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Aid to Fragile States

Do Donors Help or Hinder?

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Abstract

The record of aid to fragile and poorly-performing states is the real test of aid effectiveness. Rich countries can justify aid to fragile states both through altruism and self-interest. But, with some exceptions, donors have appeared at the wrong times and with the wrong attitudes, even sometimes undermining development progress.

State failure has dimensions of both will and capacity. Failure demands constructive engagement by donors, in some cases to save people in weak states from their leaders, and in all cases to save the states from circumstances which they cannot control. This paper examines the aid relationship with respect to three weak countries. Burma presents a case of comprehensive failure of political will and capacity, but isolating the regime, as some donors have chosen to do, will only perpetuate the plight of the population. Rwanda provides an alarming example of donor complicity in state collapse. The country has now rebounded from the terrible genocide of 1994, but some donors still cannot set aside their political and cultural biases. Zambia has lived through many years of bilaterally-assisted economic mismanagement, and also proved to be a

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Keywords: fragile states, state failure, conflict, development aid, donors, donor coordination, capacity development, leadership, least developed countries, human development, Millennium Development Goals

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highly unsuitable case for Bretton Woods treatment. It is doing better now that the country is more willing and able to take control of its development agenda.

The paper concludes with eight principles for donors to observe in engaging more productively with fragile states.

Acronyms

ASEAN	Association of Southeast Asian Nations
DAC	OECD's Development Assistance Committee
DFID	Department for International Development (UK)
GNI	gross national income
HDI	human development index
IDA	international development association
LICUS	low-income countries 'under stress'
LDCs	least developed countries
MDGs	Millennium Development Goals
MTEF	medium-term expenditure framework
PEMFAR	public expenditure management and accountability review
PRIDE	Poverty Reduction in Difficult Environments
PRSP	poverty reduction strategy paper
SADC	South Africa Development Community
SLORC	State Law and Order Restoration Council (of Burma)
SPDC	State Peace and Development Council (of Burma)
USAID	US Agency for International Development

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> When countries give foreign economic aid, they have many motivations: humanitarian impulses, strategic concerns, interest group politics and simple bureaucratic inertia. We compared the amount of foreign aid countries receive per capita with the [Failed States] index ranking and found that the countries at greatest risk of collapse often get paltry amounts of aid. The exceptions appear to be countries that have been the recipients of large-scale international military intervention.
>
> *Foreign Policy Magazine* (Washington DC, June 2005)

> Although Australia has been a generous donor to East Timor, the Australian Government is reaping over $1 million per day from oil and gas in a disputed area of the Timor Sea that is twice as close to East Timor as it is to Australia. Australia has received nearly ten times as much revenue from Timor Sea oil and gas than it has provided in aid to East Timor since 1999 … Australia has access to two-thirds of the known oil and gas deposits in the Timor Sea, even though a maritime boundary set according to international law could deliver most, if not all, these resources to East Timor.
>
> Oxfam Australia (2004a)

1 Introduction

Strong powers used to fear each other. Now their concerns emanate from states that are fragile and which threaten global stability. These states are still numerous; by most definitions, at least one-third of all developing countries. And they harbour up to 1.5 billion people, almost a quarter of the world.

Fragile states are of universal concern because they are the source of many of the most challenging global problems. Many are chronically prone to conflict—with more than a dozen civil wars raging at any one time. Some are major exporters of narcotic drugs (Afghanistan, Burma, Colombia). Some are developing nuclear weapons and exporting the capability to develop them (North Korea and Pakistan). They are incubators of violence and terrorism, such as Afghanistan under the Taliban regime and Somalia today. In the zones of death, people are displaced, property is destroyed and natural resources are plundered. Weak states are also host to traffickers of people and to the still widespread practice of slave-labour. People quit failing states under the threat of persecution or economic deprivation and seek asylum or refugee status elsewhere.

