



Occasional Paper Series

Number 52

The Nexus Between State Fragility and Federalism

Michael Youash



The Forum of Federations, the global network on federalism and multilevel governance, supports better governance through learning among practitioners and experts. Active on six continents, it runs programs in over 20 countries including established federations, as well as countries transitioning to devolved and decentralized governance options. The Forum publishes a range of information and educational materials. It is supported by the following partner countries: Australia, Brazil, Canada, Ethiopia, Germany, India, Mexico, Nigeria, Pakistan and Switzerland.

The Nexus Between State Fragility and Federalism

Michael Youash

© Forum of Federations, 2021
ISSN: 1922-558X (online ISSN 1922-5598)

Occasional Paper Series Number 52
The Nexus Between State Fragility and Federalism
By Michael Youash

For more information about the Forum of Federations and its publications, please visit our website: www.forumfed.org.



Forum of Federations
75 Albert Street, Suite 411
Ottawa, Ontario (Canada) K1P 5E7
Tel: (613) 244-3360
Fax: (613) 244-3372
forum@forumfed.org

Suggested Citation for Forum of Federations Publications:
Michael Youash, The Nexus Between State Fragility and Federalism (Forum of Federations, Occasional Paper Series, 2021)

Introduction¹

In early 2020, before Covid-19 struck, 23 percent of the world's population lived in fragile contexts, which the Organisation for Economic Co-operation and Development (OECD) characterizes as “the combination of exposure to risk and insufficient coping capacity of the state, systems and/or communities to manage, absorb or mitigate those risks” (OECD 2020, 15). In 2019 fragile contexts represented 22 of 31 cases of ongoing, state-based conflict (OECD 2020). Even in the less extreme situations, there is a failure of governance that often has negative impacts beyond a given country's borders. Where there is a will to stabilize the situation, various constitutional and governance models may be on the table. In certain cases, these include federalism.

The principal objective of this paper is to improve understanding about the nexus between state fragility and federalism by reviewing research from the relevant literatures. State fragility research encompasses a far wider range of subject matters relevant to resilience than federalism studies. Moreover, it is implicated in a development assistance apparatus that in 2018 spent more than US\$70 billion in fragile contexts.² Federalism studies – a growing field – address ways in which power can be dispersed not only to more than one order of government but also to identity-based communities and groups that seek protection from central authority and a recognized role within governance.

One important linkage between state fragility and federalism concerns the impact of deep ethnic/racial/religious divisions – sometimes referred to as severe identity fragmentation. The literature review carried out for this paper demonstrates that severe political identity fragmentation, which may well be territorially based and associated with weak support for national governing institutions, often prevents progress in fragile contexts.

Findings from the state fragility literature suggest that federalism may offer a path to greater state resilience in certain fragile contexts, in part by expanding inclusion in decision-making, including through intergovernmental processes. This avenue has the potential to reduce contestation, increase state legitimacy and equip various groups and other actors to learn from and potentially influence each other. However, further exploration is needed to identify when federalism (in one of its many forms) is suitable and how best to pursue it.

This paper begins with a brief review of how state fragility and federalism are conceptualized. Key findings from research on state fragility and federalism are then summarized in section 2, with a view to identifying ways to bridge the two literatures. The third section discusses the merits of involving subnational governments and others in decision-making processes. Section 4 examines the potential benefits of structuring the engagement of key actors (beyond the national government) in the

¹ I would like to acknowledge Nathan Russell's research on state fragility for the Forum of Federations, which helped to shape further work on the topic. I would like to thank George Anderson, Seth Kaplan, and Felix Knüpling for critical feedback on a previous draft of this paper. F. Leslie Seidle and the Forum reviewed the paper for publication, for which I am grateful. The views expressed in this paper are mine and do not purport to be the views of my employer.

² The OECD reports that US\$76 billion were spent globally through bilateral donors; OECD Development Assistance Committee donors provided US\$60 billion of that total (OECD 2020, 20).

mobilization of public resources. The fifth section considers possible elements of a research agenda drawing on both literatures.

Conceptualizing State Fragility and Federalism in Deeply Divided Contexts

In a 2019 statement referred to as the Bellagio Consensus, a number of prominent policy institutes and think tanks echoed the definition of state fragility provided in the introduction to this paper. The Bellagio Consensus defines state fragility as “the absence or breakdown of a social compact between people and their government” and describes fragile states as “suffer[ing] from deficits of institutional capacity and political legitimacy that increase the risk of instability and violent conflict, and sap the state of its resilience to disruptive shocks” (Overseas Development Institute *et al.* 2019, 2). (The Bellagio Consensus is discussed further below.)

As for the incidence of fragility, in 2018 the OECD reported that 75 countries or contexts of fragility had been so designated since 2008 (OECD 2018, 26). OECD’s 2020 report identified 57 fragile contexts; 21 countries were chronically fragile, having appeared in every OECD state fragility report since 2005 (OECD 2020, 27).

Federalism has been defined as a category of political systems in which powers are divided “between constituent [subnational] governments and a general government having nation-wide ... responsibilities. This division of powers is combined with authoritative capacity to carry out responsibilities on behalf of the people of the federal polity.” The subnational governments “also have broad local responsibilities and sufficiently autonomous self-government to carry out their responsibilities on behalf of their own people in concert with the whole of the people of the federal polity.” (Kincaid 2005, 9) Stated another way, federalism combines shared-rule and subnational self-rule based on what Ronald Watts (2008, 8) refers to as “the presumed value and validity of ... accommodating, preserving and promoting distinct identities within a larger political union.”

