

FROM INSTITUTIONAL WEAKNESS TO FAILED STATES

“GOVERNANCE STRATEGY AND POLICY CHALLENGES IN AN ENVIRONMENT
OF FRAGILE STATES AND SOCIO-POLITICAL TURMOIL”

CIFE GEGPA ROMA NOVEMBER 6, 2025

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THIS TIME, IT'S DIFFERENT!

**Converging shockwaves on already weak and fragile
countries which cannot withstand Σ large debt, lower FDI
+ shrinking external financing + lower trade growth +
higher import prices
= state failure ahead!**



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**1. WHAT ARE WEAK STATES, FAILED STATES
AND ROGUE STATES?**

2. WHY & HOW DO STATES FAIL?

**3. WHICH COUNTRIES MOST EXEMPLIFY
INSTITUTIONAL WEAKNESSES?**

4. WHAT ABOUT EARLY-WARNING SIGNALS OF STATE FAILURE?

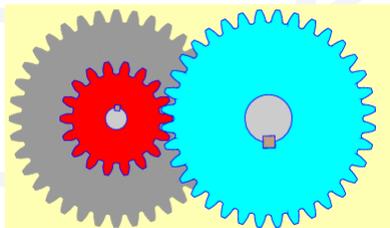


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1. What is a « weak » State?

**A “WEAK STATE » IS UNABLE OR UNWILLING TO PROVIDE
“COMMON GOODS” TO MAINTAIN SOCIAL COHESION
THROUGHOUT THE DEVELOPMENT PROCESS**



**INSTITUTIONAL WEAKNESSES GENERATE A CRISIS OF SOCIAL MEDIATIONS,
HENCE SOCIO-POLITICAL TURMOIL**

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► What about common goods?

Crucial for a community to function efficiently and sustainably with a collective long-term sense

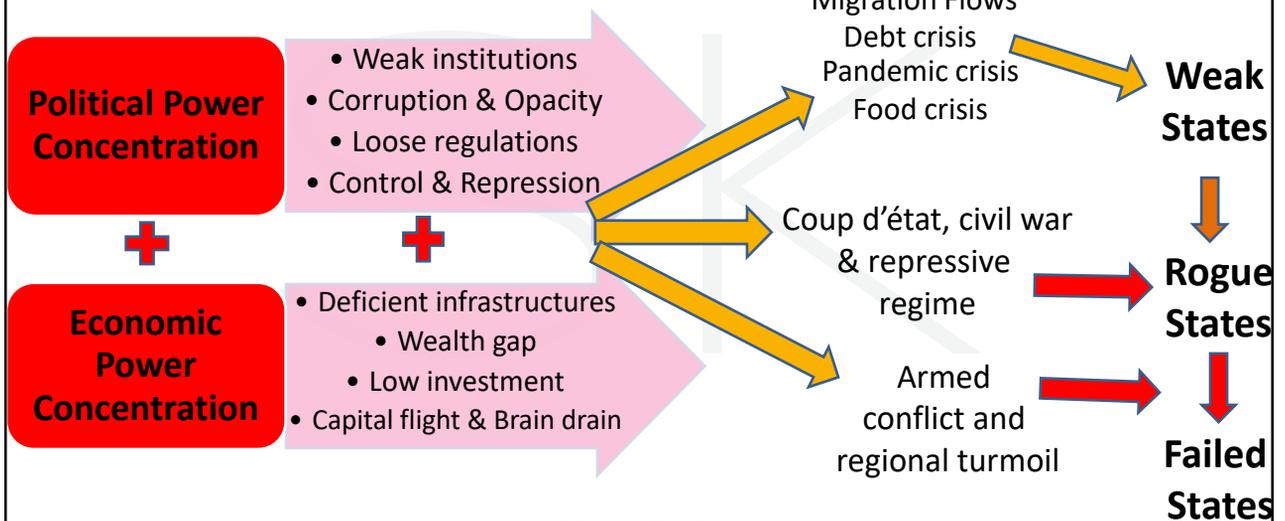


- Health (life expectancy) & social welfare
- Education
- Gender balance
- Income equality
- Security & good governance
- Institutions (social relations + channels of intermediation!)
- Facilities & Public infrastructure
- Nature (Clean water and air)

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THE UNFOLDING OF STATE FAILURE



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State failure materialization for both domestic and external residents

- ▶ Emergence of authoritarian, dictatorial or military rule, ongoing civil violence, corruption, rising wealth gap and poverty, illiteracy, crumbling infrastructures, judicial incompetence, and military interference in politics
- Widespread violation of human rights, contract repudiation, capital controls, currency inconvertibility, bribery, blocked funds, political upheaval, expropriation, insurgency, coup d'état, martial law, revolution, civil strife damage, terrorism, war damage, kidnapping, brain drain & capital flight

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2. WHAT IS « GOOD GOVERNANCE »?

XIV^o century Sienna: **Good Government Allegory** =
Balance between
Wisdom, Justice, Strength, and Peace



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WHAT IS GOVERNANCE?

Governance consists of the **quality of institutions** by which authority is exercised =

- **Accountability**
- **Political Stability & Social Peace**
- **Government Effectiveness**
- **Transparency and Regulatory Quality**
 - **Rule of Law**
- **Control of Corruption**

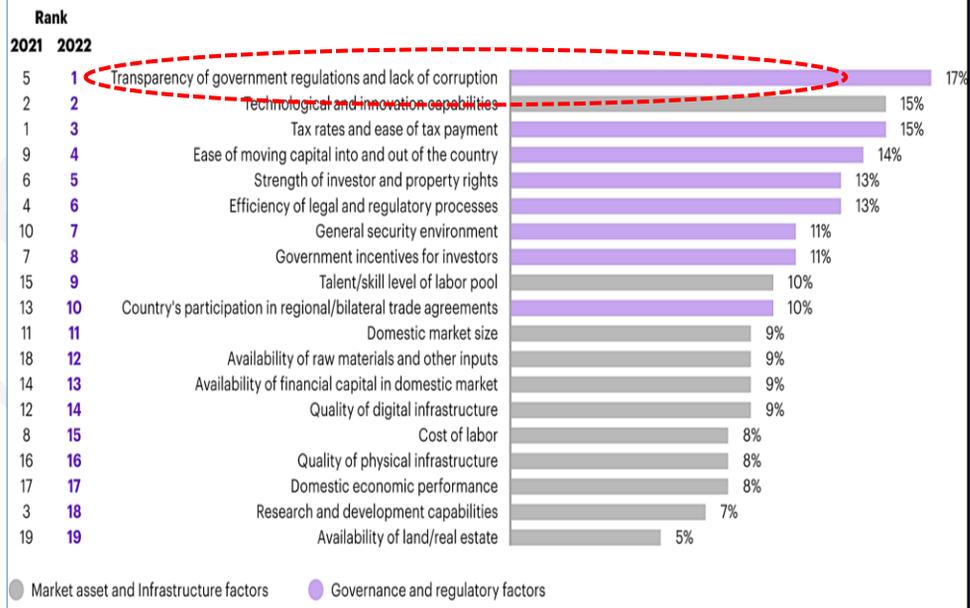
transforming economic growth into development

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GOVERNANCE & TRANSPARENCY MATTER IN FDI STRATEGY!

