UNIVERSITY OF TRENTO - Italy

School of International Studies

Statebuilding versus state formation: the political economy of transition in Iraq and Libya

Irene Costantini

School of International Studies

University of Trento

09/01/2015

Supervisor: Prof. Roberto Belloni

Thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in International Studies.

Statebuilding versus state formation: the political economy of transition in Iraq and Libya

Irene Costantini

ABSTRACT The international interventions in Iraq and Libya are exemplary of a decline in the expectations that statebuilding fervour can contribute to the full-fledged transformation of societies intervened upon. From the intervention in Iraq under the banner of "armed liberalism" to the "post-interventionist" approach that guided the intervention in Libya, international actors have renounced the grand transformative narrative traditionally sustaining post-conflict initiatives. This study investigates the impact of this changing statebuilding paradigm on state formation in Iraq and Libya. Bridging scholarship on post-conflict transitions as well as on the Middle East and North Africa region, this study addresses the question of the interplay between statebuilding and state formation from a political economy perspective: the emerging forms of economic governance of Iraq and Libya are illustrative of the broader problems affecting these countries.

Through a process-oriented approach, this study moves beyond a narrowly-conceived institutional analysis and brings into focus actors in transition. Based on the theoretical discussion and the empirical findings, the study shows that an actor-oriented analysis has far more explanatory power than an institutionalist analysis. From a political economy perspective, the study focuses on the role of the private sector as an agent for change in transition: the emergence and consolidation of the policy prescription of developing the private sector has heralded a re-definition of the statebuilding agenda. Relying on a broad range of sources and data including interviews, policy papers, programmes' reports, and evaluations, the analysis contends that this novel approach adds to the contradictory character of statebuilding: private sector development remains trapped between internationally held normative models and domestic power dynamics. Most importantly, private sector development entails a more interventionist approach that contradicts the principles of the self-regulating capacity of the

market.

The thesis' main argument is that by building parallel agencies and mechanisms, *statebuilding* deviates from the process of *building states*. In other words, statebuilding creates a mode of governance that undermines Weberian notions of statehood in post-conflict countries: while it penetrates deeply into society, statebuilding fails to generate state authority. Rather, it favours a dispersion of authority across levels of governance and different types of actors. The dispersion of authority in post-conflict transitions generates hybrid forms of political economy: adaptation and resistance to neoliberal norms, institutions, and models are continuously negotiated by competing actors. At the same time, the dispersion of authority contributes to undermining the distinction between the public and the private spheres: alternative forms of authority consolidate informal institutions and repertoires, and increasingly come to exercise state authority and functions. The disjuncture between state and *stateness*—the exercise of state authority and functions—shows the limits of analysing post-conflict transitions through the narrow lens of Weberian interpretation of the state and points to a re-evaluation of institutional analyses in light of notions of authority and legitimacy.

Acknowledgement

During the course of my research many people have helped me with their time, advice, and energy. I am particularly grateful to Professor Roberto Belloni for his invaluable comments and support during these three years of research: his advice has been precious.

At the School of International Studies, University of Trento, I would like to thank all the academic and administrative staff. In particular, Professor Jens Woelk, Mark Beittel, Maria Rosaria Astarita, and Silvia Tomaselli helpfully assisted me with their time and dedication. A special thank goes to my PhD colleagues: in particular, Michele Bernini, Benedikt Erforth and Paula Guzzo Falci were great companions with whom I shared the ups and downs of my research.

I am grateful to those institutions that hosted me as a visiting PhD student while doing my research. At the London School of Economics and Political Science, I would like to thank Professor Fawaz Gerges for his support during my visiting period. During my period of field work in Iraq, I was welcomed by the staff of Salahaddin University, Erbil: Dr. Mohammed Azeez Saeed and Dr. Sherzad A. Ameen were very helpful in making my period of research productive.

I am also grateful to those people who, even without institutional obligation, helped me in different phases of this project: among them, Professor Charles Tripp, Professor George Joffé, and Professor Laura Guazzone gave me precious insights into my research.

I have a debt of gratitude towards my family: they constantly and patiently supported my decisions and encouraged me to complete this thesis. Special thanks go to Michele Barbera whose support and love made this work possible.

Table of Contents

Introduction

The demise of the Cold War and the wave of the so-called "new wars" that followed ushered in a new era of international interventionism. Since the early-1990s, the number of interventions in conflict and post-conflict countries has increased dramatically. The premises upon which these interventions were conducted and the outcomes they achieved have generated a vast debate about their overall performance (Paris 2004; 2010) as well as the framework and motivations guiding them (Chandler 2010; Richmond 2013). Despite its diversity, a solid body of scholarship has converged toward growing criticism of international interventions.

Starting in the 1990s, what has been referred to as the "liberal peace" marked the beginning of a new paradigm for international engagement in conflict and post-conflict countries built around notions of peace, democratisation, economic liberalisation, rule of law, and human rights (Richmond and Frank 2009). However, this normative framework, often associated with peacebuilding, has progressively given way to a more procedural and technical focus on institutional frameworks. Changing perceptions of security threats after 9/11 (11 September 2001) have further contributed to shaping international interventions around issues of state capacity and to framing an understanding of the international system as one comprised of states that are qualitatively different: identifying performance criteria to assess the potential failure of a state has become a key policy and analytical question (Rotberg 2004). In reaction to state weakness, fragility, failure, and collapse, the statebuilding project has brought the state and its

1

"capacity" to the centre of international interventions in conflict and post-conflict countries.

A decade into the twenty-first century, the norms forming the paradigm for peacebuilding have been progressively relaxed, and statebuilding has emerged as a more regulatory and procedural form of governance (Sabaratnam 2011). In this context, the adoption of a narrow Weberian interpretation of the state as capable of adapting to a variety of political, social, and economic contexts has neglected the conflictual dimension of state formation. Based on a conceptualisation of the state as a unitary, coherent, and goal-oriented entity, the project of statebuilding has conflated state failure with institutional failure, and statebuilding with institution-building. Because of this narrow approach, statebuilding projects have failed to acknowledge alternative views of state failure and statebuilding that are built upon political and social conflict, non-state actors, as well as notions of authority and legitimacy.

In contrast to the presumed linear process of statebuilding, state formation is the tortuous, undetermined, and contradictory process whereby states form and evolve as a result of agents engaging in a struggle for power leading to the creation and transformation of sites of authority (Herring and Rangwala 2006; de Guevara 2012a; Richmond 2013). Understanding how statebuilding impacts state formation is the central aim of this dissertation. Explanations of post-conflict transition that neglect either one of the two processes, tend to perpetuate a dichotomous reading of the "international" and the "local" often incapable of moving beyond liberal versus illiberal constructs. Understanding how statebuilding impacts on state formation sheds light on the continuous morphing of the two processes and, ultimately, on the often-modest outcomes of internationally-led interventions.

I argue that statebuilding fails to create Weberian states in post-conflict countries. While statebuilding penetrates deeply in society it fails to generate state authority. Rather, statebuilding favours a dispersion of authority across different levels of governance and among different actors: authority is dispersed within and outside the nominal borders of the state and is exercised by a variety of private and public, formal and informal, as well as licit and illicit entities. Conceived by international interveners as a linear process linking a condition of conflict to an ideal typical model of the state, statebuilding becomes part of the tortuous process of state formation. Statebuilding can build the skeleton of a state

2

and its institutional structure; but it cannot give life to states on its own. By contributing to the development of alternative agencies and dynamics, statebuilding deviates from the process of creating state authority and contributes by removing the state as the ultimate yardstick of transition.

This argument is built upon two major insights. Theoretically, an analysis that goes beyond functional-institutionalist myopia provides a lens for grasping the extent to which much of post-conflict transition is determined by the configuration of authority, and related issues of legitimacy, rather than by institutional arrangements. Statebuilding does not only intervene by building aspects of a (neoliberal) state, but also shapes organisations and agencies in private spheres. Accordingly, this study introduces a twist in the analysis of statebuilding that can account for the emergence of private authority in parallel to state authority. The fact that private authority features extensively in post-conflict transition raises major problems both in the restoration of state authority and in the theorisation of post-conflict transition more generally.

Empirically, the comparative analysis of Iraq and Libya brings novel elements for analysing post-conflict transition. Iraq and Libya have not been thoroughly investigated in comparative terms and from a state formation perspective. The shift from "armed liberalism"—the incorporation of the neoliberal agenda into a security-related domain—to "post-interventionism" (Chandler 2012)—the abandonment of Western responsibility and transformative narratives—has been the main element upon which the comparative analysis of cases of interventions has been built. Whereas in Iraq the skeleton of a Weberian state has been created by statebuilding intervention, the dispersion of authority has nonetheless led to a deformation of this structure as a result of the struggle over political authority in the country. In Libya, international statebuilding actors were hesitant of intervening in order to build such a skeleton. This reluctance, combined with the local legacy of a poorly-institutionalised state, determined a struggle over authority, which has taken place mostly beyond the state. The dispersion of authority is a common trait in Iraq and Libya and is interpreted in this study as part of the state formation process. This formation combines adaptation to institutional forms and normative models from the West in conjunction with a continuation of domestic forms of managing and legitimising power.

I investigate the interplay between statebuilding and state formation in the field of political economy. Statebuilding and state formation intrude on almost every aspect of the political life of a country—from security-related issues to social dynamics. The economy often is a source of conflict among groups in transition over a variety of issues including state expenditures, jobs in public sectors, illicit trafficking, and natural resources (Cramer 2009; Wennmann 2010). An investigation of the political economy of transition illustrates how emergent forms of economic governance in Iraq and Libya became and continue to form part of the struggle over authority. In this process, divergent interpretations of economic dynamics and mechanisms coexist: whereas for the statebuilding agenda the state is typically regarded as a device to help markets function, for actors engaged in state formation, the market often becomes a tool to advance particularistic claims over state apparatuses.

In the realm of the political economy of transitions, this study situates private actors in the research agenda on statebuilding and state formation. It examines the extent to which recent focuses on the private sector have come to redefine the agenda of statebuilding. Private sector development challenges a key tenet of statebuilding (i.e., institution-building). Private sector development in post-conflict statebuilding reflects a changing international approach, which is moving away from building institutions and toward shaping actors. In prescriptive and normative terms, the private sector is expected to exert economic and political functions. Whereas private sector development represents a changing approach to statebuilding, its implications add to the contradictory nature of international interventions. Rather than contributing to build the Weberian state, the international focus on the private sector deviates from the process of building state authority. Private sector development remains suspended between international prescriptive models and local power dynamics.

An investigation of the political economy of transition suggests that the interplay of statebuilding and state formation has generated ambiguous patterns in the economic domain. The dispersion of authority in post-conflict transitions is a primary source of hybridity, which is found to be a remarkable trait of transition in the cases of Iraq and Libya. The concept of hybridity highlights the concurrence of adaptation and resistance to institutional practices in addition to political mechanisms. While the statebuilding project seeks to channel state formation along the neoliberal route, hybridity becomes part

4

of domestic strategies for gaining legitimacy, securitising the transition, and consolidating power. Hybridity shows that adaptation and resistance are not part of a zero-sum game; but rather, a complex interplay among different types of authority in transition.

The dispersion of authority is also a primary source of informality. Much of the political trajectories of post-conflict countries unfold in the spaces created by continuous negotiation between public and private, and political and economic authorities. Informality is not a natural trait, despite its roots in the recent history of Iraq and Libya. Informality is perhaps one of the best elements that can be used for understanding the distance between Weberian models of the state and empirical forms of statehood. As a result of informality and the dispersion of authority, *stateness*—the exercise of state authority and functions—in post-conflict transitions comes to reside beyond the state. Based upon the theoretical and empirical material, I argue that understanding the disjuncture between state and *stateness* is crucial for an accurate analysis of post-conflict transition.

By investigating the impact of statebuilding on state formation, this study does not benchmark the countries and societies under investigation against predetermined criteria of success and failure. It privileges a process-oriented approach in order to reveal the complexity of the interplay between statebuilding and state formation.

Dissertation outline

Chapter 1 reviews the literature on statebuilding. After drawing the conceptual line separating statebuilding from nation-building and peacebuilding, I clarify the meaning of statebuilding as a distinct policy agenda for post-conflict countries. Following a review of the major debates on statebuilding, the chapter focuses on two key aspects: the definition of the state and the distinction between statebuilding— a deliberate internationally-led attempt to build aspects of the neoliberal state—and state formation—an undetermined process where agents engage in a struggle over authority. The final part of the chapter zooms in on the political economy of statebuilding and state formation. In reviewing the literature, I identify the pitfalls of treating the "international" and the "local" as homogeneous, and sealed "silos" and

of approaching the interplay between statebuilding and state formation from an institutional analysis conceived narrowly.

Building on the discussion of the literature on statebuilding, in Chapter 2 I establish the theoretical and conceptual framework for this study. This framework proposes to first, deconstruct the rather neat separation between the "international" and the "local" in favour of a conceptualisation of post-conflict governance as a system in which decision-making powers are dispersed and hybridised along many jurisdictional levels that are functionally as opposed to territorially defined. Second, the theoretical and conceptual foundations bring the analysis beyond an institutionalist straitjacket. Accordingly, this research brings into focus actors in transition and conceives informality as a structural rather than a residual outcome of the encounter between the "international" and the "local". In light of the dispersed and hybrid character of governance and the re-evaluation of informality and actor-centred dynamics, this chapter rejects a shortsighted attempt to measure rates of success and failure against questionable benchmarks. Drawing on this discussion, the research question and the methods in order to carry out the investigation are presented.

Chapter 3 disentangles the emergence and consolidation of a new policy prescription for post-conflict countries that heralds a re-definition of the statebuilding agenda around the importance of the private sector. The chapter shows the changing attitudes of key international actors, above all international financial institutions and the United Nations. It then explores changing dynamics and paradigms that help to explain the emergence of the private sector on the international agenda. Once the context in which this policy development has occurred is clarified, the chapter dissects the many facets of the policy prescription of developing the private sector in post-conflict countries. By elucidating the growing importance of the private sector for statebuilding, the chapter sheds light on a largely unexplored aspect of the statebuilding research agenda.

Chapter 4 introduces the cases of Iraq and Libya. This chapter places the general themes of the state, the nation, and their relationship with society and the economy—themes introduced in the first and second chapters—in the local context, taking into consideration the specificities and peculiarities of the

Middle East and North Africa (MENA) region. The chapter provides a basis for problematising the political, economic, and social dynamics resulting from the abrupt overthrow of pre-existing regimes. Within this regional perspective, the chapter first offers an overview of the developments in Iraq and Libya by comparing the logics of intervention in the two countries, and by identifying both common and divergent patterns of transition. Whereas the discussion on the relationship between state, society, and the economy deals predominantly with structural elements, the last part of this chapter brings the focus on actors in transition: political élites, civil society, and the private sector.

Chapters 5 and 6 are devoted to the Iraqi case. The empirical analysis of the interplay between statebuilding and state formation in Iraq is organised in two chapters: although it is often difficult to draw a line between the external and the domestic dimensions of such an interplay, for clarity's sake Chapter 5 focuses on external actors, their political agendas, and practices, while Chapter 6 pays more attention to domestic dynamics. Chapter 5 opens with an account of the components of the governance system in Iraq. It shows the variety of types of authority contributing to form the economic governance of the country. It then proceeds to show the extent to which the statebuilding agenda in Iraq has been influenced by the policy prescription of developing the private sector. In the second part, the chapter accounts for the variety of programmes and initiatives centred on the private sector, and it concludes by highlighting their contributions to processes of state formation. Chapter 6 explores the ways in which hybridity and informality have come to shape part of the Iraqi transition. The continuous tensions between adaptation and resistance to economic policies promoted from the outside are investigated with reference to key economic measures adopted in the country. Informality is a foremost-investigated factor vis-à-vis the erosion of the boundaries between politics and economics, on one hand, and between public and private, on the other.

In Chapter 7, the international support to "the Libyan-led transition and rebuilding process" (S/RES/2009, 12e) is examined in its various dimensions. The chapter shows the positionality of external actors in the Libyan transition, highlighting the differences that exist between the Libyan and the Iraqi transition. It then analyses how the blending of political and economic agendas has played out in post-2011 Libya. The comparison of Iraq and Libya provides rich material with which to support the

7

conclusions of this study. In the conclusion, I present the argument that the interplay between statebuilding and state formation generates a condition whereby the state loses its focal role in society. The disjuncture between state and *stateness* is instructive of the dispersion of authority among competing entities and shows the limits of analysing post-conflict transitions through the lens of a narrow Weberian interpretation of the state.

8

Chapter 1

The debate on statebuilding: a review of the literature

The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise.

—George W. Bush, The National Security Strategy of the United States of America (2002).

The statebuilding project has brought the state to the centre of the research agenda on peace and conflict studies. In the aftermath of 9/11, the securitisation of failed, weak, and fragile states has reoriented the intellectual and policy debates on issues related to state formation and governance. As such, statebuilding has become an "independent object of concern" (Sabaratnam 2011, 23). Statebuilding has informed many of the policies and practices of international organisations, from the United Nations (UN) to international financial organisations (IFIs), as well as many analyses dealing with conflict management and post-conflict transitions.

Statebuilding has generated an extensive debate that problematises the conceptual boundaries of the state and its empirical forms, the role of the state in sustaining or undermining peace, and the processes leading to state formation in the contemporary world. Yet, statebuilding as an "independent

object of concern" stands in dialogue with its intellectual and policy antecedent—peacebuilding—and with processes intimately related to state formation, such as nation-building. This study addresses statebuilding as a distinct process, but recognises the intellectual and policy legacies of peacebuilding and nation-building. Accordingly, this chapter opens with a discussion on these distinct but interlaced processes. It sheds light on the confusion surrounding these terms and on the tendency to conflate them within a unique process.

The distinctiveness of statebuilding has shaped a research agenda that is no less problematic than that of peacebuilding. Defining the state and understanding state formation in theoretically-informed and empirically-grounded terms are the major research challenges in this field. Like peace, the state is an essentially contested concept (Gallie 1955)—the "mountain" according to Migdal (2001, 231) that "all political scientists sooner or later must climb". Historical paths to state formation offer little guidance to understand contemporary paths to state formation as various dynamics—from colonisation to globalisation—have drastically modified the international environment in which it occurs. After a review of the literature on statebuilding, the second section of this chapter directly addresses the definition of the state and the relationship between statebuilding and state formation, in order to elucidate the issues at stakes in post-conflict transitions.

Similar to peacebuilding, the wide-ranging statebuilding agenda intrudes into many aspects of post-conflict societies, from security-related issues to constitution-making, and trading standards. In this study, I focus on the political economy of statebuilding and state formation while maintaining awareness of the broader picture of political, economic, and social transformation. Based on the literature review, the third section of this chapter identifies two elements crucial in addressing the economic dimension of statebuilding: the encounter between the external and the domestic sides of statebuilding, and the preponderant role attributed to institutions in the policy and practitioner debate on statebuilding. Overall, this chapter reviews the major debates surrounding statebuilding interventions with specific attention given to the economic dimension, and therefore constitutes the background against which I lay down the theoretical and conceptual framework in Chapter 2.

1.1 Revisiting the debate: building states, nations, and peace

What is the objective of externally-led interventions in conflict and post-conflict countries? What is the relationship between building nations, states, and peace? Statebuilding, nation-building, and peacebuilding are interlaced yet remain individual processes. Their distinctiveness lies in the fact that each of these processes aim at creating separate entities or conditions—namely states, nations, and peace—regardless of the complexity in defining them. The tendency to conflate these processes is due partly to the fact that they are deeply interlaced and partly to the difficulty of abstracting the nation, the state, and peace beyond their historical and geographical contexts (to what extent contemporary interest in nation-building draws on what is generally considered to be the successful formation of nation-states in the late nineteenth- early twentieth-centuries Europe?) and in isolation from other processes (e.g., capitalist development). In order to lay the ground for this study, it is important to first distinguish *statebuilding* from *nation-building* and *peacebuilding*, and elucidate the relationship between the nation-state-peace triad.

1.1.1 *Nation-building between societal change and social engineering*

Within the literature on post-conflict transitions, nation-building and statebuilding are sometimes used interchangeably (Dobbins et al. 2003; Berger 2006). However, they refer to distinct processes and therefore their meaning required clarification. Although in the late nineteenth- and early twentieth-centuries the formation of nation-states in Europe saw the convergence of the processes of state- and nation-building, the nation differs substantially from the state. An exhaustive account of the nation, its definition, and theoretical underpinnings falls, however, beyond the scope of this research. For the purpose of this study, the discussion is limited to major developments within the debate regarding nations and is meant to draw the conceptual line separating state from nation.

Anderson (2006, 6) defines a nation as "an imagined political community – and imagined as both inherently limited and sovereign". The imagined character of nations marks the distinction between a cultural definition—the identification of certain traits pertaining to the nation—and a voluntaristic definition—the recognition by individuals of belonging to the same nation. The voluntaristic aspect

characterises also the definition advanced by Guibernau (1999, 13–14), according to which a nation is a "human group conscious of forming a community, sharing a common culture, attached to a clearly demarcated territory, having a common past and a common project for the future and claiming the right to rule itself".

As communities that may or may not correspond to states, nations emerged independently from states: "before they could become intended for each other, each of them had to emerge, and their emergence was independent and contingent. The state has certainly emerged without the help of the nation. Some nations have certainly emerged without the blessings of their own state" (Gellner 1983, 6). The neat distinction between the formation of states and nations became incontrovertible during the decolonisation process and has remained so since the end of the Cold War. Indeed, the contemporary development of nations is different from what Europe experienced in the nineteenth- and early twentieth-centuries: "the relationship between nation and state seems to have shifted from a time in which the state and its role in nation-building was given prominence. In contrast, contemporary nationalist movements in nations without states are actively involved in 'state-building'" (Guibernau 1999, 17).

In contrast to the view of nations as a modern phenomenon (Gellner 1983; Anderson 2006), Smith (1986, 32) situates the origin of nations within the concept of ethnic identity. He defines *ethnie* as "named human populations with shared ancestry myths, histories and cultures, having an association with a specific territory and a sense of solidarity" and claims that *ethnie* has emerged and re-emerged in different periods, and remained a model of social organisation across centuries. Regardless of whether their relationship is interpreted in instrumental or foundational terms, nations are intimately related to *ethnicity*. Once again, its subjective character can be seen as central to the notion of ethnicity: ethnicity can be claimed or attributed and it often results from relational dynamics. Given its subjective character, what one should avoid when dealing with ethnicity is:

> the tendency to take discrete, sharply differentiated, internally homogenous and externally bounded groups as basic constituents of social life, chief protagonists of social conflicts, and fundamental units of social analysis …. The tendency to reify such groups, speaking of Serbs, Croats, Muslims and Albanians in the former Yugoslavia, of Catholics and Protestants in

12

Northern Ireland, of Jews and Palestinians in Israel and the occupied territories, of Turks and Kurds in Turkey … as if they were internally homogenous, externally bounded groups, even unitary collective actors with common purposes. I mean the tendency to represent the social and cultural world as a multichrome mosaic of monochrome ethnic, racial or cultural blocs (Brubaker 2002, 164).

Ethnicity became an important term in social science during the 1960s as a result of the processes of decolonisation. The positive connotation, which the term retained during this period—the sense of belonging to a group—became rather negative and indeed pejorative after the Cold War as a result of its association with the phenomenon of "ethnic cleansing" as well as other atrocities. With both positive and negative connotation, ethnicity became central to the overall attempt to make sense of social and political processes, while it also became increasingly associated with the term *nation.*

The boundaries of the nation may or may not correspond to the boundaries of the state: if they do not, the nation may be a sub-entity (e.g., Scotland or Catalonia) or a cross-entity (e.g., Kurdistan) of the state. Different definitions and manifestations of the state and the nation coexist in different parts of the globe. The relationship between states and nations is not, therefore, univocal. Depending on the factors leading to the emergence of the nation—the type of nationalism (civic or ethnic)—nation-building can sustain or undermine the process of statebuilding. As is the case with ethnicity, the nation tends to be framed in term of *Gemeinschaft* whereas the state tends to be framed in term of *Gesellschaft.* Tönnies' distinction between *Gemeinschaft*—the pillars of which are blood, place, and mind—and *Gesellschaft*—an artificial construction based on a contractual relationship between individuals—is often taken as instructive of the relation between the nation and the state (Guibernau 1999, 29–32).

The claim that statebuilding requires nation-building is biased when considered in terms of modernisation theory, which claims that "successful states required a citizenry that identified itself with the state over other ethnic or religious allegiances" (Call 2008a, 11). Although the ability to "symbolize and represent the existence and unity of the political community" (Papagianni 2008, 53) is an important aspect of building legitimate states, "nationhood, or a sense of common identity, by itself does not guarantee the viability of the state" (Ottaway 2002a, 17). Moreover, resorting to national or ethnic categories in post-conflict interventions has often aggravated the problem of identity politics, as the cases

of Bosnia and Iraq, among others, demonstrate. Including nation-building in externally-led statebuilding processes has generated an intrusive agenda of social engineering often reflecting the tendency to treat identity as an essential and fixed element, rather than as a mutable and variable process. As noted by Talentino (2004), identity building as part of nation-building is a bottom-up process that cannot be forced or fully controlled. Therefore, "the shape of the state envisioned by outside actors may not correspond to the identities developed by internal actors" (Talentino 2004, 561).

In 1975, Tilly (1975, 6) wrote that "the 'nation' remains one of the most puzzling and tendentious item in the political lexicon". Even today, one could argue that this claim remains valid and that it is constitutive of most of the confusion surrounding statebuilding and nation-building. Analysing conflict and post-conflict transitions through the lens of nation-building presents the risk of privileging culturalist explanations. The tendency to attribute the failure of transitions to some primordial types of social organisations based on identity is diffused but conceals deeper processes of political struggles that may use a nationalist/ethnic discourse to gain legitimacy and authority. As Chapter 4 explains, this tendency came to define much of the debate about the transition in Iraq and Libya. In contrast, analysing conflict and post-conflict transitions through the lens of statebuilding enables the acknowledgement of nationalist/ethnic fissures, not as given categories, but as part of political struggles aimed at gaining legitimacy and authority. For these reasons, post-conflict transitions are more fruitfully investigated as processes of building states instead of nations.

1.1.2 *Peacebuilding: universal norms for conflict management*

The concept of nation and state must be distinguished and no universal claim can be made on the relationship between nation-building and statebuilding. Similarly, the concept of peace must be distinguished from that of state. Is building states a condition for building peace or vice versa? The answer to this question is complicated by definitional problems and by the difficulty of abstracting concepts within historical and geographical contexts. Galtung's (1964) famous distinction between "negative peace" and "positive peace" remains a central, yet unresolved dilemma within the academic and policy-oriented debates on conflict transformation. If negative peace is widely recognised as too

restrictive, since it does not address the root causes of conflicts, then positive peace is a concept open to changing interpretations and remains difficult to operationalise due to numerous aspects that can be listed as part of it.

The debate on peacebuilding gained momentum in 1992 when Boutros-Ghali's *An Agenda for Peace* defined peacebuilding as "action to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict" (Boutros-Ghali 1992, para. 21). The report marked the beginning of new international engagement with post-conflict societies and, at the same time, reflected the changing international order emerging as the Cold War came to an end. The *Agenda* constituted the basis upon which a "peacebuilding consensus" (Richmond 2004) formed not only within the UN system but also across IFIs, Western governments, and NGOs. The "liberal peace" framework, upon which the peacebuilding consensus stands, rests on three main and interlinked assumptions involving liberal democracy, economic interdependence, and international governance as factors conducive to peace (Tadjbakhsh 2011a, 20; Roberts 2011, 10). Although its assumptions—especially the causality between democracy and market economy, on one hand, and peace, on the other—are widely contested (Tadjbakhsh 2011b; Roberts 2011), "liberal peace" theory has served as a paradigm for action since the 1990s, and has shaped peacebuilding based upon five key components: democratisation, economic liberalisation, the rule of law, civil society, and human rights (Richmond and Frank 2009, 3).

The relationship between peacebuilding and statebuilding has been conceptualised in different ways. From a problem-solving approach, Paris and Sisk (2009a, 14) consider statebuilding as a "sub-component of peacebuilding" while Barnett and Zürcher (2009, 28) contend that statebuilding lies behind peacebuilding, whereby "peacebuilding is designed to enhance the degree and develop a particular kind of state". The relationship between peacebuilding and statebuilding is, however, more complex than just the latter being part of the former. Call and Cousens (2008, 9–10) address this complexity by identifying three aspects characterising this relationship: first, the evolutionary shift from considering social and economic relations among warring parties to the problematisation of the design, form, and functions of the state; second, the complementary nature of some of the measures in peacebuilding and statebuilding agendas; third, the tensions existing between peacebuilding and

15

statebuilding. Call (2008b, 365) concludes that "without a minimally effective and legitimate state at least regulating alternative sources of authority and service delivery, peace is likely to prove unsustainable", but at the same time he claims that "*building* such states does not lead, directly and unproblematically, to peace [*emphasis* in the original]" (Call 2008b, 366). The relationship between peacebuilding and statebuilding is therefore contingent and problematic, and no general claim can be made using statebuilding in order to causally determine the building of peace (Call 2008a, 3).

From a critical perspective, Richmond and Pagodda (forthcoming, 5) equate liberal peacebuilding and liberal statebuilding as an exercise in governability—"the soft-edge of a sophisticated form of hegemony". With the consolidation of statebuilding, the broader normative framework associated with peacebuilding and grounded in an unspecified definition of positive peace has been replaced by procedural and technical focuses on institutional frameworks. However, the apparent neutrality and technicality of statebuilding is meant to build neoliberal states, and does not contradict the "liberal peace" paradigm (Richmond 2013). While disagreeing on other issues, critical and problem-solving approaches agree that statebuilding is the result of a cumulative evolution of peacebuilding. Conversely, Hameiri (2014, 316) rejects the view according to which statebuilding is "the latest manifestation of peacekeeping/peacebuilding". His analysis situates statebuilding within the transformative trajectories of states toward a regulatory form of statehood, which is principally a Western development. This development is characterised by a crisis of the "national scale of governance" (Hameiri 2014, 318), the consequent disjuncture of power away from democratic structures to independent and insulated types of governance, and by a growing centrality of risk management.

By and large, statebuilding places major emphasis on the construction of the state as a territorial and sovereign entity moulded around the neoliberal model. In addition, statebuilding differs from peacebuilding in at least two respects. First, rather than addressing the root causes of conflict, statebuilding aims to provide an institutional framework where warring parties will be able to cooperate. Second, statebuilding is concerned primarily with the institutional capacity of a state: conflict and violence are perceived as manifestations of institutional weakness. Peacebuilding and statebuilding are,

16

in contrast, similar in that they are value-laden terms. The shifting attention from the former to the latter is due to changing political claims. Whereas at the beginning of the 1990s, the so-called "end of history" (Fukuyama 1992) represented the universal norms enshrined in peacebuilding, a decade into the twenty-first century, these universal norms—mainly references to peace—have been progressively relaxed giving way to more regulatory and procedural forms of governance as reflected in statebuilding.

Drawing from critical scholars, this study endorses the notion that peacebuilding and statebuilding are two logics within the same "liberal peace" paradigm. This view does not stand in complete contrast to Hameiri's (2014) argumentation—which traces the foundation of statebuilding to the emergence of regulatory modes of governance in Western countries— inasmuch as peacebuilding and statebuilding are interpreted as deriving from Western-oriented models of governance. At the same time, the lens of statebuilding is particularly useful because it allows scholars to account for the evolution of internationally-led interventions based upon notions of the state, which has virtually replaced all references to peace (Sabaratnam 2011, 26). Additionally, the statebuilding perspective is better suited to problematise the configuration of the relationship between state, society, and economy in post-conflict transition.

1.2 Statebuilding versus state formation

Statebuilding and its significance in the policy debates emerged from different logics, which prevailed in the post-Cold War period (Kahler 2009, 287). First, the expanding scope of humanitarianism, which opened the way to more intrusive interventions and that formulated, not only humanitarian, but also political and economic objectives (Barnett 2011; Belloni 2007). Second, the economic development logic, which depicted conflict as "development in reverse" (Collier 2007, 27) suggested that interventions in conflict or post-conflict settings need to tackle the conditions for enabling economic growth. Third, the changing perception of security threats after 9/11, which advanced the idea that international security depends upon fixing fragile, weak, and failed states, and that consequently, statebuilding is a key policy area for the international community (White House 2002; European Security Strategy 2003; Fukuyama 2004; World Bank 2011a). Finally, the emergence of a "universal

17

convergence" at the end of the 1990s (Williamson 2008, 18) framed academic and policy-oriented debates around institutions and governance (World Bank 1997; World Bank 2002). Above all, the emergence of statebuilding can be understood against the rise and consolidation of neoliberalism as a framework informing much of the political and economic development that had taken place since the late-1970s.

The shift from liberal peacebuilding to neoliberal statebuilding reoriented international interventions toward more intrusive types of intervention, which interfered in many aspects of the internal affairs of states on the basis of procedural and technical assistance. This new emphasis on state structures and institutions did not replace previously consensus on political and economic liberalisation, but instead, added new layers of complexity to these interventions. However, contrary to expectations, statebuilding has not represented a holistic framework able to solve conflict, as policy-makers and some scholars have envisaged. According to Woodward (2011), statebuilding lacks theory, and as a policy, it is an "agglutinative field" composed of different elements, each with its own rationale. Despite its variety of components, the essence of statebuilding is that political and economic liberalisation can be counterproductive unless the "right" institutional framework is in place. The normative view of institutional capacity—reflected in the dichotomy between good and bad governance—has framed an understanding of the international system comprised of states that are qualitatively different in their various capacities.

Divergent assumptions, perspectives, and ideological stances inform the literature on statebuilding. Leading scholars in the field have distinguished two major approaches following Cox's (1981) distinction between problem-solving and critical theories (David Chandler 2010; Tadjbakhsh 2011b; Roberts 2011; de Guevara 2012a). Although this distinction can be productive, rigid differentiation between the two camps presents the risk of misleading understandings since there are often intersecting points or disagreements that go beyond this distinction. Being aware that practitioners have conspicuously contributed to the debate on statebuilding, sometimes clouding the distinction between policy and research production, is also important.

The problem-solving approaches maintain that statebuilding remains the necessary practice to protect populations in non-Western-countries and to ensure security in the international system. By privileging an analysis of modalities and practices over an analysis of power relations, these approaches tend to "fix" statebuilding interventions on the ground of the lesson gained from previous experience. According to this view, the manner in which external interventions can contribute to protect populations and guarantee security is by favouring the creation of institutions. This view draws from what Tilly (1992) regarded as critical for statebuilding—coercion, capital, and charisma—in light of contemporary Western models of the state. Hence, particular attention is devoted to security sector reforms (coercion), the organisation of economic resources (capital), and mechanisms to favour a popular *ordination* of rulers (charisma), usually through elections (Call 2008a, 13–14). By adopting appropriate institutions, the "greed and grievance" drivers of conflicts are expected to be dealt with peacefully or through the legitimate use of force. As a result, these newly "re-built" states are expected to respond to both empirical and juridical sovereignty.[1] Within the statebuilding framework, this literature provides a sharp critique of statebuilding policies by pointing out its shortcomings (Call 2008c) and the dilemmas intrinsic to such practices (Paris and Sisk 2009b). Criticism has given attention to the scarcity of resources provided by international donors, the lack of (or the wrong type of) coordination among donors and actors (Paris 2009), the duration of interventions and their footprint (Edelstein 2009), and constraints in local contexts such as cleavages, interests, path-dependency, and the presence of spoilers (Barnett and Zürcher 2009).

Similarly different views coexist within the critical camp. Common to all of them is a critique of statebuilding that calls into question its very nature, assumptions, and goals. Critical approaches share, with problem-solving approaches, the claim that statebuilding is an exercise in institution-building in countries affected by conflicts, but they differ substantially from the latter in their conceptualisation of the goals of statebuilding. With important nuances, critical approaches held the view that statebuilding is an exercise in power, either driven by normative frameworks or by material interests. According to

---

1 Juridical sovereignty refers to the recognition of a state by other states while empirical sovereignty or internal sovereignty refers to the relationship between the authority and the populace of a given territory. For a debate on juridical and empirical sovereignty see Jackson and Rosberg 1982; Barnett 1995; Krasner 2004.

Marxist-derived approaches, the "liberal peace" project embedded in statebuilding embodies unequal power relations that re-produce themselves in new (conflict or post-conflict) contexts. Central to this vision is the expansion of capitalism and its forms of governing, which Western capitalist states impose upon other countries to overcome crisis of production and consumption (Pugh, Cooper, and Turner 2008a). Foucauldian-inspired approaches focus on statebuilding as a project of social transformation. Some scholars have adopted Foucault's concepts of *governmentality* and *biopolitics* to indicate the intrusiveness of the "liberal peace" project and its disciplinary goal of transforming societies along the lines of the liberal model (Richmond 2011; Jabri 2010). Overall, critical approaches to statebuilding interventions tend to identify the failure of statebuilding in international political agendas and practices that mask neo-colonial ambitions, material interests, or the disciplinary goal of transforming society behind the veil of liberalism. Central to these approaches is a belief in the "regulating" character of statebuilding (Hameiri 2010; Hameiri 2014). Richmond (2013, 378) concludes that statebuilding, as peacebuilding, is "failed by design" as it is "externally designed with a European or northern, developed, rational and individualist context in mind".

Until recently, both approaches have focused more on the international level as the locus of analysis, bringing into questions international practices and agendas. Partly in reaction to this, a third perspective, which remains mostly anchored in critical approaches, embodies the "local turn" (Mac Ginty and Richmond 2013) in peace/statebuilding research. Informed in part by a more agency-oriented approach (Mac Ginty 2011; Jarstad and Belloni 2012; Tadjbakhsh 2011b) and in part by political sociology (de Guevara 2012a), this literature problematises the agency of local populations in relation to the international project of statebuilding. Domestic processes have regained centrality and domestic actors are no longer conceived of as "beneficiaries" or passive recipients but as "agents of statebuilding" (de Guevara 2012b, 5). The concepts of adaptation, resistance (Richmond 2010), and resilience (Chandler 2014) re-surfaced with this turn to appraise the terms of the continuous and contentious confrontation between international and domestic dimensions of statebuilding.

1.2.1 *The state: definitional problems*

Within both problem-solving and critical approaches to statebuilding a contradictory aspect stands out: although statebuilding is inherently related to the state, there is little debate about the nature of the state, which is often assumed as a given construct, and therefore it is assumed that it required no further elaboration (Hameiri 2010, 34; Hameiri 2013, 52; Lemay-Hébert 2013, 3). Most statebuilding analyses depart, implicitly or explicitly, from Weber's definition of the state as "a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory" (Weber 1958, 78). A state fails when it is not able to control the legitimate means of violence and to rule authoritatively over its population and territory. The criticism raised against state-centred approaches points to a distortion of the concept of state derived precisely from the adoption of Weber's definition of the state understood as unitary, coherent, and goal-oriented entity (Migdal 2001, 12). By relying on Weber's definition, the situations in which authority is dispersed and action fragmented cannot but be explained as a deviation from the ideal typical state. As Migdal (2001, 15) claims, "as long as the idea of the state is uniform and constant, the variation of states, even the failure of some states, can be expressed only in terms of deviation from the standard. ... All sorts of words had to be invented to express the gap between actual practice and the ideal".

Alternative definitions of the state move the analysis away from ideal typical notions and toward an empirically oriented view on the state. Migdal's state-in-society approach postulates that the state is "a field of power marked by the use and the threat of violence and shaped by 1) the image of a coherent, controlling organization in a territory, which is representation of the people bounded by that territory, and 2) the actual practices of its multiple parts" (Migdal 2001, 16). The *image* of the state as a coherent, integrated, and goal-oriented entity that rules authoritatively over its population and territory has been traveling from state to state, especially in the form of the modern state. In contrast to this, *practices* of the state have been divergent, expressing different and sometimes contradicting types of performance, which can strengthen or weaken the image of the state. The state-in-society approach advances the argument that the state is just one social organisation competing against similar organisations in a dynamic process of formation and evolution. Therefore, the state is embedded in social forces competing

21

over its control. The difference between the state and other social organisation is that the state "seek[s] predominance over other social organisations" (Migdal 2001, 63).

Studies on statebuilding has been dominated by a conceptualisation of the state as bounded in a territory, separated by society, and hierarchically organised in functional (bureaucratic) terms to exercise sole control over violence. In problematising state-society relationships, Lemay-Hébert (2013, 7) argues that the autonomous conception of the state, central to Weberian approaches, has contributed to the perspective that "it is possible to conduct statebuilding operations from the outside without entering into the contested sphere of nation-building". With regard to the functional character of the state, Hameiri (2007) claims that prevalent approaches to state failure and statebuilding—neoliberal institutionalist and neo-Weberian institutionalist—share an understanding of statehood based on its capacity and abstracted from political and social conflicts. Despite the notable differences between these approaches, as we will see later in this chapter, they both favour a functionalist institutionalist view that obfuscates important aspects of the conflictual relations between state and society.

Also central to scholarship on statebuilding is the practice of comparing the capacity of the state intervened upon with ideal typical notions of the state. The adoption of Weberian approaches to statebuilding has been accompanied by the implicit or explicit tendency to associate the state as a coherent and goal-oriented entity with Western models of the state, neglecting their differences and their historically conflictual nature. In practice, Western democratic and market-oriented states have been accepted as the benchmark with which to assess the goal of statebuilding. Intrinsic in this practice is an effort to frame a certain *understanding* of the state. Intergovernmental, governmental, and non-governmental agencies have proposed a plethora of definitions of state failure and statebuilding. In an attempt to measure the risks of state failure and the progress of statebuilding, international actors have relied upon a range of indicators (e.g., the World Bank's Worldwide Governance Indicators and the Fund for Peace's Failed State Index).

In this scenario, the distinction between strong and weak states has received added impetus. Identifying performance criteria to assess the potential failure of a state has become a key policy and

analytical question. From this urgency derives the tendency to situate state experiences along the continuum between collapsed, failed, weak, and strong states. The distribution along this continuum is complicated by the inherently multi-dimensional character of state performance and by the difficulty of separating causes from symptoms of weak or strong state performance. In other words, are high levels of violence and corruption the causes or the symptoms of state weakness? This difficulty notwithstanding, when it comes to the end of the continuum—state failure and state collapse—the situation is characterised by the blending of different factors including violence (political and criminal), poor control of peripheries and borders, poor institutions, infrastructures, and services, corruption and highly unbalanced distribution of resources, and tensions between communities (Rotberg 2004).

Another element that adds to the difficulty of identifying weak states from strong ones is the tendency to conflate regime types with measures of strength or weakness. This has often led to evaluate authoritarianism as leaning toward state strength—a salient topic with reference to the MENA region that will be taken up in Chapter 4. In contrast, crucial to differentiate between strong states from weak ones is the social contract between rulers and citizens, that is the degree of mutual exchange between state and society, including services versus participation, rights versus duties, and security versus freedoms. It is the equilibrium of such exchange, which is ultimately different from country to country that often determines citizens' acceptance of state performance in distributing public goods. Since the degree of state/society exchange derives also from historical developments and economic, political, and social factors, the ranking of states along standardised dimensions borrowed from the European experience obfuscates important elements of differentiation. Accordingly, this study does not aim to investigate statebuilding achievements in terms of benchmarks built around prototypical notions of the state. It does, however, acknowledge that definitional and operational constructs have important consequences: the way in which academics and policy-makers frame their understanding of state failure and statebuilding influences how they think about statehood (Risse 2011a, 6) and empirically, how they evaluate progress and drawbacks.

1.2.2 *State formation: conflict, negotiation, and compromise*

If statebuilding is an exercise in (functional) institution-building and the state is shaped by political and social conflicts, what then is the relationship between the two? Recent scholarship has investigated the distinction between statebuilding and state formation (de Guevara 2012a). From a political sociology perspective, some authors have conceptualised and explored the interaction between "state-building, as a conscious effort at creating an apparatus of control, and state formation, as an historical process whose outcome is a largely unconscious and contradictory process of conflicts, negotiations and compromises between diverse groups" (Berman and Lonsdale 1992, 5 quoted in de Guevara 2012b, 5). Similarly, Richmond (2013) conceives state formation and statebuilding together with peace formation and peacebuilding as distinct processes that unfold simultaneously in post-conflict countries. Statebuilding should mitigate the violent outcome of state formation; however, given that it fails to connect with local realities, it rarely achieves this objective.

State formation is the process by which a state forms and evolves as a result of agents engaging in a struggle for power that leads to the creation and transformation of sites of authority. Tilly captured the European path to state formation by emphasising its intrinsic violent character. In his account of the European experience, ideas of social contract, open market, and shared norms are replaced by an explanation in which "war makers and state makers as coercive and self-seeking entrepreneurs" (Tilly 1985, 169) qualify as agents of state formation. However, the European path toward the creation of the state is not, as Tilly notes, analytically relevant when seeking to explain state evolution outside Europe. Changing conditions in the international system (e.g.: power relations in the political and economic domains or first-movers advantages) as well as economic, social, and political factors in the domestic realm (e.g.: colonial legacies or the structure of the economy) make state formation experiences different in other contexts. Notwithstanding, Tilly's (1985) analysis provides important insights into the investigation of contemporary cases of state formation: first, it warns against an overly deterministic reading of state formation; second, the claim that, "war makes state" cautions against the tendency to treat conflict and post-conflict dynamics as a binary; and lastly, it hints that state formation is grounded in political economy processes (i.e., extraction and capital accumulation).

24

Whilst state formation is an undetermined process, statebuilding is the deliberative attempt by political actors to create certain characteristics of the state (Herring and Rangwala 2006, 49). As a deliberative attempt to build a specific type of state, statebuilding rests on an agenda and a practice concerned with the design, role, and functions of the state and its various degrees of strength and weakness. State failure and statebuilding are the two sides of the same coin. On one side, state failure represents the extreme distance between the empirical expressions of statehood and the ideal typical notion of the state. On the other, statebuilding is perceived as an aspirational move toward a complete (ideal) form of Weberian statehood. Since this complete form of statehood is often associated with Western models of the state, this interpretation is widely criticised for perpetuating the Euro-centric vision of modernisation theories and hiding post-colonial practices.

Statebuilding and state formation are not mutually exclusive. Rather, statebuilding impacts state formation because it can favour a concentration of power, which in turn, can lead to the formation of sites of authority; or, it can coalesce resistance against an externally-promoted formula, creating sites of authority alternative to those pertaining to the formal institutions of the state. Whereas the state remains the formal locus of authority, statebuilding can become entangled within international and transnational sets of practices and relationships (involving hierarchical and non-hierarchical orders), which influence the design, role, and functions of the state (Herring and Rangwala 2006, 49). Purposefully or not, statebuilding influences the distribution of power in state formation by providing resources (including legitimacy) to certain actors (de Guevara 2012b, 5). Respectively, state formation impacts on statebuilding: interventions never exist in a vacuum and statebuilding actors draw on both external and domestic processes to legitimise their agenda.

Statebuilding and state formation are neither mutually exclusive nor the former the residual outcome of the latter. In interpreting their relations, Heathershaw (2012, 246) argues that statebuilding and state formation lead to states that are "neither built nor formed" since the processes are neither causal nor consequential but rather informed by their interaction. In his view, statebuilding does not supplant state formation and, therefore, post-conflict states cannot be interpreted as neo-colonial states depending on external resources. Conversely, state formation does not co-opt statebuilding and, consequently,

25

statebuilding cannot be interpreted as irrelevant. Based on the recognition that "these 'internationalised states' are neither built nor formed", Heathershaw (2012, 252) suggests to look at alternative ways to interpret the changing conditions of states intervened upon.

Including a state formation perspective into the analysis contributes to study post-conflict countries from a process-oriented (and not goal-oriented) approach, which takes social and political conflicts in historical terms. In contemporary processes of post-conflict transitions, state formation can refer to the formation of new state entities but also to the transformation of existing ones. With reference to Iraq and Libya, a state formation perspective entails a focus on transformation (rather than formation) of the state. The point of intersection between statebuilding and state formation represents an interesting angle from which to analyse and subsequently understand how statehood is shaped under conditions of internationally-led interventions.

1.3 The political economy of post-conflict transition

Central to the debates discussed above is the contentious relationship between state and society. This section introduces a third element of paramount importance when analysing post-conflict transitions: the economy. Indeed, economic dynamics contribute to shaping state-society relationships. Economic perspectives on statebuilding have received less attention than political and security-related perspectives (Strazzari and Kamphuis 2012, 57; Del Castillo 2010, 79). In addition, a bias toward aid debates and macro-economic perspectives has dominated the literature, preventing it from comprehending the complex economic dynamics that operate during statebuilding processes. According to Cramer (2009, 129) this bias is due to a prevailing view that portrays conflict as "development in reverse" and post-conflict settings as "tabula rasa." Pugh, Cooper, and Turner (2008b, 2) contend, instead, that the same bias is due to the advent of economic determinism or *economism*, which portrays the economic sphere as being independent from the political sphere, a technicist realm beyond the reach of the political debate.

The interpretation according to which the economy is detached from politics fails to consider that economic policies are entrenched in a system of interests and that political processes influence the shaping of economic policies. In other words, economic policies are formulated, implemented, and

26

accomplished on political grounds. From the delivery of services and social spending to the collection of revenues and financial stability, economic institutions and policies affect the role and functions of the state. Ultimately, economic institutions and policies can affect the political legitimacy of the state. Political and economic processes interact and compete over the production and distribution of wealth and power, shape contestation, and may undermine or support transformational change (Cramer 2009, 134). The interaction between political and economic processes is thus crucial in the sense that it affects the interaction between statebuilding and state formation.

In the literature on the political economy of statebuilding there is a widely held viewpoint that economic issues cannot be merely relegated to previous conflict dynamics or future developmental path, but are crucial in statebuilding processes since they shape incentives or constraints that influence the behaviour of economic and political actors (Wennmann 2010, 17). The literature on the political economy of statebuilding draws partially on the literature on conflict. Especially from the 1990s onward, scholars have engaged theoretical frameworks and empirical cases in an attempt to explain the causes of conflicts by focusing on the role of resources (Di John 2008, 8–11). The resource curse argument and the "greed versus grievance" hypothesis draw on the argument according to which rent-seeking activities influence the structure of the state and of the economy by favouring the emergence and continuation of conflicts.[2] From this basis, Collier (2007, 27) concludes that conflict is "development in reverse." However, the resource curse argument and the "greed versus grievance" hypothesis fall short of explaining the existence of causality between resources—and related greed-induced behaviours—and conflicts (Di John 2008, 18–22). Moreover, this interpretation "provides a scapegoat in that it lays the onus of culpability for the failure of development and the outbreak of conflict on local actors" (Willett 2008, 79).

In contrast, alternative interpretations acknowledge the legacies of previous economic and political patterns and thus they do not fall either in the "tabula rasa" imaginary of post-conflict countries

---

2 The resource curse argument refers to the negative impact of abundant natural resources on the structures of the state and the economy. The 'greed versus grievance' hypothesis refers to the prevalence of greed over political grievances as the main cause of conflicts. Rent-seeking refers to "activities which seek to create, maintain or change the rights and institutions on which particular rents are based" (Di John 2008, 14).

27

or in oversimplified assumptions on "illiberal" local societies. Following this line of reasoning, Cramer (2006) argues that processes of accumulation unfold during conflicts and generate patterns of change influencing post-conflict environments. Based upon the recognition that economic issues are part of statebuilding processes, recent contributions have widened the scope of studying the political economy of statebuilding. Scholars have opened up new areas of research including fiscal policies as part of building up legitimate states (Rubin 2008; Boyce 2010), the involvement of business actors in negotiation processes (Wennmann 2010), the role of investors in post-conflict settings (Mihalache-O'keef and Vashchilko 2010), and systems of resource management (Lujala, Rustad, and Le Billon 2010).

The literature on the political economy of statebuilding departs from acknowledging the limits of assisted economic liberalisation in statebuilding interventions but provides different explanations of these limits. Based on the distinction between problem-solving and critical approaches to statebuilding discussed previously, two broad positions can be identified. On one hand, critical approaches question the logic of marketisation as it is imposed by external actors to post-conflict settings. They criticise the argument that "attributes economic dysfunctionalism to societies, in their pre-conflict, conflict and post-conflict stages, rather than to any dysfunctional economic precepts, structures and conditionalities generated by expressions of capitalist power and 'global governance'" (Pugh 2005, 24). To sustain this argument, scholars claim that there is not a single model of economic growth and that historically economic liberalisation was not the strategy pursued by Western countries to boost their economies (Chang 2002). In addition, they point to the competitive nature of neoliberalism that, contrary to expectations, may reinforce conflict dynamics instead of solving them, for instance, by exacerbating inequalities (Murshed 2011). Finally, they stress the difficulties of adapting to the abrupt changes brought about by economic reforms, which often translates into the continuation or expansion of shadow economies (Pugh 2011). On the other hand, mainstream approaches to statebuilding tend to indict the failure of economic liberalisation to local societies. Timing and a gradual introduction of economic policies are considered the solutions for solving the problem. For instance, Paris (2004, 179–211) suggests that economic liberalisation should be preceded by institution building in order to channel economic activities on the right path (institutionalisation before liberalisation).

Problem-solving and critical approaches share a common understanding of the "international" and the "local" as distinct spheres but they provide different interpretations of the opportunities and challenges derived from this encounter. In a similar fashion, both approaches concur that statebuilding interventions introduce new institutions regulating economic mechanisms in post-conflict societies but they provide different explanations of the role of institutions in post-conflict countries. The following sections zoom in on the encounter between the international and the domestic dimensions of statebuilding and the role of institutions therein—two aspects that, though not pertaining exclusively to the political economy sphere are crucial for understanding post-conflict transitions.

1.3.1 *The limits of the "international–local" dichotomy*

The neat distinction between the "international" and the "local" is premised upon the same notion of intervention. As argued by Reus-Smit (2013, 9) the notion of intervention assumes "an initial realm of differentiation: it assumes the extraneous and the intrinsic, the exogenous and endogenous." Interventions are acts of transgression that go beyond this line of differentiation, they are purposive and transformative, and they always need justification (Reus-Smit 2013, 10). Whereas the transformative character of statebuilding interventions and the search for their justifications will be discussed in Chapter 4, with reference to the Iraqi and Libyan cases, here I concentrate the discussion on the distinction between the "international" and the "local". In a system of sovereign states, statebuilding interventions raise important issues related to the demarcation between the exogenous and the endogenous, which informs many analytical constructs such as the distinction between juridical and empirical sovereignty and the same distinction between statebuilding and state formation.

Much of the discussion on statebuilding interventions has been oriented toward an understanding of exogenous forces, their role, and agendas. More recently, the advent of the so-called "local turn" in peace/statebuilding research has re-focused the attention on the local as a way to distance itself from the excessively externally-oriented perspective on post-conflict transitions. This perspective has also entered mainstream thinking. For instance, the World Bank's World Development Report 2011 makes extensive reference to the local dimension of conflict and post-conflict countries (World Bank 2011a; Mac Ginty

and Richmond 2013). Despite the importance of recognising domestic actors as agents of statebuilding, the local turn must not dismiss the decisive role of international actors. Even when the "international" may not appear as actors directly intervening in post-conflict countries, economic and security interdependences make it difficult for post-conflict countries to experience what Weinstein (2005) calls "autonomous recovery". But apart from this, the "local turn" brings to the fore of the discussion the necessity to move away from preconceived interpretations of the local as a homogenous category.

By the same token, the "international" is not a black box as the locution "international community"—"the conglomerate of industrialized democracies and the multilateral agencies over which they have preponderant influence" (Ottaway 2002b, 1001)—suggests. The importance of differentiating the international dimension has implications that go beyond often-made remarks on coordination issues among donor agencies (Paris 2009). Rather, it means understanding that diverse external actors may advance different agendas or means to achieve their goals. From this perspective, Veit and Schlichte (2012) propose a differentiation not only among international organisations but also within them, by analysing the metropolitan arena, base camps in the capitals of developing or post-conflict countries, and bush offices as three different arenas of statebuilding.

Only when the "international" and the "local" are understood as heterogenous sites of political demands, interests, and normative frameworks, their interaction can be fully grasped. In this respect, it is important to note that in post-conflict countries, *stateness*—the exercise of state authority and functions—become internationalised. The resources that Tilly regarded as central to the European experience of statebuilding are no longer exclusively in the hands of domestic state actors: the managing and mobilisation of resources (capital), the creation of security conditions (coercion), and the generation of legitimacy among the population (charisma) are policy areas strongly influenced by external actors (Rubin 2008, 28). Domestic actors have to deal with a variety of external actors for mobilising these resources (adaptation) or they have to resort to different pattern of resources (resistance) to shape the process of state formation. In both cases, the outcome is more than the residual of their encounter.

Although states maintain their international legal sovereignty and the state remains the

normatively appropriate way to organise rule over people, the structure of rule-making, the exercise of authority, and the exercise of state's functions are no longer exclusively bounded by the states' borders. In other words, *stateness* is increasingly detached from the state. The reconstruction and reconfiguration of authority occurring at the international level depict a system that is no longer made up exclusively of state-to-state relations, although states continue to be central actors. This trend is evident in many political domains from environmental, to economic, and security issues, and its apex is found in the supranational character of the European Union. Statebuilding processes are no exception to this re-positioning of authority. Hameiri (2013, 53) claims that statebuilding interventions "represent a new mode of governance in the global political economy that is transforming the nature of statehood in both intervened and intervening states". In his view, statebuilding operates in three different dimensions: first, it shifts the location in which state power is exercised and thus the mechanisms through which it is exercised; second, it shifts actors who exercise power and third, the ideology upon which actors justify their exercise of power (Hameiri 2013, 57). By operating in these three dimensions, statebuilding creates a transnational mode of governance that deconstructs Weberian notions of statehood. The recognition that statebuilding processes contribute to and shape the reconfiguration of authority at the international and domestic levels opens new conceptual avenues for the analysis. As I shall propose in the next chapter, it is from the limits of applying a strict interpretation of the local/international divide that I depart for laying down an alternative framework for analysis.

1.3.2 *The limits of institution-building*

With the growing consensus over the neoliberal agenda, a radical shift occurred regarding the conceptualisation of the economic role of the state. In the 1997 World Development Report, the World Bank identified the state as having five main economic roles: direct producer, partner, catalyst, facilitator, and regulator. The first role soon dropped from the list and the agenda converged on the state as a facilitator and regulator of the economy (Al-Sayyid 2001, 156). The emergence of the post-Washington consensus pushed the Washington consensus toward a holistic approach to economic development that was expected to impact state-society relations. Within this framework, the formerly prevailing doctrine

of the minimal state has been reconsidered not in favour of a *dirigiste* state, but rather in favour of an *enabling* role of the state. The post-Washington consensus "sees the state as important for the functioning of the market but also market mechanisms as important for the effective functioning of the state" (Glinavos 2008, 1093). The state no longer stands in opposition to the market but becomes an *enabling* state, which plays an important role in enacting regulations (Harris, Hunter, and Lewis 1995, 9).

In the shift from a *dirigiste* to an *enabling* state, a rise of institutionalist approaches has played a key role. According to Chandler (2010, 68) the centrality of such institutionalist approaches "depends upon the extension into the political sphere of economic theorising, particularly rational choice, behaviouralist approaches which have informed the growth and development of institutional economics". During the 1920s and 1930s, institutional economics already contended that individuals do not act as predicted by liberal economics because collective institutions constrained rational decision-making. The role of subjectivity—stressed by institutional economics—is also central to the sociological critique of classical liberal assumptions and influenced the development of scholarship concerned with regimes and institutions in the discipline of international relations. However, it was still in the domain of economics that a key theoretical development emerged, namely new institutional economics. This development influenced the agenda of international (financial) institutions, and ultimately the rationale and assumptions underpinning statebuilding. The seminal work by North (1990) *Institution, Institutional Change and Economic Development* is the most representative example of this development.

New institutional economics emerged in the 1990s as a challenge to orthodox ideas on the role of the market in economic policies. It is, as North (1995, 17) argues, "an attempt to incorporate a theory of institutions into economics". New institutional economics retains the methodological individualism of neoclassical economics but rejects the idea of the market as the perfect allocator of resources. Instead, it proposes to interpret the market as a "social device" (Harris, Hunter, and Lewis 1995, 3) in which incomplete or asymmetric information and uncertainty produce transaction costs, the lowering of which can be achieved through the introduction of institutions. New institutional economics retains also the rationality postulate of neoclassical economics, according to which individuals pursue rationally maximising goals, but modifies it introducing the idea that rationally maximising goals are constrained

by mental models derived from culture or experiences. Decisions can thus lead to irrational outcomes, breaking Pareto optimal equilibrium. Institutions, by reducing uncertainty and lowering transaction costs, contribute to the more efficient operation of markets.

According to North (1995, 25), the consequence of introducing institutions in explaining economic development is twofold: exporting good economic policies is not a sufficient condition for improving economic performance and political processes are essential for determining good economic performance. The result is the intersection between thinking of underdevelopment as an institutional blockage and the mantra of "getting the institutions right". The argument according to which the critical factor for economic performance is not the market but the institutional framework leads to a policy agenda that prioritises institutions and state regulations. In such a shift,

> an older generation, who had emphasised the importance of market failure in development economics, finds in the new institutionalism new justification for their interventionist beliefs. And a new generation, seeking a middle ground between the champions of the market and the defenders of the state, finds in the new institutionalism a justification for basing development efforts on community action and civic engagement (Bates 1995, 27).

The policy agenda prioritising institutions has become the dominant rationale guiding statebuilding practice. But institutional approaches abound also in the literature on statebuilding. In this regard, Shahar Hameiri (2007) distinguishes between neoliberal institutionalist and neo-Weberian institutionalist approaches. The former, which extensively informs the practitioner literature, identifies market functioning as both the problem and solution to state failure. Accordingly, economic underdevelopment critically generates the conditions for state failure and conflict whereas the introduction of market mechanisms through institution-building is the way out from the quagmire of political failure. The market is presented as a universal, natural, and apolitical construct in contrast with politics. According to this approach, "the best 'good' politics can hope to be is the protector of the economic sphere from the interference of 'bad' politics" (Hameiri 2007, 131). In contrast, neo-Weberian institutionalist approaches, which comprise a great diversity of studies, tend to regard state capacity as shaping both state-society and state-market relations. In this view, the possibility of intervening in economic matters is not excluded

33

a priori.

What these approaches underestimate is the degree of social and political conflicts that institutions entail. Prevalent institutional approaches in statebuilding rely on functional definitions of institutions. Rational choice institutionalists, who derive much of their reasoning and analytical tools from economics, see institutions as a tool used by rational actors to structure their interactions. In explaining how institutions originate and change, rational choice explanations privilege the "calculus approach", according to which actors, who have exogenously given interests and preferences, seek to maximise their goals through strategic behaviours (Hall and Taylor 1996, 939). The origin and role of institutions is therefore explained through the function institutions serve. Once an institution is in place, compliance is explained through the "logic of expected outcomes": actors make rational decisions based on their calculation of expected consequences, which reflects the cost of non-compliance and the benefit of compliance (March and Olsen 1998, 952).

Other strands in the literature point to other elements in explaining institutions. According to sociological institutionalists, institutions refer to the system of symbols, cognitive scripts, and templates that frame the production of meaning. They explain the creation of institutions focusing on the mutually constitutive nature of institutions and social actors. According to the "cultural approach", the creation of institutions depends on the manner in which they are interpreted (Hall and Taylor 1996, 948). From this perspective, compliance cannot be reduced to constraints and incentives. Instead, the "logic of appropriateness" suggests that actors make decisions based on their identity and on the perception of what is considered appropriate (March and Olsen 1998, 952). From yet another perspective, historical institutionalists focus neither on the bargaining process nor on culture, but rather on power relations, path dependence, and routine (Pierson 2004). They contend that institutions are not the product of freely-contracting individuals (as postulated by rational choice theory) but they are often imposed or influenced by strong interest groups that reach access to decision-making tables. Institutions shape who participate in decision-making processes and their behaviour (Steinmo 2008, 124), and they "reflect the power relations prevailing at their point of origin and tend, at least initially, to encourage collective images consistent with these power relations" (Cox 1981, 136).

These rather diverse perspectives shed light on the limits of institution-building as pursued in statebuilding interventions. First, the possibility of individuals to access bargaining tables and freely bargain over institutions is mostly a function of their power. Second, the functionalist logic tend to neglect the role of unintended consequence and to present an excessive intentionalist explanation. Instead, institutions are not always as strictly bounded as it is often assumed and they often stand in the grey zone between public and private and formal and informal. Third, institutions do not exist in isolation, but in their context: institutional environments (internal and external to the state) in which it originates influence the creation of an institution. The institutional environment is more often than not characterised by *institutional multiplicity*—the coexistence of different and sometimes contradictory sets of rules, according to which actors operate with the possibility of switching from one set to the other (Di John 2008, 33–34). Instead of replacing the allegedly dysfunctional institutional system, often "the interventions of the international community simply add a new layer of rules, without overriding others. In such situations, the conventional political economy of state modernisation—which suggests that if the state establishes an appropriate set of incentives and sends the correct signals political and economic agents follow suit—is clearly insufficient" (Di John 2008, 33–34). Lastly, the depiction of institutions as not grounded in society and detached from political processes leads to an oversimplified interpretation of compliance. When contestation around rules is high, non-compliance is more likely to reflect such contestation rather than being the result of poor regulatory mechanisms. In situation of high contestation, non-compliance is not simply free-riding or criminality but "an indication of a more fundamental conflict over which organization in society—the state or other organizations—should makes these rules" (Migdal 2001, 64).

Overall, the transferal of normative framework and of institutional arrangements is intrinsic to statebuilding interventions. The project of statebuilding has conflated state failure with institutional failure and proposed an agenda centred on an understanding of institutions that neglects many of their key aspects. In doing so, statebuilding projects have failed to acknowledge alternative views of state failure and statebuilding, which, instead, suggest that "states do not collapse because institutions are weak, but because the mechanisms for generating the power and authority necessary for any regime to

govern cease to function" (Ottaway 2002b, 1016). It is precisely around this critique of functionalist institutionalist approaches that I build a framework for analysis centred on actors, instead of institutions and open to account for informality, as further explained in the following chapter.

Conclusion

Numerous questions are raised when analysing statebuilding and the dynamics intrinsic to the architecture of current post-conflict interventions. This chapter has provided the background for analysis by articulating the major debates surrounding statebuilding interventions. The significance of these debates is profound for policy-making and scholarship. What comes to be questioned is, at the least, the "performance" of these interventions, and at the most, the ontology and epistemology associated with the "liberal peace". In-between, issues of legitimacy, sustainability, ownership, and inclusiveness have come under close scrutiny and constitute the backbone of a growing criticism to statebuilding interventions.

The "liberal peace" framework, upon which statebuilding interventions continue to rest, are arguably on the verge of a deep crisis due to the limited results that external interventions obtained in post-conflict countries. Among those who call for abandoning it to welcome more emancipatory frameworks (Richmond 2009), those who call for saving it (Paris 2010), and those who question whether the liberal peace is liberal at all (Chandler 2010) there is, in the end, consensus that statebuilding as well as peacebuilding are replete with perverse contradictions. First among these contradictions is the incongruous combination of coercion with issues such human rights, democratic representation, and civil society. The ramifications of statebuilding interventions and their contradictions are the main reasons that compel researchers to dig into the many aspects in which statebuilding manifests and shapes post-conflict societies.

The literature review presented in this chapter raises concern for the analysis of statebuilding interventions and their impact on state formation. The distinction between the "international" and the "local" appears to be one of the most compelling issues as it has ramifications in almost every aspect of post-conflict arrangements, from security to politics, and the economy. The second most controversial aspect concerns the transferal of normative frameworks and institutional arrangements, which is an

intrinsic aspect of statebuilding interventions. It is from these two key aspects that this study departs for its investigation of the political economy of post-conflict societies. This study draws on this debates but rather than fitting into them, seeks to develop an alternative framework for examining the interplay between statebuilding and state formation. On one hand, this framework problematises the internal/external divide and employs governance as a starting point of the analysis. On the other hand, it brackets off the focus on institution-building in order to give special treatment to organisations and agencies in economic dynamics.

Chapter 2

Analysing post-conflict transitions: spaces, actors, and mechanisms

The difficult transition of post-conflict societies experiencing statebuilding interventions can be illuminated by an exploration of the interplay between statebuilding as a deliberative attempt to build a certain type of state—the neoliberal state—and state formation as an undetermined, and often violent process in which agents engage in a struggle for power that leads to the creation and transformation of sites of authority. In exploring such interplay, this study fully acknowledges the existence of the "international" and the "local"—informing the same distinction between statebuilding and state formation—but does not interpret them as conceptual "silos." By making reference to the actual system of governance governing post-conflict countries and its implications in terms of rearranging authority and jurisdictions, the pervasiveness of the dispersed and hybrid character of governance is the main focus here.