Even though there is no single federal model, according to George Anderson (2008, 3-4) federations usually display the following features:

- a national (federal) government and subnational (constituent unit) governments, each of which is directly elected by voters in the jurisdiction;
- a written constitution that, on matters affecting the constituent units, cannot be amended by the federal government alone;
- a constitutional allocation of legislative, including fiscal, powers to the two orders of government to ensure a measure of genuine autonomy for each order;
- representation of subnational governments in relevant federal institutions, such as a second chamber, to facilitate their contribution to national government decision-making;
- an institution (usually courts) or a procedure for arbitrating constitutional disputes between governments; and
- institutions and processes for intergovernmental relations

For Thomas Hueglin and Alan Fenna, “the most general principle of federalism holds that human beings possess by nature individual as well as group identities ... Federalism responds to [this assumption] by constructing political systems in which a balance is maintained between forms of identity” (Hueglin and Fenna 2015, 25-26). This conception underlines the importance of learning from models of federalism that not only divide powers between a federal and subnational governments but also protect linguistic and other forms of diversity that may or may not be territorially concentrated. One example is Belgium, where the linguistic communities’ institutions established under the constitution are superimposed on three geographic regions. In such cases, it may be more appropriate to refer to federalism as a system that provides for a *dispersion* of power rather than a division of powers between two orders of government (the latter, heavily influenced by the American model, has long been central to the classic view of federalism).

There are a number of links between the conceptions of federalism reviewed above and the literature on state fragility. An important one concerns decentralization – a prominent concept in the latter. In contrast with constitutionally protected non-centralization through federalism, decentralization concerns national government actions to assign authority or responsibility (for example, on program delivery) to subnational governments, while retaining the right to modify the delegation or even reverse the process (Burgess 2012, 186). When this form of delegation is extensive, it is sometimes called ‘devolution’ -- as in the United Kingdom. ‘Decentralization’ is more common in the state fragility literature and will therefore be used here.

Jörn Grävingholt and Christian von Haldenwang elaborate the logic of decentralization in fragile contexts in terms resembling the rationale for federalism. Decentralization, they explain, dismantles central government monopolization of power held by a small ruling elite. It “divides power, multiplies the centres of power, and therefore increases the opportunity for otherwise marginalised groups in the population to partake in political power” (Grävingholt and Haldenwang, 2016, 4). The political involvement of such groups may lead to greater affirmation and more autonomous action within communities (whether territorially based or not) and/or at the national level. Decentralization thus has the potential to attenuate tensions within such societies. However, this paper focuses primarily on the potential value of *federalism* within fragile contexts.

Exploring whether federal design can mitigate ethnic conflict, prevent civil war or re-establish peace in deeply divided societies is an important research agenda (Choudhry and Hume 2011, 386). Nancy Bermeo (2002, 96) asks how “can states avoid ethnic violence and best accommodate multiple ethnicities? ... Is adopting federalism the best way to cope with territorially based diversity?” Bermeo observes that this research agenda is driven by challenges in deeply divided societies in the Global South. Scholars who explore the rising interest in federalism in this region recognize that “ethnic, religious, and linguistic identities,” often suppressed for years, emerged at the forefront of group contestation following the collapse of numerous undemocratic, oppressive regimes. “The political mobilization of these identity-based groups has generated a global search for mechanisms through which to manage diverse societies.” (Skogstad *et al.* 2013, 4) In this regard, Seth Kaplan (2008, 53)

argues that “state structures must be better aligned with cohesive identity groups where practical” and recommends designing institutions around identity groups.

Territoriality is a central element in federalism studies because conflicts in weak states are often propelled by subnational, territorially concentrated racial or ethnic identity groups that seek self-determination, if not outright sovereignty (Wolff 2010, 2). In this regard, George Anderson and Sujit Choudhry analyze findings from 17 case studies and find that “[c]ountries with multiple, salient territorial cleavages or with a mix of territorial and non-territorial cleavages are likely to consider some form of federalism or devolution” (Anderson and Choudhry 2019, 424). Federalism’s potential for diffusing power can provide access to power subnationally for territorially-based groups that are weaker nationally (Anderson and Choudhry 2019, 414). This can reduce zero-sum political struggles between groups and increase the scope for more peaceful politics.

Anderson and Choudhry’s work significantly expands on the synthesis provided by Richard Simeon and Daniel-Patrick Conway (2001, 339). The latter conclude that “short of repression, the territorial sharing of power that federalism represents seems essential in any formula for managing geographically concentrated ethnolinguistic divisions within a state.” In an earlier study, John McGarry and Brendan O’Leary (1993, 4) attempt to “evaluate the merits of different forms of ethnic conflict regulation and to establish whether multi-ethnic states can be stabilized in ways that are compatible with liberal democratic values and institutions.” Perhaps less convinced of what some see as the merits of federalism, they identify patterns of continued marginalization of minorities at the federal level as a key cause of federal failure in conflict-prone societies (McGarry and O’Leary 1993, 34).

