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Aid and fragile states

Anke Hoeffler[1] and Patricia Justino[2]

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Abstract: Aid is still an important feature of the development landscape. Fragile states, in particular, have the greatest development needs but due to their poor governance they are the least likely countries to use aid effectively to meet their development challenges. In this paper, we explore which fragile states receive most aid flows, which donors are particularly active in fragile states, and which type of projects are the focus of these aid flows to fragile states. Evidence so far suggests that the high number of donors and the volatility of ODA generate problems for recipients who are least able to deal with the issues of donor coordination and budget planning under uncertainty. Furthermore, despite different needs, aid spending patterns to fragile countries are not very different from the average recipient country, although extremely fragile countries benefit from aid targeted at humanitarian and peacebuilding needs. We suggest that aid in fragile states could be best allocated to address the specific needs of these countries, especially countries in the 'fragile' category that may be at risk of falling into the 'extremely fragile' category. Using specific aid flows to prevent such shifts could be a useful strategy for donors engaged in those countries.

Key words: aid, development, fragility, conflict, post-conflict

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[1] Department of Politics and Public Administration, University of Konstanz, Germany; [2] UNU-WIDER, Helsinki, corresponding author: justino@wider.unu.edu

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Katajanokanlaituri 6 B, 00160 Helsinki, Finland

1 Introduction

The provision of aid to fragile countries has been an ongoing challenge for international donors. While fragility is widely recognized as a major development challenge, it continues to be unclear what new policy strategies are needed to engage with fragile states. Many countries defined as fragile have weak institutions of governance, are characterized by either unstable democracies or governed by autocratic regimes, and struggle with myriad development challenges. Given these contexts, international donors face considerable trade-offs: development aid funnelled through government ministries may improve the capacity of state institutions to provide goods and services but also risks strengthening autocratic regimes or being absorbed by projects that may not always benefit those that need aid the most. In particular, there is a recurrent risk of aid programmes being captured for political gain, as well as increasing corruption and strengthening systems of patronage and clientelism. These challenges are likely to worsen as development aid to fragile countries increases given that these countries are expected to host most of the world's poor by 2030 (OECD 2016, 2020). This chapter provides an overview of current knowledge of how aid can help fragile states to recover and become more stable and peaceful.

One key objective of development aid flows to fragile countries over the last decades has been to improve governance and institutions and create pathways towards more democratic and inclusive states (Carothers 1999; OECD 2011). Notably, aid sent to fragile countries over the last two decades has been largely used as an instrument to build better states, establish more capable institutions, and strengthen the social contract by 'winning hearts and minds' (Berman et al. 2011). One popular aid modality has been the funding by international donors of large-scale community-driven development (CDD) programmes, largely promoted by the World Bank and other international donors as a way of shaping institutions from the bottom up and promoting democratic values. Despite generous funding, these programmes have had mixed results, with CDD programmes generally found to improve local levels of inclusion and participation but with notable limited impact on changes in 'de facto' political power and on institutional capacity at state level (King and Samii 2014; Justino 2019). Another popular use of development aid has been cash transfer programmes, also with mixed effects on governance outcomes in fragile contexts (Justino and Ghorpade 2019). Evidence on the effectiveness of other aid-funded interventions in fragile countries, such as building infrastructure, security provision, and other sectorial allocations, is scarcer. We attempt to partially address this knowledge gap in this paper by documenting recent trends in development aid flows to fragile countries, differences in aid flows and sectorial allocations between extremely fragile, fragile, and non-fragile countries, and the association between international flows and improvements in governance and peace in fragile contexts.

The paper is organized as follows. First, we discuss current debates on the relationship between fragility, aid, peace, and governance given the key importance of peace and governance outcomes in fragile contexts. We then discuss the concept of fragility in more detail and ways it can be measured. In Section 4, we provide an overview of aid to fragile countries and discuss new empirical evidence on aid patterns across extremely fragile, fragile, and non-fragile countries. The last section concludes with recommendations for future research and development aid policy in fragile contexts.

2 Escaping fragility and the role of aid

A large literature has examined pathways out of fragility, with a strong focus on peace and stability (e.g., Autesserre 2010, 2021; Blattman 2022; Fortna 2008; Walter 2022; Walter et al. 2021). The literature on aid is vast and we focus here on the specific impact of aid in fragile states. Unfortunately, much of the aid literature does not provide evidence for fragile states. Typically, studies do not take into consideration heterogeneity among recipients, and it is therefore unclear whether aid is more or less effective in fragile contexts (Dreher et al. 2018). Moreover, there is disagreement about the effectiveness of aid more generally. Prominent aid critics, such as Bauer (1971) and Deaton (2013), suggest that economic underdevelopment is a symptom of malfunctioning societies. Both argue that additional capital, e.g. aid, can only be effectively used for development in well-functioning societies, as aid cannot improve the institutional and political determinants of development. Following this logic, development aid to fragile countries would be ineffective and possibly harmful by preventing institutional and political change. This is refuted by many aid proponents, for example by Stern (1973) and Ravallion (2014).

This debate has generated myriad studies attempting to measure and better understand the impact of aid on economic growth. These analyses have yielded mixed results ranging from aid being growth enhancing (Dalgaard et al. 2004), but depending on whether the effect is lagged (Clemens et al. 2012) and to what policies are implemented (Burnside and Dollar 2000), to no effect of aid on growth (Rajan and Subramanian 2008). One of the reasons why it is difficult to find a significant empirical effect of aid on economic growth is because development assistance is provided for a number of different reasons. These include recipient need, recipient merit, and donor self-interest (Alesina and Dollar 2000; Hoeffler and Outram 2011; Hoeffler and Sterck 2022). More recently, attention has turned to the effectiveness of sector-specific aid, with some studies finding, for instance, that aid targeted at health sectors improves health outcomes (Ndikumana and Pickbourn 2017; Pickbourn and Ndikumana 2019). There is also some evidence that this sectoral impact depends on the donor. For instance, Chinese development projects appear to be less beneficial than World Bank-funded projects due to an increase in local corruption (Isaksson and Kotsadam 2018). However, few studies in this literature distinguish between recipients by state of fragility, and only recent studies of development aid have started to consider the impacts of aid on specific characteristics of fragile states, namely insecurity/peace and governance. We discuss below in more detail some of this emerging evidence and gaps in this literature.