From those factors that you selected, which are the most important overall factors to your company when choosing where to make FDI?

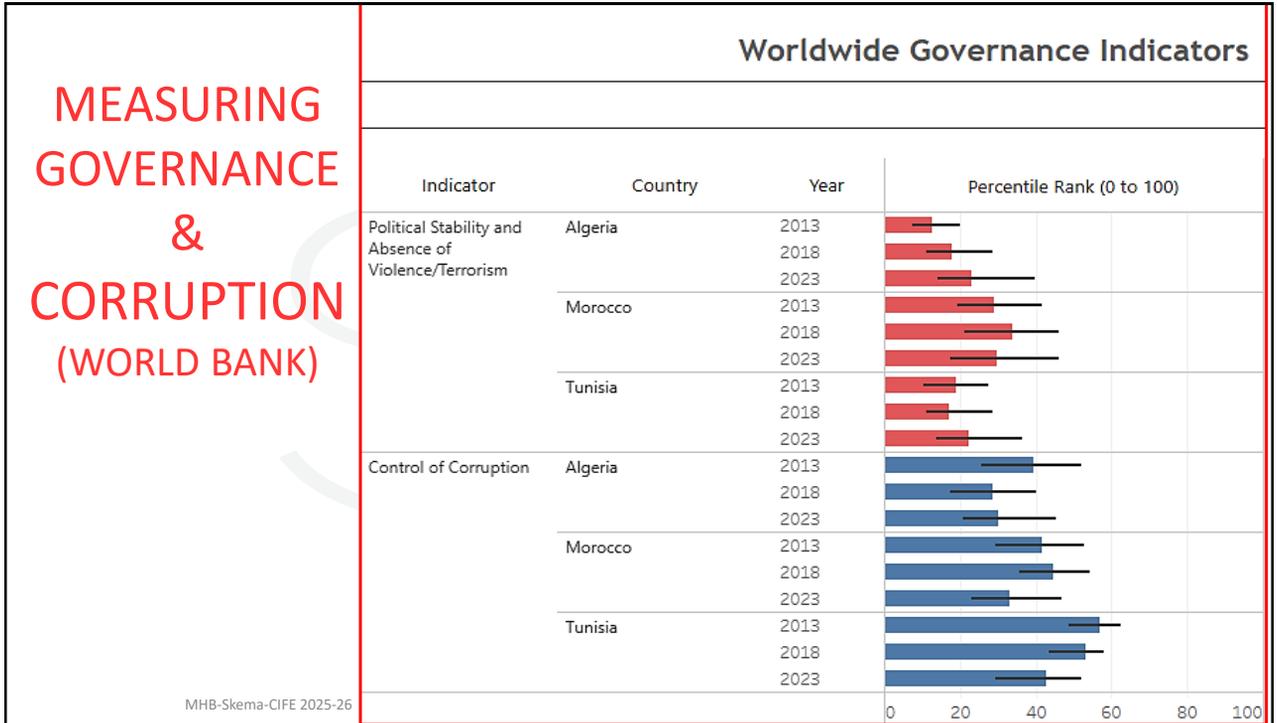


● Market asset and Infrastructure factors ● Governance and regulatory factors

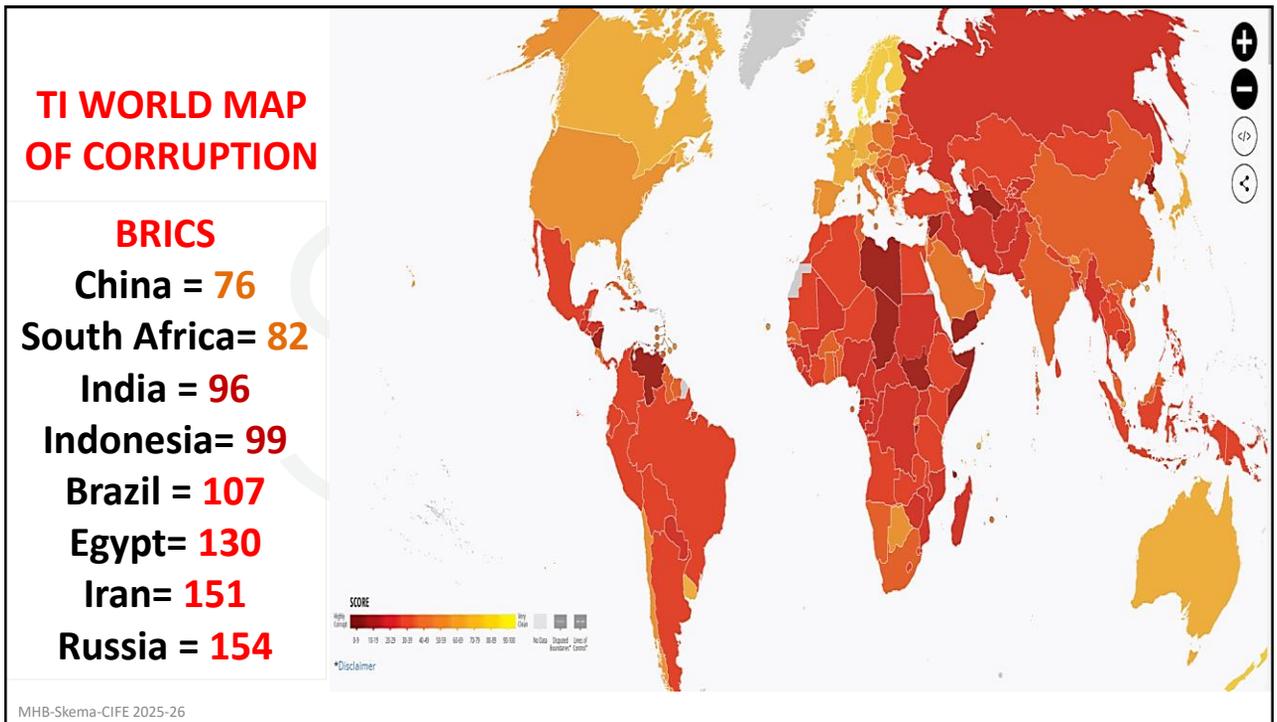
Source: 2022 Kearney FDI Confidence Index®