The challenges presented by working to support domestic efforts at building state resilience in fragile contexts are invariably complex. They start with the choice of constitutional and governance models. According to Liam Anderson (2015), few options are available to societies that are deeply divided along ethnic, sectarian, and similar identity-based cleavages. Anderson adds that there is nevertheless a basic appreciation that unitarist approaches are often unfeasible, even potentially counterproductive. David Cameron (2009, 315-16) captures this stark reality, observing that federalism enters policy conversations in deeply divided societies when “there appears to be no other better alternative. It is not a first choice; it is everyone’s second choice ... Federalism is what the parties [to a conflict] fall back on.” Under these conditions, attempts at federalization may proceed because the leaders of ethnic and sectarian groups that have been locked in cycles of conflict demand it. Others are opposed, but in the absence of realistic alternatives most want to make it work (Iff and Töppervien 2017).

International Approaches to Reducing State Fragility

Donor governments have signed several international agreements pledging collective efforts to reduce state fragility. The most prominent is the “New Deal for Engagement in Fragile States,” a 2011 agreement endorsed by the OECD, European Union, World Bank, United Nations, and the G7+ 19-member group of fragile and conflict-afflicted countries. The New Deal signatories committed to a focus on “country-led and country-owned transitions out of fragility” intended to develop trust by

strengthening national capacities and furthering transparency (International Dialogue on Peacebuilding and Statebuilding 2011, 1). However, the New Deal did not achieve the intended results. The Overseas Development Institute attributed this to a failure to address deep societal divisions and grievances stemming from long-term exclusion (Thier 2019).

The 2019 Bellagio Consensus sought to address the shortcomings of the New Deal, especially problems with political inclusion, fostering country ownership, creating shared assessments and joint financing (Overseas Development Institute *et al.* 2019, 2). The major think tanks and policy institutes behind it brought together select world leaders and experts with the aim of identifying “key principles and clear recommendations for addressing those challenges that will enable coordinated international action and significant progress at scale” (Overseas Development Institute *et al.* 2019, 2). The Bellagio Consensus set forth several recommendations for program design in post-conflict conditions, notably:

- inclusive political processes
- working with legitimate local and national leaders to create political settlements that allow local actors to develop decision-making capacities
- country-ownership that facilitates accountability and citizen engagement to build trust and a social contract.

Although these properties are not exclusive to federal systems, federalism has considerable potential to actualize the Bellagio recommendations. Federalism seeks to establish and formalize inclusion at multiple levels of government and requires a degree of joint decision-making on policy matters and national and subnational government coordination to deliver services to citizens.

The nature of inclusive decision-making in federal systems is consistent with fundamental understandings that shape the development of state fragility programs today. Kaplan (2009) argues that programs to build state resilience should concentrate on two key causes of fragility: (1) a horizontal dimension, which is a society-society dimension focusing on a lack of social cohesion and inclusive politics; and (2) a vertical dimension that addresses the lack of shared, productive institutions and a weak state-society relationship. Kaplan adds that the extent to which horizontal society-society dynamics are developed will influence the effectiveness of the vertical state-society relationship. They also influence whether a social contract can be developed (see OECD 2018, 23). This basic conceptualization of horizontal and vertical dimensions to framing state fragility is used to create policy frameworks to help build state resilience.

A Building Block Approach to Building State Resilience

Kaplan (2017) advocates a three-pillared approach to building state resilience. The approach draws on practice-based research from numerous multilateral donor reports, some of which Kaplan contributed to, and draws on extensive case study research.

- *Pillar 1 – Strong Social Covenant* is a society-society agreement setting forth the basis of cooperation between relevant societal groups.

- *Pillar 2 – Deliberately Inclusive Policies* focuses on the “implementation of agreements, laws and institutional policies that promote equal opportunity and access to justice and security for all, regardless of race, ethnicity, language, region, [and] religion.”
- *Pillar 3 – Equitable, Robust Institutions* entails developing accountability systems to restrain powerful actors, help uphold political agreements, [and] support capacity “to deliver public services and implement policies effectively across groups.”

The three pillars (or building blocks) are all essential to developing a social contract, which Kaplan (2017, 7) defines as “an agreement...defining the relationship between a society and a state. It is based on the concept that the people are the ultimate arbitrators of the state’s political power, and governments must serve the people ... or give up power.” According to Kaplan, a social contract only emerges over time, through sustained progress in developing the three building blocks.

Kaplan’s building block approach provides an entry point for exploring when and how federalism programming can be adapted to foster state resilience in fragile contexts. To help establish the robustness of the approach, I examined case study comparisons based on research by state fragility experts on recent transitions in: (1) Tunisia and Libya; (2) Colombia and Guatemala; (3) Nepal and Sri Lanka; and (4) Ukraine and Macedonia. Table 1 reports key observations about differences in political identity fragmentation among the cases.