2.1 Aid and peace

Peace is the cornerstone of development and there is a considerable debate in the recent literature as to whether aid can hinder or foster peace. Findley (2018) provides a detailed discussion of the impact of aid on peace, stressing that we should distinguish between situations of conflict prevention, shortening ongoing conflicts, and stabilizing post-conflict situations, when the risk of renewed armed conflict is particularly high (Walter 2002; Collier et al. 2008). There are a number of mechanisms through which aid could impact the onset of civil war. On the one hand, aid increases existing resources, and this may provide an incentive to fight (Grossman 1992). On the other hand, aid can be used for redistribution and to pay off the opposition (Azam and Mesnard 2003). The impact of aid on the dynamics of ongoing conflicts can also be diverse. Aid can intensify the fighting, e.g. through the looting of aid by the opposition for the purposes of financing the war (Barnett 2011). In contrast, aid can support civilians, by improving their livelihoods and employment, thus increasing their opportunity costs to join the rebellion. This will in turn reduce the intensity of the conflict (Crost et al. 2016). One case where some of these aid impacts have been studied is Iraq, where development aid was heavily used as part of a package of counterinsurgency measures. Berman et al. (2011) document how local public good funding by the

US army led to reductions in violence because it raised civilian support and provision of information to the Iraqi government. It also increased the opportunity costs of civilians joining insurgent groups in areas where US troops were present (Iyengar et al. 2011; Berman at al. 2013; Sexton 2016), even though violence increased in areas of strong insurgent presence (Sexton, 2016). These findings mirror evidence elsewhere showing that social spending may reduce armed conflict and violence (Khanna and Zimmermann 2014; Justino 2015; Justino and Martorano 2018).

Development aid is a key instrument in post-war settings, when countries face the twin challenge of rebuilding their societies and economies, as well as reducing the risk of conflict recurrence. There is some evidence that aid is growth enhancing during the post-war decade (Collier and Hoeffler 2004). There is, however, limited evidence that it prevents conflict recurrence (Nunnenkamp 2016). This may be due to a number of opposing effects. The losers of the conflict may receive more humanitarian aid, and this may empower them to undermine the peace, thus making recurrence more likely (Narang 2014). In contrast, development projects can contribute to social cohesion and reconciliation, making recurrence less likely (Cilliers et al. 2016).

Despite this slowly accumulating body of evidence, due to the different types of aid and their differential impact on the different stages of the conflict (onset, ongoing, recurrence), the question of the impact of aid on peace remains unsettled (Findlay 2018; Zürcher, 2017). There is also a strong case to be made for development aid to fragile countries being considered alongside many other different challenges faced by these countries, which require a variety of interrelated interventions and measures, such as diplomacy, peacebuilding efforts, improving institutions, and mobilizing domestic resources—as well as aid (Hoeffler 2017; Mross et al. 2021; Rohner 2023).

2.2 Aid and governance

In the last couple of decades, a related literature has emerged on the links between international aid and governance in fragile contexts. In particular, international donors have committed large resources to building stronger states and increasing institutional capacity in order to support peacebuilding and prevent violent conflicts in fragile states. Mvukiyehe and Samii (2015) report, based on OECD data, that 12 per cent of all development aid in 2012 (US$127 billion in total) was spent on governance interventions in fragile and conflict-affected countries. Questions have, however, been raised about the effectiveness of these aid flows in improving governance in fragile contexts. The recent fallout from donor interventions in Afghanistan have shed further doubts about the ability of development aid interventions to improve governance outcomes in such settings, although some have emphasized that these weak results may not be due to aid programmes in themselves but rather to a lack of understanding of how long these processes of institutional change take in fragile contexts (Samii 2023) and the type of institutions that were promoted, which often ran counter to prevailing norms and traditions outside the immediate centers of power (Murtazashvili 2022).

However, donors can and do pursue different aid delivery tactics. Frequently, donors channel aid through non-state actors, either to bypass recipient governments and/or to ensure more immediate results. This tactic is used in situations of weak governance because donors believe that the aid they provide is more likely to achieve the intended outcome if they do not use the government-to-government channel (Dietrich 2013).

Development aid to fragile countries over the last two decades has largely focused on improving local capacity for collective action and local governance following a dominant 'bottom-up' approach to state-building (see review in Justino 2019). The main underlying assumption is that political authority and state institutional capacity in many fragile countries are weak and fragmented (Kalyvas 2006; Raeymaekers et al.; 2008, Justino 2009, 2013; Risse 2011; Balcells and Justino 2014;

Gáfaro et al. 2022). As a result, a bottom-up approach may be more effective at improving governance outcomes because interventions that work in one area may not work in another and scaling up governance gains may not be possible in the short term. Community-driven development (CDD) programmes have, therefore, become an attractive way of utilizing international aid in fragile countries (see UNDP 2016). These programmes are fairly similar across the board and typically involve the creation of local community councils that decide on the design and implementation of development projects according to community needs, as well as the allocation of funding in consultation with the community. Community councils are generally either elected by the community or their composition is widely agreed upon using participatory and transparent processes. In this way, communities are able to make decisions about development projects they need the most, while learning about participatory and accountable forms of democratic decision-making processes (King and Samii 2014). The hope is that this learning process will scale up, allowing the seeds of better and more inclusive state institutions (Pritchett and Woolcock 2003).