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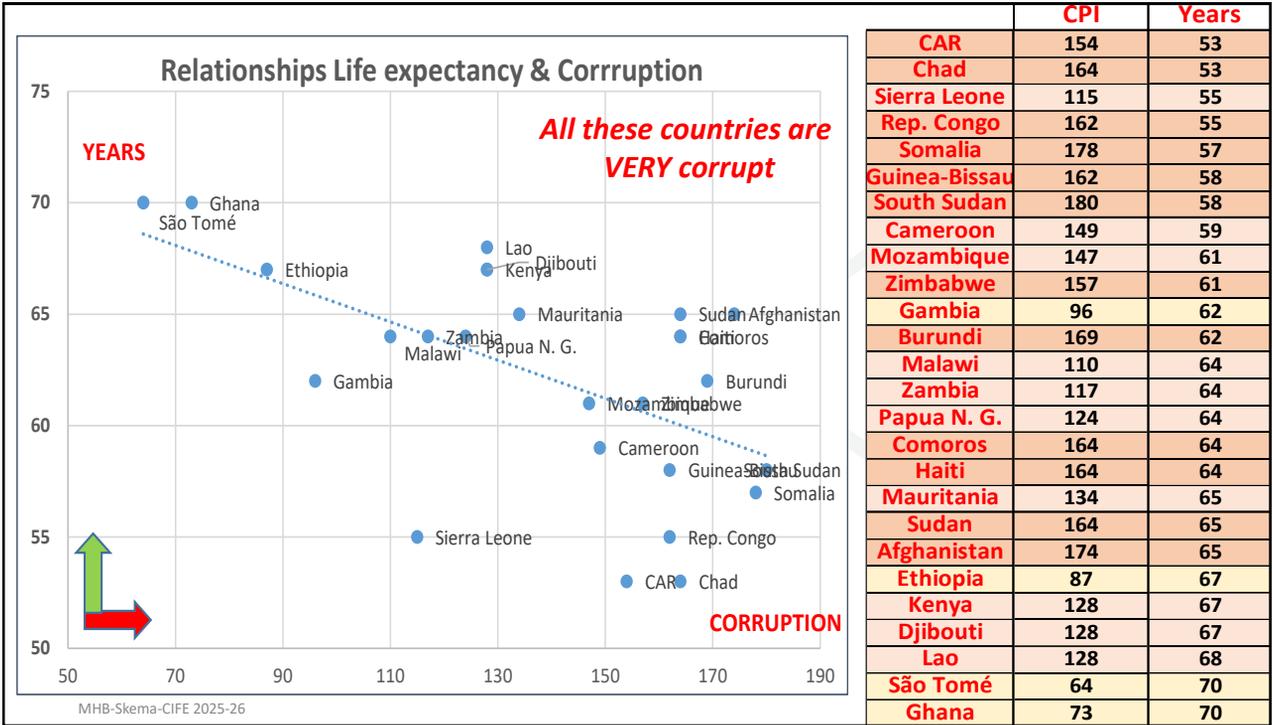
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3. MEASURING STATE FRAGILITY

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THE SIX KEY INGREDIENTS OF STATE FRAGILITY

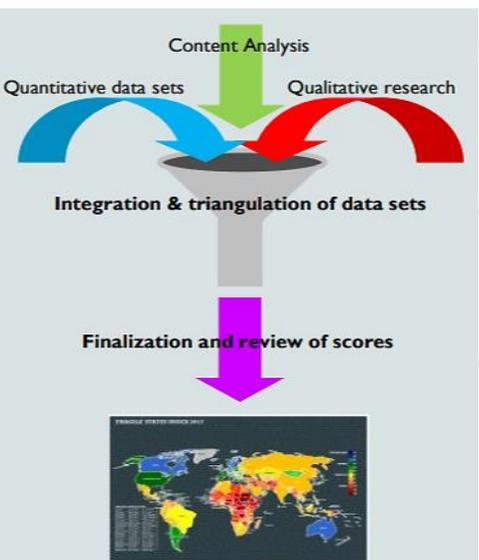
1. Weakness of institutions
2. Bad governance & corruption
3. Income & wealth gaps
4. Trade and debt dependence
(commodity-driven growth)
5. Limited socio-economic freedom
6. Decline in democratization

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THE FUND FOR PEACE : FRAGILE STATES INDEX'S METHODOLOGY

The Fragile States Index = critical tool in highlighting the pressures that can outweigh a states' capacity to manage those pressures.



Annual ranking for 178 countries
12 political, economic and social indicators
 >100 sub-indicators, coupled with qualitative analysis and expert validation:

Economic decline, uneven development, brain drain, state legitimacy, public services, corruption, human rights, demographic pressures, refugees, external intervention, rule of law...

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GLOBAL PEACE AND SECURITY INDEX (INSTITUTE FOR ECONOMICS AND PEACE)

RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE
85	Bolivia	2.044	↓ 4	113	El Salvador	2.262	↑ 2	141	India	2.605	↓ 4
86	Kosovo	2.049	↑ 8	114	Guatemala	2.264	↓ 4	142	Palestine	2.608	↓ 2
87	Haiti	2.052	↔	115	Turkmenistan	2.265	↑ 4	143	Colombia	2.661	↑ 2
88	Paraguay	2.055	↓ 12	116	Brazil	2.271	↓ 10	144	Venezuela	2.671	↓ 2
89	Cambodia	2.066	↑ 8	116	Thailand	2.278	↓ 3	145	Mali	2.710	↑ 2
90	Morocco	2.070	↓ 13	118	Armenia	2.284	↑ 3	146	Israel	2.735	↑ 1
91	Cuba	2.073	↓ 7	119	Kenya	2.300	↑ 1	147	Lebanon	2.800	↓ 26
92	Guyana	2.075	↓ 9	120	Nicaragua	2.312	↓ 54	148	Nigeria	2.898	↔
93	Trinidad and Tobago	2.094	↓ 7	121	Rep. of the Congo	2.323	↑ 1	149	North Korea	2.921	↑ 1
94	Mozambique	2.099	↓ 9	122	Mauritania	2.333	↑ 5	150	Ukraine	2.950	↑ 2
95	Kyrgyz Republic	2.105	↑ 13	123	Honduras	2.341	↓ 7	151	Sudan	2.995	↑ 3
96	Gabon	2.112	↓ 1	124	Bahrain	2.357	↑ 5	152	Turkey	3.015	↓ 3
97	Belarus	2.115	↑ 4	125	Myanmar	2.393	↓ 2	153	Pakistan	3.072	↓ 2
98	Papua New Guinea	2.118	↓ 2	126	Niger	2.394	↑ 6	154	Russia	3.093	↓ 1
99	Georgia	2.122	↑ 3	127	South Africa	2.399	↓ 2	155	Dem. Rep. of the Congo	3.218	↔
100	Guinea	2.125	↔	128	USA	2.401	↓ 4	156	Libya	3.285	↑ 1
101	Bangladesh	2.128	↓ 9	129	Saudi Arabia	2.409	↓ 1	157	Central African Rep	3.296	↓ 1
102	Uzbekistan	2.166	↑ 2	130	Azerbaijan	2.425	↑ 3	158	Somalia	3.300	↑ 1
103	Lesotho	2.167	↑ 1	131	Ethiopia	2.434	↔	159	Iraq	3.369	↑ 1
104	Burkina Faso	2.176	↓ 26	132	Zimbabwe	2.463	↓ 6	160	Yemen	3.412	↓ 2
=105	Tajikistan	2.196	↑ 12	133	Eritrea	2.504	↑ 6	161	South Sudan	3.526	↔
=105	Uganda	2.196	↑ 2	134	Philippines	2.516	↑ 4	162	Syria	3.566	↑ 1
107	Cote d' Ivoire	2.203	↑ 4	135	Burundi	2.520	↑ 1	163	Afghanistan	3.574	↓ 1
108	Togo	2.205	↓ 9	136	Egypt	2.521	↑ 7				
109	Djibouti	2.207	↑ 4	137	Chad	2.522	↓ 2				
110	China	2.217	↑ 2	138	Cameroon	2.538	↓ 4				
111	Algeria	2.219	↓ 2	139	Iran	2.542	↓ 9				
112	Guinea-Bissau	2.237	↑ 6	140	Mexico	2.600	↑ 1				

http://www.visionofhumanity.org/sites/default/files/Global%20Peace%20Index%20Report%202016_0.pdf

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BROOKINGS INSTITUTE: INDEX OF STATE WEAKNESS IN THE DEVELOPING WORLD

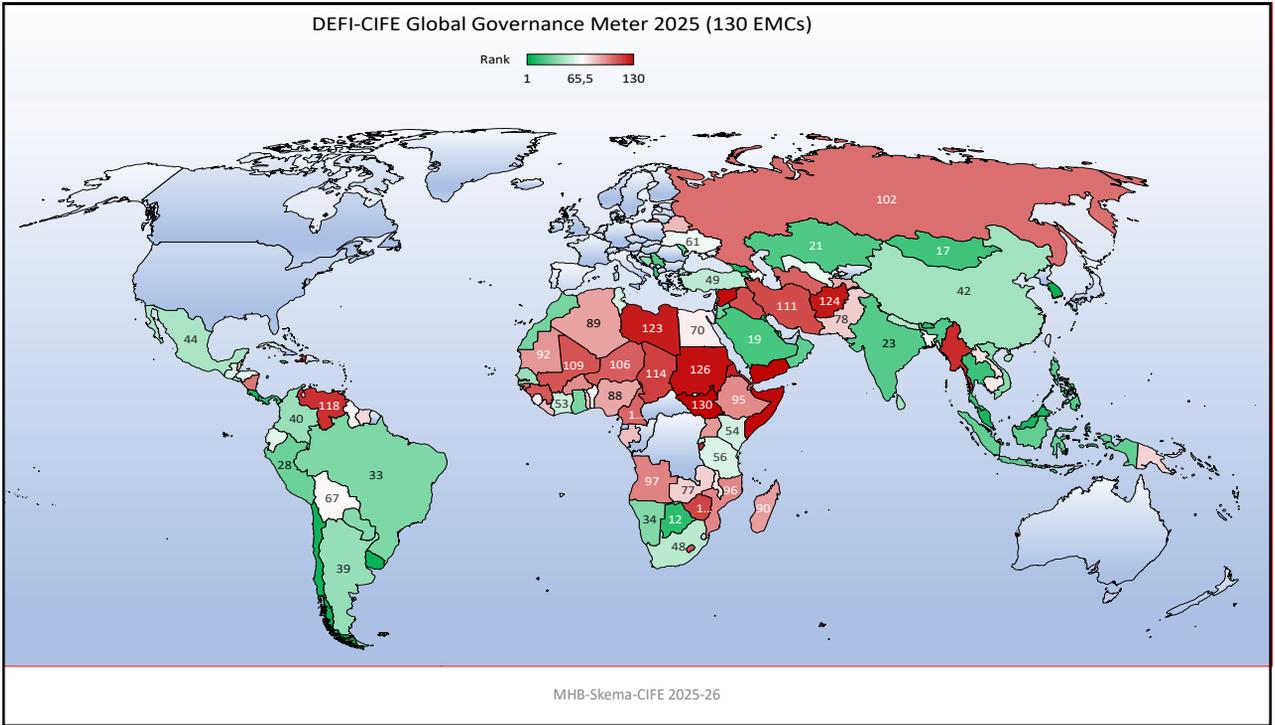
4 “baskets” of key indicators: economic, political, security, social welfare

20 sub-indicators: 141 countries

- Economic: GNI per capita, GDP growth, Income Inequality, Inflation, Regulatory Quality
- Political: Government Effectiveness, Rule of Law, Accountability, Corruption
- Security: Conflict Intensity, Political Stability and Violence, Incidence of Coups, Gross Human Rights Abuses
- Social welfare: Child Mortality, Primary School Completion, Undernourishment, Water Source & Sanitation Facilities, Life Expectancy

Rank	Country	Overall Score	Economic	Political	Security	Social Welfare	GNI Per Capita
1	Somalia	0.52	0.00	0.00	1.37	0.70	226
2	Afghanistan	1.65	4.51	2.08	0.00	0.00	271
3	Congo, Dem. Rep.	1.67	4.06	1.80	0.28	0.52	130
4	Iraq	3.11	2.87	1.67	1.63	6.27	1134
5	Burundi	3.21	5.01	3.46	2.95	1.43	100
6	Sudan	3.29	5.05	2.06	1.46	4.59	810
7	Central African Rep.	3.33	4.11	2.90	5.06	1.25	360
8	Zimbabwe	3.44	1.56	1.56	6.81	3.84	350
9	Liberia	3.64	3.39	3.91	6.01	1.25	140
10	Cote D'Ivoire	3.66	5.23	2.12	3.71	3.56	870
11	Angola	3.72	5.42	2.67	5.32	1.45	1980
12	Haiti	3.76	3.90	2.62	5.21	3.31	480

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30 CANDIDATES FOR FAILED STATES CATEGORY?