Region-based Comparisons	More Successful Transitions	Failed/Failing Transitions
North Africa	<u>Tunisia</u> Was not riven by ethnic, racial or sectarian cleavages.	<u>Libya</u> Gaddafi came to power by increasing inter-tribal conflict.
South and Central America	<u>Colombia</u> Crosscutting social cleavages: ideological (left-right and social class) and demographic (rural-urban and, to a lesser extent, ethnic group identity).	<u>Guatemala</u> Severe social cleavages, especially along racial lines; perpetration of genocide against the Indigenous Maya.
South and Central Asia	<u>Nepal</u> Nepal has struggled to institutionalize an inclusive democratic system, though the social cleavages are nowhere near as stark as Sri Lanka’s.	<u>Sri Lanka</u> Since independence the Sinhalese parties have dominated politics; politicians create platforms to outbid opponents and demonstrate anti-minority credentials.
South and East Europe		<u>Ukraine and Macedonia</u> Ethnonationalism has impeded democratic reforms in both countries, precluding the creation of a wider social covenant.

Source: Marks (2017); Brett (2017); Budhatboki and Jayakody (2017); Taleski (2017).

Higher levels of political identity fragmentation are observed in the poorer performing states covered in Table 1. However, the researchers do not identify this as a critical distinguishing factor, and their recommendations to build state resilience do not explicitly account for this difference among the cases. This can create a blind spot in state fragility research that prevents the recognition of a subset of fragile

contexts where, compared to other fragile contexts, the intensity of political identity-based divisions significantly impedes progress.

Kaplan's work helps draw attention to this reality by asserting that "institutions cause fragile states and that only by redesigning those institutions can dysfunctional places ... jump start a self-sustaining cycle of growth" (Kaplan 2008, 2).

Severe Political Identity Fragmentation in Fragile Contexts and the Connection to Federalism

Research for the German Development Institute (GDI) by Jörn Grävingholt, Sebastian Ziaja and Merle Kreibaum, referred to here as the 'GZK typology, seeks to improve the measurement of state fragility by using various data sets for state authority, capacity and legitimacy in order to develop a multidimensional measurement framework.

- *Authority* refers to the state's monopoly of violence in a society, especially against any competitors. Low levels of authority lead to increasing insecurity among citizens resulting from deliberate violence.
- *Capacity* encompasses the state's provision of services that determine a person's life chances. These services range from health and education to reliable courts and fair tax systems.
- *Legitimacy* represents citizens' acceptance of the government's claim to rule, requiring less government coercion (Grävinghol, Ziaja and Kreibaum 2012, 8-10).

The GZK typology identifies the wide variation among fragile states *within* and *across* each dimension by using a composite approach. Whereas state fragility indices often consist of a single overall index score and a country ranking,³ the GZK typology accounts for considerable heterogeneity among fragile states. Fragile countries are grouped from A to E, and typological features are used to establish categorical differences.⁴ Table 2 provides a summary of the attributes of these groups.

Table 2: Categories of State Fragility in the German Development Institute Typology (GZK)	
Groups	Multidimensional Character of State
A (e.g. Iraq)	Extremely low levels on all three dimensions: authority, capacity and legitimacy
B (e.g. Ghana)	Decent authority, very low levels of capacity, above-average legitimacy
C (e.g. Nigeria)	Relatively low on authority, mostly very low capacity, mostly lower end on legitimacy
D (e.g. Turkey)	Decent capacity, but high levels of violence that produce low authority and legitimacy
E (e.g. Tunisia)	Good authority, decent capacity, mostly lower levels of legitimacy

Source: Adapted from Grävingholt et al. (2012, 16).

³ For example, The Fund for Peace ranks countries from 'very sustainable' to 'very high alert' according to a score assigned to each. In 2021, its index covered 179 countries; Finland was ranked the most sustainable, and Yemen had the highest score in the 'very high alert' category (The Fund for Peace 2021).

⁴ Ten countries where the Forum of Federations has been engaged in recent years, or is actively working, to assist with the consideration of federal approaches fall in group A or C. Iraq, Libya, Somalia, South Sudan, and Sudan are in group A, while Ethiopia, Myanmar, Nepal, Nigeria, and Pakistan are in Group C. This breakdown into two of the five typological categories provides an interesting confirmation that a discrete subset of fragile contexts can be recognized and that federalism or federal approaches are part of the conversation about how to build state resilience.

Derick Brinkerhoff assessed primary and secondary adverse impacts of various conflict drivers on three governance dimensions in fragile contexts: effectiveness, legitimacy and security. Part of the research entailed a review of “governance interventions that research and the practice-based literature have identified as contributing to mitigating the various conflict drivers” (Brinkerhoff 2011, 137-38). Brinkerhoff found that four of the nine conflict drivers studied consistently entail consideration of “devolving power and resources to subnational levels of government.”⁵ In this regard, a key question is whether federalism is a viable response.

Pathways for Peace, published by the United Nations and World Bank, asserts that federalism has “proven effective in many cases in reducing local violent conflict where there is horizontal inequality among groups” (World Bank and United Nations 2018, 146). A background report for *Pathways for Peace* qualifies this assertion by acknowledging that “federalism’s ability to contribute to peace is conditional on how federal institutions (fiscal decentralization, intergovernmental transfers, and political co-partisanship) respond to characteristics of the societies, most notably the degree of inequality and ethnic composition” (Baghat *et al.* 2017, 166). In other words, federalism can help shape policy under specific conditions in certain fragile contexts but does not guarantee success.