Very large CDD programmes have been implemented in Liberia (Fearon et al. 2009), Indonesia (Barron et al. 2011), Sierra Leone (Casey et al. 2012), the Philippines (Crost et al. 2014), Sudan (Avdeenko and Gilligan 2014), and in the Democratic Republic of the Congo (Humphreys et al. 2014). One of the most notorious CDD programmes is the large National Solidarity Programme (NSP) in Afghanistan (Beath et al. 2012, 2013). However, rigorous evaluations of CDD programmes in terms of governance outcomes, building inclusive institutions, or promoting security and stability have been at best mixed (see King and Samii 2014 and Justino 2019 for reviews), although there may be a need to rethink about the timing of such evaluations and a better grasp of the timescales involved in sustainable and inclusive institutional transformation (Samii 2023), as well as a more in-depth understanding of how to support autonomous forms of state-building that work with, rather than against, existing institutional and normative structures (Murtazashvili 2022; Justino 2022).

Other interventions in fragile countries funded by development aid, such as security sector reform, have also yielded mixed results (DFID 2007; Humphreys and Weinstein 2007; Mvukiyehe and Samii 2013), although recent interventions have generated more promising outcomes. Rather than focusing on ex-combatants, more recent interventions have attempted to increase trust in the rule of law, justice, and security sectors by improving policing at the community level and funding education campaigns to increase awareness about the rule of law and justice (Blattman, Hartman and Blair 2014; Blair et al. 2016). While some of these programmes have generated positive outcomes, there is limited evidence that they change how citizens relate to and perceive the role of the police or increase trust in justice and the rule of law. However, this may be due to poor implementation and underfunding of these programmes (Blair et al 2021). Increasingly popular cash transfer programmes appear also to generate promising outcomes in terms of improved governance and institutional capacity, though evidence is still very limited in very fragile contexts. For instance, there is some modest evidence showing that cash transfers may have improved social cohesion and stability in Uganda (Blattman, Fiala and Martinez 2014) and Liberia (Blattman et al. 2017), and reduced violence in the Philippines (Crost et al. 2016).

Overall, evidence on the impact of development aid on outcomes that are important in fragile contexts—such as peace and governance—remains scarce and case specific. We attempt in the next sections to go over this question more systematically.

3 Measuring fragility

While the concept of fragility is widely used by academics and aid agencies, there is no commonly accepted definition of fragility. Most agree that fragility emerges when the state's monopoly of violence breaks down and (parts of) the country experiences armed conflict. However, armed conflict is not the only reason why countries are classified as fragile. State fragility is also caused by poor governance that results in large parts of the population living in poverty with little prospect to improve their welfare, because the state is either unable or unwilling to provide the necessary goods and services. While the specific causes and consequences of fragility may vary, fragile states in general lack the capacity to provide security and/or development opportunities to their citizens. A useful concept is proposed by the LSE-Oxford Commission on State Fragility where five interlocking mechanisms lead to a 'fragility syndrome': (1) Society in fragile states is fractured into opposing groups and parts of society do not regard the state as legitimate. (2) This poses problems for taxation and the provision of (public) services, (3) sometimes resulting in the breakdown of security. (4) The private sector is under-developed and the economy has a narrow base, (5) making it more vulnerable to adverse shocks (Commission on State Fragility, Growth and Development 2018). Since fragility is characterized by different aspects of poor governance, it should be understood as a multidimensional concept. The LSE-Oxford Commission does not provide a proxy of fragility but there are a number of multidimensional measures available. We discuss in turn four widely used proxies.

The Fund For Peace (FFP), a global non-profit organization, has developed the *Fragile States Index* (FSI). This index is based on four broad categories, each subdivided into three further categories: (i) cohesion (security, factionalized elites, group grievances); (ii) economy (economic decline, uneven economic development, human flight and brain drain); (iii) polity (state legitimacy, public services, human rights and the rule of law); and (iv) society (demographic pressure, refugees and IDPs, external intervention). Scores are added up and range from low to high fragility (0–120), and define the following grouping: alert (90–120), warning (60–89), stable (30–59), and sustainable (0–29). Data are available via open access and used in many academic publications.

A further widely used index is *The State Fragility Index* (SFI), provided by the non-profit Center for Systemic Peace (Marshall et al. 2018). This index is also based on four dimensions: security, political, economic, and social and, for each dimension, a country receives a score between 0 and 4 for effectiveness and legitimacy. The exception is the economic effectiveness score which ranges between 0 to 5. The sum score ranges from 0 (no fragility) to 25 (extreme fragility). Values and rankings are available online and in annual reports.

The World Bank also assesses the fragility of countries in order to inform the strategic and operational decision-making within the organization. The assessment of fragile and conflict-affected situations (FCS) is based on a number of indicators. High levels of institutional and social fragility (measured by the World Bank's Country Policy and Institutional Assessment [CPIA] score), the presence of UN Peacekeeping Operations, or large refugee flows lead to the classification of a country as 'fragile'. Thresholds of conflict-related deaths are used to classify 'conflict' situations.

The Organization of Cooperation and Development (OECD) assesses the intensity of fragility across similar dimensions used in the FSI and the SFI but adds a fifth dimension, environment. Each of the five dimensions is represented by a number of indicators, 44 in total. This framework aims to capture the intersection of fragility, risk, and resilience and informs international actors about the main manifestations of fragility. This approach is useful as it provides a first guide and possible entry points on how to support fragile countries. Since all the indicators tend to be correlated with each other, a principal component analysis (PCA) is performed where the weights of each indicator are based on the statistical information captured by each indicator. In 2020, the OECD defined 57 countries and territories as being fragile. Thirteen are extremely fragile and an additional 44 are categorized as other fragile contexts.

In order to assess how much aid donors give to fragile states, and the purpose of this aid, we decided to focus on the measure of fragility provided by the OECD. In contrast to the FSI and SFI measures, the OECD does not consider all countries. However, since we are only interested in those countries that receive external economic assistance (from the OECD), we do not consider it a drawback that this database does not score states like Australia or Sweden. Since we understand fragility as a multi-faceted and multidimensional concept, we consider the OECD measure as a valid proxy. The various *States of Fragility* reports (OECD 2016, 2018, 2020) and the website provide very detailed background information for each fragile country, including data on aid, foreign direct investment (FDI), and remittances. The categorization into extremely fragile and other fragile contexts enables us to compare across aid recipients and, thus, we prefer it over the World Bank classification which does not allow this distinction. Since the OECD also provides the most comprehensive and up-to-date data on aid, we decided to focus, in this paper, on the OECD fragility data as our first choice to examine aid and fragility.