Developing countries

- Lebanon
- Tajikistan
- Eritrea
- Mozambique
- Madagascar
 - Haiti
- Afghanistan
- Equatorial Guinea
- Guinea Bissau
- North Korea
 - Yemen
- South Sudan
 - Syria
 - Somalia
 - Burundi
 - CAR

Developing countries

- ✓ Iraq
- ✓ Gabon
- ✓ Cameroun
- ✓ Venezuela
- ✓ Libya
- ✓ Uzbekistan
- ✓ Zimbabwe
- ✓ Cambodia
- ✓ DR Congo
- ✓ Turkmenistan
- ✓ Angola
- ✓ Chad
- ✓ Congo
- ✓ Sudan

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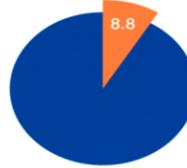
IN AFRICA, LARGE NUMBER OF RICH COUNTRIES WITH POOR PEOPLE!

COMMODITY-DRIVEN GROWTH ENCOURAGES STATE CAPTURE AND CORRUPTION

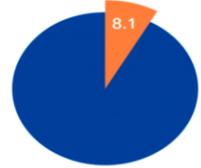
A big piece of the pie

Mining plays a key role in the economies of resource intensive sub-Saharan African countries, but tax revenues remain limited.
(2009-19, percent)

GDP
(Percent of total GDP)



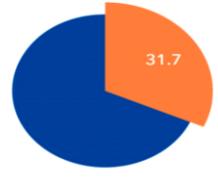
Revenues
(Percent of domestic revenues)



Exports
(Percent of total exports)



FDI
(Percent of total FDI)



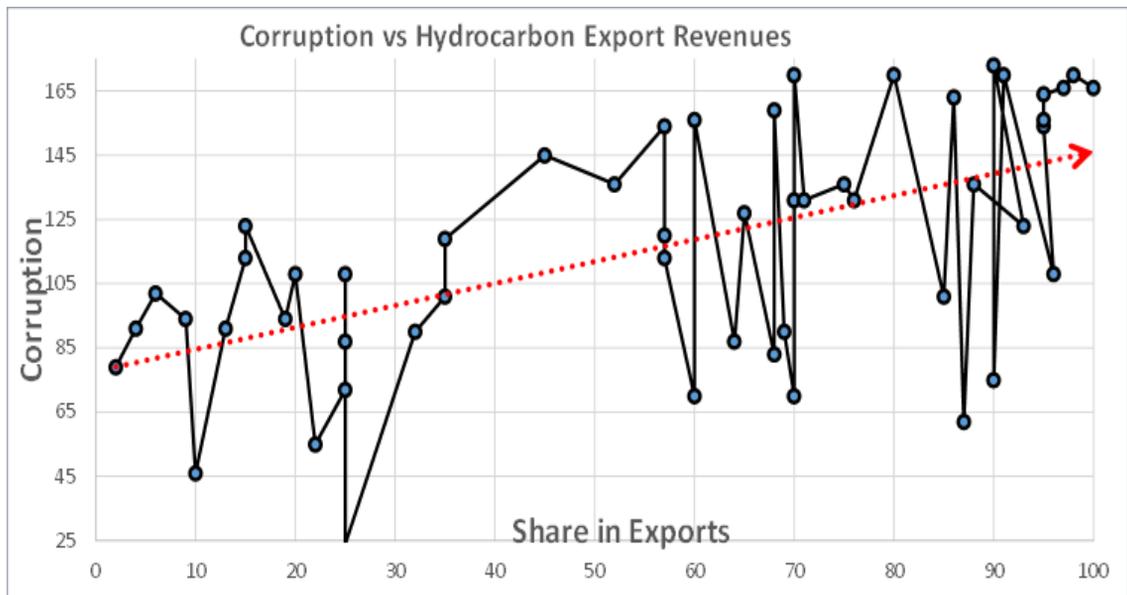
Sources: Country authorities; FAD Resource Revenue Tax Database; FDI markets; and IMF staff estimates.



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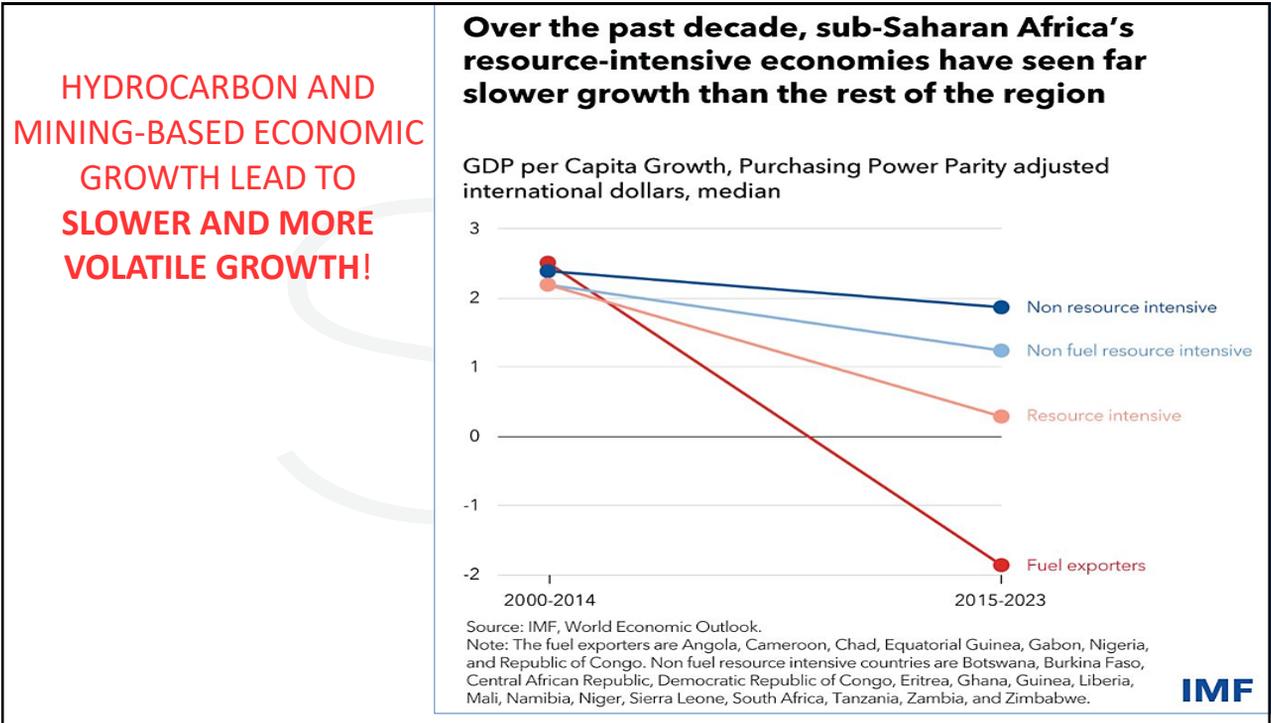
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OIL-BASED GROWTH LEADS TO POWER AND WEALTH CONCENTRATION, AND CORRUPTION



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20 CANDIDATES FOR « WEAK » STATES CATEGORY?