The literature offers salient analytical starting points for such exploration. As shown in the previous chapter, sociological approaches to state formation point to the continuous morphing of

statebuilding and state formation in ways that engender serious changes in the practice of governing societies (de Guevara 2012b; Heathershaw 2012). Hameiri (2013; 2014) also shares this point and highlights that societies intervened upon are characterised by a shift in actors, locations, and mechanisms through which state power is exercised (Hameiri 2013, 57). Critical approaches have then contributed to the development of the analysis by bringing back the salience of hybridity, which, despite the criticism, continues to strike for its empirical validity in post-conflict countries (Richmond 2011; Belloni 2012; Roberts 2013). Common to all these authors and perspectives is an understanding of the state that is not restricted to the monopoly of the legitimate use of force—the (neo-)Weberian perspective—but rather supported by careful consideration of conflict dynamics within statebuilding processes.

Some of the aspects related to the interplay between statebuilding and state formation are relatively less explored. Authors have acknowledged the validity of moving beyond a strict Weberian interpretation of the state as a coherent, unitary, and goal-oriented entity to explore the dispersion of authority across levels of governance and types of actors (Risse 2011a; Hameiri 2009; Hameiri 2010). This study aims to contribute to the research on statebuilding by empirically investigating this dispersion of authority in the cases of Iraq and Libya by showing its ramification for what concern the economic governance in the two countries. It seeks to do so through an empirical analysis that ascribes an appropriate level of importance to private actors. Widely recognised as central to the emergence of new modes of governance, private actors have remained in the penumbra of statebuilding research.

In dealing with the political economy of statebuilding and state formation, the point of departure is the acknowledgment that neither process can be insulated from economic dynamics. The blending of political and economic considerations—a topic that will be further elaborated in Chapter 3—has been conducive to the emergence of statebuilding policy and practice. This is evident in statebuilding's focus on institution-building as a way to deliver the state as a device for economic development and integration in the global economy. The blending of political and economic considerations is also conducive to the affirmation and consolidation of new sites of authority—state formation. Capital in its various forms (e.g., revenues, illicit gains, and privatisation) remains a key resource for forming the state. This study departs from the empirical observation that in post-conflict society there is a paradoxical divergence

between the statebuilding agenda and the practice of state formation: whereas for the statebuilding agenda the state is a device to make markets function, for domestic agents engaged in state formation the market often becomes a tool for advancing particularistic claims over the state apparatus.

Also in this field, the literature offers salient starting points for the analysis. First, the criticism levelled against the excessive economic determinism of post-conflict reforms acknowledges that conflict resolution does not mark the end of "war economies", and the beginning of "peace economies". Rather, it claims that economic dynamics continue to adapt and change during transitions from conflict to peace (Cramer 2009; Strazzari and Kamphuis 2012). The abrupt introduction of institutions and policies for economic growth competes with a profound realignment and readjustment of economic (but not only) interests and trajectories. The continuous preponderance of informality is evident of clashes between economic rules implemented during statebuilding interventions and strategies adopted by domestic actors—a point which is raised by both critical and problem-solving approaches. These arguments seek to explain what occurs beyond formality in an attempt to overcome a limitation of statebuilding interventions: an over-reliance on models that neglect the empirical functioning of post-conflict societies.

Beyond these valuable starting points, the literature on the political economy of statebuilding has only partially grasped the implications of a new development in the statebuilding agenda that is intimately connected to the interaction between international interventions and domestic actors. This new development entails an exceptional focus on the private sector as an actor for change in the economic and political domains of post-conflict countries. The practitioner literature has treated private sector development in prescriptive terms and by doing so it has overlooked key aspects that highlight changes in perspectives regarding statebuilding interventions. This study aims to shed light on this phenomenon—private sector development—that, despite ranking high among the goals of external actors, remains largely unexplored in the academic literature. It seeks to do so through an empirical analysis that considers the private sector within the broader encounter between statebuilding and state formation.

In first unpacking, the emergence of the private sector as a solution re-defining the agenda for

statebuilding and, second, its application in Iraq and Libya, recognition is given to the view that this policy area adds to the intrusiveness of statebuilding intervention. This analysis proposes to look at private sector development rather than at the well-rehearsed policy prescription of building institutions. Within the broader picture of post-conflict economic dynamics, this study acknowledges that post-conflict societies are to a great extent vulnerable to informality. Here, the idea of informality it taken as something that is facilitated by the porous boundaries between the economy and politics, on the hand, and between private and public, on the other hand.

Accordingly, this study does not benchmark countries and societies under investigation against predetermined and questionable criteria of success and failure. Through a process-oriented approach it seeks to understand the complexity of the interplay between statebuilding and state formation. As the first sections of this chapter makes clear, the standpoints from which I depart—the dispersed and hybrid character of governance, and the re-evaluation of institution-building in light of informality and actor-centred dynamics—are best suited to pursue the objectives of this research. It is against this theoretical background that I situate my research question and conduct the empirical analysis. Drawing mostly on critical approaches, this chapter first lays down the theoretical and conceptual foundations for this study and, after having spelled out the research question, it engages in a discussion on methodology.

2.1 Beyond the "international" and the "local"

Statebuilding interventions have been often depicted in an over-simplified way as a group of external actors neatly separated from the domestic reality building up aspects of the state. From this perspective, as Hameiri (2013, 54) argues, "important questions pertaining to the way in which SBIs [statebuilding interventions] transforms these states, as well as their effects on the very nature of social and political struggle and the institutional and spatial arenas where these are played out, are thus completely elided".

To grasp the implications of how statebuilding interventions transform the states where they occur, scholarship has problematised the relationship between states and governance. It questions whether the result of statebuilding interventions is a "built-state" or rather a system of governance that tightly ties post-conflict governments and societies to intervening structures. In this respect, Herring

(2009, 93) argues that "state building is a permanent process of mutual constitution" between northern and southern states whose outcome is a governance state fully embedded in a neoliberal political economy. In a similar fashion but addressing a different context, Harrison (2004) traces the construction of "governance state" in the African continent—the product of the encounter between powerful international organisations, namely the World Bank, and the African states. By proposing the concept of "governance state", he problematises traditional notions of national sovereignty as well as the spaces within which governance states develop. The demarcation of sovereign entities is an issue that has received great attention in the literature on statebuilding. In this respect, De Guevara (2012b, 11) claims that statebuilding leads to the emergence of "a 'governance state' … in which domestic and international politics have become closely intertwined". Seeking to understand peculiar but widespread forms of limited authority, Risse (2011b) proposes the notion of "governance without states" to indicate that statehood can be limited along territorial, sectorial, social, or temporal dimensions in which "functional equivalent modes of governing" (Risse 2011a, 10) act in rule-making, enforcement, and in the provision of public goods (Risse 2011a, 4).

Governance is an ambiguous term used in a variety of policy fields. I use the term as "the various institutionalized modes of social coordination to produce and implement collectively binding rules or to provide collective goods" (Risse 2011a, 9). Governance can be exercised by governments (governance by government), by networks of private and public actors (governance with government), and by non-state actors (governance without government). These three levels are increasingly intersecting and mixing, posing serious questions on the diffusion and reconfiguration of political authority. According to Chandler (2010, 65–93), governance is replacing government—the relationship of command and legitimacy between the governor and the governed—and eroding the autonomy of the state, a key principle in the international system and a key postulate of the liberal thought. All these positions clearly problematise the notion of the autonomy of the state in both domestic and international affairs. The autonomy of states has increasingly become entangled in a broader dimension that resolutely transforms state authority and legitimacy.

2.1.1 *The "dispersed" character of post-conflict governance*

Although the fuzziness of national borders has become a universal trend, the complex diffusion of sites of authority across different levels—transnational, national, and local—has been more thoroughly studied with reference to the European Union (EU) (Risse 2011a, 24). The diffusion of sites of authority in the EU has been analysed through the concept of multi-level governance, which refers to a system of nested governments acting through a continuous process of negotiation at different levels where the diffusion of authority is extended also to informal and sometimes overlapping policy networks (Marks 1993, 392; Hooghe and Marks 2003, 234). Certainly, the way in which authority is organised in the EU is peculiar to its highly institutionalised environment. Therefore, while rejecting a strict adoption of multi-level governance, some analytical elements can be drawn from this concept to investigate how statebuilding interventions operate: these analytical elements are helpful for untangling and also for framing the complex "topography of power" (Roberts 2013, 97) diffused throughout statebuilding interventions.

According to Hooghe and Marks (2003), multi-level governance comes in two types: type I refers to a system in which decision-making powers are dispersed along few general-purpose jurisdictions. Membership to different jurisdictions is non-intersecting and generally coincides with territorial identities. This type of governance constitutes a durable and system-wide architecture, which uses federalism as its foundation. In contrast, type II is a system in which decision-making powers are dispersed along many jurisdictional levels that are functionally and not territorially defined. Since jurisdiction is task-specific, the outcome is a multi-level system of decision-making in which membership is intersecting and overlapping between jurisdictions leading to a flexible architecture (Hooghe e Marks 2003, 237–238). The features of this second type of multi-level governance—multiple task-specific jurisdictions, overlapping membership, and flexible architecture—can be detected in international interventions for statebuilding. The massive involvement of various external actors with different and sometimes overlapping tasks in international administrations (Kosovo), regime-change occupations (Iraq), regime-change operations (Afghanistan), or holistic governance programmes as part of economic assistance contribute to the erosion of the territorial boundaries of the state and to distribute

43

external authoritative roles. Whereas statebuilding interventions sustain, in Migdal's (2001) words, an *image* of the state as a coherent, integrated and territorially-bounded entity, they act (*practices*) in ways that weaken this same image, creating alternative sites of authority outside the structure of the state.

Some authors have acknowledged the validity of the concept of multi-level governance in statebuilding interventions. Thomas Risse (2011b), for instance, positively evaluates the adoption of the concept for what concerns the governance of those areas that he describes as characterised by "limited statehood". Hameiri (2009; 2010) has integrated the concept of multi-level governance in his analysis to grasp the transformation of Western states as a result of the consolidation of neoliberalism but also to grasp the implications of statebuilding interventions (Hameiri 2009). Drawing on both international relations and comparative politics theories, he proposes the notion of *multi-level regime* with which he refers to "sets of social and political relationships, institutions and ideas" operating "simultaneously within and outside the state" (Hameiri 2010, 39–40). He adopts the concept of *multi-level regime* to pursue a twofold objective: first, filling the gap in the literature left by the predominant employment of "state capacity and sovereignty as ways of evaluating the effects of SBIs [statebuilding interventions]" (Hameiri 2010, 33); and, second, accounting for new modes of governance introduced by statebuilding instead of limiting the analysis to assess what statebuilding interventions cannot achieve in terms of state capacity.

This study draws on the concept of multi-level governance to clarify some aspects of post-conflict governance. First, post-conflict governance is characterised by the constant tensions between the external and the domestic dimensions but also by the pressure exerted by sub-national entities that do not necessarily identify with the national dimension. Second, the governance of post-conflict countries is characterised by a multiplication of sites of authority that extend not only across various levels but also among types of authority. With reference to this aspect, constant tension exists between private and public types of authority in post-conflict societies. Privatisation has been commonly understood as pertaining exclusively to the economic sphere. However, the privatisation of the economy has given way to the privatisation of the state—a process characterised by growing reliance on private intermediaries to exercise those functions that were previously under full control of the state (Hibou 2004). This tendency

44

is brought to the extreme in post-conflict countries whereby NGOs, private consultancies, international organisations, and traditional forms of social organisations exert public functions besides the state. Yet, the privatisation of the state should not be interpreted as the collapse of the public into the private, but rather as a process leading to "new ways of exercising power and government and foresee new representation of the political" (Hibou 2004, 3).

Reliance on private actors in statebuilding interventions has expanded beyond NGOs to incorporate other private actors and beyond service provisions to key areas, such as security and regulatory domains. The non-for-profit character of NGOs has contributed, to a degree, to ease the tensions between their private nature and their public function, albeit their role in statebuilding (and development, more generally) has not been free from criticism (Jenkins 2001; Stubbs 2003; Kamat 2004; Jad 2007). In contrast, the growing involvement of for-profit private consultants and private security companies, often justified by considerations of neutrality, efficiency, and expertise, compounded the problematic relationship between private and public. But, this relationship should not be reduced to a zero-sum game: as Hameiri (2010, 103) argues, in statebuilding interventions "the scope of the state actually expands, but often through the agency of private actors exercising public power".

Based upon these elements, this study addresses the question of the interplay between statebuilding and state formation by acknowledging that the distinction between the international and the local is found in the dispersion of authority in post-conflict governance. This condition of dispersion does not necessarily imply a harmonious interpretation of the system of governance. In other words, the diffusion of authorities across levels of governance and types of entities does not make the governance of post-conflict countries more *democratic*. Hierarchies or unbalanced patterns of authority distribution can shape this system of governance. Tension and conflict are a constant component of this topography of power and authority. Fourth and finally, the dispersion of authority in post-conflict governance undermines the attribution of responsibility to identifiable agents. To a certain extent, this argument is in line with Chandler's idea of an "empire in denial" (2006)—the tendency to avoid the responsibilities of interventions—but extends this tendency also to domestic actors.

In sum, the governance system in post-conflict countries can be summarised as being characterised by the following dimensions:

- Constant tensions between and within the external and the domestic dimensions of statebuilding;

- Co-existence of different levels (international, transnational, national, and local) and types of authority (private, public, formal, informal, for-profit);

- Variable geometry in which tensions and conflicts are a constant component of the system of governance;

- Limited correspondence between authority and responsibility.

Looking at post-conflict transitions through the lens of governance is useful to avoid falling in the trap of "measuring state capacity". At the same time, the "dispersed" character of governance helps to elucidate the tensions intrinsic to the interplay between statebuilding and state formation.

2.1.2 *Between adaptation and resistance: hybridity*

The "local turn" in peace/statebuilding research suggests an investigation of the "local" in its various forms—local knowledge, local practice, and local resistance—in its capacity to hybridise the liberal peace project (Mac Ginty 2011; Tadjbakhsh 2011b; Belloni 2012). This research agenda re-evaluates societies upon which interventions occur not as passive actors who cannot but be object of neo-imperial or neo-colonial practices, but as active actors (as subjects) able to influence statebuilding, by accepting, shaping, or resisting it. Central to this literature is the concept of *hybridity*. Hybridity is neither a new concept—it has been widely discussed in the literature on democracy and development (Roberts 2013, 94)—nor a univocal one. Its adoption in the statebuilding research agenda has generated an extensive debate over its validity, applicability, and significance. The main critique levelled against the concept of hybridity by both mainstream and critical approaches to statebuilding builds on the statement that "everything is hybrid", calling into question the validity of the concept and the novelty it can bring to the debate. However, hybridity exposes all its empirical validity when analysing post-conflict societies.

The concept of hybridity can generally be interpreted as referring to the existence and diversity of constituted political societies (Tadjbakhsh 2011c, 7). In statebuilding interventions, external and

46

domestic actors as well as practices and beliefs embody diversity. Scholars have differently interpreted the encounter between external and domestic actors, practices, and beliefs. For instance, Boege et al. (2009) posit the existence of *hybrid-political orders* where hybrid denotes the fact that political orders encompass a variety of non-state forms and elements derived from different societal sources. Different political orders do not exist in isolation but permeate each other (Boege et al. 2009, 24). Richmond (2011) proposes to look at the "local-liberal hybrid", posing at its centre the interplay between cosmopolitan liberal principles and their impact on everyday life at the local level. Roberts (2011) confronts the interplay between orthodox peacebuilding and neo-patrimonial forms of organising the political society. Belloni (2012) interprets hybridity as the co-existence of liberal and illiberal norms, institutions, and actors. Referring to the African context, Lund (2006, 673) expresses a similar condition, saying that "institutions have a twilight character", meaning that they are not definitively defined and that they move in the grey zone between state and non-state dimensions.

The major contribution of this literature is that of showing the complexity of post-conflict settings. It calls for an interpretation that goes beyond "black or white" to include the grey zone of hybridity. Instead of interpreting hybridity in terms of the *coexistence of diversity*—differently interpreted in the literature as the *liberal* and the *illiberal* or as different political orders—this study proposes an interpretation of hybridity as rooted in the dual process of adaptation and resistance that manifests itself in post-conflict countries. As de Guevara (2012b, 6–7) argues, "states seem to undergo an increasing international isomorphism, i.e. a structural convergence, regarding their formal institutions, but continue to function in hybrid ways which diverge from the globalised western ideal of the state". That is, hybridity does not emerge from the exclusive presence of different normative, institutional, and political framework, but rather from the concurrence of adaptation and resistance moulding institutional practices and political mechanisms.

With reference to the functions and roles of the state, adaptation can be interpreted as one of the outcomes of the growing consensus around the neoliberal agenda. This consensus translates into a homogenisation of norms, institutions, and practices. As already noted by Migdal (2001, 201), "in much of the Third World there was an adoption of institutional forms and names from the West. It was

seductive to assume that there had been a convergence of elites and values in these institutions and that the outputs would eventually be those that were expected". Considering the diversity of interests and values across domestic political orders and the different political processes shaping neoliberalisation, an explanation based on the convergence of élites and values is short-sighted.

The literature on international socialisation—"the process by which international norms are internalized and implemented domestically" (Risse and Sikkink 1999, 5)—offers interesting insights for understanding adaptation (Jepperson, Wendt, and Katzenstein 1996; Checkel 1997; Keck and Sikkink 1998; Cortell and Davis 2000; Schimmelfennig, Engert, and Knobel 2006). Statebuilding interventions inherently rest on norms transmission: they encourage processes of adaptations to "collective expectations about proper behaviour for a given entity" (Jepperson, Wendt, and Katzenstein 1996, 54). Foremost, they encourage adaptation to collective expectations about the proper behaviour of the state. But processes of norm-transmission are trapped between coercion and socialisation—the realist and constructivist arguments. Conditionality and the imposition of international administrations are coercive ways of rearranging the state around the neoliberal model whereas the plethora of non-state actors operating in statebuilding interventions ranging from NGOs to consultants forms epistemic communities informing a great deal of understanding about the state (Hass 1992; Adler 1992; Hass and Adler 1992; Cross 2013).

The expectation about the proper role of the state constitutes the model upon which contemporary international statebuilding rests. In reaction to this model, Richmond (2010, 670) situates resistance in the everyday—the "space in which individuals and communities live and develop political strategies in their local environment, toward the state and toward international model of orders". By suggesting an alternative, emancipatory path to peacebuilding, he situates resistance in the emergence of new politics—the product neither of *romanticised* or *essentialised* interpretation of the liberal and the local but rather of their evolving relationship (Richmond 2010, 689). Within and beyond statebuilding interventions, resistance takes many forms but is ultimately a product of power: resistance "follows and contests the lines of inclusion and exclusion that are integral to all system of power" (Tripp 2013, 4). Tripp (2013) captures the many nuances that resistance have developed in the Middle East and North

48

Africa (MENA) region, from violent actions to art, and everyday practices. Drawing on an interpretation of resistance as inherently shaped by the marginalisation and exclusion derived from the formation of political (and economic) power, this study ventures in the grey zone of hybridity to dissect how adaptation and resistance play out in post-conflict contexts.

2.2. Beyond formal institution-building

The role of institutions is dominant in many of the debates that have been touched upon in Chapter 1. First, the centrality of institutions is at the heart of the shift from peacebuilding to statebuilding, which rests on the argument that political and economic liberalisation can be counterproductive unless the "right" institutional framework is in place. Second, the adoption of (neo-)Weberian approaches to statebuilding analyses has influenced the rise of an institutional approach to statebuilding that tends to focus on the administrative capacity of the state and to interpret state authority as a function of its institutional capacity. Third, with the emergence of new institutional economics, the role of institutions in the discipline of economics has framed a new set of economic policies for promoting development. These policies have radically framed the specific roles that the state should play within the economy.

The statebuilding project has conflated state failure with institutional failure. As a consequence, the statebuilding agenda has underplayed many of the key aspects and roles of institutions in society: how to account for the discrepancy between the adaptation to Western-derived forms of institutions in countries where statebuilding interventions occur and the simultaneous reference by segments of society to alternative, often, informal social mechanisms? Functional-institutional approaches to statebuilding fall short of providing a comprehensive answer to this and similar questions. These approaches fail to adequately incorporate two aspects, which are fundamental when seeking to understand post-conflict processes: first, the relationship between institutions and actors and second, the permeability of post-conflict countries to informality, which cannot be explained only by referring to the *incompleteness* of the statebuilding process.

2.2.1 *From building institutions to shaping actors*
Sociological and historical approaches to institutionalism are helpful in identifying the major limitations

49

of statebuilding as institution-building. Consistent with the critique levelled against functional approaches typical of rational-choice interpretations of institutions, this study concurs that issues of power relationships, institutional environment (context) and historicity, and the mutual constitution of actors and institutions are decisively masked behind the excessively functional and technical exercise conducted in statebuilding interventions. Dynamics related to power relationships have been further developed within critical fields of scholarship whereas calls for a contextual analysis have spanned from the practitioner to the academic literature, sometimes paying no more than lip service to this commitment. In contrast, little is known about the relationship between building institutions and *shaping actors* in statebuilding processes. In other words, the narrow focus on institutions has obscured the extent to which behind institution-building statebuilding projects concurrently contribute to the formation of organisations.

In delving into this unexplored aspect, I depart from Hameiri's (2010, 2) definition of statebuilding as "the broad range of programs and projects designed to build or strengthen the capacity of institutions, organisations and agencies – not all of which are necessarily part of the state apparatus – to effectively perform the functions associated with modern statehood". This definition brings up two key issues. First, statebuilding is not only concerned with institution-building (or strengthening) but also with organisations and agencies. Most definitions of statebuilding neglect this latter aspect and privilege notions of structures, albeit declined in different terms.[3] Second, this definition clearly explicates that statebuilding is not limited to the structure of the state. Part of the statebuilding project is functional to the construction of what the state is not, as if statebuilding were an exercise that negatively defines the state. The extent to which organisations and agencies outside the state interact with the state and with external actors is fundamental to come to terms with the complexity of post-conflict processes.

In post-conflict countries, organisations matter as much as institutions do. Agencies or

---

3   This trait—the focus on structures in the understanding of statebuilding—is common to the practitioner and the academic literature and to critical and problem-solving approaches. By way of elucidation we can refer to the following definitions of statebuilding: the Organization for Economic Co-operation and Development (OECD) (2008a, 14) defines statebuilding as "purposeful action to develop the capacity, institutions and legitimacy of the state in relation to an effective political process for negotiating the mutual demands between state and societal groups"; Call and Causen (2008b, 4) interpret state building as "actions undertaken by international or national actors to establish, reform, or strengthen the institutions of the state which may or may not contribute to peacebuilding"; Richmond (2013, 378) claims that statebuilding "constructs neoliberal states."

organisations are central not only in the process of building institutions but also in *making sense of* institutions. Capacity-building programmes to promote the rule of law in government ministries entail an effort to shape a bureaucracy in terms not only of machinery but also of a collectivity of officials representing the state bureaucracy—an organisation. Similarly, security sectors reforms have been widely applied to regulate the legitimate use of force but they have simultaneously shaped armies—an organisation. To explain the interaction between actors and institutions, North's (1995, 23) distinction between institutions and organisations is helpful: institutions are "the rules of the game in a society" whereas organisation are "the players: groups of individuals bound by a common purpose to achieve objectives. They include political bodies (political parties, the senate, a city council, a regulatory agency); economic bodies (firms, trade unions, family farms, cooperatives); social bodies (churches, clubs, athletic associations); and educational bodies (schools, colleges, vocational training centres)".

As the metaphor suggests, without rules players cannot enter the game, but at the same time, rules alone do not make the game. In the cumulative evolution of statebuilding, the focus has shifted, mostly inconsistently, from institutions to organisations despite the fact that the logic underpinning institution-building and what I call *actor-shaping approach* are inherently contradictory. Institution-building relies on a blind faith in the capacity of rules to shape societies' behaviours. In other words, the basic tenet of institution-building is that the adoption of the "right" institutions is sufficient to lead societies from war to peace as well as from political dysfunctionality to functioning states. In contrast, what may be called as an *actor-shaping approach*, this basic tenet is reversed: institutions cease to be regarded as sufficient for producing a change. The argument, therefore, is that without the proper actor institutions remain void.

This argument applies also when looking at statebuilding as operating outside the apparatus of the state. For instance, efforts to institutionalise democracy in post-conflict societies have not been limited to formulating rules of contestation and electoral procedures. They included also deliberative attempts at building civil society as a collective actor able to embody democratic institutions. As this and the previous examples show, institution-building has not only produced institutions—rules—but also

51

"players". These players are expected to embody the principles of institutions and to legitimise them by making them function. In this respect, the case of civil society is telling. Once democratisation efforts failed to produce the expected results, resources (material and normative) have targeted civil society as the collective actor that could, by its existence, make societies democratic. Indeed, from the mid-1980s to the early 1990s, civil society assistance was not among the components of the democratisation agenda of Western countries, which was more focused on elections, judiciaries, and legislatures (Carothers and Ottaway 2000, 6).

By bridging these two aspects—statebuilding as not only institution-building but also as actor-shaping within or outside the state—this study seeks to evaluate and empirically explore a recent development occurring in the statebuilding agenda. With reference to the economy, attempts to institutionalise market mechanisms in post-conflict (but not only) societies have accomplished little. Instead of questioning the desirability of introducing market mechanisms during transitional phases, the partial accomplishment of economic liberalisation led to the search for new avenues. The growing attention to the private sector—a salient point that will be discussed in Chapter 3—is indicative of a pendulum-like shift in perspective from institutions to actors. Since environment-wide market institutional reforms have not produced the expected outcomes, international actors—donors, international financial institutions (IFIs), and organisations—have targeted the private sector as the economic agent for change in post-conflict societies.

The increasing reliance on the private sector in statebuilding can have an alternative explanation based on the progressive evolution of non-state actors in statebuilding. This evolution is marked by a growing professionalisation of NGOs, a progressive adoption by NGOSs of a market orientation, and a growing inclusion of private consultancy companies (Stubbs 2003, 322; Hameiri 2010, 104). Reliance on the private sector can subsequently be seen as a further step in this evolution that expands the scope of private actors involvement beyond the exercise of public functions and toward private and economic functions. This explanation is indeed plausible. At the same time, it does not fully contradict the shift in perspectives presented above in the sense that both explanations can account for growing reliance on the private sector as a catalyst for economic and political change in transition. Moreover, the full range of the

52

rationale behind private sector development can be better understood if anchored to another aspect of statebuilding. In post-conflict countries, one of the key challenges is to create "a legitimate capitalist class who will be both willing and able to pay taxes—and will demand a functioning state" (Carnahan and Lockhart 2008, 81). This task is precisely what lies behind the precept of private sector development, albeit conceived under the veneer of neutrality. Nonetheless, the centrality of the capitalist class in theoretical debates on state formation (Tilly 1985) raises an important question: which are the implications of an externally-led attempt in building the private sector for state formation?

2.2.2 *Contested spaces and informality*

A narrow focus on institution-building has not only overlooked the tight interlace between institutions and organisations but also the fact that, by resorting to North's (1995) metaphor once again, players can refer to alternative rules of the game. The existence of institutional multiplicity has already been pointed out with reference to the criticism against functionalist institutionalist approaches to statebuilding. Formalisation in statebuilding interventions has rarely succeeded in drastically transforming political, economic, and social orders. Rather, informality remains a diffused trait of societies intervened upon, tough not pertaining exclusively to post-conflict societies in which interventions occur and can be observed. As such, complex political and economic arrangements built around informality continue to trouble researchers on statebuilding.

Policy and academic debates have dealt with the phenomenon of informality and they have provided different explanations for its pervasiveness. From a problem-solving approach, informality is mainly understood as a residual phenomenon resulting from a poorly-planned or incomplete process of institutionalisation. With reference to economic informality, Paris (2004, 201) interprets it as the result of the lack of capacity of a society to manage market-oriented policies. Economic informality is the reaction to the abrupt introduction of market-oriented economic policies and not to the policies per se. This position leads him to suggest that sequencing—the gradual introduction of institutions and reforms in post-conflict countries—may counteract the spread of informality. From another perspective, Carnahan and Lockhart (2008, 81) find a link between informality and the poorly functioning of institutions,

53

including markets. Such reading of informality is pervasive also in the practitioner literature informing policies to counter the spread of informality. From yet another rather extreme perspective, the director of economic policies at the Coalition Provisional Authority (CPA) in Iraq while commenting on bus drivers driving unofficial routes and keeping the fares—informality—stated that this was "privatization that occurs sort of naturally" (Chandrasekaran 2007a, 133). According to this view, informality is equated to the market in the sense that they are equally "natural" constructs.

On the other hand, critical approaches have similarly offered different interpretations of informality. De Guevara (2012b, 13) maintains that informality is better understood as an "effect of newly established rules that contradict hitherto local institutions and understandings of legitimacy in the first place". Michael Pugh (2011, 154) argues that informal economies, criminal activities, and corruption "can represent significant forms of accommodation, resistance and hybridity." In its everyday forms—what David Roberts (2011, 31) calls "Common Social Exchange"—informality is both a strategy for coping with economic shortages and a way to provide "localized community contracts" (Pugh 2011, 155). From a critical point of view, theoretical and empirical investigations have suggested that international interventions can exacerbate as well as mould informality.

The debate on informality has interlaced with that on corruption. Although informality does not necessarily correspond to corruption, corruption rests on informal repertoires. Corruption is a complex concept open to different social and cultural interpretation (Cheng and Zaum 2012; Zaum 2013). Forms of corruption are widely recognised in the literature as a key challenge in post-conflict countries where informality tends to flourish. Philps (2012, 35) argues that the problematic relationship between corruption and peace/statebuilding rests upon the fact that whereas "a central task of peacebuilding is to create a shared set of rules and norms to govern the exercise of formal positions within a society" corruption may undermine them. However, scholars have ventured beyond the argument that corruption is an obstacle for international post-conflict peace/statebuilding intervention by investigating how international post-conflict peace/statebuilding intervention can "exacerbate and transform corruption" (Le Billon 2012, 63).

Informality has long troubled researchers on post-conflict countries. Despite the difficulty of identifying informality, let alone, measuring it, there is a widely-held consensus that informality can account for a great variety of processes unfolding behind statebuilding interventions. For analytical purposes, however, it is important to overcome simplistic statements on the importance of informality and deconstruct the concept in its fundamental components. First, informality encompasses a vast array of practices, institutions, and actors. Helmke and Levitsky (2004, 726–728) underscore the necessity of differentiating between institutions, practices, and actors. According to their definition, informal institutions are "socially shared rules, usually unwritten, that are created, communicated and enforced outside of officially sanctioned channels" (Helmke and Levitsky 2004, 727). When informal practices are not rooted in shared expectations and sanctions, they remain informal behaviour beyond the realm of informal institutions. The distinction between informal institutions and actors rests on the definition of institutions as rules, thus vis-à-vis players. Accordingly, Tomass (2012, 721) contends that "formal institutions regard population as an abstraction, inherently driven toward compliance and devoid of identity or competing goals". In contrast, "informal institutions are those rules and social norms that group members follow while pursuing collective goals" (Tomass 2012, 721). This point offers some guidance in understanding why in post-conflict societies informality develops around identity groups, in whichever form they manifest, while presenting common traits across groups.

Second, informality is a relational concept that acquires validity only when confronted with its opposite—formality. However, this relationship cannot be reduced to the former being the residual outcome of the latter. On the contrary, "informal structures shape the performance of formal institutions in important and often unexpected ways" (Helmke and Levitsky 2004, 726). Helmke and Levitsky (2004) propose a typology of informal institutions along two dimensions: the degree of convergence to and divergence from formal institutions and the degree of effectiveness of formal institutions. Without entering into the details of the typology, what emerges from the typology is a more precise understanding of informality: various forms of informality which can span from being complementary to or in competition with formality and being supportive or not of weak formal institutions.

Third, informality is a dynamic phenomenon. Historical contextualisation can thus provide

fruitful ground for its analysis. Yet, looking at informality as grounded in historical contexts is different from assimilating informality to culture. Whereas cultural narratives may often provide the glue to consolidate informality in society, informal repertoires are more often key components for maintaining and consolidating political orders or evading them. The enduring character of informality in post-conflict settings is deeply related to issues of political, economic, and social transformation. This point leads to consider that economic informality can become a form of resistance to the predominant economic orders. Like other forms of alternative economies, economic informality becomes a space in which "the rules of the dominant capitalist economy could be suspended" (Tripp 2013, 138).

Fourth, informality consolidates and expands in fertile environment. In my understanding, an environment prone to informality is characterised by the corrosion of the boundaries between two domains: on the one hand, between politics, economy, and society, and on the other hand, between private and public. Statebuilding exercises great leverage on these domains and thus can transform informality. For instance, power-sharing arrangements— although they may be sometimes indispensable—break down the separation between politics and society by granting each societal group a stake in the political process. Reconstruction policies often break down the separation between public and private by entangling contracts in complex web of contracting systems. In sum, this study understands informality as being characterised by the following dimensions:

- ◆ Informality encompasses a vast array of practices, institutions, and actors that differ in terms of degree and pervasiveness. Informal institutions are the most pervasive forms of informality as they are rooted in shared expectations and sanctions;

- ◆ Informality stands in relation with formality but the former is not the residual outcome of the latter;

- ◆ Informality is a dynamic phenomenon open to changing arrangements in time and context;

- ◆ Informality consolidates and expands in fertile environment, which are characterised by the corrosion of the boundaries between on one hand, politics, economy, and society, and on the other, private and public.

56

This study looks precisely at those spaces where politics and the economy, on one hand, and public and private, on the other hand, meet to grasp the extent to which and how informality forms as a result of these porous boundaries and interacts with statebuilding.

As a way of conclusion, this study seeks to overcome two major limitations identified in the literature. First, the tendency to treat the exogenous and the endogenous dimensions of statebuilding as discrete objectives of analysis have precluded a rigorous analysis of the interaction between the two processes. Second, an over-reliance on institutions as an explanatory variable of both "success" and "failure" shadows important aspects of state formation that operated beyond institutional and formal aspects of the state.

2.3 Research question

The key thematic question posed in this study regards the complex ways in which statebuilding interventions interact with state formations:

◆ *How do statebuilding interventions impact processes of state formation?*

The interplay between statebuilding and state formation is investigated by looking at the emerging economic governance of Iraq and Libya. In the realm of the political economy I identified a puzzling divergence between the statebuilding agenda and the practice of state formation: whereas in statebuilding agenda the state is typically regarded as a device to make markets function, for domestic agents engaging in state formation the market often becomes a tool to advance particularistic claims over the state apparatus. This study does not aim to examine statebuilding achievements in terms of benchmarks built around prototypical notions of the state. Rather, it seeks to unpack governance patterns with a focus on the economy. In the political economy realm, this study purposefully ventures beyond a narrow focus on institutions to explore the statebuilding agenda in a novel way. In doing so, it engages with an investigation of the statebuilding (economic) agenda structured around the private sector instead of institutions. The study explores the rationale and implications of this new international policy for statebuilding.

Drawing on the theoretical and conceptual framework developed within this chapter, the

question concerning the interplay between statebuilding and state formation can be approached structurally. First, the unbundling of the categories of the "international" and the "local" opens the analysis to map and account for the variety of actors operating in statebuilding interventions. In analysing this map of dispersed interactions, issues of conditionality, consultancy, and programmes implementation are contextualised in the broader process of transition. Second, while this study is not an economic analysis of business trends in post-conflict countries, it seeks to firmly situate private actors in the research agenda on statebuilding and state formation. It does so by situating private actors in the dispersed governance system of post-conflict interventions and by considering both externally-induced and domestically-derived models of economic entrepreneurship. From the hypothesis that in contemporary processes of state formation and statebuilding, the expanded possibility of deriving revenues and rents from outside the state alters the role of the state in capital accumulation, the study seeks to bridge an analysis of economic dynamics with an analysis of state formation.

This study situates itself in well-established debates on the interaction between economic and political dynamics and on public-private relations. It engages with these debates in a novel way by bringing new empirical analysis into a so far under-researched topic—internationally-led effort to promote the private sector. This topic, despite having been brought to the centre of the international policy debates, has received little attention in academic analyses.

2.4 Methodology

This research is based on the logic of small-*N* country comparison (Della Porta 2008). This methodological strategy is better suited for investigating macro-dimensional and institutional processes such as the interplay between statebuilding and state formation. The choice of adopting this methodological strategy is also motivated by the type of explanation it aims to provide, which is not establishing generalised relationships between variables (law-like propositions) but understanding phenomena as complex units.

An in-depth analysis of the context in which statebuilding occurs is considered essential for addressing the above questions. Hence, this study combines within-case analysis and cross-cases

58

comparison. The ever-present dilemma between parsimony and complexity when conducting qualitative research permeates this research. When statebuilding interventions occur, it is difficult to isolate causal relations from the range of intervening contextual factors. Rather, this has often led to a polarisation of the debate on statebuilding between international-centred and local-centred perspectives. Interrelationship and complexity are part of the challenges of conducting research in post-conflict countries. Parsimony should be pursued in the explanation without, however, falling into over-simplified research designs that run the risk of failing to capture the complexity of such processes.

Process-tracing is methodologically employed in order to explore the process of statebuilding recognising that it can generate new hypotheses on the basis of the case studies (George and Bennett 2005). The investigation relies on data triangulation: different sources and types of data allow the researcher to address a broad range of issues and acknowledge a broad range of perspectives, without invalidating the research's findings (Yin 2009). Besides the secondary literature, project's reports, surveys, policy papers, and specialised newspapers articles have been analysed along with data collected during a period of fieldwork, conducted in in the Kurdistan region of Iraq (November 2013). Partly following the snowball sampling (Goldstein 2002, 671), 31 semi-structured interviews have targeted international organisations' staff, civil society personnel, local policy-makers, and private sector actors.

Statebuilding interventions have occurred in a variety of countries from East Timor to Haiti. From 1989 to August 2011, the UN has launched 34 missions with a statebuilding mandate spanning from Central America to Africa (the most represented continent) and Asia (Berdal and Davies 2012, 132–137)[4]. Small-N case studies predominate in the literature on statebuilding in which there is a widely held

---

4   UN Transition Assistance Group (UNTAG), Namibia, 1989-90; UN Observer Mission in El Salvador, 1991-95; UN Mission for the Referendum in Western Sahara (MINURSO), 1991-on; UN Transitional Administration in Cambodia (UNTAC), 1992-93; UN Operation in Mozambique (ONUMOZ), 1992-94; UN Operation in Somalia II, 1993-95; UN Mission in Haiti (UNMIH), 1993-96; UN Mission of Observers in Tajikistan (UNMOT), 1994-2000; UN Angola Verification Mission III, 1995-97; UN Mission in Bosnia and Herzegovina (UNMIBH), 1995-2002; UN Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), Croatia, 1996-98; UN Support Mission in Haiti (UNSMIH), 1996-97; UN Transition Mission in Haiti (UNTMIH), 1997; UN Mission in the Central African Republic (MINURCA), 1998-2000; UN Peacebuilding Support Office in Guinea Bissau (UNOGBIS), 1999-2009; UN Interim Administration Mission in Kosovo (UNMIK), 1999-on; UN Mission in Sierra Leone (UNAMSIL), 1999-2005; UN Transitional Administration in East Timor (UNTAET), 1999-2002; UN Organisation Mission in the Congo (MONUC), 1999-2010; UN Assistance Mission in Afghanistan (UNAMA), 2002-on; UN Mission in Support of East Timor (UNMISET), 2002-2005; UN Mission in Liberia (UNMIL), 2003-on; UN Operation in Côte d'Ivoire (UNOCI), 2004 (Berdal and Davies 2012, 132–137).

consensus around a context-related analysis in order to avoid one-size-fits-all analysis. Selecting countries with a different historical development and from geo-politically different regions has the advantage of isolating variables expressing aspects of statebuilding interventions and strategies of adaptation. However, this raises questions about the validity of applying the logic of comparison to contexts as diverse as, for instance, East Timor and Haiti.

The importance of studying processes of state formation in the Middle East and North Africa region has been already touched upon in the introduction to this research and will be taken up in Chapter 4. From a methodological point of view, a regional analysis has a major advantage: it makes the comparison more valuable without underplaying the differences between the selected cases. According to Della Porta (2008, 214) the advantage of working with country cases belonging to the same geographical area and sharing common patterns is precisely that it "reduces the number of 'disturbing' variables to be kept under control" while analysing other key factors.

After the decolonisation period the MENA region has been torn apart by both inter- and intra-state conflicts (Gates et al. 2010). As in most other regions, the inter-states and intra-state dimensions of conflicts in MENA have often interlaced contributing to the eruption and continuation of conflict. While an overview of the regional conflict trends is offered in Chapter 4, the following table lists the major intra-state conflicts in the region in the period following the decolonisation processes.

Country	Period[5]
Morocco/Western Sahara	1975-1991
Algeria	1991-1999
Libya	2011-onwards
Yemen	1962-1990/1994
Israel/Palestine	1948-onwards
Lebanon	1975-1990

---

5 A detailed analysis of conflict dynamics and periodisation in the above identified countries is beyond the scope of this study (for a more detailed illustration of conflicts trends in the region see: Gates et al. 2010, 11). The diverse spectrum of intra-state conflict experiences has been simplified in order to illustrate the potential country-cases for this study, but it hides important specificities. For instance, the Yemeni civil conflict dates back to the period prior to the unification of North Yemen and South Yemen and it faced different phases; in Iraq, the civil conflict that followed the 2003 invasion is better described as a plurality of conflicts and it was procedeed by a long history of armed confrontation between the Iraqi and Kurdish forces; the Israeli-Palestinian conflict is another example of a long and still unresolved conflict that resulted in several inter-states and intra-states conflicts across various countries in the region.

Iraq	1961-onwards
Syria	2011-onwards

Table 2.1 Lists of intra-state civil conflicts in the Middle East and North Africa region (as of 2011).

Among the above country-cases, Iraq and Libya have been chosen as the two cases where to investigate post-conflict transition based on the variation of the independent variable in the proposed investigation, that is the statebuilding intervention. The contrast between statebuilding processes in Iraq and Libya constitutes the rationale for conducting a structured, focused comparison of these two cases. The selection of Iraq and Libya corresponds to the logic of choosing extreme cases (and in the case of Iraq also an influential one) for in-depth analysis of the phenomenon under study (Gerring and Seawright 2007, 89-90; Gerring 2008, 645–684). Iraq and Libya are instances of statebuilding processes that show an important difference: the civil and military occupation of Iraq epitomises the heavy footprint approach to statebuilding, which was considered conducive for a radical transformation of Iraq into a market oriented liberal democracy. The process of statebuilding within Iraq has been strongly determined by external actors' statebuilding agenda and practice, at least in its initial phase. Eight years after, Libya has experienced a more endogenous process where the slogan "Libya for the Libyans" well epitomises the orientation toward a softer statebuilding intervention, in many ways closer to the autonomous recovery approach put forward by Weinstein (2005). Apart from this key difference, Iraq and Libya share common "foundational factors" as well as political and economic structures, which will be discussed at length in Chapter 4 (Anten, Briscoe, and Mezzera 2012, 14). For instance, the two countries have a colonial past, they experienced similar forms of a developmental state, and they had conflicting relationships with the West. They also share common political and economic structures. For instance, at the political level, they both experienced periods of dictatorship; at the economic level, the rentier model prevailed, influencing the organisation of the state; at the social level, they share the same religion and culture.

Conducting research on post-conflict statebuilding poses some challenges: security-related issues, data availability and accessibility, and ethical considerations are all part of the research's challenges. Security-related issues are aggravated in Iraq and Libya by the fact that a *post-conflict*

momentum has yet to come. To be sure, nearly all post-conflict countries face difficult and even chaotic transitions from war to peace. Neither Iraq nor Libya went through a peace agreement but rather experienced a complete overthrow of previous regimes; their levels of security are generally low, with great variation within each country.

The total number of casualties in Iraq in 2013—7,818 killed and 17,981 injured (UN Iraq 2014)—the military operations in the Anbar governorate, and the crisis opened up by the attacks of the Islamic State (of Iraq and Syria)—ISIS—on parts of the country leave no doubt on the high level of violence and insecurity. Similarly, the continuous targeted assassinations, violent clashes, and in 2014 the battle between "Operation Dignity" and "Libya Dawn" show the downturn spiral of violence and conflict in Libya. As a consequence, access to these countries is often precluded or limited to some safer areas. Since security is not a residual product of politics but rather a key component of the political (and economic) process, the immediate risk of having access only to some areas in the country is to produce a biased analysis by "taking the part for the whole".

Data availability and accessibility represents another important challenge when studying post-conflict statebuilding. Transitional periods are often so chaotic that gathering disaggregated data may be difficult. Sometimes, the poor data recording dates back to the previous regime and the destruction of data records may become functional for the post-conflict transition. Moreover, the prevalence of informal repertoires (at various levels and in various areas—political, economic, and social) poses further limits to data collection. Qualitative interviews are an important instrument to remedy the scarce availability of other types of data and triangulation of different data sources is functional to achieve more validity. Data scarcity imposes a more accurate use and interpretation of the findings, but it should not prevent research within these contexts.

Finally, ethical considerations caution the researcher to continuously interrogate her position vis-à-vis her subject matter of research. This acquires even more significance in post-conflict countries when dealing with identity-related issues and treating the *others*. Research positionality extends to the entire endeavour of doing research: reflexivity as a methodological stance can strike a balance between

distance from and empathy—as an effort to fully understand other's positions and conveying them—with the subject of research, avoiding the perpetuation of dominant discourses of which researchers, disciplines, and cultural frameworks are all parts. (Kappler 2013). In questioning the researcher's position toward the research subject, gender relations have been often reflected upon during this research. Being a female researcher working on post-conflict statebuilding in MENA, a recurrent question during the fieldwork was the extent to which gender relations might have influenced the access to and the type of information collected. This is neither to say that female researchers are denied access to interviewees (the opposite might be true) nor to reproduce orientalist claims (Schwedler 2006). Rather, the question deals with the mutually and respective positioning of the researcher and the subject of research and with them conveying interpretations of this relationship.

Chapter 3

Redefining the economic agenda for statebuilding: from institution-building to the shaping of actors

> …engaging the private sector addresses the need to find eventual transition partners for a given initiative, because the private sector builds transitions into its business plans.
>
> —Berteau, 2010

During the previous decade, international organizations, donor agencies, and government units have increasingly resorted to the *private sector* as a policy solution when confronting a vast range of challenges: "unleashing entrepreneurship" has become the UN policy prescription to "provide the jobs and income needed to build a more equitable and prosperous society" (Annan 2003);[6] similarly, "whether it's in Eastern Europe, the Middle East and the Mediterranean, the EU's latest thinking focuses on the importance of such firms [small and medium-sized enterprises] in creating employment, fostering innovation, and helping to develop impoverished regions" (Smith and Siddiq 2010, 31).

The private sector has acquired an increasingly influential status on the international agenda, particularly for post-conflict statebuilding. As the expression of the individualistic driver of economic

---

6 UN Secretary-General Kofi Annan's speech at the convention of the UN Commission on the Private Sector and Development, July 2003.

growth, the private sector has moved to the centre of the international statebuilding agenda by means of a range of policies that aim at favouring its development. After a brief overview of the role of the private sector in neoliberalism, this chapter examines how, during the last decade, the importance of the private sector in post-conflict societies has redefined the international agenda for statebuilding. The analysis focuses on those international actors whose role has had a greater impact on post-conflict statebuilding: international financial institutions (IFIs) and the United Nations (UN).

The second section of this chapter shows that the agenda of these international actors has been characterised by a twofold shift. On one hand, the World Bank and the IMF have expanded their economic mandate—as stated in their Articles of Agreements—toward a greater involvement in the political domain. They have shaped their engagement in post-conflict countries around the allegedly neutral language of, among others, *governance*, *institutions*, and the *rule of law* and have acquired a prominent position in designing policies and programmes for statebuilding as well as a greater influence on local governments. On the other hand, the UN, the mandate of which is indeed political, began in the 1990s to reach out to economic actors to address development challenges as well as post-conflict countries' peace/statebuilding. Not only did the UN begin to encourage a more active role of IFIs, but it also opened up new (and often contested) channels for business involvement.

In post-conflict countries a new and more proactive approach has come to light in an attempt to build the *missing link* between the rules of the game—institutions—and the game itself. The World Bank and the IMF as well as the UN and other international actors ranging from government agencies, multilateral donors, and NGOs converged on a common view-point according to which the private sector is the *missing link*. The third and last section of this chapter clarifies the contours of the policy solution of developing the private sector in post-conflict countries: it dissects the many aspects of this policy as well as its main rationale. By elucidating the growing importance of the private sector for statebuilding, overall the chapter motivates the choice of investigating this aspect even further, which remains largely unexplored within the academic literature.

3.1 The private sector in neoliberalism

According to neoliberalism thinking, the major obstacle constraining the pursuit of self-interest is the state and its capacity to control and orient economic activities beyond the self-regulating market, for instance by pursuing social welfare objectives. The self-regulating market, a key tenet of neoliberalism, was criticized in 1944 by Polany who argued that it is, indeed, the state that created the market, thus playing a key role in capitalist development—a position that punctures "the myth of the original industrial revolution as a purely private process (Rueschemeyer and Evans 1985, 44). In a similar vein, Keynes regarded regulations as essential to prevent the highly unstable nature of the capitalist economy, if left to self-regulate itself. This view translated into the prevalent political economy doctrine, at least in the West, from the Great Depression during the 1930s to the 1960s. Embedded liberalism—the economic-political system prevailing prior to the stagflation of the 1970s and the subsequent neoliberal turn—refers precisely to a system where market processes are limited and regulated by the state with the objective of pursuing full employment, economic growth, and social welfare.

From the Pinochet coup in Chile onwards, a new framework has emerged in the economic thought and practice worldwide. The years 1978-80 were characterized by sporadic events that contributed to a revolutionary turning point: in 1978, Deng Xiaoping took the first step toward the liberalization of the Chinese communist-based economy; in 1979, Paul Volcker, the head of the Federal Reserve, re-wrote US monetary policy, moving it away from Keynesian orthodoxy with the aim of addressing inflation; in 1979, Margaret Thatcher opened the first of her three consecutive terms as prime minister of the UK with the objective of revitalising the British economy by curbing any resistance to liberalization; in 1981 Roland Reagan was elected president of the US and set the economy on the track of deregulation and financial development. Based on the principles of neoclassical economics, deregulation, privatization, and liberalization became the central policies that have characterized the economic history of Western countries (although with notable variations) from the 1980s on and these economic policies have reached developing countries often as a result of IFIs' promotion of structural adjustment programmes.

66

Variations from country to country in the implementation of neoliberalism make it difficult to trace the character of the neoliberal state as well as to trace the contours of the private sector in neoliberalism. In theory, the neoliberal state "should favour strong individual private property rights, the rule of law, and the institutions of freely functioning markets and free trade" (Harvey 2005, 64). In this vein, the private sector—the central driver of economic growth—is expected to do all the rest. In practice, *neoliberalization* has unfolded in a contradictory way. Whereas according to the theory the state should restrain from intervening, it has come to play a key role in maintaining and eventually restoring the business climate and its major economic players (for instance, during and after the 2007-08 financial crisis that began in the US). Similarly, far from representing the force advancing the welfare of society as a whole, the private sector has developed some elements that contradict the tenets of the neoliberal theory, such as monopoly and concentration issues, market failures (e.g., the environment), and market distortion due to asymmetry of information.

The debate on whether this is caused by a "too much" or "too little" approach to neoliberalism is beyond the scope of this chapter. However, the lack of a trickle-down effect supposed to benefit the entire society and deriving from "liberating individual entrepreneurial freedoms" (Harvey 2005, 2) led IFIs to reconsider their approach, although with only slight modifications. The emergence of the post-Washington consensus marked this re-consideration, by introducing a stronger emphasis on institutions and advancing the idea of the *enabling state* without however calling into question the central assumptions of neoliberalism. In parallel, *neoliberalization* continued to unfold in a contradictory way to the point that, according to Harvey (2005, 19) it can be interpreted "either as an utopian project to realize a theoretical design for the reorganization of international capitalism or as a *political project* to re-establish the conditions for capital accumulation and to restore the power of economic elites" [*emphasis* added].

Individual freedom has been increasingly declined in policy debates as merely freedom of enterprises—an oversimplification that fails to sustain other equally important forms of freedom (Harvey 2005, 37). Notwithstanding, neoliberalism has become the new orthodoxy in universities, financial, and state institutions as well as in international institutions such as the IMF and the World Bank beginning

from the Mexican crisis of 1982-84. As the "Chicago boys" were called to help the recovery of Chile's economy during the 1970s, these institutions contribute today to help the recovery of staggering economies worldwide and, as we will see in the following sections, also to post-conflict statebuilding.

3.2 The private sector on the international agenda

Within the neoliberal framework a vibrant private sector represents a central driver of economic growth and its development is considered essential to the economy. But how did the private sector come to re-define the agenda for post-conflict interventions? From the 1990s, the convergence between peace, security, and development paradigms has been instrumental in the expansive and cumulative agenda for post-conflict interventions. This convergence consolidated with the launch of key initiatives such as the World Development Report 2011 (intentionally titled *Conflict, Security and Development*) and the New Deal for Engagement in Fragile States presented at the 4th High Level Forum on Aid Effectiveness in Busan, South Korea (2011) as an initiative of the g7+ group of conflict-affected states (Menocal 2013). Within this cumulative evolution, this section traces continuity and changes in the agenda of key actors in post-conflict interventions—IFIs and the UN.

3.2.1 *International financial institutions: from economics to politics*

The now widely accepted argument according to which economic growth and peace stand in a mutually reinforcing relationship entailed an important reconfiguration of the role of IFIs in post-conflict statebuilding: as the worldwide leading policy-entrepreneurs in economic matters, the World Bank and the IMF could not maintain their non-engagement stance in conflict-affected countries once economic factors have been so strongly associated with conflict and, thus peace.

After the Second World War, the Bretton Woods institutions were designed as exclusively economic institutions whose mandate was counterbalanced by the political role of the UN. A clear separation between economics and politics was at the heart of the newly founded international system. The Articles of Agreements of the World Bank and the IMF established their apolitical stance as a central pillar. Adherence to their Articles of Agreements kept IFIs away from conflict and post-conflict countries after the Second World War: the uncontroversial political nature of conflict along with membership

68

preconditions for funding were substantial limits to their engagement in such contexts (Boone 2007, 522).

The situation underwent strident change during the 1990s. First, the end of the Cold War brought about the proliferation of conflict, the nature of which was considered qualitatively different from previous ones.[7] Economic explanations of the causes and consequences of conflicts contributed to a growing attention to economic factors in post-conflict statebuilding (Wennmann 2010, 17). Particular attention was devoted to the role of resources in escalating and perpetuating conflicts. Without repeating the different positions around the political economy of conflict and post-conflict countries—as presented in Chapter 1—it is important here to note that economic explanations of conflict have drastically influenced the policy and academic debates around post-conflict statebuilding, clearing the path for new scholarship to investigate economic factors in statebuilding (Pugh, Cooper, and Turner 2008a; Berdal and Wennmann 2010; Kozul-Wright and Fortunato 2011; Berdal and Zaum 2012; Cheng and Zaum 2012).

Secondly, in the 1990s (good-) governance fully entered into the debate on development. Within the World Bank, it has first substituted the word *democracy* in a 1989 report on Africa due to its excessive political connotation (Woodward 2013, 142) and then routinely became part of the Bank's lexicon. This stimulated a debate on the exact meaning and policy implications of good governance, which appeared to apply to a quite vast array of political, economic, and social arrangements (Duffield 2001; Chandler 2010). A review of this debate is beyond the scope of this chapter. Rather, what is important to highlight is that behind the use of such seemingly neutral words such as *governance*, *institutions* and *rule of law* international practice under the "liberal democratic good governance agenda" (Bojicic-Dzelilovic 2002, 90) continued to be guided by a market-oriented model with only slight modifications. These modifications included a role for the state only in its capacity to promote the market (the *enabling state*). The semantic ambiguity of the term *governance* and its unclear translation into policies contributed to the Bank's expansion of its programmes to a wider set of initiatives and situations, including post-conflict countries. If, then, the good governance agenda is too intrusive, the

---

7 An extensive literature discusses the distinct nature of conflict that has taken place following the cessation of the Cold War (see Kaldor 1999).

"good enough governance" (Grindle 2004) remains a baseline for justifying interventions.

In the Bank's view, two events marked the shift toward a more proactive attitude toward conflict-affected areas: following the Oslo Agreement, the Bank started administering the multi-donor Holst Fund for the West Bank and Gaza, and a year later it worked together with the European Commission to coordinate the international assistance for Bosnia and Herzegovina (World Bank CPR Unit 2004, 4). These two events were later followed by a range of programmes in Rwanda, Kosovo, East Timor, Congo, Afghanistan, and Iraq. The Bank not only started to operate in these contexts but also expanded its early focus on infrastructure rebuilding to a wider set of policies such as community-based rehabilitation and programmes for disarmaments, demobilization, and reintegration (DDR). In 1995 the then president of the Bank, James Wolfensohn, convened a new *Task Force on Fragile States* to turn the Bank's ad-hoc approach to post-conflict reconstruction into a systematic approach (Woodward, 2013, 142). In 1997 the Conflict Prevention and Reconstruction Unit was created and the Executive Directors approved the document entitled *Development Cooperation and Conflict* (World Bank 2001), which provided a frame for the Bank's engagement in conflict and post-conflict countries.

During the early-2000s, "post-conflict reconstruction has been mainstreamed in Bank operations" (World Bank CPR Unit 2004, 5) and a similar process was unfolding in the IMF. Although the IMF adopted a more conservative approach to conflict and post-conflict countries compared to the Bank, it also underwent a process of change that expanded its capacity to intervene in these contexts. The Fund developed more flexible facilities to channel concessional financing: from the 1995 Emergency Post-Conflict Assistance (EPCA) to the 2009 Poverty Reduction and Growth Trust (PRGT), the Fund has made it easier for countries exiting a conflict to access finance. However, such concessional financing has always been framed around low-income countries and not around post-conflict countries, excluding those higher income countries transitioning from war to peace (Del Castillo 2010, 86-90).

A few years later, the adoption of the term "fragile" states led to a further enhancement of the role of IFIs in conflict areas and definitively established the connection between security and development. The publication of the *2011 World Development Report: Conflict, Security and*

Development and the subsequent establishment of the Center on Conflict, Security and Development in February 2012, strengthened this connection in the Bank's strategy. The central message of the report is that countries exposed to a combination of security, political, and economic stresses are at risk of conflict and violence. Weak institutions become the primary explanation of the eruption or continuation of conflicts because they cannot contain the effects of such stresses. The main policy objective advanced by the WDR is "transforming the institutions that provide citizen security, justice and jobs" (World Bank 2011a, 8), addressing therefore both the "greed" and the "grievance" aspects of conflict. In illustrating the institutional transformation necessary to provide citizens with jobs and thus allegedly addressing the economic stresses triggering conflicts—low opportunity costs for fighting, unemployment, natural resources, corruption, urbanization, prices shocks (World Bank 2011a, 74), the report exposes the World Bank's orthodox view of *freeing the market*: removing obstacles and simplifying regulations for the private sector is necessary for the economy to recover. The Bank also recognizes that in severe situations this approach might not be sufficient and other more proactive initiatives—such as supporting value chains, investment in infrastructure, and employment programmes—may be necessary.

Similarly illustrative is the Doing Business Project, which was launched in 2002 together with the Investment Climate Department within the World Bank group with the objective of providing measures to assess the investment climate worldwide. The annual Doing Business reports focus on small- and medium-sized enterprises and provide an assessment of the formal sector's dynamism in an economy. The ease of doing business has been measured by evaluating a country's performance in facilitating business, which includes regulations for starting a new business, channels for obtaining credit, and measures for protecting investors (World Bank 2014a, 22). The overall project rests on the assumption that "sound business regulations are important for a thriving private sector—and a thriving private sector is important for overall development" (World Bank 2014a, 20). According to this approach, the right regulatory reforms will move the informal sector—the core of the economy in most developing and post-conflict countries—into the formal one. Competition will then do everything else, if the logic of the market is set free. The focus on institutions has undoubtedly enhanced the "quasi-legislative functions" of the World Bank (Boone 2007, 550), through which it intervenes in many aspects

71

of the economic governance of developing and post-conflict countries.

Some scholars have criticised the World Bank's investment climate approach on the ground that what makes an investment climate good remains unclear. This argument has highlighted the weak theoretical foundations of the approach, which draws on the economic history of industrial countries, neglecting the specific conditions of countries moving toward a market economy. Historical evidence and the different path followed by the so called *Asian tigers* point to a different scenario in which property rights (whose consolidation is central to the investment climate approach) were subject to alteration, incentives were managed to encourage the acquisition of technologies by the emerging capitalist class, and the rapid structural change toward a capitalist economy was firmly managed by the state (Khan 2000; Khan 2002; Khan 2005). But above all, the most critical point remains that, "the good governance and investment climate approaches are bypassing the difficult questions about social transformation" (Khan 2005, 4). Changing regulations and policies in the economy affect the organization of societies with broader consequences than the number of days to open a business or the tax rate.

The effects of IFIs' policies within post-conflict countries is evidence that a different scenario from the one envisioned by IFIs occurred. As a consequence of the liberalisation of exchange rates and the inflationary effect of aid inflows during the first period after a conflict's end, IFIs' policies tend to shift the balance in favour of foreign companies and weaken domestic companies (Woodward 2013, 152). Local firms are crowded out as a result of the competition with foreign firms. Especially small and medium-sized enterprises—the core of the private sector development strategy—suffer from the effects of these stabilization policies. Scholars have also criticized the role of IFIs in post-conflict statebuilding on other grounds, such as IFIs' legitimacy and the congruence of their policies with the broader political scope of post-conflict statebuilding. IFIs programmes in post-conflict countries are not substantially different from "business as usual." But "business as usual" and "business in conflict" differ in at least two remarkable aspects. First, IFIs exercise a greater leverage on conflict and post-conflict countries where national governments have been weakened by the conflict or are just emerging from it (Boone 2007, 532). In other cases, IFIs have been working in the absence of a national government replaced by a

72

multilateral administration (Kosovo, East Timor, Iraq, and Afghanistan). The structural weakness of local governments is often the reason why IFIs are involved in international interventions for statebuilding. The legitimacy of the policy-making process in such conditions cannot but be weak and this weakness undermines a central tenet of statebuilding: the authority of the state. IFIs' lack of transparency in their terms of engagement and operational programmes further undermines the legitimacy of the process as a whole (Woodward 2013, 141).

Second, the congruence of IFIs' policies with the broader political scope of post-conflict statebuilding is questionable. Woodward (2011, chapter 5) summarises the problem by stating that: "because World Bank assistance requires a prior agreement with the International Monetary Fund (IMF), and an IMF agreement requires a prior settlement of a country's debt arrears, economic policies for peace are not formulated in terms of their contribution to peace but in terms of policies necessary for aid". This policy divergence is likely to lead to a clash of political and economic objectives (Del Castillo 2010, 82). Just as importantly, a highly focused (and normative) approach in terms of "doing business" runs the risk of obscuring the political drivers behind economic activities as well as the political consequence deriving from them. In addition, the tendency to look at post-conflict societies only through the lens of formality depicts a scenario that lacks many of the facets contributing to its complexity— above all, informal economic activities.

3.2.2 *The United Nation system: from politics to economics*
The expanding role of IFIs in post-conflict peace/statebuilding has been encouraged by the UN, which has shown a shared understanding of the changing nature of development and conflict discussed in the previous section. The Brahimi Report (United Nations 2000, 8) recognizes the World Bank together with other UN agencies as being "best placed to take the lead in implementing peace-building activities". In 2005, the creation of the UN Peacebuilding Commission endorsed the contribution of the World Bank and the IMF as part of the working strategy of the Commission. The role of IFIs in conflict and post-conflict countries has also been affirmed by the UN Security Council: the Security Council Resolution 1483 (2003) and 1511 (2004) on Iraq made extensive reference to IFIs' role in the reconstruction process

and were at odds with previous practice (Boone 2007, 539). Whereas the importance of economic reforms in such contexts justifies the need of having specialized agencies on board, the different mandates of the UN—peace—and the IFIs—macroeconomic stability and economic development—have raised some objections to this strengthened relationship and led to question the Security Council's role as "an institutional enabler for IFI post-conflict reconstruction through the issuance of Chapter VII resolutions that condone IFI involvement and economic development" (Boone 2007, 515).

The UN's growing outreach in the economic domain has not only been limited to IFIs. During the last decade, the UN has increasingly partnered with economic actors.

> Never before in history has there been a greater alignment between the objectives of the international community and those of the business world. Common goals, such as building markets, combating corruption, safeguarding the environment and ensuring social inclusion, have resulted in unprecedented partnerships and openness between business, governments, civil society, labour and the United Nations. (UNGC 2008, 1).

In 2000 the UN Millennium Declaration set out an ambitious agenda for reaching the Millennium Development Goals and business leaders were identified as key partners to accomplish the mission. At the World Economic Forum in 1999, then-Secretary General Kofi Annan proposed the UN Global Compact and called business leaders to collaborate with the UN. A year later, the United Nations Global Compact (UNGC) was launched as a voluntary initiative with a twofold objective: mainstreaming the ten principles in business activities around the world and catalysing actions in support of the UN goals.[8] Initially composed of 40 organizations, in 2013 the UN Global Compact involved the participation of 8,000 companies from 140 countries out of an estimated 70,000 multinational companies and millions of smaller companies worldwide (UNGC 2013, 5). According to the UN publication *Building Partnerships,*

---

8 The Ten Principles of the UNGC are: Principle 1) Businesses should support and respect the protection of internationally proclaimed human rights; Principle 2) Make sure that they are not complicit in human rights abuses; Principle 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4) The elimination of all forms of forced and compulsory labour; Principle 5) The effective abolition of child labour; Principle 6) The elimination of discrimination in respect of employment and occupation; Principle 7) Businesses should support a precautionary approach to environmental challenges; Principle 8) undertake initiatives to promote greater environmental responsibility; Principle 9) Encourage the development and diffusion of environmentally friendly technologies; Principle 10) Businesses should work against corruption in all its forms, including extortion and bribery.

cooperation between the United Nations system and the private sector (Nelson 2002) there is a growing need to have "business on board" in order to achieve good governance, fair and efficient markets and civic engagements—the three pillars for global progress identified in the UN publication.

In July 2003, then-Secretary General Kofi Annan convened the UN Commission on the Private Sector and Development—a United Nations Development Programme (UNDP) initiative. Since up until then "the UN has only sporadically tapped the power that can be drawn from engaging the private sector in the work of development",[9] the Commission was created as a body to systematically provide a framework for unleashing the potential of the private sector in developing countries and for engaging the existing private sector in order to achieve this goal. The report *Unleashing Entrepreneurship* (United Nations 2004) presented to the Secretary-General offers a framework in which the private sector has become central in both the demand and provider side of development: the private sector is simultaneously an actor to be built and an actor who can contribute to building itself. This approach was consolidated in the 2012 UNDP's Strategy for Working with the Private Sector that focuses on private sector engagement (provider side) and private sector development (demand side) (UNDP 2012).

During the 2000s an increasingly shared discourse amongst the UN and NGOs on corporate social responsibility has grounded the alignment between the UN and business. In 2008 John Ruggie—secretary general on the issue of human rights and transnational corporations and other business enterprises—launched a new initiative to "anchor the business and human rights debate" (UNHRC 2008, 1). The "Protect, Respect and Remedy" framework establishes that the state has the duty to protect its citizens from human right abuses, business has the responsibility to respect human rights, and citizens needs more effective access to remedies. The proposed guiding principles were endorsed by the UN Human Rights Council (UNHRC) and provided a standard for preventing human rights abuses in relation to private sector activities (Andersson, Evers, and Sjöstedt 2011, 11). Within this debate, the UN and NGOs began to consider what role the private sector could play in conflict prevention and resolution, an

---

9 UNDP Commission on the Private Sector and Development, *Background*. UNDP website. Available at: http://bit.ly/1KhUm3n [accessed on: 5 January 2015].

issue addressed in the "Protect, Respect and Remedy" framework as well as in other initiative such as the Kimberly Process (2003) and the Extractive Industries Transparency Initiative (EITI) in 2002 (Haufler 2010).

Various voices have criticized the strengthened partnership of the UN with the private sector and raised concerns on issues ranging from the growing influence of business on the policy and decision-making process, to the conflict of interests, which may arise from such partnerships, and the lack of enforcement provisions. NGOs such as Corporate Watch had campaigned against the growing weight of business in the UN along with some developing countries. According to the latter, the strengthened partnership of the UN with the private sector may further advance corporations' interests rather than contribute to overcome development challenges (Bruno and Karliner 2000, 9). Above all, the main concern is the extent to which there could be a full convergence between the public interest—as enshrined in the UN—and the private interests of businesses into a common vision for sustainable development.

