

# FROM INSTITUTIONAL WEAKNESS TO FAILED STATES



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

**CIFE SEMINAR NICE MAY 16-17, 2025**

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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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# THIS TIME, IT'S DIFFERENT!

**Converging shockwaves on already weak and fragile countries which cannot withstand  $\Sigma$  large debt, meager growth, high real interest rates + shrinking external financing + lower trade growth + higher import prices = state failure ahead!**

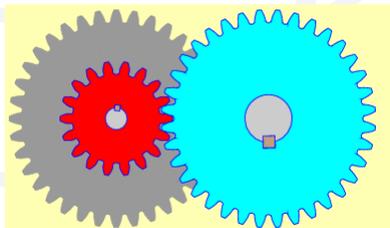


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## 1. What is a « weak » State?

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



**INSTITUTIONAL WEAKNESSES GENERATE A CRISIS OF SOCIAL MEDIATIONS, HENCE **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

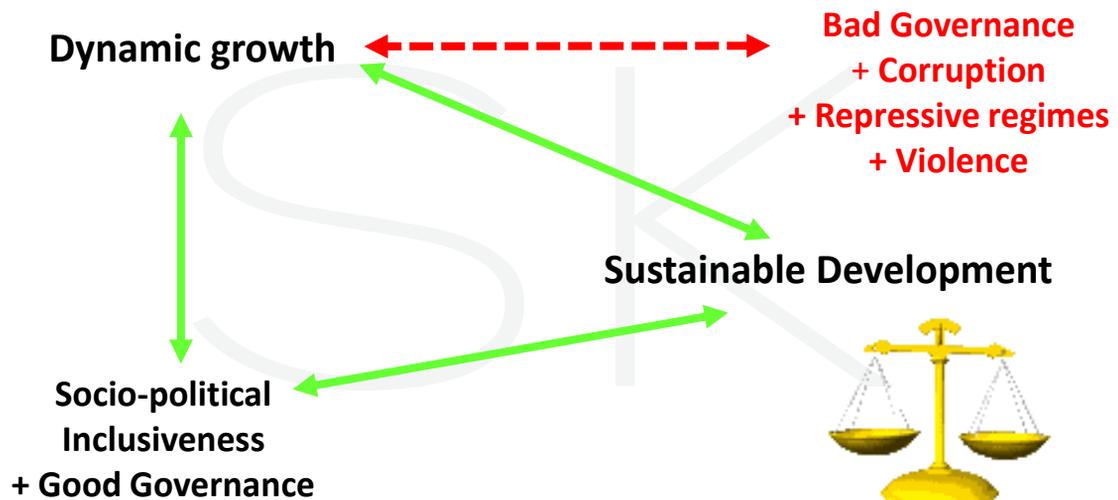


- Health (life expectancy) & social welfare
- Education
- Gender balance
- Income equality
- Security & good governance
- Institutions (social relations & channels of intermediation!)
- Facilities & Public infrastructure
- Nature (Clean water and air )

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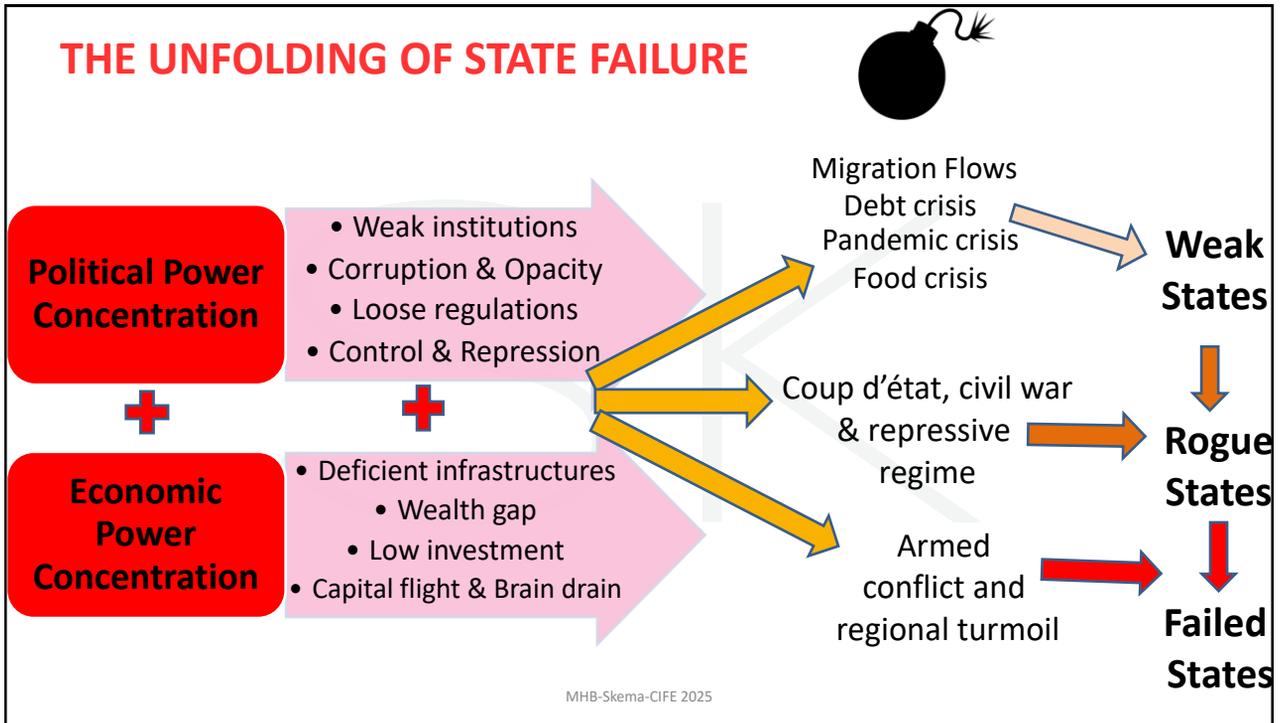
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## TRILEMMA OF GROWTH AND DEVELOPMENT?



