CITIZEN
SECURITY,
JUSTICE,
AND JOBS

EXTERNAL
STRESS

RESTORING CONFIDENCE

TRANSFORMING INSTITUTIONS

RESTORING CONFIDENCE

TRANSFORMING INSTITUTIONS

RESTORING CONFIDENCE

TRANSFORMING INSTITUTIONS

VIOLENCE and
FRAGILITY

EXTERNAL SUPPORT
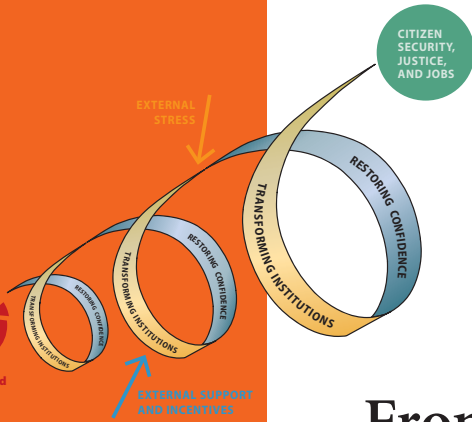AND INCENTIVES

From violence to resilience: Restoring confidence and transforming institutions

Why transforming institutions is so difficult

Changes in power relations and contests around them are a constant feature of all societies. There is nothing unusual about intense social confrontation during the transformation of institutions, which normally involves changes in the distribution of power and wealth. Such contests do not end at some point in a society's development. U.S. government support for private banks and greater state involvement in health care provision have stirred fierce controversy, as have the recent transformations in public sector functions caused by the impact of the financial crisis in Europe. In other words, change is contested and painful in all circumstances. But some societies can accomplish change in the national interest, even when this involves temporary losses for some groups. Other societies find this more difficult.

What makes institutional transformation particularly difficult for states affected by violence? Many countries that recovered from war in the mid-20th century, including most of Europe and Japan, transformed their institutions quickly and smoothly. But they had a long history of national institutional development and high levels of physical and human capital—and they had faced an external

war, not internal violence. Today's middle- and low-income countries affected by internal violence face greater challenges—for three key reasons. First, launching an initial agreement on change is hard because elites do not trust each other and few people trust the state. Second, maintaining an agreement is difficult because institutional change can increase the risks of violence in the short term, due to political backlash from groups that lose power or economic benefits. Third, countries do not exist in isolation: during fragile periods of institutional transformation, they may face external security threats or economic shocks that can overwhelm progress. These challenges are difficult to overcome when physical, institutional, and human capital is relatively low.

The challenge of low trust and rising expectations

Launching an initial transition in fragile situations is difficult because of low trust and low capacity to deliver on promises.[1] Mistrust is much more pervasive in violence-affected countries than in those with a long history of a reasonably stable social compact between state and citizen. This makes many forms of cooperation difficult, including measures to address the stresses triggering violence in the first place. When there is

BOX 3.1 *Unrealistic expectations in fragile states are hurdles to progress*

The impact of a legacy of mistrust in violence-affected countries

A legacy of mistrust can mean that key actors do not respond as hoped to new political signals or new public programs. Consider Afghanistan, where citizens need to calculate the risks of siding either with the Taliban or with the government and NATO (North Atlantic Treaty Organization)—or with neither.

In making these decisions, individuals consider what they think others are likely to do. The thinking process might go like this: "The consequences of my decision to provide the authorities with information on the Taliban depend on what others around me are going to do. If my neighbors won't cooperate, the authorities are going to lose control, and I'd be crazy to help them. So, even though I do not support the Taliban, I'm better off helping them." The same could apply to providing information on drug traffickers.[2]

All institutional change requires the coordinated actions of many people. That is why small events that change the beliefs about what others will do can evoke big changes in the choices each individual makes. A single, but widely publicized, government humiliation in combat operations, for example, can translate into a major loss of popular support. A single, but widely publicized, incident of corruption can evoke big changes in expectations and in political and economic behavior.

Expectations and trust in fragile states and in non-fragile states

Analysis of 280 country surveys in Latin America and Africa shows a significant difference in citizen trust in fragile and non-fragile states. The results reveal that countries that are not fragile or affected by conflict have significantly higher levels of trust in the police, the justice system, and the parliament. This is consistent with recent research that explores cross-country differences in trusting neighbors and governments.

In simple terms, people's expectations are often wrong about the future in fragile states. A simple cross-country regression using data on expectations of economic improvements and actual economic growth suggests that, in non-fragile states, peoples' expectations of the direction the economy will take in the next 12 months has a significant correlation with actual outcomes.[3] But in fragile states, there is no such correlation: responses to the survey question, "will economic prospects improve in the next 12 months?" bear no relationship to what subsequently happens in the economy. This is important, because all rational expectations theory in economics and political science—and the policy decisions linked to it—assume that people have a reasonably informed ability to make judgments about the future.

The low trust in government institutions in fragile and conflict-affected countries poses a formidable constraint to leaders trying to launch positive change. To further complicate the situation, operational experience and input from national policymakers highlight a second, quite different version of the expectations problem, that is, the excessively *high* popular expectations that arise in moments of political hope and transition. Governments repeatedly encounter this: signing a peace agreement or a donor pledge conference can create a wave of enthusiasm and the expectation that rapid change will follow. When the bubble bursts, as it usually does, governments can experience a rapid loss of credibility.

If policy makers understand these dynamics, they can harness public enthusiasm for change to their advantage by crafting signals in ways that conform to expectations (chapter 4). Where mistrust is high, they have to take actions that send very strong signals—signals that are self-evidently costly, such as integrating former rebels into the national army structure, as in Burundi, or guaranteeing long-term employment to former adversaries, as in South Africa through the "sunset clause" offered to white civil servants. They also have to find ways to make promises binding, often using third parties as guarantors.

Sources: Braithwaite and Levi 1998; Hoff and Stiglitz 2004a, 2004b, 2008; Schelling 1971, 1978; Axelrod 1984; Nunn 2008; Nunn and Wantchekon, forthcoming.

Note: Differences in trust and expectations between fragile and non-fragile states reported here were statistically significant at the 5 percent level. These differences were significant whether non-fragile was defined as CPIA (Country Policy and Institutional Assessment) greater than 3.2 or CPIA greater than 3.8.

no convincing track record of progress and information is poor, individuals can easily have expectations that are either too low (they are unresponsive to positive signals of change)—or too high (they hold unrealistic expectations and are easily disappointed) (see box 3.1).

Low institutional capacity to deliver further reduces trust. Low-trust environments require strong signals of real change. Yet the capacity to deliver change is weak in most societies that score low on governance indicators.[4] A further reason for failure in reform is the "premature load-bearing" of institutions: too many demands and expectations are placed on them in a short period. When they do not deliver, there is a loss of confidence and legitimacy (see box 3.2).

The process of reform itself may carry short-term security risks. Research suggests that a shift from authoritarian rule toward democracy is associated with a higher risk of civil war and an increase in criminal violence.[5] Taking on too many reforms too fast—such as decentralizing services and combating insurgents or traffickers—can risk backlash and institutional loss of credibility. Rapid reforms make it difficult for actors in the post-conflict society to make credible commitments with each other, since they do not know how the reforms will affect the "balance of power." Elections, often seen as "winner takes all" events in fragile states, can evoke powerful reactions from those who lose.[6] And if disadvantaged groups or regions are empowered by reform, existing power-holders must lose some power as a result. Economic restructuring changes the balance of economic access and opportunity. Anti-corruption efforts attack entrenched interests, sometimes very powerful ones. The point here is not that it is wrong to attempt such reform: instead it is to be aware of the risks—and to adapt the design of reforms accordingly, to ensure that the state can deliver on promises.[7]

A history of recent violence sharpens this dilemma. In societies that lack effective security and rule of law, potential reformers may well perceive that reforms will put their lives at risk and cause them to postpone or avoid change. In the 1983–93 "narco-terrorist" period in Colombia, the Cali and Medellín drug cartels ordered an estimated 3,500 assassinations of presidential candidates, politicians, judicial officers, and government officials seen to oppose them.[8] For those who need protection, legacies of violence can undermine their belief in the efficacy of the state and weaken their willingness to support reform. For those considering violence, the possibility of impunity can reinforce their willingness to use violent means.[9] A potent illustration of how reforms can evoke violence is the transitional experience of the former Soviet Union, where homicide rates soared as the state undertook wide-ranging reforms (see box 3.3).