That said, cooperation between the UN and the private sector and the UN effort to support the private sector in developing countries is not completely new. For instance, in 1988 the United Nations Conference on Trade and Development (UNCTAD) coordinated the programme *Empretec* with the objective of supporting small- and medium-sized enterprises in developing and transitional economies in Latin America, and this project served as a model for the UNDP's Africa Enterprise initiative (Nelson 2002, 55). However, since the end of the 1990s, the number and scale of similar programmes and of initiatives in partnership with the private sector have increased to such an extent to represent a qualitative change in the approach to economic development. Recalling the debate on democratization and civil society, there has been a shift from considering the institutional environment to considering the actors operating in this environment. As civil society is expected to positively shape its environment toward democratization, the private sector is expected to positively shape the economic environment and contribute, as a consequence, to the process of statebuilding overall.

3.2.3 *Identifying factors behind the central position of the private sector*

During the last decade, the prevalent approach in both the IFIs and the UN has narrowed the gap between politics and economics. As both a donor and a beneficiary, the private sector has been recognised at the declaratory level as a central actor in this new approach. On the donor side, corporations have been called to exert their authority in conflict zones, with the increasingly fragmented governance of conflict prevention and resolution. On the beneficiary side, international institutions and organisations, and donor countries have started to devote an increasing proportion of resources to the (domestic) private sector and to design it as a key stakeholder in peace/statebuilding. According to Richmond and Pagodda (forthcoming, 12) shifting funding schemes from civil society to small- and medium-sized enterprises and the state is a way to "penalise peace formation and to exert sanctions on its actors and organisations".

In parallel, a growing body of policy papers and reports produced by international organizations and NGOs has consolidated the strategic role attributed to the private sector. The publication *The business of peace* (Nelson 2000) by the Council for Economic Priorities, International Alert, and the Prince of Wales Business Leaders Forum set the agenda for corporate business in conflict prevention. In addition, in the mid-2000s key publications emerged and framed the role of private sector in post-conflict reconstruction (United Nations 2009; USAID 2009; Bagwitz et al. 2008). Besides those organizations with a specific focus on the private sector, such as CIPE[10] or DCED[11] other organizations, government units, multilateral donors, interagency groups, and research institutes have begun paying increasing attention to the economic dimension of post-conflict statebuilding and, more specifically, to the private sector. Among others, Sweden, Great Britain, the US, France, and Germany have created government units to address private sector development; NGOs and multilateral organizations such as International Alert, Oxfam, the European Commission (EU) and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) have moved in this direction along with non-OECD donors such as Arab Bank for Economic Development in Africa (BADEA) and

---

10 The Centre for International Private Enterprise (CIPE) was founded in 1983 to promote democracy and development through the private sector.
11 The Donor Committee for Enterprise Development (DCED) was founded in 1979 to share and produce knowledge on best practices in the business domain.

the Islamic Development Bank (IDB) (Mac Sweeney 2008, 13).

According to the World Bank (2013, 9) "multilateral and bilateral development institution investments to finance the private sector have grown substantially over the last 10 years to reach some [USD] $40 billion annually". All these agencies and centres are engaged in "developing, accumulating and disseminating knowledge" (Hameiri 2010, 102). As the numerous agencies concerned with post-conflict reconstruction, "they play a central role in generating the considerable degree of ideological consensus that has emerged in relation to dealing with fragile states" (Hameiri 2010, 102). All of these examples show that the private sector has been mainstreamed as a policy solution for development and post-conflict reconstruction. However, while the rhetoric of private sector-led recovery has gained momentum, the practice of private sector development has not always translated into clear, structured, and coherent sets of activities.

According to Haufler (2010, 108) the emerging business-and-conflict agenda is one in which "NGOs (advocacy organizations, think tanks, and foundations), governments, the UN, and the World Bank all attempt to establish new responsibility for another group of actors: the private sector". In other words, the private sector was called to exert a greater role in the politics of conflicts, due to its special role therein. Indeed, economic explanations of conflict have brought to the fore the problem of resources in escalating and perpetuating conflicts, thus problematising the role of those actors mobilizing resources. Big corporations have been the first target of "name and shame" campaigns, such as the blood diamonds campaign that successfully lead to the launching of the Kimberly Process. NGOs have been at the forefront of the process of issue definition and agenda setting, determining the affirmation of the private sector as a critical actor in conflict prevention and resolution (Haufler 2010). A further logical step involved the expansion of the agenda from conflict prevention and resolution to include the (domestic) private sector as a critical actor in post-conflict peace/statebuilding interventions.

Following the "logic of appropriateness"[12]—whereby actors act "in accordance with rules and

---

12 The "logic of appropriateness" is opposed to the "logic of expected outcomes," according to which actors make rational decisions based on their calculations of expected outcomes. Although the two logics are conflictual they are not mutually exclusive. According to March and Olsen (1998, 952), "political action generally cannot be explained exclusively in terms of either consequences or appropriateness. Any particular action probably involves elements of each".

practices that are socially constructed, publicly known, anticipated, and accepted" (March and Olsen 1998, 952)—the private sector has been presented as an entity that fulfils the collective expectations about its proper behaviour (Jepperson, Wendt, and Katzenstein 1996, 54; Finnemore and Sikkink 1998, 891). Scholars and analysts have defined the private sector as central to economic development since it creates employment opportunities, supplies capital for production, and makes international markets more accessible (Turner, Aginam, and Popovski 2008, 2). Similarly, they have defined the private sector as central also to the political and social processes of post-conflict countries, by advancing the arguments that the private sector cuts "across ethnic and religious lines, where rules-based competition is the cornerstone" (World Bank 2011a, 122); it operates across socioeconomic strata and reduces inequalities (Peschka, Emery, and Martin 2011); and it helps "weave nations and people together" (Nelson 2002, 3). Its centrality has also been strengthened by the rhetorical contrast of "a dynamic, innovative, competitive private sector versus a sluggish, bureaucratic, inertial, 'meddling' public sector" (Mazzucato 2011, 17). Beyond its economic function, policy-makers and post-conflict pundits have conferred a political function on the private sector, without recognising its political role. This normative model has certainly contributed to the socialisation—"the process by which norms are internalized and implemented domestically" (Risse and Sikkink 1999, 5)—of the role of the private sector and its contribution to post-conflict statebuilding. This normative model stands within a liberal worldview that "confers normative and moral authority on to certain policies … and simultaneously makes others … a problem or deviation to be explained [and] defines both the problems which these new 'ideas' are called upon to solve and the range of acceptable responses to these problems" (Laffey and Weldes 1997, 202).

Material factors cannot, however, be neglected when analysing the emergence of the private sector on the international agenda. To begin with, most assets worldwide are no longer owned by states but by the private sector. By leveraging these assets, the private sector has increasingly played a role not only in wealth creation but also in influencing and orienting the policy-making process and the environment in which it operates (Evers 2010, 4; Gerson 2001, 107). As a matter of fact, the comparison of corporate sales with national GDPs shows that in 2002, 51 of the world's largest economies were companies (Nelson 2002, 17). Second, the worldwide economic landscape has changed: in a recent

79

strategy paper, the World Bank acknowledges that "developing countries' strong economic performance over the past two decades is shifting the world economic centre of gravity to the south and east" (World Bank 2013, 8). The economic growth of developing countries has outpaced (in aggregate) that of developed countries and some of these countries—Brazil, Russia, India, China and South Africa (BRICS)—have started working to form their own development banks (Lowrey 2013), potentially in competition with the World Bank itself.

The major challenge for the World Bank and other donor institutions is coming precisely from the private sector. Not only do private foundations increasingly compete with government funds for the provision of aid; but also, the private sector is increasingly representing an alternative way of capital transfer worldwide. As the World Bank (2013, 9) recognises,

> private investment has become the dominant mode of capital transfer worldwide. Net private capital flows to developing countries are now on the order of [USD] $1 trillion per year, with an increasing share representing South-South investment; worker remittances are also increasing rapidly and are projected to reach [USD] $500 billion by 2015. Together, these private flows dwarf official development assistance (ODA) of about [USD] $125 billion annually.

The OECD with reference to fragile countries also acknowledges the growing incidence of private flows in the form of foreign direct investment. Figure 3.1 shows the relative importance of different sources of financing going to developing countries. Although foreign direct investment (FDI) and private debt and portfolio equity are undoubtedly more volatile, they represent together with remittances an important alternative to official development aid. The changing mode of capital transfer worldwide contributed to re-considering the architecture of aid assistance and intervention in third countries. The new status of the private sector on the international agenda is not merely a coincidence.
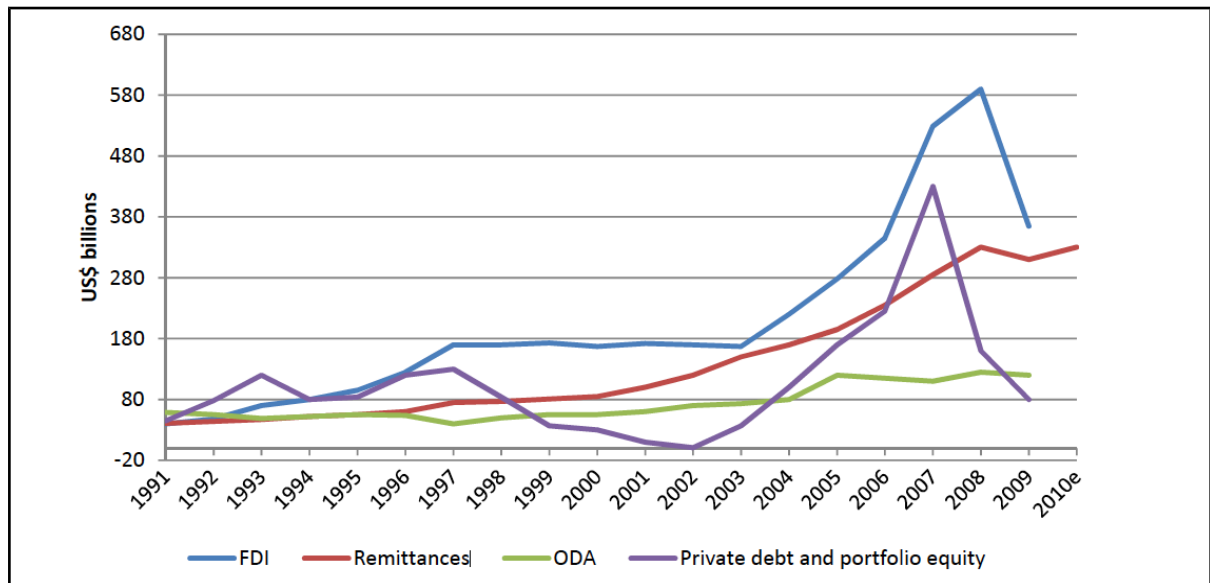
Figure 3.1: FDI, remittances, ODA, and private debt and portfolio equity flows to developing countries (1991-2010) in USD billions.

Lastly, the role of business in conflict and post-conflict countries has become more important as a result of the changing nature of conflict and of the changing nature of doing business (Nelson 2002, 210). The greater amount of resources the private sector can mobilise worldwide and, as a consequence, the greater role it can play as a potential facilitator or spoiler opens the door to business opportunities in the politics of statebuilding. However, the growing economic leverage of the private sector is not homogenous: disparities exist in both the geographical distribution of companies as well as in their size, most likely contributing to perpetuating the power imbalance between intervening actors and post-conflict societies.

The material factors that have brought the private sector to the centre of the international debate are themselves a product of neoliberal policies. Privatisation has reduced the ownership of assets on behalf of national governments and favoured the increasing influence of the private sector. Liberalisation has triggered investment flows worldwide, which concentrate mostly in strategic sectors and target economies independently from political considerations (Nelson 2000, 16–17; Evers 2010, 10). In order to deal with such changing environments, the proposed policy direction is—in line with the neoliberal agenda—to provide the private sector with augmented tools to act worldwide. The growing attention

toward the private sector has not excluded those realities such as post-conflict countries in which the private sector is often weak in the domestic and international economy. In these contexts, the private sector becomes the key stakeholder since it can bear the cost of full recovery—something that donor agencies can sustain in the short-term but not in the long-term—and can generate employment opportunity and incomes that outlast donor's aid (World Bank 2011a, 200). Above all, the private sector, due to its nature, is not expected, at least in theory, to alter the relationship between the state and the market as it is conceived by the international agenda for statebuilding.

In sum, the "logic of appropriateness" and the "logic of expected consequences" mutually reinforced each other in pushing the private sector to the top of the international agenda for statebuilding. The prevailing neoliberal discourse has further facilitated the current process by providing the overall framework in which to situate and justify the role of the private sector. The normative and material factors behind this development show another aspect of the conflictual nature of statebuilding. In the case of the private sector in post-conflict countries, this mutually reinforcing tendency has produced two effects: first, the private sector has gained centrality as a vague notion which masks those elements of differentiation that make the private sector a composite and complex actor. Second, and perhaps most importantly, the rise of the private sector to the centre of the political agenda for statebuilding has generated a paradox: having ruled out any direct role for the state in the economy, the task of developing a vibrant private sector has shifted from domestic governments to international actors. The ambitious role of developing the private sector as the engine of growth is now part of the vocabulary of post-conflict interventions and, consequently, it attracts large portions of fundings. Yet, the actual achievements in this domain have remained partial and inconsistent, showing a degree of discrepancy between rhetoric and practice.

3.3 The private sector in conflict and post-conflict contexts

The now extensive use of the term private sector in the policy debate shows some inconsistency due to the variety of actors, which can be included in such category. The terms private sector, entrepreneurship, and business are often used interchangeably despite having different connotations: the term business is

often associated with big interest groups and companies whereas the term entrepreneurship is more likely used to refer to small and medium-sized enterprises. This inconsistency shows precisely the heterogeneity of the category.

3.3.1 *Characteristics of the private sector in conflict and post-conflict contexts*

The private sector is that part of the economy that is not owned or controlled by the state. Its first characteristic is therefore its *private nature*. Private actors, however, comprise also civil society actors (NGOs, grassroots associations, and social and political movements). What distinguishes the private sector from civil society is the scope of their activities: the private sector is that part of the economy not owned or controlled by the state which is engaged in profit-driven activities (Banfield, Gündüz, and Killick 2006, 17). The for-profit condition should be relaxed in order to include in the category also those organizations such as chambers of commerce or business associations whose mandate is not for profit but whose membership is consistent with the definition of the private sector. These organisations represent the interest of businesses and are distinct from corporate philanthropic foundations whose scope is more similar to that of civil society, despite being run by and dependent on businesses (Nelson 2002, 10 and 319). These basic features—private nature and for-profit—leave the category of the private sector open for further differentiation that does not alter the definitional boundaries of the category at all. Box 3.1 provides an overview of key dimensions of differentiation among private sector actors to provide further explanation regarding this aspect.

As far of the organisations representing the private sector are concerned, a key differentiation is between their voluntary and compulsory membership. Chambers of commerce come in both ways. Especially in Europe, chambers of commerce are often public bodies with compulsory membership according to which every enterprise has to register. When membership is not compulsory, the chamber of commerce has more limited representativeness. Non-compulsory membership is typical of business associations. Another distinction, which often derives from the type of membership, is between the lobbying or consultative functions of these organisations. When chambers of commerce are public bodies (compulsory membership) they often have consultative functions and the business-state dialogue is

institutionally regulated. When, instead, associations have exclusively lobbying functions their relation with the state depends upon the capacity of the organisation to exercise its influence. Lastly, these organisations often have a local or sectorial mandate. The complexity of the organisational structure of the private sector is, on one hand, the result of the structure of the economy, and on the other, an indicator of the private sector's capacity to represent itself vis-à-vis state and society.

Box 3.1 Dimensions of differentiation among private sector actors.

The first dimension that differentiates private sector actors is their ***relative location***. The domestic private sector is the spectrum of companies, entrepreneurs, and business organisations located inside an economy. Foreign private sector actors are instead those operating in an economy different from the economy of origin, through foreign direct investment or by establishing commercial partnerships. Today's level of economic interdependence makes this distinction often difficult: in a globalised economy is not always easy to situate a company within national boundaries and multinational and transnational companies go, by definition, beyond any territorial connotation. The diaspora private sector also stands at the crossroad of territorial boundaries: in many ways it is similar to the foreign private sector but it differs from the latter in term of the strength of the ties with the economy of origin.

The second dimension that differentiates private sector actors is their ***size***. The number of employees and the annual turnover (revenues from a company's activities) are often used to define the size of a company even though there is not a universal agreement on these criteria. The commonly made distinction is between small and medium-sized enterprises and large companies. According to the European Union, small and medium-sized enterprises are those companies that employ less than 250 employees and have a annual turnover of less than 50 million euro (EU Commission 2003). According to the size, the private sector is better understood as a continuum where, at one extreme, there is self-employment and, at the other extreme, there are giant companies located across several economies. Small and medium-sized enterprises are generally considered closer to the reality in which they operate and, thus, more prone to advance a local agenda, whereas multinational and transnational companies have a global agenda irrespective of the location where they operate. Small and medium-sized enterprises are the main target of programmes for the development of the private sector as they are considered essential for growth and employment generation. In contrast, Mazzuccato (2011, 37–38) argues that, although this responds to the claim that "small is beautiful", it is not the size of an enterprise but its age that determines its contribution to growth. Although most young high growth enterprises are small not all small firms are high growth. Small firms, the argument goes, constrained by their size, have usually low wage, low skilled labour, low innovation capacity and are more prone to crisis.

The third and last dimension that contributes to the analysis of the private sector is the ***sector*** in which it operates, determining most of its characteristics, such as whether it is labour-intensive or capital-intensive, or whether it depends on physical or non-physical assets. In addition, the sector of specialisation often determines the position of the private sector in an economy: *strategic* and *non-strategic sectors* play a different role and attract different interests. All these dimensions—relative location, size, and sector—interact and contribute to define the private sector as a heterogeneous actor. As such, the private sector is better understood as a plurality with various and often competing interests as well as competing strategies. Its position within an economy depends on these dimensions but it is also subject to changing opportunities and circumstances.

These dimensions find representation in post-conflict countries. In these contexts, however, other aspects become important for the analysis: the *type of activities* the private sector engages in and the *position* it holds in the broader society are key aspects for consideration. This further analytical differentiation can be applied to other contexts; however, in post-conflict countries it holds specific significance due to their unique conditions. With reference to the *type of activities*, the private sector can operate in the formal or in the informal, and extra-legal domain. The formal domain represents all those registered and rule-abiding activities whereas the informal and extra-legal domains represent a range of activities that span from survival-strategy business activities to illegal trafficking, and other criminal activity. A neat separation between the two is often difficult to establish empirically; nonetheless, it is analytically relevant when seeking to understand the role of the private sector in post-conflict countries. The literature has explored the informal and extra-legal economy in post-conflict countries (Strazzari and Kamphuis 2012; Pugh 2011; Chang 2002; Giustozzi 2006). However, scholarship often analytically favours the informal and the extra-legal in their (frequently collusive) relationship rather than as instances of the broader spectrum of private sector actors in their various manifestations.

Second, the *position* of the private sector in the broader society refers to the relationship between the private sector and the political/ruling élite as well as its relationship with identity-based groups (ethnic or religious). In the first case, the private sector can be situated at any point of the continuum from independence to identification with the political ruling élite. The latter extreme is often referred to as state capture, alluding to the takeover of state structures on behalf of interest groups. (Neo-)patrimonial, corrupted, and clientelistic networks of power push the private sector toward this extreme, adopting different forms according to the socio-political and economic context. A blatant example is Hosni Mubarak's inner circle of trusted companions that sustained itself thanks to its deep control of the economic keys of the country and its collusion with the business élite. In the second case, the relationship between the private sector and identity-based groups is not important in itself (as individuals, private sector actors are likely to identify themselves within an identity group). Rather, it becomes important when this relationship serves the purpose of reinforcing ethno-religious divisions. Bosnia and Herzegovina is a case in point where the links between business and ethnic groups reinforced

the exclusionary nature of the post-conflict arrangement (Banfield, Gündüz, and Killick 2006, 24–25).

During a conflict or at the end of it the private sector undergoes a dramatic process of change. Among the first consequences of conflict, the economic structure experiences a loss (or a transfer) of assets, which produces market disruption, the destabilization of the property rights system, and macroeconomic shocks such as the drastic weakening of the national currency or financial disruption (Mac Sweeney 2008, 17). In this course, private sector activities do not stop, but rather, adapt to a changing environment: some sectors might flourish, other might lose predominance; previously leading businesses (often linked to the political/ruling élite) either re-position themselves in the new environment or have to leave the country. These elements hint at the limits of the view of "conflict as development in reverse". Rather, they constitute part of the argument that conflict "is not a stupid thing" (Cramer 2006) as it opens new accumulation strategies for conflict actors.

As a consequence of such drastic changes, two elements emerge as characterising the private sector in post-conflict society. The first and related to the *types of activities* is informality, which derives from the breakdown of political and social institutions. Informality might have characterised also the pre-conflict situation, but conflicts disrupt not only formal but also informal political and social institutions, which need to be re-negotiated after the conflict. Informality ranges from the small-scale level to the high level and it can represent a survival strategy or a coercive attempt to assume control of major assets. The second element is the predatory nature of some elements within the private sector (Mac Sweeney 2008, 21), irrespective of their size, relative location, or sector. It is indeed true that conflicts open new markets whose profitability can be captured by opportunistic businesses. A predatory private sector can operate in the formal or informal, extra-legal domain and it can take many forms. However, its predatory nature is likely to derive from the *position* the private sector holds within society.

The prevalent informal and predatory nature of the post-conflict private sector well illustrates that the private sector "can never be a neutral actor": in other words, the "business of business is [not only] business" (Banfield, Gündüz, and Killick 2006, 75-76). The private sector is both an economic and political actor, which acts in an economic and political space, and it is not detached from power and

power relations. The private sector reflects the broader environment in which it operates: when the environment is distorted, the private sector is likely to be distorted and to contribute to distort the environment. When the legitimacy and authority of the new government is weak and society fragments as a result of social tensions, for example, the private sector cannot help but be part of these broader dynamics, adapt to them, and even contribute to them.

3.3.2 *Private sector development: the rationale*

Private sector development is now considered an essential part of the statebuilding agenda in order to move the private sector along the axes from the informal and extra-legal to the formal, on one hand, and from identification with the ruling élite to independence from it, on the other. Previously, economic aspects of post-conflict statebuilding have been addressed by engaging with the public—the national government or multilateral administrations—as well as by engaging with civil society organisations working on service provision or micro-finance schemes. The latter, despite being private entities have been generally recognised as having a public mandate. Dealing with the public was expected to contribute to the much-needed legitimacy of the new government (Mac Sweeney 2008, 14). Private sector development, as a new approach aims, instead, at including the private sector as a key stakeholder in statebuilding. As discussed previously, the private sector comes in different forms: including it as a key stakeholder means dealing with a wide spectrum of actors, ranging from foreign or domestic high-level businesses, small- and medium-sized enterprises, as well as multinational and even transnational corporations.

With regards to the foreign private sector, the prevailing argument in most international policy centres for statebuilding is that foreign investment are much needed in post-conflict countries in order to inject capital and knowledge for the reconstruction. Investment-friendly policies have been adopted as part of the overall economic recovery strategy in most post-conflict countries. Generally speaking, solid macroeconomic policies and stable institutional and political systems are considered the requisite conditions for attracting foreign investments. As they do not guarantee these conditions, the literature does not view fragile and post-conflict countries as desirable markets to foreign investors. Contrary to

expectations, recent data has shown a four-fold increase in the flow of FDI to these countries in the period 2000-2009 (OECD 2011). This trend has many causes including the regulatory framework in the host state and the nature of the investment project. Indeed, FDI is not a homogeneous category: investments differ in terms of profile (i.e., whether they are resource-seeking, market-seeking or efficiency-seeking); type of capital, (i.e., whether they possess physical or non-physical assets); and type, characteristic, and relative intensity of inputs, (i.e., whether they rely primarily on capital or labour) (Mihalache-O'keef and Vashchilko 2010, 147).

In contrast to the predominant view on the positive effects of FDI, part of the literature acknowledges that a strong injection of foreign investment runs the risk of creating a parallel economy detached from the local one and not always beneficial to local development, as it attracts foreign workers, repatriates profit, and creates inequalities (Mac Sweeney 2008, 35). Moreover, policies aimed at attracting foreign investors do not necessarily contribute to developing the local private sector. This is something rarely acknowledged in post-conflict countries since the beneficial effects of an open economy are considered to be non-discriminatory.

With regards to the domestic private sector, private sector development programmes have become the new orthodoxy in post-conflict countries. A vast range of actors, such as the UN, the World Bank, international or national donors, and NGOs, have promoted them. Unexpectedly, also the military has engaged to various degrees with these programmes. The Provincial Reconstruction Teams—the semi-military/semi-civil provincial administrations in Afghanistan and Iraq have targeted the private sector among their programmes. Similarly, the Dutch IDEA, a joint organisation between the Ministry of Defence (MoD) and the Confederation of Netherlands Industry, has promoted private sector development initiatives in Afghanistan since 2001, after its previous operations in Bosnia and Herzegovina (Mac Sweeney 2008, 140). As will be discussed in Chapter 5, the US military has also been heavily involved in such practices in Iraq.

Private sector development has the ambitious objective of moving the private sector from the informal and extra-legal to the formal spectrum of activities and from identification with the

political/ruling élite to independence from it. In the standard model, it seeks to progressively move business from the condition of state capture to that of a vibrant, growth enhancing private sector (see Figure 3.2). This ambitious objective translates into different types of intervention that can be grouped around two major approaches (Mac Sweeney 2008, 50-67): the first adopts a more indirect stance and concentrates on building a conducive "investment climate" covering macro-economic policies, fiscal regulations, and the rule of law. In this respect, the World Bank' Doing Business Project is central. Typically, this approach consists mainly of providing advice to governments on legal reforms (i.e., taxation), business regulations (i.e., registration or complaint mechanisms), and institutional design (i.e., central banking) (Mac Sweeney 2008, 60–67). The second approach adopts a more interventionist stance toward the private sector based on the argument that a good investment climate is not sufficient for the development of a healthy private sector. Therefore, it acts more proactively toward changing the private sectors on the ground, by promoting direct interventions targeted at specific clusters of business elements (either sectorial, size-related, or location-related); strengthening market linkages, building or re-shaping business organisations and associations, or managing access to micro-finance (Mac Sweeney 2008, 51-59). The "investment climate" approach is more structural and seeks to modify the overall economic structure from where the private sector will automatically emerge. On the other hand, the more interventionist approach is actor-oriented: it seeks to create the actors who, in turn, will shape the environment according to their necessity. Despite these differences, the two approaches usually come together in most post-conflict statebuilding interventions; however, the actor-oriented approach has been mostly neglected by scholars.

Position vis-à-vis the ruling elite

Independence

vibrant, growth enhancing PS

Private sector development

Type of activities

informal, extralegal   formal

state capture

identification
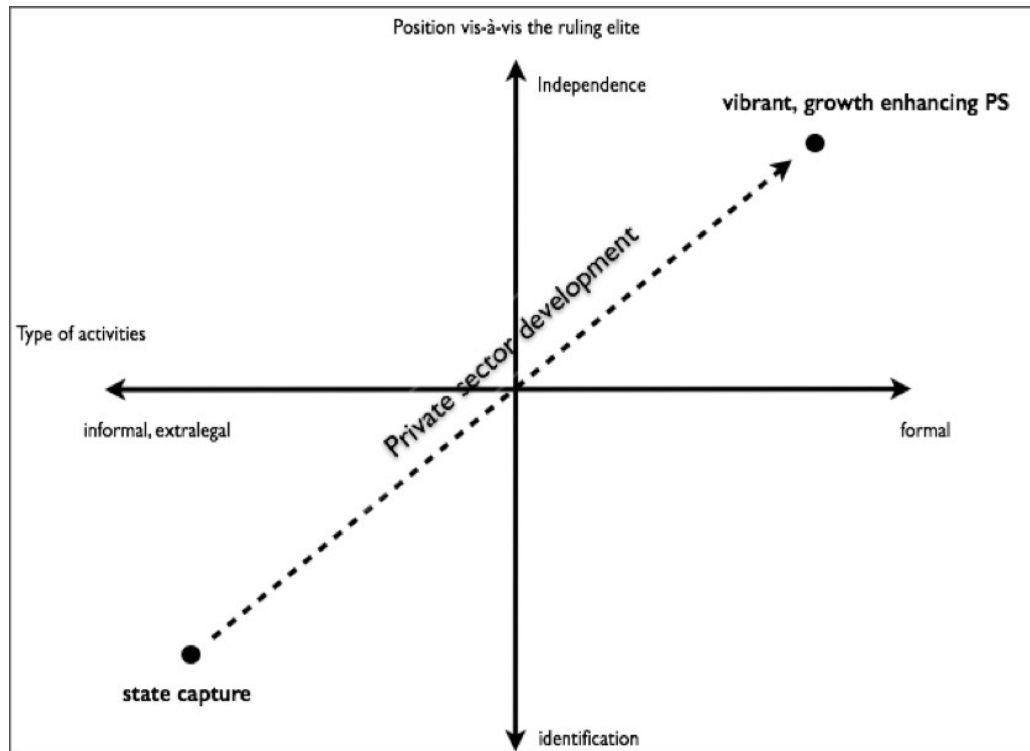
(Source: my own elaboration based on the literature on private sector development in post-conflict situations)

Figure 3.2: The Private sector (development): dimensions and expected trends

As a young field of research, the literature on the private sector in post-conflict countries is far from having provided a solid reading of the different aspects and implication of the private sector in post-conflict countries, although the last ten years saw a proliferation of publications, mainly consisting of policy papers and reports (Evers 2010, 6). This literature stems from the scholarship on the economy of conflict. Whereas the recent but established understanding of conflicts as driven by economic factors and having economic impacts has streamlined the category of "conflict entrepreneurs", part of the literature on post-conflict private sector has essentially sought to create the category of "peace entrepreneurs". The distinction between "peace entrepreneurs" and "conflict entrepreneurs" hides two interpretations: on one hand, the neoliberal interpretation of the private sector as an uncontested positive actor in the overall economic, political, and social system; on the other hand, an understanding of the private sector as inherently connected to the dynamics of conflicts, thus playing a negative role in the eruption and continuation of conflict (Evers 2010, 4). This second interpretation does not prevent to address the questions concerning *how to transform* the negative character of business into a positive element for

91

post-conflict recovery (Banfield, Gündüz, and Killick 2006, 22-23).

Consistent with the dual reading of the private sector as either a positive or negative driver of economic development, part of the literature on post-conflict private sector has focused on the role played by (usually big and strategic) domestic and foreign businesses in peace negotiation (Banfield, Gündüz, and Killick 2006, chapter 1). Central to this literature is the argument that the private sector can gain from and mobilise "peace dividends" and, in turn, it can contribute to reaching a peace agreement. Scholarship has, for instance, investigated the support of the business sector to the peace process in South Africa or El Salvador (Fourie and Eloff 2006; Rettberg 2006). However, this literature does not exclude the potential "spoiler effect" of business leaving the ground open for conflictual interpretations. Another stream of the literature has attempted to understand the role of the private sector as an appeasing actor in the post-conflict environments. In this research area, studies have investigated the recruitment policies of businesses in divided society to explore the impact of business on society. Whereas Amnesty International concluded that employment policies perpetuated ethnical discrimination in Bosnia and Herzegovina (Amnesty International 2006), other studies have pointed out the positive outcome of employment policies, such as in the case of Bralirwa (local subsidiary of Heineken) in Rwanda (Andersson, Evers, and Sjöstedt 2011, 30-37).

The literature on the private sector in peace/statebuilding has some limitations. First, it primarily addressed individual cases, and among these there is the tendency to focus on multinational or transnational corporations, the impact of which, although important, is difficult to extend beyond the individual company (Evers 2010, 4). Second, the literature tends to be normative which makes it difficult to move beyond the positive/negative divide toward a more robust contextual analysis, most likely to deconstruct the boundaries of this dichotomy (Banfield, Gündüz, and Killick 2006, 89). Third, research on post-conflict private sector is plagued by the difficulty of finding accessible data and with poor analytical tools to investigate the impact of the private sector on post-conflict peace/statebuilding as a process and not on sporadical events (Evers 2010, 18). In order not to perpetuate these limitations, this study approaches the issue of private sector development as part of the interplay between statebuilding and state formation.

In conclusion, some of the arguments presented in this section are similar to those found in the literature on civil society in post-conflict countries: from the definitional boundaries and its heterogeneity, to the relative position in society and its role vis-à-vis the state. However, whereas a dense body of literature has acknowledged the limits of a normative view of the role civil society, suggesting a move away from the a-critical position according to which a vibrant civil society will automatically thrive democracy and good governance, the literature on the private sector in post-conflict statebuilding is still too under-developed to reach such a conclusion. Many of the aspects of the private sector in post-conflict statebuilding remain under-explored and need further investigation.

Conclusion

As a set of policies for international interventions in post-conflict countries, statebuilding aims at reconstructing the relationship between the state, society, and the market. According to the blueprint behind these interventions, the state should play an enabling role that allows (civil) society and the market to lead a transformative process toward democracy, market economies, and peace. This blueprint includes efforts for the creation of a neoliberal model of the state as well as efforts at shaping private (non-state) models. A focus on private (non-state) models can be dated back to the 1990s and to the growing attention paid to civil society in post-conflict countries. The development of the private sector is a further step in this direction.

With the convergence between peace, security, and development, "policy-makers came to recognise the importance of working with the private sector as an influential international actor" (Barbara 2006, 581). Once considered an ambiguous and potentially damaging actor in conflict dynamics, it is now widely considered a potential partner for conflict resolution and post-conflict reconstruction. However, the private sector entered the international agenda for statebuilding as a vague notion that has misleadingly depicted the private sector as "economic, apolitical and accommodating development partner" (Barbara 2006, 582). Based on this interpretation, the private sector has been called to exert an economic function—creating job opportunities, supplying capital for production, and facilitating access to international markets—and a political function—cutting across religious or socio-

economic strata and favouring national cohesion. The excessive and sometime public-like functions the private sector is called to exert reinvigorate the significance of interrogating this development theoretically and empirically. Chapters 5, 6, and 7 evaluate key aspects of this policy in Iraq and Libya by questioning how the statebuilding agenda shapes the positioning of the private sector in post-conflict countries. Prior to exploring this and other issues, it is important to introduce the cases of Iraq and Libya. The following chapter places the so-far more general debate on the relationship between state, society, and the economy in the context of the Middle East and North Africa (MENA) region.

Chapter 4

From 'forced revolution' to revolution? Iraq and Libya in context

Revolutions are not made; they come. A revolution is as natural a growth as an oak. It comes out of the past. Its foundations are laid far back.

—Wendell Phillips, 1852

Chapters 1 and 2 discussed themes central to the analysis of international interventions for statebuilding and processes of state formation. Among them, the discussion focused on the state, the nation, and the problématiques related to the politics of intervention. However, the *universality* of the politics of statebuilding needs to be deconstructed in favour of a more contextualised analysis. The objective of this chapter is precisely to place these general themes in context by advancing a regional perspective. Within an analysis of the developments in the Middle East and North Africa region (MENA), the chapter provides a first comparative overview of the political trajectories of Iraq and Libya. A comparative analysis of Iraq and Libya does not in any way underplay the crucial difference between the preventive and un-authorised war and occupation of Iraq, on one hand, and the brutally repressed popular demonstrations that gave rise to the Libyan civil war, on the other. While acknowledging the crucial differences between the two cases, a comparative analysis provides a solid ground where to problematise

political, economic, and social dynamics linked to processes of state formation.

First, this chapter situates the state, its relationship with society, and the economy in the context of MENA, and specifically within the cases of Iraq and Libya. As for any other region in the world, historical developments, evolving relationships with the global economy, resource endowment, and cultural elements make this region specific but not exceptional. Moreover, MENA is not a homogeneous region. The discussion of political, economic, and social dynamics as regional ones should not hide the important differences that exist across countries. Rather, it serves the purpose of providing an analytical perspective that takes historical developments seriously.

Once specificities and peculiarities of the state in the region are clarified, the second part of this chapter re-focuses its attention on the international dimension by exploring the politics and motivations of intervention in Iraq and Libya. This chapter problematises the shift from "armed liberalism"—the tenet upon which the unilateral intervention in Iraq developed—to the "responsibility to protect"—the normative framework that allegedly drove NATO's military intervention in Libya. These different logics resulted in a similarly abrupt change of regime, whose implications for the state and its reconstruction are discussed in the chapter. The third and last section brings the analysis back to the domestic dimension by offering an overview of the actors involved in the process of statebuilding and state formation in Iraq and Libya: political élites, civil society, and the private sector. The analysis of actors in transition complements the so far more structure-centred debate on state, economy, and society relationships and it offers a novel illustration of the complexity of the Iraqi and Libyan cases.

4.1 States, nations, and peace in the Middle East and North Africa region

This section investigates the state and the nation in MENA by illustrating developments and characteristics common to the countries in the region.[13] Once these elements are presented, the analysis zooms in on the cases of Iraq and Libya.

---

13 The literature on the Arab state identifies two major categories of state experiences in MENA: states under the control of one-party regimes—Algeria, Tunisia, Egypt, Syria, Iraq, and after a first monarchical phase Libya—and states that come under the control of monarchical regimes—Morocco, Jordan and the Gulf countries—(Owen 2004, 24).

4.1.1 *The state in the Middle East and North Africa region*

The Arab state mixes the characteristics of a modern, post-colonial, and developing state. The Arab state is a *modern state* in that it is not the product of cultural or traditional legacies but it has been strongly influenced by external pressures. In the mid-nineteenth century, the Tanzimat period (1839-1876) saw the introduction of various reforms to entrench a modern government structure in the territory of the Ottoman Empire: reforms were aimed at centralising the bureaucracy, building new armies and educational systems, registering land ownership, and regulating taxation. Intended to match the growing power of Europe, the reforms were not successful in reversing the dependence from European powers. The related incorporation of the Ottoman Empire in the capitalist world economy translated into changing patterns of production and exchange (i.e., increase in agriculture production for export and progressive de-industrialisation) (Ayubi 1995, 86-87).

Second, the Arab state is a *post-colonial* state in that the colonial (and decolonisation) experiences influenced state formation. National states emerged between the late nineteenth-century century and 1930s as a result of the imposition of mandates by the dominant colonial powers, Great Britain and France. These powers introduced many of the functions of the state (e.g., legal system and centralised administration) as well as they contributed to some of the still today unsolved problems in the region (i.e.: contested boundaries and ethnic and religious tensions). Depending on the type of colonial rule and economic strategy, the colonial period influenced the domestic social structure of these newly formed states while fully integrating them in the capitalist economy, albeit in a position of peripheral dependency (Ayubi 1995, 96). The colonial period was critical to the process of state formation. Differently from North African countries, in most Middle Eastern countries, this process "was not the outcome of an integrative social process emanating "from within", but was largely the result of a disintegrative political process imposed "from without" (Ayubi 1995, 108). In other words, the process was not an organic integration leading to a sense of national community, but rather a balancing act between separate ethnicity and social groups.

Third, the Arab state is a *developing* state in that it shares many of its traits with other developing countries. The majority of Arab states became independent between the 1930s and the late 1950s. At the

97

time of independence, they faced challenges similar to those of other countries experiencing the abrupt departure of colonial powers, such as the task of reorganising the apparatus of the state and of reversing their subordinate position vis-à-vis the industrialised countries. The response to these challenges assumed two forms: reliance upon the state to promote economic development and the expansion of its bureaucratic organisation (Ayubi 1995, 289-298; Owen 2004, 24–30). Thus, the economic role of the state was central to the process of state- and nation- building initiated by the post-colonial élites. The expansion of the state apparatus and its role in the economy served a twofold objective. On the political side, it served the objective of consolidating the political power of post-colonial leaders and to build social cohesion through employment generation and welfare provision (Cowan 1990, 1–2). On the economic side, it served the objective of achieving full economic independence from colonial powers and of promoting economic growth in the absence of a well-developed private sector.

As far of the expansion of the bureaucratic organisation is concerned, whereas at the beginning of the independence period the bureaucracy was expected to lead development, once it consolidated and reached its disproportional dimension, it contributed to generating and deepening some of the problematic aspects of the state structure in MENA: from corruption to rent-seeking and neo-patrimonialism.[14] Neo-patrimonialism, in particular, has been crucial to maintain social order and preserve élites and their power in society by framing expectations around the functions of the state. Neo-patrimonialism and the expansion of the state apparatus favoured also a concentration of power at the centre (Ayubi 1995; Tripp 2001). As Browlee suggests (2002), (neo-)patrimonialism does not necessarily undermine the stability of a regime rather it can guarantee its survival.

Authoritarianism, whether built around *thawra* (revolution), and its socialist and nationalist elements or built around *tharwa* (capital) is the most evident consequence of a concentration of power at

---

14 Neo-patrimonialism indicates a relationship of personal loyalty toward a ruler on the basis of his (most often)/her traditional status: a patron dispenses material rewards to a client in exchange for loyalty. Central to this relationship is the mutual exchange of favours, the personal character of the relationship, and the unequal status of the individuals entering the relationship (Tripp 2001, 220). Neo-patrimonialism maintains these elements, but it occurs within the modern apparatus of the state (Herring and Rangwala 2006, 127-128). In neo-patrimonialism, the material resources for exchange are often public resources that the patron (the ruler) dispenses to clients as if they were private ones. This encourages a two-way process in which both clients and patrons need each other and gain from the exchange.

the centre. The predominance of authoritarianism led some scholars to misleadingly depict the Arab state as a strong state. In a more precise way, Ayubi (1995, 449) proposes to differentiate between hard, fierce, and strong states. Hard states are "often relatively late-industrialisers, with strong executives and higher level of centralisation, that try to enforce a detailed, standardised regulation of the economy and the society, and favour interventions aimed at long-term goals centred around accumulation". Fierce states are "so opposed to society that [they] can only deal with it via coercion and raw force" (Ayubi 1995, 449). Whereas the latter is clearly in opposition to a strong state, state hardness does not necessarily correspond to state strength. As discussed in Chapter 1, a strong state guarantees mutual exchange between state and society including services versus participation, rights versus duties, and security versus freedom.

Depicting the Arab state as a strong state is misleading because it portrays the state as a coherent entity and not as a locus of contestation where different organisations compete against each other to advance competing interests (Owen 2004, 36). As Sadowski (1993) argues, part of the literature on state-society relation in MENA has misleadingly adopted an Orientalist vision. While traditional Orientalist views have portrayed the existence of a strong state vis-à-vis a weak society, in the 1990s a strand of neo-Orientalist authors have reversed the argument by portraying the existence of a too strong society vis-à-vis a weak state. Apart from relying upon an essentialised interpretation of Islam—considered as the main explanatory variable—(neo-)Orientalists present state-society relationship as a zero-sum game. As explained in the first and second chapters, this kind of binary interpretations have a limited capacity to account for political and social struggles in analysing state dynamics. In contrast, a state-in-society perspective is better suited to interpret state dynamics.

4.1.2 *The nation: identity within and beyond the state*
"The Middle Eastern state has a special and problematic relationship with another constructed entity, the nation" (Owen 2004, 4). The nation declined in different political discourses—nationalisms—has evolved as a result of a convoluted relationship with other political discourses—socialism, anti-imperialism, and political Islam—which affirmed their strengths especially from the mid-twentieth

99

century. Its special and problematic relationship with the state is due mostly to the formation of states in the region that, as already mentioned above, had to construct a sense of political community vis-à-vis external pressures.

Nationalism in MENA developed first as Arabism with a cultural, mainly linguistic (not political) connotation. In political terms, it first appeared in the Arab revolt against the Ottoman Empire guided by Sharif Husain of Mecca, whose aspiration of creating an Arab kingdom was later frustrated by the signing of the Sykes-Picot agreement between the British and the French (Ayubi 1995, 137). It is precisely with the colonial encounter that nationalism developed as a political project and became associated with pan-Arabism—"a twentieth century doctrine that developed in conjunction with the breakdown of the Ottoman Empire and the encroachment of Western colonialism" (Ayubi 1995, 136). In this political form, nationalism developed a cross-state borders dimension whose ultimate goal was Arab unity from the Atlantic to the Gulf and it was sustained by an anti-imperial confrontation with external powers and by socialist aspirations. Pan-Arabism found expression in various forms, including the creation of the Baʿth party; the leadership of Nasser in Egypt; projects of cross-countries unity, such as the formation of the United Arab Republic (1958-1961) and the failed attempt to unify Egypt, Syria, Iraq, and Yemen (1963); and the creation of pro-Palestinian movements, such as the Arab Nationalist Movement.

Pan-Arabism as an ideology and the Arab nation as an "imagined community", did not, however, survive the changing political arrangements in the region completely unscathed (Ajami 1978). Usually associated with Arab defeat in the Six Days War (1967), the failure of pan-Arabism, including its socialist and secular connotations, ushered in a new political period in which Islam became the focal point of new supra-national movements. Only Qadhafi, after seizing power in 1969, attempted to revive Pan-Arabism and a unionist agenda with Tunisia and Egypt but such an attempt was anachronistic. The re-imagining of the community in a cross-border dimension took a more Islamist connotation, with the growing importance of movements promoting a kind of society centred on (political) Islam. The spreading of the Muslim Brotherhood's ideals is perhaps the best example of how the project of overcoming the colonial borders after the decline of Pan-Arabism was framed around an Islamic

interpretation of the community. Despite their differences, the use of religious and nationalist terms often overlapped (Halliday 2000): the Arabic word *ummah*, which denotes the belonging to a "religio-political community" (Ayubi 1995, 135), was used in both Pan-Arabist and Pan-Islamist discourses to signify the sense of belonging to a community which finds its fundaments beyond the state borders. The richness of the Islamist discourse notwithstanding, the failure of Pan-Arabism should also be interpreted in light of the growing appropriation of this ideology by regional leaders in search of legitimisation both within and beyond state borders.

Despite the arbitrariness of the colonial borders, the territorial sense of nations—being Iraqi, Syrian, Egyptian or Yemeni—affirmed itself. The deepening of the territorial borders occurred also as a result of the strategic moulding of Pan-Arabist and Pan-Islamist discourses to sustain national—territorial—agendas. Whereas it is true that the colonial exercise in map-mapping "produced borders that created 'nations' and 'people'" (Khalidi 2013, 4), these borders became in the post-colonial phase a lived experience and gained legitimacy among the population. Beyond notions of Arabism and Islam, state borders came to define national realities difficult to overcome and in rivalry with each other. In economic terms, these national realities form one of the least economically integrated region in the world, with the partial exception of the Gulf Cooperation Council (GCC) created in 1981.

These developments in MENA show the constructed character of national borders, their continuous re-interpretation, and their instrumental use for political projects. It is contingency and change rather than *perennialism* that can better explain the vagaries of identity-definition in the region (Halliday 2000). Similarly, it is politics rather than *culturalism* that can better explain the complex interaction between identity-formation and other dynamics in the region. At the turn of the twenty-first century, the cross-border momentum of the post-colonial phase gave pace to a growing contestation within state borders, sustained by a more particularistic construction of communities. The new fault-lines in the region form a complex context where

> more than half a dozen simultaneous conflicts (16 by my count) jostle with each other; un-resolved (perhaps un-resolvable), interconnected and overlapping; one thread leading into

another to weave a giant regional tapestry of uncertainty and contradiction; from the tribal fissures of North Africa, to the youthful demands for democratic change; from the inter-Islamist dispute over governance, to the Gulf monarchies' aspirations to regional dominance; from long-festering urban/rural frustrations to the stirrings of a new Cold war (Khalidi 2013, 1).

The increasingly particularistic national discourses have been modifying the states in the region and, more importantly, the terms of the relationship between state and society. In this regional context, the Gaza Strip is increasingly detached from the West Bank, marking ironically a partial secession in a yet to be fully-formed Palestinian state; a Kurdish entity is in everything but formal terms an independent state in the federal Iraq and a new Kurdish entity has formed in Syria—the two not necessarily pursuing a unifying strategy; and in Libya a Islamist versus anti-Islamist narratives has drastically imposed itself upon a widely diversified political reality. In addition, the 2014 suspension of the Iraq-Syria borders on behalf of the self-proclaimed Islamic State is a crucial example of the "giant regional tapestry of uncertainty and contradictions" (Khalidi 2013, 1).

4.1.3 *Iraq and Libya: the state and the nation in comparison*

Iraq and Libya partake with the other countries in the region the modern, colonial, and developing character of the state. In addition, the oil economy generates in both countries the peculiarities of a rentier state.[15] The personalistic rule of Saddam Hussein and Muammar Qadhafi added another layer of complexity (and sometimes extravagance) to the political trajectories of the two countries. Both leaders came from the military ranks. Saddam Hussein came to power in 1969 after a period of political turbulence in the country and consolidated his power by ruthless means for over 30 years. Similarly, Muammar Qadhafi came to power through a coup d'état that overthrew the Senussi monarchy and maintained control over the country and its population for 42 years until 2011. In order to rule authoritatively over their societies, the two leaders made extensive use of the pan-Arabist ideology, albeit defined differently, and drew on religious vocabulary to convey their political messages.[16]

---

15 The rentier state derives a great proportion of its revenues from the rent of resources. The rentier state points to a problematic relationship between extraction, institutional development, and representation. A rentier-type of development favours distributive over extractive policies and it has economic and political consequences: first, the availability of resources does not urge the creation of efficient economic institutions and second, distributive policies tend to create clients in society and thus favour the creation of individual/personal interests over group interests. See Beblawi and Luciani 1987; Dunning 2008.
16 For a history of Iraq and Libya, see Tripp 2007; Vandewalle 2012.

Saddam Hussein relied heavily on the Baʿth party as a source of political control and, thanks also to oil revenues, developed a highly bureaucratised state pursuing the political and economic objectives delineated above. However, these structures—the party and the state—did not retain the real power in the country. Tripp (2007, 259-267) describes and explains the configuration of power in Iraq through the concept of the "shadow state"—where real power resided. The shadow state was organised along personal rule: "networks of associates, chains of patrons and clients, circles of exclusion and privilege emanating from the office and person of the president" (Tripp 2007, 259). This system of inclusion and exclusion (Tripp 2007, 261) was sustained by discretionary use of state/public resources that were distributed according to political considerations.

In contrast to the highly bureaucratised state in Iraq, Vandewalle (2012, 1) describes the emergence and development of the Libyan state through its enduring character of "statelessness—the avoidance of creating a modern state". This condition, which stretched through the history of the country from its independence, can be explained with reference to a number of elements, including the colonial experience under the Italian rule, the enduring role of tribes and families as organised entities in Libyan society, and oil resources and revenues. During the Qadhafi regime the stateless state was meant to support the self-government of the people without the apparatus of the state. The rule of the masses—Jamahiriyyah—was, however, implemented along contradictory lines: the lack of state institutionalisation did not prevent the state to play an all-pervasive role in the economy; the concept of direct democracy was hollowed out in a system that welcomed no opposition; the claimed backwardness of tribal allegiances, repressed between 1969 and the 1980s, did not prevent the revolutionary leader from employing them to sustain his power in the 1990s (Obeidi 2001, 117); and the artificiality of the state did not prevent the formation of a firm control over security.

Both examples testify to the hybrid character of the state in Iraq and Libya. In their peculiar forms, they exhibited adaptation to institutional forms and political mechanisms coming from the West and a continuation in the forms of managing and legitimising state power (neo-patrimonialism and traditional forms of solidarity). Hybridity—the concurrence of adaptation and resistance (see Chapter 2)—is thus an element that stretches through the history of both countries. The shadow state and the

103

stateless state became suddenly part of the respective past experiences of Iraq and Libya in 2003 and 2011. However, they continue to form part of those legacies of the past. Any abrupt change as those experienced by Iraq and Libya cannot simply erase previous conditions. Past experiences, whether in relation to the state structure or to discourses of nations and identity, are often re-invented by political actors in transitional phases to pursue new political agendas. They acquire new meaning and, as we will see below they often serve exclusionary arrangements with detrimental consequences for reconciliation.

Coming to the issues of nation and nationalism, in post-2003 Iraq the prevalent approach has been to "impose a primordial template onto the political and societal complexities of the situation" (Dodge 2010a, 112). Instead of interpreting the Iraqi context through the lens of contingency, change, and politics, *perennialism* and *culturalism* prevailed. As a consequence, Iraq has been presented as a collection of three homogeneous, distinct, and rival communities—Sunni, Shia and Kurds—forming a highly divided society and lacking any sense of national identity. From this view, it derives that the conflict erupting after the fall of Saddam Hussein has been interpreted mainly thorough an ethnic-religious reading of Iraqi society that disregarded both the effects of the intervention and the struggle to form new sites of authority in the new emerging order. At the same time, the ethnic-religious reading has also contributed to frame the solution to the Iraqi quagmire around the idea of separating the three communities (Gelb 2003; Galbraith 2004). Biden and Gelb (2006) argued, in 2006, that the alternative path to the chaotic situation in Iraq was "to establish three largely autonomous regions with a viable central government in Baghdad. The Kurdish, Sunni and Shiite regions would each be responsible for their own domestic laws, administration and internal security".

The ethnic-religious reading of Iraqi society masks a more accurate view of the reality according to which identity formation and mobilisation, expressed in national and religious terms, is a fluid process deriving from changes in society and, more importantly, from ways in which the state interacts with these changing societal dynamics. This view implies an understanding of identity as multiple: "clearly on certain occasions, ethnic or religiously based identities will come to dominate political mobilization. … Crucial to the success of political mobilization is the institutional capacity of those groups and organizations seeking to mobilize support and the ideological resources at their disposal" (Dodge 2010a,

112–113). With the collapse of the Iraqi state apparatus in 2003 two simultaneous trends emerged: on one hand, policy-making became dispersed across various regional and international capitals and, on the other, authority became entrenched at the local level, where it often assumed informal traits (Dodge 2010a, 113). The latter process was facilitated by the formation of an élite justifying its struggle for power in terms of communalistic belonging. From this view, "it is the criminality and violence that dominated post-regime-change Iraq that have driven the rise in sectarian identity politics" (Dodge 2010a, 119). The three communities in Iraq were not "invented" by the occupying forces—an erroneous conclusion. Rather, after 2003 the political meaning attributed to these identities changed, partly as a result of the management of the intervention and partly as a result of the legacy of the past.

In contrast to the ethnic-religious reading prevalent in analyses of Iraq, the prevalent approach to Libyan society emphasised its social homogeneity. Nonetheless, the 2011 revolts in Libya raised the spectre of the Iraqi experience. In the words of a National Transitional Council (NTC) member as reported in an International Crisis Group report (2012, 3): "the lesson in our minds was Iraq. We wanted the transition to be smooth, and we were eager to avoid internal fighting (fitna)—or what occurred with Iraq's 'debaathification'". The same concern was raised also in various policy and media reports where Iraq was represented as the negative example not to be followed (Chivvis and Martini 2014; Bridoux 2011). Often repeated remarks claiming that Libya will not replicate the Iraqi experience were based on the absence of ethnic or sectarian fissures. Libya's homogenous society was considered an asset for a peaceful transition. This simplified view presents the same pitfall of describing Iraq as formed by three primordial communities. It is similar in that it interprets communalistic identity in perennial and static terms and does not consider that communalistic exclusionary politics (a by-product of identity politics) emerges from societal change and as a result of how state authority interacts with these societal changes.

Tribalism was undoubtedly part of the societal change occurred in Libya after 2011. Libya has a strong tribal tradition and it counts around 140 tribes among which the major groupings being the Warfalla, Bani Walid, Obeidat, Ouled Suleiman Zwei, Magaraha, Tarhouna (Chorin 2012, 15). Tribalism is a value-laden term: "when we talk of tribes, we implicitly introduce a sharp, qualitative distinction between ourselves and the people we study; the distinction generally corresponds to the distinction

between modern and traditional or so-called primitive societies" (Eriksen 2002, 10). For instance, this distinction was central to the political use of tribes during the colonial period. To avoid colonial undertones the term tribalism is best understood as a situation in which "tribal ties are given precedence over wider allegiances" (Obeidi 2001, 109). Wolfram Lacher (2013, 153) maintains that in the Libyan context what makes a tribe is a "common origin—perceived or real—... invoked as a key bond among a group of individuals that conceive themselves as being united in some form of solidarity". Tribalism is, as nationalism, mutable in form, content, and importance and, as expressed in the above definition, it shares some characteristics with nationalism: it involves a definition of identity, it has a clear exclusionary dimension, and its contours can be real or "imagined".

Tribal political entities contributed to determining the political space in Libya since the struggle for independence. During his regime Qadhafi used these entities instrumentally to consolidate his power (Lacher 2011a; El-Katiri 2012, 9-14). During and after the civil war, tribes regained their autonomy and centrality and they filled the vacuum left by regime change. They acted as pillar structure in Libyan society and they became part of a rich variety of peripheral movements that have contended power to the centre, and that have drastically clashed with each other. The role of tribal political entities shows the extent to which Libyan society can be hardly described as homogenous but rather densely and sparsely fragmented. Apart from more racial clashes during the 2011 civil war, epitomised by the fighting in and around Tawergha[17] and the federalist demands advanced by regional movements, the conflicts in Libya have been driven by rivalries between these socially constructed communities, exacerbated by past-experiences of selected oppression and favouritism during the Qadhafi regime.

4.2 The logic of interventionism in Iraq and Libya

As mentioned in Chapter 1, interventions are purposive and transformative acts of transgression that always need justification. This section first presents the justifications upon which the interventions in Iraq and Libya were premised and questions elements of continuity and change in the two cases. As

---

17 The city of *Tawergha*, situated on the road from Sirte to Misrata saw intense fighting between the forces loyal to Qadhafi and the Misrata Brigade loyal to the NTC. Many *Tawerghans*, siding with the Qadhafi forces led the siege on Misrata and they committed horrendous crimes, including rapes. The response of the Misrata Brigade came shortly afterwards within a mounting racist atmosphere, it destroyed the city, and displaced its inhabitant, amounting to around 30,000 people.

stated in the introduction to this study, the international (i.e., Western) engagement in Iraq and Libya is paradigmatic of a decline in the expectations that statebuilding fervour could contribute to the emergence and confirmation of an emancipatory framework around the concepts of peace, democracy, and market economy (Richmond 2014). Second, this section questions the transformative character of interventions by problematising notions of revolution and regime change. It draws a distinction between the revolutionary character of regime change and the limits of political and economic liberalisation, based on a historical account of the implementation of these policies in the region.

4.2.1 *From "armed liberalism" to the "responsibility to protect"*

The motivations of the intervention in Iraq and its modalities have been widely debated. After 11 September 2001 Saddam Hussein was presented as part of the so-called *axis of evil* against which the Bush administration launched its War on Terror. The charge of sponsoring terrorism was then strengthened by the accusation of possessing weapons of mass destruction. Once these charges were revealed to be false the Bush administration and its allies justified the intervention on the moral duty to turn Iraq into a successful democratic model for MENA. The circumstances under which the intervention occurred—military and civil occupation, on-going conflict, and unilateralism—mark the differences between the Iraqi case and other post-conflict interventions (Paris and Sisk 2009a, 11). These peculiar circumstances show, first, the consequences of 9/11 on the international political agenda—a point that has been extensively treated in the first chapter. Second, it shows the radicalisation of the liberal agenda, which was, on one hand, incorporated into a security-related dimension, and on the other, inserted into a global process of transformation irrespective of domestic conditions and dynamics. The neoliberal ideological factors joined together with material ones (i.e., establishing an American control on the country and its resources) and determined the modalities of the intervention.

Compared to the military intervention in Iraq, NATO's intervention in Libya occurred in a different political context and with different modalities. The seismic shift in the politics of MENA brought about by the so-called "Arab Spring" uprisings has reshaped the domestic and international positions of some Arab states, from Tunisia to Egypt. The Western reading of the events was prudent,

selective, and controversial: on one hand the wave of uprisings across the region was cautiously welcomed as the long-awaited third wave of democratisation; on the other, the dilemma between stability and change that informs much of the foreign policy toward the region dampened part of this enthusiasm and led to more conservative responses. Iraq's decent in chaos and Afghanistan's quagmire betrayed the perils of a similar intervention in Libya. These elements were then coupled with the demise of the neo-conservative ideology in the US administration that strongly pushed for intervening in Iraq.

In this different context the NATO intervention in Libya was acclaimed as the affirmation of the norm of the responsibility to protect in the international system. UN Security Council Resolution 1973 (17 March 2011) authorised Member States to "take all necessary measures … to protect civilians and civilian populated areas under threat of attack in the Libyan Arab Jamahiriya, including Benghazi, while excluding a foreign occupation force of any form on any part of Libyan territory" (S/Res/1973 2011, para 4). The UN authorisation translated into "Operation Unified Protector". Acting under Chapter VII of the UN Charter the UN Security Council authorised the use of military force against the will of a *de jure* government, contravening the widely held international principles related to sovereignty, non-intervention, and territorial integrity.[18] Although various factors contributed to this decision—the isolation of the Qadhafi regime and the position of regional organisations such as the League of the Arab States, the Organisation of the Islamic Conference, and the Gulf Cooperation Council—Williams and Bellamy (2012) argue that this change in the meaning of sovereignty was made possible by the developing principle of the responsibility to protect.

As the NATO campaign continued, the supply of weapons to the anti-Qadhafi forces and the covert deployment of special forces on the ground on behalf of NATO and non-NATO members raised doubts on the possibility that the responsibility to protect was used as a smokescreen for other interests. The siding with the NTC raised questions on the extent to which the responsibility to protect has been "co-opted by the 'regime-change' agenda of few Western powers" (Adams 2012, 13). Lastly, the non-intervention in Syria, despite the dramatic situation of the Syrian population, raised questions on the

---

18 For an overview of previous resolutions dealing with similar cases but not fully endorsing the principle of the Responsibility to Protect, see Williams and Bellamy 2012; Evans 2013.

selective adoption of the principle (Adams 2012).

In this yet not fully formed paradigm built upon the responsibility to protect, Chandler (2012, 221) sees the emergence of a post-interventionist phase, as he argues in this passage worth quoting at length:

> post-intervention cannot be grasped in the legal and political terms of the 1990s, where intervention was conceived of in terms of a clash of legal and political rights and clashing sovereign claims of securing agency. It was precisely this paradigmatic shift that enabled Libya to be the success that other humanitarian interventions failed to achieve. This, it is essential to note, is regardless of the final outcome. Without Western responsibility for the outcome of the intervention in Libya and without any transformative promise, Western powers were strengthened morally and politically through their actions, whereas in Bosnia, Kosovo, Afghanistan and Iraq, they were humbled and often humiliated. Libya was an intervention freed from liberal internationalist baggage, where the West could gain vicarious credit and distance itself from any consequences.

Whereas it is perhaps better to be cautious on deriving a post-interventionist phase from the Libyan experience due to the context in which it occurred—the upward spiral of violence in Iraq, the civil conflict in Syria, and the overall fluid situation in the region—the conduct of international actors (i.e., Western countries) in the Libyan crisis seems to have been driven by the policy objective of minimising their responsibility during the post-conflict phase, thus supporting Chandler's interpretation. It is, instead, questionable whether the intervention could be described as free from "liberal internationalist baggage", as Chandler argues, as it ultimately rests on a forced "regime change", which was, in turn, anchored to political and economic liberalisation.

4.2.2 *The revolutionary dimension of "regime change"*

The changes brought about by the intervention in Iraq have been rightly described as dramatic. Arato (2009) refers to the intervention in Iraq as an "externally imposed revolution". Most domestic proponents and many external commentators have similarly referred to the regime change in Libya as revolutionary. The end of a dictatorial rule that lasted 42 years in Libya and 34 years in Iraq is certainly a watershed event in the history of both countries. This section specifies the extent to which it is appropriate to apply the term revolution to both cases.

Whether justified in the name of exporting democracy or to protect local population, interventions are acts of transgression that transform regimes. It is in this aspect that lays the revolutionary dimension of regime change. Indeed, the immediate result of the US-led intervention in Iraq and the NATO-led intervention in Libya was a change of regime. But what are the implications of regime change for the state, its re-building, and transformation? Interestingly, "in the Arab countries, as well as in Iran and, at times, in Turkey, it is the regimes themselves and their varied attempts to create ideological justifications for themselves that have attracted the bulk of both political and academic attention, not just the states they control, as in the classical Weberian paradigm" (Owen 2004, 3). Political and academic attention has focused on regimes in MENA because of their ability to penetrate both state and society dimensions. A regime is the "complex combination of formal and informal, normative and empirical elements, all however requiring some level of institutionalization" that governs political order (Arato 2009, 40). It contrasts with the Weberian definition of government and the state. The three constructs—regime, government, and state—imply different dimensions of change: a coup d'état can overthrow a government but not necessarily change a regime or a state; a revolution entails a change in the form of political order (regime) but it nonetheless alter the structure or organisation of the state; and a "revolutionary state destruction" seeks to re-create a tabula rasa condition upon which to build a new order. Arato's (2009) viewpoint is that the intervention in Iraq operated precisely as a revolutionary state destruction, a pattern that other scholars have similarly acknowledged and described as "reverse state building" (Medani 2004, 29). With this definition Medani (2004) contends that the US reconstruction of Iraq led to a weakening of its bureaucratic apparatus, its military authority, and of the overall capacity of the state.

In Libya the regime change was not followed by an externally imposed revolutionary state destruction of the type occurred in Iraq. However, in both cases the revolutionary character of regime change involved the destruction of the state in the following dimensions:

◆ **Monopoly of violence:** in Iraq, the monopoly of violence ceased to exist exactly when the US-

led military intervention began. The end of major combat operations on behalf of the occupying forces did not correspond to any restoration of the monopoly of violence. On the contrary, the disbanding of the Iraqi army, the presence of foreign troops and of private security companies, and the formation of new militias led to a decentralisation of violence whose ramifications are still present today. In Libya, the outbreak of the civil conflict created an initial duopoly of violence, whose legitimacy was contested on each side. The NATO intervention tipped the balance against the regime's forces, which eventually capitulated. The end of the hostilities has not translated into a restoration of the monopoly of violence. Rather, the complete breakdown of control over violence has produced a highly fragmented scenario where local militias dominate.

- **Territorial integrity and population**: In Iraq regime change and its aftermath severely compromised the unity of the country. As discussed above, a prevailing interpretation of Iraqi society based upon perennialism and immutability favoured a political agenda that contributed to a fragmentation of its social texture and, consequently, of the country's geography. The establishment of a quasi-state entity in the Kurdistan region is the best example of this development. The Kurdish self-government shares important aspects with the federalist claims in Libya: both groups have relied on past-experiences of oppression to claim a greater role in the new order within (or outside) the state structure. That said, the two experiences remain qualitatively different in terms of how identity plays out in constructing a (real or imagined) political community. The two countries continue to experience disintegrative dynamics, albeit grounded on different social structures.

- **Control over economic resources**: the control over resources has remained contested in both countries. In Iraq, the stalemate in the ratification of the Oil Law, as well as the tensions around the formulation of the state budget and its allocation represent contentious issues that have contributed to exacerbate disintegrative dynamics. In Libya, similar disintegrative dynamics have resulted from the struggle for control over major sites of oil production and for other spheres of the economy, such as trading and smuggling routes. The lack of (or the poor) control over

resources has undermined the capacity of the state to exercise its functional role and thus to derive part of its legitimacy from efficiency. In both countries the poor delivery of basic services has increasingly marked the distance between state and society.

These elements are indicative of the appropriateness of defining regime change as revolutionary. Yet, the revolutionary character stops at the destructive part of the process—regime change— while there remain doubts on attributing a revolutionary dimension to the unfolding process of state formation and statebuilding. As we will see below, in both Iraq and Libya most of the political institutions and justifications for political authority have not drastically changed. In Iraq the introduction of new institutions (e.g., the Integrity Commission and the Central Bank) has not substantially changed the management of political power in the country. The new élite has undermined these institutions to serve personal agendas. Similarly, in Libya what occurred after the demise of Qadhafi was a "selective reordering of political and social traditions" (Smits et al. 2013, 5). Patronage and reliance on pre-existing solidarity networks either centred on family or tribe show a degree of continuity in the mechanisms for legitimising authority. Arato (2009, 1–2) advances that revolutions "fully construct their legitimacy with the construction of the new, not merely the old's destruction". If actual change is part of the definition of revolution, the processes of statebuilding and state formation cannot be defined as revolutionary.[19]

4.2.3 *The limits of political and economic liberalisation*

The previous section has shown the extent to which regime change can affect key aspects of the state, from the monopoly over violence to its social and territorial cohesion. It is often upon this revolutionary transformation that statebuilding and state formation occur. What bridges regime change and externally-led statebuilding interventions is the normative and prescriptive view that political and economic liberalisation will eventually form the basis for a new inclusive and peaceful order. As argued by Arato (2009, 29) "revolutions … need ideologies or ideological motivations. Since, especially in our age, this ideology could not be an imperialist one, 'democracy' (flying high in the period of the 1990s),

---

19 For an overview of the debate on revolution in Libya see Pack 2013; Lacher 2013. On the more general debate on revolution, see Skocpol 1979; Goldstone 1980; Goldstone 2001.

authentically or not, entered the breach".