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



Source:GlobalEconomy.com 2025

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**2. WHAT IS  
« GOOD GOVERNANCE »?**

XIV<sup>o</sup> century Sienna: **Good Government Allegory =**  
Balance between  
**Wisdom, Justice, Strength, and Peace**

Countries ▲ ▼	Human flight and brain drain, 2024 ▲ ▼	Global rank ▲ ▼	Available data ▲ ▼
Samoa	10	1	2007 - 2024
Palestine	9.4	2	2021 - 2024
Jamaica	9.2	3	2007 - 2024
Eritrea	8.7	4	2007 - 2024
El Salvador	8.6	5	2007 - 2024
Somalia	8.5	6	2007 - 2024
Ukraine	8.4	7	2007 - 2024
Albania	8.3	8	2007 - 2024
Micronesia	8.1	9	2007 - 2024
Haiti	8	10	2007 - 2024
Sudan	8	11	2007 - 2024
Guyana	7.9	12	2007 - 2024
Cape Verde	7.7	13	2007 - 2024
Syria	7.7	14	2007 - 2024
Moldova	7.6	15	2007 - 2024
Sri Lanka	7.5	16	2007 - 2024
Chad	7.4	17	2007 - 2024
Grenada	7.4	18	2007 - 2024
Mali	7.4	19	2007 - 2024
Fiji	7.3	20	2007 - 2024
Bosnia & Herz.	7.2	21	2007 - 2024
Lesotho	7.2	22	2007 - 2024
Comoros	7.1	23	2007 - 2024
Mozambique	7.1	24	2007 - 2024
Afghanistan	7	25	2007 - 2024
Nicaragua	7	26	2007 - 2024
Zimbabwe	7	27	2007 - 2024

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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

**Strong and flexible institutions help transform economic growth into development**

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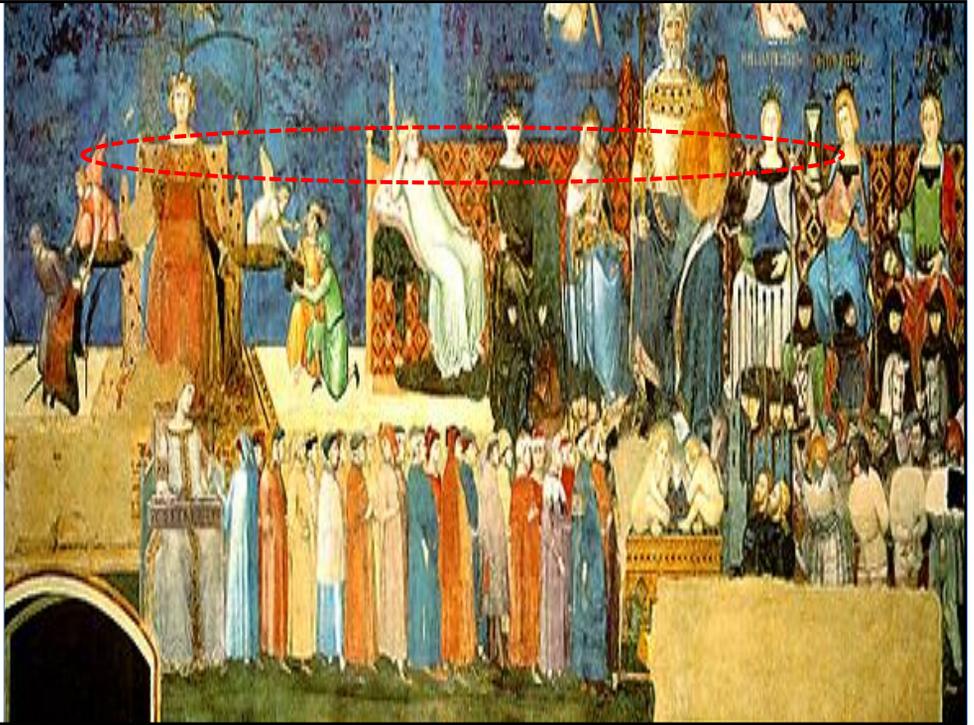
## THE DEVELOPMENT SUSTAINABILITY TRIANGLE