Since our choice of fragility indicator might impact on our findings, we are keen to compare it to the other possible choices. Although the four proxies are all based on similar dimensions, the comparison of the FSI, SFI, FCS, and the OECD fragility indexes is difficult. The categories have different cut-off points, resulting in shorter or longer lists of fragile states. Since binary categorizations into fragile and non-fragile is somewhat arbitrary, it may be more useful to rely on the rankings that the databases provide. We compare all four indexes in 2018. Table 1 lists the 15 countries that the OECD rated as extremely fragile. Ten of these countries—Somalia, South Sudan, Central African Republic, Yemen, Democratic Republic of the Congo, Afghanistan, Chad, Ethiopia, Sudan, and Iraq—are also listed among the most fragile states by SFI and FSI. It is more difficult to rank the World Bank's FCS countries, but all of the OECD extremely fragile countries are also listed by the World Bank (with the exception of Ethiopia). These comparisons suggests that, although the underlying scoring is different, the organizations arrive at very similar classifications and rankings.

According to the OECD, the number of fragile states has remained relatively constant over the period between 2015 and 2020. In this period, between 56 and 58 countries are listed as fragile, of which 13–15 were labelled extremely fragile. Most of these fragile countries are in sub-Saharan Africa, with 35 out of 57 fragile countries located in the region. Fragile countries are home to 1.8 billion people, equivalent to 23 per cent of the global population. Most of the world's extremely poor live in fragile contexts, 493 million, or 73 per cent of the global total (OECD 2020).

Table 1: Comparison of most fragile states – OECD, State Fragility Index, and Fragile States Index

Rank	OECD	State Fragility Index	Fragile States Index
1	**Somalia***	**DRC***	**South Sudan***
2	**South Sudan***	**CAR***	**Somalia***
3	**CAR***	**South Sudan***	**Yemen***
4	**Yemen***	**Yemen***	**Syria**
5	**DRC***	**Sudan***	**CAR***
6	**Afghanistan***	**Burundi**	**DRC***
7	**Chad***	**Somalia***	**Sudan***
8	**Syria**	**Afghanistan***	**Chad***
9	**Burundi**	Ethiopia*	**Afghanistan***
10	Ethiopia*	**Chad***	**Zimbabwe**
11	**Eritrea**	Niger	**Iraq***
12	**Sudan***	**Iraq***	**Haiti**
13	**Haiti**	Guinea	Guinea
14	**Iraq***	Nigeria	Nigeria
15	**Mali**	**Myanmar**	Ethiopia*

Note: asterisks indicate the states that are listed by the OECD and the State Fragility Index (SFI) and Fragile States Index (FSI) among the top 15 most fragile states in 2018. States marked in bold also appear on the World Bank's FCS List of 2018.

4 Aid flows to fragile countries

We now turn to our attention to aid, or in the parlance of the OECD: official development assistance (ODA). While a detailed definition of aid could be provided, it is enough for our purposes to briefly define ODA. ODA are financial flows provided by official agencies, including country governments and multilateral organizations, to assist the economic development and welfare of developing countries. To count as ODA, these flows have to be concessional in character and have a grant element of at least 25 per cent. The OECD Development Assistance Committee (DAC) has continuously refined the definition and reporting rules. For the purpose of our paper, it is important to note that military aid is excluded from ODA. This includes most peacekeeping expenditures with the exception of some closely defined developmentally relevant activities within peacekeeping operations.

The way of measuring the ODA was changed in 2019 with the aim to provide a better reflection of the actual effort by donor countries. As a result, only the 'grant equivalent' of loans are now recorded as ODA. This allows a better comparison of loans and grants and sets a stronger incentive for donors to provide grants and highly concessional loans. ODA flows recorded before and after the switch to the 'grant equivalent' measure are not comparable. We focus on the years 2015–19 because these are the most recent years for which we have information on aid as well as on fragility. We use the ODA definition prior to 2019.

Using the OECD *States of Fragility* definition, we can categorize aid recipients into three non-overlapping categories: extremely fragile, fragile, and non-fragile. Summing all ODA over 2015–19, we see that about 21 per cent of aid is provided to extremely fragile countries, 37 per cent to fragile countries, and the remaining 43 per cent to non-fragile countries (Figure 1A). Thus, the majority of ODA is provided to fragile or extremely fragile countries. We checked whether this pattern is determined by a few countries receiving large amounts of ODA. We found no evidence for such compositional effects when we examined the percentage of ODA received out of global ODA. The country receiving the highest share of total ODA is India (non-fragile), amounting to 4.5 per cent of global ODA. Within our country groups we find that, among the extremely fragile countries, Ethiopia received the highest share ODA (16.6 per cent), followed by Syria, Afghanistan, Iraq, and Yemen. Within the fragile category, Bangladesh received the highest share (11.1 per cent), followed by Pakistan, Nigeria, Kenya, and Egypt.

Figure 1: Aid allocation by state of fragility, official donors 2015–19

Figure 1A: Aid allocation (%)

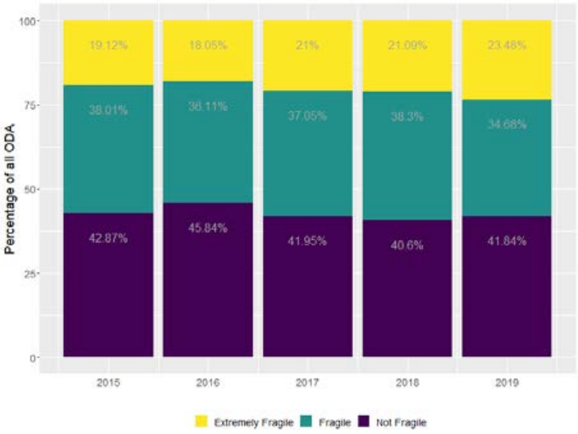
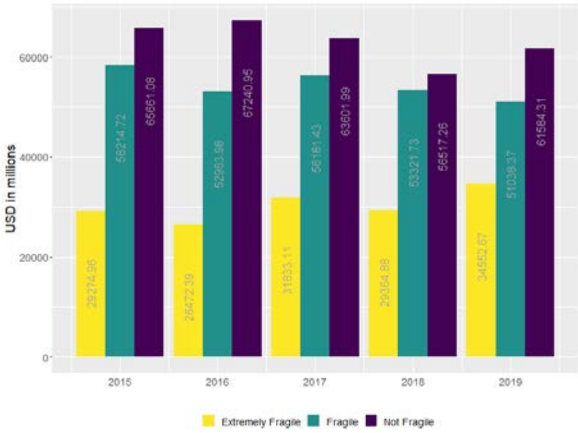


Figure 1B: Aid allocation (Total US $)



Source: OECD States of Fragility (OECD 2016, 2018, 2020), Dreher et al. (2022).