Democratisation and neoliberalisation have shaped the politics of interventions in a variety of countries. Iraq and Libya are no exception. Democratisation and neoliberal economic reforms are widely debated issues in MENA, which has apparently resisted the "third wave of democratisation" of the 1970s and 1980s (Huntington 1991). From the 1970s economic liberalisation has been pursued throughout the region as a "public policy, carried out in response to the 'fiscal crisis of the state' and under pressure/temptation from globalised capitalism and from its international institutions" (Ayubi 1995, 329) rather than being a response to domestic demands originating from a growing dispersion of power in society. As a consequence, the terms of the relationship between the state and society have been rarely and only partially altered by economic liberalisation.

Important differences exist in the manner in which economic liberalisation has been pursued in the 1980s and 1990s from country to country but two common elements can be identified: the perpetuation of state preponderance in the economy and the influence of patron-client networks in the implementation of liberalisation and privatisation measures. Instead of eroding the system of patronage, as expected by neoliberal advocates, these features "testify the resilience of the state as an organization maintaining a particular kind of hierarchy through the use of patronage" (Tripp 2001, 223). Most studies on the liberalisation processes in the region (Ayubi 1995; Hinnebusch 2001; Murphy 2001; Owen 2004) stress the inherently political character of economic liberalisation—a point that is often misunderstood by efficiency-driven economic perspectives on the state. Economic liberalisation did not result in political liberalisation but rather led to "a more complex picture of multiplicity of interests and organisations in a state of competition, bargaining and intermediation" (Ayubi 1995, 408).

In parallel to economic liberalisation, from the 1990s the demand for democratisation—the process of political opening—became more intense from within Arab societies and from outside. Even before the 2011 wave of uprisings, movements such as *Kefaya* in Egypt (2004-2005), the mass demonstrations triggered by the assassination of Rafiq Hariri in Lebanon (2005), and the campaign for a reform of the *Moudawana* in Morocco are all example of a growing demand for participation in political

113

life.[20] At the same time, democratisation became a key objective of Western foreign agendas for MENA. Externally, democratisation was promoted through programmes for political, cultural, and economic reforms, through diplomacy, and after 2001, through military means. However, external—especially US—support for democracy has always been controversial as a result of a foreign policy that cannot decide between the political objectives of security and stability, on one hand, and real political transformation, on the other (Delacoura 2005; Ottaway and Carothers 2004).

The alleged exceptionalism of MENA's resistance to the "third wave of democracy" (Huntington 1991) has been explained by referring to different arguments. A first position explained the democratic deficit by arguing that MENA lacks the prerequisites for a democratic change. Among these requisites, particular attention was devoted to the incomplete process of economic liberalisation that, the argument goes, did not lead to a diversification of society and thus to a consolidation of democratic politics (Ayubi 1995). Similarly, attention was paid to the absence of a vibrant civil society in the region—a topic that will be taken up below. The limits of this explanation are that "efforts to locate civil society or other 'prerequisites' of democratic reform reveal more about the preoccupations of Western scholars than they do about new social configurations in the Middle East" (Wickham 1994, 509).

A third missing prerequisite was identified in the lack of an enabling political culture for democracy. This point leads to consider another strand of explanations. Culturalist explanations have focused on the political culture prevailing in the region and the role of Islam therein in order to explain what some authors conceive of as a cultural rejection of liberal-democratic principles as well as practices (Lewis 1990; Huntington 1996). Elie Kedourie (1992, 5) in his *Democracy and Arab culture* postulates that "there is nothing in the political traditions of the Arab world—which are the political traditions of Islam—which might make familiar, or indeed intelligible, the organizing ideas of constitutional and representative government". From this view it follows that ideas connected to democracy, from popular

---

20 Kefaya (in Arabic, enough) or, more formally, the Egyptian Movement for Change was created in 2004 as an opposition platform to the President Hosni Mubarak. The movement lost momentum after the electoral campaign in 2005. After the assassination of Lebanon''s Prime Minister Rafiq Hariri mass demonstrations demanded the end of Syrian interference in the political affairs of Lebanon. In parallel to anti-Syrian demonstration, demonstrations in support of Syria were also organised. The *Moudawana* in Morocco is the ensemble of rules regulating personal status. Since the 1990s women's organisations have mobilitated in order to guarantee women's equal rights in the country (see Tripp 2013).

sovereignty to representation, are "profoundly alien to the Muslim political tradition" (Kedourie 1992, 6). Within Islam-centred culturalist explanations, political quietism and obedience to the ruler—two aspects that have historically informed part of the reflection on Islam—are taken as conditions justifying authoritarianism irrespective of the theoretical and historical developments concerning these aspects.

The conflictual or harmonious relationship between democracy and Islam has sparked a vivacious debate within and outside Muslim society.[21] The interpretation of Quranic concepts like *shura* (consultation), *ijtihad* (independent reasoning), *ijma'* (consensus) has sustained a variety of positions that range from a reading of Islam as containing the core elements of a democratic system to a reading of Islam that rejects democracy (Esposito and Piscatori 1991). At least since the mid-nineteenth century, the debate on Islam and politics in the region has been strongly influenced by the encounter with European models of political organisation and the power they projected in the region, and it has often developed in reaction to them. Although a definitive position can hardly be found, the debate itself with its variety of positions testifies to the limits of an axiomatic explanation of Islam as the "source of all evil" and suggests to look for an explanation of the scarce democratic practice in the region outside the religious and cultural realms. "Culture talks" either centred on Islam or other cultural traits have come under strong criticism as they tend to freeze Arab/Muslim society in a monolithic, a-historical, and essential identity construct (Mamdani 2002; El-Affendi 2011; Anderson 1995).

Alternative explanations have developed around the rentier state argument, which apply to most countries in the region either in the form of dependence from oil and other natural resources or in the form of aid dependency (Ross 2001; Diamond 2009). The central argument here revolves around the problematic aspects of extraction and distribution of resources. Although the rentier state argument presents an excessive deterministic causation, it certainly can account for the expansion of a security apparatus that, through a pervasive system of privileges, maintained a muscular control on societies. This adds to geo-political considerations, the projection of power by Western countries, and conflicts— foremost the Israeli-Palestinian conflict (Elbadawi and Makdisi 2011). All these elements contributed to the formations of states that developed at a faster pace than societal organisations, cementing power in

---

21 On the relationship between Islam and democracy, see Esposito and Voll 1996.

solid structures difficult to challenge.

Since the 1980s, most countries in the region have undergone experiments in opening up the political space and relaxing restrictions to political participation. However, "the discovery of a democratic vocabulary by those in power does not stem from idealistic conversion, but from pragmatic conclusions about the need to relieve social and economic pressures, to allow the venting of political steam, as well as the shrewd recognition that democratization wins international favor" (Norton 1993, 207). Political liberalisation was selectively promoted from above producing forms of political organisations that abound in qualifications, including liberalized autocracy, *mukhabarat* state (police state), and competitive authoritarianism (Brumberg 2002; Levitsky and Way 2002).

The developments of the late 1980s and 1990s presage the impact of political and economic liberalisation in post-2003 Iraq and post-2011 Libya. First, the non-linearity of economic and political liberalisation shed doubts on the complementarity of political and economic reforms promoted in these countries. Second, the multiplicity of interests and organisations produced by political and economic liberalisation is likely to translate into political and social conflicts rather than into a harmonious re-organisation of society.

4.3 Iraq and Libya: actors in transition

So far the debate on the relationship between state, economy, and society has been approached by analysing structural elements in both general (Chapters 1 and 2) and regional terms. In this last section, the problematic terms of this relationship are approached from an agency-centred perspective by focusing on those actors that most represent the three dimensions of the relationships: political élites, civil society, and the private sector. As already mentioned in Chapter 2, statebuilding processes do not only influence state institutional structures but also the positioning of organisations and actors. In this regard, two aspects need to be considered: the way in which external actors interact with domestic ones and the way in which political élites, civil society, and economic agents interact with each other. Whereas these two aspects form part of the empirical analysis presented in Chapters 5, 6, and 7, this section provides an overview of the main traits characterising these actors in MENA and more specifically in the

Iraqi and Libyan transitions.

4.3.1 *Political élites: champions or spoilers*

Political élites form a heterogenous category that may take various forms and exert different functions depending on the context. Despite this diversity, their role in statebuilding is considered to be crucial in that political élites are key in determining political settlements and thus political outcomes. From a political economy approach, Di John and Putzel (2009, 10) ascribe differences in institutional state performance not to institutional design, but rather to the political settlements lying behind them (Di John and Putzel 2009, 6). Political settlements are the result of bargaining not only between different local élites, but also between élites and population on one hand, and élites and external actors, on the other.

Tilly famously highlighted the importance of élites in state formation. In his analysis, "coercive and self-seeking entrepreneurs" (Tilly 1985, 169) played a key role in the European experience of state formation by accumulating wealth and power through the structure of the state. Although from the 1990s the statebuilding agenda has often sought to counterbalance the centrality of élites by adopting "bottom-up" approaches, the positive or negative role of élites—champions or spoilers[22]—remains crucial in statebuilding since "elites mediate the process of institution-building, collaborating and competing to determine how a nascent state's formal powers will be allocated" (Salmon and Anderson 2013, 42). When analysing élite patterns, a key question is in order: under which circumstances do political élites emerge in post-conflict countries?

Conflict dynamics or dynamics previous to a regime change are crucial to forming and/or strengthening élites since past experiences contribute to the positioning of actors in transition. Collusion with or vicinity to the previous ruling élites often leads to exclusion from the transitional phase or to complex processes of reconciliation. Who is entitled or not to seat at the negotiating table is ultimately determined by the conflict itself. At the same time dynamics produced by externally-led statebuilding or more domestically-led state formation processes are equally crucial. These processes determine the production and distribution of wealth and power thus they generate rents, which contribute to the

---

22 In his seminal article, Stedman (1997, 5) defines spoiler as "leaders and parties who believe that peace emerging from negotiations threatens their power, worldview, and interests, and use violence to undermine attempts to achieve it." For an overview on the debate on the spoiler effect, see Nilsson and Söderberg Kovacs 2011.

formation (or strengthening) of élites. As far of the position of élites vis-á-vis the state is concerned, whilst in Tilly's account of state formation the new bourgeoise class found in the state the best way to organise its interests and power, in contemporary processes of state formation élites may find other channels to organise and pursue their interests. The expanded possibility of deriving revenues and rents from outside the state—due to the fact that control over capital is no longer centralised in the state but exercised internationally by private and public actors—does not always provide incentives to élites to invest in states' bureaucratic capacities (Salmon and Anderson 2013, 45). In other words, élites can also gain from a weak state, which may act, through its regulations, as an obstacle for uncontrolled wealth and power accumulation.

When the regimes in Iraq and Libya collapsed, old and new political figures gained new roles in the political reconfiguration of the two countries. At least in its initial phase, the role of the political élite in post-2003 Iraq was intertwined with occupying forces. Sponsored by the US and UK governments, the Future of Iraq Project was the first attempt to organise political opposition and design a post-Saddam Hussein Iraq before the beginning of the military operation in 2003. It is mainly among the participants in this Project that the so-called "gang of five, six or seven exile leaders" (Arato 2009, 14) formed and was to influence the initial period of the transition. Among them, the leaders of the Supreme Council of the Islamic Revolution in Iraq (SCIRI)—an Islamist oriented party with close ties with Tehran;[23] Jalal Talabani and Masoud Barzani, respectively the leader of the Patriotic Union of Kurdistan (PUK) and of the Kurdistan Democratic Party (KDP); Ayad Allawi, leader of the Iraqi National Accord (Wifaq), a secular and nationalist opposition party; the Iraqi National Congress (INC) and his leader Ahmed Chalabi; Ibrahim al-Jaafari, leader of the Shiite Islamic Dawa Party; and the Iraqi Islamic Party, a party affiliated with the Muslim Brothehood (Al-Ali 2014, 39–61).

This group of exiles returned to Iraq after 2003. They performed a twofold function in the re-making of Iraq: they provided a veil of legitimacy to the intervention and subsequent occupation of the country and gave an Iraqi face to the US-led statebuilding process. The formation of the Iraqi Governing

---

23 SCIRI was founded in 1982 in Tehran. Ayatollah Mohammed Baqir al-Hakim, the leader of SCIRI returned to Iraq in 2003, but was assassinated that same year. The leadership of the party was taken by Abdul Aziz al-Hakim. After his assassination in 2009, Ammar al-Hakim took the position (Al-Ali 2014, 40–41).

Council is, perhaps, the best example of how this twofold function played out in practice.[24] However, the former exiled leaders soon experienced a number of obstacles, including their weak capacity to gain legitimacy among the population and the widely diffused accusation of being too close to external actors—a claim that, in some cases, could not easily be dismissed. As a result, they failed to intercept the growing anti-occupation sentiments. In contrast, Muqtada al-Sadr, a leading religious and political figure, managed to mobilise a domestic political movement—the Sadrist movement (and its military wing, the Mahdi Army)—based on a large constituency, especially among the poor strata of the Shia community. This movement played a key role in opposing the occupying forces.

The changing of the guard in 2003 did not mean a change in the patterns of power management. On the contrary, "the corroded and corrupt state of Saddam was replaced by the corroded, inefficient, incompetent, and corrupt state of the new order" (Allawi 2006 quoted in Al-Ali 2014, 55). The diffusion of neo-patrimonialism became particularly evident in Nuri al-Maliki's two terms as prime minister but has not been limited to his figure.[25] Al-Maliki concentrated the power in his person by activating a network of political clients, exercising great control over the security apparatus, and exploiting sectarian allegiances. After the 2010 election al-Maliki came to control the Ministry of National Security, Defence, and Interior (Dodge 2013, 247). He extended his control over the three security arms in the country—the Office of the Commander, the Provincial Command Centres, and the Iraqi Special Operations Forces—and his son, Ahmed Maliki, became the deputy chief of staff of the Iraqi security services and was charged of his father's security (Dodge 2013, 245). In addition, in 2011 al-Maliki obtained oversight power over those independent agencies created by the US forces such as the Integrity Commission (an anti-corruption body), the Iraqi High Electoral Commission, the Central Bank, and the High Commission for Human Right (Dodge 2013, 244).

---

24 The Iraqi Governing Council was one of the first political bodies formed after the ousting of Saddam Hussein. The Council served as a provisional government—tough its mandate was strongly influenced by the CPA—from July 2003 until June 2004. The 25 members of the Council were nominated by the CPA and were chosen based on a strict ethno-sectarian formula (Al-Ali 2014, 77–82).

25 Nuri al-Maliki was first appointed as prime minister in the government of national unity, which took office in May 2006. The negotiation for forming a government after the December 2005 parliamentary election lasted months. Nuri al-Maliki, back then a member of Dawa Party, was not a key political figure and the fact that he lacked political power led to his appointment since he was not perceived as a threat for other politicians' power (Dodge 2013).

The political scenario in Libya after 2011 was certainly different but shares some commonalities with the Iraqi case. The formation of the NTC was proclaimed on 27 February 2011 as the political organisation of the uprisings. The Council comprised of 31 members who represented a wide range of actors: members of the Free Officers,[26] reformists and technocrats, educated élites, members of the opposition in the country and abroad—some of which were "scions of the aristocratic and bourgeois families who had dominated Libya during the monarchy" (Lacher 2011a, 142). Despite its political credibility in international capitals, the NTC remained non-transparent, as Human Right Watch reports:

> "Who is in the NTC? We don't know. When are their meetings being held? We don't know," one lawyer and civil society activist said. "What are they deciding? We don't know. And of course we have no idea about how they are handling Libya's finances. We only know that they are making decisions and passing laws on our behalf, with virtually no consultation" (Human Rights Watch 2011).

In addition, the Council acted as "an elitist political leadership established … at the top of a hitherto uncoordinated popular movement" (Lacher 2011a, 142). The elitist nature of the Council translated into a detachment from the reality on the ground, where tensions between the northeastern leadership and the leadership in western revolutionary strongholds, such as Misrata and the Western Mountains quickly surfaced (Lacher 2011a, 143). Among the newly forming political élite, many were the exiles from the Qadhafi regime, including Abdul Raheem al-Keeb, former prime minister (November 2011-November 2012) and his deputy Prime Minister Mustafa Abu Shagur; Ali Zeidan, former prime minister (November 2012-March 2014), Mohamed al-Magariaf, president of the General National Council (GNC) (August 2012-May 2013), and Ali Tarhouni, minister of oil and finance in the NTC. (Chivvis and Martini 2014, 43–45) note the high educational degrees obtained by most exiles: in the Ali Zeidan cabinet, eleven out of thirty ministers had an advanced degree from a Western university. Also in the case of Libyan exiles, arguments on their lack of domestic support and accusation of dual loyalties were widespread.

An additional element common to both Iraq and Libya is found in the exclusionary agenda of the newly forming political élites toward elements belonging to the former regime. In Iraq, the de-

---

26 The Free Officer Movement was the military movement that seized power in 1969 in Libya (see Vandewalle 2012).

Ba'thification process (CPA Order no. 1) removed the members of the Ba'th party holding the four highest ranking positions within the party structure and those state officials at the top three layers of any government structure from holding public positions, from ministries and state-owned companies to universities and hospitals (CPA Order no. 1). Although the Order was promulgated by the Coalition Provisional Authority (CPA), Chalabi and his group seemed to have played a role in the decision: in Arato's (2009, 23) words the "de-Baathification policy, in the hands of Ahmad Chalabi, turned out to be an even more destructive purge of Iraqi professional life than it would have been had Paul Bremer managed it." The Order targeted around 65,000 people (Arato 2009, 47). As a consequence, the Order deprived the country of its most experienced civil servants and increased the unemployment rate, it prevented the formation of an experienced leadership, and it contributed to feed anti-occupation sentiments. More worryingly, it undermined any serious attempt toward reconciliation. This Order adds to the disbanding of the Iraqi army (CPA Order no. 2) whose major consequence was an increase in people fighting in the ranks of resistance or terrorist movements.

Although the consequences of de-Ba'thification were widely debated both locally and internationally, this did not prevent Libyan political élites from pursuing a similar policy. The approval of the Political Isolation Law (Law no. 13) on 5 May 2013, marked precisely the beginning of a similar process in Libya. The Law was voted under strong pressure from militias who surrounded government buildings and stormed the building of the GNC. In a climate where almost everything seemed to be justified "to save the revolution", the approval of the Law banned figures holding high-ranking positions under the Qadhafi regime from public life for ten years. The Law had the immediate effect of banning Mahmoud Jibril, head of the National Forces Alliance (the party that won 39 out of 80 seats in the July 2012 election) and perhaps the most well-known figure of the 2011 uprisings in Western capitals. The Law also banned al-Magariaf, president of the GNC, while it had little effect on the Justice and Construction Party (the Muslim Brotherhood affiliated party) and other Islamist formations. The vagueness of the text and the poorly structured state apparatus in Libya, then posed serious challenges to the application of the Law, which is predicted to contribute to divisive sentiments because it will apply unequally among tribes and among towns within the country (Sharqieh 2013, 11–14).

4.3.2 *Civil Society: a prerequisite for democracy*

Civil society is a vastly debated concept whose origin and evolution is closely related to the historical developments of the European organisation of society.[27] After decades of relative neglect the concept was revived in the 1970s and 1980s as a result of the struggle for democracy in South America and East Europe and it was acclaimed as a "big idea for the twenty-first century" (Edwards 2009, vi). Its popularity derives mostly from the expectation that a vibrant civil society can pave the way for the adoption of democracy worldwide.[28] Based on this expectation, from the 1990s the empowerment of civil society has become a pillar of development and post-conflict intervention programmes.

From the 1990s civil society in MENA has been a widely debated issue. This debate revolves around three main elements against which the presence of civil society is assessed: domestic social structures, domestic political culture, and external models of civil society. Around these elements, the debate has polarised around two positions: a first position arguing that "it is rare to find anywhere in the region a civil society capable of imposing its will and wishes, or even making an impact, on government decision-making" (Al-Najjar 2008, 43); and a second position arguing that in any country in the region there exists a lively texture of civil society, as posited in the conclusion to the seminal study on *Civil society in the Middle East* (Norton 1995).

With reference to domestic social and political structures, Burhan Ghalion (1990) finds in the prevalence of (neo-)patrimonialism, clientelism, and clannish, tribal, or familial bonds the main elements that have prevented civil society from emerging. Modern organisations structured around traditional forms of solidarity are, instead, fully considered by Ibrahim (1995) as components of an Arab civil society. More importantly, the debate on the relationship between civil society and domestic social and political structures has concentrated on the prevalence of authoritarian regimes. These regimes have dealt with the development of a lively civil society as a potential threat to their stability. As a way to counteract this development, ruling élites in the region have adopted three main strategies. First, the creation of government-NGOs served the twofold objective of testifying to the opening of the regime

---

27 For an overview of the concept of civil society, see Cohen and Arato 1992.
28 Among others, Putnam (1993; 2000) and Diamond (1999) advance the correlation between civil society and democracy.

while exercising a muscular control over the sector. Second, these regimes have often manipulated the legislative process in order to control civil society and limit its contacts with foreign governments or organisations. Third, most regimes have discredited the activities of these organisations by accusing them of serving foreign agendas (Pitner 2000). The resilience of authoritarianism in the region has been widely considered to be a major obstacle to civil society.

With reference to political culture, compatibility or incompatibility between civil society and Islam has led to divergent positions. Al-Mousalli (1995) calls attention to the history of the Arab/Islamic community precisely to argue that the concept of civil society is historically legitimate and does not conflict with Islam. *Al-mugtama' al-madani*, the Arabic term that indicates civil society, was used historically to indicate the first Islamic community, with *madani* (civil) used to refer to the foundation of the city where the Muslim community developed (Mousalli 1995; Karajah 2007). In stark opposition, (neo-)orientalists posit that Islam and its all-encompassing and quietist system of beliefs is incompatible with the emergence of civil society. This view is epitomised in the famous claim by Gellner (1991, 506) that societies in the Arab world "are suffused with faith, indeed they suffer from a plethora of it, but they manifest at most a feeble yearning for civil society".

However, many civil society organisations have formed around Islam: it was often around the Mosque or religious institutions that opposition to authoritarian regimes developed. Religious-based organisations have then demonstrated their capacity to reach larger segment of society, including the poorest strata. As noted by An-Naim (2000)—himself a civil society activitst—this stands in contrast to the elitist attitude of other non-religious (often externally funded) organisations. The growing number of organisations structured around Islam or Islamist ideas has represented a part of civil society that has remained untouched by foreign (i.e. Western) assistance. This exclusion well illustrates the incapacity of the West to deal with Islamic-oriented experiences in the region and to differentiate among a large and diversified spectrum of organisations.

This argument leads us to the last element around which the debate on civil society in the region has developed: foreign assistance and models of civil society. Needless to say, the debate here has

focused mainly on NGOs, which represent both the prevalent channels for foreign assistance and the prevalent model of civil society in the West. With reference to the MENA region, as Carapico (2000) argues, "NGOs have been depicted as saviors of failed economies in some circles while reviled as stooges of Western imperialism in others" (Carapico 2000, 12). The argument of NGOs as the human face of Western imperialism resonates well in most Arab societies where NGO-isation has produced a new elitist cadre around a "paradigm"—human rights and development—that often fails to adapt to regional needs (An-Naʿim 2000, 22).

The question concerning civil society in the MENA region has led to a highly polarised debate. This polarisation is also due to the same concept of civil society that tends to resist disambiguation. Evaluating civil society in MENA should not be an "exercise in imposing alien social values" (Norton 1993, 213). On the contrary, the concept should be kept open enough to embrace forms of organisations that find in their local contexts the ground for counterbalancing the weight of the state. It is through these lenses that one can trace the development of civil society in the region—a development that unfolds with specificities from country to country in relation and reaction to political developments.

Saad-Eddin Hibrahim (1998, 377) traces the development of civil society in the Arab world since its pre-modern period finding that "traditional Arab society not only knew the equivalent of civil formations but also [that it] survived through them". During the twentieth century civil society's role expanded in the period between the two World Wars and in relation to colonial experiences: civil society formations took part in the decolonisation process thanks also to the contribution of a nascent middle class. But this development was then reversed with the affirmation throughout the region of populist regimes. As a result of the strengthening of these regimes, political, economic, and social realms were all placed under the strong control of the state. The social contract between populist regimes and the population impacted detrimentally on the development of civil society: in exchange for the political, social, and economic role of the state, the population was requested (sometimes brutally) to renounce to its right of participation (Hibrahim 1995; Karajah 2007).

The expansion of the state came to an end with the fiscal crisis of the 1970s. The partial

124

withdrawal of the state from the social sphere led to new opportunities for civil society. A significant part of this space was filled by religious-based civil society organisations, which were particularly active in service provision. According to Hibrahim (1995, 39) the number of civil society organisations grew from less than 20,000 at the beginning of the 1970s to around 70,000 at the end of the 1980s. This number then grew throughout the 1990s. This increase is explained by different political, social, and economic factors, including a growing educated population, a steady process of urbanisation, the necessity for basic services no longer provided by the state, and the growing availability of foreign funds which started to be channeled outside the state with the clear objective of promiting democracy (Hibrahim 1995; Carapico 2000). All these factors, then, contrasted with the perdurance of repressive policies against civil society.

As a result of these developments, civil society has exhibited some common traits throughout the region. First, political parties have controversially influenced the development of civil society: on one hand, ruling political parties have often used civil society organisations to find space in and control society; on the other, opposition political parties have often found in civil society organisations the only way to remain anchored in society and to resist repression. Second, in an overall environment of repression professional trade unions have often represented a key element of civil society. Third, religious-based organisations have often had greater space of manoeuvre as authoritarian leaders could not easily control the religious space. Fourth, from the 1990s on, the formation of civil society became closely associated with NGOs, with all the relative problems concerning their professionalisation, elitist attitude, and problematic relationship with foreign agendas. Finally, the pervasiveness of conflict and instability have often served as a justification for repression to limit threats coming from within and outside the countries in the region.

In this scenario, the regimes of Saddam Hussein and Muammar Qadhafi were particularly repressive and left little space for the emergence of civil society. When the occupying forces toppled Saddam Hussein and his regime, the expected "democratic revolution" was yet to start. Civil society assistance became part of the American and allied forces strategy to make such revolution. The number of organisations increased exponentially thanks to the disbursement of cash payments to local would-be

125

civil society actors:[29] "setting up NGOs became big business in Iraq"—a business which surely exceed the USD 337 million grants distributed by USAID in the first years of transition (Muttitt 2011, 71). At the same time, the occupying forces frustrated the demands coming from representatives of more rooted experiences of civil society in the country. As discussed above, these more rooted experiences are found in the spaces around the Mosque (the religious realm) and the workplace—two spaces that the regime could not easily repress. Grand Ayatollah Ali Al-Sistani repeatedly challenged the US plans for a post-Saddam Iraq, for instance, when opposing the formation of the non-elected and sectarian-based Iraqi Governing Council and its role in constitution-making (Arato 2009, 99–135).[30] Gregg Muttitt (2011) traces, instead, the rebuilding of trade unions in the Iraqi Oil Companies and their campaign against the ratification of the Oil Law. Whereas "the oil law was presented as a peace-building measure which the US could then claim justification for pressuring to enact it" (Muttitt 2011, 247), Law no. 150 (1987) prohibiting trade unions in the public sector was never amended.

International assistance remained focused on NGOs also after the initial period of exponential growth. However, the sector has faced serious problems of independence vis-à-vis domestic power structures either represented by political parties or family groups. Many associations are affiliated with political parties and thus work in a territorialised context. They are often used to implement projects funded by political parties controlling government (federal, regional, and provincial) budget. This trend has not been mitigated by Western funding, which, in contrast, has generated its own bulk of organisations "away from their historical and cultural roots" (NCCI 2011, 17). Above all, a factionalised version of civil society has prevailed and, as a consequence, the entire sector has been targeted by violence. The political limits of civil society in Iraq became apparent during the two terms of al-Maliki as a prime minister when, for instance, the use of the death penalty against presumed terrorists received

---

29 Author's conversation with an Iraqi civil society activist, 14 June 2010.

30 In June 2003, Grand Ayatollah Ali al-Sistani wrote in a fatwa: "those forces [the occupying forces] have no jurisdiction whatsoever to appoint members of the Constitution preparation assembly. Also there is no guarantee either that this assembly will prepare a constitution that serves the best interests of the Iraqi people or express their national identity whose backbone is sound Islamic religion and noble social values. The said plan is unacceptable from the outset. First of all there must be a general election so that every Iraqi citizen who is eligible to vote can choose someone to represent him in a foundational Constitution preparation assembly. Then the drafted Constitution can be put to a referendum. All believers must insist on the accomplishment of this crucial matter and contribute to achieving it in the best way possible". (Official English Translation reported in: Feldman 2005, 6).

virtually no criticism from civil society organisations that were at risk of being accused of supporting terrorism.[31]

While civil society has become increasingly institutionalised, first with the creation of a General Directorate of CSOs in the Prime Minister Office, and later with the ratification of the Law no. 12 of 2010 (Law on Non-Governmental Organisation and its equivalent in the Kurdistan region), its role vis-à-vis the state, the economy, and family is still significantly weak. Ideally civil society can be thought of as inhabiting the space of a triangle whose angles are represented by politics, family, and the economy. According to an Iraqi civil society activist, this space is subject to continuous re-shaping in Iraq.[32] Civil society is hardly situated at the centre of this space and tends toward the angles—politics, family, and the economy. In addition, politics, family, and the economy tend to conflate around power blocks, shrinking the space available for civil society. As a result, the ideal triangle transforms into a line that on one extreme splits in different power blocks. Civil society becomes then contended between this extreme— domestic power blocks—and external assistance.

In Libya, the end of the Qadhafi regime produced a similar increase in the number of civil society organisations. After the collapse of the regime, numerous associations were created and "quantitative estimates of the number of NGOs range from several hundreds to thousands" (Barah 2013, 3). From the 22 civil society organisations registered by MercyCorps prior to 2011, the number reached 3,000 by August 2013 (Aliriza 2013). Among those organisations established before the uprising, the movement of the victims of the Abu Salim prison,[33] headed by the lawyer Fathi Terbil, is worth mentioning since it attempted to develop a civil space of contestation against the repressive regime. In contrast, the Qadhafi International Charity and Development Foundation created in 2009 and headed by Saif al-Qadhafi was an obvious example of a controlled-attempt to open up a civil space in the country. In post-2011 Libya, most organisations are found in Benghazi and, above all, Tripoli—reflecting the

---

31 Author's interview with an Iraqi civil society activist (Iraqi Civil Society Solidarity Initiative), 14 April 2014.
32 Author's interview with an Iraqi civil society activist (NGO Coordination Committee for Iraq), 11 November 2011.

33 In 1996, a riot in the Abu Salim prison, which hosted mainly political prisoners, was brutally suppressed and caused the death of 1300 prisoners. The Chief of Security, Abdullah al-Senussi, obscured the event and only when the families of the victims started demonstrating, the regime promised compensation (Joffé 2013, 42).

concentration of foreign funding in capital cities (Barah 2013, 7). In the absence of funds disbursed by local authorities, civil society organisations have relied predominantly on external funding. Meanwhile, the absence of a clear legal framework adds to the weak context in which civil society organisations are expected to operate. The widely diffused trend in the region toward religion-based forms of organisations entered into the picture of post-2011 Libya. The Muslim Brotherhood registered as an NGO in 2012 (Fitzgerald 2012; *Libia al-Mustaqbal* 2014) and many radical Islamist groups have founded social organisations to root themselves in society (Aliriza 2013).

4.3.3 *The private sector: a driver of change*

Chapter 3 has provided a comprehensive overview on the private sector at the international level. This section singles out the role of the private sector in the regional context. The politics of (domestic) business in MENA countries has not received much attention in the literature. This is due to the prominence of crony-capitalism and the changing but enduring pervasiveness of neo-patrimonialism even after the wave of liberalisation in the 1980s and 1990s. More often than not, the private sector has derived its role in the economy from the state apparatus and political élites. As a consequence, the middle class and most capitalist classes have not always been in favour of growing liberalisation (Ayubi 1995, 364).

In a recent publication, Hertog, Luciani, and Valeri (2013) provide an overview of business politics in a selected cluster of countries in the region. In the introduction to the volume, Hertog (2013, 3) notes that "the deep formal and informal involvement of the state in Arab economies has deformed and fragmented the capitalist class, a class which regimes have utilized for patronage, rent-seeking and façade modernization at least as much as for meaningful diversification and development". As a fragmented collective actor, the private sector has often had little impact on policy-making and it has exercised influence mainly through individual ties with political élites. The private sector and its representative organisations have had similarly little impact on society. Even when economic liberalisation was pursued "a new role for business [did] not mean new business players" (Hertog 2013, 5). On the contrary, family business or private networks have remained key actors.

The long symbiotic relationship between regime figures and businesses explains the popular distrust toward business actors. In Libya the modest economic opening in the last decade of the Qadhafi regime had a boomerang effect: Vandewalle (2013, 3) argues that what was left of this decade of contradictory policies was a sense of confusion and a growing distrust of the market economy among the population: "the introduction of a greater reliance on the private sector after 2003 remains tainted by the inequalities it produced". In Iraq, a similar scenario can be described for the post-2003 period: during the Saddam Hussein regime the majority of the people were not benefiting from the activity of the private sector (in both its informal or colluded form), thus they relied on the state in order to sustain their households (Barakat 2005, 583). Interestingly, in a 2004 poll on political attitudes commissioned by the International Republican Institute (IRI), most Iraqis explained their preferences for a party that advocated more government jobs (48.9 per cent) (Foote et al. 2004, 69). More jobs in the private sector was not considered as crucial in the political priorities of Iraqis as much as it was for the occupying forces.

Conclusion

This chapter has provided the key background information to examine the processes of statebuilding and state formation in Iraq and Libya. First, it illustrated the peculiarities that the Iraqi and Libyan states partake with states in the Middle East and North Africa region. Drawing on the literature on MENA, the first part of this chapter has highlighted that the state in the region has undergone a continuous process of reformulation as a result of a struggle for political and economic resources (Guazzone and Pioppi 2012, 7). In this process of reformulation, the Arab states has adapted to international-promoted models while preserving its neo-patrimonial and authoritarian structure. In part as a reaction to the neo-patrimonial and authoritarian character of the state, MENA countries have witnessed during the last decade a growing contestation of their social and geographical boundaries. Issues related to national, ethnic, and/or religious identities have strongly contributed to this development.

It is in this broader context that the interventions in Iraq and Libya occurred. Whereas the intervention in Iraq marked the convergence of exporting neoliberalism with military means, in Libya the responsibility to protect the population was cited as a key factor that convinced the UN Security Council

to authorise the intervention (although this norm competed with other political objectives). This difference notwithstanding, both interventions resulted in a rapid regime change that impacted on key aspects of the state: the monopoly over violence, the cohesion of the state territory and its population, and the control over economic resources. It has been argued throughout the chapter that the revolutionary character of international interventions stops at a change of regime. The transformative character of political and economic liberalisation has been questioned in light of an historical account of how these policies were implemented in the region.

The last part of the chapter has switched focus from structures to actors. By examining the positioning of political élites, civil society, and the private sector in Iraq and Libya, the chapter has shown that the two countries have faced similar challenges after the rupture with their dictatorial past, foremost the difficulties of creating an inclusive process of reconciliation. In both countries, the state and the national dimensions have come under strong pressure from within and outside. As a whole, by providing a first comparative overview of the two cases and by highlighting themes central to statebuilding analysis in a regional and comparative perspective, this chapter bridges the theoretical framework presented in the first two chapters and the empirical analysis that follows.

Chapter 5

Perspectives on the economic governance of Iraq: the international dimension

> Economic incoherence arises, as well, because of flaws in local and national governance. The economic system cannot work as it should because the political system is in disarray. The effects on individuals are economic in their impacts on the firm or the household, but the reasons for the overall incoherence lie in the political arena. Markets work well if and only if there is a compatible and responsive political and legal system working sympathetically with what we imagine are "autonomous" market processes.
>
> —USAID 2012, 73

The military and civil intervention in Iraq was premised on the notion that Iraq could "self-sustain" its reconstruction and that the private sector would play a key role in this process. In May 2003, Paul Bremer, the administrator of the US-led occupation, declared that Iraq was "open for business" (Tyler 2003). Later the same year, in October 2003, US Secretary of Defence Donald Rumsfeld, while commenting on the request of USD 21 billion for the reconstruction in Afghanistan and Iraq stated that "the [USD] $20 billion the president requested is not intended to cover all of Iraq's needs. The bulk of the funds for Iraq's reconstruction will come from Iraqis — from oil revenues, recovered assets, international trade, direct foreign investment, as well as some contributions we've already received and hope to receive from the international community" (Murphy 2011).

Policy-makers conveyed the message that Iraq could "self-sustain" the cost of its own reconstruction by leveraging its oil revenues, attracting investments, and reactivating its private sector. "We're really dealing with a country that could finance its own reconstruction", declared Deputy Secretary of Defence Paul Wolfowitz to the US Congress in March 2003 (Murphy 2011). The paradigm of a self-sustaining recovery driven by market mechanisms inserts itself in the overall neoliberal model that framed the intervention in Iraq. This paradigm was expected, at least in theory, to serve the objective of shifting "a good deal of the costs for reconstruction and development to the private sector, thus reducing the direct burden placed on the United States and its coalition partners" (Looney 2003, 577).

Most scholars have problematised the *neoliberal ideology* behind the intervention in Iraq (Barakat 2005; Yousif 2007; Dodge 2010b). Most of the criticism focuses on the role of the Coalition Provisional Authority (CPA). An extended literature has captured the contradictions of its ruling and its impact on society. Indeed, the CPA's rulings lend themselves to questioning their underlying assumptions, intentions, and consequences. Scholars have not only interpreted the orders dealing with economic matters as driven by neoliberal ideology, but also CPA Order no. 1 (de-Ba'athification) and CPA Order no. 2 (disbanding the military).[34] The drastic change brought about by the CPA Orders sparked also a debate around the legality of these measures, which mainly revolves around the interpretation of the Geneva Conventions and the UN Security Council Resolutions 1463 and 1511 (Arato 2009).[35]

This chapter analyses empirically the contradictions between the neoliberal ideology sustaining the argument that Iraq could "self-sustain" its reconstruction and the actual interventionist agenda for statebuilding. This interventionist agenda finds manifestation in two aspects that characterised the transition in Iraq. First, the dispersed character of the economic governance system that emerged from the vacuum left by the fall of Saddam Hussein regime. Whereas most of the literature has devoted its

---

34 With reference to economic matters, the CPA promoted trade openness (Order no. 54); an independent Central Bank (Order no. 56); the abolition of restrictions to form companies (Order no. 64); and the formation of foreign-owned private banks that were to operate in Iraq on terms no less favourable than those applicable to national banks (Order no. 94). In addition, the CPA replaced all previous foreign investment laws by issuing Order no. 39, which has been described as a "free market manifesto"(Docena 2007, 125).
35 For a comprehensive analysis of the CPA see Looney 2003; Foote et al. 2004; Barakat 2005; Yousif 2007; Dobbins et al. 2009; Dodge 2010b.

attention to the disruptive effects of the CPA in turning the Iraqi economy from a centrally planned to an open market economy, few studies have investigated the multiplicity of actors shaping the economic governance system of Iraq since 2003. It is argued in this chapter that this system has greatly impacted the country's economic environment.

Second, the contradictions between the neoliberal ideology and the actual interventionist agenda for statebuilding are explored through the lens of private sector development. Since the natural contribution of the private sector did not materialise as expected by most policy-makers, the complex intervention structure soon began working to activate the domestic private sector by targeting it as a key stakeholder in transition. The Iraqi case shows the extent to which the private sector has come to redefine the international agenda for statebuilding. As the World Bank Finance and Private Sector Development Director observed "there has been an evolution in thinking, and Iraq both reflected that evolution and contributed to that evolution in thinking".[36] This chapter opens with an introductory note on the Iraqi economy and it later accounts for the various actors operating in Iraq for the development of the private sector. By exploring the modalities of the intervention in economic matters, the chapter shows the implication of the policy choice of shaping the private sector in the context of the statebuilding intervention in Iraq.

5.1 An introductory note: the Iraqi economy

The Iraqi economy went through different stages that reflect the political developments of the country and it has been characterised by two main features: oil revenues and militarisation. During the monarchical period (1921-1958), the economy of Iraq was strongly influenced by the British colonial system and by the tensions between British influence the monarchy, and a nascent nationalist movement. The discovery of oil reserves in 1927 added to these tensions. With the opening of the Republican period, marked by the military coup of General Abd el-Karim Qasim in 1958, the country went through a period of political chaos that eventually ended with a second Baʿth party coup in July 1968 and the subsequent consolidation of power based upon Saddam Hussein, who rose to the position of president in 1979. The

---

36 Author's interview with Finance and Private Sector Development Director for MENA, the World Bank, 16 January 2014.

overthrow of the monarchy was accompanied by a mounting nationalist discourse. In economic terms, this nationalist discourse translated into a greater role of the state in planning the economy and in the attempt to free the Iraqi economy from colonial subservience. A socialist economic development was part, at least initially, of the ideology of the Baʿth party as its motto "Unity, Liberty, Socialism" demonstrates.

The economic achievements of this first period were wiped away by the outbreak of the Iran-Iraq war (1980-1988), whose cost for Iraq was estimated to be around USD 452.6 billion (Scharz 2013, 42). The war had a destructive impact on the Iraqi economy and infrastructure. The civilian economy built in the previous years and heavily sustained by oil revenues turned drastically into a military economy sustained by a growing state debt financed mainly by Saudi Arabia and Kuwait. Additionally, the ill-considered occupation of Kuwait two years after the end of the Iraq-Iran war caused the reaction of the international community against the breach of the principle of state sovereignty and integrity. The *Operation Desert Shield* launched in January 1991 by the US and a coalition of allies caused the destruction of most of the Iraqi military machine as well as massive civilian casualties. Above all, the operation destroyed key Iraqi infrastructures—power plant and oil refineries—with detrimental consequences for the country. The Iraqi economy was then hit by one of the harshest sanction regime ever implemented in the international system that prevented the full recovery of the Iraqi economy after the international operation.[37]

Two interrelated features have dominated the economy of Iraq.[38] On the one hand, oil revenues enabled the country to develop its vast public sector and they simultaneously sustained a personalised system of patronage centred on the figure of Saddam Hussein. On the other hand, oil revenues financed also the militarisation of the Iraqi economy. From its early formation, the Iraqi army acted as a promoter

---

37 Passed four days after the invasion of Kuwait, UN Security Council Resolution 661 designed a mandatory and comprehensive regime of sanctions, which was then expanded by Resolution 687 (1991). Resolution 661 banned all export and import, froze Iraqi asset abroad and only allowed medical products and foodstuff in case of humanitarian crisis. The hardness of this regime was slightly loosened by the "Oil for Food Programme" (1996-2003), which was initiated to placate the disastrous effects of sanctions on the Iraqi population. Meant to hit Saddam Hussein and his grip on power, the sanction regime left almost untouched the power structure in the country but caused severe damages to the population. In 1988 the assistant Secretary-General of the United Nations denounced the sanction regime for being an "all-out effort to starve to death as many Iraqis as possible" (Al-Khafaji 2000, 67).

38 For a comprehensive account of the political economy of Iraq, see Mahdi 2001; Gunter 2013.

of Arab identity and anti-imperialism and became a key political actor in the history of the country with key political figures, foremost Saddam Hussein, coming directly from its ranks (Scharz 2013, 34–35). Increasing military expenditures did not only sustain the aggressive foreign policy of the regime, but they also guaranteed its internal stability.

When assessing the period before the 2003 invasion of Iraq, most policy-makers (and some analysts) concurred on the almost virtual absence of the Iraqi private sector or they dismiss it as being formed exclusively by the closed circle of Saddam Hussein's companions. Indeed, economic activities were closely watched by the state apparatus, predominantly channelled through state-owned enterprises, and mostly run by a small number of businessmen who derived their position not only from their economic function but also from their political position. However, the 1990s was not a lost decade for Iraqi business: during this decade "an emerging class of nouveaux riches, an economic and social 'mafia' ... includ[ed] Shia as well as Sunnis, Kurds as well as Arabs, but all [were] tied, directly or indirectly, to the Tikriti family in power" (Marr 2000, 90). Parker and Moore (2007, 7) note the extent to which "localized social structures, transnational trade networks and a globalized sanction regime came together to create new economic opportunities and impose new constraints". On one hand, the system of sanctions thwarted the private sector by limiting its possibility to operate in sectors that could have been exploited, such as agriculture (Foote et al. 2004). On the other hand, it contributed to create a class of "private contractors, sanction busters and profiteers who were useful to the regime" (Barakat 2008, 18). This circle of businessmen was not isolated from the global economy. Jordan, for instance, had been the main trading partner under the sanction regime but also the major point of exchange for the illicit traffic from Iraq (Ryan 2010, 41-42).[39]

In sum, the prevalent interpretations of the pre-2003 period depict an "economy that essentially

---

39 Despite the contrast between the conservative Hashemite kingdom and the revolutionary Baathist regime—the latter responsible for the overturn of the Hashemite Kingdom in Iraq—the two countries had close ties during the 1970s. Political and economic considerations pushed Jordan to shift alliances from Syria to Iraq, which became increasingly reliant on the Jordanian market for supplies during the Iraq-Iran war. At the end of the war, the imports from Iraq represented the 17.3 per cent of Jordan's import, while Iraq received 23.2 of its import from Jordan. Although Jordan developed a more disapproving stance toward the regime of Saddam Hussein, part of its domestic elements, were vocal against the sanction system. Jordan has been the main legal trading partner under the sanction regime but also the major point of exchange for the illicit traffic from the country (Ryan 2010, 41-42).

needed to be rebuilt from scratch, crashed by decades of war, sanctions and atrophy due to Saddam's neglect of the population's needs" (Crocker 2004, 75). But this depiction obscures the reach of the informal economy in the country and the place of a class of "nouveaux riches" therein. These elements, contrary to any analysis departing from an artificial condition of *tabula rasa,* should not be neglected when looking at the post-2003 transition as they constitute part of that legacy of the past that can strongly influence post-conflict dynamics.

5.2 Economic governance: levels and types of authority

As discussed in details in the second chapter, the dichotomous reading of post-conflict interventions neglects the heterogeneity of the international and the domestic dimensions, which come to interact in post-conflict settings. Assessing this heterogeneity is the main objective of this section. Before proceeding it is important to reinstate that this exercise does not intend to downplay the tensions existing between the international agenda for statebuilding and its promoters, on one hand, and the domestic process of state formation, on the other. Rather, it intends to account for the complexity of these tensions, which often transcend binary oppositions.

By focusing on the economic agenda and on the development of the private sector, this section does not only explore the fragmentation of authority across levels but it also pays attention to the types of authority emerging out from the statebuilding intervention in Iraq. Although levels and types of authority intersect in such ways that it is often difficult to set their boundaries I concentrate here on the external dimension and its various manifestations leaving the discussion on the domestic dimension to the next chapter.

5.2.1. *The international dimension: an American project*

The post-conflict intervention in Iraq has been highly unbalanced in terms of donors' engagement. The US government and its agencies dominated this unbalanced pattern until at least 2009-/2010, and determined new roles and functions for some agencies while limiting or modifying the engagement of more traditional actors. During the period 2003-2012, "the United States provided [USD] $60.64 billion for the relief and reconstruction of Iraq" (SIGIR 2013, 55). In contrast, the UN budget for the period

2004-2013 amounted to USD 1.3 billion, the total value of the Iraq Trust Fund.[40] This discrepancy reflects the disproportionate role of the US in Iraq vis-à-vis other actors.

The huge US financial commitment to the Iraqi reconstruction is a first indication of the contradictions existing between the neoliberal ideology and the actual practice of the statebuilding intervention. When major combat operations ended and Iraqis were allegedly freed, the country lacked almost completely what external actors relied upon in order to succeed, the private sector as a positive force providing employment opportunities and generating economic activities for the benefit of society. Internationally, the private sector was reluctant to invest in the country in the midst of ongoing violence and chaos, with notable exceptions in the oil industry. As a result, the intervention in Iraq turned rapidly into the second largest American reconstruction operation after the Marshall Plan (SIGIR 2013, 28). Even though the American efforts in Iraq have been often compared to the Marshall plan for Europe, the former did not manage to match up to the widely recognised successful experiment after the Second World War. The two experiences show the changing logic underpinning the interventions: whereas in the late 1940s, the Marshall plan channelled resources through the state, which was considered as fundamental for driving the process of economic recovery (i.e., by creating demand), in 2003 the state was, instead, considered to be part of the problem and resources were channelled outside the state, through would-be local NGOs and the private sector.

A vast debate exists on the virtues and vices of aid flows to post-conflict countries. Scholars have questioned issues of timing, speed, and modalities of aid programmes for statebuilding (Boyce 2010; Panić 2011; Menocal 2013). Tough a definitive position on the positive or negative role of aid flows is difficult to reach, what is widely recognised is that "external aid that bypasses the public finance system can undermine efforts to build state capacity" (Carnahan and Lockhart 2008, 73). International donors often privilege disbursing funds outside national budget to retain control over priorities and agendas. But this practice can undermine the effort of assisting the creation of a viable state by

---

40 The Iraq Trust Fund was one of two funds constituting the International Reconstruction Fund Facility for Iraq (IRFFI) launched in 2004 to coordinate donor resources in support of the Iraqi reconstruction. The Iraq Trust Fund was administered by the United Nations Development Programme (UNDP) while the second Fund was administered by the World Bank. On the Iraq Trust Fund budget, see Multi-Partner Trust Fund (UNDP) website, available at: http://mptf.undp.org/factsheet/fund/ITF00 [Accessed on: 5 January 2015].

reinforcing parallel mechanisms that compete with state's functions. Aid flows to Iraq had the double effect of injecting a huge amount of (often weakly controlled) funds in the country and creating a situation in which control over capital was transnationalised with a vast array of actors having authority over it.

As pointed out, the rulings of the CPA epitomised the US exertion of authority in economic matters. The CPA certainly played a key role in laying the foundations for a transformation of the Iraqi economy. In order to prevent the reversion of these Orders, the CPA included in the Transitional Administrative Law—the Iraqi provisional constitution signed by the Iraqi Governing Council[41]—that the Orders could have been dismissed or changed only by an elected government (Yousif 2006, 495). The pressure exercised upon the national government structure extended to the individual level. For instance, the American Ambassador John Negroponte and the head of the Pentagon in Baghdad, General George Casey continued to exercise influence on the Iraqi prime minister through weekly if not daily meeting and through the American staff filling Iraqi state institutions (Dodge 2010b, 1282). Remarkably, also the constitution-making process was subject to continuous pressures coming from American policy-makers, as it was the case with the Oil Law (Arato 2009; Muttitt 2011).

USAID has been a key actor for the promotion of policies and reforms in economic matters. To this end, USAID launched the Economic Reform Program in 2004, which was later followed by the Economic Governance II from 2005 to 2009 (OIG 2004; OIG 2009). Both programmes maintained the same attitude of the CPA toward the creation of a market economy through the provision of "technical assistance to help Iraq overcome problems in its legal, fiscal, institutional, and regulatory frameworks and functions that impede private investment and trade" (OIG 2009, 3). It later funded the Tatweer project from 2006 to 2011 and the Tarabot project from 2011 to 2014, both aimed at reforming public management institutions, and improve service delivery. But USAID had also a more proactive stance toward the private sector: it launched the Izdihar project from 2004 to 2008 and the Tijara project from 2008 to 2013. These projects operated mainly at the governorate level and coordinated with the

---

41 The Law of Administration for the State of Iraq for the Transitional Period was signed by the Iraqi Governing Council in March 2004 and it acted as Iraq's provisional constitution until the formation of a new elected Iraqi government after the ratification of the Iraqi Constitution in 2005.

Provincial Reconstruction Teams. As part of these projects, USAID run micro-finance activities, trainings, and sustained the creation of centres for the private sector, such as the Business Development Centres in Baghdad and other cities around the country. Box 5.1 spells out in more details the activities carried out in the field of private sector development in the framework of USAID's Economic Reform Programme.

Box 5.1. Iraq economic recovery, reforms and sustained growth

---

Iraq Economic Recovery, Reforms, and Sustained Growth

The Iraq Economic Recovery, Reforms, and Sustained Growth (August 2003-September 2004) is the first of two programmes run by USAID/BearingPoint that tackled different aspects of the economic governance in Iraq. The Programme carried out 32 different activities in various sectors including fiscal, financial, private sector development, utilities and regulatory sectors.

In the field of private sector development, the programme promoted the following activities:

◆ Strengthening the network of Iraqi Business Centres already established by the US army civil affairs and opening of nine additional centres in and around Baghdad (some of them within the Green Zone that became soon difficult to access); providing capacity building training and procurement assistance to Iraqi business leaders.

◆ Reopening of the Iraq Stock Exchange Market, including bylaws, Arbitration Code, Disciplinary Code, Codes of Conduct for the Exchange and its members, and Listing Rules. Consulting, mentoring and training was also provided to expand participation.

◆ Drafting the new Company Law that was then promulgated by the CPA (Order no. 64) and creating a system for company registration in the country, which includes domestic as well as foreign companies, state companies and commercial agents.

◆ Providing firm level assistance including training for financial managers on various themes related to the business cycle. According to BearingPoint (2004, 60) based on the identification of a selected number of client (around 60 firms) the programme "worked closely with thirteen" of these cients.

◆ Producing recommendations on the privatisation action plan, the creation of an Iraqi Private Sector Development Agency, and the processes and methodologies for privatisation.

◆ Distribution of fundings across the governorates to launch a job programme aimed at generating "a very high number of short term jobs" (BearingPoint 2004, 65).

BearingPoint assisted the CPA in establishing three NGO programmes on microfinance that totaled USD 21 million in funding (BearingPoint 2004, 47).

5.2.2 *The multi-lateral dimension: conditionality and beyond*

Iraq began its post-Saddam period with a heavy debt due to the cost of the war against Iran, the war reparation for the occupation of Kuwait, and the interests accumulated during the sanction regime.[42] The debt relief issue was first addressed at the Madrid Conference in October 2003 where potential donors

---

42 The Iraqi debt consisted of: 1) official debt (creditor countries): Paris club (official) debt; other official debt; Gulf debt; non-Gulf debt; 2) commercial debt (private creditors); Multilateral debt (IMF and the like) (Merza 2007, 3).

for the reconstruction of Iraq met under the sponsorship of the United States.[43] The following year, the Interim Government of Iraq—the interim body appointed to govern the country until the drafting of the new constitution—formally asked the IMF the writing off of its debt. In 2004 the Paris Club agreed to write off part of the Iraqi debt in three steps in exchange for sound economic policies to be monitored by the IMF, which stipulated a Stand-by Agreement with Iraq in 2005.[44] It is worth noting that the request for the writing off of the debt was put forward by an unelected government—the Iraqi Governing Council—whose legitimacy is a controversial issue. In addition, the procedure for writing off the debt implies the recognition that the debt is legitimate, another controversial issue.

Multi-lateral organisations exercised great authority in the country by designing a complex system of conditionality. The IMF agreement set out around eleven benchmarks that the government of Iraq had to meet in order to continue the collaboration with the IMF, such as the reduction of subsidies and the creation of a modern banking system. The International Compact with Iraq—an initiative formally launched by the government of Iraq, the World Bank, and the UN in 2007 to internationally support a five years programme for setting the country in line with a market-based economy, stipulated another series of benchmarks linked to the Stand-by Agreement. In addition to this, in 2007 the US Congress conditioned the US strategy in Iraq on 18 benchmarks, which contained political, security, and economic benchmarks (Merza 2007, 6-7). In all, after 24 years of Saddam Hussein's regime, the first elected government of Iraq had to meet a total of 101 benchmarks while facing the outbreak of the insurgency.[45]

Some of these benchmarks were problematic to meet and their implementation showed the conflictual tensions between political and economic liberalisation. For instance, one of the conditions set out in the Emergency Post-Conflict Assistance Programme (the first IMF financing facility) was the

---

43 During this conference, the International Reconstruction Fund Facility for Iraq (IRFFI) and two trust funds, one administered by the World Bank and the other by the UN were established (Merza 2007, 4).

44 A IMF Stand-by Agreement is "a line of credit that the IMF extends with the obligation by the benefiting country to consider the use of this line as precautionary, i.e. in extreme circumstances" (Merza 2007, 5) The IMF Stand-By Agreement is the second loan by the IMF; the first credit facility was the Emergency Post-Conflict Assistance in September 2004 (Looney 2006, 33).

45 The US Statutory Benchmarks (US PL 110) set 18 benchmarks predominantly political; the International Compact with Iraq (2007-2012) set 72 benchmarks, 13 political and 59 benchmarks for 2007 and 2008-2012; the IMF''s Standby Agreement set 11 benchmarks predominantly economic (Merza 2007, 17).

reduction of refined oil products. The low price of fuel coupled with an increasing number of cars entering the country caused a shortage of offer while it fed the black market with neighbouring countries. After some failed attempts to adjust the price of refined oil product, the Iraqi Transitional Government decided to raise the price in October 2005. However, this decision was announced only several days after the result of the 2005 December election. This manoeuvre enabled the country to maintain the IMF assistance programme, but at the same time the decision was met with criticism on behalf of the media, and protests broke out in some governorates against the newly elected government, which formally was not responsible for the decision (Looney 2006, 36). Other reforms turned to be even more problematic: the issuing of the Oil Law, despite being an ever-present benchmark has never been issued regardless of mounting pressure.

Among its benchmarks, the International Compact with Iraq (2007-2012) listed also the goal of creating an enabling environment for private investment and job creation. To this end, many have been the initiatives at the institutional and policy levels, as well as at the downstream level: the World Bank and the UN have been to various extents engaged in this policy. The World Bank, which has the mandate to intervene in economic matters, did not play a key role until at least 2009. Initially, the World Bank endorsed the CPA Orders and by doing so, also the legislative functions of the CPA, by stating that "for continuity the sovereign Iraqi government will need to confirm its broad support for legislation issued by the Coalition Provisional Authority" (World Bank 2004, 11). But the World Bank did not take the lead in economic reforms, a field that was already dominated by USAID. USAID itself lamented the little engagement by the World Bank in assisting the country (USAID 2012, 47). With the imminent withdrawal of American forces, the World Bank reactivated part of its activities, which included also support programmes for the development of the private sector through institutional and policy assistance. In 2011, The World Bank supported the creation of the Private Sector Development Centre (see Box 5.2). Based in Baghdad and formally registered as an NGO, the Private Sector Development Centre is a partnership of private sector representative organisations. The Centre is led by a steering committee composed of six leaders of the private sector, among them the Karbala Industries Federation Chairwoman, a board member of the Babil Chamber of Commerce and the previous chairmen of the

142

Basrah Chamber of Commerce.[46]

In the absence of a strong presence by the World Bank, the UN became the favoured international organisation by the Iraqi government also in economic matters.[47] The UNDP launched the initiative Private Sector Development Programme for Iraq in 2009 in collaboration with other UN agencies and organisations. The programme worked with the federal government for the legislative and institutional parts by assisting the government in adopting sound economic reforms. At the same time, the programme operated also at the governorate level. UNDP activities overlapped with many other programmes aimed at developing the private sector. For instance, the International Organization for Migration (IOM) and the UN Office for Project Services (UNOPS) managed projects for the development of Business Development Services in Basrah, Erbil, and al-Anbar. UNIDO run the Enterprise Development and Investment Promotion from 2007- to 2008 (and later extended to 2010), which targeted the governorates of Erbil, Dhi Qar, and Baghdad, and included the enterprise upgrading and the enterprise creation components. Another initiative promoted by the UN is the Iraqi local network of the Global Compact launched in 2011. The local network promotes the vision endorsed by the Compact of a socially and environmentally responsible private sector. At the beginning of 2014, there were 138 participants in the network, of which 102 were companies and 36 non-business companies.[48] Of the 138 participants, 45 failed to produce a communication on progress, thus being non-active members of the network. Those failing to communicate were all private companies.

5.2.3 *Privatising statebuilding: the role of private actors*

As already touched upon in Chapter 2, the expansion of the statebuilding mandate has caused a change in the role of non-state actors in statebuilding. In parallel to the growing reliance on NGOs (often INGOs—international NGOs) working alongside multilateral and government organisations, the non-for-profit sector has witnessed a growing professionalisation of its role, which often translated into the adoption of

---

46 Author's interview with Chairman of the Private Sector Development Centre, 14 November 2013.
47 Author's interview with UNIDO Country Manager, Iraq Programme, 17 November 2013.
48 Among the companies there are 22 subsidiaries, 77 private companies, 2 public companies and 1 state-owned enterprises; among the non-business organisations there are 22 local NGOs, 10 business organisations, and 4 global NGOs. (UNGC website, available at: http://www.unglobalcompact.org/participants/search [accessed on 5 January 2015].

a market-oriented approach. Although the NGO sector is often associated with a democratisation agenda, it has also played a key role in the promotion of economic liberalisation. The contraposition between the state, civil society, and the market—which part of the scholarship on civil society has described as conflictual—has given pace to a situation in which this triad stands in a more harmonious relationship: the third sector tends to replace the state in many of its functions and to exist in a transnational space where market mechanisms influence its structure and also its intervention in post-conflict countries.

In Iraq, the NGO sector has played a key role in economic matters and it has operated extensively in private sector development. CHF International (now, Global Communities) started operating in Iraq in 2003 and it run one of the major micro-finance programme in the country, the Access to Credit Services Initiative along with the Iraq Middle Market Development Foundation (promoted together with Overseas Private Investment Corporation and CityBank). Both programmes have provided commercial loans to small and medium-sized enterprises and middle market enterprises.[49] Similarly, the Centre for International Private Enterprise (CIPE) has been active in Iraq since 2003 in the development of the private sector, by working at the local level, often in collaboration with local NGOs or local business representatives.

But the privatisation of the statebuilding agenda has been more drastically executed through the growing inclusion of private consultancy companies in statebuilding processes. The expanded scope of private companies has entered the debate on aid architecture. As argued by Carnahan and Lockhart (2008, 84), "the distinction between private contractors and NGOs is often blurred". The for-profit character of private companies have raised concern over their role in post-conflict contexts. Especially during the initial phase of the intervention in Iraq, much has been written on the policy choice by the US government to involve private companies in the physical reconstruction of Iraq, the shadowy nature of these contracts, and their poor implementation abilities, as well as on the use of private security companies, and their implication in the changing nature of military interventions (Le Billon 2005; Bjork and Jones 2005; Lacher 2007; Singer 2003; Avant 2005). In contrast, less attention has been devoted to

---

49 The key role of CHF International has been recognised by many interviewees and by many people working in the NGO sector with whom I had more informal conversations.

the involvement of private companies in the legislative and institutional re-shaping of the country, which has often spilled over to political issues.

The practice of subcontracting is widely diffused in USAID programmes, and not only in Iraq. As discussed above, USAID has been a key actor for the promotion of policy and institutional change in economic matters. Private companies have executed most of its programmes. For instance, the Economic Reform Program (2004) and the following Economic Governance II (2005-2009) were subcontracted to the private company BearingPoint (OIG 2004; OIG 2009). Similarly, the Tatweer (2006-2011) and the Tarabot (2011-2014) projects were contracted out to Management International System, a subsidy of Coffey International. The Izdhiar project (2004-2008) was contracted out to Luis Berger Group and AECOM International while the Tijara project (2008-2013) was contracted out to Luis Berger group. Investigating the role of the private sector in statebuilding cannot leave aside the implications of private companies intervening (not being the target) of statebuilding.

This practice shows the professionalisation and marketisation of "reforming post-conflict countries." As cited in Louis Berger Group' website:

> the Louis Berger Group is a leader in working with, and in, post-conflict environments, post disaster environments, and areas of insurgency. For more than 20 years LBG has undertaken infrastructure and capacity building projects that address the sources and consequences of political and economic fragility. We have developed the specialized knowledge and experience to effectively implement complex, multidisciplinary, and multi-year activities, focused on rapid mobilization and responses tailored to local contexts.[50]

From Iraq to Afghanistan and South Sudan, economic and institutional development has become paradoxically a market where post-conflict development is sold as a service. In this course, private companies have become a key node in expanding a certain understanding of the state and of what is needed to rebuild it, which constitutes the core of the model sustaining contemporary international interventions for statebuilding: "consultancies have contributed to the globalization of the core values of Western culture generally, and the transmission of the idea of liberalization specifically" (Stone 2004,

---

50 Louis Berger group website, available at: http://www.louisbergergroup.com/What-We-Do [accessed on 5 January 2015].

557). Within a broader trend toward the expansion of private authority in international affairs, private consultancies are examples of what Hall and Biersteker (2002) call "moral authority" based on expertise.[51] Their growing involvement is often justified by the fact that they are perceived as more efficient and apolitical actors in comparison to NGOs. As a result, private companies have increasingly replaced NGOs in post-conflict interventions (Stubbs 2003, 331–334). Although "there is much evidence that the involvement of ICC [international consultancy companies] in contemporary state building programs has increased significantly and is likely to grow in the future there is a relatively dearth of empirical data available" (Hameiri 2010, 110).

Apart from their role as epistemic entrepreneurs, the role of private consultancies have raised concern over the implications of foreign private companies "advising" other countries on how to reform their economies. Due to the unbalanced pattern of external actors' engagement in Iraq, the reach of contracted private companies extended to sensitive domains. For instance, the Tarabot programme provided assistance for the drafting of Iraq's National Development Plan. Private companies became an integral part of the governance system in Iraq. In the words of BearingPoint (2004, 58),

> we [BearingPoint] became an integral working part of the OGC [Office of General Counsel], providing daily counsel on myriad CPA Orders and regulations. Our attorneys translated almost all of the Orders and Regulations promulgated by the CPA and were key interlocutors in consultations between the Iraqi Governing Counsel and the CPA about the laws. Much of the consultation with the Governing Counsel over the Transitional Administrative Law was done by BearingPoint attorneys, both international and local.

Although some international organisations' professionals have recognised the potential conflict of interests arising from private companies' role in statebuilding, the alleged lack of institutional capacity in domestic state structures has justified such an involvement. However, the lack of capacity argument should go hand in hand with the argument problematising the lack of legitimacy of private companies' assistance in designing a country's economic strategy. As we will see in the next chapter the involvement of private companies has not always been accepted in a positive way by Iraqi officials and politicians. Either as a form of "soft transfer"—the "spread of norms and knowledge" or as the "hard transfer of

---

51 In describing the expanded role of private authority, Hall and Biersteker (2002) distinguish between market authority, illicit authority and moral authority (religious or expertise-based).

policy tools, structures and practices" (Stone 2004, 546) the expanded scope of private sector actors operating in statebuilding raises important questions about their ability to impact state authority and legitimacy.

Last, despite their allegedly more efficient and apolitical role, private companies have not been free from allegations of corruption. Especially for what concerns physical reconstruction, "investments between MNCs contracted by aid agencies, subcontractors, former local warlords, local militias, and private security companies highlights the complicity of international actors in establishing deeper, illiberal ways of proceeding" (Strazzari and Kamphuis 2012, 67). Although in this quote Strazzari and Kamphius are commenting on the situation in Afghanistan, evidence from Iraq have confirmed the extent to which the complex arrangements for the distribution of roles in post-conflict contexts across various levels and types of entities create potential spaces for the emergence of areas of collusion. Private companies also inhabit these areas of collusion.

5.2.4 *Securitising the economy: the economic role of the army*

As mentioned in Chapter 3, the convergence between peace, security, and development have consolidated around two major interpretations: on one hand, insecurity and conflict started to be perceived as the major challenge to development; on the other, development became a built-in aspect of statebuilding based on the view that economic development contributes to security. The convergence between these paradigms is well illustrated by the central message of the 2011 World Development Report, according to which "strengthening legitimate institutions and governance to provide citizen security, justice, and jobs is crucial to break cycles of violence" (World Bank 2011a, 2). As a consequence, security-related issues have influenced an understanding of economic development as an instrument to counteract insecurity and violence. In addition to the convergence between peace, security, and development, the interventions in Afghanistan and Iraq were also characterised by an overlapping between civil and military operations, with important consequences for post-conflict interventions (Duffield 2001).