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**GOVERNANCE & TRANSPARENCY MATTER IN FDI STRATEGY!**

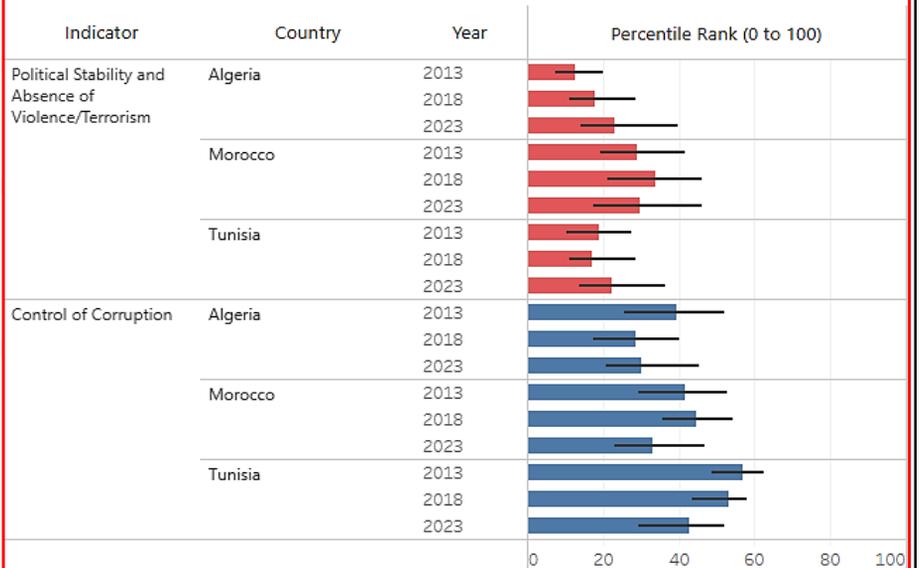


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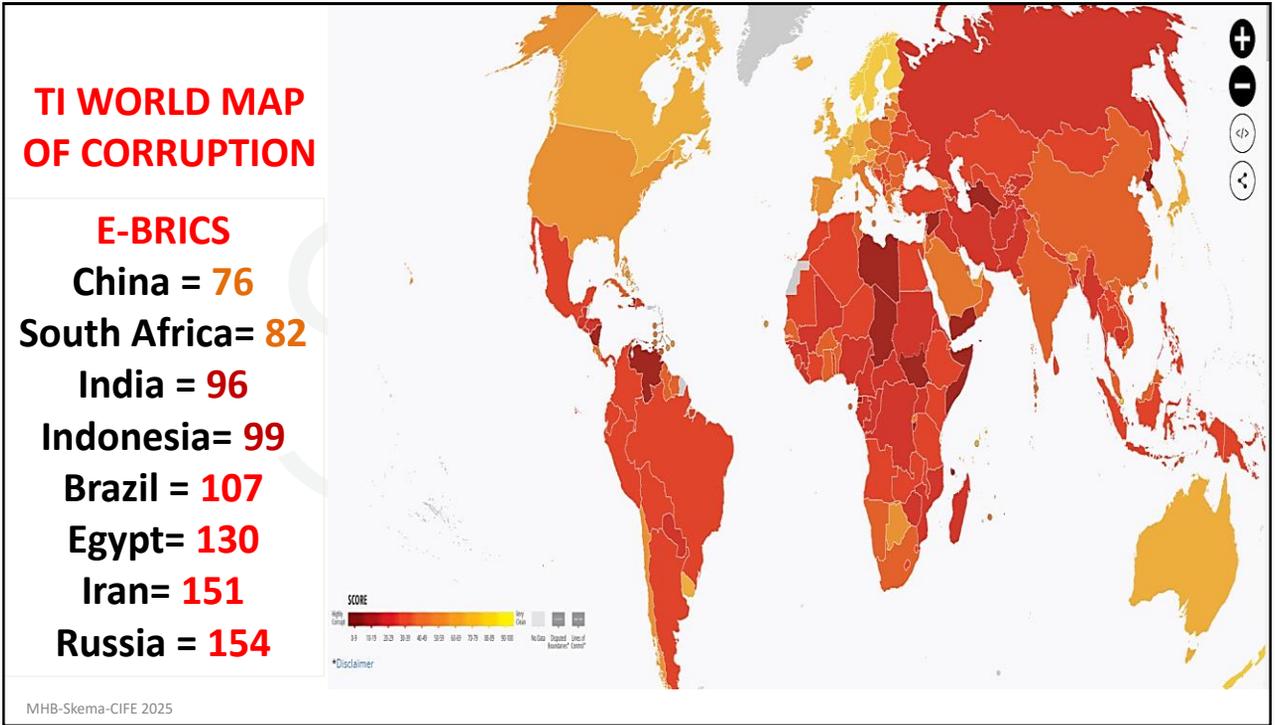
**MEASURING GOVERNANCE & CORRUPTION (WORLD BANK)**