In some fragile contexts, neither federalism nor significant devolution is being actively considered. This is the case in Burundi and Rwanda, for example. According to Wolff (2011, 1786), “where groups are geographically dispersed, territorial self-governance is not an option. Rather, the concept of sovereign consociations [group-based power sharing at the national level] has emerged, in combination with non-territorial self-governance.”⁶

Decision-Making Processes as a Means to Build State Resilience

OECD best practice for developing policies in fragile contexts is premised on the understanding that “moving from fragility to resilience is a nonlinear and complex process with no guarantees,” and that “thinking in systems can inform such a process.” (OECD 2020, 25). In this context, federalism needs to be considered as much a practice as a structural design. Simeon (2007, 9) captures this understanding neatly by stating that “federalism is always as much a process as a permanent state.”

According to Francesco Palermo and Elisabeth Alber, the division of powers between levels of government under federalism is not as critical as a focus on decision-making processes and the inclusion of consistently excluded groups. The authors contend that “by acknowledging and adequately taking into account different societal claims for more articulated and inclusive decision-making processes, federalism as a set of interlocking spheres in continuous transformation, each with its own structures, procedures and policies, can be a factor to ensure better governance...” (Palermo and Alber 2015, 1). This approach emphasizes systems thinking to enable: (i) governance processes within each governing authority, across spheres of government and between levels of government; (ii) the

⁵ The four conflict drivers are: horizontal inequality, ethnic/religious dominance, natural resource unfairness and skewed public services (Brinkerhoff 2011, 136-37).

⁶ In Rwanda under the Arusha Accords and Burundi under the Pretoria Protocol (Wolff 2011).

involvement of governmental and non-governmental actors; and (iii) formal and informal institutional arrangements through which actors operate.

Focusing on federalism as a process that may increase state resilience also requires a longer-term lens. Time is essential to establishing confidence within groups that may fear falling victim to the abuse of authority by others. According to Hueglin and Fenna, (2015, 17) dividing governance authority between spheres of government without developing processes to achieve compromise and coordination between groups, to build trust, is “unthinkable” in federal design.

Approaching federalism in fragile contexts with a focus on inclusive, intergovernmental systems as part of core governance processes has a number of benefits. This approach can foster the inclusion of mobilized political identity groups with some measure of authority within one or more order of government, allowing territorially based groups access to decision-making. This can occur through the involvement of national and subnational governing and opposition as well as civil society organizations. By virtue of being focused on decision-making in key governance processes, it simultaneously encourages the engagement of societal groups (the horizontal dimension) and state institutions (the vertical dimension).

Federalization and Resource Distribution in Fragile Contexts

The goal of this section is to explore how programs can be designed when a focus on intergovernmental systems in core federal governance processes is layered onto Kaplan’s building block (pillars) model (described in section 2). Drawing on case study evidence, Kaplan concludes that “there may be more scope in the early stages of a transition to achieve symbiosis between how inclusive policy is (the second building block) and the nature of institutions (the third), than to forge a social covenant across groups (the first)” (Kaplan 2017, 115). In other words, the development of pillars 2 and 3 often precedes that of pillar 1.

Establishing Inclusive Policies and Robust Institutions

One of Kaplan’s recommendations for developing inclusive policies (pillar 2) concerns monitoring budgets and programs to implement priority policies that facilitate inclusiveness. Kaplan’s case study research found that “[peace] accords, new policies or legislation often are introduced but lead to little change, because money or implementation capacity is lacking” (Kaplan 2017, 122) International organizations such as the OECD also recognize that capacity-building in the area of resource mobilization is critical. As for creating strong institutions (pillar 3), Kaplan recommends “strengthening political parties that can aggregate identity and interest groups and operate in an institutionalized fashion” (Kaplan 2017, 122). These two recommendations are interdependent because political parties operate through institutions, notably national and subnational legislatures and ministries, that make resource mobilization decisions.

Effectively mobilizing resources, especially in the form of government appropriations, is vital in fragile states where service delivery capacity is often impaired due to conflict, dysfunction created by previous

authorities or the politicization of government delivery systems (Brinkerhoff 2011). Federalism addresses this reality by according various spheres of government a role in resource distribution. Federal appropriations processes are thus a critical area to focus on in light of the potential of the two recommendations cited above for developing inclusive policies and robust institutions.

Budget development and consultations in federal systems occur *between* national and subnational spheres, *across* the subnational units and *within* each government. The dynamics of federal systems can impel federal and subnational government actors to resolve differences over budgets through intergovernmental relations, knowing that unilaterally altering the system is not a desirable option. Institutional processes for dialogue can include national and subnational ministerial budget consultations, including with civil society groups. Legislatures and political parties have the opportunity to engage with civil society groups through legislative processes and less formal consultative processes such as interparty dialogues. These processes can reduce fears that budget control by others presents an existential threat, help civil society groups better understand the views of others and build trust among societal groups. Allowing subnational authorities to deliver services directly affecting socioeconomic conditions of territorially-based groups presents an opportunity to create legitimacy for subnational and national governments.

A focus on involvement in appropriations processes is consistent with the basic understanding about building state resilience advocated by the OECD. In a 2008 report it asserts that “aid mechanisms have inadequately recognized that taxation and public expenditure have redistributive functions allowing for the state to correct horizontal and vertical inequalities [that] are particularly relevant in divided societies for ensuring stable and equitable growth” (OECD 2008, 41-42). Program design in this area must nevertheless accept the need for best guesses, feedback and adaptation in order to strengthen complex systems and governance as a whole (OECD 2020, 26).

