Let me start by thanking the Carnegie Endowment for International Peace and the Stiftung Wissenschaft und Politik for the invitation to this colloquium and the opportunity to contribute to our debate from a German development policy perspective.

In the first part of my comments, I will focus on notions of state failure and state-building, on the relevance of political stability within the goals system of German development policy and on the functional role of development policy in relation to other forms of international intervention. In the second part, I will give an overview of our operational activities and initiatives and the agenda ahead.

What elements make up the development policy perspective on the notions of state failure and state-building?

Functioning states are both a prerequisite for and an outcome of development. They have to serve and protect their citizens – within and beyond the state's borders. They constitute a major point of interface between societies and the international community, meaning that states not only enjoy rights in the international system but also have responsibilities and obligations, in particular in relation to internal implementation of internationally agreed norms and standards but also in terms of their conduct in the international system.

The spectrum of state failure is quite broad. Some states fail or are at risk because they are challenged by privatised violence and lose control over parts of their territory. Others fail to abide by international law and standards or to guarantee the rule of law within their territory, resulting in widespread violations of human rights, impunity and a lack of participation. A good few fail to deliver basic social services such as education and health or an economic infrastructure. Some states fail because they lack political will and commitment, others fail due to a lack of appropriate capabilities or resources. In my view, therefore, it is necessary to look at the issue of state failure as a multidimensional continuum, taking in commitment and political will, to capabilities and resources and with regard to functional and geographical aspects.
Stabilising states at risk and state-building requires a comprehensive, long-term and preventive approach that not only focuses on the negative or positive extremes or on only some aspects of this continuum but addresses the complex challenges of the various and difficult situations in between.

Furthermore, stabilisation or building of states goes hand in hand with endogenous nation-forming and will not become sustainable unless a nation is formed or reinvented from within. Only a cohesion strategy can help to counter external and alienating influences and also division and fragmentation within society and lay the basis for an accepted and functioning state.

And last but not least, the stability of states is influenced not only by internal players and factors but sometimes also by external ones. Inappropriate international trade, economic or financial policies and conditionalities, for example, can create an environment in which states are weakened or collapse. A slump in the price of export goods or external shocks caused by a rise in energy prices can draw a country further down into the depths or undermine efforts to stabilise the situation.

What is the position of political stability within the goals system of development policy and what is the functional role of development policy in this respect?

For several years now, the notion of development has ceased to be confined to its economic, social and – since the Rio Summit – ecological dimension. Since the 1990s at the latest, the political dimension of development has progressed from forming part of the enabling environment for development to being at the very centre of the goals system. Accordingly, the German government's 11th Report on Development Policy, published in spring 2001, identifies political stability as one of our four target areas – alongside social justice, an efficient economy and ecological sustainability. Political stability is not defined in a value-free way but is based on the normative elements of peace, human rights, democracy, the rule of law and good governance – as also reflected in the Millennium Declaration of September 2000. A notion of development and development co-operation confined to poverty reduction and the MDGs alone would be too narrow to deal successfully with the challenges of globalisation and state failure, of peace-building and conflict prevention.

Promoting peace, reducing poverty and shaping globalisation are objectives that should be shared or at least taken into consideration by all relevant fields of international and domestic
policy and that require their contributions and coherent co-operation. With both its Programme of Action on Global Poverty Reduction and its Overall Strategy on Crisis Prevention, the German government is following such a holistic approach and bringing together different policy instruments. As part of this overall strategy, development policy has the tasks of reducing the structural causes of conflict and state failure and promoting mechanisms of non-violent conflict resolution. In this context and from a functional point of view development policy can be understood as that part of international policy that aims at shaping conditions in other countries on a partnership basis by civilian, structural policy means. It is a form of intervention that – of course – can be offered, denied or given conditionally but by its very nature demands the concept of a sovereign partner country that runs or tolerates the supported co-operation programmes. On the other hand, you have military or civilian interventions which assume parts or all of the executive, the legislature or the judiciary.

What does that mean for the contribution development policy can make to the stabilisation of states and state-building?