Developed countries?

- Argentina
- Romania?
- Montenegro
- Tunisia?
- Paraguay

Developed countries?

- ✓ Brazil
- ✓ Kazakhstan
- ✓ Algeria
- ✓ Kuwait
- ✓ Indonesia
- ✓ Russia
- ✓ Saudi Arabia
- ✓ Belarus
- ✓ South Africa
- ✓ Egypt

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DEVELOPMENT = ECONOMIC GROWTH + KEY CONDITIONS THAT MAKE IT SUSTAINABLE!

	CHILE	COSTA RICA	TURKMENISTAN	GABON
GDP/per capita	\$15,000	\$12,000	\$15,000	\$14,000
Life Expectancy	80	81	68	66
HDI Rank	44	64	94	123



	ARMENIA	SRI LANKA	NIGERIA	ANGOLA
GDP per capita	\$5000	\$5000	\$5000	\$5500
Life expectancy	81	77	54	60
HDI Rank	76	78	161	150

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4. Where does the risk of institutional weakness come from?

Managing the stress of modernization?

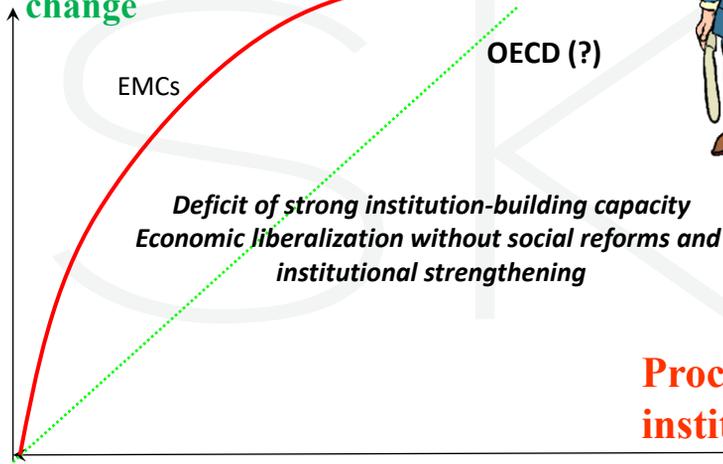
1. How **resilient** is the political system?
2. Is there a tradition of **peaceful transitions** of power?
3. How robust are the **social shock absorbers** that provide buffers between individual citizens and governments?

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POLITICAL DIS/ORDER IN RAPIDLY CHANGING SOCIETIES

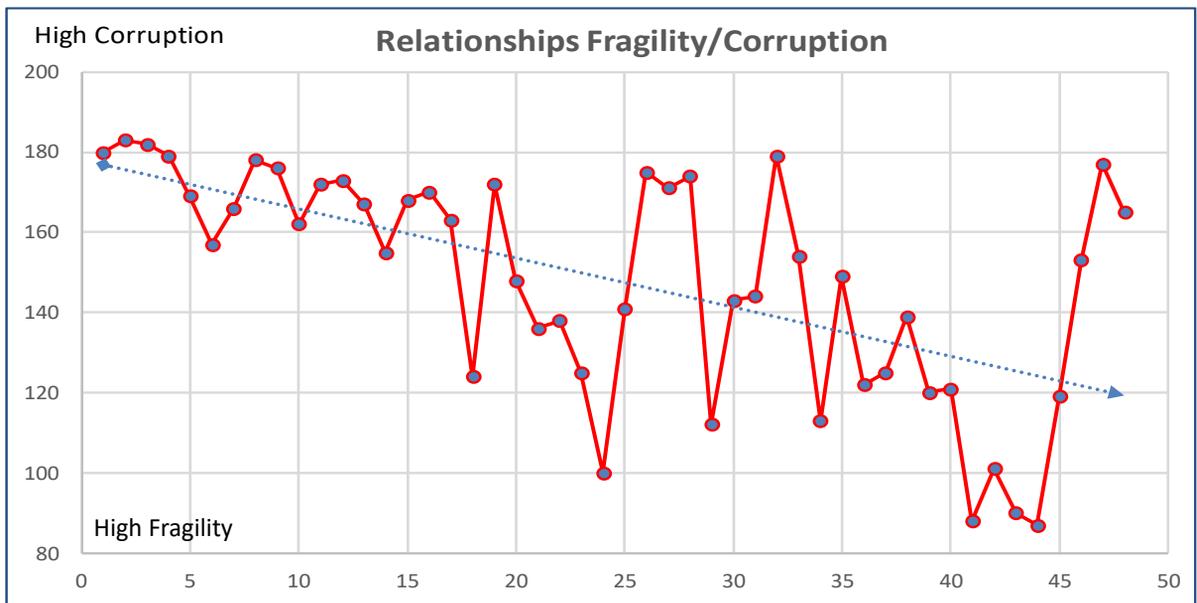
Process of socio-economic change



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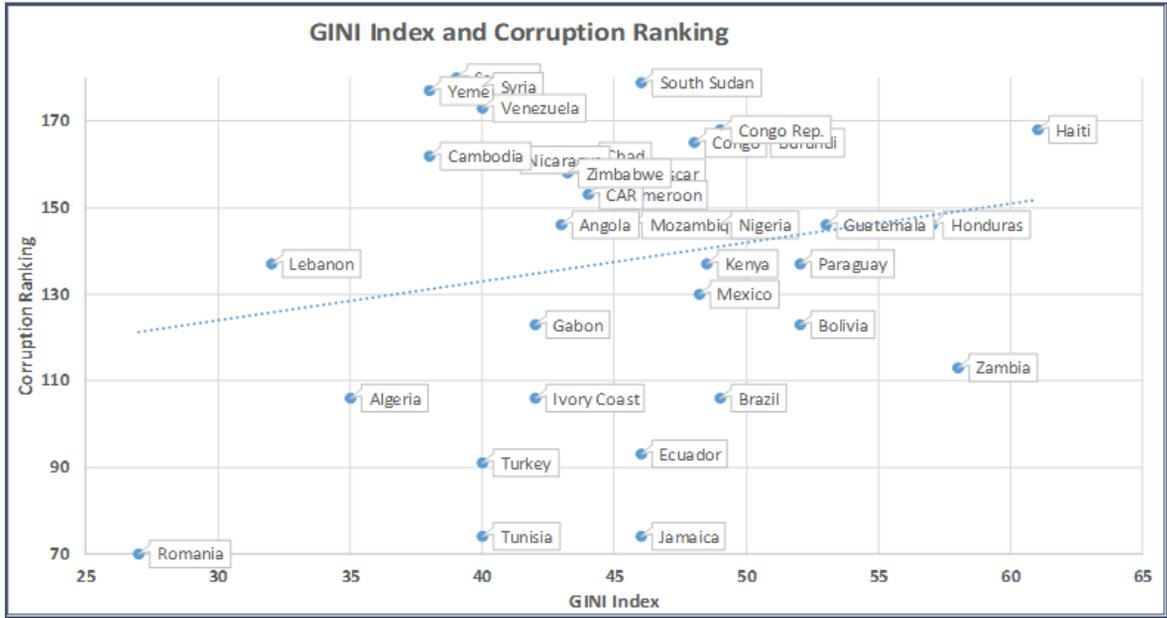
STATE FRAGILITY IS STRONGLY LINKED TO CORRUPTION