Establishing Social Covenants

On the question of how to actualize social covenants, Kaplan calls for increasing “social mobilization to advance a reform agenda that unites people and strengthens institutions.” Kaplan asserts that “[social] groups can be crucial in promoting change ... It is essential to understand the roles of the most influential ones and to identify those most able to play a positive role” (Kaplan 2017, 121).

Programming built around federal appropriations processes can help mobilize social groups towards a reform agenda they can support. Appropriations processes engage identity-based parties and civil society organizations on matters of resource mobilization – matters that are often central to contestation and conflict between groups in deeply divided societies.

Strengthening institutions and processes to better handle vital questions of budget design nevertheless provides a demanding test for political parties and civil society organizations. If these organizations do become central to appropriations processes over multiple budget cycles nationally and subnationally, they can form a nucleus of actors with the experience and legitimacy necessary to bring together contending groups and pursue a reform agenda. Federal appropriations processes can thus serve as a

proving ground for actors that are able to find the basis for intergroup cooperation for the collective good. In turn, these groups can play an important role in eventually developing a social covenant. This approach should also encourage country ownership because the drivers of change must be developed in-country.

Advancing a State Fragility and Federalism Research Agenda

This paper provides a novel way to study territorially based severe identity fragmentation in a subset of fragile contexts by drawing on research in the state fragility and federalism literatures. A brief comparison between Nigeria and Iraq can help illustrate the potential of this analytical approach and suggest some next steps for research.

Nigeria's federal design under its 1999 constitution provided for 36 states and an elaborate system for the division of revenue between the orders of government. The intent was to accord the federal government sufficient budget power to quell centrifugal pressures while providing the state governments with a sufficient stake in a system of budget transfers and allocations to mitigate centralization (Suberu 2019). As Dele Babalola (2015, 84) has written, "[s]tate creation in Nigeria was about appeasing certain minorities, or an attempt to provide them with the opportunity to access the Nigerian state's distributive system." Fiscal transfers as a share of state government revenue grew significantly over the decades and by 2010 accounted for upwards of 90 percent of the states' revenues (Ejobowah 2010). Subnational government fiscal mismanagement, however, is severe and may lead to problems that can contribute to increasing state fragility (Suberu 2019).

According to one assessment, Nigeria's federal system has "produced multiple integrative and stabilizing outcomes, helping to avert a recurrence of large-scale ethno-secessionist warfare" (Suberu 2019, 193). Nigeria is considered a fragile state by the Fund for Peace, OECD and according to the GZK typology cited earlier, but its system of intergovernmental fiscal relations has been able to create opportunities to address sources of its fragility that previous institutional designs failed to achieve. This system is now being severely tested by a resurgence of interregional and ethnic-based tensions, including over the distribution of revenues from natural resources.

In contrast, Iraq's 2005 federal design heavily favoured the governments of the regions and governates at the expense of the federal government (Cameron 2006). Exclusive federal authority is limited to nine functions; only a few additional powers are shared with the subnational governments. The constitution also stipulated that all other powers fall to the subnational governments, which were given primacy in disputes between the two orders of government (Al-Ali 2019). A commission of experts from both orders of government was to be established to develop formulas for the division of revenues and fiscal transfers.

The operation of Iraqi federalism in no way approximates the terms of the 2005 constitution: "Although provincial councils were directly elected by voters on several occasions, and governors were indirectly elected in every province, a provincial powers law passed in 2008 effectively stripped all of those offices of any authority." (Al-Ali 2019, 111) Ongoing ethnic and sectarian conflict and contestation for power

have reinforced the federal government's efforts to further centralize power, and the war against the Islamic State further curtailed any strengthening of subnational governments (Fleet 2019). Moreover, there has been a "continuation of the top-down, centralized approach through which the Ministry of Finance operates, and the continued ad-hoc budgetary process that the [subnational governments] face" (Fleet 2019, 16). The fundamental tension between centralization and sectarian violence has not been attenuated.

Research on the nexus between state fragility and federalism in other contexts is clearly needed. Two broad topics are worth identifying at this point. First, research should explore whether certain types of federal design are better suited to particular fragile states. This is not to deny the uniqueness of the various federal systems or to diminish the variation across fragile contexts. Rather, the intent is to increase knowledge informed by the latest research in both fields and by the recent experience of relevant countries.

A second research topic concerns the potential effectiveness of constitutional and governance models other than federalism. In this paper, the focus was confined to federalism and state fragility. This was reasonable because the main purpose was to explore the nexus - existing or potential - between two fields of research that have not been explicitly linked. Case studies of deeply divided countries that have significantly decentralized authority without adopting federalism as such could provide useful lessons for policy experts designing programs and governance models to attenuate social and political fragmentation and build state resilience.

Conclusion

This paper represents a preliminary examination of the nexus between state fragility and federalism by drawing on the literature on each topic. Linking the two research fields has the potential to increase knowledge and to improve efforts to reduce state fragility through innovation in policy and program design. However, far more work is necessary to fill gaps in knowledge within the two fields and to explore the degree to which governance models other than federalism have the potential to build resilience in fragile contexts through the dispersion of power and the active engagement of societal groups.