Whenever you have a country that is more or less sovereign, development co-operation is the means of choice; this can of course be supplemented by mandated international civilian or military missions, and in some cases it has to be. Within the aforementioned multidimensional continuum of state failure and state-building, it is in most cases, then, not a question of whether co-operation should be continued or initiated but in what form. Because, if the costs and benefits of involvement or non-involvement are weighed up, in most cases involvement will come out on top – particularly when one factors in the costs that would be incurred if a situation were to escalate from a failing to a failed state or into violent conflict and be followed by international civilian or military intervention.

In cases in which international organisations have assumed the administration of a territory, the respective international mandates form the basis on which development co-operation works together with the international administration to build up institutions from community level right up to the national level – and in most places development co-operation will be necessary beyond the presence of the international administration.

However, where unilateral interventions outside international law lead to the take-over of a country by occupying powers, development co-operation that sticks to its functional role and its principles faces severe limitations and may be nearly impossible.
Whatever the case, bringing together development co-operation and other policy instruments at the operational level implies at the same time that all policy fields involved have to have a say both at the policy and the strategic level.

**How does German development policy address the challenges of state failure, state-building and nation-building and what is the agenda ahead?**

Over the last two or three years, political transformation and stability have **risen in priority in our operational activities**: With nearly half of our over 70 current partner countries – many of them weak or in some way failing states – "democracy and good governance" has been chosen as the sole priority area or one of three priority areas. In at least a dozen other countries, "peace-building and crisis prevention" is the focal area or the overarching cross-cutting issue. The funds allocated specifically to governance issues have been significantly increased, from €80 million in 2002 up to €220 million in 2004. One fifth of all our bilateral programmes are aimed directly at crisis prevention, conflict transformation or peace-building – at least in some of their components. In addition to this, there are the significant funds given to political foundations, churches and civil peace services.

**New instruments** have been or are being developed. We are redesigning our range of instruments for **emergency and transition aid** in the context of crises, conflicts and disasters and are trying to explore new avenues by means of a programme for "**potential partner countries**". And we have developed new forms of co-operation between governmental and non-governmental organisations, for example by setting up the **Civil Peace Service**, which to date has over 160 experts who work mainly to support local capacities for conflict transformation, and by setting up a **joint GO/NGO task force on peace-building** which addresses policy and strategic issues.

**Inter-departmental co-operation** is becoming more important. Germany's development co-operation works side by side with other civilian and military forms of multilateral intervention, in particular with the Bundeswehr in Bosnia, Macedonia, Kosovo and Afghanistan. Just recently we started our engagement in Kunduz in northern Afghanistan, where an integrated approach has been formed made up of the Bundeswehr's activities within ISAF, foreign policy instruments and development co-operation. We think that our new design, which differs from the former US-led PRT, is more appropriate for maintaining the independence and the specific character of the civilian parts.
However, agreeing on political stability as a priority area, allocating funds or setting up new instruments alone is not enough. Recent evaluations and studies on activities in this field such as the Joint Utstein Study of Peacebuilding, the “Breaking the Conflict Trap” study by the World Bank or a German evaluation of the promotion of democracy and good governance in difficult partnerships reveal – besides successes and strengths – there are also problems to be addressed. Let me focus on three points:

Firstly, we need to improve the strategic dimension of external interventions into political processes. In order to address the strategic deficit, we have to develop our analytical capacities. We have worked with a set of governance indicators since the early nineties and conflict indicators since the late nineties. They help to inform and involve country desks in the issues. However, since state failure as well as reform processes take place within a grey area, the current range of instruments would seem to be not best suited to identifying both political trends and needs and the feasibility of possible interventions. In order to improve strategic consistency and co-ordination, it is necessary to identify possible areas and partners of engagement and to link individual projects and programmes to country strategies. And at the same time there is a need for a "political monitoring concept" with criteria and standards to assess the impact and sustainability of interventions. This again should not only focus on project level but also on country programme level and on the impact of political dialogue, needs assessments and donor co-ordination. Initial experience is now available in relation to peace and conflict impact assessment, though this needs to be further consolidated, applied to peacekeeping missions and UN operations and extended to include governance, plus state- and nation-forming.