More detail on the allocation of ODA is provided in Table 2. One important pattern to note is the considerable donor proliferation in extremely fragile states. The average number of donors per extremely fragile country is higher than for the other recipients; on average 27 bilateral and 14 multilateral donors provide ODA to extremely fragile countries. This compares to 22 bilateral and between 11 and 14 multilateral donors providing aid to other recipients. None of the extremely fragile countries had fewer than 24 donors per year during 2015–19. The Paris Declaration of 2005 considered aid dispersion of donor across many different recipients and sectors as problematic and urged to rationalize donor activities and reduce the number of separate, duplicative missions. This dispersion of donors is considered negative for aid effectiveness, causing direct and indirect costs. The direct costs for the recipient are related to requirements to liaise with and report to every donor. Thus, the management of aid requires too many scarce administrative resources (Buscaglia and Garg 2016). Indirect costs can result from donors hiring local staff at higher salaries, further reducing the recipient's administrative capacity (Knack and Rahman 2007).

A second important pattern to note is that, on average, extremely fragile countries receive more ODA per capita (about US$97) than the other recipients. Their ODA as a percentage of GNI is

10.5 per cent, considerably higher than in fragile countries (7 per cent) and non-fragile countries (2.6 per cent). Table 2 shows also ODA as a percentage of GDP in the last column because we have slightly more observations for this ratio. Some extremely fragile countries have a very high aid dependency ratio. For instance, Afghanistan, Burundi, Central African Republic, Eritrea, Somalia, South Sudan, Syria, and Yemen have ODA to GNI ratios of over 15 per cent, a threshold that is considered problematic because a recipient's 'absorptive' capacity is reached, i.e. the aid provided is beyond a manageable amount and is therefore not providing any further benefits (Feeny and De Silva 2012; Clemens et al. 2012).

Table 2: Overview ODA 2015–19

	# recipients	#donors	ODA per capita (US$)	ODA (% of GNI)	ODA (% of GDP)
Extremely fragile	16	27/14	96.9	10.5	13.3
Fragile	50	22/14	87.6	6.99	7.1
Non-fragile	81	22/11	88.8	2.6	2.4

Note: definition of fragility according to the OECD *States of Fragility*. We exclude micro-states with populations of fewer than 0.5 million inhabitants. # donors are divided into bilateral/multilateral. We allow the number of recipients in the fragility categories to vary year to year, i.e. we consider country-years.

Sources: OECD, World Development Indicators (WDI). Own calculations.

We now take a closer look at the different donors in Figure 2. Bilateral DAC donors (panel A) allocate almost half of their total aid budget to non-fragile states. Fragile states receive a little more than 30 per cent, and extremely fragile states about 20 per cent. Bilateral DAC donors give proportionally more aid to extremely fragile countries than multilaterals. However, the multilateral donors provide 45 per cent of their aid to fragile countries (panel B). This is somewhat similar to China. Here, we only have data for three years, but over these three years China shifted aid away from non-fragile countries to fragile countries. The largest share of Chinese aid in 2016 and 2017 went to fragile countries (almost 60 per cent in 2017). Aid from non-DAC bilateral donors shows a strikingly different pattern. Here, the largest donors are Kuwait, Turkey, and the United Arab Emirates. The large ODA share is due to Turkey's spending on Syrian refugees, Turkey being the host to the world's largest refugee population due to the war in Syria.

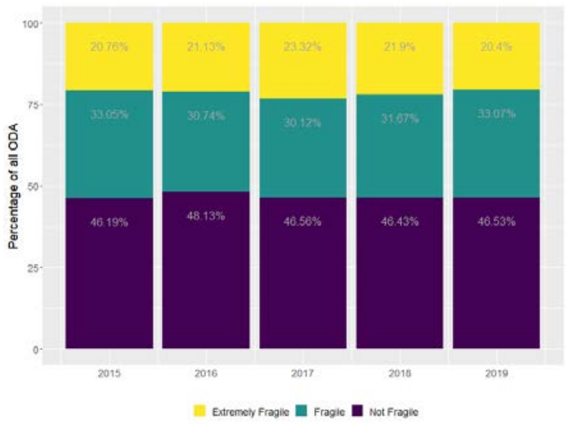
So far, we have only considered total aid. Are there any differences in sectoral aid? Figure 3 provides an overview of ODA by sector, demonstrating that fragile and non-fragile countries are not too dissimilar when it comes to the allocation of sectoral aid. However, extremely fragile countries receive much more humanitarian aid and far less aid for social and economic infrastructure.

Next, we peel away one further layer and examine aid that is specifically targeted at overcoming fragility. We look more closely at the category 'social infrastructure' which includes many sub-categories, such as health and education but also 'government & civil society' and 'conflict, peace & security'. We focus on the two latter sub-categories. Aid for 'government & civil society' accounted for 8.5 per cent and aid for 'conflict, peace & security' for 2.1 per cent of total ODA. Thus, 10.6 per cent of all ODA is spent on these two sub-categories, divided between extremely fragile countries (2.8 per cent), fragile countries (3.5 per cent), and non-fragile countries (4.2 per cent).