BOX 3.2 *Premature load-bearing*

Public policy (or program) implementation involves agents taking action with a particular set of standards. Tax implementation, for example, involves the collection of taxes (sales, income, dutiable import, property valuation, and so on) according to rules for assessing the amount due. Procurement involves assessing bids according to stipulated procedures, followed by contract awards. Premature load-bearing can occur during a reform process when there is a large divergence between what is in the agents' best interest and what they are supposed to do.

For example, in implementing a revised customs code, if the tariff is very high, the importer may offer the customs officer a side payment to avoid (or reduce) what is owed. Higher tariffs entail greater pressure on the system: but so do complex tariff codes with exemptions based on intended use. In Kenya and Pakistan the collected tariff rate increased with the official tariff (not one for one, but it did increase) up to around 60 percent, after which the collected rate stopped increasing. After that point, further increases in the tariff just increased the discrepancy between the official rate and the collected rate. As the tariff rate increases, the amount importers would pay to evade the tariff increases too, so the temptation for customs officers to deviate also increases. In other words, complexity and its ambiguity make collusion with importers easier. In this case a low and uniform tax would create less organizational stress.

These same considerations apply across the range of state activities, from policing to justice and to public financial management and education. Different tasks create different organizational load-bearing pressures and different inducements to deviate from organizational standards. When those pressures overwhelm capacity and incentives are not aligned, systems fail.

Systems often fail when stress is placed on individual components. Pressure can sometimes cause a nonlinear degradation in performance. In many organizational situations where one agent's performance depends on many other agents around them, modest amounts of stress can bring about total collapse. An example is the Chad College, established to enhance government accountability in the use of proceeds from newly discovered oil. The mechanism relied heavily on local civil society to secure, evaluate, and provide opinions on government funding allocations out of the oil revenues—a formula that works well in environments where civil society has high capacity, and where a tradition of government openness and accountability to citizens has been established. Under stress, however, the civil society groups could not hold government to account, and the mechanism collapsed.

Sources: Pritchett and de Weijer 2010; Kaplan 2008; Lund 2010.

The challenge of vulnerability to external stress

Countries with weak institutions are disproportionately vulnerable to external shocks. Severe external shocks can overwhelm even fairly strong institutions: witness the incipient social unrest in 2010 in many parts of Europe as a result of austerity measures to contain the global financial crisis, or the assaults on governance from shifting patterns in global drug trafficking. When institutions are both well-developed and reasonably static—

BOX 3.3 *Violence can increase during fast institutional transformations*

The late 1980s witnessed major economic reform in the Soviet Union under Mikhail Gorbachev's *glasnost* and *perestroika* initiatives. Among the consequences were severe unemployment, the virtual collapse of a previously comprehensive social welfare regime, and a sharp contraction of many public services. This was followed by the breakup of the Soviet Union into independent republics and the introduction of multiparty politics. A rise in homicides accompanied this period of turbulence, peaking in 1993 at 18 per 100,000 population and again in 2001 at 20 per 100,000 (see figure). With reforms beginning to pay dividends by the 2000s, social instability subsided and homicides began to fall.

Homicides in turbulent times: The Soviet Union

Homicide rates increased in Russia following the dissolution of the Soviet Union and the rapid reforms during the 1990s. This phenomenon was not unique to Russia: nearly every former Soviet country had homicides increase in the early 1990s.

a. Homicide rates in Russia, 1986–2008
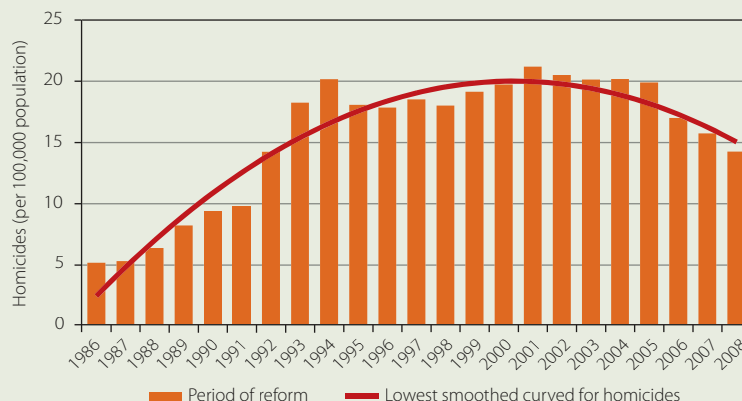
b. Homicide rates in former Soviet republics, 1990–2000
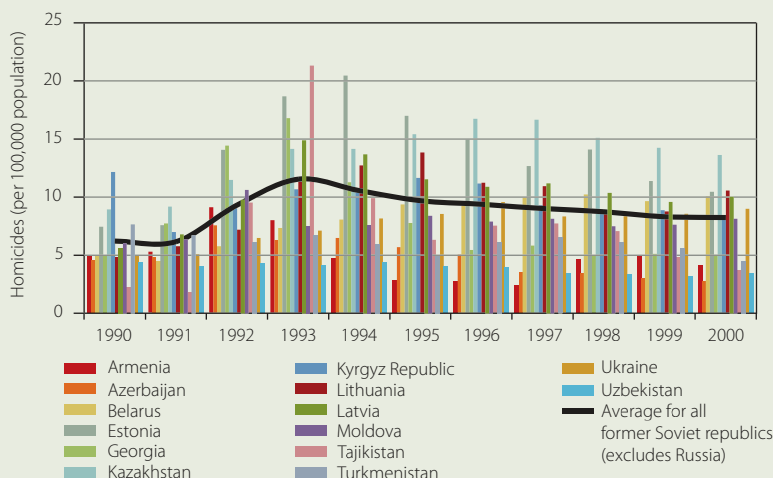
   Most former Soviet republics experienced a spike in homicides following the dissolution of the Soviet Union, with notable peaks in Estonia (20 in 1994), Georgia (17 in 1993), Kazakhstan (17 in 1996), and Tajikistan (21 in 1993). In every country except Turkmenistan and Uzbekistan, homicides increased between 1990 and 1994, followed by a decline, though the average homicide rate in 2000 remained above the level of 1990, and only a few countries had lower homicide rates at the end of the decade.

Sources: The PRS Group 2010; World Bank 2010n; WDR team calculations.

as in the OECD (Oranisation for Economic Co-operation and Development) countries—external shocks can be absorbed, but even then, they will affect reform plans. Chapter 2 showed that fragile countries experienced more food protests, and more violence during food protests, than non-fragile countries during recent food price crises. Likewise, recent research suggests that the impact of natural disasters is more pronounced in fragile states.[10] Not only are fragile countries more vulnerable to the effects of disasters, but disasters and external shocks can interrupt institutional transformation, as was the case in promising sectors after Haiti's devastating earthquake in early 2010.[11]

Escaping violence, developing resilience

Given the difficulties, how have countries escaped from violence and achieved institutional resilience? These pathways are under-researched, and this Report has only some of the answers. The framework below suggests some fundamental differences between fragile and violent situations and stable developing environments.[12] The first is the need to **restore confidence** in collective action before embarking on wider institutional transformation. Second is the priority of **transforming institutions that provide citizen security,[13] justice, and jobs.** Third is the role of regional and international action to **reduce external stresses.** Fourth is the **specialized nature of external support needed** (figure 3.1).