**Worldwide Governance Indicators**

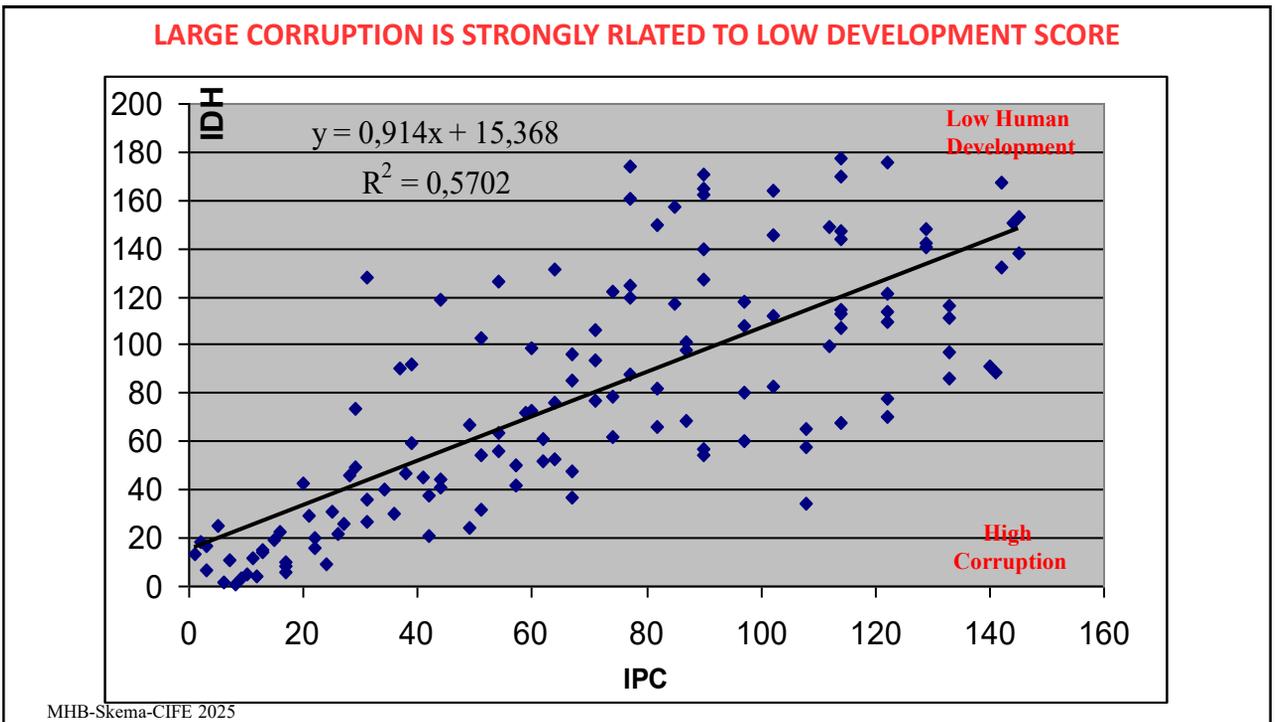


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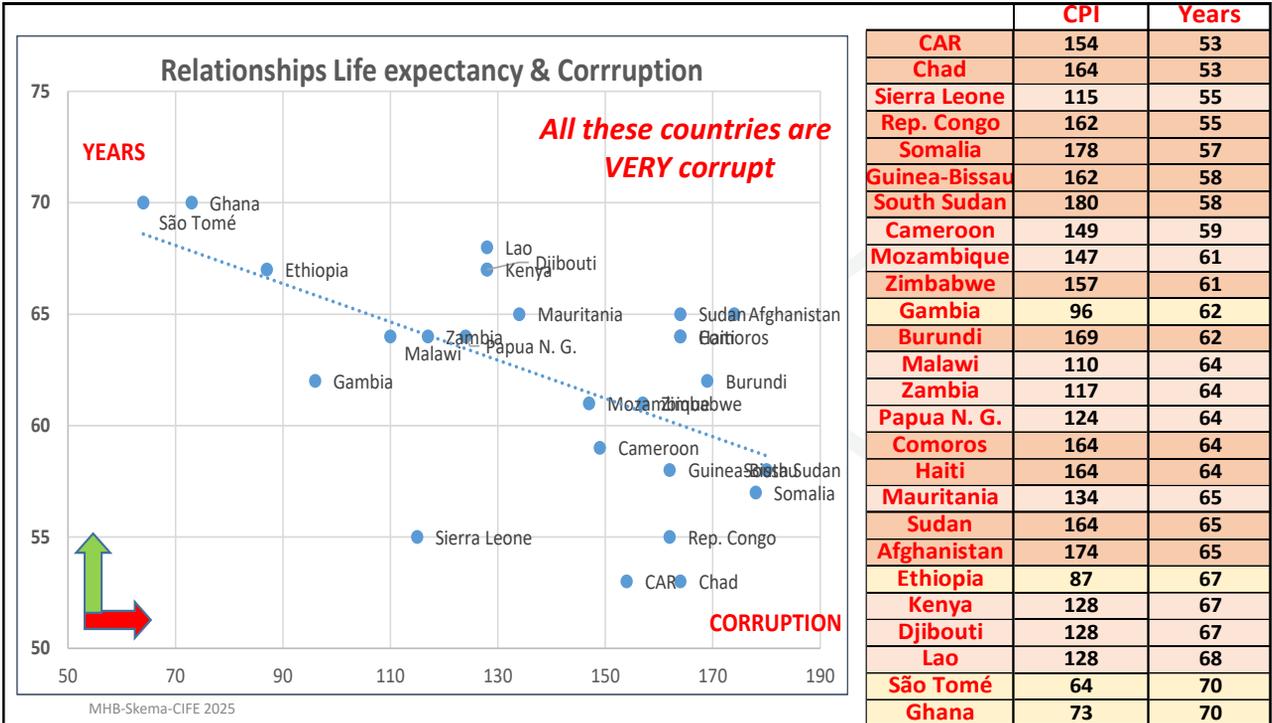
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# 3. MEASURING STATE FRAGILITY

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## THE SIX KEY INGREDIENTS OF STATE FRAGILITY

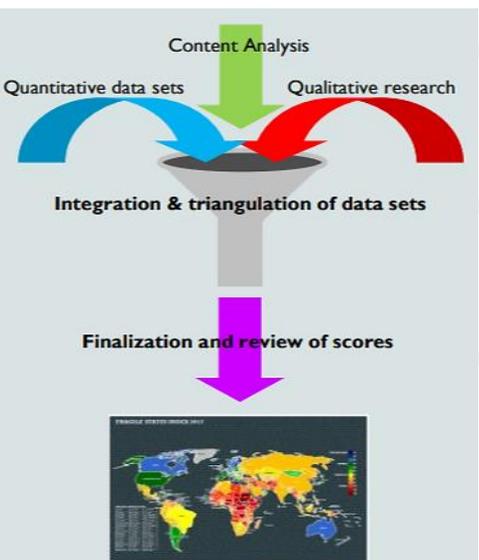
1. Weakness of institutions
2. Bad governance & corruption
3. Income & wealth gaps
4. Trade and debt dependence  
(commodity-driven growth)
5. Limited socio-economic freedom
6. Decline in democratization

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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:

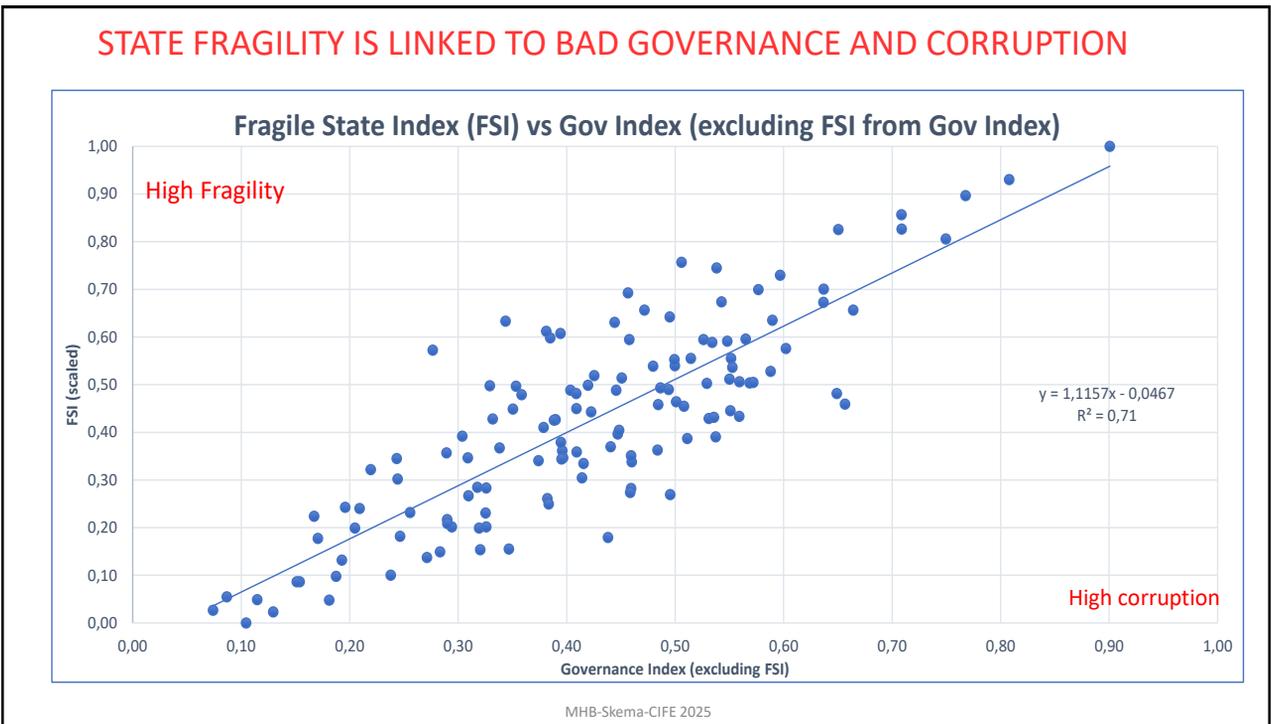
Economic decline, uneven development, brain drain, state legitimacy, public services, corruption, human rights, demographic pressures, refugees, external intervention, rule of law...

