a strategy to get there. State-building requires an idea about what kind of a state is to be built. If a peace agreement or constitution is missing, everything becomes more difficult, as is the case for example in Kosovo. Kosovo's status within Serbia, who holds formal sovereignty over the province, is a disputed issue, which renders the future very unclear and poses planning difficulties for all sides.

The international community has been unable to agree on the final status of Kosovo's statehood and has relied on a wait-and-see strategy. This strategy has, in a way, suppressed the conflict between the majority Albanians and minority Serbs, but as we unfortunately have had to witness, the conflict has not been resolved. The recent violence in Kosovo has again brought the final status issue to the forefront. The eruption of conflict marks the wide-spread disillusion with the international community's ability to address socio-economic problems alongside the delay in addressing the final status issue.

If the international community is not prepared to commit to an overall state-building effort with the money needed, an ambitious state-building programme cannot work. It has to be admitted that the cost for these kinds of operations can be considerable. For example the World Bank

has estimated that post-conflict reconstruction costs are about a billion dollars a decade for each million people in a country. But compared to the cost of war, state-building efforts are considerably cheaper: it has been estimated that the annual budget for UNMIK – the UN interim administration in Kosovo – is about the same as the cost of one day of the NATO air campaign.

Unfortunately, the funds available for post-conflict reconstruction and state-building have been rather supply- than demand-driven. There is often a focus on programmes that are more popular with donors than they are necessary on the ground. One should always ask if the money is spent in an appropriate way, creating the largest possible impact on the ground. I believe that also with lesser amounts of money the international community would be able to influence situations positively, if the strategy to get to the chosen end-state is well thought out.

In addition to a strategy, a vision of an end-state and enough funding, time and patience is needed. A good example is Bosnia and Herzegovina, which eight years after the Dayton Accords is not yet a fully-functioning state and progress in the country largely remains dependent on its foreign guardians. Property rights are still disputed and only a minority of refugees have returned home. It is not clear when and how international disengagement will take place.

When he started, the first High Representative in Bosnia Carl Bildt was told that everything should be concluded within a year. Eight years later, the fourth High Representative has as full an agenda than the first one. My estimation is that we are tied to the Balkans for the next ten to twenty years, whether we want to be or not. When the international community commits it self to a state-building exercise, it must also be prepared to remain involved until the job is done.

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There are two sides of state-building: the political aspect and the reconstruction aspect. The political aspect entails supporting the political process to form a widely accepted new government. The reconstruction aspect of state-building includes assisting the newly formed national government with building a functioning national administration and civil service. In other words, we must help a new government to act as a government in fulfilling its functions of providing its people with security, rule of law and basic social services from medical services to water supplies and primary education.

There are at least three different elements needed in successful state-building: creating a secure environment, establishing a political infrastructure and generating the conditions for economic growth. Next I will shortly discuss these three elements.

If the international community commits itself to a long-term state-building exercise, it must first establish a secure environment. In the absence of security, meaningful political change in a post-conflict country is impossible. Often there are no alternatives to outside armies keeping the order. The international community has to be prepared to commit enough forces for an extended period of time. While this is a “phase one” activity to use Fukuyama’s terminology, the burden to secure the environment for the state-building activities often rests with the international community for a much longer period than at first anticipated.

Building a political infrastructure that unites competing forces and establishes and ensures some sort of order must be the focus. The rebuilding of the key public institutions is the most urgent need. Without a solid institutional framework for the exercise of public power, free and fair elections will not lead to representative or accountable government. Without effective institutions to implement the rule of law, states will not be able to provide the protection of human rights and also minority rights. Without stable economic regulatory structures to establish a climate favourable to business enterprise, neither privatisation nor trade liberalisation will be able to generate sustainable economic growth.

Creating conditions for economic growth is extremely important and a state-building mission should focus on the economy early on. This includes issues like commercial law, currency, banking and taxation systems. Job creation and bringing back or establishing a vibrant middle class is the only way to create long-term stability and prosperity. Unfortunately, in post-conflict situations attention to economic and private sector development is normally given too late.