The framework is not meant to be a "grand theory" of violence, nor is it the only way to understand violence prevention. It builds, however, from the research described in chapters 1 and 2 and a review of country experience, and provides a useful organizing framework for action. First, it provides a systematic way of thinking about what can be done to prevent violence—and the recurrence of violence over time. Indeed, the question of most relevance to national reformers

FIGURE 3.1　*WDR Framework: Repeated cycles of action to bolster institutional resilience*

The WDR framework is presented as an ever-expanding spiral because these processes repeat over time as countries go through multiple transitions. Even as one set of immediate priorities is resolved, other risks and transition moments emerge and require a repeated cycle of action to bolster institutional resiliency. The arrow below the spiral illustrates that external support and incentives *can help this nationally led process, and the arrow above it illustrates how* external stresses *can derail it.*

Source: WDR team.
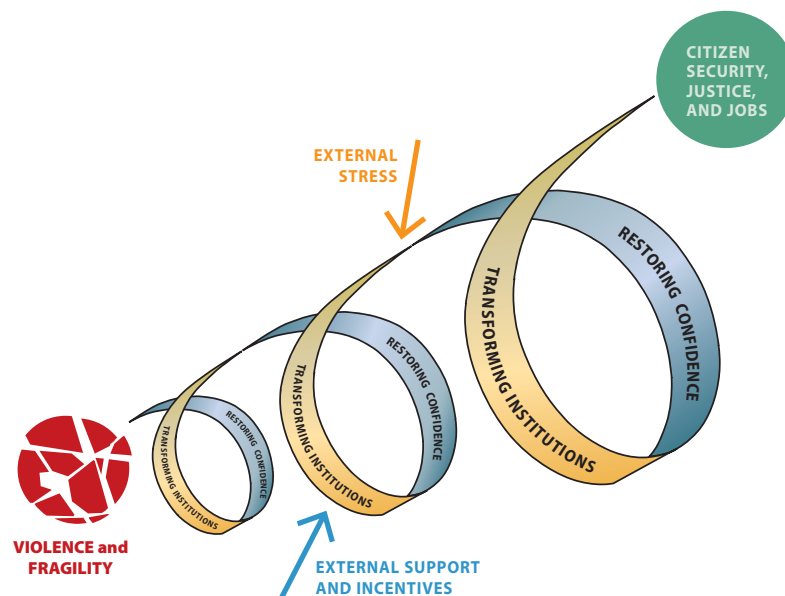
and international agencies—and the one that an institutional emphasis puts front and center—is in practical terms, "what can we do to prevent violence?" Second, the framework is compatible with the theories of violence in different disciplines (box 3.4). Third, by focusing on the challenges in moving from crisis management to security, justice, and economic institutional transformation, it brings together the thinking of local, national, and international actors as well as political, security, and development agencies.

The framework suggests that institutional transformation and good governance, which are important in development generally, work differently in fragile situations. The goal is more focused—transforming institutions that are directly important to the prevention of repeated cycles of violence. The dynamics of institutional change are also different. A good analogy is a financial crisis caused by a combination of external stresses and historic weaknesses in institutional checks and balances. In such a situation, exceptional efforts are needed to restore confidence in national leaders' ability to manage the crisis—through actions that signal a real break with the past, and through locking in these actions and showing that they will not be reversed. To prevent the crisis recurring, concerted action will also be needed to address the underlying institutional and governance weaknesses that precipitated it—but without a restoration of confidence among both national and international stakeholders, these reforms will not be possible.

Restoring confidence and transforming institutions

The framework therefore argues that confidence-building—a concept used in political mediation and financial crises but rarely in development circles[14]—is a prelude to more permanent institutional change in the face of violence. Why apply this to the challenges of fragility and violence? Because the low trust caused by repeated cycles of violence means that stakeholders who need to contribute political, financial, or technical support will not

collaborate until they believe that a positive outcome is possible. Chapter 4 examines country-level experiences of three mechanisms to restore the confidence of key stakeholders in fragile and violent situations:

- *Developing collaborative, "inclusive enough" coalitions.* To bridge problems of low trust between societal groups and between the state and society, we examine the role that coalitions involving a broad range of stakeholders have played in successful exits from violence—whether government-led alliances in support of security and development actions or negotiated agreements between parties to a conflict. Inclusion can embed strong political economy incentives. It brings benefits to leaders—by providing support and resources from key stakeholder groups and ensuring that individual leaders or parties do not take all the blame for unpopular decisions.[15] It can also signal change and provide incentives for reform if parties responsible for abuses are excluded. An inclusive approach can also carry longer-term political economy benefits, by creating pressure for continuing change, avoiding narrow and persistent elite captures of the state.

- *Using signals and commitment mechanisms to build support.* Without strong signals of a break with the past and ways to reassure stakeholders that the new direction will be sustained, developing coalitions of support for change can be difficult. Leaders need ways to find the right signals to galvanize support—signals that have been successful in different country contexts are examined. When trust in announcements on future policy is low, leaders also need mechanisms to lock promises in and persuade people that they will not be reversed—called "commitment mechanisms" by economists and political scientists. We consider the type of commitment mechanisms that have been useful in the face of risks of repeated cycles of violence.

- *Delivering early results.* Expectations from government policy announcements alone will likely be insufficient to persuade

BOX 3.4 *The WDR framework and theories of violence prevention*

Paul Collier in *Breaking the Conflict Trap* and *The Bottom Billion,* and Douglass North, John Wallis, and Barry Weingast in *Violence and Social Orders* have been among the most influential theorists of the links among conflict, violence, and development.

　North, Wallis, and Weingast describe three "doorstep conditions" for fragile countries to move toward long-term institutional violence prevention:

- Ensuring the rule of law, particularly over property issues, for elites
- Creating a "perpetual state" in the constitutionality of transfer of power and the ability of state commitments to bind successor leaders
- Consolidating control over the military.

　Their framework provides a perceptive analysis of national development dynamics but does not explicitly address international stresses on states, international assistance, or the influence of international norms and standards.

　Collier's work, by contrast, focuses less on domestic political dynamics and more on low income, corruption, and natural resource rents. He explicitly considers external security guarantees and international standards for resource extraction.

　This Report brings together these strands of thinking and adds analysis that both supports earlier hypotheses and provides new questions for further research. It uses quantitative techniques to confirm that institutions matter for violence prevention. It brings this together with other work from economics, political, and social science on how institutional transformations take place. And it adds some concepts and examples from country case studies and regional and country consultations to flesh out understanding of these transitions.

　Chapter 2 provided empirical analysis of the importance of institutions for long-term violence prevention. It supports the theories of economists and political scientists who have focused on institutions, such as Collier; Fearon and Laitin; and North, Wallis, and Weingast. Interestingly, it provides some initial evidence not only that very highly developed countries defined by North and colleagues as "open access orders" have lower rates of violence, but also that institutions and good governance outcomes matter at much lower levels of development. Institutions matter for preventing criminal violence and organized crime as well as for preventing political conflict.

　This chapter focuses on practical lessons that can be applied in extreme conditions of insecurity and weak institutions. It expands on existing work in three ways:

- ***Why institutional reforms are so difficult.*** The chapter draws upon scholars such as Acemoglu and Robinson, Fearon, and Laitin; Keefer, Weingast and others who have studied early transition periods to describe why the political economy of institutional reform in insecure environments is so difficult, and why so many reform efforts therefore fail.

- ***What it takes to make institutional reforms happen.*** The chapter uses country case studies and inputs from national reformers to look at how countries in outright crises have restored confidence, and how countries with ongoing insecurity and weak legitimacy, capacity, and accountability have transformed their institutions in the longer term. This work builds on North and colleagues' analysis of the pathways to move to broader institutional transformation, prevent violence from recurring, and lay the basis for longer-term development—but it focuses on earlier periods of transition in very insecure environments. In so doing, it moves beyond most existing theories by explicitly considering how external stresses and external assistance can affect these processes.