In this context, the military involvement in Iraq extended in a considerable way to economic

147

matters—an issue that has received little attention in the literature compared to other problematic aspects of the encounter between military and civil actors.[52] Surprisingly, one of the most active actors in private sector development has been the US Department of Defence. Since the beginning of the intervention and in parallel with the mandate of CPA, the US military initiated the Commanders' Emergency Response Program, which consisted of providing mid- and low-level military commanders with money to fund short-term projects on the ground (SIGIR 2013, 119). More significantly, in 2006 the Department of Defence established the Task Force for Business and Stability Operation under the leadership of Paul Brinkley, an American businessman with no experience in the Middle East. The objective of the Task Force was to revitalise the economy and provide Iraqis with jobs, but its organisational structure maintained its mandate opaque and changeable during its existence from 2006 to 2010. Due to the fact that it was military supported, well-financed, and well-connected, the Task Force did not need to gain civilian support or to strengthen the coordination with other agencies and it sometimes operated "behind the scene" (Berteau et al. 2010, 5). The Task Force worked in different fields, including attracting foreign investment and private investment, the development of private banking, the rehabilitation of state-owned companies, corporate development, private sector development, procurement assistance, agriculture revitalisation, and communication infrastructure.[53] The Task Force promoted also the Iraqi First Program, through which it encouraged US contractors to target Iraqi private sector instead of multinational corporations.

The creation and management of the Task Force embodies the problematic relationship between security and the economy. According to Brinkley, "America is the predominant actor in terms of projecting economic prosperity. But we've seen in places like Iraq and Afghanistan a synchronous linkage of violence and economic deprivation" (Dowdy 2010, 45). Based on this view, the US military considered economic operations as a key component of the counter-insurgency strategy—a vision not

---

52 On the problematic encounter between military and civil operations in post-conflict peace/statebuilding, see Barnett 2005; Franke 2006; Barakat and Zyck 2009.

53 Among others, the Task Force supported the creation of the National Investment Commission; it attracted foreign businesses in the country; it reactivated the production of over 65 industrial operations; it automated Iraq's private banking sector; it stimulated over USD 4 billion in US government contracts to over 5,000 private Iraqi businesses; and it assisted the modernisation of Iraqi communications infrastructure (Berteau et al. 2010, 10).

fully shared by other US agencies. The argument linking security and the economy revolves around the importance of creating economic opportunities that, in turn, can prevent young adults from filling the lines of terrorist organisations or militias. However, the solution is not so straightforward in that security and the economy stand in a mutually dependent relationship: "combatants (whether the army or armed groups) need an economy (not to resort to predation) but the economy needs a certain level of security" (Rubin 2008, 43). Irrespective of this mutual dependence, the US army resorted to the private sector as part of its security strategy. As a senior military general observed "the Task Force brought the private sector to the battlefield, and they are to be credited with bringing that tool of US power to bear" (Berteau et al. 2010, 55).

The Task Force's involvement in the economy has not been met with enthusiasm by other US government agencies, which questioned not only the role of the Department of Defence in the economy, but also its methodology. The Task Force operated outside the well-defined ideological lines characterising the intervention in Iraq. As Paul Brinkley, head of the Task Force observed:

> our economies have evolved to a level of maturity that it has created a mind-set—one that is now so deeply ingrained at all levels of our bureaucracy—that the economy just happens on its own .… we've grown so accustomed to the success of our free-market model that, for a country coming out of violence or engaged in violence, this alchemy isn't natural. So the hardest part of my job has been to confront the deeply embedded belief among people in the government that what we're doing in Iraq isn't necessary, or even that what we're doing is wrong, and this has led to tremendous bureaucratic barriers being thrown up at every stage of the process (quoted in Dowdy 2010, 45).

The harshest confrontation between the Task Force and other US agencies concerned the Task Force's position toward the revitalisation (and not the dismissal) of state-owned enterprises—an approach that was blamed for being excessively "Stalinist" (Chandrasekaran 2007b). Nevertheless, the Task Force is widely recognised as having been one of the major actors in the economic governance of Iraq until its dissolution. Moreover, the proactive stance of the army and of the Task Force for Business and Stability Operations reflects the growing securitisation of the international assistance for development and the extent to which using "economic improvements as instruments of foreign policy" (Brinkley cit. in:

149

Dowdy 2010, 45) has become part of statebuilding interventions.

As a whole, an analysis that accounts for the variety of actors involved in shaping the economic governance of Iraq offers a more complex picture than a narrow focus on the CPA's rulings (see Figure 5.1). In this complex scenario, the international dimension crosses and intersects with the multilateral dimensions. US government agencies have deeply affected the formation of the economic governance of Iraq. While the IMF determined most of the conditionality attached to aid programmes, the World Bank has played a side role and the UN became a key partner in economic matters. NGOs, private consultancy companies, and the army have competed over the implementation of the same policy, private sector development.

Figure 5.1 shows the array of actors operating for the development of the private sector from the beginning of the transition. The modalities and implication of these different interventions are explored in the next section.
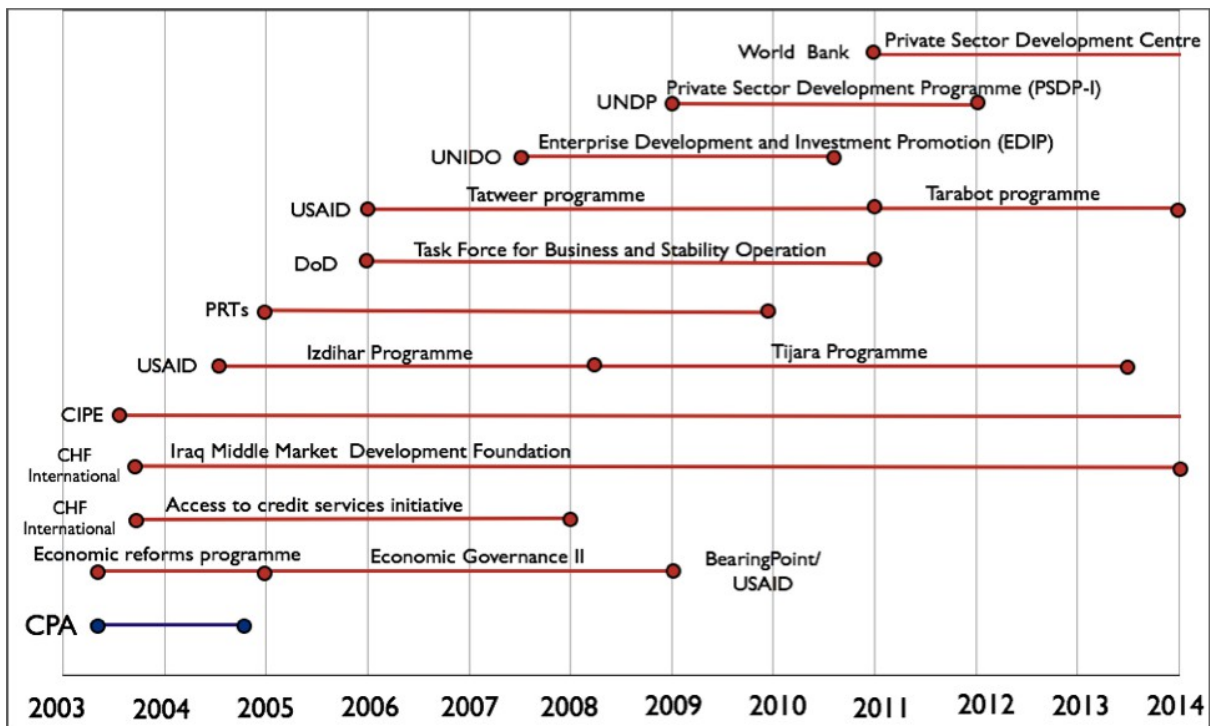
(Source: my own elaboration based on the collected documents)

Figure 5.1. Private Sector Development: actors and programmes (2003-2014).

150

5.3 Private sector development: from economic institutions to economic actors

Whereas the previous section has provided a detailed overview of major actors operating in private sector development and constituting the fundaments of the economic governance of Iraq, this section focuses on the modalities of private sector development in order to understand the implications of this policy for the process of state formation in Iraq. To begin with, it is important to note that most of these programmes have also operated at the institutional level. As already stressed in Chapter 2, the statebuilding agenda is cumulative and the introduction of new policies rarely entails a re-consideration of previous practices.

Almost all the actors presented in the previous section have operated at the institutional and policy levels based on the principle that "getting the institutions right" is a prerequisite for building a sound environment where political and economic actors will then automatically follow the rules of democracy and market economy. Already part of the CPA's mandate and of the conditionality attached to major aid programmes, a change in the institutional environment has been a key goal of the external statebuilding intervention. In order to achieve this goal, international actors have put forward their agenda for institutional change by promoting programmes that included capacity building, and policy and institutional assistance at the state level. According to this approach, removing institutional and policy obstacles to business operations pursue the development of the private sector.

However, USAID, the World Bank, the UN, and the other actors mentioned above did not limit their initiatives only to the institutional and policy levels. Indeed, they have adopted a more proactive stance toward the private sector, which reflects a more interventionist approach to post-conflict economic recovery. Whereas the institutional approach advances that once the "right" institutions are in place, post-conflict societies will positively progress toward an ideal type of democracy and market economy, this more interventionist approach shifts the attention from the environment to the actors inhabiting the environment. Notably, this refocusing has often entailed practices and policies that contradict the "laissez faire" intrinsic to the neoliberal institutionalist framework, by promoting direct interventions targeted at specific clusters of businesses (either sectorial, size-related, or location-related); strengthening market

151

linkages, building or re-shaping business associations; or managing access to micro-finance (MacSweeney 2008, 51-59).

Programmes for the development of the private sector started at the beginning of the intervention as the activities of USAID, the Commanders' Emergency Response Program, CIPE, and CHF International show. From this first phase, major international organisations such as the World Bank and the UN were virtually excluded. In this phase, key US agencies were engaged in reforming the legal framework of the country thorough the CPA Orders and the influence they exercised upon subsequent transitional government bodies, but they were also active in the attempt to shape those actors that, according to transitional theories, are necessary for establishing democracy and market economy: on one hand, cash payments were made to individuals who would build civil society organisations, and on the other hand, payments were transferred to small businesses to start their activities. As observed by a former Iraqi National Investment Commission official (ICG 2011, 3) "the United States did not properly control the millions of dollars it brought to Iraq. There was just too much money floating around—billions and billions of American and Iraqi money—and too many opportunities for that money to get into the wrong hands". Poor control over money facilitated a fraudulent and discretionary use of resources that channeled accumulation strategies away from the state.

The focus of external actors on the private sector continued during the years of the insurgency, and for some of them it became a strategy to fight the insurgency. The Task Force for Business and Stability Operation strongly contributed to the practice of involving the private sector (foreign and domestic) in a direct, unconventional, and sometimes covert way in what was primarily a security-related issue. After the insurgency and before the new wave of violence erupted in 2013, private sector development was accelerated by the entry of major programmes managed by international organisations. These programmes sought to have a more comprehensive outlook but perpetuated most of the practices already established by previous actors in the field. In sum, the involvement of the private sector during the statebuilding intervention in Iraq changed according to the circumstances; its scale, however, was vast.

The underlying assumption of private sector development is to move the private sector, and especially small and medium-sized enterprises, along the axes from the informal and extra-legal to the formal, on the one hand, and from identification with the ruling élite to complete independence from it. In Iraq, the participation of private sector actors in externally-promoted programmes has often been guided by questionable criteria, which contradict this assumption. First, as reported by USAID (2010, 51) "when donor grant programs were the prevalent form of financing a few years ago, business were often nominated by local leaders, grant officers, and NGOs to receive financial assistance". This criterium undermines the same notion of independence of the private sector and situate it in an even more complex network of influence, which includes also external donors. Moreover, although the domestic private sector has been considered as a key stakeholder, its active role in externally-led programmes has been minimal. Some projects' reviews lament the scarce participation of business actors in the design, functioning, and implementation of these projects. For instance, the independent evaluation of UNIDO's Enterprise Development and Investment Promotion observes that "in projects aiming to reach private entrepreneurs it is recommended to accept a strong private sector involvement in all stages. It is needed to reassess the appropriate role to be played by the public sector and governance structures in relation to sustainable private sector development" (UNIDO 2011, 60).

Second, although these programmes have often focused on the importance of small and medium-sized enterprises, their capacity to reach this cluster is dubious. The reliance on existing or newly established private sector organisations has limited their capacity to reach small and medium-sized businesses since these bodies tend to represent big businesses. With regards to their legal status, "some private sector institutions have been established by law (IFI [Iraqi Federation of Industry], Union of Iraqi Chambers of Commerce and Iraqi Contractors Union) while those established after 2003 on the basis of individual or group initiatives have the status of NGOs," such as the Iraqi Business Council, the Iraqi Businessmen Association, or the Iraqi private Banks League (PMAC 2013, 22). The Iraqi chambers of commerce have had a long history in Iraq. While they previously had a compulsory membership, after 2003 they became a voluntary organisation whose registration is necessary to conduct business with the government (USAID 2010, 60). The surveys and studies done to assess the private sector in Iraq did not

153

find a strong identification of the private sector either with chambers of commerce or with other business organisations. USAID (2010, 27) claims that, "chambers' records were insufficient in number, often lacked key information, such as contact information, and did not appear at all representative of the SMEs sector in each province". Similarly, CIPE (2011, 10) reported that, "some business people continue to associate business organizations and chambers of commerce with the previous government regime, which might affect confidence level in business organizations."

In 2010 USAID registered that an average of 18 per cent of businesses were registered with business associations or chambers of commerce with important regional variations that range from around 42 per cent registration in Erbil to around 4 per cent in Diyala (USAID 2010, 59). In 2011, CIPE reported that around 14 per cent of businesses were registered with a business organisation while the ILO survey (2012, 17) reported a higher proportion of registration (39 per cent). Unsurprisingly, it is often difficult to have a clear picture of the participation in business organisations.[54] The data are not comparable due to differences in survey design and sampling strategies; nevertheless, they point to a low level of representation by chambers of commerce or other business associations and to little expectation about their capacity, with differences from governorate to governorate.[55]

Third, whereas most policy and institutional programmes have worked with the federal government, the activities, which directly targeted the private sector, have had the "local" as their reference environment. The "local" has been virtually always interpreted as represented by the governorates' borders. USAID, CIPE, IOM, UNOPS, and UNDP have mainly worked through a governorate agenda in their effort to revitalise the private sector. Interestingly, by selecting the

---

54 For instance, according to the Directorate General of Industrial Development (Ministry of Industry and Manufacture, MoIM), the manufacturing sector includes about 17,500 production facilities. However, the Iraqi Federation of Industries accounts for 44,518 industrial projects, that is more than the double. This discrepancy shows the existence of non-registered companies, but also the fact that the federation enables the registration of individuals without a company (PMAC 2013, 21).

55 According to CIPE (2005, 33), 61 per cent of businesses consider chambers of commerce essential, very beneficial and beneficial. However, there is high difference between the governorates represented in the survey: at the two extremes, 98 per cent of businesses in Erbil state that chambers of commerce are essential, very beneficial and beneficial while only 31 per cent in Basrah state so. At the same time, 67 per cent of the respondents state that there is not any business organisation representing the business needs to the government. According to CIPE (2011, 34), 41 per cent of the businesses consider business organisations as not having any significant role in communicating the needs of business to the Iraqi government, with a high variation from governorate to governorate.

governorates where to operate some of the programmes have reflected the fragile ethno-sectarian balance in the country: for instance, the UNDP Private Sector Development Programme selected as pilot cases the governorates of Erbil, Basrah, and al-Anbar, which respectively represent the Kurd, the Shia, and the Sunni communities. The fragile balance between the three major identity-groups is reflected in economic dynamics. When the Task Force on Business and Stability Operation proposed to revitalise state-owned enterprises, one of the concerns of the US Embassy was that revitalising state-owned enterprises in Sunni populated areas would have caused disappointment among the majority Shia population (Chandrasekaran 2007b). The tendency of private sector development programmes to operate at the local (governorate) level reflects the tendency of statebuilding assistance to operate in "a geographical and ethnically unbalanced manner … In the absence of coordinated nationwide programs, the benefits of the influx of foreign funds will only be felt in selected areas" (Carnahan and Lockhart 2008, 87).

Even though externally-promoted programmes might have pursued a power-sharing strategy in the promotion of the private sector, one of the consequences was a consolidation of power within the communities, rather than a concerted process of power-sharing across the communities. Building upon the governorate environment, these programmes had to come to terms with local structures of power.[56] Power imbalances are often entrenched at the local level. The idea of decentralised and locally-organised forms of polities as inherently more efficient and democratic systems of political management derives from a demonisation of the (central) state as inherently sluggish, inertial, and home to power structures. The dense network of alternative sites of authority built within and without the governorate level has certainly favoured a diffusion of power that finds its foundation in informal arrangements. This dense network is, on one hand, part of the statebuilding machine, and on the other, the result of a policy favouring local structures over the national dimension.

The relationship between an identity-based geography and the economy is also reflected in private sector representation. Most programmes have addressed private sector representative associations by seeking to improve the capacity of existing organisations or to build new business organisations. Rarely have initiatives sought to mobilise a *national private sector* and treat it as a counterpart to the

---

56 Author's interview with UNDP Iraq, Programme Cluster Manager, 5 October 2013.

national government. CIPE tried to create the Iraqi Businessmen Council, a body to represent the private sector at the national level, but this initiative failed due to internal disputes among its representatives. These disputes had geographical and sectorial components, which reflect the willingness of existing power bases to maintain their role unchanged.[57] At the time of writing, only the World Bank's Private Sector Development Centre has formally a national standing, but its representational capability is limited since participation is strongly linked to existing local entities. A more detailed overview of this initiative is provided in Box 5.2.

---

57 Author's interview with CIPE country director, 11 November 2013.

Box 5.2 World Bank's Private Sector Development Centre.

> **World Bank's Private Sector Development Centre**
>
> The World Bank has initiated a Private Sector Development Trust Fund for Iraq with the objective of attracting private sector investments and creating job opportunities. The initiative is composed of three components: reforming state-owned enterprises; financing small and medium-sized enterprises through micro-financing; and capacity building to improve the regulatory framework in the country. Within this latter pillar, the World Bank established the Private Sector Development Centre (PSDC).
>
> The PSDC was created in 2011 and was registered as an NGO. Acting as an umbrella NGO the Centre brought in four business membership organisations and key Iraqi business representatives. The objective of the Centre is "to unite the voices of the private sector and contribute to the identification and solution design of reforms that would improve the business environment" (Mahdi, Al-Ukabi, and Al-Fayhan 2014, 1). The Centre includes only private sector actors including Basra Chamber of Commerce, Iraqi Federation of Industries, Babil Chamber of Commerce, International Union of Businessmen. As part of its activities, the Centre seeks to contribute to a dialogue with government representatives on reforms and recommendations by bringing the voices of the private sector on relevant issues. The Centre claims to have achieved positive results in lobbying the Parliament for reforms and to have improved draft regulations.
>
> The World Bank's Private Sector Development Development Centre shows some of the difficulties linked to the issue of private sector relations vis-à-vis the state and some problematic aspects related to private sector representation. With respect to the former, as reported by the Centre itself "the establishment of the PSDC has taken almost one year due to the fragmentation of the private sector, a constraining regulatory framework for establishing NGOs and the research capacity of the PSDC (Mahdi, Al-Ukabi, and Al-Fayhan 2014, 1). The fragmented nature of the private sector is a recurrent aspect highlighted by most reports and emerging from the interviews. This fragmentation is described both in terms of location—competition among the local chambers of commerce—and in terms of political interests. The result is often a weak capacity to stand in relation to the state. The second aspect deals with the potential tensions existing between an NGO and an organisation representing private sector interests. Whereas the non-governmental nature of the Centre does not attract criticism, the nature and types of membership poses questions on the problematic definition of public/private interests. This aspect stands in an overall climate where the third sector is regulated in a confused way.

The difficulty of mobilising a national private sector rests also on the fact that business élites have developed unevenly in the country. A research project involving three case studies has for instance identified different patterns in the Kurdistan region, al-Anbar, and Basrah (Al-Ethari 2009). In the Kurdistan region before the 2003 invasion the two major political parties—KDP (Kurdistan Democratic Party) and PUK (Patriotic Union of Kurdistan)—have built their own companies as "their arms within the broader economy" (Al-Ethari 2009, 7). On one hand, after 2003 when the two parties agreed on a

power sharing strategy within the Kurdistan region the business élites tended to find common grounds. On the other hand, entrance for new business faced strong barriers. In Basrah, business opportunities abound in oil trade. As a result, a completely new business élites emerged including sea cargos operators and artificial groups representing Iranian and Kuwaiti interests (Al-Ethari 2009, 12). These élite formations stand alongside other business associations—foremost Basrah chamber of commerce—whose economic weight is well represented in politics. Lastly, in al-Anbar, the local business élite mostly left the province as a result of the growing instability caused by insurgent and terrorist groups (Al-Ethari 2009, 14).

This diverse development adds to the fact that since 2003 there has been a fragmentation of business organisations with a significant number of new players, which also stand in competition with professional organisations and syndicates (USAID 2010, 61). Despite the increase in numbers, the organisational capacity of the private sector remains weak. When chambers of commerce are brought together as a federation, they compete with each other instead of representing the entire (national) spectrum of small and medium-sized enterprises. Although there is often the tendency to list the limits of these organisations in a technical way (i.e., lack of capacity and poor services delivery), the central limitation is that most of them "are supported directly or indirectly by the State" (PMAC 2013, 22) or by local power centres. The absence of any institutionalised official channel or platform of dialogue between the private sector and the government and the support that some of these organisations receive from it, favour the strengthening of individualistic and personalistic ties between the private and the public. This pattern reinforces a process of identity-forging that does not reflect the separation between private and public but rather reflects an identity based on family, ethno-sectarian groups, or political party affiliations. By relying on these representational structures, it is difficult to neglect the extent to which externally-promoted programmes for the development of the private sector reflect pervasive forms of social organizations in the country. When working with existing business organisations and when creating new ones, externally-promoted programmes for the development of the private sector have paid little attention to the internal power dynamics upon which these organisations are built and which, in turn, sustain.

158

Lastly, at least in the short term externally-led programmes for the development of the private sector can hardly reverse those trends that consolidated after the regime change, foremost the expansion of the informal sector. The private sector structure came to reflect the import-based structure of the Iraqi economy. When surveying the economic sectors in which domestic firms operate, most domestic businesses are in the retail/wholesale trade, usually followed, at a distance, by manufacturing and services.[58] Since 2008 there has been a further shift from manufacturing and services—the productive private sector—to an import-based private sector, which in 2011 represents almost the 60 per cent of the entire spectrum.[59] In terms of size, the surveys conducted in the country reveal a greater concentration of micro firms (around 4 participants)[60] and of sole proprietorship businesses. An investigation of informality and its various forms is conducted in Chapter 6.

Conclusion

Although the disruptive effect of the CPA and the pressure exercised through conditionality are undeniable, the complex, multi-faceted, and dispersed system of governance that emerged to reform the Iraqi economy was as much disruptive. It operated through a vast array of activities including advisors counselling ministries or local governors, trainers providing capacity building workshop in public management institutions and private organisations, draft papers circulating from a foreign company/organisation's office to the table of national or local officials. This system of governance has had a great impact precisely because due to this dispersion and multiplication of authority it permeated

---

58 According to the Iraqi-American Chamber of Commerce and industry (2003) the national distribution across sector is: trade (40 per cent); manufacturing (23 per cent); services (21 per cent). According to CIPE (2005) the distribution across sector in Baghdad, Hilla, Erbil, Basrah and Kirkuk is: retail (32 per cent), manufacturing (21 per cent), services (20 per cent). According to USAID (2010) the distribution across sector is: wholesale/retail trade (29 per cent), professional services (15 per cent) manufacturing (15 per cent);According to CIPE (2011) the national distribution across sector is: wholesale/retail trade (58 per cent), manufacturing (12 per cent), professional services (12 per cent). (*Some percentages have been rounded up to the nearest whole figure*)

59 Author's interview with UNIDO Country Manager, Iraq Programme, 17 November 2013. According to CIPE (2011) the national distribution across sector is: wholesale/retail trade (58 per cent), manufacturing (12 per cent), and professional services (12 per cent).

60 According to the Iraqi-American Chamber of Commerce and Industry (2003), firms with more than 100 employees accounted for less than 2 per cent; According to CIPE (2005), 84 per cent of Iraqi companies have less than 20 employees and 42 per cent are sole proprietorship; according to USAID (2010), 48 per cent of firms have 4 or less than 4 employees and those with more than 31 workers are only 3 per cent; 83 per cent are sole proprietorship; according to CIPE (2011) 33 per cent of firms have 2 or less than 2 employees and 32 per cent have 3 or 4 employees and 83 per cent are sole proprietorship. (*Some percentages have been rounded up to the nearest whole figure*)

deeply in society and created new empowered actors. This dispersion and multiplication of authority has resulted into the weakening of the boundaries between the external and the internal dimensions of the state.

Drawing on the theoretical framework laid down in Chapter 2, this chapter has shown first that the economic governance system of Iraq is highly dispersed across international capitals, multi-lateral organisations, and national and sub-national entities—a salient point that will be further elaborated in the following chapter. In addition, the empirical analysis has shown the extent to which private authority features extensively in the system along with other types of actors including the army, government agencies, and international organisations. Second, the economic governance system of Iraq presents elements of a variable geometry. While being dominated by US agencies, it has maintained a composite and multi-faceted structure in terms of types of external actors. The unbalanced pattern of external actors' engagement led new (unconventional) actors to take the lead in economic matters—as the Task Force for Business and Stability Operation demonstrates—and conventional actors—USAID's contracted companies—to extend their assistance to national sovereign policy-making. The conflictual tensions among the different sites of authority are partly the result of different views, as the clash between the Task Force for Business and Stability Operation and the US Embassy in Baghdad testifies. But conflictual tensions are also the result of the specific goal each site of authority was pursuing in the transition. In evaluating one of the first programme run by USAID/BearingPoint, the Office of the Inspector General (2004, 7) makes this point clear:

> one of the challenges was the limited control that USAID/Iraq had in managing this program. As a development agency, USAID often adopts a long-term perspective that focuses on building the host country's capacity and self sufficiency in order to promote self government. On the other hand, the CPA was more focused on addressing near-term priorities that would affect an orderly transition of power to a sovereign Iraqi government. Consequently, there were different priorities based upon these discrete institutional approaches and roles. As a result of the different priorities, the Mission could not exercise its normal latitude and control in addressing problems in the design and implementation of its activities

The conflictual character of the economic governance of Iraq is further elaborated in Chapter 6, in which

the concepts of hybridity and informality yield a number of further observations in this respect.

The second aspect discussed in this chapter deals with the role of the private sector in the transition. Besides reforming the institutional environment, key international actors have moved the intervention a step further and engaged in the difficult task of shaping 'proper' actors able to contribute to a progressive transformation of the Iraqi society. In the political domain this translated into favouring Iraqi expatriates "better positioned to understand concepts of democracy than [were] those who [did] not have exposure outside Iraq" (Feith 2008, 405). In the social domain, this translated into providing cash resources to create civil society organisations overnight. In the economic domain, this translated into targeting the private sector through measures that contradict the neoliberal doctrine—promoting direct interventions targeted to specific clusters of businesses, strengthening market linkages, building or re-shaping business organisations or managing access to micro-finance.

In the absence of an autonomous growth and development of the private sector, externally-led programmes have devoted a great deal of effort at creating and shaping a private sector that could appease the process of state formation. As shown, the scale of private sector development programmes has been vast in Iraq. This vast scale points to the emergence of a new approach in statebuilding whose implications remain, however, controversial. Targeting the private sector as an actor for change and a development partner during a transition faces foremost the challenge of isolating it from local power dynamics. In Iraq this challenge proved to be particularly difficult. Programmes for the development of the private sector, at best, have relied upon newly formed power structures: inclusion of economic actors by nomination on behalf of local or international actors and reliance on existing or newly created business organisations point in this direction. The worst-case scenario would see programmes for the development of the private sector strengthening existing power structures. In Iraq, targeting the private sector in transition could not isolate private sector dynamics from the broader trend toward polarisation. External actors' focus on the governorate level raises doubts on their contribution to this trend.

In sum, a weak *national private sector* could not support the formation of an identity built around the private sector in contraposition to the state but a variety of economic groups could

consolidate around particularistic interests. The normative view according to which the private sector cuts "across ethnic and religious lines" (World Bank 2011a, 122) and helps "weave nations and people together" (Nelson 2002, 3) did not prove strong enough to resonate in Iraq. In contrast, it seems more appropriate to claim that private sector development inserted itself in the attempt to "use economic improvements as instruments of foreign policy" (Dowdy 2010, 45).

162

Chapter 6

Perspectives on the economic governance of Iraq: the domestic dimension

> At one of several Iraqi establishment in Sharjah, a down-market cousin of Dubai in the United Arab Emirates, the host centered the bulging fish upon a table for six. "Iraq's economy is like the fish," he said, laughing. "How much you get depends on how quickly you eat.
> —Moore 2009, 1

This chapter continues and deepens the empirical analysis of the economic governance of Iraq. Whereas Chapter 5 has focused on international actors, their agenda, and policies, this chapter deals with how international norms and institutional frameworks have been translated into the domestic realm. Needless to say, the focus here is very much on the domestic dimension. In the midst of the ambiguity of the Iraqi constitutional text, Art. 25 recites in a rather vague wording that the state "shall guarantee the reform of the Iraqi economy "in accordance with modern economic principles to insure the full investment of its resources, diversification of its sources, and the encouragement and development of the private sector" (Iraq (Republic of) 2005, 25). These "modern economic principles" were expected to put the country on a new track. However, in the domestic struggle over the future of the country these "modern economic principles" have been adopted, resisted, and contested by alternative principles, norms, and institutions.

The chapter opens with an outline of the main levels of domestic governance introduced in Iraq after 2003, showing how the structuring of governance has produced ambiguous outcomes in the country. By focusing on the state dimension, the second part of the chapter punctures the myth of the Iraqi

economy as a "neoliberal dream" by showing the degree of schizophrenia that characterises the Iraqi economic system. The schizophrenic character of the Iraqi economy can be interpreted as the emergence of a hybrid form of political economy. The third and last part of the chapter discusses another aspect that has come to characterise the Iraqi transition: informality. Upon this elaboration the chapter challenges in its concluding remarks explanations of the absence of the private sector on exclusively economic determinants.

6.1 The relationship between governance and decentralisation

The new order established in Iraq after 2003 introduced four levels of governance in the country: the federal, central government in Baghdad; the regional government of the Kurdistan region in Erbil; the 18 governorates as administrative units; and the mayoralty of Baghdad whose jurisdiction, according to the Constitution, should be regulated by law (art. 124) (Cravens and Brinkerhoff 2013, 4–5). Instead of providing the instrument to settle disputes in the country, the ambiguous wording of the Constitution created the conditions for conflicting interpretations over the authority and responsibility attributed to these different structures of governance. The contestation over decentralisation reflects a deeper competition for political power and control over territory and resources in the country. Back in 2005, the International Crisis Group (ICG) wrote in a rather strong wording that "the constitution is likely to fuel rather than dampen the insurgency, encourage ethnic and sectarian violence, and hasten the country's violent break-up" (ICG 2005, 1).

The decisive steps toward a decentralised structure of governance in Iraq were taken in 2004 under the auspices of Paul Bremer. The Law of Administration for the State of Iraq (usually know as TAL––Transitional Administrative Law) recognises the three Kurdish governorates as "uncompromisable unified political and administrative bloc" (Jawad and al-Assaf 2012, 2) while endowing the governorates with the possibility of creating or merging into a region. The Law, which acted as a provisional constitution of the country between June 2004 and the formation of an elected government in may 2006, strongly influenced the final text of the Constitution—a text drafted in a period

of only three months. The drafting process was partly negotiated by "an informal leadership council of Shiites and Kurds" (ICG 2005, 3) and saw only a marginal representation of the Sunni community. It comes as no surprise then that in the constitutional referendum held in October 2005, Salahaddin, al-Anbar, and Nineveh—three Sunni populated governorates—rejected the text.[61]

The decentralised structure of governance in Iraq reflects the tendency to associate decentralisation with the policy solution to conflicts in divided societies. The belief in the therapeutic value of decentralisation is well illustrated in the first proposal of dividing the country in three allegedly ethnically homogenous regions: "the idea, as in Bosnia, is to maintain a united Iraq by decentralizing it, giving each ethno-religious group — Kurd, Sunni Arab and Shiite Arab — room to run its own affairs, while leaving the central government in charge of common interests" (Biden and Gelb 2006). Valued as a "mechanism to distribute political power among the different segments of the society in an equal manner" (Monteux 2006, 164), decentralisation turned into a "one-size-fits-all" policy device prone to be a delusion rather than a solution to ethnic conflicts (Monteux 2006).

In Iraq a lopsided process of decentralisation has left many issues concerning the distribution of competencies and responsibilities unresolved. This aspect corroborates the argument advanced by Herring and Rangwala (2006) that decentralisation in Iraq did not constitute a structured and coherent devolution of power but rather its fragmentation. This confused process generated two types of problem: the first concerns the disputes between the Kurdistan region and the federal government. The Kurdistan Regional Government (KRG) has its own structure regulated by a constitution that establishes the competencies of the executive, legislative, and judiciary branches. The degree of power the regional constitution grants to the KRG has generated controversies over its jurisdiction (especially for what concerns the management of oil resources) within the regional territory and in the so-called disputed areas.[62] These areas disputed between the federal and regional governments cover an arch of districts and

---

61 Salahaddin and al-Anbar rejected the Constitution by two thirds, while Nineveh by 55 per cent thus missing the threshold to block the Constitution (the negative vote of two thirds of the population in three governorates). (Scharz 2013, 522). However, Jawad and al-Assaf (2012) report that opposition groups claimed that the Constitution was rejected also in other governorates such as Nineveh, Diyala, Muthanna, Dhi Qar, and Qadisiyya.

62 A UN assessment carried out in 2008-09 considered disputed the following areas: Sinjar, Tal Afar, TilKaef, Sheikhan, Akre, Hamdaniya and Mahmour districts (Ninewa governorate); the districts of Kirkuk governorate, Kirkuk Markaz, Dibis, Hawija and Daquq; Tuz district (Salah ad-Din governorate) and Kifri and Khanaqin

territories bordering the Kurdistan region from the northeastern border with Syria to the southeastern border with Iran. Kirkuk is the core of the dispute not only for its historical significance as one of the targeted areas of Saddam Hussein's measures for altering the demographic character of the country, but also for its abundance of hydrocarbon resources (Wolff 2010, 1369). Art. 140 of the Iraqi Constitution, which extended the provisions established in Art. 58 of the TAL, established a three phase roadmap to solve the issue of disputed areas—normalization, census, and referendum—to be completed by 2007. However, this roadmap is yet to be fully implemented.

The second set of problems concern the share of power and responsibility between the federal government and the governorates. The Law of Governorates not Incorporated into a Region (Law no. 21, 2008, later amended by Law no. 15, 2010) should regulate the complex architecture of competences in the country but it actually leaves ample discretionary space for interpretation.[63] The contention over the distribution of power between central and local levels led to various attempts to re-design the geography of the country by forming new regions. These attempts were spurred by various factors, ranging from a sense of marginalization (Basrah, Maysan and Dhi Qar), to political and sectarian clashes (Anbar and Salahaddin) or grievances against the Kurdish dominance in the so-called disputed area (Diyala, Kirkuk and Niniveh). In addition, these factors have also often overlapped with politicians' willingness to expand their personal power at the governorates level (Jawad and al-Assaf 2012, 5). However, none of these attempts has so far succeeded and the Parliament decreed that the formation of a region is dependent upon a positive vote by the Parliament. This has been al-Maliki's strategy to frustrate any attempt to form new regions by not referring to the Parliament or by relying on his majority to stop the process (Jawad and al-Assaf 2012, 6).

The breadth of decentralisation has extended to economic matters. Beside the delicate issue of budget distribution and planning, the Law on Investment no. 13 approved in 2006 organises the governance of investment at the local level, through the setting up of the Provincial Investment

---

districts and Mandali subdistrict (Diyala governorate) (Bartu 2010, 1341). On the disputed areas, see Bartu 2010; Wolff 2010.

63 For instance, Art. 122 of the Iraqi Constitution stipulates that "Governorates that are not incorporated in a region shall be granted broad administrative and financial authorities to enable them to manage their affairs in accordance with the principle of decentralized administration". Tough the issue shall be regulated by Law, the term broad is open to various interpretation.

Commissions. These bodies are in charge of administering, promoting, and managing investment licences and projects within their territory. Established with the support of the Task Force for Business and Stability Operation, Provincial Investment Commissions operate in attracting and managing investment with the exclusion of those sectors deemed strategic (i.e., oil and gas, transportation), which are managed by the respective ministries. The establishment of the Provincial Investment Commissions and their prerogatives well illustrates the extent to which the fragmentation of authority has also reached the economic dimension.

Many of the development programmes promoted in Iraq operated upon this confused structure of governance. The best example is perhaps the Provincial Reconstruction Teams (PRTs)—the military/civil organisations administering the country from late 2005 to September 2011. Designed to operate in post-conflict but still hostile environments, PRTs were established at the governorate level to "provide improved security and to facilitate reconstruction and economic development" (Abbaszadeh et al. 2008, 5).[64] Without a clear national strategy and headed by different countries among those that participated in the Coalition of the Willing, PRTs became key to control and exercise influence on the country. The structure of the PRTs served then as a basis for other projects, especially in those governorates run by the Americans (Abbaszadeh et al. 2008, 49).

PRTs are emblematic of coalition forces' exploitation of local dynamics to win at the national level. In Iraq, decentralisation was used as a strategy to facilitate the process of reconstruction by appeasing local pressure groups. But these sub-national power bases soon emerged as a constraint at the national level, de facto imposing a quasi-system of veto over central measures. Without clear and shared boundaries between federal, regional, and governorate levels, Iraq reflects a confused system of governance where decision-making is dispersed and contested. Above all, this system simultaneously reflects and generates competition for political power and control over territory and resources in the country. In this context, the Constitution became another "stake in the political battle rather than an instrument to resolve it" (ICG 2005, 1).

---

64 Coalition Forces established a total of 25 PRTs in Iraq: 10 in provincial cities and 15 embedded within army units (ePRTs). 22 of them were led by the US and the remaining were led by Italy (Dhi Qar), UK (Basrah), and South Korea (Erbil) (Abbaszadeh et al. 2008).

6.2 The response of the state: adaptation and resistance

The Iraqi state moved away from the envisioned model of a small, decentralised, and *enabling* state toward a big, centralised, and directive state. This tendency was partly due to an attempt to react to the conditions evolving on the ground. From an external (security-related) perspective, the intensification of the insurgency from 2006 onwards imposed a change in the strategy by the US administration, which was still exercising military control over the country. Dodge (2010b, 1283) observes that the document *National Strategy for Victory*, published in November 2005 was already less ideological oriented than previous documents and that in this document *security* and *state capacity* replaced those terms—*freedom*, *democracy*, and *market economy*—around which the 2003 intervention was designed. Under the leadership of General David Petreus, the counterinsurgency doctrine (COIN) re-focused the attention on the state. From a domestic perspective, the move toward a centralised and directive state emerged in relation to changing political circumstances. By the time of his second term, Prime Minister Nuri al-Maliki has concentrated a tremendous level of power in his person that in 2013 Dodge (2013) referred to the political structure in the country as a new competitive authoritarianism (Levitsky and Way 2002). Once granted authority through democratic elections, Nuri al-Maliki has used state resources (financial and coercive) to shrink the political space and curb the opposition, control key state institutions through the expansion of a network of relatives and loyal party members, and monopolise the use of violence by personalising the security's chain of command (see Chapter 4).

In the economic domain, similar tensions can be found. Iraqi politicians have constantly expressed their adherence to the principles of a modern economy. Politicians have repeatedly announced the importance of consolidating market economy by attracting foreign investments and favouring the private sector. Iraq's Deputy Prime Minister Mr. Saleh al-Mutlaq highlighted in 2011 the "importance to provide suitable environments for the private sectors projects, being an important pillar of advanced countries' economies".[65] In 2008, the Ministry of Industry Fawzi Hariri acknowledged that "the other

---

[65] Saleh al-Mutlaq speech opening the Providing Work Opportunities Conference through upgrading the private sector (*Asia Pulse* 2011).

side of our [government's] responsibility is to develop the Iraqi private sector, to support the private sector. … Because of the centralized economy, private sector in Iraq almost did not exist. And what had existed actually was extremely suppressed and in very bad shape. Part of my task is to develop that sector and give it more room to operate".[66]

In a more structured way, in 2013 the Prime Minister's Advisory Commission set out a national strategy for the development of the private sector. The major measures contained in the Strategy are presented in Box 6.1.

---

[66] Iraqi Ministry of Industry Fawzi Hariri intervening in a news conference at the national press club on Iraq ''s economy (*Political Trascript Wire* 2008).

Box 6.1 Private Sector Development Strategy in Iraq.

Private Sector Development Strategy of Iraq - Prime Minister's Advisory Commission

The Private Sector Development Strategy has been designed by the government of Iraq, the private sector, and the UN agencies that implemented the programme Private Sector Development Programme for Iraq (PSDP-I). During the period between 2009 and 2012, The PSDP-I carried out a range of activities targeting both the institutional dimension and the private sector at the governorate/regional level through three pilot projects in the Kurdistan region, al-Anbar, and Basrah.

The Private Sector Development Strategy set short, medium, and long term objectives for the period 2013-2030 and it establishes four pillars for actions to achieve the following objectives: 1) developing and enhancing the private sector knowledge and institutional competence base; 2) establishing a stable and conducive framework and domestic market conditions fostering the creation and growth of the private sector; 3) building a core of competitive, sustainable and inclusive private sector clusters and value chain; 4) establishing an efficient governance system supporting the other pillars (PMAC 2013, 31–33). The strategy sets as its vision the establishment of "an economically, socially and environmentally viable Private Sector system that:

- operates under efficient institutions and a fair and transparent governance structure
- is supported by an efficient business environment contributing to economic growth within an effective transition to open market economy, to creation of job opportunities, to the improvement of the standards of living for the Iraqi people
- is regionally and internationally competitive
- is integrated into the regional and global value chain" (PMAC 2013, 16).

Throughout the document there are constant references to the duality between the private sector as an actor and the institutional environment in which it should operate. For what concerns the private sector as an actor, drawing on the UNDP principles around Private Sector Development and Engagement Strategy (UNDP 2012), the document portrays the private sector as serving economic, political, and social functions. The private sector is called to impact on "Iraqi social, economic, and human development, addressing poverty, employment, equality and inclusiveness—targeting women and other vulnerable groups, environment and transparency, among others" (PMAC 2013, 14). The way in which the private sector's role is described in the document recalls the normative view prevailing in major international policy-centers as discussed in Chapter 3. Particularly, the normative role ascribed to the private sector overlaps with many of the public functions of the state, such as addressing poverty, equality, and inclusiveness.

At the same time, the document is contradictory when it comes to define the role of the private sector vis-à-vis the state. Whereas in the vision statement, it claims that the "GoI has a clear understanding of its role as a PSD facilitator, recognising the private sector as a partner (PMAC 2013, 17), later in the document, the strategy envisions a proactive role of the government of Iraq "strategically guiding and directing the PSD while striking the balance between centralized coordination and decentralized approach" (PMAC 2013, 77).

In contrast to the vision laid down in the Private Sector Strategy, other factors suggest the unfolding of a different scenario. The size of the Iraqi government in terms of public employment, expenditures, and state's assets explains the counter-tendency toward a big, centralised, and directive state can be grasped. With regards to state's assets, the government of Iraq has not yet embarked in any serious attempt to privatise the nearly 200 state-owned enterprises.[67] The issue has been central since the inception of the CPA and a reduction in state's assets (or their restructuring) has been recommended by almost all international agencies operating in the country who have repeatedly listed state-owned enterprises among their prerogatives. Not only has the state not privatised them, but state-owned enterprises continue to represent an important part of the country's economy. For instance, state banks dominate the banking sector since private banks are excluded from providing any banking service to the public sector. In addition, state banks play a key role in lending to farmers and state sector employees. The government of Iraq continue to support state-owned enterprises through grants and a heavy system of subsidies, for instance in the energy provisions (USAID 2012, 33).

Government employment as a share of total employment rose from 28 per cent in 2005 to 43 per cent in 2008 (IAI and OCHA 2009, 1). "In 2011, the public sector employed more than 3.2 million workers and anecdotal evidence suggests that public sector staffing is now just short of 4 million" (USAID 2012, 43). In 2008 public sector salaries and pensions represent around 38 per cent of the operating expenditures and are estimated to reach 51 per cent in 2012 (USAID 2012, 60). Public sector reflects also the remilitarisation of the Iraqi society: 8 per cent of the country's workforce is employed in the security forces (Dodge 2013, 256). Other measurements indicates other inconsistencies in the economic development of the country. The economic freedom index assesses a country's level of economic freedom by measuring different dimensions including the size of the government. According to the index, the size of the government is formed by fiscal freedom and government spending.[68] In term of

---

67 The Geneva conventions stipulate that an occupying power cannot sell assets it does not own, therefore, the CPA could not initiate the process of privatisation even tough it was included in CPA Order no. 39 (Yousif 2006, 495). Subsequent programmes promoted by a variety of organisations ranging from the World Bank and UNDP to USAID targeted state-owned enterprises in their overall attempt to reform the Iraqi economy.

68 The Economic Freedom Index measures economic freedom based on ten quantitative and qualitative factors grouped in four categories: rule of law (property rights; freedom from corruption); limited government (fiscal

fiscal freedom, Iraq is situated at the top of the well performers. It ranks 12 worldwide with a score of 95.5 (thus labelled as *very free*) compared to the worldwide average of 77.6. In contrast, in term of government spending, the country is labelled as *repressive* with a score of 40.3 compared to a worldwide average of 62.2.[69] the Iraqi state is thus simultaneously very free and repressive.

The degree of fiscal freedom and the level of government expenditures are deeply related to oil revenues. But the availability of abundant resources did not translate into an homogenous pouring of resources across the country. Oil revenues have fed the General Federal Budget and the Regional Development Budget, whose spending capacity is lower than their extant availability of resources.[70] In 2006, for instance, budget execution stood at 22 per cent and it reached 62 per cent in 2010. Contrary to the view of the budget as "an instrument likely to ensure a transparent and accountable use of public finance" (Carnahan and Lockhart 2008, 74), the national budgetary process in Iraq turned to be, from the very beginning, a key issue of contention. CPA Order no. 95 (Financial Management and Public Debt Law) established the governance system for the Iraqi budgeting process. The issuing of the Order was proceeded by a clash of competencies between USAID and the CPA. The latter ultimately took the lead in designing the budgetary system. The Iraqi Ministry of Planning was initially sidelined, due to the reminiscence of a Soviet-type planned economy, but it was later given the responsibility of delineating the budget. Besides the Ministry of Planning, the supervisory roles of the Ministry of Finance and the Parliament were strengthened.

The implementation of budgetary procedures led first to clashes between the Ministry of Finance and coalition's contractors: "the Ministry of Finance proved exceptionally resistant to coalition contractors, as suggested by USAID's attempt to bring Iraq's budgetary record keeping up to the

---

freedom, government spending); regulatory efficiency (business freedom, labour freedom, monetary freedom) and open markets (trade freedom, investment freedom, financial freedom). In the measurement, 0 is least free and 100 is most free. Lack of data does not allow having the overall figure of economic freedom for Iraq. (Economic Freedom Index website, available at: http://www.heritage.org/index/ accessed on: 5 January 2015)

69 Government spending "considers the level of government expenditures as a percentage of GDP. Government expenditures, including consumption and transfers, account for the entire score." Even though the index does not identify an optimum level of spending, it recognises that excessive government spending can prevent economic dynamism (Economic Freedom Index, available at: http://www.heritage.org/index/ accessed on: 5 January 2015).

70 From 2007 to 2012, the General Federal Budget amounted to a total of USD 131.3 billion for the capital budget, which financed projects implemented by central ministries and of USD 26.4 billion for the regional development fund, which financed projects implemented by local governments (PMAC 2013, 27).

standards of international best practices" (Savage 2013, 6).[71] Second, budgetary procedures have exacerbated the tensions between central and local authorities and, especially, between the KRG and the federal government.[72] The budgetary system became an instrument for reinforcing exclusionary and inclusionary policies, distributing resources according to political calculus, and appeasing or blocking political instances coming from local (regional or governorate) authorities.

The counter-tendency toward a big, centralised, and directive state can also be grasped by analysing Iraqi economic policies. In 2010 the government prepared and approved the national development plan for the period 2010-2014. As mentioned, the drafting of the national development plan 2010-2014 was supported by the Tatweer Project financed by USAID and contracted out to the private company Management International System (Ministry of Planning 2010, 5). The national plan established nine strategic objectives to frame the economic development of Iraq.[73] Whereas these objectives are in line with an open market economy, some of the measures and actions indicated in the document contradict its tenets. For instance, the plan concurs that the development of agriculture necessitates "creating a strong environment for a profitable and competitive agricultural sector that is governed by a market economy, led by the private sector, and supported by suitable government policies and organizational support" (Ministry of Planning 2010, 64). At the same time, it lists among the measures to achieve this objective "continuing to support agricultural inputs and outputs and protecting them from imported products, especially during the term of this plan, to enable the private sector prove itself competitive against imported products" (Ministry of Planning 2010, 74). Similar protectionist and interventionist measures are also listed among the policies for the development of the private sector: the

---

71 In 2007, a team working for BearingPoint was kidnapped in front of the Ministry of Finance. The circumstances in which the team was kidnapped "suggest that Iraqi officials could have provided information to the kidnappers (Savage 2013, 6).

72 The dispute between Erbil and Baghdad over the budget concerns the region"s share of the budget. According to the Kurdish viewpoint, the region should be entitled to get 17 per cent of the national budget (as established by the Constitution). But Baghdad states that the revenues from the region"s oil exports should be counted in the 17 per cent. Other points of dispute then concern the role of peshmergas and the issue of disputed areas (Harith 2014).

73 The nine strategic objectives are: 1) annual GDP growth of 9.37 per cent for the 2010-2014; 2) diversifying the economy and growth of the private sector; 3) increasing and improving economic productivity and competition; 4) increasing employment, particularly among youth and women; 5) increasing water provision and sanitation; 6) poverty alleviation and provision of basic social services to the poor; 7) reducing disparities among provinces through a geographically balanced investment allocation; 8) reducing disparities between rural and urban life, by improving the performance of agriculture; 9) implementing the principles of sustainable development and quality of life (Ministry of Planning 2010, 24–25).

national plan for instance calls for "an economically efficient credit policy that seeks to grant concessionary credit to the private sector at attractive interest rates to support productivity goals" (Ministry of Planning 2010, 172).

In 2012, USAID prepared an assessment report of the national development plan in which it systematically highlights the economic contradictions of the document. The assessment criticises that in the trading sector the government of Iraq has moved toward protectionist measures through Competition Law and, indirectly, through the introduction of quality control in the trading sector (USAID 2012, 33). Similarly, it laments that the government "continues to use state banks to offer subsidized loans, which create some of the distortions currently afflicting this sector" (USAID 2012, 22). It denounces that the Ministry of Agriculture "seems to resist receding so that the private sector can assume the lead in this sector" (USAID 2012, 22); that the Iraqi government "perpetuates a very centralized approach to housing provision through assigning the government the responsibility of controlling the cost of housing production and ensuring that supply meets demand" (USAID 2012, 27); and that the Ministry of Transportation "retains monopolistic control of all government shipments of commodities" (USAID 2012, 29). Also in the oil economy, Iraqi national companies are still playing an important role: state-owned enterprises channel 75 per cent of contracts in the oil sector (USAID 2012, 33); and SOMO (State Organisation for the Marketing of Oil) and the National Oil Company continue to maintain part of their prerogatives. As a whole, USAID assessment lauds the overall objectives of the national plan, but it finds fault with the government's counter-tendency based upon public investment irrespective of the sectors, a mix market and state-centric approach, a favourable attitude to state-owned enterprises, and a protectionist stance toward Iraqi businesses(USAID 2012, 30).[74]

All these elements—the degree of public expenditure, government size, selective use of the budget, and policies and measures perpetuating the dominant role of the state in the economy—stand in contrast with the process of economic liberalisation set in motion by the CPA. When treating the economic aspects of post-2003 Iraq, the literature strongly (and rightly) emphasises the role of the CPA

---

[74] The national development plan set public investment in a proportion of 53.8 per cent (public)/46.2 per cent (private). USAID finds that this percentage is high by international standards and that it might have distortionary effects in the country (USAID 2012, 31).

in turning Iraq's economy in "one of the most open and unregulated in the world" (Yousif 2006, 491).

However, the flip side of this process is a set of measures and actions that strip economic liberalisation of its predominance. Whereas the CPA Orders "deprived the Iraqis sovereignty over their economy" (Docena 2007, 125), changing circumstances on the ground led the government of Iraq to regain authority over the economy. After ten years from the issuing of the so-called "neo-liberal manifesto"— CPA Order no. 39 (Docena 2007, 125), the result of a dispersed process of decision-making is an economic system whose openness and deregulation offer only half of the picture. This market-oriented system coexists with other tendencies that push the country in the opposite direction: a massive state (in terms of public employment and expenditures), a widespread system of subsidies, a system of food rationing, a confusing tax system, and various protectionist measures.[75]

As a whole, the economic system in Iraq can be better described as schizophrenic. In conceptual terms, this schizophrenic character can be interpreted as a hybrid form of political economy. Hybridity is the encountering space of most binary oppositions characterising post-conflict intervention, at the forefront of which there is the opposition between "two – opposing – spatially-constructed rationalities: that of the 'international' and the 'local'" (Chandler 2014, 7). There are virtually no cases in which international interventions and their baggage of norms, values, and practices have gone without producing some patterns in local contexts (in either positive or negative terms). As discussed in Chapter 2, hybridity entails a simultaneous process of adaptation and resistance where norms, institutions, and practices are interpreted and negotiated.

Interestingly, in the assessment of the national development plan, USAID concludes by saying that: "economic solutions sought by GoI [government of Iraq] do not follow a clear *ideological* line [*emphasis* added]" (USAID 2012, 32) as many government stakeholders continue to support

---

75 Iraq has the highest energy subsidies in the world, approaching 30 per cent of GDP in 2012 (USAID 2012, 21). Energy subsidies have been targeted by all major international organisations working in Iraq, which called for their reduction or elimination. In parallel to energy subsidies, the food rationing system is one of the main reasons why there is not absolute poverty in the country (PMAC 2013, 61). Likewise, the food rationing system has been targeted by all major international organisations working in Iraq, which called for its reduction or elimination. The Law of Income Tax no. 113 (1982) is still in place with some changes introduced by the developments after 2003, such as a reduction of the individual income tax rate, a uniform 5 per cent custom levy on import goods, and a tax exception granted to investment projects as introduced by the law on Investment no. 13, (2006). Overall, the state retains a great margin of discretion in the application of the taxation system (PMAC 2013, 55–56).

175

protectionist, interventionist, and state-centric policies. In explaining the incomplete process of liberalisation, USAID abandoned the often-used *local incapacity* argument and replaced it by referring to the stark differences between "international" and "local" ideological positions. Based on this lack of ideological line, USAID defines the Iraqi government "at best a reluctant reformer" (USAID 2012, 50). Implicit in this view is an essentialist contraposition between the "external" (advancing positive reforms) and the "domestic" (resisting positive reforms). This tension is often reflected in the literature on statebuilding where resistance is interpreted as positive if the standpoint is a critique of liberal peace interventions, or as negative if the standpoint is that these interventions carry an augmented rationality vis-à-vis local irrational actors.

The latter argument, which USAID tends to endorse, fails to provide a comprehensive understanding of the broader process of state formation by reducing it to just a matter of good institutions, good governance, and good policies while neglecting the political (and economic) struggles which it entails. Also a "romanticised" interpretation of resistance fails to provide a comprehensive understanding of the schizophrenic economic system in place in Iraq as it tends to perpetuate the binary contraposition between the local and the international by reading resistance to liberal peace framework only in reaction to external pressures, and not as part of domestic dynamics. Hybridity, instead, reveals that adaptation and resistance are not part of a zero-sum-game; but rather that they are part of a complex interplay among a varied range of authorities in competition.

The transmission of norms and institutional frameworks intrinsic to statebuilding has partly failed to channel state formation along the neoliberal route. Some of these norms have been accepted as long as they can sustain the process of state formation. Contrary to USAID's argument that Iraq's lack a clear ideological line, the schizophrenic character of the Iraqi economic system suggests that the battle is not for ideological principles, but rather for the political objectives that the economy helps to pursue. Indeed, when the government defines the economic framework for the country is not only pursuing economic objectives. Economic measures run in parallel to state formation: privatisation can sustain or undermine the process of élite formation and budgetary issues are similarly central to this process since they reflect the struggle over state resources; service provision and delivery, welfare provision, and

176

public employment are, then, central to re-negotiate state-society relationship.

6.3 *Stateness* beyond the state

The process of formalisation supposedly promoted by statebuilding interventions has rarely succeeded in drastically transforming political, economic, and social orders. Rather, statebuilding policies have sometimes favoured the enduring character of informality, which remains a diffused trait deeply enmeshed in societies intervened upon. As Cheng (2012, 64) notes, statebuilding policies can "weaken the state by privileging the influence of informal actors and embedding economic power structures that harm the public interests". Whereas informality loomed prominently in analyses of post-conflict countries and persistently ranks at the top of the priorities of international actors to perfect interventions, it remains a cumbersome issue whose comprehension remains vague: is informality a remnant of the past? Is it a product of the conflictual encounter between the statebuilding agenda and the process of state formation?

Informality flourishes in the contested space between public and private and it is strengthened by the blurring distinction between political, economic, and social domains. But these contested space and blurring distinction are part of the process of formation of authorities alternative to the state in post-conflict countries. Informality inserts itself in the disjuncture between state and *stateness*: by relying on informal repertoires and arrangements alternative actors come to exercise some of the state's functions and thus they deprive it of some of its authority. This section seeks to clarify the meaning of informality by introducing empirical material suggestive of the urgency and appropriateness of addressing this aspect in the Iraqi case.

6.3.1 *Nebulous boundaries between political and economic authorities*

The dispersion of authority within and outside the nominal borders of the state and across different types of entities has favoured the erosion of the boundaries between political and economic domains. Many are, for instance, the examples of the collusion between political and economic agendas that resulted in allegations of corruption. However, this collusion does not necessarily pertain to the illicit dimension and is not necessarily confined within state boundaries. This section seeks to show that when

economic objectives mingle with political ones new political spaces can form where state formation is further negotiated. To this end and venturing beyond the illicit sphere of this encounter, the empirical analysis focuses here on foreign direct investment and commercial partnership.[76]

It is important to first recall that the intervention in Iraq had a strong economic component: developing the potential of the new Iraqi market became soon a major concern for the coalition forces in the midst of a political transition on the verge of derailing. Favourable measures for attracting investments and facilitating commercial exchange were first introduced by the CPA and later pursued by subsequent Iraqi governments: the tax exemption for 15 years granted to investment projects by the Law on Investment no. 13 (2006) and the uniform 5 per cent custom levy on import good provide incentives for investors and commercial partners. In addition, the strategy for attracting investment in the country includes also numerous investment conferences. For instance, in 2005 the Rebuilding Iraq Conference was organised by the Chaldean American Chamber of Commerce in West Bloomfield Township (Michigan); the same year the Rebuild Iraq Conference was held in Amman; in 2006, Gaziantep (Turkey) hosted the First Iraqi International Fair and the following year the Iraq Business and Investment Conference was held in Dubai; in 2009 London hosted another important event, the Invest Iraq conference.

Similar initiatives were also held inside the country, despite the dire security situation. The Build Iraq Project is an example of an annual international fair held in the country with the objective of attracting investments and promote commercial partnerships. Few data can convey the dimension of this and similar events: the 2013 edition of the Fair saw the participation of 622 exhibitors coming from 28 countries, a higher number compared with the previous year when 442 companies from 23 countries participated in the event. Turkey and Iran were, by far, the major exhibitors in the Fair, which reflect their commercial and economic interests in the country. The edition of 2013 saw also an extensive participation of European companies, led by a delegation of 80 Italian companies.[77]

---

76 FDI is a form of investment entailing the establishment of a lasting interest by an investor in an enterprise resident in an economy different from that of the investor. FDI reflects a long-term relationship between an investor and an enterprise. The ownership of 10 per cent of the voting power in an enterprise is usually considered the benchmark to define it as an instance of FDI, although this definition is not universally accepted (OECD 2008b, 48–49).

77 According to a publication by the Italian Chamber of Commerce "Italy is the first European partner for total

The yearly editions of the Build Iraq Project Fair have been hosted in Erbil, the capital of the Kurdistan region, which has always benefited from a better security situation compared to other parts of the country. However, a security-related choice soon turned into a political move: with the growing tensions between Baghdad and Erbil, the Fair came to reflect this political situation. The 2013 exhibition was held in late October and, as some interviews conducted during the event suggest, despite the national outlook of the Fair the event developed a closer focus on the Kurdistan region:[78] "Iraq is only in the title of the event. Those who come here make business in this region and are offered opportunities in the region".[79] It comes as no surprise then that the 2014 Edition was planned as two tracks, with the launching of the first Edition of the Project Iraq in Baghdad. The economic objective of attracting investments has become deeply entrenched in the political agenda of conflicting parties within the country.

The blurring boundaries between political and economic domains can also be grasped by looking at the distribution of investments nationwide. Most strategic sectors in Iraq witnessed a growing participation of foreign investments.[80] Foreign investors are particularly active in energy plants, construction materials, and chemicals. For instance, a small number of foreign companies are playing a key role in the power and transport sectors, such as the French Alstom or the Turkish Calik Enerji and Enka Insaat operating in the construction of power plants (Business Monitor International 2013, 9). Construction and housing is another sector that foreign investments have strongly targeted. Mainly coming from the Middle East region, and especially from Turkey and the United Arab Emirates, most investors in this sector have concentrated their investment in luxury real estate. In the Kurdistan region but not only, the hotel industry has expanded with Marriott, the first American hotel chain in Erbil, Best

---

exchange with Iraq reaching more than 3 billion euros in the first 8 months of 2012 and a growing trend" (Camera di Commercio 2013).

78 The low participation of Iraqis coming from other part of the country was aggravated by the fact that the Fair took place nearly a month after a terrorist attack hit the city of Erbil. On 29 September 2013 a suicide attack, the first since 2007, targeted the headquarters of the Asayish—Kurdistan's intelligence service—in Erbil. Despite official sources linked the perpetuators of the attack to al-Qaeda's Islamic State of Iraq and Syria (*Rudaw* 2013), the timing of the attack, which occurred after that the regional Kurdistan election changed the balance of power between the major political parties in the region, generated rumours around the events. Following the terrorist attacks, border security was tightened and many Arabs were turned away (Barznjy 2013).

79 Author's interviews conducted during the fair Build Iraq 30 October 2013.

80 For a distribution of foreign direct investments across sectors and governorates, see also Costantini 2013.

Western, Kempinski, Hilton and other international chains along with Divan, a Turkish company, and Rotana, a United Arab Emirates company. Also in the area of Najaf and Kerbala, two important destinations for religious tourism, the hotel industry has flourished.

A survey conducted by the Economist Intelligence Unit confirms these trends extrapolated by data on investment flows: with the exclusion of the oil sector, in 2010 investors privileged the construction and real estate sector, followed by chemicals, and healthcare, pharmaceutical, and biotechnology as the sectors that offer best opportunities (Economist Intelligence Unit 2010). Most of these sectors coincide with what the Iraqi government considered as the driving economic sectors for economic diversification in 2010.[81] Although invested with a superior mandate—that of contributing to the overall process of statebuilding in Iraq—foreign investors are mainly driven by the opportunity for high returns and to reach a large untapped market and less by the desire to participate in the Iraqi renewal (Economist Intelligence Unit 2010, 33).[82] As the head of the Task Force on Business and Stability Operation observed in 2010,

> Iraq is one of the last great "ground floors" we will ever have in the word. China in the late 1980s and early 1990s was a ground floor - if you got in at that time, you did very well. India followed. Iraq today is a ground floor …. And I don't think that ground floor is going to stay open for too much longer. I think we have a few more months, and then the acceleration of investment in Iraq will take place. I expect that to happen during 2010 (quoted in Dowdy 2010, 48).

Their strategic role in the Iraqi economy has followed the ebb and flow of the political situation but remains lower than expected. In the 2010-2014 national development plan, the Iraqi government estimated that "foreign and domestic investment should have contributed an additional 15.1 trillion ID [Iraqi Dinar] in 2010 and 17.4 trillion ID [Iraqi Dinar] in 2011", but the actual contribution calculated by the IMF was ID 3.9 trillion in 2010 and ID 5.5 trillion in 2011, that is respectively around one fourth and one third of the expected resources (USAID 2012, 18).

81 The government of Iraq identified the following sector as strategic: industry and minerals (oil downstream, energy intensive industry, non-oil and construction materials, mechanical engineering, chemicals, electric and electronics, solar energy); construction and housing; agriculture, food security, and food processing; telecommunication and information technology; and tourism (PMAC 2013, 66).
82 51 per cent of the respondents are motivated by the opportunity for high return; 41 per cent to reach largely untapped consumer market, 26 per cent by the strategic location in the region. The desire to participate in Iraqi renewal comes in the 6th position (23 per cent) (Economist Intelligence Unit 2010, 33).

The extent to which investment patterns can interweave with political demands can be illustrated with reference to both domestic and international agendas. At the domestic level, the geographical distribution of investments is highly diversified. Al-Anbar, the largest governorate in the country, which extends over an almost entire deserted area but hosts important centres such as Ramadi and Falluja, is estimated to have one of the higher rate of unemployment, with almost half of the population economically inactive. Since 2009, the al-Anbar Investment Commission has issued 37 investment licenses, of which 28 investment projects are yet to start working, mostly due to problems in land allocation. Of these 37 investment licenses only 3 were awarded to foreign investors (UNIDO 2011, 58). At the other extreme, Erbil has awarded alone 143 licenses and it has attracted the largest share of investment since 2006. The three Kurdish governorates—Erbil, Dohuk, and Suleiymaniyya—licensed 258 projects of which 36 to non-Iraqi investors. Foreign investors control USD 4 billion of the USD 14 billion total value of investments, which suggests that they invested in the largest investment projects in the region (UNIDO 2011, 169–170). In between, Al-Najaf governorate, which hosts two of the major religious attractions in the country, has issued 65 investment licenses, of which 20 to non-Iraqis (UNIDO 2011, 85). The Basrah Investment Commission licensed only 11 investment projects, all to Iraqi investors (UNIDO 2011, 113). But the governorate of Basrah attracted significant foreign investment projects in two strategic sectors, oil and gas, and transportation, which are not among the competences of the investment commission.

The uneven geographical distribution of investments that overlaps with the dispersed economic governance of the country can be interpreted in relation to the fluid and yet to be settled distribution of power nationwide. Economic investments can weight in favour of local political agendas, by creating facts on the ground whose political consequences may be then difficult to reverse. The economic boom in the Kurdistan region seems to point precisely in this direction. In an interview conducted in December 2012, Nechirvan Barzani, prime minister of the Kurdistan region asked if Kurdistan was closer than ever to be independent, replied:

I believe, yes, we have a very good opportunity. But we have a lot of challenges as well. How we can – I mean an independent Kurdistan – first of all we have to convince at least one country around us. Without convincing them, we cannot do this. Being land locked we have to have a partner, a regional power to be convinced and internationally, a big power to be convinced to support that. *What we want right now is to have an economic independence within Iraq* [*emphasis* added] (Newton-Small 2012).

Barzani's words hint at the political use of economic achievements in the region. Economic dynamics can, purposefully or not, serve political objectives, as the economic independence in the Kurdistan region can contribute to its political independence. In other words, the business of making business is not only business. Politics can be used to drive economic agendas inasmuch as the economy can be used to drive political agendas. If the situation in the KRG is undoubtedly peculiar, one needs to consider the national scenario to sense the dimensions of the problem. The emergence of market authority as a form of private authority (Hall and Biersteker 2002) in the country has certainly contributed to influence the economic governance of Iraq.

The importance of market authority at the international level is illustrated by the many official state visits to Iraq that were accompanied by business delegations and that did not miss the opportunity to remark the support that businesses could provide for the recovery of the country. In 2010 the governorate of Basrah alone received business delegations from South Korea, Netherlands, Lebanon, Turkey, Russia, the UAE, Sweden, and Canada (UNIDO 2011, 115). In addition, investment patterns did not only translate into stronger political ties at the national levels: for instance, France and the UAE announced the opening of a consulate in al-Anbar governorate where they both have important investment interests (UNIDO 2011, 76–79). Similarly, the growing penetration of foreign investments in the Kurdistan region coincided with the opening of 18 consulates in 2010 (UNIDO 2011, 170).