In times of upheavals in the political and economic structures, there is a great danger of corruption spreading to a society. Once corruption has entered political, legal and economic systems, it is much more difficult to tackle it. This is one more reason for making economy a key priority.

There is also a clear interdependence between security and economic recovery. Economic hardship and violence feed on each other: popular dissatisfaction and unemployment swell insurgent ranks and the lack of security further hinders development and economic activity; thus a vicious circle is created. Without genuine reconstruction and a sustained recovery plan, any political success will be short-lived.

While building effective governance should be the first priority, building democracy can only happen after that, and be a long-term aim. With this, I do not mean that building democracy is not a priority. It is perhaps our most important goal. What I am saying, is that it is also often our most difficult goal and that it cannot be established in the absence of security and a political and economic infrastructure. It has to also be kept in mind that outsiders cannot create democracy, only the forms and conditions for it. Democracy is a culture, not merely elections or institutions, and it ultimately can only be grown to a society from the inside.

### **III. Local Empowerment**

Past experience demonstrates that international assistance is often a necessary, but never sufficient, factor in successfully rebuilding the institutions of a collapsed or post-conflict state. In the absence of enlightened local leadership, and time and luck in equal measure, states cannot be made to work from the outside. International action should be seen first and foremost as facilitating local processes, providing resources and creating the space for local actors to start a process that will define their society.

One of the crucial challenges in post-conflict rehabilitation efforts, especially state-building in failed state situations, is the timing of the exit of the international donor community. An exit-strategy needs to be thought out in the very beginning of an operation.

The history of reconstruction and reconciliation shows that it is not wise to keep a country's citizens out of its governing process, thus it is important to transfer the responsibility for peace-building tasks from the external actors to local ones as soon as possible. This especially applies to civilian administration, delivering humanitarian assistance, and actors in the municipal and regional levels. In addition, the retraining of local police and army should start as early as possible.

State-building demands trust on the part of the local population. Earning and keeping that trust requires sensitivity, understanding and respect for local customs, traditions and politics. Clarity in the relationship between the local and the international actors and how the relationship will change over time is often lacking. Communicating the actions taken and their objectives to the local population is also vital. More often than not, there is clearly room for improvement in the public information area in international assistance missions. As James Schlesinger writes in the recent *National Interest*: it is almost as important that plans and projects are understood by the local population, as that they be implemented.

In those situations in which the international community is called upon to exercise state-like functions, it must never lose sight of its limited mandate to hold the power in trust for the population that will ultimately claim it. To my mind, the role of the international community should be that of an enabler: guaranteeing security, and bringing in aid, resources and advice. While the international community may have to come to fill in for the lacking state structures, this is only a temporary measure and the sooner the people are engaged in determining the fate of their country the better.

Dare I say, that we have often not given enough attention for enabling the locals to start rebuilding their country. I think that we are seriously mistaken when the international community comes in and hires all well-trained local professionals for translators and drivers and then claims that the local government is not effectively implementing programmes and reforms. The international assistance efforts are often agency-driven, working in competition and with minimal coordination. This often creates a situation where the local population becomes disenfranchised.

The problem starts with the contradiction of the donor community wanting to increase the local government's capacity to provide a particular service and at the same time actually providing that service to the end users. Working through the local administration might mean that fewer end users will get the service in question, and the taking over of the service provision by the international community would guarantee a more efficient delivery.

But at the same time the provision of services by the international community undermines the local actors' capacity to continue to provide the service once the international community has lost interest or left to the next crisis area. The local administration becomes marginalized in the decision-making and does not get the ownership of the project. The difference in resources between the donor and the local administration is often huge and in addition the most skilled work force will move into the international community's payroll.

In most cases, there is no need to import foreign expertise to satisfy local needs for local security, basic justice and basic social services. Indeed, external experts, and especially those that link external funding to accepting their solutions, destroy self-reliance on local talent and may do more harm than good. This is not to argue that foreign expertise is not needed, but only for specialist tasks in larger investment activities. The challenge is rather to develop and provide an enabling environment for local talent to prosper.