- ***Understanding that transformations take time and adopting appropriate institutional models is critical.*** The chapter adds empirical measures of how long these transformations take, even for the countries that made the fastest transitions in the late 20th century, and considers what can accelerate them. It also adds an important qualifier to "institutions matter for violence prevention" by arguing that this does not mean convergence toward Western institutional models. Societies that prevent violence from recurring have designed solutions based on their own history and context—and have created or adapted rather than simply copied institutions from other countries.

　The rest of this chapter elaborates the arguments in each of these areas. Chapters 4–9 then show how countries can restore confidence and transform institutions—and how international support can help them do so.

Sources: Collier and others 2003; Collier 2007; North, Wallis, and Weingast 2009; Weingast 1997; Fearon and Laitin 2003; Acemoglu and Robinson 2006; Keefer 2008.

stakeholders that a positive outcome is possible due to credibility issues described above. Delivering early tangible results in areas that reflect the priorities of key stakeholder groups and the broader citizenry is vital. We look at the mechanisms countries have used to deliver early, confidence-building results, including results that span the security, justice, and economic domains, and the use of combined state, community, private sector, and civil society capacities to deliver.

Confidence-building is not an end in itself. Institutional reforms to deliver security and check the power of those in government are necessary to prevent a reversion to the vicious cycle of narrow elite pacts and recurring violence (chapter 2). For this to happen, personalized leadership has to shift toward more permanent, depersonalized institutional capacity and accountability. Unless confidence-building signals and early results are linked to the development of more legitimate, accountable, and capable institutions, countries remain acutely vulnerable to violence. In chapter 5, we explore two mechanisms for sustained institutional transformation:

- *Devoting early attention to the reform of institutions that provide citizen security, justice, and jobs.* The interlink between security and development has been debated under the notion of human security, which encompasses freedom from fear, freedom from want, and freedom to live in dignity. By putting the security and prosperity of human beings at the center, human security addresses a wide range of threats, both from poverty and from violence, and their interactions. While acknowledging the importance of human security and its emphasis on placing people at the center of focus, this Report uses the term "citizen security" more often to sharpen our focus more on freedom from physical violence and freedom from fear of violence. The hope is to complement the discussion on the aspect of freedom from fear in the human security concept.[16] In institutional re-

form efforts, there is a tendency to tackle everything at once, and immediately. We explore early efforts that have proven successful in reforming institutions that directly address the correlates of violence—security, justice, and economic stresses—and which reform areas have generally been addressed more gradually.

- *Using and exiting "best-fit" reform approaches.* The record of backlash against change described above argues that reforms of institutions in fragile contexts need to be adapted to the political context rather than be technically perfect. We explore the extent to which countries that have become resilient to violence have often used unorthodox, "best-fit" reform approaches that allow for flexibility and innovation—public support for employment; non-electoral consultative mechanisms; combinations of state, private sector, faith-based, traditional, and community structures for service delivery, for example (see box 3.5).

Marshaling external support and resisting external stresses

Building resilience to violence and fragility is a nationally owned process, but external support and incentives and external stresses can contribute to progress or to backsliding. Outsiders cannot restore confidence and transform institutions—these processes are domestic and have to be nationally led. But to help countries restore normalcy and reduce regional and global instability, international actors can offer the following:

- *Providing effective external support and incentives.* Some countries have restored confidence and transformed institutions using only their own financial and technical resources, but most have drawn on diplomatic, security, and development assistance from outside. External action can help by building trust through external commitment mechanisms; delivering quick results that reinforce government

> **BOX 3.5** *"Best-fit" reforms*
>
> What do we mean by "best-fit" reforms? Because of the risks of political backlash and premature overloading described earlier, in conditions of imperfect security and weak institutions, "best-practice" technocratic reform options may not work. Less orthodox approaches that are best-fit in the context of imperfect security, institutional capacity, and competitive markets can work better—but may have "second best" implications that need to be managed.[17] Consider the following five examples:
>
> - A country wants to legitimize the formation of a government and a new reform direction through an election, but insecurity still rages over most of the territory, many voters cannot get to the polls, and polling and vote-counting cannot be monitored. Non-electoral representative mechanisms, where perceived by citizens to provide genuine voice and accountability, can be used in the short term, but in the medium term, they will require renewed legitimization.
>
> - A country has 20–30 percent unemployment, criminal gangs recruiting from its youth population, and an economy structurally underinvested in areas of its comparative advantage. In the short term, publicly subsidized employment may be the best-fit option, but in the longer term, an exit pathway to formal employment in the private sector will be needed.
>
> - A country needs electricity for the economy to recover, but insurgents have the capability to attack large generation and distribution facilities. Medium-size generators may cost more but may be the best-fit option in the short term. In the longer term, the country may need to exit to a lower-cost solution.
>
> - A country wants to divert public spending to education and infrastructure, but has a large standing army and a rebel army in place. In the short term, integrating these forces and paying their salary costs may be the best-fit option, but in the longer term, the force may need to be downsized and professionalized.
>
> - A country has tens of thousands of people accused of past human rights violations, but its formal justice system can process only 200 cases a year. A community-based process may be the best-fit option, but the formal justice system will still need to be built, with redress for families inadequately dealt with in the initial process.
>
> *Source*: WDR team.

legitimacy; supporting institutional transformation with flexible approaches that respect best-fit reform options; applying realistic timelines for institutional progress; and providing incentives to reward responsible governance and to sanction failing leadership.

- **Diminishing external stresses on fragile states.** Reducing external stress includes action to contain the adverse impact of illegal trafficking, international corruption, and money laundering—and protecting countries against economic shocks. Some of these challenges are beyond the control of individual states. Analyzing the strengths and weakness of regional and global initiatives can ensure that national reform efforts are not overwhelmed by new pressures and that successful action in

one country does not simply push problems to neighboring countries.

Doing it again—and again, and in different types of transition

Just as violence repeats, efforts to build confidence and transform institutions typically follow a repeated spiral. Countries that moved away from fragility and conflict often did so not through one decisive "make or break" moment—but through many transition moments, as the spiral path in figure 3.1 illustrates. National leaders had to build confidence in the state and to transform institutions over time, as with the Republic of Korea's transitions in the security, political, and economic spheres, which included repeated internal contests over the norms and gover-

nance of postwar society.[18] A repeated process enables space for collaborative norms and capacities to develop, and for success to build on successes in a virtuous cycle. For each loop of the spiral the same two phases recur: building confidence that positive chance is possible, prior to deepening the institutional transformation and strengthening governance outcomes.

Transitions out of fragility and repeated cycles of violence occur through preventive actions as well as post-conflict recovery. The South African transition was not a classic post–civil war transition: while low-level civil and political violence existed, leaders took preventive action before the country succumbed to outright civil war (feature 3). This is not unusual: two-thirds of the societies exiting fragility in the last 20 years did so without a major civil war.[19] Some opportunities arose when incumbent leaders recognized the need for change and created the conditions to make change happen—as in Ghana in 2003, where a potential conflict over succession rights between two clans in the north was avoided.[20] Other opportunities arose from mass protests or social action, as in Benin in 1990, where a popular movement precipitated a national conference that led to a new constitution, multiparty elections, and the end of 17 years of autocratic rule.[21] Multiple transitions have also been the general pattern in middle-income countries emerging from authoritarian rule, such as Argentina and Chile.

Even the worst natural disasters can provide opportunities for transitions from conflict and fragility: although movements to negotiate a settlement between the Indonesian government and the Free Aceh Movement (Gerakan Aceh Merdeka) began just before the devastating 2004 Indian Ocean tsunami, the resulting humanitarian crisis and massive reconstruction effort created common ground, as both sides turned to helping survivors and rebuilding Aceh. While countries can remain in a vicious cycle of severe violence for long periods, there are many opportunities for key participants to recognize that change is in their self-interest.

Do not expect too much, too soon

The passage of time permits the development of an institution's identity and the shared values that support it. And repeated successes in delivery by an institution both reinforce internal morale and build credibility in the eyes of the public. To make reasoned judgments about time frames, it is important to have historical reference points. One approach is to ask how long it took today's high- or middle-income societies to achieve current institutional attainment levels. A comparison between the most and the least developed societies is unhelpful: in 1700, for example, the Netherlands already had a real per capita GDP higher than that of the poorest 45 countries today.[22] A more useful approach is to compare current rates of institutional development among today's fragile states against rates of more recent "transformers."