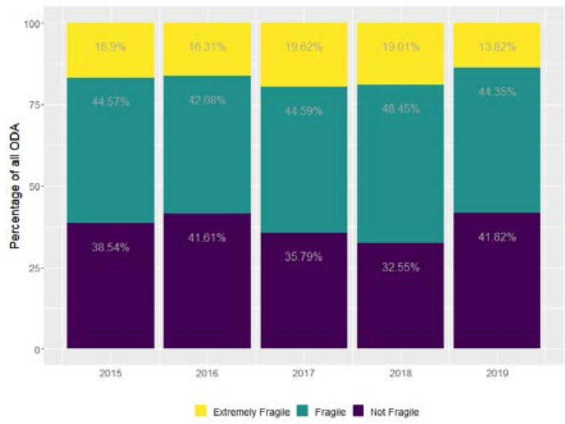
What does ODA for 'government & civil society' target? Figure 4 shows that extremely fragile countries receive most of this support for public sector policy and administrative management, legal and judicial development, and democratic participation and civil society, as would be expected.

Figure 2 (Panels A, B, C, D): Total ODA by donor and state of fragility

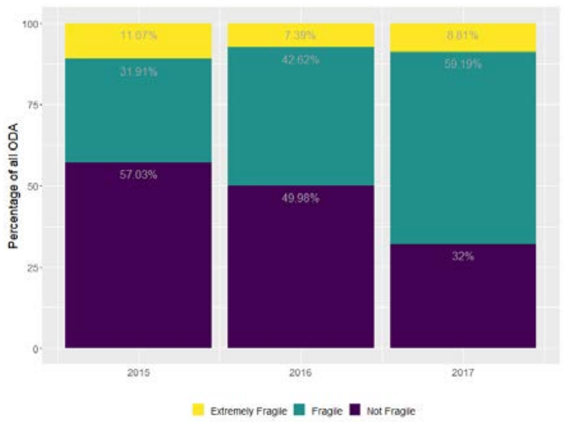
ODA from DAC bilateral donors



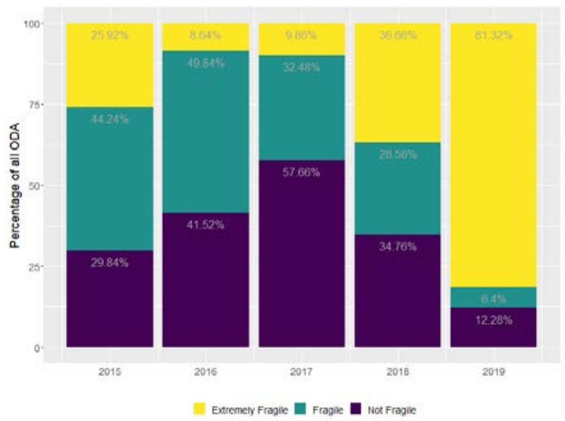
ODA from multilateral donors



ODA from China

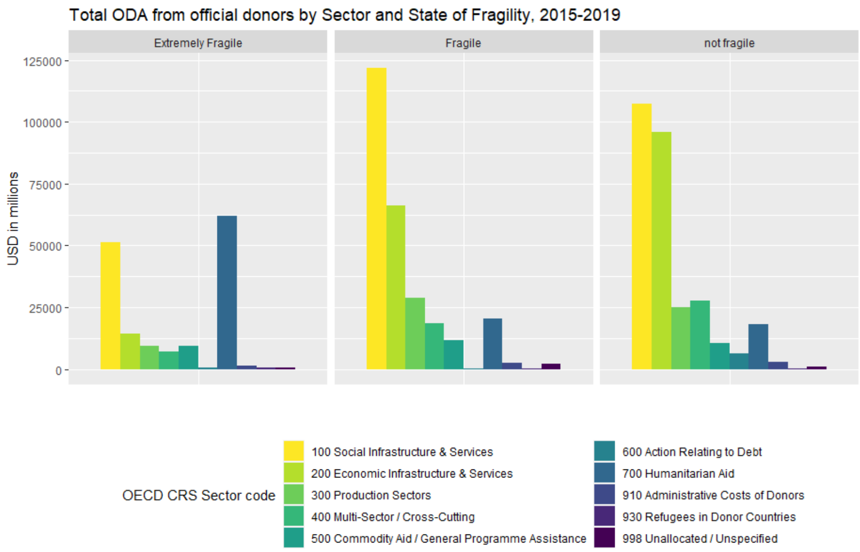


ODA from non-DAC bilateral donors



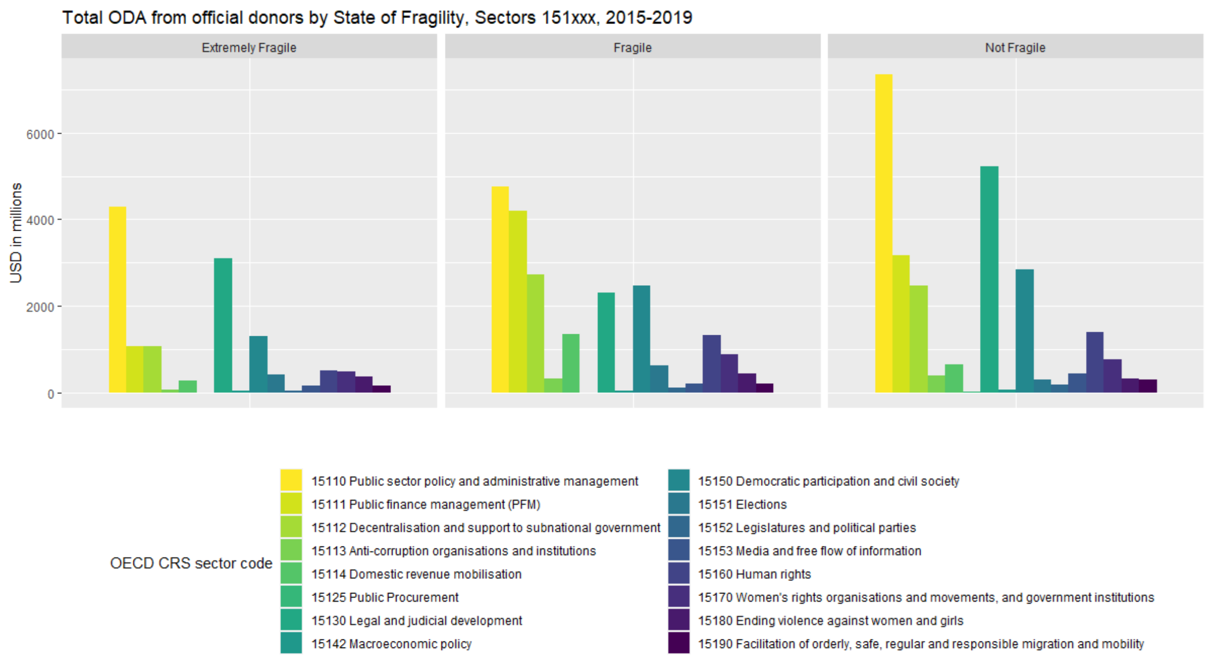
Source: OECD *States of Fragility* (OECD 2016, 2018, 2020), Dreher et al. (2022), panel D excludes ODA from China.