Bibliography

Al-Ali, Zaid. 2019. "Dealing with Territorial Cleavages in Constitutional Transitions in Iraq." In *Territory and Power in Constitutional Transitions*, eds. George Anderson and Sujit Choudhry. Oxford: Oxford University Press.

Anderson, George, and Sujit Choudhry. 2019. "Territorial Cleavages and Constitutional Transitions: Political Mobilization, Constitution-Making Processes, and Constitutional Design." In *Territory and Power in Constitutional Transitions*, eds. George Anderson and Sujit Choudhry. Oxford: Oxford University Press.

Anderson, George. 2008. *Federalism: An Introduction*. Toronto: Oxford University Press.

Anderson, Liam. 2015. "Ethnofederalism and the Management of Ethnic Conflict: Assessing the Alternatives." *Publius: The Journal of Federalism* 46(1): 1-24.

Babalola, Dele. 2015. "The Efficacy of Federalism in a Multi-Ethnic State: The Nigerian Experience." In *The Journal of Pan African Studies* 8(2): 75-91.

Bahgat, Karim, Gray Barrett, Kendra Dupuy, Scott Gates, Solveig Hillesund Håvard Mokliev Nygård, Siri Aas Rustad, Håvard Strand, Henrik Urdal and Gundrun Østby. 2017. "Inequality and Armed Conflict: Evidence and Data." Oslo: Peace Research Institute.
<https://www.prio.org/utility/DownloadFile.ashx?id=954&type=publicationfile>

Bermeo, Nancy. 2002. "A New Look at Federalism: The Import of Institutions." *Journal of Democracy* 13(2): 96-110.

Brett, Roddy. 2017. "Transition in Latin America: Colombia and Guatemala." In *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*, ed. Seth Kaplan. Barcelona: Institute for Integrated Transitions.

Brinkerhoff, Derick W. 2011. "State Fragility and Governance: Conflict Mitigation and Subnational Perspectives." *Development Policy Review* 29(2): 131-53.

Burgess, Michael. 2012. *In Search of the Federal Spirit: New Theoretical and Empirical Perspectives in Comparative Federalism*. Oxford: Oxford University Press.

Budhathoki, Shobhakar, and Aruni Jayakody. 2017. "Transition in South Asia: Sri Lanka and Nepal." In *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*, ed. Seth Kaplan. Institute for Integrated Transitions.

Cameron, David. 2009 "The Paradox of Federalism: Some Practical Reflections." *Regional and Federal Studies* 19(2): 309-19.

Choudhry, Sujit, and Nathan Hume. 2011. "Federalism, devolution and secession: from classical to post-conflict federalism." In *Comparative Constitutional Law*, eds. Tom Ginsburg and Rosalind Dixon. Northampton: Edward Elgar Publishing Limited.

Ejobowah, John Boye. 2010. "Territorial Pluralism: Assessing the Ethnofederal Variant in Nigeria." In *Regional and Federal Studies* 20(2): 251-74.

Fleet, Mike. 2019. "Decentralization and Its Discontents in Iraq." Policy Paper 2019-18. Washington D.C.: Middle East Institute. <https://www.mei.edu/sites/default/files/2019-09/Decentralization%20and%20its%20Discontents%20in%20Iraq.pdf>

Grävingsholt, Jörn and Christian von Haldenwang. 2016. "The Promotion of Decentralisation and Local Governance in Fragile Contexts." Bonn: German Development Institute. <https://www.econstor.eu/bitstream/10419/199483/1/die-dp-2016-20.pdf>

Grävingsholt, Jörn, Sebastian Ziaja, Merle Kreibaum. 2012. 'State Fragility: Towards a Multi-Dimensional Empirical Typology.' Bonn: German Development Institute. <https://www.econstor.eu/bitstream/10419/199372/1/die-dp-2012-03.pdf>

Hueglin, Thomas O. and Alan Fenna. 2015. *Comparative Federalism: A Systematic Inquiry*. 2nd ed. Toronto: University of Toronto Press.

Iff, Andrea and Nicole Töpferwien. 2017. "In Support of Federalism Debates." *Politorbis* 64 (1): 1-4.

International Dialogue on Peacebuilding and Statebuilding. 2011. "A New Deal for Engagement in Fragile States." https://www.pbsdialogue.org/media/filer_public/07/69/07692de0-3557-494e-918e-18df00e9ef73/the_new_deal.pdf

Kaplan, Seth, ed. 2017. *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*. Barcelona: Institute for Integrated Transitions. <https://ifit-transitions.org/wp-content/uploads/2021/03/Inclusive-Social-Contracts-in-Fragile-States-in-Transition-Strengthening-the-Building-Blocks-of-Success.pdf>

Kaplan, Seth. 2009. "Enhancing Resilience in Fragile States." Conference Paper for the European Report on Development. <http://sethkaplan.org/onlinedoc/ERD,%20Enhancing%20Resilience%20in%20Fragile%20States,%202011.09.pdf>

Kaplan, Seth. 2008. *Fixing Fragile States: A New Paradigm for Development*. London: Praeger Security International. <https://www.fragilestates.org/wp-content/uploads/2014/03/Fixing-Fragile-States-by-Seth-Kaplan-Chapter-1-Excerpt.pdf>

Kincaid, John. 2005. "Introduction." In *Handbook of Federal Countries, 2005*, ed. Ann L. Griffiths. Montreal and Kingston: McGill-Queen's University Press.