Historically, the fastest transformations have taken a generation. Well-known institutional indices are relevant to reducing the risk of violence—the rule of law, corruption, human rights, democratic governance, bureaucratic quality, oversight of the security sectors, and equity for the disadvantaged.[23] How much time has it taken to move from current average levels in fragile states around the world to a threshold of "good enough governance"? The results are striking. It took the 20 fastest-moving countries an average of 17 years to get the military out of politics, 20 years to achieve functioning bureaucratic quality, and 27 years to bring corruption under reasonable control (box 3.6). This did not mean perfection, but rather adequacy. Nor should these targets be considered easy benchmarks for most of today's fragile and violence-affected countries, since the "fastest transformers" described above often had more favorable starting conditions than today's fragile states. Portugal and the Republic of Korea are among the fastest institutional transformers of the 20th century, but both started their transformations with a foundation of extensive state institutional experience, and with literacy rates far higher than

BOX 3.6 *Fastest progress in institutional transformation—An estimate of realistic ranges*

The table shows the historical range of timings that the fastest reformers in the 20th century took to achieve basic governance transformations.

Scenarios for dimensions of "state capability"

Indicator	Years to threshold at pace of:	
	Fastest 20	**Fastest over the threshold**
Bureaucratic quality (0–4)	20	12
Corruption (0–6)	27	14
Military in politics (0–6)	17	10
Government effectiveness	36	13
Control of corruption	27	16
Rule of law	41	17

Source: Pritchett and de Weijer 2010.

Note: Calculations are based on International Country Risk Guide indicators that ranked countries on a 0–4 scale over the period 1985–2009. The column "fastest 20" shows the average number of years the fastest 20 performers have taken to reach the threshold, and the second column shows the time it took the fastest ever country to achieve a threshold indicator score.

those in, say, the Democratic Republic of Congo or Haiti today.[24]

The track record of institutional transformations indicates that they have been getting faster over time: modern transformations can be contrasted with the 100+ years common in previous centuries. Three international trends may plausibly support a "virtuous spiral" for faster transformations:

- First, states do not operate in isolation from each other or the global system. Modern states are part of an international system that confers certain benefits and requires specific behaviors. Today these behaviors include helping to maintain interstate security (by not threatening other states, for example, and by observing "rules of warfare"), upholding international law, and abiding by treaty obligations—and behaving at home in ways consistent with international norms (by protecting human rights and eschewing corruption or unconstitutional changes in government, for instance). Global and

regional norms are dealt with in more detail in chapter 6.[25]

- Second, new technologies support growing demands for good governance. People today have much easier access to information on what others think (including others across the world), and this makes it far harder for governments to ignore the interests of their broad masses.[26] Videos of events at the end of the Soviet era showed citizen movements from Nepal to Romania what could be achieved through mass protest, while recent revolutions[27] have exploited the newer personal communication technologies, such as the so-called Twitter revolution in Moldova, and the role of social media in the Middle East and North Africa.[28] States do sometimes reject citizen demands, but the price they pay today tends to be higher, measured in repression, economic stagnation, and international isolation. The spread of new technologies reinforces the circulation of international principles

and the benchmarking of government performance by citizens and civil society organizations. This, and the organizational capabilities embodied in new technology, has a huge impact on people's ability to put pressure on their state institutions (as in the Islamic Republic of Iran in 2009).[29] But the expansion of communications channels can cut either way. For example, in early 2008 in Kenya, following the contested December 2007 elections, mobile phones played a dual role of encouraging violence and preventing its spread.[30]

- Third, new technologies also create possibilities for improving service delivery, even in the most fragile situations. Technologies that enable communication between citizen groups within and across countries can help governments accelerate the type of institutional transformation that improves performance and process legiti-

macy. In the Democratic Republic of Congo, transitional payments were made to over 100,000 ex-combatants via cell phone since 2004, and citizen surveys have been conducted using SMS (short message service).[31] Such services would have been costly and inefficient across a vast territory with little infrastructure before the advent of technological change.

Wishful thinking on timing pervades development assistance when it comes to governance and institution building. In part it derives from the desire to meet international norms quickly, which is understandable: human rights abuses and gross corruption are abhorrent. But goals are then set that require state capability, sometimes without considering whether the capability exists, and sometimes under the presumption that it can be created quickly (given resources and "political will"). This is mistaken. Even the Republic of Korea, which had the resources and political will (and a higher level of human capital than many fragile states today), took a generation to make these changes.[32] No country today is likely to be able to make it in three to five years, the typical timeline of national leadership and the international community (box 3.7).

Adapt to different contexts

The process necessary to restore confidence and transform institutions are similar in countries that have different combinations of stresses and institutional characteristics; between low- and middle-income countries, and even high-income countries facing subnational violence; and between countries facing violence of purely criminal origins and those facing political and civil conflict. While the dynamics of change may be similar, the framework must be applied differentially, depending on the specific features of the case in question.

In some countries, stresses from international trafficking in natural resources or infiltration of armed groups from abroad are important, while in others, trafficking of drugs

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BOX 3.7 *Optimism or wishful thinking?*

Haiti at the end of 2009 had made considerable advances in restoring security and better governance in the wake of the 2004 crisis following the removal of President Jean-Bertrand Aristide. Security had been restored in urban areas. Trust in government institutions, including the police, had risen. Basic public finance functions were functioning. And considerable humanitarian and community services and small reconstruction projects had been launched.

Before the earthquake struck Haiti in 2010, the government was in discussions with various parts of the international community—diplomatic, peacekeeping, and development—on pressing institutional transformations. These included fundamental economic restructuring needed to create jobs in agriculture and textiles; the appointment of personnel in both the Supreme Court and the lower courts to restore better basic functioning to the justice sector; constitutional changes to, among other things, reduce the frequency of elections; increased decentralization in the administration; rapid expansion of the police force; anti-corruption measures to avoid diversions of aid funds; revenue reform to increase the tax base; and action against drug traffickers to address shifts in transit patterns into the Caribbean. All these actions were to take place over 18 months when Haiti also had two elections scheduled.

The tragedy that overtook the country in January 2010 makes it impossible to know whether these reforms would have been completed. The link between violence and institutions, and of historical state-building experiences elsewhere, does show that these changes would make Haitian society more resilient to renewed violence—but that no country has ever successfully completed this level of change in 18 months.

Sources: WDR consultation with government officials, United Nations and donor representatives, local nongovernmental organizations (NGOs), and community-based organization representatives in Haiti, 2010.

BOX 3.8 *Spectrum of situation-specific challenges and opportunities*

Types of violence: Civil, criminal, cross-border, subnational, ideological, or any combination of these	
Transition opportunity: Gradual/limited to immediate/major space for change	**Key stakeholders:** Internal vs. external stakeholders; state vs. nonstate stakeholders; low-income vs. middle-high-income stakeholders
Key stresses: Internal vs. external stresses; economic vs. political stresses; high vs. low level of divisions among groups	**Institutional challenges:** Low capacity constraints vs. high capacity; low accountability vs. high accountability; exclusion vs. inclusion

Source: WDR team.

may be the principal external stress. Internal stresses stemming from actual or perceived inequalities between groups may take the form of urban-rural divides in some countries, ethnic or geographical in others, or religious in still others. Economic shocks or high unemployment may be important in some countries but not in others.

Institutional challenges in dealing with these stresses also vary (box 3.8). Some countries have to deal with weak capacity in both state and civil society institutions, combined with weak accountability; others may possess reasonably strong capacity and resources, but face challenges in state legitimacy because the state is perceived to lack accountability in political representation, in its management of public resources, or in its respect for human rights—or is perceived to represent the interests of only one section of the population, to the exclusion of others. In some countries, the challenge is national: all areas of the country are affected. In others, it is contained but still significant: subnational areas exhibit characteristics of fragility, with risks of actual or potential violence.