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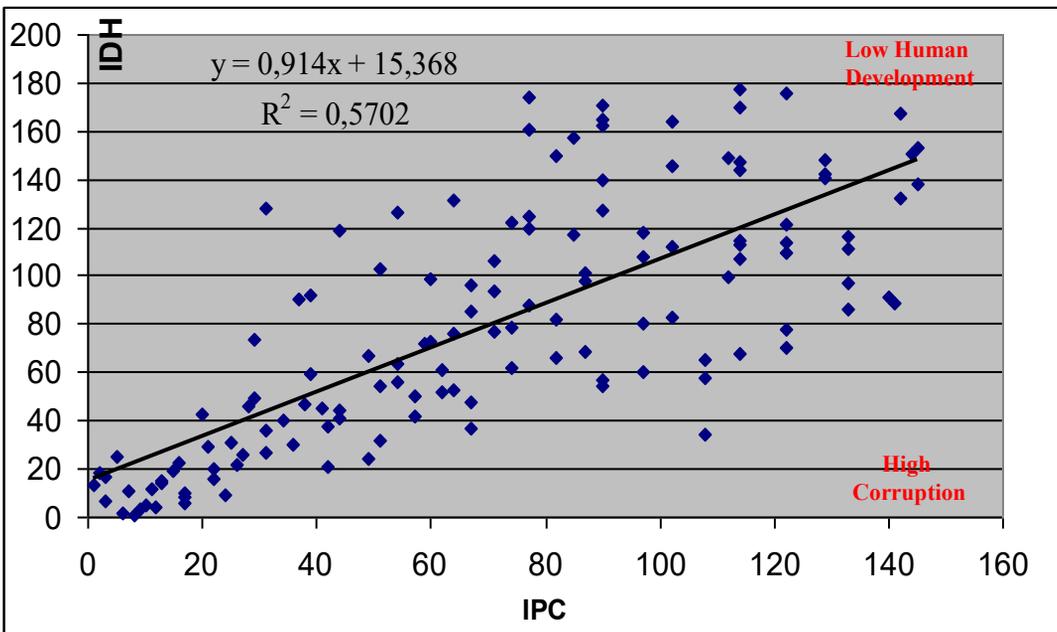
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CORRUPTION IS RELATED TO LARGE INCOME AND WEALTH GAPS



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LARGE CORRUPTION IS STRONGLY RELATED TO LOW DEVELOPMENT SCORE



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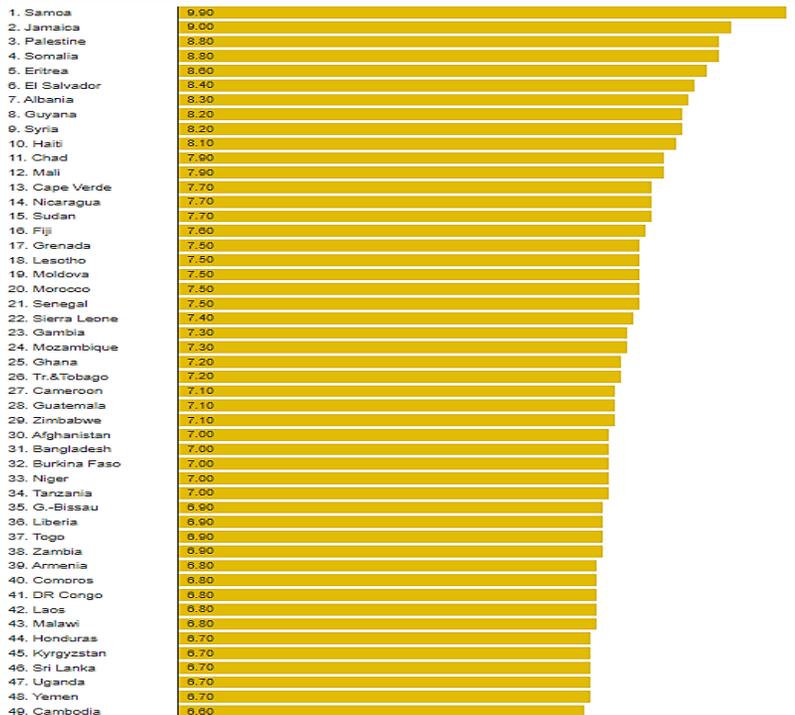


5. TOWARD EARLY WARNING SIGNALS OF STATE FAILURE?

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**TWOFOLD ECONOMIC
& POLITICAL POWER
CONCENTRATION =
HUMAN FLIGHT AND
BRAIN DRAIN**



Source:GlobalEconomy.com 2022

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WHY DOES CAPITAL FLIGHT DESERVE MORE ATTENTION?



- Macroeconomic consequences: increase in S/I gap
- Symptom of institutional weakness (banking system, savings mobilization)
- Push & Pull forces
- Recycling of external debt and development aid?
- **Reflection of bad governance and corruption?**

New research and policy focus of IFIs (Lessard/Williamson, Dooley, Cuddington, Bouchet/Gros Lambert, Collier, Cerra, Boyce/Ndikumana, Bouchet/Seto, & Bouchet/Kharrat)

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WEAK STATES AND CAPITAL FLIGHT

- Sanitary and economic disaster in fragile states = political and social disorder
- Q1-2 2025 = net **\$100 billion** has left 12 leading EMCs, including Brazil, Argentina, Turkey, Mexico, Peru, and South Africa

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IN SEARCH OF CAPITAL FLIGHT DATA?