But at the international level, the ramifications of the interplay between political and economic agendas can be better grasped by looking at commercial partnerships. Revenues generated from oil exports have increased the purchasing capacity of Iraqis, which led to a boom in imports. Iraq is a middle income country where the demand for products and services has grown exponentially in parallel to the

increase in oil revenues. At the exclusion of oil,[83] Iraq is almost a net importer: the domestic market is flooded by imported goods that range from food products to manufactured goods, medicines, and technology.[84] Both USAID (2012, 39) and the Iraqi Ministry of Planning (2013, 18) acknowledged this problematic trend, but they have provided opposite solutions (a market-based and a state-based solution), as discussed above. This phenomenon is not exclusive to Iraq, although oil revenues can make it worse. Susan Woodward (2013, 152) generalises this trend across post-conflict countries and argues that economic policies implemented in post-conflict countries have the counter-effect of favouring external companies at the expense of local ones.

Trade patterns are often indicative of dynamics going beyond economic considerations. In the initial phase after 2003, Iran and the United Arab Emirates proved to be the key economic players in the country, besides those countries participating in the military and civil intervention in Iraq (Moore 2009, 23). Turkey soon asserted itself as a dominant economic power. In 2009, Iran estimated its trade with Iraq at around USD 4/5 billion whereas Turkey estimated the trade volume at more than USD 6 billion (Kane 2011, 6). Iran has deployed its "soft power" in order to strengthen its relationship with neighbouring Iraq. In economic terms, this included the "allocation of a one-billion-dollar credit for Iraq's private sector activities and participation in rebuilding and development trend" (*BBC Monitoring Middle East* 2005), the establishment of a joint Iran-Iraq investment fund and the cooperation between the two countries in economic development (*Tehran Times* 2011). Whereas Turkey has gained a dominant position in the Kurdistan region, Iran has a stronger economic influence on the central and southern part of the country where it has invested in infrastructure, energy, and religious tourism. However, both countries are competing in the respective areas of influence: in 2010 Iran opened a trade centre in Suleymania (Kurdistan region)—Turkey has at least 12 similar centres in the country—while

---

83 Exports of crude oil represent 84 per cent of total exports. Major export partners are: US (21.1 per cent), India (20.2 per cent), China (13.6 per cent), South Korea (11 per cent); Canada (4.7 per cent); Italy (4.4 per cent); Spain (4.2 per cent). Iraq stands in the middle of a changing economic landscape worldwide: on the one hand, it exports to more traditional industrialised countries, such as the US, Canada, and countries in Europe (Italy and Spain); on the other hand, it exports to emerging economies eager for energy imports, such as China, India, and South Korea (CIA, *The Word Factbook, Iraq,* available at: http://1.usa.gov/1ilCTJX, accessed on: 5 January 2015).

84 Major import partners are: Turkey (27.5 per cent); Syria (16.2 per cent); China (12.5 per cent); US (5.2 per cent), South Korea (4.7 per cent). (CIA, *The Word Factbook, Iraq*, available at: http://1.usa.gov/1ilCTJX, accessed on: 5 January 2015).

Turkey opened a consulate office in Basrah in 2009 (Kane 2011, 6). In the midst of a fierce struggle over power, resources, and territory, alliances with regional political powers erode the inviolability of national borders. The strength of these alliances is often consolidated through economic channels that tie the two parties tightly.

The international and domestic dimensions are not then discrete arenas but rather a fluid space that "endogenises" international agendas and "outsources" domestic agendas. A key example that shows the problematic distinction between political and economic agendas at the crossroad between domestic and international politics is the oil economy. Being the key economic sector in Iraq, the oil economy reflects most of the tensions within the country. According to Collier (2008, 113) in post-conflict countries "the governance of resource rents particularly matters, because they are one of the risk factors in initiating conflict". Despite the widespread recognition of the pivotal role of oil resources in the political economy of Iraq and the presentation of the Oil Law as a peacebuilding measure (Muttitt 2011, 247), efforts to regulate the governance of resources did not prove successful. The responsibility over the management of oil resources and the distribution of revenues remain key unresolved issues. The controversy over the governance of oil started with the ratification of the Iraqi Constitution in 2005, which left many power-sharing issues open to interpretation. Divergent interpretations have exacerbated the dispute between the federal government and the KRG. The latter passed its own Oil Law in 2007 which includes, among others, production sharing agreement contracts—a type of contract that the federal government does not recognise.[85] This dispute then deteriorated around the autonomous decision of the KRG to export oil resources extracted from the region to Turkey, bypassing the federal government (Natali 2014).

Oil companies skilfully navigated through this muddy terrain. Most major international oil companies have avoided any involvement in the dispute by accepting to operate in the absence of a national Oil Law and by privileging the south of the country where the majority of oil reserves are. In contrast, minor oil companies have privileged the Kurdistan region where they had more possibilities of

---

85 A production sharing contract is a form of contract according to which oil resources are owned by the state, which compensates foreign companies for their investments. Although the state owned oil resources, it is subject to stringent constraints stipulated in the contract (See Muttitt 2005).

winning contracts without the competition of big companies. The federal government's ban on companies that operate in the Kurdistan region did not affect these companies, which continue to operate according to the Kurdistan Oil Law. However, the scenario has changed when ExxonMobile, one of the key international oil companies started negotiating with the KRG the development of an oil field whose location is situated in a contested area between Baghdad and Erbil. The stipulation of a contract between the KRG and ExxonMobile in November 2011 was followed by negotiations between the KRG and Chevron and Total and the overall oil apparatus started to shake (Al-Ali 2014, 166). In line with previous empirical analysis, this example shows the extent to which oil contracts become part of the political struggle over power, resources, and territory.

On the whole, this section raises two major issues. First, it shows the importance of market authority in the Iraqi transition: from the very beginning, economic motivations have ranked high in the overall Iraqi operation. Second, it highlights the continuous and mutual influence between market and political authorities. Contrary to neoliberal institutionalist approaches, which advance that the market—universal, natural, and apolitical, is foreseen as a mechanism to protect societies from the interferences of bad politics (Hameiri 2007, 131), this section shows the limits of interpreting economic dynamics as detached from politics. The nebulous boundaries between political and economic domains opens new spaces for alternative sites of authority that by relying on informal repertoires and arrangements exercise power in transition. As the next section will make clear, this aspect overlaps with a poorly defined separation between public and private that undermines state authority: Weberian notions of statehood are deconstructed in favour of a dispersion of authority that transgresses the project of building a state.

6.3.2 *The public and the private: contested spaces*

In Iraq the confused structuring of market and political authority has overlapped with the erosion of the boundaries between public and private. In a context where investments and commercial opportunities have been "fuelling an orgy of speculation and elite consumption in the countries surrounding Iraq" (Parker and Moore 2007, 6) and in the domestic realm, the superior rationality associated with market mechanisms falls short of explaining much of what occurred in the Iraqi transition. Other norms, rules, and practices should be acknowledged to understand this orgy of speculation.

Some examples can convey the dimensions of the erosion of the boundaries between public and private. Many are the accounts of takeovers of mostly public (state-owned) companies after the fall of Saddam Hussein. Moore (2009, 25) reports that Shahid al-Mihrab Corporation, which was previously controlled by the regime of Saddam Hussein, after 2003 was taken over by Hammar al-Hakim, the leader of the Islamic Supreme Council of Iraq—one of the main political parties in Iraq. The control of this corporation facilitated al-Hakim and his party apparatus to become a key player in the construction sector, pilgrimage business, and retail trade with Iran in the areas of Kut, Amara, and Basrah. The control over key economic sectors has been secured in parallel to the expansion of control over borders. In this regard, Parker and Moore (2007, 10–11) note that the major centres that experienced high political violence at least from the beginning of occupation to the insurgency were situated on the major routes connecting Iraq with neighbouring country—Mosul, Ramadi, Falluja, Kut, Amara, Hilla, Basrah, and Baghdad.[86] Regulated and unregulated networks controlled these trade routes and "these arrangements tied Iraq to its neighbors in politically consequential ways" (Parker e Moore 2007, 10). Control over borders was only one way in which domestic élites have exploited the opportunities offered by a rapid liberalisation of the economy. For instance, the International Crisis Group reports that a "number of shell companies have been registered abroad by political parties and high officials, and these companies were used to secure government's contracts" (ICG 2011, 6). The most striking example is the purchasing of a large quantity of bomb detectors, ADE 651, from a UK based company ATSC Limited for a total of USD

---

86 Mosul is on the route which connects Baghdad through Bayji, an important oil refinery and industrial hub, to the Syrian border; Ramadi and Falluja are on the routes that connects Baghdad with Amman; Kut and Amara are on the road that connects Baghdad to Basrah and the access to sea, and the Gulf countries; Hilla is on another route which connects Baghdad to Basrah which goes closer to the city of Najaf and Kerbela.

85 million and later traded among the ministries just to discover that the device could not detect any explosives (Al-Ali Zaid 2014, 1–5; ICG 2011, 16).

The erosion of the boundaries between public and private generates a situation in which formal actors resort to private means to consolidate public functions and private gains while simultaneously informal actors resort to public resources to consolidate private functions and private gains. In Iraq, state actors have been particularly well placed because they have exercised great influence over the economy: ministries and state-owned enterprises are the key buyers and sellers in the Iraqi economy and can therefore move huge volumes of resources within and outside the country. Brought to the extreme, this phenomenon generates a situation where the distinction between public and private and between formal and informal tends to recede if not fade away, giving way to what Godson (1997) calls "political-criminal nexus"—a symbiosis between political and illicit authority.

Corruption often becomes the instrument to tear down the separation between public and private. Corruption is commonly treated as a pathology—a diffused condition in post-conflict countries that needs all sorts of interventions to be cured (Williams 2002). This interpretation has generated numerous arguments seeking to differentiate types of corruption that are then explained by referring to the same pathological status. Instead of interpreting corruption as a condition, interpreting it as an instrument permits to analyse what lies behind corruption: a relationship between actors to pursue objectives which may vary greatly depending on the relationship and on the context. Corruption occurs at various levels and in a range of patterns. A study conducted by the United Nations Office on Drugs and Crime (UNODC) on administrative corruption shows the extent to which "bribery is a common occurrence in the interactions of the Iraqi public with civil servants" (UNODC 2013, 5): on average, an Iraqi bribe-payer pays almost four bribes in a year mostly in order to speed up procedures or to receive better treatment. According to this study, nurses in health facilities, public utilities providers (electricity and water), and the police are the major receivers of bribes in the country (UNODC 2013, 23).

Petty corruption often coexists with grand corruption (O'Donnell 2007). Corruption at the higher level—"the embezzlement of state funds by senior officials" (ICG 2011, 2)—is a factor that has

characterised the Iraqi transition from its beginning and that has attracted protest from different sectors of society. Following the wave of uprisings in MENA, spontaneous protests erupted first in Suleymaniyyah, in the Kurdistan region. They were later followed by a series of demonstrations across the country in February 2011. Corruption and the poor provision of services triggered these protests, which in some cases were successful and led, for example, to the resignation of the governor in Basrah and Babel. Prime Minister Nuri Al-Maliki responded by promising reforms to improve service delivery and combat corruption within 100 days, but the deadline expired and corruption is still at the top of the government's agenda and it has been there since at least 2006 when "Stuart Bowen, the US Special Inspector-General for Iraq reconstruction referred to graft as the 'second insurgency'"(ICG 2011, 2).

Oversight institutions such as the Board of Supreme Audit and the Integrity Commission (the latter created by the CPA as an independent anti-corruption body), as well as the Parliament and the judiciary have not been able to verify the government's activities, partly because some of these institutions have been increasingly co-opted by political élites and ceased to function independently from them. The chain of personal connections overwhelmed these institutions and more generally the public apparatus. The recruitment process in the public sector, from the provision of information to the (lack of) selection procedures, has been highly influenced by informal networks: "informal networks have become more and more important in spreading information about job opportunities in the public sector, while the importance of the centralised appointment system for graduates has declined, a trend that has been even more pronounced since 2003" (UNODC 2013, 56). Similarly, the lack of legitimate selection procedures has become more evident after 2009 (UNODC 2013, 58). Family, political party, friends or acquaintance are the main drivers of influence in public sector recruitment and are even more pervasive in high level state institutions such as the Central Bank, the Council of Ministers, the Investment Commission, and the Commission of Integrity in the federal government, and the Finance Monitoring Office, the Ministries of Electricity, Finance and Economy in the KRG (UNODC 2013, 61).

Whereas corruption may be an isolated practice to pursue political objectives, in Iraq it has acquired a deep social dimension that obfuscates its contours. As Zaum (2013, 17) argues, corruption is characterised by

the existence of a well-developed distinction between the public and private sphere, which breaks down in cases of corruption. In societies where the formal state competes with alternative sources of authority and governance (i.e. tribal or religious), distinction between public and private become blurred, and the distinction between corrupt acts and socially legitimate practices is often difficult to identify.

It is precisely in its deep social dimension that corruption become difficult to identify. Its social foundations are regulated by an overarching informal institution: *muhasasa*—power-sharing along ethno-sectarian lines. Informal networks built around *muhasasa* have permeated deeply almost every layer of society from civil society organisations to high-level politics and business politics. *Muhasasa* has come to modify almost all formal arrangements, from the interpretation of the Constitution to lower level government positions. In the Constitution, there is no reference to any quota system in the government structure, but the institutionalisation of *muhasasa* has resulted in the ethno-sectarian tripartite distribution of positions. This informal system of quotas among sects has regulated almost every position in the government from the presidency of Iraq to lower level positions (ICG 2011, 18).

Within an almost complete paralysis of the state's structures and functions, *muhasasa* has interplayed with political power through corruption and violence. This interconnection is demonstrated by the government's attempts to expand its control over (formally independent) oversight institutions. The International Crisis Group reports political pressure in favour of members of the Shia alliances and a sectarian shift in the officials appointed as inspectors general for the Integrity Commission as well as the prime minister's exploitation of "secret orders" to prevent investigation on high ranking officials in the courts (ICG 2011, 5–6). This interconnection is also demonstrated by the fact that from 2005 to 2011 a high numbers of officials (111 in the Ministry of Electricity and 319 in the Ministry of Defence) were convicted of various corruption-related offences (ICG 2011, 9) and that between 2003 and 2008 some 39 judges were killed (ICG 2011, 5). In such a context, however, corruption allegations are also increasingly becoming a political weapon instead of a judicial tool to regulate misbehaviours. Allegations of corruption reached key Sunni political figures and raised doubts over their political nature (Dodge

189

2013).[87]

The economic world is intrinsically part of this scenario: economic activities have sustained the interconnection between *muhasasa* and political power and, in turn, they are shaped by this interconnection. Economic institutions such as the Iraqi Central Bank had been gradually moved under the control of the government, and private entities, such as the Trade Bank of Iraq—established by the CPA to manage international transactions, has also been co-opted. The control or influence of politics over economic activities has been profound and it has accompanied the emergence and consolidation of new political actors and structure. In this context, the management of ministries has become rather "personal" and they have been divided among political parties and treated as personal fiefdom (ICG 2011, 17). As personal fiefdoms, they have moved huge volumes of resources within and outside the country and have recreated personal lines connecting new patrons with their clients.

Thus, *muhasasa* is *the* key informal institution in the country. Recalling the theoretical discussion presented in Chapter 2, *muhasasa* has a clear social and collective dimension: it is followed by group members to pursue collective goals (Tomass 2012, 721); it is rooted in shared expectations and sanctions; and it has shaped the performance of key formal rules in the country. Because of its foundation in group dynamics, *muhasasa* remains contested by segments of the population. These dynamics—the consolidation of *muhasasa* as an informal institution and its ramification in the political and economic spheres—are not a residual or unexpected consequence of the process of state formation in Iraq. Rather they are part of the construction and consolidation of new élites within the country: as the International Crisis Group concludes "the lack of action on corruption is at best a powerful illustration of how inept the constitutional framework is and at worst proof that the ruling elite have a vested interest in keeping a corrupt system in place" (ICG 2011, 12).

At the same time, some of the policies of the statebuilding intervention in Iraq have strengthened

---

87 During al-Maliki governments, the issuing of arrest warrants has been a key instrument to curb the opposition: in 2012 the Minister of Finance, Rafi al-Issawi and his entourage were arrested with charge of terrorism. The previous year, Rafi al-Issawi, Tareq al-Hashemi (Iraq's Vice-President) and Deputy Prime Minister Saleh al-Mutlaq were also placed under house arrests. In 2012 the arrest warrant for Rafi al-Issawi sparked a series of protest in Sunni populated areas but received also the support of key Shia figures such as Muqtada al-Sadr (Dodge 2013).

informal actors, practices, and institutions. Foremost, the political use of ethno-sectarian categories that have permeated the intervention has strengthened the role of ethno-sectarian entrepreneurs. As Brubaker (2002, 166) succinctly puts it:

> B y *invoking* groups, they seek to *evoke* them, summon them, call them into being. Their categories are for *doing*—designed to stir, summon, justify, mobilize, kindle and energize. By reifying groups, by treating them as substantial things-in-the-world, ethnopolitical entrepreneurs may, as Bourdieu notes, 'contribute to producing what they apparently describe or designate' [*emphasis* in the original]

Muhasasa has replaced state-citizens relations with within-groups and between-groups relations: by exercising some of the state's functions (e.g., regulating the distribution of offices and services) groups dynamics undermine state authority. Alternative sites of authority have exploited the state apparatus to vehiculate *stateness* beyond the state and thus they contributed to erode state authority.

6.3.3 *Informality and the private sector*

Once the complexity of informality has been made clear, its relations with the private sector can be grasped and explanations of the poor functioning of the private sector can be problematised. The majority of firms in Iraq operate in the informal economy: according to USAID (2010, 86) almost 62 per cent of small- and medium-sized enterprises are not registered with any government agency. Informality predominates in micro and small companies, which suggests that informality tends to be a survival strategy (see Figure 6.1). Informality has been often interpreted as a coping strategy in the everyday life of post-conflict societies or as a resilient tactic to respond to the overly disruptive effect of a rapid liberalisation. In Iraq, however, informality is not a new trait emerging in reaction to the 2003 intervention: its roots are in the past, especially in the 1990s when the country was hit by an all-pervasive system of sanctions. Today's informality is better understood as an adaptation to an evolving environment with strong antecedents in the past.
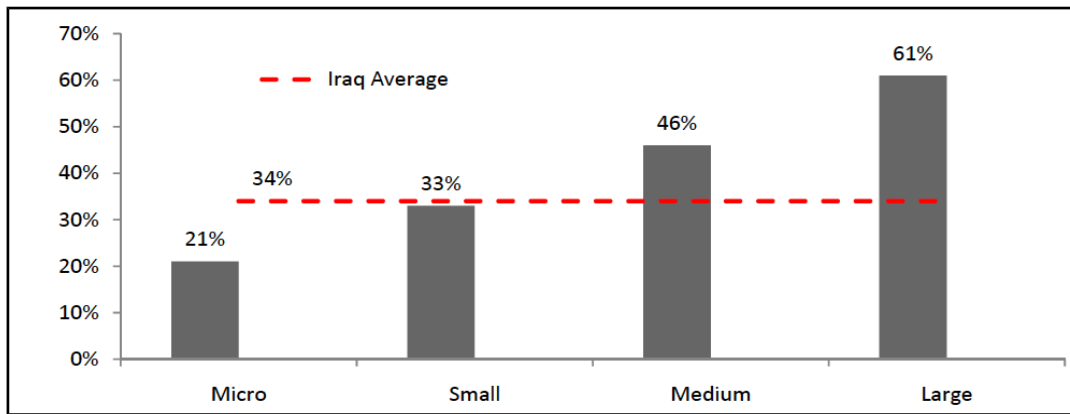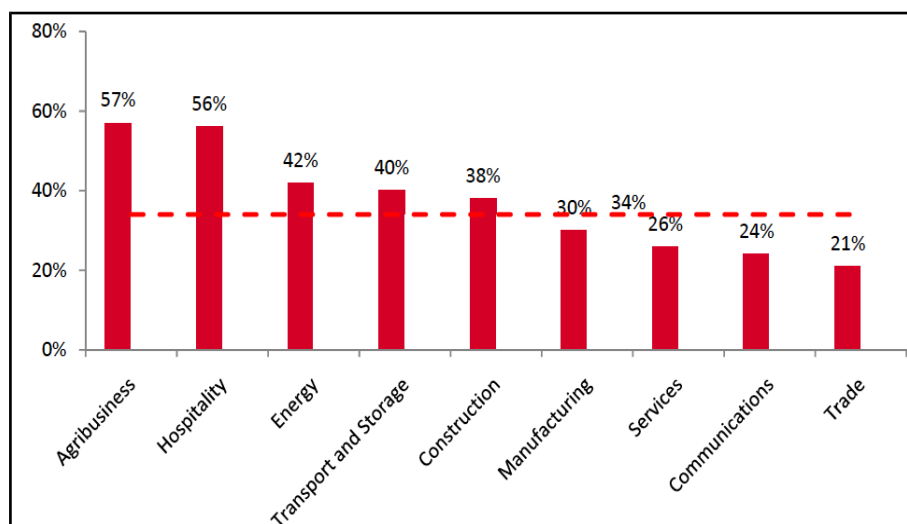
(Source: USAID 2010, 93)

Figure 6.1. Informality by size of the firm.

Informality varies across sectors (see Figure 6.2): the average proportion of registered firms is around 34 per cent, but this proportion is higher in those sectors that are more likely to operate in partnership with the state, such as agribusiness (the food rationing system in place in Iraq is managed by the state), hospitality, which sees also the participation of foreign companies, energy, transport, and construction. The percentage of registered business plummets in the trade sector where only 21 per cent of the companies are registered (USAID 2010, 91).[88] The flourishing of economic informality in the trade sector can be explained by various factors, including the difficulty of securing post conflict countries' borders and the economic opportunities deriving from transnational trade. Parker and Moore (2007, 6) noted in 2007 that "militia supporting or opposing the Iraqi government—not the government itself—control import supply chains and, indeed, regulate whole sector of the Iraqi economy".

---

88 Similar trends are registered by CIPE (2011), according to which there are more registered companies in the construction and manufacturing sector while there are more unregistered business in wholesale trade and services.

(Source: USAID 2010, 91)

Figure 6.2. Informality by economic sectors.

Informality also varies across geographical location (see Figure 6.3): in the governorate of Erbil close to 90 per cent of businesses are registered, but only 10 per cent are registered in al-Anbar governorate (USAID 2010). This high variation can depend in part on the economic structure of the governorate (economic sectors) but also on different power structures rooted at the local level. The capacity of local power structures to channel business activities is expected to influence the level of formality of the private sector. As a whole, the geographical variation of informality shows the necessity of developing a national strategy that could first bring the private sector under common and shared rules.
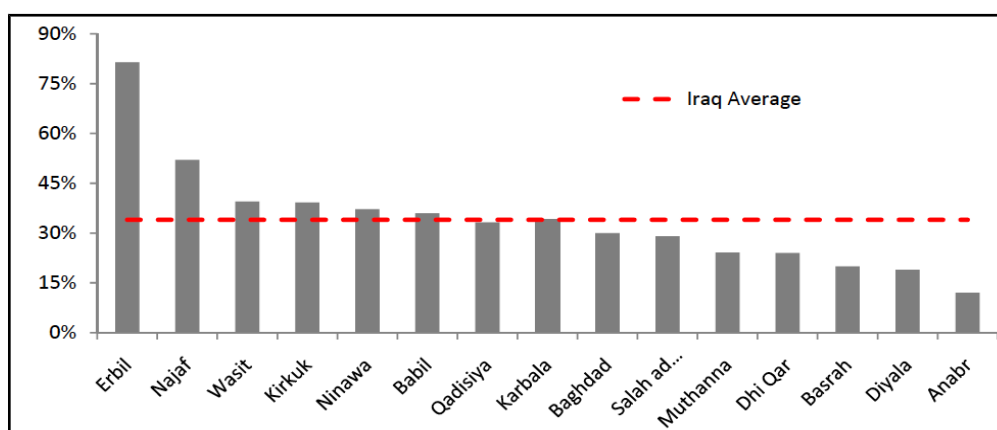
(Source: USAID 2010, 91)

Figure 6.3. Informality by governorates.

193

Connected but different from the phenomenon of informality is corruption. In relation to the private sector, corruption like informality is a diversified phenomenon. By limiting the analysis to a sample of non-agriculture formal firms, the World Bank (2011b) shows that the phenomenon of corruption varies and depends on the type of business. For instance, there is a significant discrepancy between small (1-19 employees) and large (more than 100) firms in terms of corruption patterns: whereas almost all large firms are expected to give gift to get a construction permit, only around 25 per cent of small firms are expected to do so. Inversely, around 48 per cent of small firms are expected to give gifts to get an import licence and virtually none of large firm is expected to do so (World Bank 2011b, 13).

Common explanations for the absence of the private sector and, more generally, for the slow pace of the economic recovery of Iraq refer to the dominance of the oil sector in the Iraqi economy, the security situation, and the "poor business environment" that is usually related to the legacies of the previous regime. The Iraqi economy is, indeed, dominated by the oil sector: oil represents around 90 per cent of government revenues, 80 per cent of foreign exchange earning, 65 per cent of the GDP, and 1 per cent of the labour force (ILO 2012, 4–6). This dominance modifies both the structure of the economy and that of the state in considerable ways (Beblawi and Luciani 1987). However, the excessive deterministic predictions of the "rentier" model freeze a country's economic and political structures into a static model. Its control over oil revenues makes the Iraqi state independent from other revenues (i.e., taxation) and pushes the economy toward a state-planned model rather than a private sector-led model. However, the abundance of resources also feeds a market in the construction, services, and consumer sectors which, in turn, feeds businesses. The question, therefore, is not whether the oil economy prevents the birth/development of the private sector, but rather how it influences it.

Secondly, the poor security situation has, indeed, thwarted the growth of a flourishing private sector. The general argument is that "none of the market mechanisms, not small business, not big business, not even the oil industry, can run effectively under conditions of insecurity" (CIPE 2005, 5) but the manner in which violence and security are interpreted is a matter of contention. Security is not a residual outcome of political, economic, and social processes occurring in Iraq; rather it is an intrinsic

part of these processes. Violence and insecurity are part of the political process of state formation and part of how economic activities are evolving in the country. Security is often considered to be either a pre-requisite or an outcome of economic activities. The latter interpretation has become a widely debated part of the counterinsurgency doctrine in Iraq. Instead of interpreting the relations between (in)security and the economy in terms of causality, the question is not whether violence and insecurity prevent the private sector from growing, but rather how violence and insecurity shape the private sector and its economic operations. This question implies taking into consideration a cross-national framework since a free market economy makes the process of state formation cut across boundaries. Thirdly, there is, indeed, a poor business environment in Iraq. The bureaucratic machine is overwhelming and often inefficient; the regulatory framework contains contradictory rules, some of which can be dated back to the Saddam Hussein period; and the implementation and enforcement of laws and regulations is poor and coupled with a poor system of checks and balances.

All previous arguments—the oil economy, (in)security, and the poor business environment—are part of the explanation of why the private sector in Iraq has not developed as expected. They explain the economic determinants of a limited private sector, but they fail to address political and social determinants. By considering only economic determinants and a "proper" (normatively constructed) private sector, these explanations can only provide a partial answer. In other words,

> by dividing the political world into dichotomous spheres of state and society, regime and market, endogenous and exogenous, and so on, transitions theory (and the invasion of Iraq was essentially transitions theory by other means) provided categories that only remotely corresponded with the lived experience of the Iraqis themselves. By designating the Iraqi state, the Iraqi economy and Iraqi society as discrete objects of transition, mainstream analysis obscured the extent to which state, economy and society were in fact linked to broader complexes of production and exchange that extended far beyond Iraq's borders (Parker and Moore 2007, 15).

In light of the discussion on informality, the tendency to approach the private sector as only determined by economic motivations obfuscates the fact that private sector development is equally determined by political motivations and it is not alien to processes of state formation.

Conclusion

The CPA Orders served the purpose of rebuilding Iraq from scratch by bringing in the country novel norms and institutions in addition to a novel political class of expatriates. To this end, a dispersed system of governance intervened in virtually every aspects of the economic life of the country, from the micro-private sphere to the national public sphere: it acted at the institutional and policy levels as well as at the governorate level. The parallel dispersion of sites of authority at the domestic level was aggravated by a decentralisation process that failed to regulate competences and responsibility and that, instead, became part and parcel of a struggle over power, resources, and territory.

In this context, the changing circumstances on the ground led the Iraqi state apparatus to regain its authority over the economy. In doing so, it has sometimes distanced itself from the ideological lines that characterised the display of the intervention in Iraq by presenting a more interventionist and protectionist stance in economic matters. This led some international economic advisors to interpret the "external" as the benevolent reformer and the "domestic" as the reluctant reformer constituting a rigid dichotomy between two homogenous and irreconcilable positions. The Iraqi case shows the inconsistency of this interpretation. The Iraqi state apparatus has displayed measures which are at odds with prevalent neoliberal models, but it has never renounced to the benefits that neoliberalism can bring about in the struggle over power. The result is a schizophrenic environment that has facilitated a management of the economy serving purposes that are not only evaluated in terms of economic efficiency but in terms of their contribution to the process of state formation. This has been interpreted as the emergence and consolidation of a hybrid form of political economy.

The Iraqi transition has shown the breadth and depth of the erosion of the boundaries between economy and politics, private and public, formal and informal. All these binary oppositions constitute, at least in theory, the backbone upon which the statebuilding agenda is designed. Yet, the erosion of these boundaries is part and parcel of processes of state formation in which actors seek to secure a political order in the midst of an abrupt change. The convergence between economic and political agendas has been widely tested with reference to both domestic and external dynamics. The major result of this

196

convergence has been a drastic change in the economic geography of the country that the fragmentation of authority in economic matters has certainly contributed to favouring.

The erosion of the boundaries between public and private has similarly modified the political landscape of Iraq and favoured a preponderance of informal repertoires in the country. *Muhasasa*—power-sharing along ethno-sectarian lines—is the dominant informal institution in the country for its pervasiveness in the social dimension, its reach in shaping expectations and sanction, and its capacity to modify also formal rules. As a result of these interrelated processes, after more than ten years of transition it is difficult to isolate the public (state), the private (economy), and the civil (society) on the basis of their function in society. Most of the political, economic, and social processes have unfolded precisely in the interstices between these spheres. In these processes, the state has remained a central construct in the Iraqi transition: inclusion in or exclusion from the state has determined much of the political struggle in the country and the state apparatus has channeled much of these informal arrangements. As we shall see in the next chapter, this is the major difference found in the comparative analysis of Iraq and Libya.

Chapter 7

Perspectives on the emerging economic governance of Libya: international and domestic dimensions

There is only one other country that has such massive reconstruction needs and construction ambitions, which can also well afford to implement them: Iraq. But Iraq has its own deadly dynamic. Libya is not Iraq. Nonetheless, there are major challenges. There are very real concerns about security in Libya which is why so many would-be investors, Libyan and foreign, are taking a wait and see approach.

—Michel Cousins, Editor of Libya Herald, 2012, 2

When the liberation of Libya was celebrated on 23 October 2011, the overthrow of the Qadhafi regime was welcomed as a new beginning for Libya. The Constitutional Declaration issued by the National Transitional Council (NTC) in August 2011, which set in motion a tight roadmap for national elections, the formation of a new transitional government, and the drafting and approval of a new constitution was greeted with enthusiasm not only by the Libyan populace but also by the international community, notably by the countries calling for and leading the military intervention which contributed to the toppling of Qadhafi. This initial phase was marked by the widespread belief that Libya could progress toward a full transition from war to peace and from dictatorship to democracy, without the assistance of foreign actors, despite their key role in bringing about the collapse of the regime. This view was held by

key figures of the Libyan uprising and by external actors.

The disastrous results of the intervention in Iraq and the tumultuous changes ignited by the Arab uprisings along with the financial crisis that hit Europe since 2007-2008 deterred external actors from deploying a heavy-footprint intervention in another Arab country.[89] In addition, a belief that Libyans could shepherd their country through the transition removed definitively the option of "boots on the ground" from the policy choices of external actors. Unlike Iraq, where policy-makers held the view that the country could "self-sustain" itself by leveraging its oil resources, attracting investment, and reactivating its private sector but could only progress under close tutelage by external actors with regards to the political and economic path, in Libya external policy-makers seemed to believe that Libya could not only "self-sustain" the cost of the transition, but also lead it: "Libya is for the Libyans" was the slogan of many Libyans and foreign governments.[90]

These beliefs and conditions generated a Libyan-led approach to statebuilding. In the absence of a strong external intervention, a domestic process of state formation began in 2011. This process faces many challenges: the Great Socialist People's Libyan Arab Jamahiriyya (rules of the masses) relied precisely upon the absence of state institutions and on a system of direct representation under the control of Qadhafi and his family. Two caveats are, however, essential: first, the "stateless" state should not be interpreted as a natural condition of tabula rasa upon which the state can be built from scratch. The "stateless" state carries legacies of power structures, which extended beyond state institutions and resurfaced in the aftermath of the regime change.[91] Second, the absence of a heavy-footprint intervention does not mean that Libya is a case of "autonomous recovery", since external influence is exercised at various levels and through different means. Although the interventions in Iraq and Libya have been different, they are nonetheless cases of interventions whose transformative and revolutionary character I discussed in Chapter 4.

Due precisely to these different conditions, the scenario in Libya three years after the uprising is

---

89 Author's interview with Chairman of the All Party Parliamentary Group for Libya, UK. London, 10 June 2013.
90 For instance, the claim "Libya is for the Libyans" was often repeated by both Libyans and foreigners during the meeting of the Libya Working Group at Chatham House "Libya: Local conflicts, national stability" held in London on 17 June 2013, where the author took part.
91 For an overview of the concept of the "stateless" state, see Chapter 4.

rather different from what Iraq experienced at the beginning of its transition and this is likely to have ramifications in the years to come. Nonetheless, the concepts through which the case of Iraq has been interpreted remain key for interpreting the Libyan case. The economy has emerged as one of the conflicting issues in the Libyan transition, and economic dynamics have contributed to redesign the power struggle between entrenched groups in the transition: economic dynamics are evident in the strategies for power sharing as well as in the problematic separation of the public and the private. In this context, the economic governance of Libya is also typified by a dispersion of authority, albeit with different characteristics from the Iraqi case. Due to the absence of military and civil occupation, external sites of authority have had less control over the process of economic transformation (at least formally), but the dispersion of authority has extended beyond the national borders and within the national borders it has permeated to the local level. The *locale* in Libya has not been subject to a deep process of institutionalisation and, thus, remains fluid. It has often coincided with towns, tribes, and families rather than regional belonging. Despite the more limited role of external actors in the transition (and the limited results this policy had in Iraq), the attention has remained focused on the private sector and it has been translated into a more actor-centred approach that explains economic transformation in terms of actors instead of institutions. However, the absence of enforcement capacity and the limited resources devoted to the Libyan transition have meant that this strategy has been less intrusive than what has existed in Iraq, and it has had so far more difficulties in shaping locale structures.

The Libyan-led transition has also meant that domestic authorities have had a greater autonomy in framing their own vision for the economic development of the country. The absence of stringent conditionality attached to aid programmes has left more room for manoeuvre to domestic authorities and have not limited their policy choices concerning the economy. However, this has not translated into a fully coherent framework. Hybridity remains a key aspect of the economic dimension in Libya as domestic authorities seek to simultaneously adapt and resist the economic norms prevailing in the international agenda for statebuilding, which are transmitted through economic programmes and recommendations but also through other channels such as foreign investment patterns.

Domestic authorities are under pressure also from within: they tried to securitise the economy by

using state resources to appease the population and the varied range of militias and revolutionaries brigades. This strategy has not given the state absolute control over the legitimate use of force and not even absolute control over the trajectory of the Libyan transition. Authority and legitimacy remain rooted outside the state apparatus and create parallel power centres in the country, which often rely on informal repertoires. By investigating the dynamics that have occurred during the first three years of transition, this chapter questions the extent and the manner in which the downsizing of the intervention in Libya has affected the economic transformation of the country. Based on a comparison with Iraq, it shows the patterns of transition through the concepts that have guided this study: the "dispersed" and "hybrid" characters of governance in statebuilding interventions; a renewed interest in actors that sidelines dominant institution-centred approaches; and the permeability of post-conflict societies with regards informality.

7.1 An introductory note: the Libyan economy

The economic history of Libya is tightly tied to its rentier economy. When in 1951 the country achieved its independence from the Italian colonial rule (1912-1942) and the following British Military Administration (1942-1951), the Senussi monarchy had to face the challenges of the post-independence phase with little economic assets.[92] The discovery of oil in 1959 drastically changed the situation. Oil revenues constituted, as in many other resource-rich countries both a blessing and a curse. Above all, oil revenues sustained that expansion of the public sector that, as we have seen, constituted a common trait in MENA.

The Revolutionary Command Council that seized power in the country in 1969 by overthrowing the monarchy engendered a series of changes that came to define the Qadhafi period. The regime introduced many of the prerogatives of the Libyan economy so far. Socialism was part of the revolution that brought the Revolutionary Command Council headed by Muammar Qadhafi to power in 1969 and remained a pillar of the Qadhafi regime, tough its form "was doctrinal, as opposed to pragmatic and highly nationalistic" (St John 2008, 76). The centrality of socialism was reaffirmed in 1978 with the

---

92 To be precise, the British Military Administration controlled the regions of Tripolitania and Cyrenaica, while the French took control of Fezzan. The three region were brought together under the Italian colonial rule.

publication of the *Green Book*, Qadhafi's manifesto, and with its second chapter titled *The Solution to the Economic Problem: Socialism*. In line with the manifesto, the state took control of the economic reins of the country: almost all commercial banks were state-owned and Libya counted approximately 360 state-owned enterprises (Vandewalle 2013, 2). At the same time, private enterprise was virtually totally erased from the country (St John 2008). The private sector was regarded as a threat to the stability of the country and as a potentially alternative power centre that could challenge the firmness of the dictatorship.

A first wave of economic reform was introduced in 1987 and, at least formally, lifted the ban on private enterprise contained in the *Green Book*. The reforms introduced the possibility for private subjects to engage in retail trade and to create self-management enterprises (tashrukiyya), and for professionals to exercise private activities. However, this first wave of reforms was insufficient to produce any substantial change. A further series of reforms were introduced in the 1990s, but then again they were never fully implemented, leaving the economic framework almost unchanged (Vandewalle 2011; St John 2008). In addition, in the 1990s Libya witnessed the effects of a UN-imposed sanction regime. The UN system of sanctions hit the country from 1992 to 1999 due to Libya's failure to cooperate in the investigations over the Pan Am Flight 103 exploded over Lockerbie (Scotland) and the French UTA flight 772 exploded over Niger. The US eased its sanctions after that Libya renounced developing unconventional weapons—a decision that marked Libya's rapprochement with the US and its participation in the "War on Terror" (St John 2008).

The period between 2003 and 2011 has witnessed an effort to reform the Libyan economy after the failure of the liberalisation measures introduced during the 1990s. The 2006 publication *National Economic Strategy* summarises the main objective of this opening as creating a "unique model of 'popular capitalism'—that balances market mechanisms with the core values of the Libyan Jamahiriya" (Monitor Group and CERA 2006, 1).[93] After the removal of the UN sanctions in 1999 and, more importantly, after Libya's rehabilitation in the international system, Libya launched a host of new

---

93 The publication *National Economic Strategy: an assessment of the competitiveness of the Libyan Jamahiriya* was commissioned and paid by the Libyan government and it was prepared by the Monitor Group and Cambridge Economic Research Associates. The publication was meant to be the blueprint for Libyan development. Saif al-Qadhafi was the key figure in the regime promoting a reformist agenda and around whom a host of advisors began to advocate reforms for Libya.

initiatives meant to enter global markets (especially in Europe and Africa) and to improve the poor functioning of the Libyan economy. Reforms were introduced to liberalise and privatise the economy (including not only state owned-enterprises but also the oil sector); attract foreign participation in the national economy; favour the flourishing of the domestic private sector and of private banking; and create new institutions for the management of the economy such as the Libyan Investment Authority (LIA) (the country sovereign wealth fund) and the Privatisation and Investment Board.

This process of economic liberalisation was guided by a host of personalities belonging to the state élite, including Saif al-Qadhafi (Muammar Qadhafi's second son), Shukri Ghanem (prime minister, 2003-2006), and Mahmoud Jibril. However, the liberalisation of the economy soon divided the state élite into "reformers" and hard-line "revolutionaries", the latter eager to defend their positions in the system by opposing all reforms. Eventually, Qadhafi's decision to arrest a host of businessmen drastically marked the end of the reformist experience. What was left of this decade of contradictory policies was a sense of confusion and a growing distrust of the market economy among the population.

Apart from the oil sector, which saw a new set of exploration and production sharing agreements granted to foreign companies, the domestic opening has never been fully implemented. Husny Bey, one of the leading Libyan businessmen lamented that in this period "they [Qadhafi and its entourage] started talking about letting the private sector come in. But in reality, it was not intended for the private sector in the sense that is generally understood. It was only for the companies that were dependents or subsidiaries of the Social Development Fund company" (Husni Bey quoted in Ash 2012a, 29). The major consequence of this economic management was that in 2010, just before the uprising, the public sector employed around 85 per cent of the labour force but this was not enough to remedy the plague of unemployment (Khan and Mezran 2013, 4); the informal economy represented about 30 per cent of the economy; and the vast but vertically controlled system of patronage contributed to undermining state-society relations in the country.

7.2 Economic governance: levels and types of authority

The enthusiasm for a smooth transition spread equally to the economic domain: the relatively

small population of the country (around 6.5 million), the availability of oil resources, and a partial process of economic liberalisation initiated during the last years of the Qadhafi regime were considered assets for a rapid process of economic recovery and development, which would, in turn, sustain the political process. Reflecting this widespread enthusiasm, the International Monetary Fund (IMF) noted in 2012 that "the restoration of hydrocarbon production [was] already well advanced, and reconstruction efforts [would] boost non-hydrocarbon output growth in the coming years" (IMF 2012, 1). The same report stated that, "Libya's popular revolution of 2011 has unleashed the potential for more diverse and inclusive growth" (IMF 2012, 1). Despite the resources that the country has at its disposal, Libya has to face key challenges such as the effects of the conflict and its over-dependence on hydrocarbons that has not mitigate the negative effects of unemployment—one of the root causes of the uprisings in 2011.

At the international level, taking immediate steps "to initiate economic recovery" was included in the mandate of the UN Support Mission for Libya (UNSMIL), established by Security Council Resolution 2009 (S/RES/2009 2011, 12e). This resolution states that "the United Nations should lead the effort of the international community in supporting the *Libyan-led transition and rebuilding process*" [*emphasis* added]. The mandate of UNSMIL was extended by subsequent resolutions, which framed four areas of support that excluded the initial backing for economic recovery: transition to democracy; the rule of law and human rights protection; assistance in the security sector (especially regarding control over unsecured arms); and the coordination of international assistance.[94] Similarly, the UN Assistance Mission to Iraq (UNAMI) emphasised in its mandate "promoting economic reconstruction and the conditions for sustainable development, including through coordination with national and regional organizations, as appropriate, civil society, donors, and the international financial institutions." However, in the case of UNAMI the UN both recognised the role of occupying powers in the Iraqi transition (S/RES/1483 2003, 8e)[95] and adopted a more assertive approach.

The 2012 IMF report on the challenges and opportunities of the post-Gadhafi phase argued that

---

94 UNSMIL mandate was extended by Security Council Resolution 2022 (December 2011), Resolution 2040 (12 March 2012) and Resolution 2144 (14 March 2014). If not extended, UNSMIL mandate will end on 14 March 2015.
95 UNAMI was established through the issuing of Security Council Resolution 1500 (14 August 2003) to support the mandate of the Secretary General established in Security Council Resolution 1483 (22 May 2003).

it was necessary to reduce the economy reliance on oil revenues and initiate a diversified, private sector-led growth model able to attract foreign and diaspora investment and expertise (IMF 2012). The report advances several economic reforms, all of which would have been familiar to the Iraqi public. These included "ensuring macroeconomic stability and maintaining investor confidence" (IMF 2012, 9); reducing the role of the public sector as an employer and contain wages in the public sector; reforming subsidies and introducing a safety net system; establishing an efficient and transparent public financial management system; introducing a transparent and accountable budget process, establishing a National Wealth Fund to manage oil revenues; and diversifying the economy to develop a vibrant private sector. The depth of the reforms recommended was not, however, as profound as in Iraq, since Libya had already adopted the "basic legal infrastructure for private-sector development" in 2010 (IMF 2012, 16).

The content of the reforms recommended for Libya by the IMF are in line with those recommended for Iraq and advanced not only by the IMF but also by most external actors operating in the country. Although the content of the reforms was similar, the manner in which external actors and international organisations have promoted these reforms remain different. Due to its oil wealth, Libya has not received financial assistance neither from the IMF nor from the World Bank. International financial institutions (IFIs) have provided technical assistance and policy consultation to the country, but this assistance has remained outside the credit facilities of these institutions. In contrast, in Iraq these reforms were attached as conditionality to major aid programmes. The stance of IFIs toward economic reforms has not changed: the general argument continues to revolve around the importance of unlocking the growth potential of the private sector in the country. This argument is elaborated not only for Libya but also for other MENA countries, as illustrated in the World Bank publication *From Privilege to Competition* (World Bank 2009). However, external actors have had less leverage on the domestic process of transformation in Libya and the extent and depth of their reach have been less intrusive compared to Iraq.

In addition, Libya has not been subjected to strong political pressure by a single country, as was Iraq. France and Great Britain were rather vociferous in the decision leading up to the military intervention. But the establishment of a no-fly zone was first called for by the NTC, backed by the Arab

League and the US, and framed around Security Council Resolution 1973 (17 March 2011). None of these countries have exercised political pressure of the type the United States exercised in Iraq. Moreover, Italy, which was assigned a special role by the G8, and Turkey and Qatar, the countries in the region most interested in the Libyan transition, did not exert such pressure. This approach, together with the belief that Libya could lead its transition, resulted in a relatively limited engagement in terms of programmes and activities funded by foreign governments and international organisations. Moreover, European support has been designed more "in terms of training and mentoring, in creating specific capabilities, for examples in dialogue skills, and less on actual formulation of policies. In other words, more on 'how to do,' and less on 'what to do'".[96]

The changing paradigm of intervention in the two countries is exemplified by the different volumes of official development assistance in Iraq and Libya, as shown in Figure 7.1.
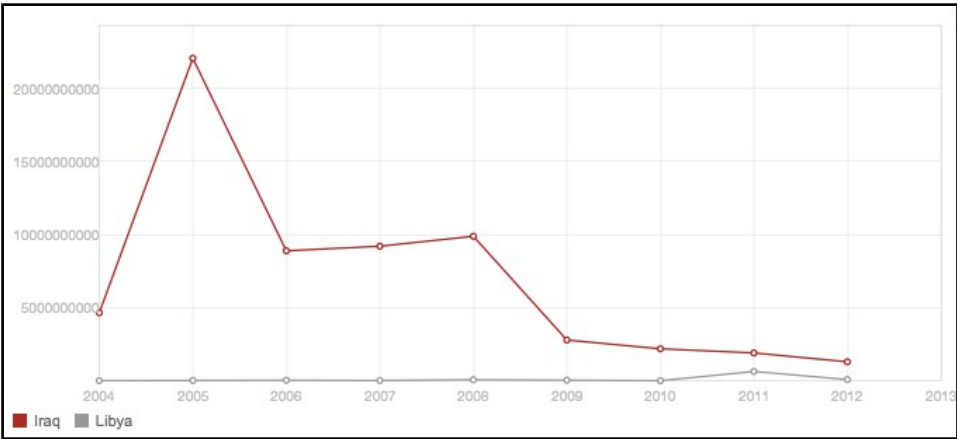
(Source: World Bank data)

Figure. 7.1 Iraq and Libya: net official development assistance and official aid received (in USD)

The graph shows the distribution of net official development assistance and official aid received in Iraq and Libya in the period 2004–2012. Aid flows to Iraq peak in 2005, plummet in 2006 and then they remain more or less constant from 2006 to 2008. They undergo another sharp decrease in 2009 and then they level off after 2009, showing a progressive decline in volume. These "ups" and "downs" are

---

96 Participant's contribution to Chatham House's Libya Working Group "Libya: local conflicts, national stability," London, 17 June 2013.

connected to the political developments in the country. For example, the peak in 2005 corresponded to the launching of the counterinsurgency (COIN) strategy in the country, which was sustained by massive volumes of money, while the progressive decline from 2009 marked the politics of disengagement of the US, the first donor in the country. In comparison, aid flows to Libya correspond to little more than a few scraps of that aid bonanza. The comparison of the volumes of official development assistance targeting the two countries at the beginning of the respective transitions is telling. In 2003, Iraq received more than USD 5 billion in assistance, which increased to more than USD 9 billion in 2004 and peaked to more than USD 20 billion in 2005 (OECD Creditor Reporting System).[97] Comparatively, Libya received much less during its first two years of transition: in 2011 it received about 7 per cent of what Iraq received in its first year of transition, and in 2012 Libya received about 2 per cent of what Iraq received in its second year of transition.

The disaggregation of aid data shows other peculiarities. According to the OECD Credit Reporting System, in 2011 Libya received official development assistance amounting to a total of less than USD 400 million, which decreased to less than USD 200 million in 2012.[98] As Figures 7.2 and 7.3 show, in 2011 the top ten financial contributors to the Libyan transition (mainly through emergency response projects) were the United States and the United Arab Emirates, followed by the World Health Organisation (WHO), European Institutions, Australia, and several European countries. In 2012, the pattern shows an overall reduction in the total amount of assistance disbursed and a growing importance of multilateral institutions.

---

97 According to the OECD Credit Reporting Facilities, Iraq recieved USD 5.388.750 million in 2003, USD 9.554.083 million, and USD 20.392.736 million in 2005.
98 According to the OECD Credit Reporting Facilities, Libya received USD 377.789 million in 2011 and USD 191.961 million in 2012.

Official aid to Libya 2011
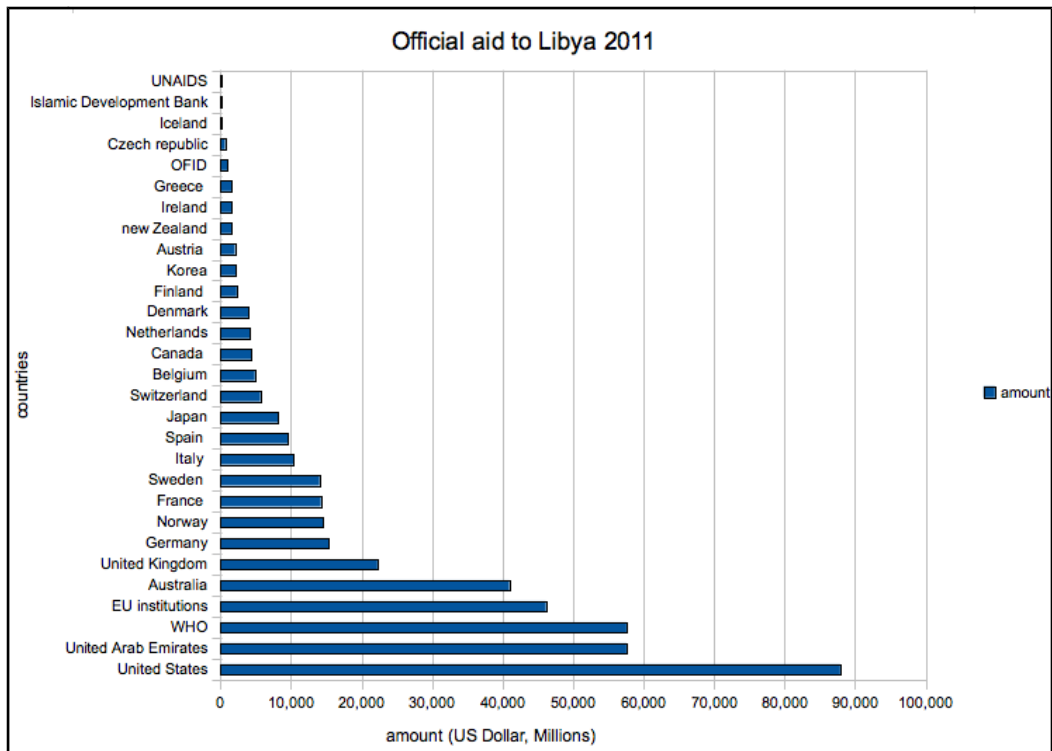
(data source: OECD Creditor Reporting System)

Figure 7.2. Official development Assistance by country-donors in 2011.

Official aid to Libya 2012
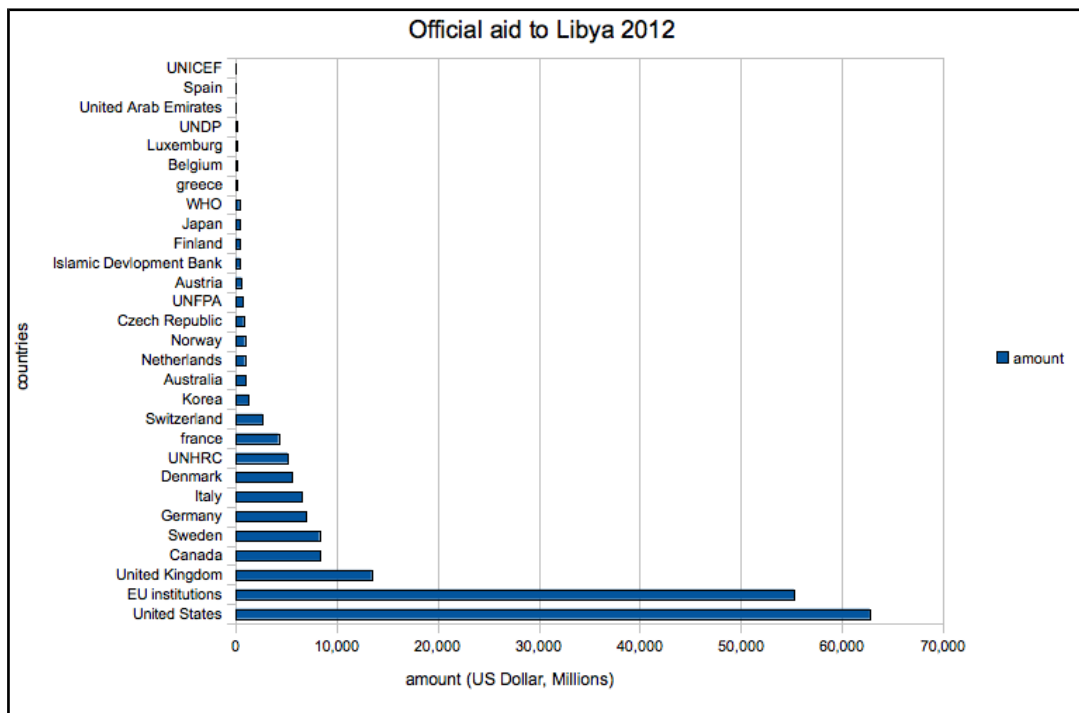
(data source: OECD Creditor Reporting System)

Figure 7.3. Official development Assistance by country-donors in 2012.

208

Notably, in 2012 the United Arab Emirates (UAE) drastically reduced their assistance: from being the second most important contributor in 2011, the UAE ranked 28th out of 30 countries disbursing official aid to Libya in 2012, leaving the United States as the main donor. At the same time, the EU institutions almost equalled the aid commitment of the US to the Libyan transition, which by far exceeded the amount pledged by individual European countries.

As a whole, the design of the European support to Libya framed around "how to do" rather than "what to do", the comparatively scant aid funds pledged by donor countries, and the tendency to favour multilateral mechanisms as channelling resources through the EU institutions point in the direction of what Chandler (2012, 221) called a "post-interventionist phase" (see Chapter 4): a paradigmatic shift in which Western powers renounce their responsibility toward the outcomes of the transition, and at the same time renounce any transformative promise. Indeed, the grand narrative sustaining transformative changes that can be found with reference to the Iraq case has been almost absent in Libya. This narrative was instead replaced by the repeated claim that "Libya does not need cash, what it needs is expertise" and by the priority of a Libyan-led agenda setting (EU Neighbourhood Info Centre 2012). Although these trends are telling of what concerns foreign actors' hold, they say little about the Libyan transition. In fact, as discussed in Chapters 5 and 6, there is no linear correlation between aid volumes and domestic performance.

Despite this relatively limited and low profile engagement in terms of programmes and activities funded by foreign governments and international organisations, Lacher (2011b) argues that "the states that led the [military] intervention have developed a sense of responsibility for the future course of events in Libya, as well as an expectation that they should get a return on their investment in the revolution. Others will seek to regain a foot in the door by playing a prominent role in the international effort to stabilize Libya and support the establishment of a new state." In spite of the growing call by some segments of the Libyan élite for a greater role of external actors after the stalemate of the transition, external actors are still reluctant to become involved in Libya.[99]

---

99 This point was, for instance, raised by some of the participants in the Libya Working Group meeting at Chatham House "Libya: Local conflicts, national stability" held in London on 17 June 2013.

The absence of a stringent framework of external assistance does not mean that Libyan authorities have not been subject to foreign "advice". As argued in Chapter 5, not only the Coalition Provisional Authority (CPA) but also the range of programmes carried out by international organisations, government units, and NGOs have had an impact on the economic governance of Iraq. With reference to the Iraqi case, the previous chapters have shown the extent to which other channels have also contributed to modifying the economic governance of the country and structuring it around a multi-level type of governance. A discussion of major economic programmes promoted in Libya is offered in the next section. Here, the focus is on more general trends that Libya shares with Iraq, albeit on a more limited scale. Also in Libya private consultancy companies have worked in the implementation of donors' programmes: Altai Consulting has, for instance, worked on a World Bank's assessment of the Libyan labour market, a UNHCR's assessment on urban refugees, a DFID's assessment on political attitudes toward the Justice and security sector, and a USAID's assessment of the media landscape.[100] In addition, the prospects of a flourishing economy attracted also private consultancy companies. For instance, the UK firm Clyde & CO., the first international law firm that opened an office in Libya has operated in three areas: providing assistance to foreign investors willing to enter the Libyan market, assisting businesses in dispute resolution, and building institutional capacity. In the words of Albudery Shariha, the firm's senior local partner and former counsel to the Libyan Investment Authority, "we are working with the Libyan state … to help integrate the country into the international business place. That might mean that we are helping with drafting new regulations; it might mean that we are assisting with new procurements; it might involve advising on new methods of delivery" (quoted in Ash 2012b). In addition to foreign consultancy, foreign investments can be also accounted for being another channel of influence that can modify the economic environment with potential political consequences, as shown in the case of Iraq. Indeed, when the economic and political environment is volatile, economic dynamics are likely to become political tools. In such contexts, it becomes questionable whether the distribution of economic resources is exclusively determined by the logic of the market.

As shown in the case of Iraq, market authority is an important component of the economic

---

100Altai Consulting website, *Expertise,* Available at: http://bit.ly/1BFWfkB [Accessed on: 5 January 2015]

governance system. Foreign investments, for instance, can impact on the domestic economic landscape by activating dynamics on the ground. Unlike in Iraq, where the sanction regime and the limited opening of Saddam Hussein in 2002 did not attract foreign participation in the Iraqi economy, in Libya the economic opening in the period prior to 2011 did attract foreign investors. As a consequence, the Libyan government has faced the delicate task of balancing the influence exercised by companies already working in the country and eager to resume their contracts and by new players entering the country after regime change. In both cases, political considerations have not been secondary. Despite the reassurance that old contracts would be honoured, decisive steps in this direction have not been taken. Old contracts range from the oil sector to infrastructure projects: the Russian State Railway company RZD and the China Railway Construction Corporation were active in railway connection; Abu Dhabi's Al-Maskari Holding had a USD 3 billion contract to build an integrated energy hub in Libya (Grant 2012, 21); and many were the Chinese companies working in the housing sector prior to the uprisings. The nature of these contracts has remained contested after 2011 due to Qadhafi's extensive use of the economy as a political tool. For instance, when in 2005 Libya awarded 11 out of 15 exploration areas to American oil companies, the decision was interpreted as signalling Libya's changing position in the international system (Vandewalle 2013, 7). Similarly, when Italy's Unicredit was the only bank granted a licence to fully operate in the Libyan banking system, the decision was received as "symptomatic of the erratic decision-making process in Tripoli" (Justin 2011, 50).

Despite the lack of any constitutional framework and an uncertain political and security scenario, foreign investments did arrive in the country after 2011, though, perhaps, not to the expected degree. Important contracts were signed between the Libyan government and foreign investors, such as the contract for the initial section of the costal motorway to be built by an Italian consortium for a total value of EUR 963 million, or a USD 209 million deal for urban planning and infrastructure project to be conducted by an American company (FDI Libya 2014). The latter was meant to address the damages of the conflict and an increase in housing demand by exiles and revolutionaries. This demand, which is estimated to be around 900,000 housing units, has already raised the housing price by 10 per cent in late 2012 (Khan 2012, 24). Other contracts signed after 2011 are, for instance, a USD 1 billion deal with

Egyptian companies to extend power lines across the country and a USD 146 million deal with a French cable industry expert to supply Libya's Public Electrical Works Company (Grant 2012, 22). Although the Eastern part of the country has witnessed a lower level of security compared to Tripoli, this has not entirely refrained foreign investors from investing in the region (*Al-Ahram al-Iqtisadi* 2011). During 2013, Benghazi saw the opening of al least three malls—Al Hayat Mall, Ameen Mall, Venice Mall—and others are expected to follow (Alkhosi 2014). Signing contracts in the east as well as in the west and south parts of the country has not always corresponded to the actual beginning of the activities, which have remained predominately paralysed by developments within the country.[101] But investment contracts have tied domestic and international interest groups together who can both leverage these contracts to advance their position in the country.

As a whole, despite the differences between the two cases, the dispersion of authority is central to the economic governance of Libya. Within this system, as already noted in the case of Iraq, private authority in both its moral (expertise-based) or market forms is found. However, the system in Libya has been characterised by two main patterns. First, a relatively limited role by external actors who have been reluctant to be excessively involved in the formulation of the economic policies for the country, and who have had less leverage to condition the decision-making process. Second, a host of external, but not governmental sites, of economic authority—such as foreign consultancies and foreign investment—have indirectly pushed for an easing business activity within the country. As illustrated in the following sections, these elements add to a domestic dimension that is highly apt to a dispersion of authority.

7.3 Private sector development: from economic institutions to economic actors

In Libya, the absence of any conditionality attached to major aid programmes and the lower level of engagement by external actors influenced the context in which economic issues have been dealt with. However, similarly to Iraq much of the international attention has remained focused on the private sector as the central driver of economic development and stabilisation. On one hand, business conferences and visits have abounded in the initial period of the transition: a conference was held in London, in

---

101 Author's interview with officer at the Italian Embassy in Tripoli, 18 October 2013.

September 2013, with the participation of high-ranking Libyan politicians while a second investment conference was organised in June 2014 in Tripoli. In 2012, Libya received a delegation of 15 businessmen from the Confederation of Indian Industry, after that India assisted the NTC with USD 1 million in humanitarian assistance at the beginning of the uprisings (Trigunayat 2012, 23). Although Benghazi has witnessed a deterioration of the security situation with an increased number of assassinations and armed clashes, in January 2013, the Benghazi Chamber of Commerce organised the *International Conference for Benghazi Economic Capital—Reality and Ambition* to set a plan for the development of the city. In March 2014, 65 Turkish companies, together with Libyan counterparts, took part into the third *International Building and Construction Exhibition* in Benghazi (Alkhosi 2014). Business exchanges have been promoted through bilateral organisations such as the Libyan-Maltese Chamber of Commerce, the Franco-Libyan Chamber of Commerce, the American Chamber of Commerce in Libya, and the Libyan-British Business Council, and by more ad-hoc arrangements: in 2012, for instance, over a hundred Italian companies established the *SME Task Force for the Reconstruction of Libya*. As observed by the World Bank Finance and Private Sector Director for MENA these private sector-led initiatives, whether in the form of bilateral agreements or of more ad-hoc arrangements tend to favour foreign private sector actors interested in operating in an economy rather than contributing to the development of the domestic private sector.[102] This is evident in the statement in which the Italian *SME Task Force* states that its goal is to act as an "essential strategic tool in support of the medium-sized Italian companies, and as such it intends to play a strong and effective lobbying activity at the Italian Governmental level, as well as with the Libyan Institutions" (SME Task Force NordEast 2012).

On the other hand, externally-led programmes started targeting the domestic private sector as a key stakeholder in the Libyan transition. The downsizing of the intervention in Libya as well as the different premises upon which the transition was based contributed to a different scenario compared to the one described in Iraq. This different scenario seems to be more related to the external configuration

---

[102]Author's interview with Finance and Private Sector Development Director for the Middle East and North Africa (MENA) region, the World Bank, 16 January 2014.

of the statebuilding intervention in Libya than with domestic conditions. Indeed, the Word Bank concludes in 2014 that, "the lack of access to financing, uncertainty in the legal environment and a fragile security situation are preventing private sector growth" (World Bank 2014c, 18). The same conclusion was reached by the Bank for the absence of the private sector in Iraq—a conclusion that has already been evaluated as partial due to the fact that it intrinsically neglects political and social elements of the phenomenon (see Chapter 6).

In Libya, the main actors operating in private sector development have been the World Bank, the UK Department for International Development (DFID), the Islamic Development Bank, the OECD, and the European Commission. The World Bank initiated the programme *Supporting Finance and Private Sector Development* in 2014, which complements other activities of the World Bank such as the Doing Business Report (that ranked Libya for the first time in 2014). The World Bank project rests on three pillars: financial sector development; private sector development; and private-public dialogue mechanisms. The project aims at strengthening the business environment in the country and, at the same time, supporting key private sector institutions, such as the chambers of commerce, the Business Council, and Libya Enterprise, a national agency for small and medium-sized enterprises (World Bank 2014b). By providing technical assistance and capacity building programmes, the World Bank has had as its main interlocutor the government but it has also been active in working with private sector institutions as important intermediaries in its activities.[103]

In addition to the USD 3 million-project run by the World Bank, DFID channeled GBP 2.5 million into a three-year project (2013-2016) for strengthening *Libyan Private Sector Development Support Institutions*. The project, contracted out to private companies—Upper Quartile in association with WYG International and Altai Consulting (*Libya-Business News* 2014)—was meant to address specifically private sector representative organisations: the chamber of commerce with pilot cases in Tripoli, Misrata, Benghazi and Sebha; the Libyan Enterprise agency, and job centres. The specific objective of DFID's project is to shape private sector representative actors and improve the representative capacity of the private sector (DFID 2013). Within the Middle East and North Africa

---

103Author's interview with World Bank officer, 11 October 2013.

Transition Fund, the OECD project *SME Development Strategy for Libya* has been meant to both target the institutional and legal framework for the creation and growth of enterprises and engage with access to finance for small- and medium-sized enterprises. The European Commission allocated EUR 10 million from the European Neighbourhood and Partnership Instrument (ENPI) for *Support to Libya for Economic Integration, Diversification and Sustainable Employment* (EU Commission 2013). The project included a component devoted to promote a dynamic private sector and a component devoted to provide technical expertise for the development of an EU-Libya Framework Agreement.

The Islamic Development Bank (IDB) extended its activities in Libya across various areas, such as infrastructure, Islamic financial services, and banking. In partnership with the Ministry of Economy, the IDB allocated USD 50 million for micro-finance projects. In March 2012, the IDB and Libya signed a Memorandum of Understanding on furthering their mutual cooperation (World Bank 2014b, 7). Through the Islamic Corporation for Development of the Private Sector (ICD), the IDB launched a regional small- and medium-sized enterprise support programme, and being Libya a member country, it has benefited from the programme, which has also targeted access to finance, based on Shari'a compliant mechanisms. The collaboration between Libya and the ICD dates back to 2010, when the ICD signed an agreement to develop small- and medium-sized enterprises with Mahmoud Jibril, back then the secretary general of Libya's National Economic Development Board and later a key figure in the Libyan transition (*Arab News* 2010).

If Iraq both contributed to and reflected the evolution of thinking around the importance of the private sector in post-conflict countries, this changing paradigm did not wane at the time of the Libyan transition. To a certain extent, this approach recalls the argument, quite popular during the 1990s that the process of democratisation in the Arab world would benefit from the liberalisation of the economy. As discussed in Chapter 4, this argument posits that economic liberalisation can lead to a liberalisation of the political process by freeing the potential of a new entrepreneurial class, which cannot cohabit with a dictatorial rule. However, the argument proved to be inaccurate since the process of economic liberalisation did occur in most Arab countries, but was co-opted by the ruling élites that benefited from the new opportunities offered by an open economy. The argument for post-conflict countries is similar:

while there is a continuous reference to the institutional environment, the objective has shifted toward shaping a model actor—the private sector—as an "actor for change" (World Bank 2009, 13).