Marks, Monica. 2017. "Transitions in North Africa: Tunisia and Libya." In *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*, ed. Seth Kaplan. Barcelona: Institute for Integrated Transitions.

McGarry, John and Brendan O'Leary. 1993. "Introduction: The macro-political regulation of ethnic conflict." In *The Politics of Ethnic Conflict Regulation*, eds. John McGarry and Brendan O'Leary. London: Routledge.

- OECD. 2020. *States of Fragility 2020*. Paris: OECD Publishing.
- OECD. 2018. *States of Fragility 2018*. Paris: OECD Publishing.
- OECD. 2008. *Concepts and Dilemmas of State Building in Fragile Situations: From Fragility to Resilience*. Paris: OECD Publishing. <https://www.oecd.org/dac/conflict-fragility-resilience/docs/41100930.pdf>
- Overseas Development Institute, The Rockefeller Foundation, and the United States Institute of Peace. 2019. “The Bellagio Consensus – Final Outcome Document.” <https://cdn.odi.org/media/documents/12715.pdf>
- Palermo, Francesco and Elisabeth Alber. 2015. “Introduction.” In *Federalism as Decision-Making: Changes in Structures, Procedures and Policies*, eds. Francesco Palermo and Elisabeth Alber. Leiden: Brill Nijhoff.
- Simeon, Richard. 2007. “Managing Conflicts of Diversity.” Paper presented at the Forum of Federations 4th International Conference on Federalism. New Delhi, India.
- Simeon, Richard and Daniel-Patrick Conway. 2001. “Federalism and the Management of Conflict in Societies.” In *Multinational Democracies*, eds. Alain-G. Gagnon and James Tully. Cambridge: Cambridge University Press.
- Skogstad, Grace, David Cameron, Martin Papillon, and Keith Banting. 2013. “The Global Promise of Federalism.” In *The Global Promise of Federalism*, eds. Grace Skogstad, David Cameron, Martin Papillon and Keith Banting. Toronto: University of Toronto Press.
- Suberu, Rotimi. 2019. “Nigeria’s Permanent Constitutional Transition: Military Rule, Civilian Instability, and the Unending Search for Democratic ‘True Federalism’ in a Deeply Divided Society.” In *Territory and Power in Constitutional Transitions*, eds. George Anderson and Sujit Choudhry. Oxford: Oxford University Press.
- Taleski, Dane. 2017. “Transition in Eastern Europe: Ukraine and Macedonia” In *Inclusive Social Contracts in Fragile States in Transition: Strengthening the Building Blocks of Success*, ed. Seth Kaplan. Barcelona: Institute for Integrated Transitions.
- The Fund for Peace. 2021. “Fragile States Index: Annual Report 2021.” Washington, D.C.: The Fund for Peace. <https://fragilestatesindex.org/wp-content/uploads/2021/05/fsi2021-report.pdf>
- Thier, J Alexander. 2019. “Transforming Fragile States: Forging a New Consensus.” Overseas Development Institute. <https://cdn.odi.org/media/documents/12717.pdf>
- Watts, Ronald L. 2008. *Comparing Federal Systems*, 3rd ed. Montreal and Kingston: McGill Queen’s University Press.
- Wolff, Stefan. 2011. “Post-Conflict State Building: the debate on institutional choice.” In *Third World Quarterly* 32(10): 1777-1802.

Wolff, Stefan. 2010. "Approaches to Conflict Resolution in Divided Societies: The Many Uses of Territorial Self-Governance." *Ethnopolitics Papers*. No. 5: 1-38.

http://centres.exeter.ac.uk/exceps/downloads/Ethnopolitics_Papers_No5_Wolff.pdf

World Bank and United Nations. 2018. *Pathways to Peace*. Washington, D.C.: International Bank for Reconstruction and Development / The World Bank.

<https://openknowledge.worldbank.org/handle/10986/28337>

Author

Michael Youash is Manager of Global Analysis at the Global Centre for Pluralism, joining the organization in late 2020. He holds a PhD in Political Science with a research background in legislative studies, federalism, and constitutional design. His research has assisted a variety of policy initiatives in deeply divided societies. He served as the ‘Public Finance and Governance’ researcher to support the design and adoption of a new system of legislature budget oversight in South Africa from 2000-2005. He directed research projects informing government initiatives to address insecurity, political inequality, and economic exclusions targeting vulnerable, Indigenous populations in Iraq from 2005-2012. His subsequent doctoral work explores innovation in government accountability systems to enable democratic strengthening and the elimination of horizontal inequalities in societies with long histories of group-based conflict.

Cover design by Olakunle Adeniran

Cover Page pictures from Pixabay

ISSN: 1922-558X (online ISSN 1922-5598)



Forum of Federations
75 Albert Street, Suite 411 Ottawa, Ontario
Canada K1P 5E7

forumfed.org

The Occasional Paper Series is financed in part by the following countries: Brazil, Canada, Ethiopia, Germany, India, and Switzerland