Stresses and institutional characteristics also change over time, with new stresses arising and new capabilities being developed. In addition, the trajectory of change is important. In some countries, events may provide an opportunity for major political, social, and economic change. In others, a his-

tory of recent deterioration may mean that upcoming transition moments present an opportunity to reverse deterioration in the situation, but may not yet present a real opportunity to deliver decisive improvements. The types of transition moment that offer an opportunity for change of course vary enormously—from elections to external crises to new government reform plans to anniversaries that are important in the country's national psyche.

Thus, differentiated application of the framework is essential. In applying the framework, the choice of different types of "inclusive-enough" coalitions and priorities for early results, the sequencing of institutional transformation efforts, and the development of politically innovative institutions all depend on country-specific circumstances. Equally, external support and incentives and international actions to address external stresses need to be designed to fit the specifics of each country situation. Throughout this Report, a differentiated political economy framework is used to ask the following questions:

- What stresses does the country face that increase the risks of violence occurring or reoccurring? Areas to explore include the infiltration of external armed groups and trafficking networks; potential corruption pressures from natural resources or other

forms of trafficking; political, social, or economic inequalities and tensions between groups; high or rising unemployment and income shocks; and stresses that arise in terms of ex-combatant or gang-member activity and circulation of arms.

- What institutional characteristics are paramount: capacity, including in different state and nonstate institutions; accountability, including for different aspects—political representation, corruption, respect for human rights; inclusion of different groups, ethnic, religious, class, geographical? What risks do these institutional characteristics present for national actors and international actors?

- Which stakeholder groups are crucial to building confidence and transforming institutions, and what signals, commitment mechanisms, and results are most important to these groups? This may include different groupings among political actors, security force leadership, excluded citizens, business, labor, faith-based institutions, or other influential civil society groups, and external actors such as neighboring governments, donors, and investors.

- What types of transition moments are coming up, and what opportunities do they present? This needs to include not only a creative assessment of opportunities for change, but also a realistic assessment of what these opportunities can and cannot achieve—for example, some upcoming transition moments may offer an opportunity to reverse deteriorations, but not yet consolidate all the dimensions of change needed for long-term resilience to violence.

*   *   *

Institutions matter, doubly so for countries affected by violence. It is well known in the economic literature that institutions matter for economic development.[33] The emerging econometric evidence suggests that countries are doubly affected by very weak institutions—because the lack of institutions slows development, but also because weak institutions make them more vulnerable to violence, which, itself, reverses development. They find themselves in a trap: the institutional reforms they need to exit the vicious cycle of violence and temporary elite pacts are difficult to achieve, precisely because the threat of violence remains very real.[34] As a result, the virtuous spiral of restoring confidence and transforming institutions cannot expand—since credibility is missing where violence (including the legacy of violence or the threat of violence) is present, leaders must first engage in confidence-building through inclusive enough pacts and early results for their commitments to be credible.

Only after actors have built trust and established their commitment to peaceful development through confidence-building can they then credibly undertake the institutional reforms necessary to escape the vicious cycle. The repeated expansion of the WDR framework spiral is important because transformation takes time. Leaders, stakeholders, and the international community must remember that societies will go through multiple cycles of confidence-building and institutional reform before they can achieve the resilience to violence necessary for "development as usual."

FEATURE 3 *Restoring security in Colombia*

Types of violence: Trafficking, criminal and gang violence, civil conflict	
Transition opportunity: Preventive action in the face of rising criminality and failed peace talks	**Key stakeholders:** Government, armed groups, citizens, civil society, regional, international partners, criminal networks
Key stresses: Legacies of violence, presence of international trafficking and criminal networks, social and economic inequity	**Institutional challenges:** Absence in parts of the country of state institutions; legacy of capacity, inclusion, and accountability challenges

Colombia, a middle-income country, has experienced peace for only 47 of its first 200 years of independence. Until the turn of the 21st century, large parts of the territory were marked by the absence of state institutions, and a long sequence of amnesties and negotiations with armed groups merely recycled, but did not resolve, incentives for violence.

Over the past two decades, a number of new initiatives were taken to restore confidence and security. These have been led by both local and national governments and have had a significant impact in recent years.

DESEPAZ—an acronym for Desarrollo, Seguridad y Paz, or development, security, and peace—started in Cali in 1992, based on epidemiological studies of the violence that afflicted the city (murder rates had climbed from 23 per 100,000 inhabitants to 93 from 1983 to 1992). Contributing to significant reductions in violence, its programs included mulitsectoral coordination of arms control, policing and justice, education, housing, and recreation activities.

With homicide rates very high, Bogotá, like Cali, implemented a multisectoral approach in the 1990s that included cooperation between community police and local residents, and initiatives to stimulate the local economy. These and other interventions reduced homicide rates in Bogotá from 80 per 100,000 people to 28 between 1993 and 2004, and increased arrest rates by a factor of four.

More recently, Medellín also experienced a dramatic reduction in levels of criminal violence. As a city directly affected by rebel groups and the violence of the drug cartels, Medellín became in 1991 the most violent city in the world, with a homicide rate of 381 per 100,000. The impact of national and local security policies combined with social development strategies helped reduce this to 29 per 100,000 people in 2007.

Serious efforts to negotiate with rebel groups began in the 1990s and included the creation in 1998 of a neutral zone under the control of the Revolutionary Armed Forces of Colombia (FARC). The failure of these efforts was blamed by many on the FARC, and this helped build popular support for a shift in strategy that branded the FARC as a criminal group. Beginning in 2002, the new administration decided not to continue with the previous government's four-year negotiation with the FARC and the National Liberation Army (ELN). It focused instead on consolidating state control throughout Colombia, protecting the population and fighting the illicit drug trade—aims subsequently formalized in the government's "democratic security" policy. Based on an integrated approach to restoring confidence through security, private-sector job creation, and social cohesion, the new policy aimed at "institucionalidad," or building and transforming institutions.

From 2002 to 2008, this approach had considerable success: the armed forces were expanded from about 300,000 in 2002 to more than 400,000 in 2007,[35] and state presence throughout the country reduced violence, particularly in rural areas. National homicide rates were halved, from 70 per 100,000 people to 36,[36] households forcefully displaced fell by 60 percent, and kidnappings fell by 83 percent.[37] To increase the transparent functioning of government, Colombia improved on measures of corruption (from –0.44 to 0.24), the rule of law (from –0.92 to –0.50), government effectiveness (from –0.40 to 0.13), and accountability (from –0.50 to –0.26).[38] The reduction in violence helped sustain rapid economic growth—at an average of 4.9 percent a year between 2002 and 2008, almost three times the rate in the previous seven years.[39] These impressive security achievements did not come without costs, however: more than 300,000 people were newly displaced in 2008. Crime and insecurity have also begun to rise again in some urban areas, such as Medellín (an increase in the homicide rate from 33.8 to 94.5 per 100,000 in 2007–09),[40] as new forms of organized crime have emerged. Nor has the FARC insurgency been decisively ended.

Several key lessons follow:

• The government used an "inclusive-enough" approach, building broad national support for security goals when ceasing negotiations with the FARC. After an in-depth dialogue with business groups, a "wealth tax" paid by the country's richest taxpayers was introduced in 2002, earmarked for the security effort. Social network campaigns were

Restoring security in Colombia (continued)

mounted against kidnapping and later against FARC's use of violence.

- Early confidence-building measures were crucial. The government deployed military resources to protect the main road network, sponsoring convoys of private vehicles that allowed many Colombians to travel between major cities in safety for the first time in years. Mobility increased markedly: the number of vehicles passing through toll stations rose from about 60,000 vehicles in 2003 to close to 150,000 vehicles in 2009.