The importance of the private sector as an "agent for change" in Libya, and more broadly in the Arab countries under transition has been reaffirmed in 2012 at a meeting of the Deauville Partnership with Arab Countries in Transition and in the G8 Conference on Economic Governance held in Amman in October 2012:[104] "all members of the Deauville Partnership with Arab Countries in Transition consider it a priority to advance economic growth in MENA region through the promotion of SMEs and entrepreneurship" (US Department of State 2012). The policy choice of targeting the private sector stands at the crossroad of the economic and political transformation of post-conflict countries. The private sector is expected to play an economic function by contributing to revitalise and diversify the economy. But at the same time, it is also expected to play a political function by contributing to mark the separation between the public and the private and to entrench market economy mechanisms in society.

In this context, much of the attention has been devoted to private sector institutions. The chamber of commerce in Libya has 14 branches. The Tripoli chamber of commerce represents around 29,000 members across 24 sectors (World Bank 2014b, 3). As reported in the DFID project's description, a World Bank study found that 95 per cent of the businesses interviewed were not satisfied with these organisations (DFID 2013, 2). Along with the chamber of commerce, the Libya Enterprise is among the main agencies for enterprise development. The Libya Enterprise agency was established in 2012, through the Council of Ministries decision no. 252, and it replaced the Directorate General for Enterprise in the Ministry of Economy (MENA Trust Fund 2013, 16). The Libyan Enterprise is a national agency in charge of supporting small- and medium-sized enterprises, by running business centres and incubators. Its board comprises representatives of government agencies and ministries such as the Ministry of Economy, Industry, Planning, Labour, and Finance. In addition, the Businessmen Councils, a private sector organisation that represents around 750 businessmen in Tripoli, has acted as a lobbying

---

104The Deauville Partnership with Arab Countries in Transition is an initiative launched in 2011 by the G8 summit in Deauville, France after the events of the so-called Arab Spring. It includes Canada, Egypt, France, Germany, Italy, Japan, Jordan, Libya, Kuwait, Morocco, Qatar, Russia, Saudi Arabia, Tunisia, Turkey, the UAE, the UK, the US and the EU and international financial institutions. It has the objective of supporting the Arab countries to progress toward "free, democratic and tolerant societies" (G8 2011).

organisation in economic matters (World Bank 2014b, 3).

Drawing on both the Iraqi and Libyan cases, the empirical analysis yields a number of observations. Apart from the general distrust among private sector actors of representative organisations, which, similarly to Iraq, is related partly to the role of these organisations in the previous regime and partly to the nature of the private sector in these countries, almost all programmes for the development of the private sector are focused on small- and medium-sized enterprises. This focus neglects that in similar oil-dependent economies the transformative role of the private sector in diversifying the economy has been played mostly by big family businesses.[105] This shortcoming and the fact that in an oil economy the private sector is mainly dependent on contracts from the state that controls oil revenues and feeds large part of the domestic economy are key but neglected aspects for the development of the private sector. The problematic relationship between small- and medium-sized enterprises and big, often family-based businesses and the blurred relationship between the state and the private sector remain key and potentially destabilising issues in the economic dimension. In addition, the private sector is not alien to conflict dynamics: the distinction between "war entrepreneurs" and "peace entrepreneurs" presented in Chapter 3 is problematic in post-conflict transition where the private sector overlaps with social and political grievances in society.

Besides these common patterns, the cases of Iraq and Libya show also some important differences. The cautious approach by external actors toward the Libyan transition has downsized the extent and depth of private sector development in the country. Despite the continuous centrality of the private sector in the international agenda, the light-footprint intervention in Libya altered, first and foremost, the actors operating in this domain. While US agencies (i.e., USAID and the Ministry of Defence) together with a host of US-based non government organisations (e.g., CIPE) were the key players in Iraq, the range of initiatives promoted in Libya for the development of the private sector reveals a stronger presence of multi-lateral organisations (i.e., the EU, the World Bank, the IDB, and the OECD) in the absence of a "one country leadership". Second, there have been no unconventional actors taking the lead in the development of the private sector in Libya, as, instead, occurred in Iraq and most of

---

105Author's interview with Director General of Libyan-British Business Council, 18 June 2013.

these organisations have a clear economic mandate.

A third point worth noting in relation to the actors involved in private sector development is that the absence of a militarisation of the statebuilding intervention in Libya has softened its approach toward the *securitisation of the economy*. Although the argument that private sector growth contributes to job opportunities and, consequently, to a reduction of violence has been overly and openly applied to the Libyan context, it has not translated into a militarisation of economic programmes. The blurring roles and responsibilities of external actors described in the case of Iraq has not been found in Libya. Nonetheless, economic arguments remain tied to security arguments not only internationally but also domestically. For instance, Libyan authorities have unsuccessfully tried to promote a programme, which linked the demilitarisation of the militias to the promotion of business activities.

Another consequence of the non-militarised statebuilding intervention is that Libya lacks control over its national territory. Due in part to geographical reasons—the desert land in the south of the country—and in part to historical reasons—foremost, the "stateless" state condition—the Libyan state has had difficulties in exercising its authority over local areas. The opposite attitude characterised the transition in Iraq, where the occupying forces deployed their mission at the local level to counterweight the authority of the central state, by establishing the Provincial Reconstruction Teams and local military commands in the governorates. Moreover, from the very beginning of the statebuilding intervention in Iraq, the decentralisation of authority has been pursued institutionally with the issuing of the Law of Administration for the State of Iraq. As shown in Chapter 5, private sector development in Iraq has overlapped with this decentralised system of governance and with numerous other programmes that have taken the local dimension as their reference environment. In contrast, in Libya externally-led programmes have hardly managed to reach local realities and have been concentrated in the coastal cities of Tripoli and Benghazi.[106] Whereas programmes for the development of the private sector in Iraq have operated in an already established institutional environment, in Libya they have been promoted in a more fluid environment. Despite these different aspects, the core of private sector development remains unchanged and demonstrates that besides the effort to institutionalise economic rules and norms, external

---

106Author's interview with a Tripoli-based NGO worker, 4 September 2013.

actors have focused their attention on shaping the private sector as an actor able to condition the economic environment in which it operates. It remains to be seen whether old and new "state elites, particularly in oil exporters like Libya where access points to the economy are concentrated and a ready source of patronage" (Vandewalle 2013, 5) will accept to cede control over the economy, transfer it to the private sector, and favour the access of independent businesses.

In general terms, the private sector in Libya comprises only for the 25 per cent of non-oil activities (World Bank 2014b, 3). The service sector contributes half of the non-oil GDP whereas the industrial sector is limited and it "encompasses food processing, textiles, steel productions, petrochemicals, and electrical consumer goods" (World Bank 2014b, 3). The pattern of the private sector in Libya is similar to the one found in Iraq: it is dominated by small- and medium-sized enterprises (96 per cent), which, however, contribute only 4 per cent of the national GDP; sole proprietorship prevails (around 80 per cent) while only 16 per cent of the enterprises are established in the form of small corporations, and 3 per cent are family-owned. In term of geographical distribution, "SMEs are more concentrated in the North Western part of Libya (about 46 per cent of total number) than in the North East (about 36 per cent)" (MENA Trust Fund 2013, 5).

As far of its role is concerned, the private sector did play a role in the uprisings and it is reportedly said that various businessmen financially supported the uprising against Qadhafi (Smits et al. 2013, 15). In the city of Misrata, the predominantly commercial élite is back to business and it has probably benefited from its support to the opposition to the old regime. It is, instead, more difficult to identify the business community in the eastern part of the country, due to its long neglected status during the regime of Qadhafi. In Tripoli, which hosted the majority of the business élite during the regime, business actors were allegedly key in funding the brigades but, after the collapse of the regime have maintained a low profile, which characterises also the attitude of business families in Sirte, the stronghold of Qadhafi. Some of the old business families active during the regime of Qadhafi, and especially those working in state-owned enterprises or privatised companies have fled the country or abandoned the business. Those old business families who, instead, decided to stay in the country, face the consequences of the implementation of the Political Isolation Law (see Chapter 4), which extends the

ban to key positions in the state also to the business and financial élites with ties with the previous regime—a charge which is expected to have drastic consequences considering the pervasive reach of the Qadhafi family in the economic realm.[107]

In this new scenario, the Libyan diaspora economic élite has also played a role in the country, through bilateral commercial entities, as described above. Examples of businessmen in politics are, for instance, the Benghazi-born and Switzerland-raised businessman Basit Igtet, who in the spring of 2013 announced his candidacy to replace Ali Zeidan (Sheffield 2013) and Ahmed Maetiq, the businessman with affairs in the hotel industry who was elected in early May 2014—an election that was later declared unconstitutional by the Supreme Constitutional Court (Hanly 2014). Although the business élites and its representatives are predominantly absent from the political scene, they are likely to be part of larger networks sustaining political parties and personalities in the country (Smits et al. 2013, 37). For instance, Jadhran himself claimed that he is financially sustained by "businesses who believe in his cause" (Pack, Mezran, and Eljarh 2014, 37). Although the overthrow of Qadhafi regime has open the way for a new consumerism bonanza, "it is too early to state that a 'new business' elite is emerging in Libya" (Smits et al. 2013, 36). An economic élite is, indeed, forming but its formation is part and parcel of a conflict that counterposes the *thuwwar*, the revolutionaries and the *azlam al-nidham*, the loyalist to the regime, on the one hand, and various local centres in Libya, on the other hand.[108] It remains to be seen the extent to which these dynamics, which are strongly influenced by previous patterns and deeply connected to local realities, overlap with private sector organisations and institutions.

7.4 The response of the state: adaptation and resistance

The limited engagement of external actors in Libya suggests that domestic authorities have retained a greater leverage on the country's economic policies. However, domestic state authority has been thwarted from within: local, sub-national structures of power have affirmed themselves as another key

---

107According to the Political Isolation Law the restriction applied to those assuming position in the political order refers also to "anyone who held a leading position of any institute connected with any Qaddafi (*sic*)'s family members or was a partner with them in any type of business" (art. 1 First Category: 10); as well as "anyone involved in stealing the Libyan people's wealth or who became rich on Libyan people's account or who gained wealth, funds, benefits unlawfully inside or outside Libya" (art. 1 Second Category: 6). A translation of the Legislation no. 13 of 2013 of the political and administrative isolation can be found in: Sharqieh 2013, 41.

108Author's interview with senior analyst at the International Crisis Group, 6 October 2013.

component of the dispersed economic governance.

The civil conflict and the post-Qadhafi (dis)order saw the "emergence of local council and militias representing specific interests of towns, cities, and tribes. As a result, political and military organization during and after the conflict has generally been at this level—rather than on the regional or national levels" (Lacher 2012). The historical differences between the three regions, Cyrenaica, Tripolitania, and Fezzan have remained the background of an internal conflict in which the *locale* dominates. In this context, some of these *locales* have become sub-government entities that exercise authority and control over the distribution of resources, the administration of justice and social affairs, and militias or armed groups. The emergence of various local power centres is mostly due to the heterogeneous and multi-actors uprisings leading up to the fall of Qadhafi: various centrifugal forces have contested their stake in the newly and yet to be built political order after 2011. The fragmentation of authority across tribes, cities, and towns has also reflected the difficult legacy with the past and the reinforcing of cleavages along these lines. Towns, cities, and tribes that were neglected and sidelined during the Qadhafi regime but that played a key role in the uprising have then made their role weight in the transition.

The NTC faced from the beginning of the uprisings the difficulty of representing local power bases. In addition, Libya still lacks a clear framework regulating the decentralisation of power at the local level. The Local Administration Law passed by the NTC did not grant much power to local authorities (Pack, Mezran, and Eljarh 2014, 15). Being a highly sensitive issue, the NTC referred to the General National Council (GNC) the drafting of a comprehensive law on localities. Drawing boundaries among local authorities is likely to be a difficult task as these boundaries are already drawn informally and they often coincide with a town, or city, but they may overlap with tribal networks. Second, some localities have already established, informally and to various degrees, their control over local issues. The creation of local councils dates back to the period of the uprisings, and since then local councils—some of which have been elected (i.e., Misrata and Benghazi) while others nominated—have been in charge of providing services and of coordinating with military councils. Third, the relationship between the central government and local authorities has remained imbalanced and chaotic in the sense that the power of

221

some localities threatens the government's capacity to bring local councils under the responsibility of central authority, upon which they depend for budget allocation.[109] In the absence of a local administration, local councils have continued to "negotiate their budget with the government on a case-by-case basis, thereby entering into competition with each other" (Lacher 2013, 33).

It is upon this fragmented context that the economy has become at best a terrain of negotiation and at worst a terrain of conflict. The Constitutional Declaration—the charter for the transitional period drafted by the NTC in August 2011—articulated the fundamental principles of the transition as well as the necessary steps to be followed: national elections, the formation of a transitional government, and the approval of a new constitution. The document is almost silent on economic matters with the exception of a reference to an Accounting Department, which should exert "financial control over all revenues, expenses, all movable and immovable property belonging to the State" (Interim NTC 2011, 28). The UN Security Council Resolutions 1970 and 1973 (February-March 2011) froze financial assets and economic resources belonging to Qadhafi's family and his collaborators, and the apparatus responding to Qadhafi, which included state-owned enterprises, the central bank, and the country's sovereign wealth funds. Regaining the control over these assets was essential for the NTC's capacity to initiate the economic recovery of the country.

Despite its silence on economic matters, the NTC embodied the expectation that it would continue on the path of economic liberalisation. Indeed, the selection of its 31 members revealed a "pro-Western and pro-business" attitude. Some of the members of the NTC were the technocrats who tentatively led the country toward a market economy during the last decade of Qadhafi regime. Among them, Jibril and Issawi both have a reputation for being reformist and favourable to foreign investment: "by putting Jibril and Issawi on the list, they're sending a message to foreign companies that the future Libyan government is interested in foreign investment and privatization" (Levinson 2011).

After an initially positive phase marked primarily by the holding of national elections in July 2012 and the formation of the GNC, as stipulated in the NTC's Constitutional Declaration, the Libyan

---

109The imbalanced and chaotic relationship between the central government and local council has emerged as a key theme in the meeting of the Libya Working Group at Chatham House "Libya: Local conflicts, national stability" held in London on 17 June 2013, in which the author took part.

transition soon derailed and revealed all the complexity of the state formation process. As far of the economy is concerned, "despite the attention that was given to the country's economic future during the civil war" (Vandewalle 2013, 1), the dire security situation soon diverted what was initially expected to be a smooth economic recovery. The rapid recovery of the oil industry to pre-war production levels did not last long and the government gradually lost control of its major source of income: oil revenues. Within and beyond the oil sector, the developments in Libya show that economic considerations are far from being independent from political ones and that, conversely, "politics continue to override economics" (Khan and Mezran 2013, 1).

The aftermath of the civil conflict, which toppled Qadhafi but also the upper echelons of the political and business spheres, removed part of the obstacles to continue on the track of economic reforms. However, contrary to the predominant economic thinking, at least in the West, and to what was recommended by the IMF in its 2013 assessment on completion of the annual article IV discussion (IMF 2013), Libya continued to rely on strategies similar to those adopted during the Qadhafi regime, as the trend in public expenditures shows: in the budget for 2012, subsidies on fuel, food, and electricity were increased. Over the following years, instead of reversing the trend, there was in fact further increase in subsidies, which reached 14 per cent of the GDP. Similarly, wages in the public sector were significantly increased by 30 per cent in 2011 and by a further 27 per cent in 2012. In the 2014 budget, current expenditures comprise 80 per cent of the whole budget (Khan and Mezran 2013, 5-6). Instead of reducing subsidies and public wages in order to facilitate the shift from public to private employment, as most policy papers recommend in similar circumstances, Libya did exactly the opposite. In addition to this, the government disbursed one-off payments to the population. Libyan authorities and specifically the former Minister of Planning, Isa Tuwejri, prioritised spending on health care, education, and security and channelled resources for "taking care of those wounded in the revolution and families of those who were killed in it" (Cousins 2012, 2). These spending priorities are rather different from those necessary for economic growth, which entail channelling resources in areas such as tourism, industry, agriculture, and infrastructure to turn "the country into a logistical North-South hub between Europe and Africa" (Cousins 2012, 2).

223

As already touched upon in the previous section, securitising the economy as a strategy for statebuilding and state formation has been pursued in different ways in Iraq and in Libya. In Iraq, external actors resorted to this strategy to face the insurgency by repositioning the role of the state in political, economic, and security matters and, at the same time, by channelling resources outside the state to provide economic alternatives to the population. Domestically, the Iraqi government also resorted to this strategy by expanding the public sector and its role in society. This latter aspect is perhaps even more evident in the case of Libya. Here, the government sought to control the expansion of armed militias by providing employment to the *thuwwar*—the revolutionaries—incorporating them into the security apparatus, or by providing them benefits, such as the possibility of receiving medical care abroad. By doing so, the Libyan authorities managed to embed part of the armed militias within the government; but transformed a significant part of the population into rent-seekers who "seek to trade their potential to cause political or economic disruption to the country in exchange for material benefits or political position for their top members" (Pack, Mezran, and Eljarh 2014, 20). Put differently, the economy has been used as a security and political weapon to appease the difficult transition. However, this strategy has not prove successful since the central state has experienced difficulties in sustaining this system of rent-seeking and it has been continuously threatened by alternative centres of power, which have managed to control material resources, exercise political power, and command loyalty among the population.

Beyond state expenditures, state assets remain an important component of the Libyan state and the economy is still characterised by the key role played by state-owned companies. Despite the process of economic liberalisation in the last decade and "the prevailing mood across almost all of Libya's political class in favour of privatisation" (Grant 2012, 22) there are still around 50 state-owned enterprises whose privatisation is challenged by workers. Among these companies, Aljumhuria Bank is the largest state-owned bank, which accounts for 42 per cent of the market and the Shorooq Handling and Ground Services company operates at all airports and it has a monopoly over freight activities (Westcott 2012, 6). Furthermore, two state-owned companies, Libyana and al-Madar, dominate the telecommunication sector (Abdulwahab 2012, 31).

Apart from an increase in public expenditures and the maintenance of state assets—both

224

measures clearly in contrast with external recommendations—in the aftermath of the regime change new reforms were introduced. In the midst of an almost entire paralysis in the decision-making process, the GNC managed to adopt in 2012 an Islamic Banking Law to transform the financial sector into a fully Islamic finance system by 2015. The decision was met with some skepticism by foreign analysts and the World Bank recommended to mitigate the reform by introducing a dual system (Khan and Mezran 2013, 6). More controversially, in 2012 the Ministry of Economy passed the Decree no. 207, which posed limits to foreign ownership in the Libyan economy. Notably, the Decree limits foreign participation in Libyan Joint Ventures to 49 per cent, a percentage that can be raised to 60 per cent with the approval of the Ministry of Economy. Apart from limiting the participation of foreign investors in joint ventures, Decree no. 207 reserves some sectors to Libyans only, such as retail and importation activities and it poses conditions on foreign investors, such as the transfer of technology and use of national labour force (NTC 2012, Art. 5 and 6). Some of the activities of foreign companies were also threatened by Decree no. 248 of 2012, which barred foreign security companies from operating in the country. The decision raised uncertainty, especially among oil companies operating in remote areas of the country, and therefore rely upon the support of special-forces, the Petroleum Facilities Guard, for the security of oil fields.[110]

These decisions have raised some concerns among interested investors and businessmen who had welcomed with enthusiasm the transition in Libya and who had held the expectation that "Libya could be a north African Dubai".[111] Especially with regards the limits on foreign participation, the Decree passed during the Ali Zeidan government has been criticised for being excessively restrictive and when the decision was still under discussion, part of the Libyan Businessmen Council—a private sector representative organisation comprising formally around 750 businessmen—lobbied the government not to pass it.[112] In the words of Libyan investment banker Abdulla Boulsien, "the Ministry of Economy has just suspended potentially large amounts of foreign investment which may have been attracted to Libya"

---

[110] The Petroleum Facilities Guard was created in October 2012 and are made up predominantly of brigades from Zintan in the West and Federalist in the East (Pack, Mezran, and Eljarh 2014, 48).

[111] Justin Marozzi, director at Albany Associates as reported in: Edwards 2011. Albany Associates is a company specialised in providing communication services in transitional environments. It has operated in countries like Afghanistan, Iraq, Somalia, Sierra Leone and Kosovo.

[112] Author's interview with Director General of Libyan-British Business Council, 18 June 2013.

(Boulsien 2012, 34). When considering these reforms it is difficult not to draw an analogy with Iraq. The intrusive nature of the statebuilding intervention in Iraq drastically reduced the range of opportunities available for domestic policy-makers when negotiating the economic structure of the country. The absence of an external administration (neither in the form of a transitional occupation administration nor of a multilateral administration), the limited coercive use of conditionality attached to major aid programmes, and a more distinct separation between external "advisors" and domestic decision-makers grant domestic policy-makers a greater bargaining power over Libya's economic governance. In other words, Libya was not forcefully put on the neoliberal track as it occurred in Iraq. However, the neoliberal framework has come to be questioned and challenged in similar ways: the expansion of the public sector, the maintenance of state assets, the introduction of policies aimed at exercising a greater control over the national development including the maintenance of a centralised approach to key economic sectors and limitations for foreign investments.

As a whole, greater control over the country's economic policies does not mean that the economic system in Libya is coherent. On the contrary, its economic governance remains hybrid as domestic authorities have attempted to strike a balance between different levels and types of economic authority and between resistance and adaptation to prevalent economic norms, rules, and behaviour. It follows that the schizophrenic trait that has characterised the Iraqi economic system can also be found also in Libya: the African Development Bank points precisely to the "profusion of often contradictory laws" (Vandewalle 2013, 6) and the IMF concurred with this analysis in its 2013 assessment. This schizophrenic, hybrid economic system dominates a context in which "the lack of access to financing, uncertainty in the legal environment and a fragile security situation are preventing private sector growth" (World Bank 2014c, 18). These explanations—the security situation and the "poor business environment" together with oil dependency—explain the economic determinants of a poor economic performance, but fail to address political and social determinants of economic dynamics, the topic of the next section.

7.5 *Stateness* beyond the state

The state-economy-society triad in Libya is challenged by different actors, alternative loci of authority, and competing forms of legitimacy. This chapter has so far illustrated some of these actors at the international level. Coming to the domestic dimension, state authority has been contested from within. Varvelli (2014) describes the transition in Libya as the product of multiple legitimacies competing with each other: legitimacy by elections, which is particularly held dear by international actors; legitimacy gained through the revolution, which set apart the revolutionaries and the loyalists; legitimacy based on the *locale*, which has fragmented the country into a myriad of power bases; legitimacy conferred by reference to Islam, which has come to dominate the overwhelming narrative in the country; and legitimacy by endorsing the objective of the fight against terrorism, which consolidated especially from 2014. These multiple legitimacies are then the basis upon which competing forms of authority have formed in Libya. Indeed, these legitimacies have gained power often through control over resources and/or means of violence.

This section investigates the extent to which authority and legitimacy have remained rooted outside the state apparatus and have created alternative power bases in the country. In this investigation the role of economic dynamics is fundamental as they can sustain or undermine political projects: as already discussed with reference to the Iraqi case, the contested space between political and economic domains, and the erosion of public/private boundaries are part of the process whereby authorities alternative to the state form in post-conflict countries and come to exercise the role and functions of a state—*stateness*.

7.5.1 Nebulous boundaries between political and economic authorities

Libya is a dualistic economy where the oil sector contributes to most of the GDP but employs little labour force and other sectors of the economy contribute little to the GDP but employ most of the labour force (Vandewalle 2013, 3). Being so central within the economy, the oil sector reflects the tensions at the core of the Libyan transition and, as in the case of Iraq, dynamics in the oil sector are often indicative

of the complex process of state formation. It is therefore with regard to the oil economy that I proceed to show the shrinking space between political and economic domains.

The general regulatory framework of the oil industry in Libya has not been questioned in the aftermath of the uprisings.[113] New authorities have reassured oil companies that they would honour the contracts signed during the previous regime, unless corruption in the stipulation of contracts was found. But at the same time, there has been "widespread speculation that all contracts in the oil and gas sector could be reviewed" while no process was set up to do so and no procedures or criteria were made public (Hamilton 2012, 4). Nevertheless, access to the Libyan oil sector is a profitable opportunity to such an extent that, "a large number of exploration and production companies, both those already established in the country and many potential new entrants, are making their presence felt in Tripoli as they attempt to position themselves to take advantage of future opportunities" (Hamilton 2012, 5) Contract uncertainty and, above all, security concerns have, however, stopped a host of small companies from returning while some big international oil companies have resumed their activities in the country.

Despite an initial recovery, the oil sector soon turned to be a key point of contention in the process of state formation. Once foreign security companies were banned from operating in the country, the Libyan authorities established the Petroleum Facility Guards in charge of guarding oil field and production. In Cyrenaica, which controls nearly 80 per cent of the oil production in the country (Wehrey 2012, 3), oil production was initially stalled by workers' strikes, which demanded a more balanced management of oil resources between the west and the east. By summer 2013 the situation radically changed when Oil Facilities Guards seized control over oil fields not only in Cyrenaica but also in the southwestern region of the country. In southwestern Libya, the Oil Facilities Guards, composed mainly by components coming from Zintan and the Western Mountain region, shut down production in three oil fields—al-Fil, al-Hamada, and Shararah—in what was proclaimed to be a measure to counter the illicit traffic of oil and the opaque use of oil revenues by the state (*Tripoli Post* 2013). In Cyrenaica, Ibrahim Jadhran, head of the Petroleum Facility Guard for Central Libya, seized power over the major oil

---

113In Spring 2014 a new committee formed to oversee the preparation of a new oil law to introduce more flexible contracts in the country. Due to the chaotic political situation, however, little is known on the preparatory work of the committee and a draft law is yet to be circulated.

terminals of Ras Lanuf, Zueitina, and Sidra. After gaining control over a significant part of the exporting capacity of the country, in March 2014 Jadhran's men attempted to illegally export oil by loading and shipping it on the oil tank Morning Glory. The attempt failed only thanks to the intervention of the US navy while the Libyan government did not have the capacity to safeguard its main source of revenues upon which the entire Libyan economy rests. This event clearly shows the difficulty of the government, which was then forced to resign, to exercise its authority and, at the same time, that disrupting Libyan oil production and export is the red line that external actors are not ready to accept.

The seizing of key oil facilities shows that the issue of power sharing is central to the state formation process in Libya. Similarly to the Iraqi case, the definition and positioning of groups within the new state apparatus draw heavily on the legacies of the previous regime and control over oil resources has reinforced the political status of some of these groups, and consequently, their political agenda within or vis-à-vis the state. Long-neglected during the Qadhafi regime, the northeast region of Libya (the historical region of Cyrenaica) played a key role in the uprisings and has demanded greater representation in the post-Gadhafi phase. Due to the tensions erupted in and around Benghazi where, since 2013 targeted assassination and armed clashes have stormed the city on a daily basis, the GNC tried to appease and respond to the request coming from Benghazi. For instance, Decree no. 247 returned the headquarter of the National Oil Company, the headquarters of Libyan Airlines, and a branch of the Ministry of Oil and Gas to Benghazi in an attempt to re-balance the relationship between the capital and second largest city in the country (Alkhosi 2014).

Jadhran's move has had a disruptive effect as it has advanced a federalist agenda through the control of a vast portion of oil production in the country (Pack, Mezran, and Eljarh 2014, 35–36). Before Jadhran's seizure of major oil fields, in March 2012 a conference of tribal leaders and revolutionaries headed by Ahmed Zubair al-Sanussi[114] created the Cyrenayca Transitional Council (or Barqa Council) and proclaimed its autonomy. But the Barqa Council suffered from a lack of capacity to mobilise people around the idea of a federalist autonomous region. The Barqa Council has drawn its constituency from

---

114 Ahmed Zubair al-Sanussi is the great nephew of King Idriss al-Sanussi, the king deposed by the Revolutionary Command in 1969. Ahmed Zubair al-Sanussi was a political prisoner during the Qadhafi regime (Wehrey 2012, 6).

important tribes such as the Obeidat, Awaqir, and Magharba (but this camp is not homogeneous and not all tribal leaders are in favour of federalism), some military councils, and an intellectual component coming from within and outside the country (Lacher 2011a, 21). The Council has been weakened by the opposition of key figures in the Libyan society and its proponents lost their role as the unique voice calling for federalism when the Political Bureau of Cyrenaica was created. Under the leadership of Jadhran, the Political Bureau of Cyrenaica proclaimed the establishment of a separate government in the east of the country "with a council of ministers, an oil company, and a defense force" (Pack, Mezran, and Eljarh 2014, 35). The more populist discourse of Jadhran coupled with control over oil production have made this political formation one of the forces with most disruptive power in the economy. Jadhran and his federalist claims show how marginalisation in the past can resurface in state formation processes and the extent to which the control over oil resources can reinforce and radicalise political and social fissures: "the extreme dependence on natural resources for coalition survival is now a vulnerability exploited by groups opposed to the dominant groups in central politics" (Smits et al. 2013, 38) and a weapon which can be used to sustain or disrupt the transition.

The interconnection between political and economic dynamics is not only limited to the domestic sphere. During and in the aftermath of the civil conflict, the issue of foreign monies sustaining domestic agendas has become a key point of contention, although the NTC Law no. 4 (2012) prohibited the foreign funding of political parties: "perceptions of Gulf governments pursuing their own business interests to the detriment of local development needs often prevail. In terms of political influence, rumours about Arab funding to Libyan political parties abound" (Barah 2013, 8). Among Arab countries, Qatar's support for the rebels during the uprising was essential for toppling the regime (Northern and Pack 2013, 122–125). Qatar was the first country to recognise the NTC, and is considered to have been among the key external players in the country backing Islamist groups inside Libya. Although the accusation of bankrolling Libyan political parties was never proved, accusation of linkages between Qatar and the Justice and Construction Party (the Libyan Muslim Brotherhood formation) were so widespread that in May 2013 some protestors gathered in Benghazi to demonstrate against the influence of Hamad bin Khalifa al-Thani, the Emir of Qatar (Ellawati 2013). The interest of Qatar in Libya, at least

230

in economic terms is evidenced by the formation of the Libya Qatar Holding, a joint venture with a capital of USD 100 million to focus on the country's reconstruction (Barah 2013, 8). The accusation of receiving funds from abroad reached also the National Forces Alliance, headed by Mahmoud Jibril, and involved once again, Qatar but also France and the US.

In sum, the continuous and mutual influence of market and political authorities has channelled Libya's transition along an ambiguous path. In addition, from the beginning of the transition external actors preferred to back individuals in the camp of the opposition to the regime and, once a new transitional structure has been put in place, some of them have sought to continue such strategy, which caused, for instance, the reaction of the Ali Zeidan government against Qatar (Zaptia 2013). As reported by Lacher (2011a, 150)

> Abdelhakim Belhadj is said to have emerged as a key military player with Qatar's support; Italy's foreign minister, Franco Frattini, has repeatedly suggested that a former close companion of Qadhafi, Abdesselam Jalloud, should be part of the political leadership during the transition; France and the UK would like to see a continued leading role for the liberal figures with whom they have forged close relations and who promised their supporters preferential access to the Libyan market, like Jibril and Abdeljelil.

Reliance on individual/personal ties has also been a way for external actors to open up economic avenues in the country in the absence of official institutional channels, as observed by an Italian entrepreneur with interests in Libya.[115] Although it is true that "overt external involvement would risk undermining the domestic legitimacy that is crucial to the state-building process" (Lacher 2011b), such an ambiguous approach to the Libyan transition is even more detrimental in undermining domestic legitimacy. Apart from feeding patronage networks on a domestic level, reliance on informal relations weakens the public sphere and undermines the already unclear separation between the public and the private spheres, a topic to which we will now turn.

7.5.2 The Public and the private: contested spaces

The lingering effects of the civil conflict compounded the already fragile distinction between the public

---

115Author's interview with an Italian entrepreneur, 13 October 2013.

and the private spheres in Libya. The consolidation of power in some areas of the country around different forms of legitimacy raises important questions concerning their role vis-à-vis the state. Misrata, for instance, has been often acclaimed as a successful story, since it autonomously gained control over its security and the administration of its affairs, and Tubruq is another example of similar developments (Pack, Mezran, and Eljarh 2014, 15*)*. But, are these and similar cases examples of a decentralised form of public authority or rather examples of an emerging private authority (family-, tribe-, or militia-based) which finds in local realities enough space to consolidate? Is the distinction between public and private valid at all in the case of Libya? In order to address these questions, the focus here is on state's borders, for two main reasons: first, state's borders are a definitional element of the state and, second, "unregulated economic activities gravitating around international borders became the 'most significant frontier of wealth creation'" (Strazzari and Kamphuis 2012, 62).

In borderlands, control over trade routes (mostly smuggling routes) overlaps with social and political dynamics. Libya's 4,300 kilometres of borders, most of which traverse mere desert, were never fully under the control of the Libyan government. During Qadhafi's regime informal trade and trafficking was an enduring activity of communities residing in borderlands and often with tribal linkages across the borders. The uncoordinated departments in charge of controlling borders left large margin of autonomy to border posts and towns (Cole 2012, 4). The informal economy fed by illicit cross border trade, which consisted mainly of smuggling of subsidised goods, migrants, drugs, and weapons (Shaw and Mangan 2014, 9), was well established: "the trafficking networks were … not only well-established but integrated into the local economy, and though the state often knew of their existence, the incentives to clamp down on such networks were not always clear" (Cole 2012, 9). In a speech to a revolutionary committee in 1988, Qadhafi fully acknowledged the role of black markets by saying "you may think that black-markets are negative. On the contrary. As far as we are concerned as revolutionaries they show that the people spontaneously take a decision and without government make something which they need: they establish a black market because they need it....What are black-markets? They are people's markets" (Shaw and Mangan 2014, 7).

In Libya, informality dates back to the past and it is not only limited to the economy. Indeed,

even the Libyan state under Qadhafi rested on informal structures (Smits et al. 2013, 5).[116] The formal structure of the "stateless" state, organised around the General People's Congress, the Revolutionary Committees and the many overlapping security bodies did never correspond to real power, which remained entrenched in informal structures responding directly to Qadhafi. This translated into a strong apparatus that did not pledge allegiance to state institutions, but rather to the leader himself. After 2011, this informal system has moulded around a re-adaptation of patronage relationships, which after the fall of the regime have no longer sustained a dictatorship but rather fed political competition among groups: "patronage is now the glue to hold together coalitions of interest competing for influence over the state-building process" (Smits et al. 2013, 5).

These so called "people's markets" have become another source of contention in Libyan transition. The fall of Qadhafi opened the way to a struggle over control of the informal economy, which often overlaps with tribal issues—the changing position of tribes before and after 2011—and political issues—the tendency of dividing the new emerging political order between the *thuwwar* (the revolutionaries), and the *azlam al-nidham*, (the loyalist to the Qadhafi regime.) Despite the NTC's attempt to bring border control under a single body—the Border Guard—it did not manage to alter the control exercised by local groups. The control over borders was central in the civil conflict and has remained so during the transition: Misrata sea port, Tripoli international airport, Ras Jdeir, the border crossing with Tunisia have been the scene of many battles (Cole 2012, 11–12). In the south of the country, the issue of controlling borders and thus having access to the informal economy generated by cross border trade is complicated by ethnic and tribal clashes. The Tubu non-Arab minority counts around 350,000 and it is found also in Niger and Chad, while the Tuareg non-Arab minority counts around 1.2 million people and extends across Mali, Niger, Algeria, and Burkina Faso (Cole 2012, 13). Due to their marginalisation during the Qadhafi regime in favour of Arab tribes (the Zwai in Kufra and the Awlad Suleiman and Warfalla in Sabha), the Tubu soon joined the opposition and, by the time of Qadhafi's overthrow, they controlled much of the southern border territory. The city of Kufra, situated in the southeast of the country in proximity to the border with Egypt, Sudan and Chad, and Sabha, situated

---

116For a discussion about formal and informal authority in Libya before the revolution, see Mattes 2008.

in the southwestern region of Libya saw eventual clashes between Tubu and Arab tribes which erupted in open conflict (Cole 2012, 16–17). The Tuareg, instead, have been broadly perceived as belonging to the *azlam al-nidham*, with some Tuareg recruits coming from Niger and Mali fighting for Qadhafi's loyalist forces. Tribal and political are part of these clashes, but they are detrimentally sustained by the control over (mostly illicit) trade routes (Pack, Mezran, and Eljarh 2014, iii). New groupings affirming themselves in the aftermath of Qadhafi's overthrow trace their legitimacy from solidarity networks that preexisted the uprising. Once Qadhafi was ousted from power, these groupings tended to assume local political agendas that are also rooted in the control of resources.

Although much of the international attention has focused on the issue of armed militias and their involvement in politics, a United State Institute of Peace (USIP) 2014 report notices that "resources from trafficking and smuggling empowers them [militias] and undercuts commitment to peaceful, democratic processes. They may at present not have an interest in outright secession, but the funding from illicit activities is a centrifugal force that encourages armed groups to continue to recuse themselves from the central statebuilding process" (Shaw and Mangan 2014, 5). Along with illicit trafficking, the informal arrangements in the country are "shaping the transition—empowering some actors over others, generating conflicts that may be hard to end decisively, and weakening the central state by limiting its reach and corrupting its key institutions" (Shaw and Mangan 2014, 6).

The re-adaptation of patronage relationships and the configuration of political and economic interests within and without state's borders shows the extent to which corruption has come to re-design most of the relationship in the country. In 2013, Transparency International ranked Libya 172 out of 177 countries—a figure that shows the degree to which corruption has crippled the country. Figure 7.5 compares Transparency International Corruption Perception Indexes in Iraq and Libya.

Transparency International Corruption Perception Index

	Iraq		Libya	
	position	score	position	score
2003	117/133	2.2/10	118/133	2.1/10
2004	129/146	2.1/10	108/146	2.5/10
2005	137/159	2.2/10	117/159	2.5/10
2006	160/163	1.9/10	105/163	2.7/10
2007	178/180	1.5/10	123/180	2.5/10
2008	178/180	1.3/10	126/180	2.6/10
2009	176/180	1.5/10	130/180	2.5/10
2010	175/178	1.5/10	146/178	2.2/10
2011	175/183	1.8/10	168/183	2.0/10
2012	168/176	18/100	160/176	21/100
2013	171/177	16/100	172/177	15/100

Figure 7.4. Transparency International Corruption Perception Index in Iraq and Libya.

The comparison of the perceived levels of corruption in Iraq and Libya offers a grim picture. Yet, this does not mean that the two phenomena are the same. The definition of corruption needs to be open enough to reflect a variation in norms from country to country, those "community's specific norms that corruption transgresses" (Zaum 2013, 17) but also open enough to capture changing political structures. After 2011 corruption in Libya resembles the "clans and oligarchs" type, which is associated with political orders with weak institutions and a divided political élite in competition over power and resources. This formation differs from the "official mogul" type of corruption, which can be said to have characterised the Qadhafi regime—"a small ruling elite that has effectively "captured the state or parts of the state" guarantying certain levels of stability (Zaum 2013, 19).[117] This structure has certainly contributed to engulfing the situation in the country with detrimental effects on security. But one could

---

[117]The distinction between "official moghul" and "clans and oligharchs" types of corruption is based on Johnston (2005).

further develop the argument and claim that in Libya one of the core characteristics of corruption is no longer present: the existence of a well-developed distinction between public and private. The struggle over power in Libya has taken place mostly outside the state apparatus. Different groups have clashed with each other in order to consolidate their power, first, beyond the state. This situation has deteriorated in 2014 when these clashes have assumed the character of a proxi-war between regional countries. Whereas both Iraq and Libya have witnessed a corrosion of the boundaries between public and private, the two processes remain different. In Iraq, inclusion in and exclusion from the state have determined most of the political trajectories in the country. State institutions have become a key channel for projecting power in the country. The state has remained a key construct: political and social conflicts have occured within or beyond the state but mostly for accessing or resisting the state. In contrast, In Libya the situation is one in which *stateness* resides in particularistic structures of power: tribal elements controlling borders; militias exercising control over economic resources (foremost, oil); families, tribes, or religious-based authority providing services. Stateness in Libya came to reside in a developing network of authorities outside the state.

Conclusion

Despite the low engagement by external actors, the emerging economic governance of Libya is typified by the presence of multiple actors demanding a role in economic matters. The different patterns and positioning of actors in the governance system of Iraq and Libya have been interpreted in light of a dispersion of authority that encompasses a variable geometry of contestation and adaptation. As far as of the economy is concerned, the reforms advocated are still framed around the neoliberal model. The extent to which external actors are able to condition the decision-making process, which in Libya has remained more in the hands of domestic authorities, is perhaps the most drastic change that needs to be underscored.

Within this governance system, most externally-led programmes for economic development have focused on the private sector, showing that the shift from institutions to actors described in Chapter 3 remained central to the external approach toward Libya. Among non-state actors, the private secfand the

civil (society) elements. Developing the private sector has remained a prerogative of external actors. Domestic authorities have, in contrast, relied upon the expansion of the state and the profusion of state resources as a strategy to cope with the abrupt change brought about by the fall of the Qadhafi regime. This strategy is intrinsically in opposition to what is recommended by external actors. Similarly to Iraq, this strategy advances a securitisation of the economy to appease contestation in society. In addition, Libyan authorities have taken a cautious approach to market economy by proposing limits to foreign participation in the domestic economy and an Islamic management of finance. These decisions are decisively less ideologically-driven than those laying the ground for economic transformation in Iraq. This aspect of the economic governance in Libya reveals its hybrid nature: the outcome of the dual process of adaptation and resistance to internationally promoted norms, rules, and external interests.

Finally, this chapter has shown the extensive and deep reach of informality, which is not confined to illicit forms of economic activities. Illicit activities constitute an important part of the Libyan economy and are fuelling a fight over economic resources, particularly in border areas. They are also a means of sustaining more traditional political entities—tribes, which by situating themselves outside the state, threaten its authority and legitimacy. Informality, however, extends also to the entanglement of political and economic dynamics, where political agendas are sustained by control over economic sources (i.e., the federalist movement and the control of oil production in the east) and economic interests are channelled through political means (i.e., the reliance on personal/individualistic ties to obtain access to the Libyan market).

Three years after the uprisings, what was acclaimed as a new beginning for Libya turned out to be a difficult transition: Libya lacks a monopoly of the legitimate use of force, it barely controls the country's borders, and its authority and legitimacy are contested by multiple political entities organised at the local level, which command not only material resources and military power but also loyalty. The growing clashes among internal groups have gone hand-in-hand with an "emerging narrative [that] characterizes unfolding events as good non-Islamists fighting bad Islamists, but this is too simplistic, largely incorrect, and misleading. Beneath the façade is a power struggle between entrenched groups, each with their own parochial interests, acting as proxies for foreign entities" (Mezran 2014).

237

In this context, the economy has been a source of conflict among entrenched groups over state expenditures, jobs in the public sector, oil revenues, property rights, and illicit trafficking. If, as shown in Chapters 5 and 6, the economy has been a source of conflict also in the case of Iraq, the situation in Libya presents a major element of differentiation. In Iraq control over state structure has channelled power, as the rise of al-Maliki semi-authoritarian government shows. In other words, in Iraq it has been through state positions that political groups expected to secure their interests. In contrast, in Libya tribes, militias, and other ideological-based groups have drawn their power from outside the state: "success at the local level threatens the central government, and failure at the local level weakens and undermines it" (Pack, Mezran, and Eljarh 2014, 16). Power is not won by accessing the state, rather it is achieved by strengthening local power bases, which are then in direct contrast to the process of state formation. In this tumultuous and chaotic process the boundaries between public (the state) and private (the non-state) are not only contested, albeit difficult to find.

Conclusion

Over the previous decade, the Middle East and North Africa region (MENA) has offered a variegated picture of formidable changes and tenacious continuities. Expectations, firstly about Iraq's transition and secondly, Libya's transition, have been frustrated by a downward spiral of renewed conflicts that has resulted in political, social, and economic chaos. Both countries have become engulfed by mounting tensions that have exacerbated the effects of the 2003 invasion of Iraq and the 2011 civil war in Libya. In Iraq, the growing polarisation among the three communities and the contorted relationship between state and society has thus far reached its apex in the ISIS' control over a considerable portion of the Iraqi sovereign territory. In Libya, centrifugal forces have dispersed power and authority across the country, and only partially succumbed to an Islamist versus anti-Islamist narrative that found its apex in the creation of two alternative Parliaments sitting in Tripoli and Tobruk.

Regime-change in both countries was revolutionary in the sense that it entailed the overthrow of eratic dictators who controlled their societies by means of brutal repression. Yet, what followed was a rather selective re-ordering of political authority and management of political power that did not mark a so-called "new beginning" in either country. For Iraq, a corrupt cadre of new politicians has undermined state institutions, assumed office by ascription, and concentrated power in close circles. For Libya, traditional forms of solidarity re-surfaced and legitimised new political and social structures. For both countries, the vacuum left by "one man in command" has been filled by too many competing authorities

resorting to power strategies similar to those previously deployed by the dictators they deposed. However, Iraqi and Libyan societies are not necessarily destined to re-produce these dynamics—as culturalist explanations suggest: tribalism, (neo-)patrimonialism, and Islam—in its Sunni or Shia versions—are not perennial traits that have explanatory power.

Having rejected cultural-centred explanations, I approached the question of continuity and change in Iraq and Libya from the perspective of state formation. This approach provides a lens for grasping power dynamics in their transitional restructuring for accessing or resisting the state. Since the 1990s, a state formation perspective in conflict contexts cannot neglect the importance of the international agenda for statebuilding, its security-related concerns as well as normative dimensions. The changing paradigms sustaining interventionism in both countries have influenced to various degrees some of the dynamics occurring within each country. In bridging the "outside" and the "inside" perspectives, this study showed the importance of considering within-state relations, state-to-state relations, as well as non-state actors relations internally and externally.

The encounter between state formation and statebuilding has been investigated by looking at the emerging economic governance of Iraq and Libya. The literature on MENA suggests that economic processes have served the purpose of maintaining power structures mostly unchanged: the wave of economic openings launched in most Arab countries since the 1970s have consolidated power in small circles rather than favouring a wider dispersion in society. This trend stands in contrast to the view widely held on the international level that economic liberalisation serves as a driver of *change* in post-conflict transitions. Economic dynamics are deeply related to state dynamics in the processes of both state formation and statebuilding. Whereas in the statebuilding agenda, the state is typically regarded as a device to make markets function, for domestic agents engaging in state formation the market often becomes a tool for advancing particularistic claim over the state apparatus.

This study has explored the political economy of the encounter between the statebuilding agenda and processes of state formation. It has been premised on the need for conceptually unbundling the endogenous and the exogenous dimensions of post-conflict processes. In order to answer the question

posed in this study, the analytical net has been cast wide enough so as to capture both the heterogeneity within the poles constituting much of the discourse on post-conflict interventions—external/domestic, private/public, formal/informal, licit/illicit—and the continuum between these poles. In doing so, the study has aimed at capturing dynamics often obscured by an obsessive search for criteria or thresholds at which post-conflict societies are evaluated as success or failure.

This study poses a key thematic question: *how do statebuilding interventions impact on processes of state formation?* It approaches this question from a political economy perspective by investigating the emerging economic governance of Iraq and Libya. From this perspective, the study sought to situate private actor in the research agenda on statebuilding and state formation by questioning the implications of a newly established approach to statebuilding formed around the importance of the private sector.

1. Statebuilding versus state formation

The question concerning the relationship between statebuilding and state formation is challenging mainly because of the difficulty of isolating these processes. Although it may be difficult to generalise the answer to this question across contexts and time, the findings obtained by an investigation of the political economy of the Iraqi and Libyan transitions point in one direction: international interventions for statebuilding with their baggage of institutions, practices, and normative models favour the creation of parallel agencies and dynamics that, at best, do not mitigate the conflictual character of state formation and, at worst, they deviate from the process of creating state authority by removing the state as the ultimate yardstick for transition.

The comparative analysis of Iraq and Libya shows that irrespective of the heavy or light footprint of the statebuilding intervention, its normative content, and coercive means statebuilding interventions arrive to penetrate society but they rarely provide forms of authority that can gain legitimacy from the wider population. In Iraq, the layer of institutions created by occupying forces soon lost their functional role and ultimately became instruments of power for the emerging élite. In Libya, the election in June 2014 legitimised a Parliament that despite having received the endorsement of the

international community has not been recognised by a great segment of Libya's population. The creation of parallel agencies and dynamics is a common trait in both countries that leads this study to challenge the expectation that statebuilding interventions can shepherd post-conflict countries along a linear path toward modernisation. Arguing that statebuilding interventions can rarely shepherd post-conflict countries toward the acclaimed goal—a democratic, market-oriented, and peaceful polity—does not neglect the revolutionary and transformative endeavour of intervening in conflict and post-conflict countries. Rather, it suggests the need to carefully (re-)evaluate change and continuity in the forms of exercising and legitimising power in countries that have been the focus of intervention.

The argument that statebuilding interventions create parallel agencies and dynamics in post-conflict countries does not perpetuate a dichotomous interpretation of the encounter between statebuilding and state formation. These parallel agencies and dynamics derive capital (coercive and normative) and legitimacy from the outside but are deeply enshrined in the process of state formation. They compete with alternative agendas for statebuilding that often find in moral authority (based on religion or traditional forms of solidarity) their legitimacy. In other words, statebuilding conceived by its promoters as a linear project of transformation get entangled with (and contributed to) the tortuous process of state formation. From both perspectives, the state remains the *missing construct*—neither fully built nor fully formed. Whether it is political élite, civil society, or the private sector, the expanded possibility of deriving capital and legitimacy from outside does not incentivise actors to push for a definitional confrontation with the state.

As a result *stateness*—the exercise of state authority and functions—comes to reside outside the state apparatus. It has come to reside in networks of tribal organisations patrolling state borders in Libya, in ethno-sectarian groups distributing public goods in Iraq; in private consultancies and international organisations deciding tax rates or employment policies. The disjuncture between *stateness* and state is fundamental in understanding contemporary processes of state formation. With the disjuncture between *stateness* and state, issues of sovereignty, territoriality, legitimacy, nationality and citizenship are undergoing important processes of change whose consequences need further elaboration. The disjuncture

between *stateness* and state points then to a key difference between Iraq and Libya. Whereas in Iraq it has been through state positions that political groups expected to secure their interests, in Libya, tribes, militias, and other ideological-based groups have drawn their power from outside the state. In Libya, authority has not been won by accessing the state, but rather through strengthening local alternative power bases.

In Iraq due to the pervasiveness of the statebuilding intervention, the skeleton of a Weberian state with its institutional complexities has been built. Thus, the struggle over authority in Iraq has occurred also for deforming this structure and, foremost to give life to the state. In contrast in Libya this skeleton has not yet been built. Due partly to the legacies of the "stateless" state and to the post-interventionist character of the intervention, the struggle over authority has mostly occurred beyond the state. The downturn spiral of violence and chaos that Iraq and Libya have experienced from 2003 and 2011 reify the urgency of concentrating further analysis on these two cases. Accordingly, Iraq and Libya have not yet been analysed in comparative terms, and particularly from a state formation perspective. Despite the limitations of working with two cases that are still deeply in conflict, throughout the research the cases of Iraq and Libya provided rich material that revealed the validity and appropriateness of the comparison and the potential to derive further observations on state formation within the MENA region.

2. Hybridity and private authority

By approaching the question of the interplay between statebuilding and state formation from a political economy perspective, the empirical analysis yields a number of observations. First, the multiplicity and variety of actors and approaches co-existing in and forming the emerging economic governance is the primary source of hybridity in Iraq and Libya. Actors inhabiting the governance architecture have simultaneously deployed strategies of adaptation and resistance to each other's economic approach. The understanding of hybridity put forward in this study—hybridity as not only the presence of different normative, institutional, and political framework, but rather the concurrence of adaptation and resistance in institutional practices and political mechanisms—plausibly explains what international organisations and the like have described as "schizophrenic" economic arrangements in both Iraq and Libya without,

however, falling into the trap of preventively attributing liberal-illiberal qualifications to these actors. Domestic actors are not reluctant reformers. Rather, they alter economic norms and mechanisms to pursue three main strategies: gaining legitimacy, securitising the transition, and consolidating power. These strategies are not only deployed by domestic actors, but also by external ones.

Second, the multiplicity and variety of actors forming part of the emergent economic governance of Iraq and Libya generates a condition of competing authorities possessing legitimacy and power (normative and material). Legitimacy can derive from different mechanisms (elections, solidarity, competencies, or efficiency) and can be structured around different constituencies within or beyond the nominal borders of a state. In normative terms, external efforts at shaping the institutional economic environment and the private sector is the main source of affirmation of the neoliberal discourse in post-conflict transitional phases. This discourse is challenged by alternative normative constructs that rely on and are moulded around groups or collectivities, albeit differently defined. Related to this point stands an element of differentiation between Iraq and Libya. In the shift from "armed liberalism" to "post-interventionism" (Chandler 2012) Western powers renounced their authoritative role in transition. In Libya, external actors can legitimise domestic actors or claims, but can actually exert little authority.

Third, the empirical material indicates the decisive role played by private authority in its various forms. Market authority in Iraq and Libya includes, for instance, the leverage exercised by foreign investments in shaping governance, and the political and economic leverage exercised by oil companies in both countries. The expansion of illicit authority often finds fertile ground in the erosion of the boundaries between public and private authority, and benefits from a reconstruction of authority across levels of governance and types of actors. The pervasiveness of moral (expertise-based) authority have channelled economic norms and rules. The fact that private authority, in its market, illicit, and expertise-based forms (Hall and Biersteker 2002), features extensively in the definition of the emerging economic governance is working a revolution in the notion of authority as exclusively state (public) authority and it introduced a twist in the analysis of statebuilding that needs to account for the emergence of private authority in parallel to the emergence of state authority. In positing that private authority features

extensively in the definition of the emerging economic governance, I claim that private authority raises some of the central challenges to the restoration of state authority in the two countries as well as to the theorisation of post-conflict transition. While further research on this aspect may clarify if and to what extent private authority influences *stateness* in post-conflict transition and shed light on different path of state formation, in light of the theoretical discussion and empirical findings here presented, this study finds that an analysis focused on authority (and related issues of legitimacy) has more explanatory power than an institutionalist analysis.

Overall, too many authorities have filled the authority vacuum left by the fall of Saddam Hussein and Muammar Qadhafi. As a result, state authority has not vanished but it has expanded and shrunk vis-à-vis these many authorities. By elaborating further on the relations between the dispersion of authority and the state dimension, this study seeks to advance another element worth reflecting upon. As the empirical material suggests, in Iraq and Libya economic governance has formed in a space that moves toward the frontier of the state where most actors project their (normative and material) power. From an international perspective, economic governance has formed in that space beyond the state dimension but below the international one: external consultants embedded in the decision-making process, the importance of élites of former exiled returnees, and the political leverage of foreign investment point in this direction. From a domestic perspective, economic governance has formed in that space below the state but above the local: the different *locales* in Iraq and Libya have increasingly contended for competencies and power. These intermediate spaces where most economic dynamics are shaped pose serious problems when considering the nominal borders of a state, in terms not only of its geography but also of its sovereignty.

Within the emerging forms of hybrid political economy in Iraq and Libya, natural resources play a central role. In the literature on the political economy of civil conflicts, oil resources are classified as unlootable, obstructuble, and legal resource[118]. Unlootable resources tend to be considered of greater

---

118 Lootability is the "ease with which ... [a resource] can be extracted and transported by individuals or small teams of unskilled workers" (Ross 2003, 54). Obstructability is the ease with which the transportation of a resource can be bloked by a "small number of individuals with few weapons" (Ross 2003, 54). Ross, Michael L., 2003. Oil, drugs, and diamond: the varying roles of natural resources in civil war. In: Ballentine Karen and Sherman Jake (eds), 2003. the political economy of armed conflict, beyond greed and grievance. Boulder and

benefit for the government: capital intensive extraction methods tend to generate revenues for the government and external firms and tend to favour a process of centralisation including military control over production sites. At the same time, unlootable resources tend to be associated with separatist conflict, which are often motivated by grievances over the unequal distribution of resources (Ross 2003).

The empirical analysis presented in this study suggests a different scenario. While grievances exist over the distribution of resources and some separatist tendency can be found in both countries (the federalist movement in Libya and the Kurdish entity in Iraq) defining the nature of conflict in Iraq and Libya as separatist is misleading since part of the struggle is for gaining access to the state. In other words, the definition of state and non-state actors is complicated by the relative and fluid position of actors in conflict. Within this context, oil resources in the two countries seem not to have benefited the government nor to have ignited a process of centralisation of the state apparatus. This is particularly evident when considering the role of the army. Based on these elements, the study suggests that a deeper analysis of the role of the governance of natural resources in the emerging forms of hybrid political economy in the two countries could improve our understanding of the relationship between resources and state formation processes. In addition, it could clarify some of the assumptions of the debate over lootable and unlootable resources. Any further analysis in this direction should, however, casts its analytical net wide enough to capture the criminal dimension of resources exploitation in conflict and post-conflict transition.

3. Private sector development: a changing approach with controversial implications

Within a political economy perspective, the role of the private sector in statebuilding and state formation has been very much in focus in this study. This study builds upon a definition of statebuilding that does not only concern the rebuilding of aspects of the state. It confirms that statebuilding extends beyond the state apparatus to form and shape also the private sphere and beyond the institutional realm to form and shape organisations and agencies. Departing from this perspective, the study explores the emergence of

London: Lynne Rienner Publisher.

private sector development as a new policy solution to a wide range of problems affecting post-conflict countries. With its focus on actors and on the non-state dimension, civil society assistance is an antecedent of private sector development—an antecedent that prevailed before a certain economic thinking of conflict and post-conflict transitions ushered in a new economic-oriented type of interventionism.

The contradictory nature of statebuilding is not a novelty. Yet, the extension of statebuilding toward organisations and actors in the private sphere have important consequences whose implications have remained largely unexplored with reference to economic matters. Drawing on novel empirical material, the empirical analysis yields three major conclusions that point to the contradictory nature of statebuilding. First, private sector assistance is deeply rooted in normative models. The normative role attributed to the private sector transcend the private sphere and comes to overlap (at best) and substitute (at worst) the public role of the state: many statements on the importance of the private sector shows the extent to which the private sector has been invested with a mandate than in many aspects resembles the public mandate of the state. We can cite the fact that the private sector is called upon to impact on "Iraqi social, economic, and human development, addressing poverty, employment, equality and inclusiveness—targeting women and other vulnerable groups, environment and transparency, among others" (PMAC 2013, 14).

The public functions attributed to the private sector contrast with its private nature. This contrast leads to question whether private interests should become the yardstick in post-conflict reconstruction and statebuilding. As argued in Chapter 3, the definitional boundaries of the private sector are to be found in its private nature and in the private interests it pursue, foremost profit. The private sector is therefore a relational category, the validity of which rests upon its polar category—the public sector—against which it can be defined in negative terms for what it is not. However, the conceptual exercise of defining the private sector vis-à-vis the public sector becomes problematic when the state and the private sector are called to exert similar functions, including addressing poverty, equality, and inclusiveness, and weaving people and nations together. The empirical exercise of drawing these boundaries has proved to

be equally problematic. If a policy-related observation can be derived from this reading, it would certainly be framed by the importance of a clear definition of mandates between spheres of competences.

Second, the inclusion of private sector development in the international agenda for statebuilding generates a paradox: having ruled out any direct role for the state in the economy, the task of developing a vibrant private sector has shifted from national governments to international actors. As a result, while recommending the state not to intervene in economic matters, external actors are doing precisely so, intervening in economic matters by promoting direct interventions targeted to specific clusters of businesses (either sectorial, size-related, or location-related), strengthening market linkages, building or re-shaping business associations; or managing access to micro-finance. This task inherently contradicts the principle of the self-regulating capacity of the market in that it seeks to alter market mechanisms by shaping actors in transition. In a sense, this development can be regarded as positive as it shows a change in thinking that moves away from a dogmatic reliance on the market and its institutions as the supreme device to reverse conflict's dynamics. However, looking at this from another perspective, we can see that it remains fully anchored in neoliberalism inasmuch its objective is to shape those actors best suited to root economic mechanisms in society. As a whole, private sector development is a further element sustaining the argument that statebuilding deviates from the process of building state authority.

Third, externally-led attempts to shape the private sector remain limited. As shown throughout the preceding pages, the private sector has been hardly defined during the regimes of Hussein and Qadhafi. An intricate network of state-with-business élites dominated the economic texture. Things have certainly changed after the fall of the two regimes, but the economic texture in Iraq and Libya became soon entangled in deep political and social dynamics. The tensions between and within business organisations in Iraq, the prevalence of informality, and business support to political agendas in Libya are all examples of the fact that the private sector simultaneously reflects and contributes to shape these dynamics. Besides common explanations based on the dominance of oil economy, (in)security, and the poor business environment, the empirical material suggests that the major limitation rests on the tendency to approach the private sector as only driven by economic determinants whereas its

248

development is equally determined by political motivations.

As a whole, private sector development tends to remain confined in a bubble, suspended between statebuilding and state formation. Its prescriptive terms remain trapped within an environment in which informal constructs prevail as forms of social, political, and economic organisation and in which hybridity testify to the tensions between alternative models of polity construction. At the same time, private sector development finds difficulties in transcending domestic power dynamics. More importantly, private sector development can cause a re-orientation of a segment of the private sector toward the international dimension and away from the state. That is, part of the private sector tends to be more socialised around the international dimension rather than around the domestic one. It encourages parallel structures that have the international dimension as their reference point. This re-orientation contributes in no significant way to processes of state formation in that it removes the state as the main interlocutor against which demands are raised.

In conclusion, this study shows an overall trend that sees the state loosing its focal role in society. Whether it is political élite, civil society, or the private sector, the expanded possibility of deriving capital and legitimacy externally does not incentivise actors to push for a definitional confrontation with the state. At the same time, informal repertoires consolidate and replace state-society relations with group dynamics. The project of creating a unitary, coherent, and goal-oriented entity (the Weberian state) gives pace to a dispersion of authority in transition. The disjuncture between state and *stateness* is instructive of the dispersion of authority among competing entities and shows the limits of analysing post-conflict transitions through the lens of a narrow Weberian interpretation of the state.

References

Abbaszadeh, Nima, Mark Crow, Marianne El-Khoury, Jonathan Gandomi, David Kuwayama, Christopher MacPherson, Meghan Nutting, Nealin Parker, and Taya Weiss. 2008. *Provincial Reconstruction Teams: lessons and recommendations*. Woodrow Wilson School of public and international affairs, Princeton University. Available at: http://bit.ly/14rJ78k [accessed on: 5 January 2015].

Abdulwahab, Ashraf. 2012. *The need to communicate: internet and the phone services for the new Libya*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Abu Shair, Osama J.A. 1997. *Privatization and development.* London: MacMillan Press.

Adams, Simon. 2012. *Libya and the responsibility to Protect*. Occasional Paper series n° 3. New York: The Global Centre for the Responsability to Protect, Ralph Bunche Institute for International Studies.

Adler, Emanuel. 1992. «The emergence of cooperation: national epistemic communities and the international evolution of the idea of nuclear arms control.» *International Organization* 46 (1): 101–45.

Adriaensens, Dirk. 2012. «Iraqi Red Crescent Society under attack 2003-2012. Complicity of US occupying forces». *The Brussels Tribunal*, dicembre 15. Available at: http://bit.ly/1xNlxN1 [accessed on: 5 January 2015]

Ajami, Fouad. 1978. «The end of Pan-Arabism». *Foreign Affairs* 57 (2): 355–73.

Al-Ahram al-Iqtisadi. 2011. «Man sayafuz bi al-kaʿkat al-libya? Baʿd suqut nidham al-qadhafi», settembre 12. Available at: http://bit.ly/13VOwTT [accessed on: 5 January 2015].

Al-Ali Zaid. 2014. *The struggle for Iraq's future: how corruption, incompetence and sectarianism have undermined democracy*. New Haven and London: Yale University Press.

Al-Ethari, Nabil. 2009. *The influence of business elites in political decision-making in Iraq: a closer look at Basra, Anbar, and the Kurdistan region*. Paper presented for the the 10th Research meeting. Florence: Robert Schuman Centre for Advanced Studies, European University Institute.

Aliriza, Fadil. 2013. «Libya's unarmed revolutionaries: civil society groups face an uphill battle in society dominated by militia». *Foreign Policy*, 16 August 2013. Available at: http://atfp.co/1Aq34XV [accessed on: 5 January 2015].

Al-Khafaji, Isam. 2000. «The Myth of Iraqi exceptionalism». *Middle East Policy* 7 (4): 62–86.

Alkhosi, Naam. 2014. «Another side of Benghazi: investment continues despite the violence». *Libyan Herald*, 2 June 2014. Available at: http://bit.ly/13VOj31 [accessed on: 5 January 2015].

Al‒Najjar, Baqer Salman. 2008. «Civil Society in the Arab World: A Reality That Needs Reforming». *Contemporary Arab Affairs* 1 (1): 43–54.

Al-Sayyid, Mustapha. 2001. «International and regional environments and state transformation in some Arab countries». In: Hassan Hakimian and Ziba Moshaver (eds), 2001. *The state and global change, the political economy of transition in the Middle East and North Africa*. Richmond, Surrey: Curzon.

Altai Consulting website, *Expertise,* Available at: http://bit.ly/1BFWfkB [Accessed on: 5 January 2015]

Amnesty International. 2006. *Bosnia and Herzegovina – Behind closed gates: ethnic discrimination in Employment*. London: Amnesty International.

Anderson, Benedict. 2006. *Imagined communities. Reflections on the origin and spread of nationalism.* Revised Edition. London: Verso.

Anderson, Lisa. 1995. «Democracy in the Arab world: a critique of the Arab culture approach». In: Rex Brynen, Bahgat Korani, and Paul Noble (eds), 1995. *Political liberalization and democratization*

in the Arab world, Vol. 1. Boulder, CO: Lynne Rienner.

Andersson, Jan Joel, Tobias Evers, and Gunnar Sjöstedt. 2011. *Private Sector Actors and peacebuilding, a framework for analysis*. Stockholm: The Swedish Institute for International Affairs.

An-Naʿim, Abdullahi. 2000. «Problems of dependency. Human rights organizations in the Arab world. An interview with Abdullahi An-Na'im». *Middle East Report* 214 (Critiquing NGOs: assessing the last decade): 20–23+46–47.

Annan Kofi, 2003. *UN Secretary-General Kofi Annan's speech at the convention of the UN Commission on the Private Sector and Development*, July 2003. UNDP website. Available at: http://web.undp.org/cpsd/background/. [Accessed on: 5 January 2015]

Anten, Louise, Ivan Briscoe, and Marco Mezzera. 2012. *The Political Economy of State-building in Situations of Fragility and Conflict: from Analysis to Strategy*. A synthesis paper based on studies of Afghanistan, Democratic Republic of Congo, Guatemala, Kosovo and Pakistan. Conflict Research Unit Netherlands Institute of International Relations 'Clingendael'.

Arab News. 2010. «ICD signs agreement to promote SMEs in Libya», 4 March 2010. Available at: http://www.arabnews.com/node/338704 [accessed on: 5 January 2015].

Arato, Andrew. 2009. *Constitution making under occupation: the politics of imposed revolution in Iraq*. New York: Columbia University Press.

Ash, Nigel. 2012a. *The Coming Consumer society*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

———. 2012b. *Libya's legal challenges are legion*. Libya's investment needs 2013, Special Supplement. Libyan herald.

Asia Pulse. 2011. «Iraq's Deputy PM highlights urgent need to boost private sector», 18 July 2011.

Avant, Deborah. 2005. *The market of force: the consequences of privatizing security*. Cambridge: Cambridge University Press.

Ayubi, Nazih. 1995. *Over-stating the Arab state. Politics and society in the Middle East*. London and New York: I.B. Tauris.

Bagwitz, Daniel, Reinhold Elges, Helmut Grossman, and Gabriele Kruk. 2008. *Private Sector Development in (Post-)Conflict Situations*. Berlin: GTZ.

Banfield, Jessica, Canan Gündüz, and Nick Killick. 2006. *Local Business, Local Peace: the peacebuilding Potential of the Domestic Private Sector*. London: International Alert.

Barah, Mikaïl. 2013. *Civil society and foreign donors in Libya*. AFA, Fride and Hivos.