Probably the quickest impact of peace-building operations on people could be achieved at the local community level. For that reason any transitional administration – be they a transitional national government or an installed international administration – would be well advised to promote the setting up of local community councils as one of their first measures, to assign to those local communities a limited number of responsibilities and tasks that would have instant impact on every-day lives of people and to provide communities with the resources that are necessary for conducting their work.

As you might know, I am the Chairman of a Finnish NGO called Crisis Management Initiative, CMI. CMI has been working quite closely with various partners in developing an ICT-solution for the international community to provide for failed or post-conflict states to use for facilitating the formation or re-establishment of a local civil service and to providing them with resources to respond to local needs.

This solution is called “Government-out-of-a-Box”. It has especially been developed by Michael von der Schulenburg from the OSCE. These new technologies can provide ready-made modules for managing and administering specific areas of activities such as managing local basic health administrations or local civil registrations. Those modules could be made easy-to-handle so that local administrators could be trained relatively fast in using them. I very much like this idea. It is practical, yet innovative, based on the mobilising of local talent. It also starts from the local community level, where the quickest impact in reconstruction efforts can be achieved.

#### **IV. Assisting in Transition**

This year as well as last year I have worked as the Personal Envoy of the Chairman-in-Office of the OSCE for Central Asia. Getting acquainted with the situations in the Central Asian countries and meeting with the different actors in the region has facilitated my thinking on the problems of democratic transitions.

The Central Asian countries emerged from the collapse of the Soviet Union as five independent states with daunting economic problems, arbitrarily drawn borders and no memory of a democratic rule. Of these five countries – Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan – only the last one has gone through a civil war. Although the civil war has seriously slowed the democratic reforms, Tajikistan seems at the moment to be one of those Central Asian countries that are striving towards a more democratic rule.

The transition from the Soviet system to market economy and democracy in Central Asia has proved to be a longer and more difficult process than expected. It has been wrong to assume that once the Soviet system fell, democracy and market economy would be constructed overnight. It has to be realised that the reform process is a slow process and that has to be accepted. Despite the slow progress in many areas, there is no alternative to dialogue between the international community and the countries in question. Persistent cooperation, not confrontation or isolation, is the only possible solution.

One needs to ask whether the methods we are currently using to foster democracy in Central Asia as well as other countries are the most effective ones. I fear that often the international community is too fundamentalist and that declarations and condemnations only produce a backlash. I have always believed that it is more important to be effective than it is to be righteous. For example, the international organisations and NGOs often concentrate on human rights when trying to influence a situation in a country. While it is naturally extremely important, we have to ask whether it is the most efficient way of bringing about change.

I have often said that we should start from the other end of the spectrum, from the commercial law. Legal reform should first establish a favourable environment for investment so that work is created for the population and the quality of life improves. That involves improving the commercial law, the functioning of the commercial courts, making sure that the decisions are properly implemented and ensuring the independence of the judiciary. From there, the reforms might also spread to other areas of the legal system.

## **V. Citizens' Participation**

I have no illusions that the democratisation processes and institutional reforms would be easy or results rapidly attainable. Democracy is a culture, not merely an election or institutions. That is why elections, institution building and new management models will not be sufficient when aiming at transition from autocratic to democratic society.

Change in the society requires a change in people's attitudes and values concerning power, work ethics and society as a whole. This can only be achieved through citizens' participation as well as better and freer education – from the inside. Outside actors can only establish the framework for democracy, the content can only be given by each country's own citizens.

What we can do is to support civil society through the creation of non-governmental organisations. NGOs are a necessary underpinning of a democratic society as they provide a means for organised citizen participation in the changing legal and economic systems and promote pluralism by channeling the interests of varying cultural and ethnic identities. The continued formation, growth and survival of these organisations is essential if the citizens of countries in transition are to continue to accept the changing role of the state, their own new roles as participants in democratic societies, and the fluctuations of the market.