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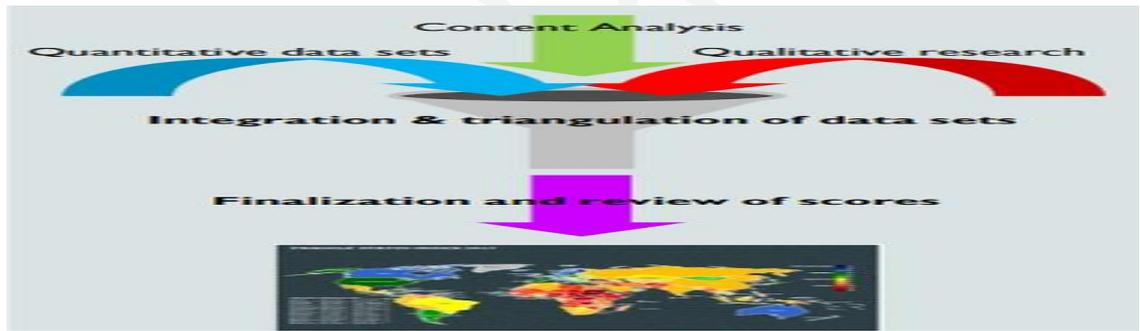
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**BROOKINGS INSTITUTE: INDEX OF STATE WEAKNESS IN THE DEVELOPING WORLD**

**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, Water Source & Sanitation Facilities, Life Expectancy



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GEORGE MASON  
UNIVERSITY  
SCHOOL OF  
PUBLIC POLICY  
CENTER FOR  
SYSTEMIC PEACE  
STATE  
FRAGILITY  
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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	2.294	↑ 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				

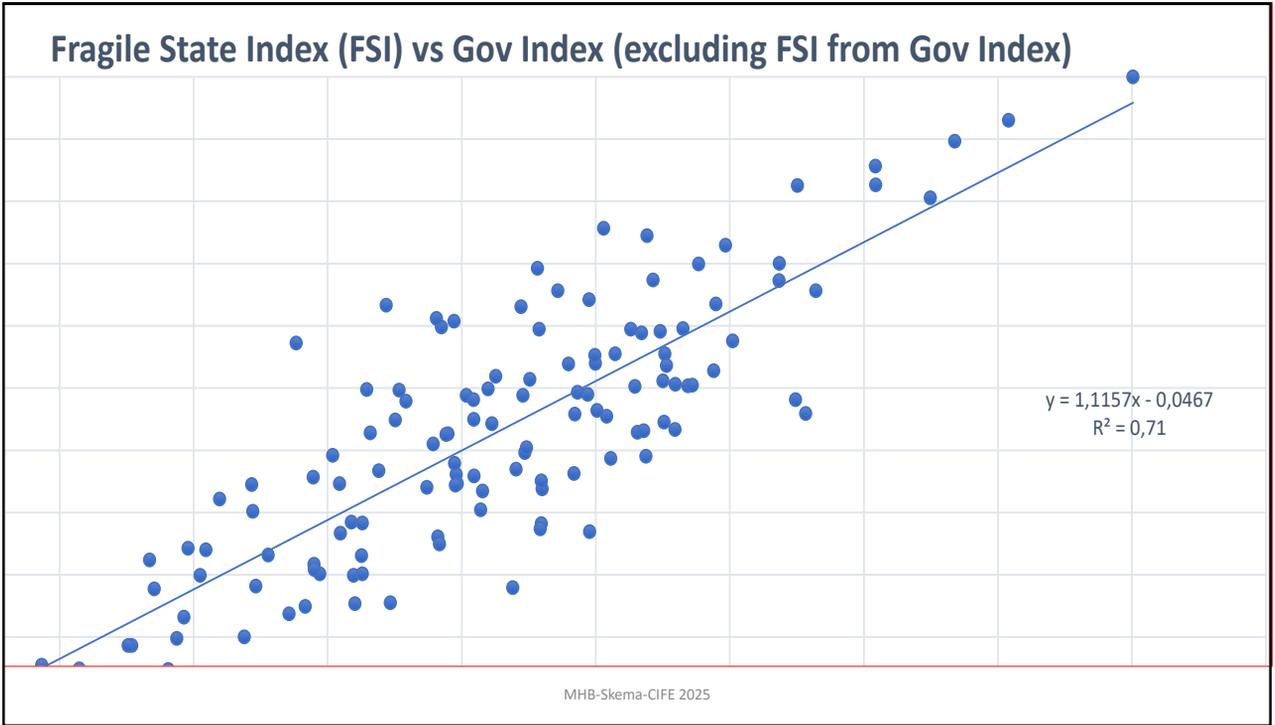
The State Fragility Matrix scores 167 countries since 2007

**2 Criteria:** Effectiveness and Legitimacy

**4 performance dimensions:** Security, Political (Regime/Governance Stability), Economic (GDP, GINI...), and Social (Human capital...)