Figure 3: ODA by sector



Source: same as Figure 2.

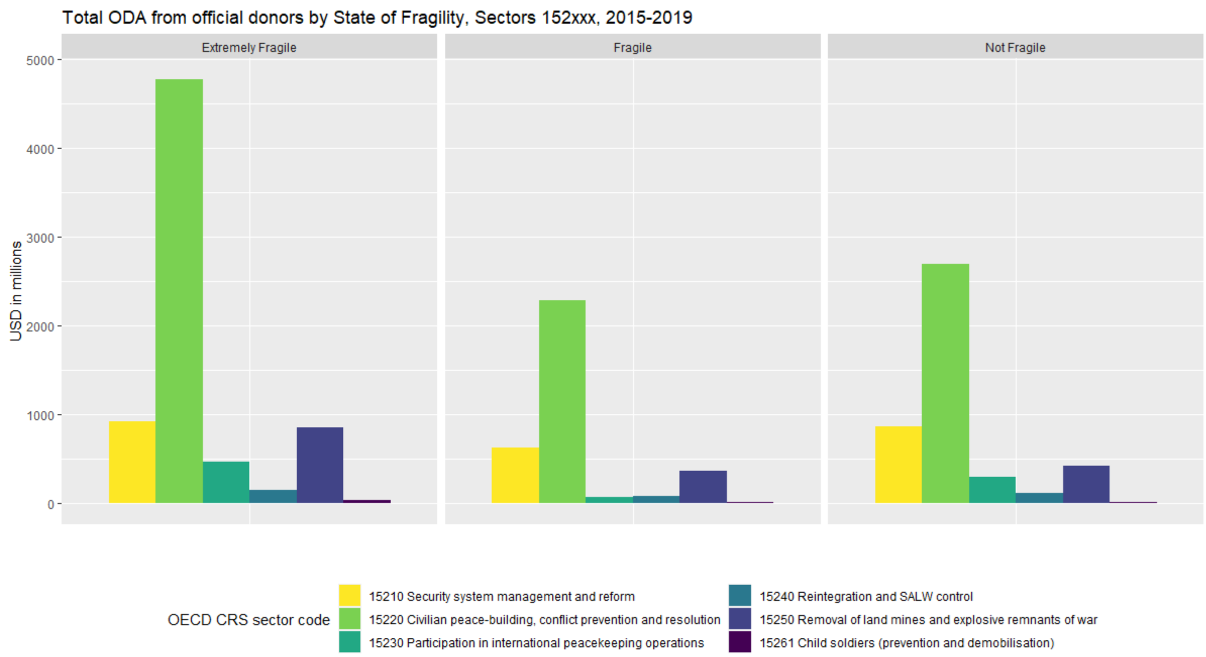
Figure 4: Aid and government & civil society



Source: same as Figure 2.

We now switch our attention to aid for 'conflict, peace & security' in Figure 5. The three largest sub-categories of aid for all three recipient categories are (i) peace building, (ii) security system management and reform, and (iii) the removal of landmines and explosive remnants of war. Extremely fragile countries receive almost more than double the aid to their security sector than fragile and non-fragile countries. However, it is striking that the pattern of aid at this sub-category level looks similar for the fragile and non-fragile countries.

Figure 5: Aid and conflict, peace & security



Source: same as Figure 2.

In summary, we find that there is considerable donor proliferation in extremely fragile countries in relation to fragile and non-fragile countries. This suggests that aid effectiveness is potentially lower in extremely fragile countries as donor proliferation is likely to suggest lack of coordination between different donors and duplication of efforts in some sectors. This is especially problematic in extremely fragile countries, which also exhibit high levels of aid dependence in relation to other countries. This could become a strong concern over the long term with extremely fragile countries at risk of further aid dependence and large debt repayments to international donors.

As expected, extremely fragile countries receive more ODA than other countries and are, thus, more dependent on foreign assistance. Bilateral DAC donors provide more aid to extremely fragile countries than multilaterals, but multilaterals provide more of their aid to fragile countries. We observe, in particular, that between 2016–19 China shifted aid away from non-fragile to fragile countries. This is an interesting finding to be explored in future research as it may herald new structures in how bilateral donors engage in these contexts.

Another important pattern we observe has to do with sectoral allocation of aid across states of fragility. We observe almost no difference in sectoral allocation of aid between non-fragile and fragile countries, although extremely fragile countries receive more humanitarian aid and less aid for social and economic infrastructure than other countries. In particular, we observe also almost no difference in aid allocated to conflict, peace, and security in fragile and non-fragile countries, with the exception that extremely fragile countries receive more aid targeted towards civilian peace building initiatives. These results suggest that much more needs doing to shift the attention—and understanding—of donors towards the specific needs of extremely fragile and fragile countries where questions of peace and security ought to feature more predominantly in how aid is allocated. Given that several politically unstable countries are classified as fragile—and at risk of moving towards extremely fragility—this pattern of aid allocation may need further scrutiny.