Table A6.1

Banks' cross-border positions on residents of Tunisia

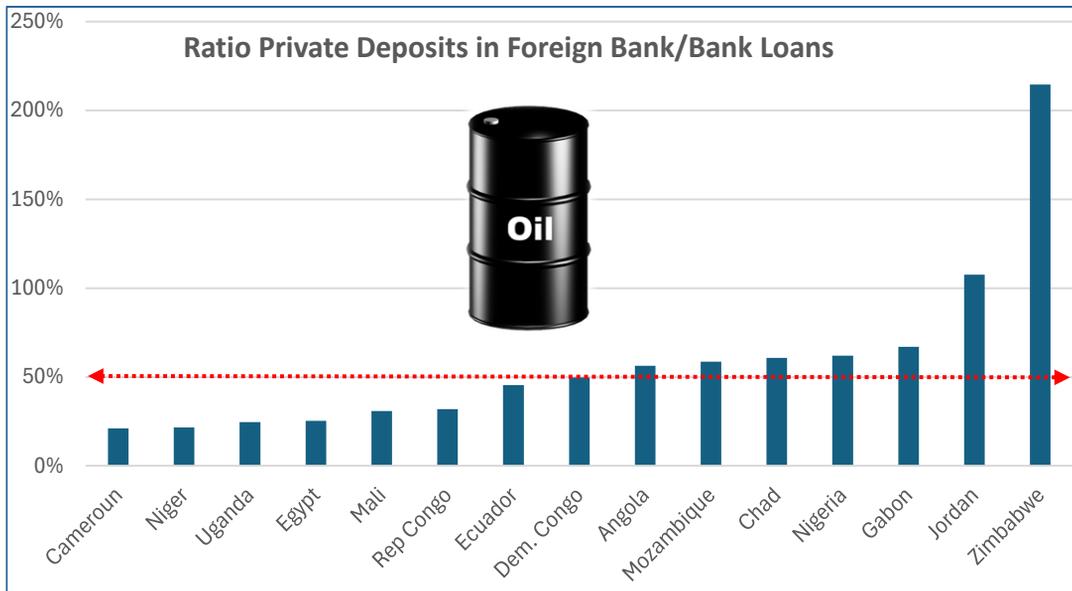
Outstanding at end-September 2019, in millions of US dollars

Tunisia	All sectors		Bank sector		Non-bank financial		Non-financial sector										
	Total		Non-financial corporations		Households		General government		Unallocated non-financial								
	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities	
Q3 2019	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19	Q3 19
Cross-border positions	3,806	7,462	1,172	5,330	1	71	2,054	1,766	837	258	108	1,206	1,047	11	62	290	
By instrument																	
Loans and deposits	3,140	7,120	737	5,312	1	71	2,053	1,443	837	247	108	895	1,047	11	61	290	
Debt securities	204	1	204	...	...	...	1	0	...	...	...	0	...	...	...	...
Other instruments	460	16	231	15	...	...	0	0	0	0	0	0	...	...	...	...
Unallocated	1	324	0	2	...	...	-0	322	...	11	...	311	...	...	...	...
By currency																	
All instruments																	
US dollar	805	2,751	261	1,683	...	58	242	719	170	31	6	415	9	1	56	272	
Euro	2,379	4,309	546	3,348	1	12	1,791	942	667	214	87	709	1,036	10	1	10	

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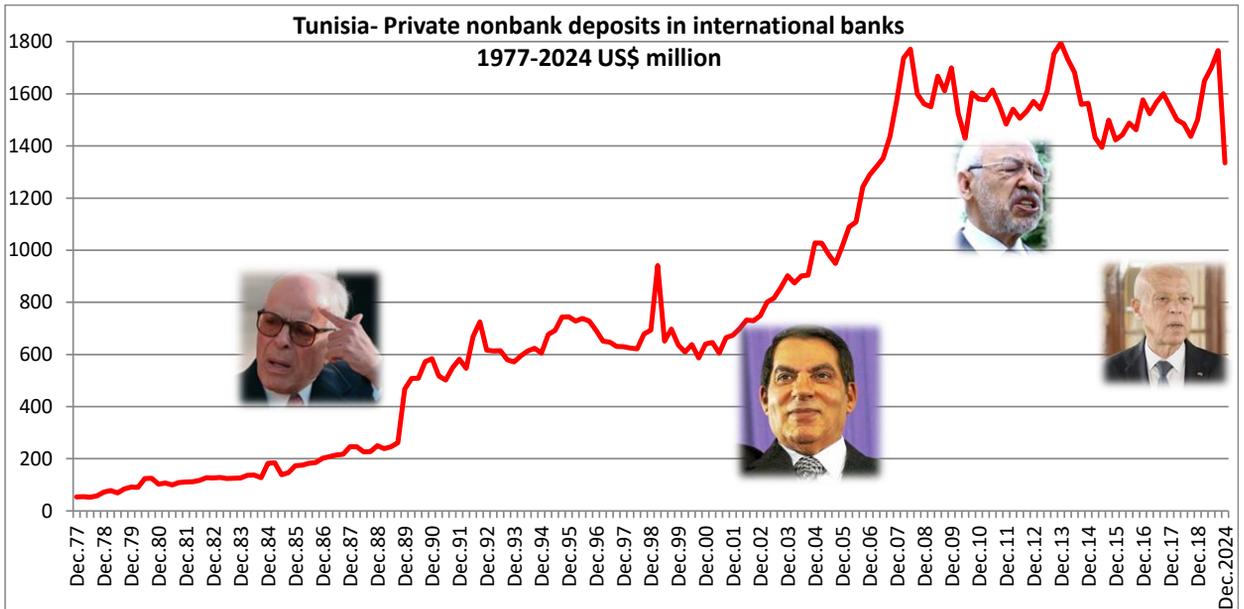
Ratio Private Deposits in Foreign Bank/Bank Loans



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TUNISIA: PRIVATE DEPOSITS IN INTERNATIONAL BANKS



Source: BIS Locational Banking Statistics 12/24

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KEY ROLE OF GOVERNANCE & INSTITUTIONAL VARIABLES

- ✓ a 1% increase in **Governance** (quality of government) will reduce by 1.45% the flow of expatriated savings to GDP, on 99% level of confidence
- ✓ a 1 % increase in **Civil Liberty** is associated with 0.9% decrease in capital flight
- ✓ A 1% increase in **External debt** (capital inflows) leads to a 2,1% rise in capital flight (revolving door & recycling syndrome)
- ✓ A 1% increase in **conditional development aid** leads to a 0,2% reduction in capital flight

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MAJOR SOURCES OF COUNTRY RISK INTELLIGENCE