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### 30 CANDIDATES FOR FAILED STATES CATEGORY?

#### Developing countries

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

#### Developing countries

- ✓ Algeria
- ✓ Iraq
- ✓ Gabon
- ✓ Cameroun
- ✓ Venezuela
- ✓ Libya
- ✓ Uzbekistan
- ✓ Zimbabwe
- ✓ Cambodia
- ✓ DR Congo
- ✓ Turkmenistan
- ✓ Angola
- ✓ Chad
- ✓ Rep. Congo
- ✓ Sudan
- ✓ Equatorial Guinea

Overall	Score	Economic	Political	Security
	0,52	0,00	0,00	1,57
	1,65	4,57	2,00	0,00
	1,67	4,00	1,50	0,20
	2,11	2,07	1,67	1,63
	3,21	5,01	3,46	2,90
	3,26	5,05	2,90	1,46
	3,33	4,11	2,90	5,00
	3,44	1,50	1,50	6,01
	3,64	3,30	3,91	6,01
	3,66	5,23	2,12	3,71
	3,72	5,42	2,67	5,31

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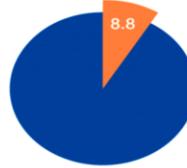
**IN AFRICA, LARGE NUMBER OF RICH COUNTRIES WITH POOR PEOPLE!**

**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)



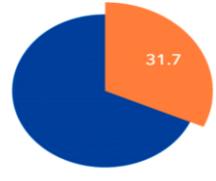
Revenues (Percent of domestic revenues)



Exports (Percent of total exports)



FDI (Percent of total FDI)



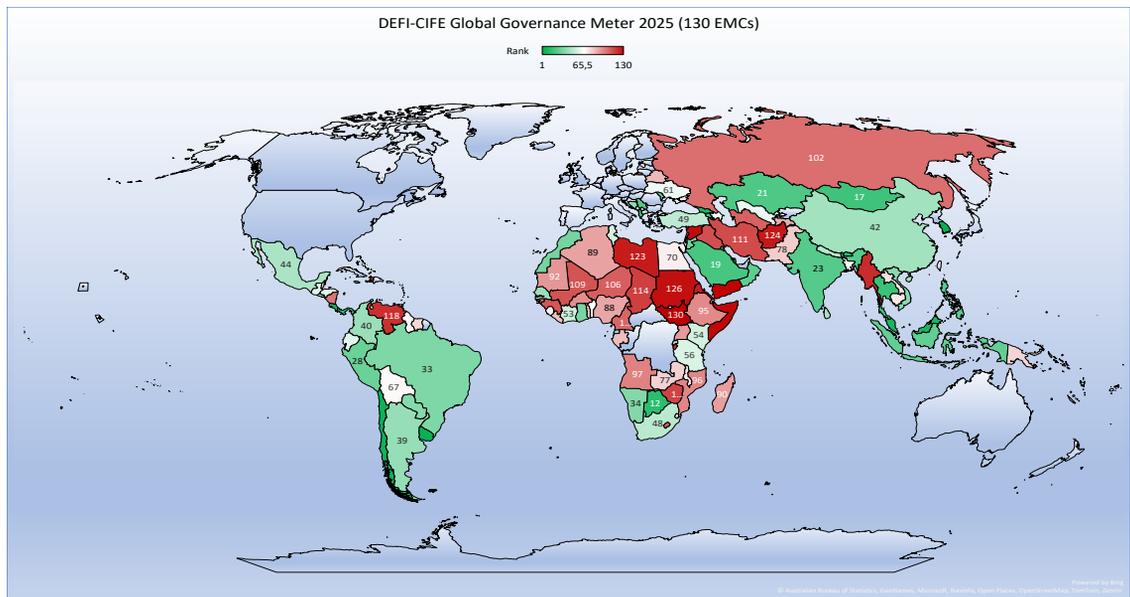
Sources: Country authorities; FAD Resource Revenue Tax Database; FDI markets; and IMF staff estimates.



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



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HYDROCARBON AND  
MINING-BASED ECONOMIC  
GROWTH LEAD TO  
**SLOWER AND MORE  
VOLATILE GROWTH!**



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## 20 CANDIDATES FOR « WEAK » STATES CATEGORY?

### Developed countries?

- Argentina
- Romania?
- Greece?
- Tunisia?
- Paraguay
- Serbia
- Turkey

### EMCs?

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

	Overall Score	Economic	Political	Security
	1.52	1.50	0.00	1.57
	1.65	4.51	2.08	0.00
	1.67	4.06	1.80	0.20
	3.11	2.87	1.67	1.60
	3.21	5.91	3.46	2.95
	3.29	5.05	2.06	1.40
	3.33	4.11	2.90	5.00
	3.44	1.58	1.58	6.81
	3.64	3.58	3.91	6.61
	3.66	5.03	2.12	3.71
	3.72	5.42	2.87	5.30

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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?

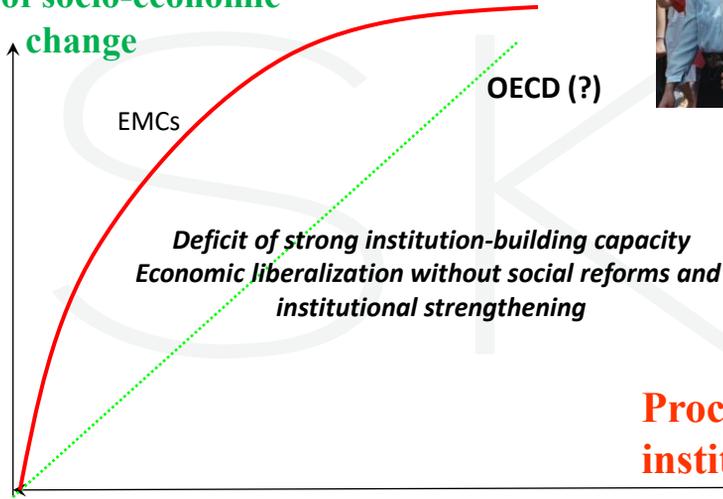
1. How **resilient** is the political system?
2. Is there a tradition of **peaceful transitions** of power?
3. How robust are the **social shock absorbers** that provide buffers between individual citizens and governments?