I find it very problematic, that donors have not at all thought how to make these NGOs self-sustainable. Often we end up in a situation where an NGO has to shut down its activities when the funding from an international foundation, organisation or foreign government ends. There is a strong need to invent such funding models, which would enable NGOs to continue working also after the international community has left the country or lost interest in it. I remember one arrangement, which I thought was very innovative, it was in an African country. An international donor built a house, which it donated to the NGO in question, thus providing the NGO not only office space but also income when it could rent the rest of the house to others. With more innovation and more flexibility in the rules and regulations for which are applied to funding, this and other kinds of solutions could be found.

Another big problem is that donors often want to control the NGOs they are supporting. This, I guess, is also related to the unwillingness to find ways of making the organisations self-sustainable. When the formation of political parties is restricted, as it often is in autocratic states, non-governmental organisations tend to become much more politicised than those in more democratic societies, where political mobilisation is channelled through parties. This often results in resentment from the donor side. But this is not the way the international community should behave. Donors should support the creation of a viable, independent and self-sustainable civil society, not dictate their activities or opinions.

International NGOs are often needed in the first phase of reconstruction, for example in delivering humanitarian aid. In the second phase, they should aim at making themselves not needed and helping the local ones to become self-sustainable. Often, however, this is not the case and the international NGOs have created a dependency syndrome, thus making themselves essential instead of transferring the stake in the society to the local actors.

## **VI. International Institutions**

Let me say a few words about the institutions that the international community uses in state-building and democracy-building.

International institutions are important instruments in addressing global problems. They may not present an answer for every topical issue at hand, but they import the entire international community to join the discussion and guarantee the legitimacy of operations. Multilateral operation may be slow and frustrating, and multilateral organisations frequently manifest their inefficiency. Yet in most cases the inefficiency is caused by the lack of will or inability of governments to cooperate for common objectives.

I believe we are all aware of the constraints of the United Nations and of the tendency of the international community to give it demanding assignments without giving adequate resources and political support. A good example is the situation in Iraq. While numerous countries have demanded that the UN be given a bigger role in resolving the situation, only a very few have actually committed troops.

The UN is however the only UN that we have. It has a lot of strengths and a special position in legitimising the actions of the international community. The UN also has an important role in regions, where the private sector is absent from reconstruction efforts. Due to changes in world politics Latin America is absent from the agenda of the international community. The problems of Sub-Saharan Africa also receive too little attention. As a global organisation, the UN has the opportunity and the responsibility to work persistently in areas that are not in the spotlight of the international media.

Sometimes the UN unfortunately becomes paralysed or at least its functions are severely hampered due to the actions of its members, often those that have a veto right in the Security Council. The inability to make the necessary decisions in a crisis situation also erodes the position and prestige of the UN.

For this and other reasons, regional security organisations are vital. Regional arrangements, such as the EU, OSCE and NATO complement and support UN's capacity. I think it is extremely important, that not only European or Transatlantic regional organisations are active in peace and security cooperation. For example the role that the African Union has played in advancing the resolution of the Darfur crisis is an important sign that the capacity of the AU in managing crisis situations is growing.

## VII. Conclusion

I have discussed at length the difficulty of state-building and creating sustainable democracies. State-building is complex, difficult, money and time consuming and often doomed to failure. What then is the alternative, you might ask. Should we not help restore order in failed states or end a violent conflict? Of course we do. Basic order and end of violence are extremely valuable goals to have been achieved.

But we have to at least try to go further than that, to stay engaged in the business of state-building. Reasons are manifold, and not just humanitarian. As I discussed in the beginning, weak and failed states spread chaos and conflict not just to their neighbouring countries but also beyond. Failed states easily become safe havens for terrorists and nests of illegal trafficking in humans, drugs and arms. Conflict ridden and failed states create refugee flows, and while usually neighbour countries receive most of the influx, states further away also get their part. Weak states are ill-prepared to handle epidemics, natural disasters and other problems.

Thus it can be concluded, that there are enough reasons for allocating resources for state-building out of pure self-interest. Francis Fukuyama even foresees, that increasingly “the art of state-building will be a key component of national power, as important as the ability to deploy traditional military force to the maintenance of world order”.

While we have to stay engaged in state-building and possibly even increase our involvement, we have to become better in the ways we do it. We have to rethink our methodology and especially find more effective ways for inclusion of the local population.