- Combining political, security, and economic development measures was central to the approach. The government established a national agency, reporting to the presidency, to coordinate military, police, and civilian developmental efforts in the least secure areas. The multidisciplinary teams of the Centro de Coordinación de Acción Integral (CCAI), worked in the same offices and developed joint plans to guide their actions. Common concepts—"democratic security" and the restoration of "institutionality" to areas where the state had been absent—were important for close collaboration between military and civilian actors.

WDR consultations underlined two big challenges going forward. The first is to match the success in restoring confidence and security with longer-term institutional transformation. Surveys of popular perceptions show an enormous increase in confidence in both the security situation and in the delivery of education services, as well as in overall trust in the

a. Popular confidence dramatically improved in services and security
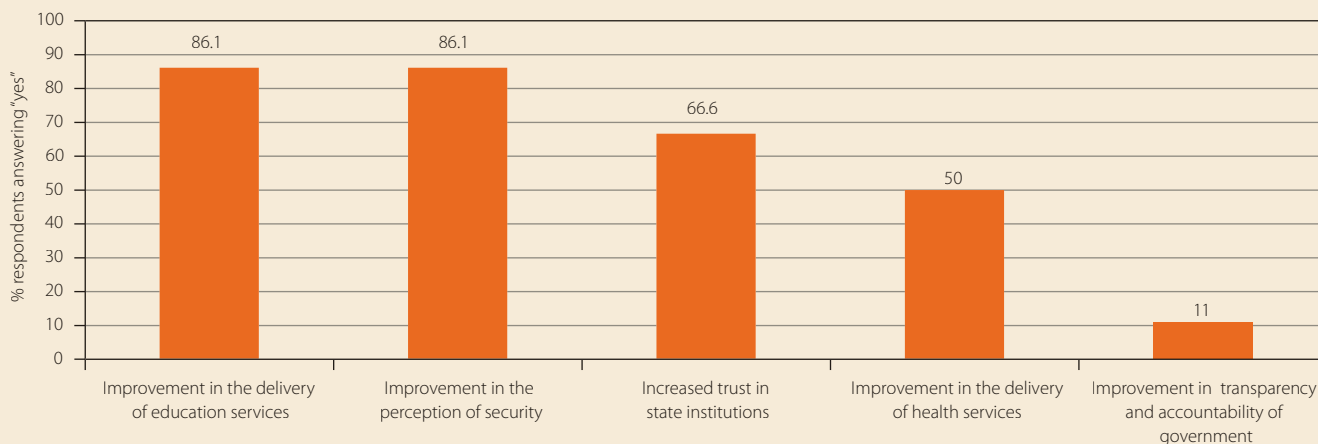
Source: WDR team calculations based on results from Bøås, Tiltnes, and Flatø 2010 for representative surveys conducted in early 2010.

state (see figure a). However, Amnesty International gave Colombia its lowest rating in 2008, and Freedom House maintained a rating of 4 (on a scale of 7) between 2002 and 2008.

A second challenge relates to security and justice institutions. The justice system, while preserving its independence, was not reformed at the same pace as the military and police, and had difficulty keeping pace with the caseloads emerging from more effective policing. A culture of impunity persisted, and threatened progress made in security sector reform. National institutions also faced a credibility test in relation to so-called false-positive deaths: ongoing investigations and prosecutions are looking into evidence that innocent poor young men were killed and falsely portrayed as rebels killed in military operations.

Colombia's success in attacking the larger drug cartels also had unintended effects on its neighbors. The area under coca cultivation has increased in Bolivia and Peru. Along with increases in productivity, this boosted South America's potential cocaine production to 865 metric tons in 2008, up from 800 metric tons in 2002.

Sources: Arboleda 2010; UNODC 2010b; World Bank 2010n; Guerrero 1999; Centro de Coordinación de Acción Integral 2010; WDR team consultations with government officials, civil society representatives, and security personnel in Colombia, 2010; WDR interview with former President Álvaro Uribe, 2010; WDR team calculations.

REFLECTIONS FROM ADVISORY COUNCIL MEMBERS: *2011 WORLD DEVELOPMENT REPORT*

BOX 3.9 *Lessons of the South African transition: Restoring confidence and transforming institutions*

Jay Naidoo, Chairman of Global Alliance for Improved Nutrition; Former General Secretary, Congress of South African Trade Unions; Minister of Reconstruction and Development, South Africa; and Former Chairman of the Development Bank of Southern Africa; *WDR Advisory Council Member*

Based on discussions with Mac Maharaj, Sydney Mufamadi, Roelf Meyer, Leon Wessels, Fanie van der Merwe, and Jayendra Naidoo.

In May 2010, as part of the *World Development Report 2011* process, I was part of a discussion with key negotiators from the ANC Alliance and National Party in which we reflected on the lessons that could be learnt from the political transition to democracy in 1994. We were all agreed that a prerequisite for successful political transitions had to be strong national ownership and that the peace process underpinning it had to be embedded at a local level and deliver a peace dividend that benefitted local communities. The following points are what I extracted from South Africa's experiences:

There were **multiple transition** points which required efforts from the protagonists to shift the debate, rather than only one "moment" of transition in 1994. These included citizen protests and strikes; legalization of unionism for black workers; the start of undercover contacts in the late 1980s; the release of Nelson Mandela and the unbanning of the ANC and political parties in February 1990; the National Peace Accord in 1991; CODESA in 1992; the Transitional Executive Council and associated bodies in 1993–94; the Reconstruction and Development Program in 1993–94; the Growth, Employment and Redistribution Program in 1996; and the local government democratic transition which only culminated in 2000.

Restoring confidence

South Africa's transition steps in the early 1990s were preceded by a much longer period of change in mentality, or paradigm shift, amongst the protagonists that gave credibility to the process:

- On the ANC Alliance side, this included the shift to a *broader, more inclusive approach*, and the realization of the need to ensure incentives for the National Party and the white population.

- On the National Party side, this included the shift from thinking in terms of group rights and protection of minorities to thinking in terms of individual rights and majority rule.

- Certain signals which were perceived as irreversible (notably the unconditional release of Nelson Mandela and the suspension of the ANC's armed struggle) were critical in maintaining trust between parties.

- Leaders on both sides had to move quickly to avoid getting bogged down by narrow interests in their own constituencies, in particular in periods of devastating crisis such as the political assassination of Chris Hani.

After the 1994 elections, *delivering a few early results*—including maternal and infant healthcare and using community structures to improve water supply—were important to maintain confidence in our new government.

Transforming institutions

Unorthodox, locally adapted reforms. Participants agreed that much of the global communication on South Africa's transition has been on the specific organizational form of the institutions used (for example, Truth and Reconciliation Committees, national peace committees); and that in fact it may be more useful to consider the underlying principles and approaches (including those described above), on the basis that each country needs to design their own institutional forms if they are to have full ownership of political processes.

Challenges in prioritizing and sequencing. In addition to some of the key principles emerging from South Africa's successful transition, participants reflected on mistakes made or opportunities missed which may be of use when other countries consider these experiences. Four elements were highlighted as particularly important:

- Very little of the discussions leading up to 1994 considered preparation for delivery through the civil service. Problems which later emerged as a result include lack of preparation in setting up the provinces and defining local government delivery responsibilities. We should have anticipated the capacity constraints as we increased the number of provinces and set up new institutions.

- Too little attention to job creation for youth and risks of criminal violence meant that we did not fully address the critical need to ensure that the new generation who had not lived through the apartheid struggle as adults were provided with a strong stake—and economic opportunities—in the new democratic state.

- There was a need for tradeoffs on timing and the maintenance of social consensus to manage the mismatch between the aspirational goals of the Reconstruction and Development Program, the macro and fiscal framework to pay for them, and the institutional capacity to implement them.

- There was too much of an assumption that 1994 marked the culmination of a process of democratization and reconciliation. Relatively little attention was given to what was meant by the transformation to a constitutional state; the continued role of civil society in deepening not just democratization and accountability, but also delivery; and there was a need for a deeper and more thorough ongoing debate on racism, inequality, and social exclusion.