5 Conclusion

We discussed in this paper a burgeoning literature on the impact of development aid on peace and on governance, two key outcomes when addressing fragility. This is not a question that can be answered conclusively given all the challenges we discussed around aid data and how aid flows are accounted for. In a way this also explains why recent advances in understanding the effect of development aid and peace and governance outcomes in fragile countries have concentrated on the evaluation of concrete programmes in specific countries (like CDD and cash transfer projects), rather than providing a more global picture of the effectiveness of development aid in these settings.

Our analysis shows that it is unclear whether aid flows to extremely fragile and fragile countries take into consideration the specific characteristics of these countries. We see some differences in aid allocations for extremely fragile countries, largely because these are countries where armed conflict is either ongoing or the threat of reignition is persistent and humanitarian needs are large. These are also countries where Western donors have specific military and geopolitical interests. However, we observe almost no difference in aid allocations to fragile countries outside the 'extreme fragility' list and other recipients of development aid. This is concerning given the challenges faced by many of these countries in terms of strengthening institutional capacity and security. This is also particularly problematic because it confirms existing arguments on how development aid in fragile countries is largely disconnected from the political settings and frameworks in which it is implemented (Mansuri and Rao 2012; Justino 2019; Verwimp et al. 2019). As illustrated in the table in the appendix, there is a very large variation in institutional settings of countries classified as extremely fragile and fragile. These vary from weak states where armed conflict is ongoing (e.g., DRC, South Sudan, Yemen, Somalia), states with strong state capacity but high risk of violence (e.g., Angola, Mozambique, Nigeria, Pakistan), strong autocratic states where violence is under control but at the cost of human rights violations and repression of civil society (e.g., Rwanda, Ethiopia until recent events ignited war), and functioning democracies with clear pockets of fragility (e.g., Colombia, Brazil, Mexico) (Justino 2022). Given this variation, it is unlikely that the current 'one-size-fits-all' approach to aid will work to reduce fragility. It is also important to remember that the management of development aid flows involves myriad actors with specific interests such as politicians, citizens, rebel groups, local authorities, the military, and local communities. All these different actors have their own interests in all countries, but these political economy considerations are particularly acute in fragile countries where state institutions and rule of law are weak and often unable to manage such competing interests in ways that reduce the risk of violence and instability (Justino 2022). International donors need to be attuned to these specific challenges as development aid may exacerbate existing divisions rather than attenuate them.

Another important consideration that will require further attention in the future as donors increasingly focus on fragile countries, is the fact that peace and governance can only be strengthened over the very long term. Institutions, attitudes, and norms that support strong and inclusive state institutions take generations to build, as the recent events in Afghanistan clearly demonstrate. It is also important that demand is created among citizens for such changes, alongside interventions implemented at state level to promote political reform. This requires strong donor commitment over the long term (rather than short project cycles) if their commitment to ending fragility is serious.

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Appendix

Table A1: Country classifications

Extremely fragile states	Fragile states	Non-fragile states	Micro states
Afghanistan	Angola	Albania	Antigua and Barbuda
Burundi	Bangladesh	Algeria	Belize
Central African Republic	Burkina Faso	Antigua and Barbuda	Dominica
Chad	Cambodia	Argentina	Grenada
Congo	Cameroon	Armenia	Kiribati
Democratic Republic of the Congo	Comoros	Azerbaijan	Maldives
Eritrea	Congo	Belarus	Marshall Islands
Ethiopia	Cote d'Ivoire	Belize	Micronesia
Haiti	Democratic People's Republic of Korea	Benin	Nauru
Iraq	Djibouti	Bhutan	Palau
Mali	Egypt	Bolivia	Saint Lucia
Somalia	Equatorial Guinea	Bosnia and Herzegovina	Saint Vincent and the Grenadines
South Sudan	Eritrea	Botswana	Samoa
Sudan	Eswatini	Brazil	Sao Tome and Principe
Syrian Arab Republic	Ethiopia	Cabo Verde	Seychelles
Yemen	Gambia	Cambodia	Tonga
	Guatemala	Chile	Tuvalu
	Guinea	China (People's Republic of)	Vanuatu
	Guinea-Bissau	Colombia	
	Honduras	Cook Islands	
	Iran	Costa Rica	
	Kenya	Cuba	
	Lao People's Democratic Republic	Djibouti	
	Lesotho	Dominica	
	Liberia	Dominican Republic	
	Libya	Ecuador	
	Madagascar	Egypt	
	Malawi	El Salvador	
	Mali	Equatorial Guinea	
	Mauritania	Fiji	
	Mozambique	Gabon	
	Myanmar	Georgia	
	Nepal	Ghana	
	Nicaragua	Grenada	

Niger	Guyana
Nigeria	India
Pakistan	Indonesia
Papua New Guinea	Iran
Rwanda	Jamaica
Sierra Leone	Jordan
Solomon Islands	Kazakhstan
Tajikistan	Kiribati
Tanzania	Kosovo
Timor-Leste	Kyrgyz Republic
Togo	Kyrgyzstan
Uganda	Lebanon
Venezuela	Lesotho
West Bank and Gaza Strip	Malawi
Zambia	Malaysia
Zimbabwe	Maldives
	Marshall Islands
	Mauritius
	Mexico
	Micronesia
	Moldova
	Mongolia
	Montenegro
	Montserrat
	Morocco
	Namibia
	Nauru
	Nepal
	Nicaragua
	Niue
	North Macedonia
	Palau
	Panama
	Paraguay
	Peru
	Philippines
	Rwanda
	Saint Helena
	Saint Lucia

	Saint Vincent and the Grenadines
	Samoa
	Sao Tome and Principe
	Senegal
	Serbia
	Seychelles
	South Africa
	Sri Lanka
	Suriname
	Thailand
	Timor-Leste
	Togo
	Tokelau
	Tonga
	Tunisia
	Turkey
	Turkmenistan
	Tuvalu
	Ukraine
	Uruguay
	Uzbekistan
	Vanuatu
	Viet Nam
	Wallis and Futuna
	West Bank and Gaza Strip