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### POLITICAL DIS/ORDER IN RAPIDLY CHANGING SOCIETIES

Process of socio-economic change



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### A DEFICIT IN INSTITUTION-BUILDING ALWAYS LEADS TO SOCIAL UPHEAVAL



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## ECONOMIC GROWTH + POLITICAL MODERNIZATION IN CHINA?

► « *Political reform is a necessary companion to economic modernization: without the safeguard of reforms, the fruits of economic reform would be lost* »

(August 2010 Shenzhen PM Wen Jiabao)



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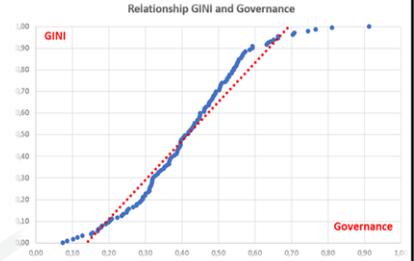
## CORRUPTION & BAD GOVERNANCE ARE RELATED TO LARGE INCOME AND WEALTH GAPS



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# 5. TOWARD EARLY WARNING SIGNALS OF STATE FAILURE?



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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 = capital flight + brain drain
- Q1 2025 = net **\$100 billion** has left 12 leading EMCs, including Brazil, Argentina, Turkey, Mexico, Peru, and South Africa

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## MUCH OF EXTERNAL FINANCING GETS RECYCLED INTO PRIVATE BANK DEPOSITS !

Banks' cross-border positions on residents of Developing Africa and Middle East

Source: [https://data.bis.org/topics/LBS/tables-and-dashboards/BIS,LBS\\_A6\\_1,1.0?dimensions=L\\_CP\\_COUNTRY%3A4W](https://data.bis.org/topics/LBS/tables-and-dashboards/BIS,LBS_A6_1,1.0?dimensions=L_CP_COUNTRY%3A4W)