Notes

1. According to Margaret Levi, "Trust is, in fact, a holding word for a variety of phenomena that enable individuals to take risks in dealing with others, solve collective action problems, or act in ways that seem contrary to standard definitions of self-interest." Furthermore, Levi notes that "At issue is a *cooperative venture*, which implies that the truster possesses a reasonable belief that well-placed trust will yield positive returns and is willing to act upon that belief" (Braithwaite and Levi 1998, 78).

2. Similar problems arise in the transition from communism to a rule-of-law state. The thought process might be as follows: "If I build value in a new firm rather than stripping the assets of the state, I will gain only if rule of law is established. That will happen only if others demand rule of law, too. If others don't believe rule of law will be established, they will prefer to strip assets rather than build value, so they will be unlikely to demand rule of law, and in that case, I'd be crazy to build value in a new firm. Thus, even though most people would be better off building value under rule of law than stripping assets in a lawless state, given my expectations of political development, I'm better off stripping assets."

3. A 30 percent increase in people who believe that growth will improve in the next 12 months is associated with a 1 percent increase in actual growth rates in the subsequent year, significant at the 5 percent level.

4. A few societies have very strong state capacity, but score low on governance indicators because they are highly exclusionary—South Africa under apartheid is an example. These countries will have less difficulty in implementing promises because their military and civilian organizations are capable. But it is possible that, even in these cases, institutional weaknesses in shared values and cohesion make it difficult to deliver on change. Indeed, in South Africa change has not been a simple process.

5. Collier, Hoeffler, and Söderbom 2008; Fearon 2010a; Acemoglu and Robinson 2006.

6. Goldstone 2010.

7. de Figueiredo and Weingast 1999; Acemoglu, Johnson, and Robinson 2005.

8. Rich 2010.

9. Economic theory helps us understand the consequences of a perception of impunity that increases willingness to use violent means. Chapter 2 referred to the way in which insecurity dynamics produce "prisoner's dilemmas," where lack of trust between two actors undermines their ability to cooperate to produce mutually beneficial outcomes. Economic theory shows that if the actors in question believe they will encounter the same dilemma again in the future, their calculation may differ—they might recognize that taking a risk by trusting their counterpart in the present can produce important payoffs in the future. So-called iterated prisoner's dilemmas make cooperation possible, though not guaranteed. If a society is confronted by a situation where many actors believe that others within society may use violence to resist change, their willingness to bet on future cooperation is diminished. Where insecurity is not an immediate issue, betting on future payoffs makes sense; where the future is highly uncertain, logic dictates placing an excessive premium on protecting existing privileges and resources, not risking them for collective gains. See Axelrod 1984.

10. See Keefer, Neumayer, and Plümper 2010.

11. See UN Security Council 2010a, WDR consultation with government officials, UN donor representatives, local nongovernmental organizations, and community-based organizations in Haiti, 2010.

12. An alternative perspective to the intertwined relationship between institutions and violence can be found in Cramer 2006.

13. The WDR defines "citizen security" as both freedom from physical violence and freedom from fear of violence. Applied to the lives of *all* members of a society (whether nationals of the country or otherwise), it encompasses security at home; in the workplace; and in political, social, and economic interactions with the state and other members of society. Similar to human security, "citizen security" places people at the center of efforts to prevent and recover from violence. Also see Frühling, Tulchin, and Golding 2003.

14. Confidence-building in mediation means building trust between adversaries; in financial crises, trust in markets means that governments are adopting sound policies and will be capable of implementing them. The WDR defines the term as building trust between groups of citizens who have been divided by violence, between citizens and the state, and between the state and other key stakeholders (neighbors, international partners, investors) whose political, behavioral, or financial support is needed to deliver a positive outcome.

15. These incentives are not always enough. Chapter 4 discusses cases where leaders are unwilling to recognize an impending crisis or take action, and the approaches used to resolve these situations.

16. Building on the Commission on Human Security 2003 report, the importance of human security has

been recognized in the UN General Assembly 2005b resolution adopted at the 2005 World Summit, the UN General Assembly 2009b report, and UN General Assembly 2010 Resolution, as well as in other fora, such as Asia-Pacific Economic Cooperation, G8, and World Economic Forum.

17. Throughout this report, the term "best-fit" describes solutions that are fitted to context of the society at the moment and may not be the first best solutions by other metrics. Thus, these solutions invoke the concept of the "second best" as used in economic theory—reforms may only be optimal once all distortions and considerations are taken into account. In this way, best-fit solutions may be optimal given all of the economic, political, physical, and institutional constraints and conditions.

18. Bedeski 1994; Cumings 2005; Chang and Lee 2006.

19. Based on historic CPIA scores, 40 countries would have been classified as fragile for five or more years between 1977 and 1989. Box 2.10 showed that 17 of these countries remained fragile until 2009 and that 16 of those experienced minor or major civil war. Of the 23 that "escaped" fragility, 15 had no war, 4 had minor civil war and 4 had major civil war between 1990 and 2009. WDR team calculation. Also see Mata and Ziaja 2009.

20. Odendaal 2010; Ojielo 2007; UNDPA 2010a.

21. Encyclopedia of the Nations 2010.

22. Pritchett and de Weijer 2010.

23. The indices are the Quality of Government Institute's "quality of government" indicator (derived from International Country Risk Guide data; the Kaufmann, Kraay and Mastruzzi indicator of "government effectiveness"; the Failed State Index's "progressive deterioration of public services" indicator, and the Bertelsmann Transformation Index's "resource efficiency" indicator). See Pritchett and de Weijer 2010.

24. Pritchett and de Weijer 2010.

25. Global and regional norms play an essential part in preventing violence by constraining leadership abuses of power, and in supporting local institutional transformations by helping maintain a focus on goals and functions rather than particular institutional forms. These norms can take the form of formal international agreements and can also manifest as social movements, such as the Otpor movement.

26. For example, while both Myanmar and the Democratic People's Republic of Korea have—to varying degrees of success—used communication and travel bans to limit access to information and maintain control domestically, their ability to restrict information has declined dramatically in recent years, as Internet access in Myanmar, and satellite television in both countries, convey images of the world outside. See Horsey and Win Myint 2010.

27. Color revolutions refer to a series of spontaneous movements that arose in succession in several former Soviet republics and one Balkan state during the early 2000s. These were mainly nonviolent protests advocating for democracy against governments seen as corrupt and/or authoritarian. Starting as small spontaneous actions, they evolved within days or weeks into mass movements that toppled governments and instituted new democratic regimes. Each movement adopted a specific color or flower as its symbol, and at the center of these movements were nongovernmental organizations (NGOs) and particularly student activists. These movements were successful in Serbia (2000), Georgia (Rose Revolution 2003), Ukraine (Orange Revolution 2004), and the Kyrgyz Republic (Tulip Revolution 2005). See Kuzio 2006; D'Anieri 2006; Michalcik and Riggs 2007.

28. See Mungiu-Pippidi and Munteanu 2009.

29. See, for example, Afshari and Underwood 2009.

30. Goldstein and Rotich 2008.

31. MDRP 2006.

32. Bedeski 1994; Cumings 2005; Chang and Lee 2006.

33. North 1989, 1995; Rodrik 2000; Acemoglu, Johnson, and Robinson 2005.

34. There is an important difference between what this report argues and the "conflict trap" described by Collier and others 2003. In a "conflict trap," low incomes lead to conflict, and conflict leads to low incomes, creating a low-level equilibrium. The WDR focuses on the institutional deficit: the institutions that enable the peaceful resolution of contests are missing from fragile environments. With actors lacking the means to make credible commitments to reform, societies are unable to break free from the threat of violence. A low-level equilibrium of dysfunctional institutions and recurrent violence is thereby created.

35. See Arboleda 2010.

36. WDR team calculations.

37. See Arboleda 2010.

38. Kaufmann, Kraay, and Mastruzzi 2010a.

39. WDR team calculations, based on World Bank 2010n.

40. Municipio de Medellín 2010.