Barakat, Sultan. 2005. «Post-Saddam Iraq: Deconstructing a Regime, Reconstructing a Nation». *Third World Quarterly* 26 (4-5): 571–91.

———. 2008. «Post-Saddam Iraq: deconstructing a regime, reconstructing a nation». In: Sultan Barakat (ed), 2008. *Reconstructing Post-Saddam Iraq*. London: Routledge.

Barakat, Sultan, and Steven A Zyck. 2009. «The Evolution of Post-Conflict Recovery». *Third World Quarterly* 30 (6): 1069–86.

Barbara, Julien. 2006. «Nation Building and the Role of the Private Sector as a Political Peace-Builder: Opinion». *Conflict, Security & Development* 6 (4): 581–94.

Barnett, Michael. 1995. «The new United Nations politics of peace: from juridical sovereignty to empirical sovereignty». *Global Governance* 1 (1): 79–97.

———. 2005. «Humanitarianism Transformed». *Perspectives on Politics* 3 (04).

———. 2011. *Empire of Humanity: a history of humanitarianism*. New York: Cornell University Press.

Barnett, Michael, and Christoph Zürcher. 2009. «The peacebuilder's contract: how external statebuilding reinforces weak statehood». In: Roland Paris and Timothy D. Sisk (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations*. London: Routledge.

Bartu, Peter. 2010. «Wrestling with the Integrity of a Nation: The Disputed Internal Boundaries in Iraq». *International Affairs* 86 (6): 1329–43.

Barznjy, Hiwa. 2013. «Single? Arab? Male? then Iraqi Kurdistan's borders are closed to you». *Niqash*, 24 October 2013.

Bates, Robert H. 1995. «Social Dilemmas and Rational Individuals: an assessment of the New Institutionalism». In John Harris, Janet Hunter, and Colin M. Lewis (eds), 1995. *The New Institutional Economics and Third World Development.* London: Routledge.

BBC Monitoring Middle East. 2005. «Ukrainian security official confers with Iranian foreign minister», 11 July 2005.

BearingPoint. 2004. *USAID: Iraq Economic Recovery, Reform, & Sustained Growth*. Completation Report Prepared for the U.S. Agency for International Development Contract No. RAN-C-00-03-00043-00. BearingPoint.

Beblawi, Hazem, and Giacomo Luciani (eds). 1987. *The rentier state*. London: Croom Helm.

Belloni, Roberto. 2007. «The trouble with humanitarianism». *Review of International Studies* 33 (03): 451.

———. 2012. «Hybrid peace governance: its emergence and significance.» *Global Governance* 18 (1): 21–38.

Berdal, Mats, and Hannah Davies. 2012. «The United Nations and international statebuilding after the Cold War.» In: Mats Berdal and Dominik Zaum (eds), 2012. *Political economy of statebuilding, power after peace*. London/New York: Routledge.

Berdal, Mats, and Achim Wennmann (eds) 2010. *Ending war, consolidating peace: economic perspective*. London: the International Institute for Strategic Studies.

Berdal, Mats, and Dominik Zaum (eds) 2012. *Political Economy of Statebuilding. Power after Peace*. London and New York: Routledge.

Berger, Mark T. 2006. «From nation-building to state-building: the geopolitics of development, the nation-state system and the changing global order». *Third World Quarterly* 27 (1): 5–25.

Berteau, David J., Gregory Kiley, Hardin Lang, Metthew Zlatnik, Tara Callahan, Ashley Chandler, and Thomas Patterson. 2010. *Final Report on Lesson Learned, Department of Defense Task Force for Business and Stability Operations*. Centre for Strategic International Studies. Available at: http://bit.ly/1wi6Oqh [accessed on: 5 January 2015].

Biden, Joseph R., and Leslie H. Gelb. 2006. «Unity through autonomy in Iraq». *The New York Times*, May 2006. Available at: http://nyti.ms/1rPuMIE [accessed on: 5 January 2015].

Bjork, Kjell, and Richard Jones. 2005. «Overcoming Dilemmas Created by the 21st Century Mercenaries: Conceptualising the Use of Private Security Companies in Iraq». *Third World Quarterly* 26 (4-5): 777–96.

Boege, Volker, Anne Brown, Kevin Clemens, and Anna Nolan. 2009. *On hybrid political orders and emerging states: what is failing—states in the global south or research and politics in the West?*. Berghof Research Center for Constructive Conflict Management.

Bojicic-Dzelilovic, Vesna. 2002. «World Bank, NGOs and the Private Sector in Post-War Reconstruction». *International Peacekeeping* 9 (2): 81–98.

Boone, Kristen E. 2007. «"Open for Business": International Financial Institutions, post-conflict economic reform, and the rule of law». *International Law and Politics* 39: 513–81.

Boulsien, Abdulla. 2012. *The «Oligarch Decree» is bad for business*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Boutros-Ghali, Boutros. 1992. *An agenda for peace: preventive diplomacy, peacemaking and peacekeeping*. New York: United Nations.

Boyce, James. 2010. «Aid and fiscal capacity building in post-conflict countries». In: Mats Berdal and Achim Wennmann (eds), 2010. *Ending wars, consolidating peace: economic perspectives*. London: Routledge for The International Institute for Strategic Studies.

Bridoux, Jeff. 2011. «Why Libya will not be a second Iraq». *Open Democracy*, 15 April 2011.

Brownlee, Jason. 2002. «…And yet They Persist: Explaining Survival and Transition in Neopatrimonial Regimes». *Studies in Comparative International Development* 37 (3): 35–63.

Brubaker, Rogers. 2002. «Ethnicity without groups.» *Archives Europeénnes de Sociologie* XLIII (2): 163–89.

Brumberg, Daniel. 2002. «The Trap of Liberalized Autocracy». *Journal of Democracy* 13 (4): 56–68.

Bruno, Kenny, and Joshua Karliner. 2000. *Tangled up in blue. Corporate Partnerships at the United Nations*. San Francisco: Transnational Resource and Action Centre (TRAC).

Business Monitor International. 2013. *Iraq Infrastructure Report, Q3*. Business Monitor International.

Call, Charles T. 2008a. «Ending wars, building states». In: Charles T. Call (ed) with Vanessa Wyeth, 2008. *Building states to build peace*. Boulder London: Lynne Rienner.

———. 2008b. «Building states to build peace?». In: Charles T. Call (ed) with Vanessa Wyeth, 2008. *Building states to build peace*. Boulder London: Lynne Rienner.

———.(ed) with Vanessa Wyeth. 2008c. *Building states to build peace*. Boulder London: Lynne Rienner.

Call, Charles T., and Elizabeth M. Cousens. 2008. «Ending Wars and Building Peace: International Responses to War-Torn Societies». *International Studies Perspectives* 9 (1): 1–21.

Camera di Commercio. 2013. *Programma Iraq 2013*. Camera di Commercio. Available at: http://bit.ly/1pw2whf [accessed on: 5 January 2015].

Carapico, Sheila. 2000. «NGOs, INGOs, GO-NGOs and DO-NGOs: Making Sense of Non-Governmental Organizations». *Middle East Report* 214 (Critiquing NGOs: assessing the last decade): 12–15.

Carnahan, Michael, and Clare Lockhart. 2008. «Peacebuilding and public finance». In: Charles T. Call (ed) with Vanessa Wyeth, 2008. *Building states to build peace*. Boulder London: Lynne Rienner.

Carothers, Thomas, and Marina Ottaway. 2000. The burgeoning world of civil society aid. In: Ottaway Marina and Thomas Carothers (eds), 2000. *Funding virtue: civil society aid and democracy promotion*, Washington: Carnagie Endowment for International Peace.

Chandler, D. 2012. «Resilience and Human Security: The Post-Interventionist Paradigm». *Security Dialogue* 43 (3): 213–29.

Chandler, David. 2006. *Empire in Denial, the Politics of State-building*. Pluto Press. London.

———. 2010. *International statebuilding: the rise of post-liberal governance*. London: Routledge.

———. 2014. «Resilience and the 'everyday': Beyond the Paradox of 'liberal Peace'». *Review of International Studies*, febbraio, 1–22.

Chandrasekaran, Rajiv. 2007a. *Imperial life in the Emerald City*. London: Bloomsbury.

———. 2007b. «Defense Skirts State in Reviving Iraqi Industry». *Washington Post*, maggio 14. Available at: http://wapo.st/1xNksET [accessed on: 5 January 2015].

Chang, Ha-Joon. 2002. *Kicking away the ladder: development strategy in historical perspective*. London: Anthem Press.

Checkel, Jeffrey T. 1997. «International norms and domestic politics: bridging the rationalist-constructivist divide». *European Journal of International Relations* 3 (4): 473–95.

Cheng, Christine. 2012. «Private and public interests: informal actors, informal influence, and economic order after war». In: Mats Berdal and Dominik Zaum, 2012. *Political economy of statebuilding, power after peace*. London and New York: Routledge.

Cheng, Christine, and Dominik Zaum (eds), 2012. *Corruption and post-conflict peacebuilding. Selling the Peace?*. London and New York: Routledge.

Chivvis, Christopher S., and Jeffrey Martini. 2014. *Libya after Qaddafi, lessons and implications for the future*. Santa Monica: RAND Corporation.

Chorin, Ethan. 2012. *Exit the colonel: the hidden history of the Libyan revolution*. New York: Public

Affairs.

CIA, *The Word Factbook, Iraq*. Available at: http://1.usa.gov/1ilCTJX [accessed on: 5 January 2015].

CIPE. 2005. *Business leader attitudes toward commercial activity, employee relations, and government in Iraq*. CIPE and Zogby International.

———. 2011. *Iraqi business attitude on the economy, government, and business organizations*. Iraqi Business Survey. CIPE and Charney Research.

Cohen, Jean L., and Andrew Arato. 1992. *Civil Society and political theory*. Cambridge, MA: The Mit Press.

Cole, Peter. 2012. *Borderline Chaos? Stabilising Libya's periphery*. The Carnagie Papers, Middle East. Carnagie.

Collier, Paul. 2007. *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. Oxford: Oxford University Press.

———. 2008. «Postconflict economic policy». In: Charles T. Call (ed) with Vanessa Wyeth, 2008. *Building states to build peace.* Boulder London: Lynne Rienner.

Cortell, Andrew P., and James W. Davis Jr. 2000. «Understanding the Domestic Impact of International Norms: A Research Agenda». *International Studies Review* 2 (1): 65–87.

Costantini, Irene. 2013. «Statebuilding and Foreign Direct Investment: The Case of Post-2003 Iraq». *International Peacekeeping* 20 (3): 263–79.

Cousins, Michel. 2012. *Investment in Libya moves centre stage*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Cowan, L. Gray. 1990. *Privatization in the Developing World.* New York and London: Greenwood Press.

Cox, Robert. 1981. «Social forces, states and world orders: beyond international relations theory». *Millennium: Journal of International Studies* 10 (2): 126–55.

Cramer, Christopher. 2006. *Civil war is not a stupid thing, accounting for violence in developing countries*. London: Hurst.

———. 2009. «Trajectories of accumulation through war and peace». In: Roland Paris and Timothy D. Sisk (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations*. London and New York: Routledge.

Cravens, Lamar, and Derick W. Brinkerhoff. 2013. *Provincial Governance in Iraq: Councils, Contestation, and Capacity Building Lamar Cravens and Derick W. Brinkerhoff.* NC: RTI Press: Research Triangle Park.

Crocker, Bathsheba. 2004. «Reconstructing Iraq's economy». *The Washington Quarterly* 27 (4): 73–93.

Cross, Mai'A K. Davis. 2013. «Rethinking Epistemic Communities Twenty Years Later». *Review of International Studies* 39 (01): 137–60.

De Guevara, Berit Bliesemann. 2012a. *Statebuilding and state-formation. The political sociology of intervention*. London: Routledge.

———. 2012b. «Introduction: statebuilding and state-formation». In: Berit Bliesemann De Guevara, Berit Bliesemann (ed), 2012. *Statebuilding and state-formation. The political sociology of intervention*. London: Routledge.

Delacoura, Katerina. 2005. «US democracy promotion in the Arab Middle East since 11 September 2011: a critique». *International Affairs* 81 (5): 963–79.

Del Castillo, Graciana. 2010. «The Bretton Woods Institutions, reconstruction and peacebuilding». In: Mats Berdal and Achim Wennmann (eds), 2010. *Ending wars, consolidating peace: ecoonmic perspectives.* London: Routledge for The International Institute for Strategic Studies.

Della Porta, Donatella. 2008. «Comparative analysis: case-oriented versus variable-oriented research». In: Donatella Della Porta and Michael Keating (eds), 2008. *Approaches and methodologies in the social science: a pluralist perspective.* Cambridge: Cambridge University Press.

DFID. 2013. *Business case and intervention summary, Strengthening Libyan Private Sector*

Development Support Institutions (SLPSDSI). DFID. Available at: http://bit.ly/1vVHs6O [accessed on: 5 January 2015].

Diamond, Larry. 1999. *Developing democracy: towards consolidation*. Baltimora: Johns Hopkins University Press.

Di John, Jonathan. 2008. *Conceptualizing the Causes and Consequences of Failed States: A Critical Review of the Literature*. Working paper n° 25. Crisis States Working Paper series 2. London: London School of Economics.

Di John, Jonathan, and James Putzel. 2009. *Political Settlements*. GSDR Issue Paper. Birmingham: International Development Deaprtment, University of Birmingham.

Dobbins, James, Seth G. Jones, Benjamin Runkle, and Siddharth Mohandas. 2009. *Occupying Iraq, a history of the Coalition Provisional Authority*. Santa Monica: RAND Corporation.

Dobbins, James, John G. McGinn, Keith Crane, Seth G. Jones, Rollie Lal, Andrew Rathmell, Rachel Swanger, and Anga Timilsina. 2003. *America's role in nation-building: from Germany to Iraq*. Santa Monica, Arlington, Pittsburgh: RAND Corporation.

Docena, Herbert. 2007. «Free market by force: the making and un-making of a neo-liberal Iraq». *International Journal of Contemporary Iraqi Studies* 1 (2).

Dodge, Toby. 2010a. «State collapse and the rise of identity politics in Iraq». In: Montserrat Guibernau and John Rex (eds), 2010. *The Ethnicity Reader: nationalism, multiculturalism and migration*, a cura di, Second Edition. Cambridge: Polity Press.

———. 2010b. «The Ideological Roots of Failure: The Application of Kinetic Neo-Liberalism to Iraq». *International Affairs* 86 (6): 1269–86.

———. 2013. «State and Society in Iraq Ten Years after Regime Change: The Rise of a New Authoritarianism». *International Affairs* 89 (2): 241–57.

Dowdy, John. 2010. *Stabilizing Iraq: a conversation with Paul Brinkley*. London: McKinsey & Company. Available at: http://bit.ly/1y09VY6 [accessed on: 5 January 2015].

Duffield, Mark. 2001. *Global Governance and the New Wars, the Merging of Development and Security*. London/New York: Zed Books.

Dunning, Thad. 2008. *Crude democracy: natural resource wealth and political regimes*. Cambridge: Cambridge University Press.

Economic Freedom Index website, available at: http://www.heritage.org/index/ [accessed on: 5 January 2015]

Economist Intelligence Unit. 2010. *Iraq through investors' eyes, perspective on risk and rewards*. a white paper by the Economist Intelligence Unit. Economist Intelligence Unit.

Edelstein, David M. 2009. «Foreign militaries, sustainable institutions, and postwar statebuilding». In: Roland Paris and Timothy D. Sisk (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations*. London and New York: Routledge.

Edwards, Michael. 2009. *Civil Society*. Second Edition. Cambridge: Polity Press.

El-Affendi, Abdelwahab. 2011. «Political culture and the crisis of democracy in the Arab world». In: Ibrahim Elbadawi and Samir Makdisi (eds), 2011. *Democracy in the Arab world: explaining the deficit*, a cura di. London and New York: Routledge.

Elbadawi, Ibrahim, and Samir Makdisi (eds), 2011. *Democracy in the Arab world. Explaining the deficit*. London and New York: Routledge.

El-Katiri, Mohammed. 2012. *State-building challenges in post-revolution Libya*. Carlisle: Strategic Studies Institute, U.S. Army War College.

Ellawati, Maha. 2013. «Benghazi protestors support government, condemn Qatar». *Libyan Herald*, maggio 10 Available at: http://bit.ly/13VNAyW [accessed on: 5 January 2015].

Eriksen, Thomas Hylland. 2002. *Ethnicity and nationalism, anthropological perspectives*. Second edition. London: Pluto Press.

Esposito, John L., and James P. Piscatori. 1991. «Democratisation and Islam». *Middle East Journal* 45 (3): 427–40.

Esposito, John L., and John O. Voll. 1996. *Islam and democracy*. Oxford: Oxford University Press.

EU Commission. 2003. *Commission Recommendation concerning the definition of micro, small, and medium-sized enterprises*. Official Journal of the European Union (2003/361/EC L 124, p. 36. EU Commission. Available at: http://bit.ly/NSYGxh [accessed on: 5 January 2015].

———. 2013. *New EU support to Libya for economic integration and human rights.* MEMO/13/1026, 21/11/2013. European Commission.

EU Neighbourhood Info Centre. 2012. *Libya does not need cash, what it needs is expertise, Interview with Andrew Jacobs and Fabienne Bessonne*. EU Neighbourhood Info Centre.

European Security Strategy. 2003. *A secure Europe in a better world*. Brussels: European Security Strategy.

Evans, Gareth. 2013. «R2P down but not after Libya and Syria». *Open Democracy*, 9 September 2013.

Evans, Peter B., Dietrich Rueschemeyer, and Theda Skocpol. 1985. «Part I: States as promoters of economic development and social redistribution». In: Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds), 1985. *Bringing the state back in*, a cura di Cambridge: Cambridge University Press.

Evers, Tobias. 2010. *Doing Business and making peace? A review of research in business-based peacebuilding*. Occasional Paper n° 3. Stockholm: Swedish Institute of International Affairs.

FDI Libya. 2014. *Building on success, focusing on the future.* Publication for event. Tripoli: FDI Libya.

Feith, Douglas J. 2008. *War and decision: inside the Pentagon at the down of the war on terrorism.* New York: HarperCollins.

Feldman, Noah. 2005. «The democratic Fatwa: islam and democracy in the realm of constitutional politics». *Oklahoma Law Review* 58 (1): 1–9.

Finnemore, Martha, and Kathryn Sikkink. 1998. «International norm dynamics and political change». *International Organization* 52 (4): 887–917.

Fitzgerald, Mary. 2012. «Introducing the Libyan Muslim Brotherhood». *Foreign Policy*, 2 November 2012.

Available at: http://atfp.co/13VNpU4 [accessed on: 5 January 2015].

Foote, Christopher, William Block, Keith Crane, and Simon Gray. 2004. «Economic Policy and Prospects in Iraq». *Journal of Economic Perspectives* 18 (3): 47–70.

Fourie, André, and Theuns Eloff. 2006. «South Africa: exploring the contributions of the private sector to the social, economic, and political transformation process in South Africa». In: Jessica Banfield, Canan Gündüz, and Nick Killick (eds), 2006. *Local business, local peace: the peacebuilding potential of the domestic private sector*, a cura di. London: International Alert.

Franke, Volker. 2006. «Peacebuilding Dilemma: Civil-Military Cooperation in Stability Operations». *International Journal of Peace Studies* 11 (2): 5–25.

Fukuyama, Francis. 1992. *The end of history and the last man.* London: Penguin.

———. 2004. *State building: governance and wolrd order in the Twenty-First century*. London: Profile Book.

G8. 2011. *Declaration of the G8 on the Arab Spring*. G8 summit Deauville, France: G8. Available at: http://1.usa.gov/17dEZK1 [accessed on: 5 January 2015].

Galbraith, Peter W. 2004. «How to get out of Iraq». *New York Review of Books*, 13 May 2004. Available at: http://bit.ly/13VNaZq [accessed on: 5 January 2015].

Gallie, Walter B. 1955. «Essentially contested concepts». *Proceeding of the Aristotelian Society, New Series* 56: 167–98.

Galtung, Johan. 1964. «An editorial». *Journal of Peace Research* 1 (1): 1–4.

Gates Scott, Egre Håvard, Nygård Håvard Mokleiv, Strand Håvard, 2010. *Consequences of Armed Conflict in the Middle East and North Africa region*, Background paper, PRIO-World Bank MENA Workshop, 23 November 2010.

Gelb, Leslie H. 2003. «The three-state solution». *The New York Times*, 25 November 2003. Available at: http://nyti.ms/1BF0HAb [accessed on: 5 January 2015].

Gellner, Ernest. 1983. *Nations and nationalism. Blackwell and Cornell University Press.* Oxford: Blackwell.

———. 1991. «Civil Society in Historical Context». *International Social Science Journal* 129: 495–510.

George, Alexander L., and Andrew Bennett. 2005. *Case studies and theory development in the social science*. Cambridge, Mas.: Mit Press.

Gerring, John. 2008. «Case selection for case-study analysis: qualitative and quantitative techniques». In: Janet M. Box-Steffensmeier, Henry E. Brady, and David Collier (eds), 2008. *The Oxford handbook of political methodology*, Oxford: Oxford University Press.

Gerring, John, and Jason Seawright. 2007. «Techniques for Choosing Cases» In: John Gerring (ed), 2007. *Case study research: principles and practices.* Cambridge: Cambridge University Press.

Gerson, Allan. 2001. «Peace Building: the Private Sector's role». *The American Journal of International Law* 95 (1): 102–19.

Ghalion, Burhan. 1990. «Building the Arab civil society: the role of the internal and external factors». In *The civil society in the Arab world and its role in democratization*, a cura di Saʿeed Ben Saʿeed Al-Alawi. Beirut: The Center for Arab Unity Studies.

Giustozzi, Antonio. 2006. «Afghanistan: exploring the peacebuilding potential of the private sector». In: Jessica Banfield, Canan Gündüz, and Nick Killick (eds), 2006. *Local business, local peace: the peacebuilding potential of the domestic private sector*, a cura di. London: International Alert.

Glinavos, Ioannis. 2008. «Neoliberal Law: unintended consequences of market-friendly law reforms». *Third World Quarterly* 29 (6): 1087–99.

Godson, Roy. 1997. «Political-Criminal Nexus: overview». *Trends in Organized Crime* 3 (1): 4–7.

Goldstein, Kenneth. 2002. «Getting in the Door: Sampling and Completing Elite Interviews». *Political Science & Politics* 35 (04): 669–72.

Goldstone, Jack A. 1980. «Theories of revolution: the third generation». *World Politics* 32 (3): 425–53.

———. 2001. «Toward a Fourth Generation of Revolutionary Theory». *SSRN Electronic Journal*.

Grant, George. 2012. *Electricity looks to maximum efficiency*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Grindle, Merilee S. 2004. «Good Enough Governance: Poverty Reduction and Reform in Developing Countries». *Governance* 17 (4): 525–48.

Guazzone, Laura, and Daniela Pioppi. 2012. «Interpreting Change in the Arab world». In: Laura Guazzone e Daniela Pioppi (eds), 2012. *The Arab state and neo-liberal globalization. The restructuring of state power in the Middle East*, Reading: Ithaca Press.

Guibernau, Montserrat. 1999. *Nations without states. Political communities in a global order*. Cambridge: Polity Press.

Guibernau, Montserrat, and John Rex, 2010. «Introduction». In: Montserrat Guibernau and John Rex (eds), 2010. *The Ethnicity Reader: nationalism, multiculturalism and migration*, Secon Edition. Cambridge: Polity Press.

Gunter, Frank R. (ed) 2013. *The political economy of Iraq: restoring balance in a post-conflict society*. Cheltenham: Elgar.

Halliday, Fred. 2000. *Nation and religion in the Middle East.* London: Saqi Books.

Hall, Peter A., and Rosemary C. R. Taylor. 1996. «Political Science and the Three New Institutionalisms». *Political Studies* 44 (5): 936–57.

Hall, Rodney Bruce, and Biersteker, Thomas J. 2002. *The emergence of private authority in global*

governance. Cambridge: Cambridge University Press.

Hameiri, Shahar. 2007. «Failed states or a failed paradigm? State capacity and the limits of institutionalism». *Journal of International Relations and Development* 10 (2): 122–49.

———. 2009. «Capacity and Its Fallacies: International State Building as State Transformation». *Millennium - Journal of International Studies* 38 (1): 55–81.

———. 2010. *Regulating statehood, state building and the transformation of the global order*. Basingstoke: Palgrave Macmillan.

———. 2013. «Regulatory statebuilding and the transformation of the state». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding*, a cura di London and New York: Routledge.

———. 2014. «The crisis of liberal peacebuilding and the future of statebuilding». *International Politics* 51 (3): 316–33.

Hamilton, John. 2012. *The oil and gas sector*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Hanly, Ken. 2014. «Libyan Court declares prime minister Maetiq's election illegal». *Digital Journal*, 9 June 2014. Available at: http://bit.ly/1Ik10m1 [accessed on: 5 January 2015].

Harith, Hasan. 2014. «Iraq's budget problems go beyond Erbil-Baghdad crisis». *Al-Monitor*, 28 February 2014. Available at: http://bit.ly/R3ZtMX [accessed on: 5 January 2015].

Harris, John, Janet Hunter, and Colin M. Lewis. 1995. «Introduction: development and significance of NIE». In: John Harris, Janet Hunter, and Colin M. Lewis (eds), 1995. *The New Institutional Economics and Third World Development*. London and New York: Routledge.

Harrison, Graham. 2004. *The World Bank and Africa, the construction of governance state*. London and New York: Routledge.

Harvey, David. 2005. *A brief history of neoliberalism*. Oxford: Oxford University Press.

Hass, Peter M. 1992. «Introduction: epistemic communities and international policy coordination». *International Organization* 46 (1): 1–35.

Hass, Peter M., and Emanuel Adler. 1992. «Conclusion: epistemic communities, world order, and the creation of a reflective research program». *International Organization* 46 (1): 367–90.

Haufler, Virginia. 2010. «Coorporation in Zones of Conflict: issues, actors and institutions». In: Deborah Avant, Martha Finnemore, and Susan K. Sell (eds), 2010. *Who governs the globe?*. Cambridge: Cambridge University Press.

Heathershaw, John. 2012. «Conclusion: neither built nor formed – the transformation of states under international intervention». In: Berit Bliesemann de Guevara (ed), 2012. *Statebuilding and state-formation. The political sociology of intervention*. London: Routledge.

Helmke, Gretchen, and Steven Levitsky. 2004. «Informal Institutions and Comparative Politics: A Research Agenda». *Perspectives on Politics* 2 (04): 725–40.

Herring, E., and G. Rangwala. 2006. *Iraq in Fragments: The Occupation and Its Legacy*. London: Hurst.

Herring, Eric. 2009. «Iraq, Fragmentation, and the Global Governance of Inequalities.» *Globalizations* 6 (1): 91–97.

Hertog, Steffen. 2013. «Introduction: the role of MENA business in policy making and political transitions». In: Steffen Hertog, Giacomo Luciani, and Valeri Marc (eds), 2013. *Business politics in the Middle East*, a cura di. London: Hurst.

Hertog, Steffen, Giacomo Luciani, and Valeri Marc, (eds), 2013. *Business politics in the Middle East*. London: Hurst.

Hibou, Béatrice. 2004. «From privatizing the economy to privatizing the state: an analysis of the continual formation of the state». In: Béatrice Hibou (ed), 2004. *Privatizing the state*. London: Hurst.

Hibrahim, Saad Eddin. 1995. «Democracy and authoritarianism in the Arab world». In: Richard A.

Norton (ed), 1995. *Civil society in the Middle East*. Vol. 1. Leiden: E.J. Brill.

———. 1998. «The troubled triangle: populism, Islam and civil society in the Arab World». *International Political Science Review* 19 (4): 373–85.

Hinnebusch, Raymond. 2001. «The politics of economic liberalization: comparing Egypt and Syria». In: Hassan Hakimian and Ziba Moshaver (eds), 2001. *The state and global change, the political economy of transition in the Middle East and North Africa*. Richmond, Surrey: Curzon.

Hooghe, Liesbet, and Gary Marks. 2003. «Unraveling Unraveling the Central State, but How? Types of Multi-level Governance». *American Political Science Review* 97 (2): 233–43.

Human Rights Watch. 2011. *Libya: make urgent justice system reforms*. Human Rights Watch.

Huntington, Samuel P. 1991. «Democracy's Third Wave» *Journal of Democracy* 2 (2): 12–34.

———. 1996. *The clash of civilizations and the remaking of world order*. New York: Simon and Schuster.

IAI and OCHA. 2009. *Iraq Labour Force Analysis, 2003-2008*. IAI [Inter-Agency Information and Analysis Unit] and OCHA.

ICG. 2005. *Unmaking Iraq: A Constitutional Process Gone Awry*. Middle East Briefing n° 19. Amman/Brussels: International Crisis Group.

———. 2011. *Failing oversight: Iraq's unchecked government*. Middle East Report n° 113. International Crisis Group.

———. 2012. *Divide we stand: Libya's enduring conflicts*. Middle East Report n° 130. International Crisis Group.

ILO. 2012. *Micro, small, and medium-sized enterprises in Iraq; a survey analysis*. Private Sector Development Consultant to the ILO regional office for Arab states. ILO. Available at: http://bit.ly/1HEujkN [accessed on: 5 January 2015].

IMF. 2012. *Libya beyond the revolution: challenges and opportunities*. Washington: International Monetary Fund.

———. 2013. *Libya: Public Information Notice*. No. 13/60. International Monetary Fund. Available at: http://bit.ly/1xNjj02 [accessed on: 5 January 2015].

Interim NTC [National Transitional Council.] 2011. *The Constitutional Declaration, Draft Constitutional Charter for the transitional period*. Benghazi: Interim Transitional National Council.

Iraq (Republic of). 2005. «Constitution of the Republic of Iraq».

Available at: http://bit.ly/1AzBjgD [accessed on: 5 January 2015].

Jabri, Vivienne. 2010. «War, Government, Politics: a Critical Response to the Hegemony of the Liberal Peace». In: Oliver P. Richmond (ed), 2010. *Palgrave advances in peacebuilding: critical developments and approaches*. Basingstoke: Palgrave Macmillan.

Jackson, Robert H, and Carl G. Rosberg. 1982. «Why Africa's weak states persists: the empirical and the juridical in statehood.» *World Politics* 35 (1).

Jad, Islah. 2007. «NGOs: Between Buzzwords and Social Movements». *Development in Practice* 17 (4-5): 622–29.

Jarstad, Anna K., and Roberto Belloni. 2012. «Introducing Hybrid Peace Governance: Impact and Prospects of Liberal Peacebuilding». *Global Governance: A Review of Multilateralism and International Organizations* 18 (1): 1–6.

Jawad, Saad Naji, and Ismail al-Assaf. 2012. *Iraqi federalism: empowering the governorates at the expense of the state*. Al-Jazeera Report.

Jenkins, Rob. 2001. «Mistaking "governance" for "politics": foreign aid, democracy and the construction of civil society». In: Sudipta Kaviraj and Sunil Khilnan (eds), 2001. *Civil society, history and possibilities*. Cambridge: Cambridge University Press.

Jepperson, Ronald, Alexander Wendt, and Peter J. Katzenstein. 1996a. «Norms, Identity, and Culture in

National Security». In: Peter J. Katzenstein (ed), 1996. *The culture of national security: norms and identity in world politics*, a cura di. New York: Columbia University Press.

Joffé, George. 2013. «Civil activism and the roots of the 2011 uprising». In: Jason Pack (ed), 2013. *The 2011 Libyan uprising and the struggle for the post-Qadhafi future*. New York: Palgrave Macmillan.

Johnston, Michael. 2005. *Syndroms of corruption: wealth, power, and democracy*. Cambridge: Cambridge University Press.

Justin, Keay. 2011. «Opening Up». *Global Finance* 25 (1): 48–49.

Kahler, Miles. 2009. «Statebuilding after Afghanistan and Iraq». In: Roland Paris and Timothy D. Sisk (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations*, a cura di. London: Routledge.

Kaldor, Mary. 1999. *New wars-Old wars: organized violence in a global era*. Cambridge: Polity Press.

Kamat, Sangeeta. 2004. «The Privatization of Public Interest: Theorizing NGO Discourse in a Neoliberal Era». *Review of International Political Economy* 11 (1): 155–76.

Kane, Sean. 2011. *The coming Turkish-Iranian Competition in Iraq*. Special Report n° 276. Washington: UISP [United States Institute for Peace].

Kappler, Stefanie. 2013. «Coping with Research: Local Tactics of Resistance against (mis-)representation in Academia». *Peacebuilding* 1 (1): 125–40.

Karajah, Saʿed. 2007. «Civil society in the Arab world: the missing concept». *Journal of Not-for-Profit Law* 9 (2): 25–36.

Keck, Margaret, and Kathryn Sikkink. 1998. *Activist beyond borders: advocacy networks in international politics*. Ithaca and New York: Cornell University Press.

Kedourie, Elie. 1992. *Democracy and Arab political culture*. Washington: Washington Institute for Near East Policy.

Khalidi, Ahmad Samih. 2013. «Palestine, peoples and borders in the new Middle East map». *Open Democracy*, maggio 29.

Khan, Mohsin, and Karim Mezran. 2013. *The Libyan economy after the revolution: still no clear vision*. Atlantic Council Issue Brief. Washington: Atlantic Council.

Khan, Mushtaq H. 2000. «Rents, Efficiency and Growth». In: Mushtaq H. Khan and K. S. Jomo (eds), 2000. *Rents, rent-seeking and economic development: theory and evidence in Asia*. Cambridge: Cambridge University Press.

———. 2002. «State Failure in Developing Countries and Strategies of Institutional Reform». In: Bertil Tungodden, Nicholas Stern, and Ivar Kolstad (eds), 2002. *Toward pro-poor policies: aid institutions and globalizations. Proceedings of the Annual Bank conference on development economics*. Oxford: Oxford University Press.

———. 2005. «What is a "Good Investment Climate"?». In: Gudrun Kochendörfer-Lucius and Boris Pleskovic (eds), 2005. *Investment climate, growth, and poverty*. Washington DC: World Bank.

Khan, Umar. 2012. *Housing: a new problem?*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Kozul-Wright, Richard, and Piergiuseppe Fortunato (eds), 2011. *Securing peace: state-building and economic development in post-conflict countries*. London and New York: Bloomsbury Academic.

Krasner, Stephen D. 2004. «Sharing Sovereignty: New Institutions for Collapsed and Failing States». *International Security* 29 (2): 85–120.

Lacher, Wolfram. 2007. «Iraq: Exception To, or Epitome of Contemporary Post-Conflict Reconstruction?». *International Peacekeeping* 14 (2): 237–50.

———. 2011a. «Families, tribes and cities in the Libyan revolution». *Middle East Policy* 18 (4): 140–54.

———. 2011b. «The international role in post-Qadhafi Libya? Withdraw». *Middle East Policy Council,*

Commentary, agosto.

———. 2012. «Is autonomy for Northeastern Libya realistic?». *Sada*, marzo 21.

———. 2013. *Fault lines of the revolution. Political actors, camps and conflicts in the new Libya.* SWP Research Paper. Berlin: German Institute for International and Security Affairs.

Laffey, M., and J. Weldes. 1997. «Beyond Belief: Ideas and Symbolic Technologies in the Study of International Relations». *European Journal of International Relations* 3 (2): 193–237.

Larry Diamond. 2009. «Why Are There No Arab Democracies?». *Journal of Democracy* 21 (1): 93–112.

Le Billon, Philippe. 2005. «Corruption, Reconstruction and Oil Governance in Iraq». *Third World Quarterly* 26 (4-5): 685–703.

———. 2012. «Corrupting peace? Corruption, pecebuilding and reconstruction». In: Christine Cheng and Dominik Zaum (eds), 2012. *Corruption and post-conflict peacebuilding: selling the peace?*. London and New York: Routledge.

Lemay-Hébert, Nicolas. 2013. «Rethinking Weberian approaches to statebuilding». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding.* London and New York.

Levinson, Charles. 2011. «Rebel leadership casts a wide net». *The Wall Street Journal*, 10 March 2011.Available at: http://on.wsj.com/1xNqPLD [accessed on: 5 January 2015].

Levitsky, Steven, and Lucan Way. 2002. «The Rise of Competitive Authoritarianism». *Journal of Democracy* 13 (2): 51–65.

Lewis, Bernard. 1990. «The roots of Muslim rage». *Atlantic Monthly*, September 1990.

Libia al-Mustaqbal. 2014. «Ikwan Libia tadʿwu li-iqala al-hukuma wa tashkil wizarat azmat», 16 January 2014. Available at: http://bit.ly/1Bu012j [accessed on: 5 January 2015].

Libya-Business News. 2014. «Private sector development institutions», 10 February 2014. Available at: http://bit.ly/1wRvcy9 [accessed on: 5 January 2015].

Looney, Robert. 2003. «The Neoliberal model's planned role in Iraq's economic transition». *Middle East Journal* 57 (4): 568–86.

———. 2006. «The IMF's return to Iraq». *Challenge* 49 (3): 26–47.

Lowrey, Annie. 2013. «World Bank, Rooted in Bureaucracy, Proposes a Sweeping Reorganization». *New York Times*, 6 October 2013. Available at: http://nyti.ms/1De7chd [accessed on: 5 January 2015].

Louis Berger group website, available at: http://www.louisbergergroup.com/What-We-Do [accessed on 5 January 2015].

Lujala, Päiva, Siri Aas Rustad, and Philippe Le Billon. 2010. «Valuable natural resources in conflicted-affected countries». In: Mats Berdal and Achim Wennmann (eds), 2010. *Ending wars, consolidating peace: economic perspectives*. London: Routledge for The International Institute for Strategic Studies.

Lund, Christian. 2006. «Twilight Institutions: An Introduction». *Development and Change* 37 (4): 673–84.

Mac Ginty, Roger. 2011. *International peacebuilding and local resistance: hybrid forms of peace*. Basingstoke: Palgrave Macmillan.

Mac Ginty, Roger, and Oliver P. Richmond. 2013. «The Local Turn in Peace Building: A Critical Agenda for Peace». *Third World Quarterly* 34 (5): 763–83.

Mac Sweeney, Naoise. 2008. *Private Sector Development in post-conflict countries, a review of current literature and practice*. A report for the Donor Committee for Enterprise Development. Available at: http://bit.ly/1ne7GYE [accessed on: 5 January 2015].

Mahdi, Kamil. 2001. *Iraq's economic predicament*. Reading: Ithaca Press.

Mahdi, Khalid, Hameed Al-Ukabi, and Hayder Al-Fayhan. 2014. *Public-Private dialogue: Iraq Private Sector Development Centre*. Paper Presented at the Public-Private Dialogue 2014 Workshop. Frankfurt.

Mamdani, Mahmood. 2002. «Good Muslim, Bad Muslim: A Political Perspective on Culture and Terrorism». *American Anthropologist* 104 (3): 766–75.

March, James, and Johan P. Olsen. 1998. «The Institutional Dynamics of International Political Orders». *International Organization* 52 (4): 943–69.

Marks, Gary. 1993. «Structural Policy and Multilevel Governance in the EC». In: Alan Cafruny and Glenda Rosentha (eds), 1993. *The state of the European Community*, l. Boulder, CO: Lynne Rienner.

Marr, Phebe. 2000. «Comments to al-Khafaji's "The myth of Iraqi Exceptionalism"» *Middle East Policy* 7 (4): 87–91.

Mattes, Hanspeter. 2008. «Formal and informal authority in Libya since 1969». In: Dirk Vandewalle (ed), 2008. *Libya since 1969: Qaddafi revoluton revisited.* London: Palgrave Macmillan.

Mazzucato, Mariana. 2011. *The entrepreneurial state.* London: Demos.

Medani, K. M. 2004. «State Building in Reverse: The Neo-liberal "Reconstruction" of Iraq». *Middle East Report* 232: 28–35.

Menocal, Alina Rocha. 2013. «Aid and Fragility: The Challenges of Building Peaceful and Effective States». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding.* Abingdon: Routledge.

Merza, Ali. 2007. *Iraq: debt reduction, aid and conditionality*. Paper presented at the 1st Arab statistical conference organised by the Arab Institute for Statistical research and Training. Jordan.

Mezran, Karim. 2014. *Libya: Beyond the Islamist vs. non-Islamist Divide.* Atlantic Council.

MENA [Middle East and North Africa] Trust Fund. 2013. *SME development strategy for Libya.* Project Proposal for the MENA transition fund. Middle East and North Africa Trust Fund. Available at: http://bit.ly/1pwa4R9 [accessed on: 5 January 2015].

Migdal, Joel S. 2001. *State in society, studying how state and societies transform and constitute one another*. Cambridge: Cambridge University Press.

Mihalache-O'keef, Andreea, and Tatiana Vashchilko. 2010. «Foreign Direct Investors in Conflict Zones». In: Mats Berdal and Achim Wennmann (eds), 2010. *Ending wars, consolidating peace: economic perspectives*. London: Routledge for The International Institute for Strategic Studies.

Ministry of Planning. 2010. *National Development Plan 2010-2014*. Baghdad, Iraq: Ministry of Planning, Republic of Iraq.

Monitor Group and CERA. 2006. *National Economic Strategy: an assessment of the competitiveness of the Libyan Jamahiriya.* Monitor Group and Cambridge Economic Research Associates.

Monteux, Camille A. 2006. «Decentralisation: The New Delusion of Ethnic Conflict Regulation?». *International Journal on Multicultural Societies* 8 (2): 162–82.

Moore, Pete W. 2009. «Making big money on Iraq». *Middle East Journal* 252: 22–29.

Mousalli, Ahmad. 1995. «Islam and civil society». In: Richard A. Norton (ed), 1995. *Civil society in the Middle East*. Vol. 1. Leiden: E.J. Brill.

Multi-Partner Trust Fund website (UNDP), available at: http://bit.ly/1DtLCTa [Accessed on 5 January 2015].

Murphy, Dan. 2011. «Iraq war: predictions made, and results. A look back at some of the predicted US outcomes for the Iraqi war, and what happened.» *The Christian Science Monitor*, 22 December 2011.
Available at: http://bit.ly/1KhlUpv [accessed on: 5 January 2015].

Murphy, Emma C. 2001. «Economic reforms and the state in Tunisia». In: Hassan Hakimian and Ziba Moshaver. (eds), 2001. *The state and global change, the political economy of transition in the Middle East and North Africa*, a cura di Richmond, Surrey: Curzon.

Murshed, Syed. 2011. «Peace-building and the social contract». In: Richard Kozul-Wright and Piergiuseppe Fortunato (eds), 2011. *Securing Peace: state-building and economic development*

in post-conflict countires. United Nations Series on Development. London and New York: Bloomsbury Academic.

Muttitt, Greg. 2005. *Crude Designs: The Rip-Off of Iraq's Oil Wealth*. London: Platfrom. Available at: http://bit.ly/1vXWra8 [accessed on: 5 January 2015].

———. 2011. *Fuel on the Fire, Oil and Politics in Occupied Iraq*. London: Bodley Head.

Natali, Denise. 2014. «Iraqi oil dispute reveals KRG vulnerability». *Al-Monitor*, 28 February 2014.

NCCI. 2011. *Iraq's civil society in perspective*. NGO Coordination Committee for Iraq.

Nelson, Jane. 2000. *The business of Peace, the private sector as a partner in conflict prevention and resolution*. International Alert, Council on Economic Priorities, the Prince of Wales Business Leaders Forum.

———. 2002. *Building Partnerships, cooperation between the United Nations system and the private sector*. Report commissioned by the United Nations Global Compact Office. New York: United Nations.

Newton-Small, Jay. 2012. «An interview with Nechirvan Barzani: will there be an indipendent Kurdistan?». *Time World*, 21 December 2012.

Nilsson, Desirée, and Mimmi Söderberg Kovacs. 2011. «Revisiting an Elusive Concept: A Review of the Debate on Spoilers in Peace Processes». *International Studies Review* 13 (4): 606–26.

North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. North vol. Cambridge: Cambridge University Press.

———. 1995. «The New Institutional Economics and Third World Development». In: John Harris, Janet Hunter, and Colin M. Lewis (eds), 1995. *The New Institutional Economics and Third World Development*. London and New York: Routledge.

Northern, Richard, and Jason Pack. 2013. «The role of outside actors». In: Jason Pack (ed), 2011. *The 2011 Libyan uprising and the struggle for the post-Qadhafi futire*. New York: Palgrave Macmillan.

Norton, Richard (ed), 1995. *Civil society in the Middle East*. Vol. 1 and 2. Leiden, New York: E.J. Brill.

Norton, Richard A. 1993. «The future of civil society». *Middle East Journal* 47 (2): 205–16.

Obeidi, Amal. 2001. *Political culture in Libya*. Richmond, Surrey: Curzon Press.

O'Donnell, Madalene. 2007. «Post-conflict corruption: a rule of law agenda?». In: Agnès G. Hurwitz and Reyko Huang (eds), 2007. *Civil war and the rule of law: security, development, and human rights*. Boulder, CO: Lynne Rienner.

OECD. 2008a. *Concepts and dilemmas of state building in fragile situations. From fragility to resilience*. OECD/DAC Discussion Paper. OECD.

———. 2008b. *OECD benchmark definition of foreign direct investment*. 4th edition. OECD.

———. 2011. *Ensuring Fragile State are not Left Behind: 2011*. Factsheet on resource flows in fragile states. Paris: OECD-DAC International Network on Conflict and Fragility (INCAF).

OECD, *Creditor Reporting System*. Available at: http://bit.ly/1BFZpop [accessed on: 5 January 2015]

OIG [Office of Inspector General]. 2004. *Audit of USAID/Iraq's Economic Reform Program*. Audit Report n° E-266-04-004-P. Available at: http://1.usa.gov/1xA5EKO [accessed on: 5 January 2015].

———. 2009. *Audit of USAID/Iraq's economic governance II program*. Audit Report n° E-267-09-004-P. Available at: http://1.usa.gov/1Khluj8 [accessed on: 5 January 2015].

Ommar, Raad, and Sabah Khesbak. 2003. *Conditions and expectations for private enterprise in Iraq: findings from a survey of Iraq's small and medium sized business owners and managers*. Report prepared by Raad Ommar and Sabah Khesbak of the Iraqi American Chamber of Commerce and Industry. Iraqi-American Chamber of Commerce and industry.

Ottaway, Marina. 2002a. «Nation Building». *Foreign Policy* 132 (October): 16–24.

———. 2002b. «Rebuilding State Institutions in Collapsed States». *Development and Change* 33 (5): 1001–23.

Ottaway, Marina, and Thomas Carothers. 2004. «Middle East democracy». *Foreign Policy* 145: 22–24+26–28.

Owen, Roger. 2004. *State, Power and Politics in the Making of the Modern Middle East*. Third Edition. London and New York: Routledge.

Pack, Jason (ed). 2013. *The 2011 Libyan uprisings and the struggle for the post-Qadhafi future*. New York: Palgrave Macmillan.

Pack, Jason, Karim Mezran, and Mohamed Eljarh. 2014. *Libya's Faustian bargains: breaking the appeasement cycle*. Washington: Atlantic Council.

Panić, Mića. 2011. «Aid effectiveness and permanent peace». In: Richard Kozul-Wright and Piergiuseppe Fortunato (ed)s, 2011. *Securing Peace: state-building and economic development in post-conflict countires*. London and New York: Bloomsbury Academic.

Papagianni, Katia. 2008. Participation and state legitimation. In: Call Charles T. (ed) with Wyeth Vanessa, 2008. *Building states to build peace*. Boulder, London: Lynne Rienner.

Paris, Roland. 2004. *At war's end: building peace after civil conflict*. Cambridge: Cambridge University Press.

———. 2009. «Understanding the 'coordination problem' in postwar statebuilding». In: Roland Paris and Timothy D. Sisk (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations*. London and New York: Routledge.

———. 2010. «Saving Liberal Peacebuilding». *Review of International Studies* 36 (02): 337-365

Paris, Roland, and Timothy D. Sisk. 2009a. «Introduction: Understanding the contradictions of postwar statebuilding». In: Roland Paris and Timothy D. Sisk. (eds), 2009. *The dilemmas of statebuilding: confronting the contradictions of postwar peace operations.* London: Routledge.

———. 2009b. *The dilemmas of statebuilding : confronting the contradictions of postwar peacebuilding operations*. London/New York: Routledge.

Parker, Christopher, and Pete W. Moore. 2007. «The war economy of Iraq». *Middle East Report* 243: 6–15.

Peschka, Mary Porter, James J. Emery, and Keith Martin. 2011. *The Role of the Private Sector in: Fragile and Conflict-Affected States*. The World Development Report 2011 background paper.

Philp, Mark. 2012. «Conceptualising corruption in peacebuilding contexts». In: Christine Cheng and Dominik Zaum (eds), 2012. *Corruption and post-conflict peacebuilding: selling the peace?*. London and New York: Routledge.

Pierson, Paul. 2004. *Politics in time, history, institutions, and social analysis.* Oxford: Oxford University Press.

Pitner, Julia. 2000. «NGO's dilemmas». *Middle East Report* 214 (Critiquing NGOs: assessing the last decade): 34–37.

PMAC. 2013. *Private Sector Development strategy of Iraq, 2013-2030*. Baghdad, Iraq: Prime Minister's advisory Commission, Republic of Iraq.

Political Trascript Wire. 2008. «Iraqi Minister of Industry Fawzi Hariri holds a news conference at the national press club on Iraq's economy», 7 May 2008.

Pugh, Michael. 2005. «The political economy of peacebuilding: a critical theory perspective». *International Journal of Peace Studies* 10 (2): 23–42.

———. 2011. «Curing strangeness in the political economy of peacebuilding: traces of liberalism and resistance». In: Shahrbanou, Tadjbakhsh (ed), 2011. *Rethinking the Liberal Peace: external models and local alternatives*. London and New York: Routledge.

Pugh, Michael, Neil Cooper, and Mandy Turner (eds). 2008a. *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*. Basingstoke: Palgrave Macmillan.

———. 2008b. «Introduction». In: Michael, Pugh, Neil Cooper, and Mandy Turner (eds). 2008a. *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*. Basingstoke: Palgrave Macmillan.

Putnam, Robert. 1993. *Making Democracy work: civil tradition in modern Italy*. Princeton: Princeton University Press.

———. 2000. *Bowling alone: the collapse and revival of American Community*. New York: Simon and Schuster.

Rettberg, Angelika. 2006. «El Salvador: a firm grip on the peace process». In: Jessica Banfield, Canan Gündüz, and Nick Killick (eds), 2006. *Local business, local peace: the peacebuilding potential of the domestic private sector*. London: International Alert.

Reus-Smit, Christian. 2013. «The Concept of Intervention». *Review of International Studies* 39 (05): 1057–76.

Richmond, Oliver P. 2004. «UN Peace Operations and the Dilemmas of the Peacebuilding Consensus». *International Peacekeeping* 11 (1): 83–101.

———. 2009. «A Post-Liberal Peace: Eirenism and the Everyday». *Review of International Studies* 35 (03): 557.

———. 2010. «Resistance and the Post-Liberal Peace». *Millennium - Journal of International Studies* 38 (3): 665–92.

———. 2011. *A post-liberal peace*. London and New York: Routledge.

Richmond, Oliver P. 2013. «Failed Statebuilding versus Peace Formation». *Cooperation and Conflict* 48 (3): 378–400.

Richmond, Oliver P. 2014. «A revolution in peacebuilding (development, and Humanitarian) affairs?». *Pax in Nuce*, 3 June 2014.

Richmond, Oliver P, and Jason Frank. 2009. *Liberal peace transitions: between statebuilding and peacebuilding*. Edimburgh: Edimburgh University Press.

Richmond, Oliver P., and Sandra Pagodda. Forthcoming. *Post-Liberal Peace Transitions: between peace formation and state formation*.

Risse, Thomas. 2011a. «Governance in area of limited statehood: introduction and overview». In: Thomas Risse (ed), 2011. *Governance without a state? Policies and politics in areas of limited statehood*. New York: Columbia University Press.

———. (ed), 2011b. *Governance without a state? Policies and politics in areas of limited statehood*. New York: Columbia University Press.

Risse, Thomas, Stephen C. Ropp, and Kathryn Sikkink (eds), 1999. *The power of human rights, international norms and domestic change*. Cambridge: Cambridge University Press.

Risse, Thomas, and Kathryn Sikkink. 1999. «The socialization of international human rights norms into domestic practices». In: Thomas Risse, Stephen C. Ropp, and Kathryn Sikkink. *The power of human rights, international norms and domestic change*. Cambridge: Cambridge University Press.

Roberts, David. 2011. *Liberal peacebuilding and global governance: beyond the metropolis*. London and New York: Routledge.

———. 2013. «Hybrid polities and post-conflict policies». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding*. London and New York: Routledge.

Ross, Michael L. 2001. «Does Oil Hinder Democracy?». *World Politics* 53 (03): 325–61.

Ross, Michael L. 2003. Oil, drugs, and diamond: the varying roles of natural resources in civil war. In: Ballentine Karen and Sherman Jake (eds), 2003. *The political economy of armed conflict, beyond greed and grievance*. Boulder and London: Lynne Rienner Publisher.

Rotberg, Robert I. 2004. «The Failure and Collapse of Nation-States: Breakdown, Prevention, and

Repair». In: Robert I. Rotberg (ed), 2004. *When states fail: causes and consequences*. Princeton: Princeton University Press.

Rubin, Barnett R. 2008. «The politics of security in post-conflict statebuilding». In: Charles T. Call (ed) with Vanessa Wyeth, 2008. *Building states to build peace*. Boulder London: Lynne Rienner.

Rudaw. 2013. «Official: Erbil Attack was carried out by foreign recruits», 13 October 2013. Available at: http://bit.ly/1IjYPif [accessed on: 5 January 2015].

Rueschemeyer, Dietrich, and Peter B. Evans. 1985. «The state and economic transformation: towards an analysis of the condition underlying successful intervention». In: Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds), 1985. *Bringing the state back in*. Cambridge: Cambridge University Press.

Ryan, Missy. 2010. «Imagining Iraq, Defining Its Future.» *World Policy Journal* 27 (1): 65–73.

Sabaratnam, Meera. 2011. «The liberal peace? An intellectual history of international conflict management, 1990–2010». In: Susanna Campbell, David Chandler, and Meera Sabaratnam (eds), 2011. *A liberal peace? The problems and practices of peacebuilding*, a cura di. London and New York: Zed Books.

Sadowski, Yahya. 1993. «The New Orientalism and the democracy debate». *Middle East Report* 183 (August): 14–21+40.

Salmon, Jago, and Catherine Anderson. 2013. «Elites and statebuilding». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding*, a cura di London and New York: Routledge.

Savage, James D. 2013. *Iraq's Budget as a source of political stability*. Special Report no. 328. UISP [United States Institute for Peace].

Scharz, Rolf. 2013. *War and state building in the Middle East*. Gainesville: University Press of California.

Schimmelfennig, Frank, Stefan Engert, and Heiko Knobel. 2006. *International socialization in Europe, European organizations, political conditionalities and democratic change*. New York: Palgrave Macmillan.

Schwedler, Jillian. 2006. «The Third Gender: Western Female Researchers in the Middle East». *PS: Political Science & Politics* 39 (03).

Sharqieh, Ibrahim. 2013. *Reconstructing Libya: stability through national reconciliation*. Brookings Doha centre analysis papers n° 9. Doha: Brookings.

Shaw, Mark, and Fiona Mangan. 2014. *Illicit trafficking and Libya's transition, profits and losses*. UISP [United States Institute for Peace].

Sheffield, Carrie. 2013. «Can a business entrepreneur save Libya?». *Forbes*, 12 May 2013.

SIGIR [Special Ispector General for Iraq Reconstruction], 2013. *Learning from Iraq. A final report*. SIGIR

Singer, Peter Warren. 2003. *Corporate warriors: the rise of the privatized military industry*. Ithaca and London: Cornell University Press.

Skocpol, Theda. 1979. *States and Social Revolutions A Comparative Analysis of France, Russia and China*. Cambridge: Cambridge University Press.

SME Task Force NordEast. 2012. *SME Task Force NordEst per la ricostruzione in Libia, Presentation*. Venice: SME Task Force NordEast. Available at: http://bit.ly/1Dt0ZuZ [accessed on: 5 January 2015].

Smith, Anthony D. 1986. *The Ethnic origin of nations*. London: Blackwell.

Smith, Pamela Ann, and Moin Siddiq. 2010. «The Sme phenomenon». *Middle East* N° 409, March 2010.

Smits, Rosan, Floor Janseen, Ivan Briscoe, and Terri Beswick. 2013. *Revolution and its discontents: state, factions, and violence in the new Libya*. The Hague: Clingendael Institute, Conflict Research Unit.

Stedman, Stephen John. 1997. «Spoiler problems in peace processes». *International Security* 22 (2): 5–53.

Steinmo, Sven. 2008. «Historical institutionalism». In: Donatella Della Porta and Michael Keating (eds), 2008. *Approaches and methodologies in the social science: a pluralist perspective.* Cambridge: Cambridge University Press.

St John, Ronald Bruce. 2008. «The Changing Libyan economy: causes and consequences». *Middle East Institute* 62 (1): 75–91.

Stone, Diane. 2004. «Transfer Agents and Global Networks in the 'transnationalization' of Policy». *Journal of European Public Policy* 11 (3): 545–66.

Strazzari, Francesco, and Bertine Kamphuis. 2012. «Hybrid Economies and Statebuilding: On the Resilience of the Extralegal». *Global Governance: A Review of Multilateralism and International Organizations* 18 (1): 57–72.

Stubbs, Paul. 2003. «International Non-State Actors and Social Development Policy». *Global Social Policy* 3 (3): 319–48.

Tadjbakhsh, Shahrbanou. 2011a. «Open societies, open markets: assumptions and illusions». In: Shahrbanou, Tadjbakhsh (ed), 2011. *Rethinking the Liberal Peace: external models and local alternatives*. London: Routledge.

———. 2011b. (ed). *Rethinking the liberal Peace: External Models and Local Alternatives*. London: Routledge.

———. 2011c. «Introduction: liberal peace in dispute». In: Shahrbanou, Tadjbakhsh (ed), 2011. *Rethinking the Liberal Peace: external models and local alternatives.* London: Routledge.

Talentino, Andrea Kathryn. 2004. «The Two Faces of Nation-Building: Developing Function and Identity». *Cambridge Review of International Affairs* 17 (3): 557–75.

Tehran Times. 2011. «Iran's private sector to boost joint economic activities in Iraq», 16 Noember 2011. Available at: http://bit.ly/1Aq1HbI [accessed on: 5 January 2015].

Tilly, Charles. 1975. «Reflection on the history of European state-making». In: Charles Tilly (ed), 1975. *The formation of national states in Western Europe*, Princeton: Princeton University Press.

———. 1985. «War making and state making as organized crime.» In: Evans, Peter B., Dietrich Rueschemeyer, and Theda Skocpol (eds), 1985. *Bringing the state back in.* Cambridge: Cambridge University Press.

———. 1992. *Coercion, capital and European states, AD 990-1990.* Cambridge, Mas.: Basil Blackwell.

Tomass, Mark K. 2012. «Religious identity, informal institutions, and the Nation-States of the Near East». *Journal of Economic Issues* XLVI (3): 705–28.

Trigunayat, Anil. 2012. *Libya and India -towards a new era*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

Tripoli Post. 2013. «Libya without oil», 3 September 2013.
Available at: http://bit.ly/1HEqAU9 [accessed on: 5 January 2015].

Tripp, Charles. 2001. «States, elites and the "management of change".» In: Hassan Hakimian and Ziba Moshaver (eds), 2001. *The state and global change, the political economy of transition in the Middle East and North Africa.* Richmond, Surrey: Curzon.

———. 2007. *A history of Iraq*. Third Edition. Cambridge: Cambridge University Press.

———. 2013. *The power and the people. Paths of resistance in the Middle East*. Cambridge: Cambridge University Press.

Turner, Nicholas, Obijiofor Aginam, and Vesselin Popovski. 2008. *Post-conflict countries and foreign investment*. United Nations University Policy Brief no. 8. United Nation University.

UNDP. 2012. *Strategy for working with the private sector.* UNDP.

UNDP Commission on the Private Sector and Development, *Background*. UNDP website. Available at: http://bit.ly/1KhUm3n [accessed on: 5 January 2015].

UNGC [United Nations Global Compact]. 2008. *Corporate Citizenship in the World Economy*. New York: United Nations Global Compact.

———. 2013. *Global Corporate Sustainability report 2013*. New York: United Nations Global Compact. Available at: http://bit.ly/1wH2LVO [accessed on: 5 January 2015].

UNGC website, available at: http://www.unglobalcompact.org/participants/search [accessed on 5 January 2015].

UNHRC [United Nations Human Rights Council]. 2008. *Protect, Respect and Remedy: a framework for business and human rights*. Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises. UN Human Right Council. http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf.

UNIDO. 2011. *Iraq, Enterprise Development and Investment Promotion (EDIP)*. FB/IRQ/07/004. Independent evaluation report. UNIDO Evaluation Group.

United Nations. 2000. *Report of the Panel on United Nations Peace Operations (The Brahimi Report)*. United Nations General Assembly. Available at: http://bit.ly/1tLqgjT [accessed on: 5 January 2015].

———. 2004. *Unleashing Entrepreneurship: making business work for the poor*. Report to the Secretary-General of the United Nations. New York: UN Commission on the Private Sector and Development.

———. 2009. *UN system-wide Policy Paper for: «Employment Creation, Income Generation and Reintegration in Post-Conflict Settings»*. New York: United Nations. Available at: http://bit.ly/1tLqgjT [accessed on: 5 January 2015].

United Nations Iraq, 2014. *UN Casualty Figures for December, 2013 deadliest since 2008 in Iraq*. United Nations iraq website. Available at: http://bit.ly/1iMAzs0 [Accessed on: 5 January 2015]

UNODC. 2013. *Corruption and integrity challenges in the Public Sector of Iraq*. An evidence-based study. UNODC.

USAID. 2009. *A Guide to Economic Growth in Post-Conflict Countries*. Washington: USAID. Available at: http://1.usa.gov/1Fffjfa [accessed on: 5 January 2015].

———. 2010. *Market assessment summary, business constraints and opportunities at the business enabling environment and firm levels in Iraq*. Tijara Provincial economic growth program. USAID.

———. 2012. *Assessment of current and anticipated economic priorities in Iraq*. Report for Prime Minister's Advisory Commission (PMAC), This report was produced for review by the U.S. Agency for International Development (USAID). The Louis Berger Group Inc.

US Department of State. 2012. *The Deauville Partnership with Arab Countries in Transition, Co-Chairs' Summary of the Meeting on Policies for Small and Medium-Sized Enterprises on July 18, 2012, Rome, Italy*. Washington: US Department of State (Office of the Spokesperson). Available at: http://1.usa.gov/1xNh2BT [accessed on: 5 January 2015].

US Department of the Army. 2006. *Counterinsurgency, Field Manual 3-24*. US Department of the Army. Available at: http://bit.ly/RuQ2H7 [accessed on: 5 January 2015].

Vandewalle, Dirk. 2011. *Libya: post-war challenges*. Economic Brief. African Development Bank.

———. 2012. *A history of Modern Libya*. Second Edition. Cambridge: Cambridge University Press.

———. 2013. *From Inherited wealth to productive economy, planning for development in post-civil war Libya*. Economic Brief. African Development Bank.

Varvelli, Arturo. 2014. *Un Piano per la Libia*. Policy Brief n° 229. ISPI.

Veit, Alex, and Klaus Schlichte. 2012. «Three arenas: the conflictive logic of external statebuilding». In: Berit Bliesemann de Guevara (ed), 2012. *Statebuilding and state-formation. The political sociology of intervention*. London: Routledge.

Weber, Max. 1958. «Politics as a vocations». In: H. H. Gerth and Mills Wright (eds), 1958. *From Max

Weber: essays in sociology. New York: Oxford University Press.

Wehrey, Frederic. 2012. *The Struggle for security in Eastern Libya*. The Carnagie Papers, Middle East. Carnagie.

Weinstein, Jeremy M. 2005. *Autonomous recovery and international intervention in comparative perspective*. Working Paper Number 57. Centre for Global Development.

Wennmann, Achim. 2010. «Peace processes, business and new futures after war». In: Mats Berdal and Achim Wennmann (eds), 2010. *Ending wars, consolidating peace: ecoonmic perspectives*. London: Routledge for The International Institute for Strategic Studies.

Westcott, Thomasin. 2012. *The road ahead: transport for the new Libya*. Libya's investment needs 2013, Special Supplement. Libyan Herald.

White House. 2002. *The national security strategy of the United States of America*. Washington: The White House.

Wickham, Carrie R. 1994. «Beyond democratization: political change in the Arab World». *Political Science and Politics* 27 (3): 507–9.

Willett, Susan. 2008. «Trading with security: trade liberalisation and conflict». In: Michael, Pugh, Neil Cooper, and Mandy Turner (eds). 2008a. *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*. Basingstoke: Palgrave Macmillan.

Williamson, John. 2008. «A short history of the Washington Consensus». In: Narcis Serra and Joseph Stiglitz (eds), 2008. *The Washington Consensus reconsidered: towards a new global governance*. Oxford: Oxford University Press.

Williams, Paul D, and Alex J. Bellamy. 2012. «Principles, politics, and prudence: Libya, the Responsibility to Protect, and the use of military force». *Global Governance* 18 (3): 273–97.

Williams, Phil. 2002. «Transnational organized crime and the state». In: Rodney Bruce Hall and Thomas J. Biersteker (eds), 2002. *The emergence of private authority in global governance*. Cambridge: Cambridge University Press.

Wolff, Stefan. 2010. «Governing (in) Kirkuk: Resolving the Status of a Disputed Territory in Post-American Iraq». *International Affairs* 86 (6): 1361–79.

Woodward, Susan L. 2011. «State-building for peace-building. What theory and whose role?». In: Richard Kozul-Wright and Piergiuseppe Fortunato (eds), 2011. *Securing Peace: state-building and economic development in post-conflict countires*. London and New York: Bloomsbury Academic.

———. 2013. «The IFIs and post-conflict political economy». In: Mats Berdal and Dominik Zaum (eds), 2013. *Political economy of statebuilding, power after peace*. London: Routledge.

World Bank. 1997. *World Development Report 1997: the State in a Changing World*. Washington, DC: IBRD/World Bank.

———. 2001. *Development Cooperation and Conflict*. Operational Policy/Bank Procedures 2.30—OP/BP 2.30. World Bank. Available at: http://bit.ly/1tFewtF [accessed on: 5 January 2015].

———. 2002. *World Development Report 2002: Building institutions for market*. Washington: World Bank.

———. 2004. *Building a sustainable investment climate in Iraq, Reconstructing Iraq*. Working Paper n° 1. World Bank.

———. 2009. *From privilege to competition: unlocking private-led growth in the Middle East and North Africa region*. Washington: World Bank.

———. 2011a. *World Development Report 2011: conflict, security, and development*. Washington, DC: IBRD/World Bank.

———. 2011b. *Iraq country profile 2011, Enterprise surveys, 2011*. World Bank.

——— 2013. *World Bank Group Strategy*. Washington: World Bank.

Available at: http://bit.ly/14rBQoU [accessed on: 5 January 2015].

———. 2014a. *Doing Business 2014, Comparing business regulation for domestic firms in 189 economies. 11th Edition*. Washington: World Bank.

———. 2014b. *Supporting Finance and Private Sector Development in Libya*. Programmatic Approach for ESW/TA Concept Note. World Bank. Available at: http://bit.ly/1vVQMYe [accessed on: 5 January 2015].

———. 2014c. *Growth slowdown heightens the need for reform*. Mena Quarterly Economic Brief Issue 2. World Bank: Office of the Chief Economist.

World Bank CPR Unit. 2004. *The role of the World Bank in conflict and development. An evolving agenda*. Conflict Prevention and Reconstruction (CRP Unit), World Bank. Available at: http://bit.ly/1zQkWbw [accessed on: 5 January 2015].

Yin, Robert K. 2009. *Case study research: design and methods*. Fourth Edition. London: Sage.

Yousif, Bassam. 2006. «Coalition Economic Policies in Iraq: Motivations and Outcomes». *Third World Quarterly* 27 (3): 491–505.

———. 2007. «Economic restructuring in Iraq: intended and unintended consequences». *Journal of Ecoonmic Issues* 41 (1): 43–60.

Zaptia, Sami. 2013. «Qatar will now only deal through the Libyan state – Prime Minister Ali Zeidan». *Libyan Herald*, 19 January 2013. Available at: http://bit.ly/1BCVfNQ [accessed on: 5 January 2015].

Zaum, Dominik. 2013. «Corruption and statebuilding». In: David Chandler and Timothy D. Sisk (eds), 2013. *Routledge Handbook of International Statebuilding*, a cura di. London and New York: Routledge.

271