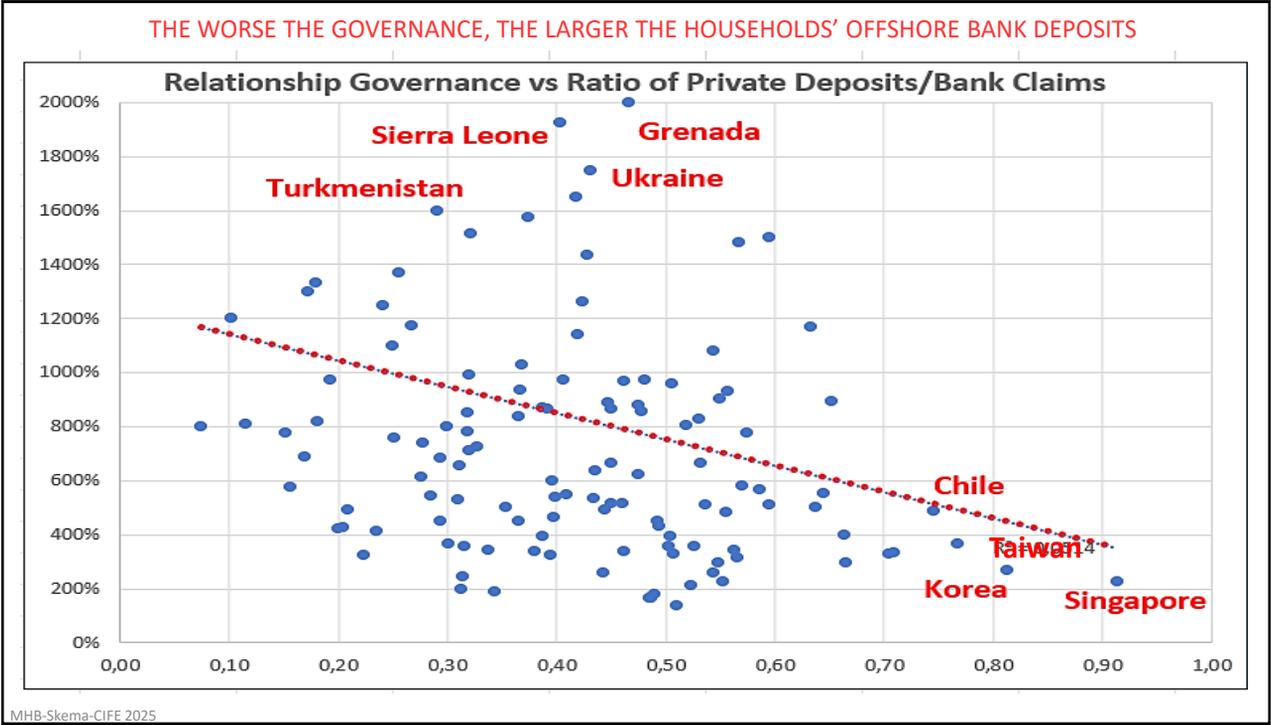
End-2024: African Countries

Ratio Offshore Deposits/Credits

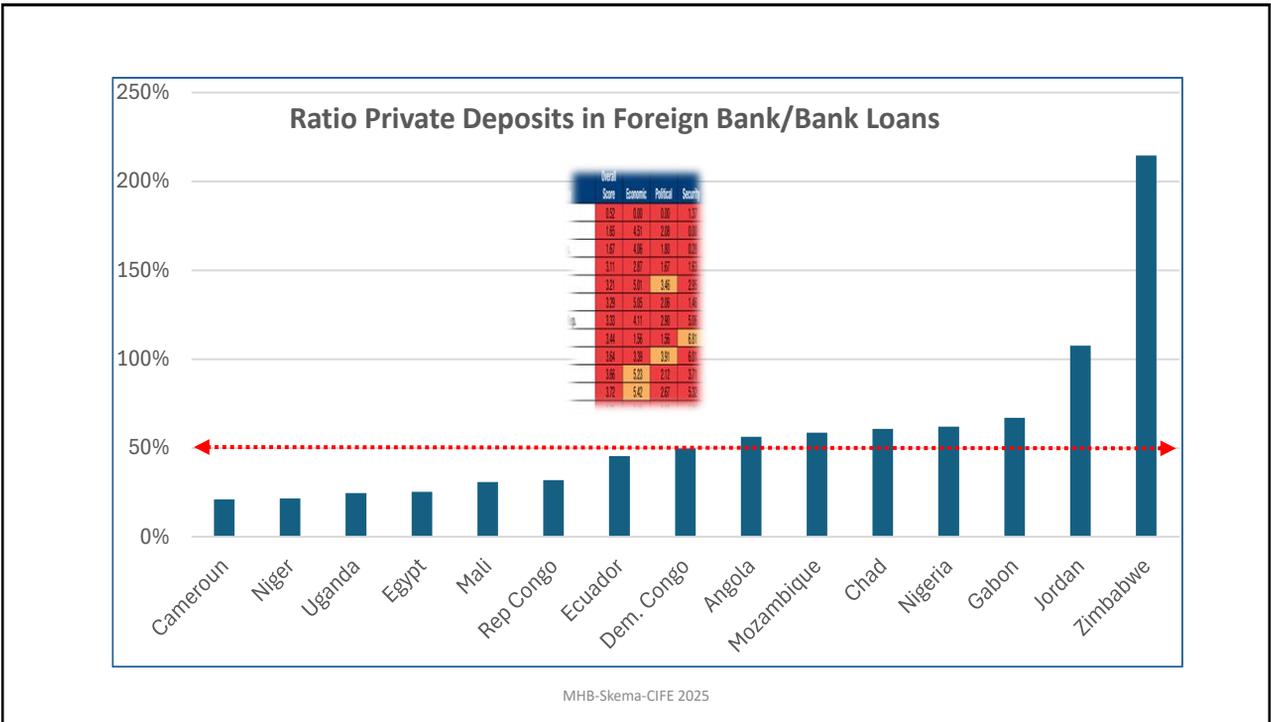
<b>Claims on,</b>									
<b>Non-Financial Sector</b>		<b>422,723</b>							
<b>Claims on</b>		<b>43,714</b>							
<b>Households</b>									
<b>Liabilities</b>		<b>360,412</b>	<b>85%</b>						
<b>Non-Financial Sector</b>									
<b>Liabilities on</b>		<b>182,89</b>	<b>418%</b>						
<b>Households</b>									

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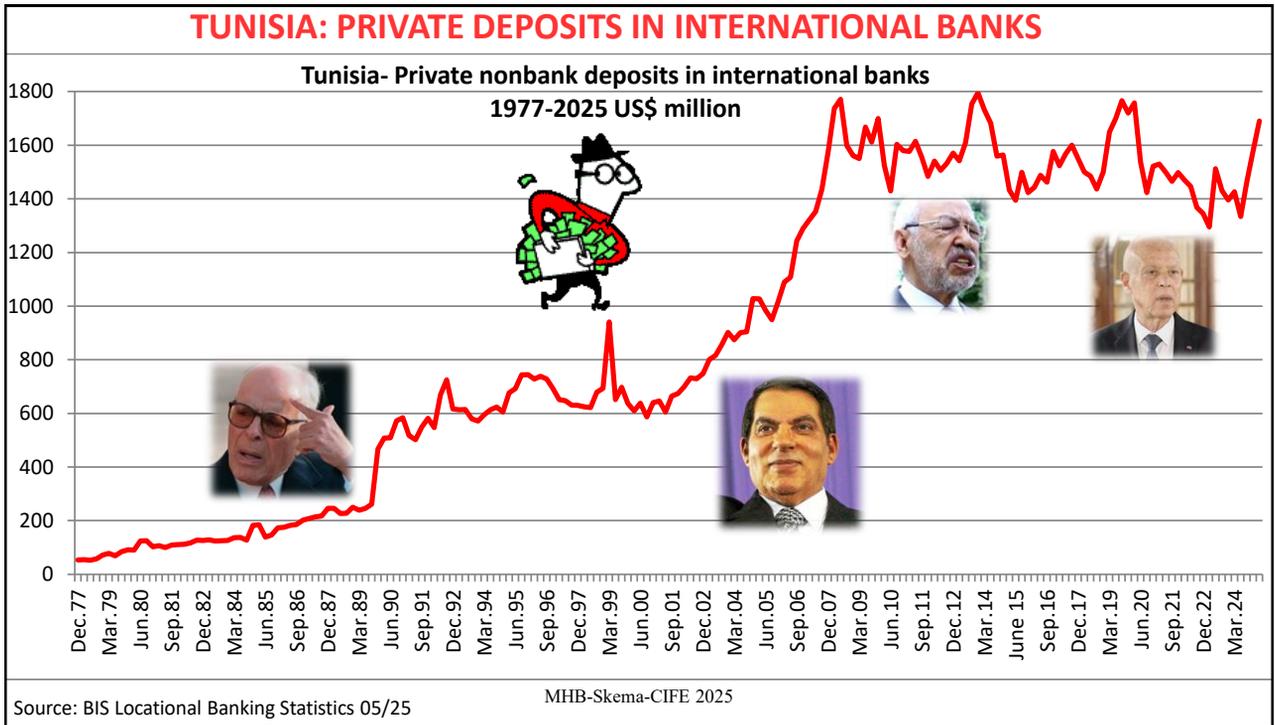
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## KEY ROLE OF GOVERNANCE & INSTITUTIONAL VARIABLES

- ✓ 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