Secondly, when choosing partners and instruments for state-building, governance or democracy projects, the partner’s political will and openness to reform plays a major role. On the other hand, those forces intent on vetoing or blocking developments should be identified, analysed and included in the projects to the extent possible. Even if partners open to reform can more readily be found in the non-governmental field, there is still a need to look for partners in the governmental sphere who are willing to participate. Governments and public administrations tend not to be monolithic blocks; “change agents” can be found almost everywhere. When planning and implementing projects in countries with a difficult enabling environment, a great deal of flexibility is called for. This is vital in allowing the projects to deal appropriately with a rapidly changing environment and to make use of windows of opportunity. Here, official development co-operation can learn a great deal from political foundations and NGOs. As far as the choice of instruments is concerned, it is important to distinguish between technical co-operation and non-governmental on the one hand, and
financial co-operation on the other hand. Where the transfer of material goods is limited, the most important thing is not to send out the wrong signals. Where financial co-operation comes into play, it is absolutely vital to have clear controls on the use of funds and the appropriate degree of transparency in presenting our involvement to the public of the partner country.

Thirdly, trying to come up with general recommendations for identifying strategic areas of engagement turns out to be nearly impossible, given the broad continuum of state failure and state-building. In some cases stabilisation or re-establishment of social services and economic infrastructure may be crucial, in others dealing with political processes and institutional issues. It may be more important how to do something than what to do. Let me highlight the following:

When states fail or when partnerships are difficult, one of the first questions to be addressed is that of maintaining aid to the poorest or especially vulnerable sections of the population at local and regional level. If the circumstances provide a promising basis, then the involvement – mainly through non-governmental channels – should be maintained, not least as a political signal of our commitment and willingness and also as a basis for broader involvement in the future.

From a strategic point of view, however, the single most important aspect of state failure seems to be the connection between political clientilism, informal and criminal networks and the utilisation of resources. The existence of such structures constitutes a key obstacle to efforts to promote functioning states, good governance and democracy. Resource management is also key to the generation of state revenue. It should therefore be a central focus for development co-operation in the field of good governance and state-building, including anti-corruption measures and the transparent management of defence budgets.

And – last but not least – we should not forget the broad range of measures to improve governance and state functionality which can be applied in a step by step approach. One point of entry, for example, can be to promote decentralised and local development. In some cases, co-operation on economic reforms can open the door to a broader agenda. Advice on law, judiciary and constitutional issues is possible whenever we see a certain minimum willingness to co-operate at national level. Security issues like the civilian control of the security sector can be addressed in connection with demobilisation, disarmament and reintegration programs or through co-operation at the regional level as for example shown in the G8/NEPAD initiative.
Instead of a summary, let me end with some hints on the principles of engagement in difficult partnerships, which are of importance not only to development policy but also to the other forms of international intervention:

Despite many political commitments, most international engagement in the context of state failure is still reactive. We have to move towards a more preventive approach, design the appropriate instruments and assign the necessary resources to them.

In the sense of all-party involvement, all relevant groups of players must be allowed to take part in stabilisation efforts. Groups that are excluded will normally look for other – often violent – ways of gaining influence.

All sides must be prepared to communicate with each other openly in relation to difficult conditions and problems. Experience has shown that there are not as many taboos as many people believe.

External support for state-building is not free of the interests of those who provide it. These interests should be disclosed openly. Measures the intention of which cannot be made public should not be applied so as not to undermine the credibility of the external support among the population of the country concerned.

Furthermore, the values and norms, such as participation, respect of human rights and gender equality, promoted in the context of the support must also be applied in one’s own sphere of influence. Non-observance of such standards sends implicit moral messages the effects of which cannot be underestimated.

And we always have to be very humble. There is no highway to state-building, instead we have to use many and sometimes difficult paths towards improving the political and institutional conditions in partner countries, giving priority to those interventions which least limit the sovereignty and ownership of partners.

That brings me to a last point: between providing supporting to countries and occupying countries there lies a broad range of instruments to monitor countries by multilateral and regional institutions – from election monitoring to international courts, to overseeing extractive industries, to weapons inspections. Such more or less civilian forms of intervention deserve more attention if we want to be serious in giving priority to prevention. Thank you!