Fragile states are also stalked by the silent crises of peacetime. People still starve to death in them—as in some of the West African countries in 2005—and epidemic diseases can grow and spread alarmingly. The HIV/AIDS pandemic is the most obvious example, with 40 million carriers of the virus worldwide and 5 million additional infections every year. The much older disease of malaria—until recently the cause of even higher mortality rates in Africa than HIV/AIDS—has been almost completely eradicated in many tropical countries, but continues to afflict countries which have not applied the resources to sustain national campaigns. And polio, a disease spread by poor sanitation, but which can be controlled through universal immunization with a vaccine discovered 50 years ago, is still endemic in six countries (Afghanistan, Egypt, India, Niger, Nigeria and Pakistan). In 2005, it was carried across borders to several others, including Indonesia and Yemen.

Richer countries have more reasons than ever to address this new world disorder. But the record has been uneven, to say the least. The world power has helped to create a failed state, for a variety of self-interested motives, contributing to even greater global insecurity. The aid supposed to support Iraqi reconstruction has been mired in distortions designed to maximize the benefits for US companies.[1,2] Elsewhere, donors have been inconstant partners. Many of the most fragile countries receive little assistance. Just as with all developing countries, donors have many criteria for allocating—or not allocating—aid.

But even if need were the main incentive, trying to compensate for failure poses dilemmas. It is in the failing states where the intended beneficiaries of aid—the poor and marginalized—are worst off and who most urgently need to be reached. But under the prevailing orthodoxy, donors are inclined to withhold aid from governments with weak policy and governance records. Aiding fragile states carries high stakes. Aid driven by motives other than need can be destructive. But the right aid applied in the right manner can transform the prospects of millions of people.

This paper examines state failure as an aid concern—and the failings of aid in the face of fragility. It first looks at poor development performance as a criterion for state failure. It then examines the anatomy of failed states and enquires about some common causes, taking a closer look at three states in particular: Burma, Rwanda and Zambia. Finally it asks how donor engagement could address the twin challenges of state failure: lack of political will and incapacity.

2 Failing development performance

The notion of development laggards is not new. In 1971, the UN identified a category of 25 least developed countries (LDCs) defined by three sets of criteria: low income levels (less than gross national income (GNI) per head of US$775); a low human assets index (a composite of nutrition, health, education and adult literacy); and high economic vulnerability (volatility of agricultural production and trade, small economic size and proneness to natural disasters). Least developed status was consistent with the traditional orthodoxy of aid entitlement. It was equated with a priority for aid, as compensation for what was construed as inherent disadvantage. Within the overall target of 0.7 per cent of GNP for aid from the OECD countries, a target of 0.15–0.20 per cent was established for the LDCs, although it was never respected. (OECD aid for the LDCs actually fell by 20 per cent in real terms during the 1990s, which is much more than the overall aid decline.)

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1 E.g., Krugman (2006). Electric power could have been restored much faster if existing plants had been rebuilt by the original European contractors. Instead, US companies started building new ones.

2 Indeed the cost of destroying and then attempting to rebuild the state of Iraq—recently estimated at US$2 trillion (sic)—is so monumental as to make arguments about the value of aid rather spurious.

The sole graduate from this dismal club is the well-governed Botswana. Otherwise, the overall numbers of the LDCs have grown steadily and there are now 50, seeming to vitiate the criteria of natural disadvantage. Most LDCS would be unambiguously included among the poorest performers.

For many years, countries were compared using data of GNP growth and levels of income per head. From 1990, the UN Development Programme broadened the income criterion and began analysing development performance by ranking countries according to a human development index (HDI).[3] The rankings immediately enlivened the development debate, especially because they were published at a time when many bilateral donors were reviewing their criteria for beneficiary selection.[4]

Development results, and especially human development outcomes, provide an objective basis for determining individual country performance. There is now a wide range of indicators of overall performance available and in this section we look at a sample of empirical surveys. Depending on the definitions used, the number of poor performers ranges from around 30 to 60, which is a significant proportion of aid clients (see Table 1).

Other contemporary research has defined a failing state as ‘a low-income country in which economic policies, institutions and governance are so poor that growth is highly unlikely’, a more recent study suggests that almost all the countries in our table (for which data are available) show a consistently poor performance. Some are described as failing for more than 20 years (Chauvet and Collier 2005).

The most comprehensive and most widely acknowledged set of indicators for developing country performance tracking is the Millennium Development Goals (MDGs). The MDGs are based on the seven international development goals originally drawn up by the OECD in 1996, which were derived from a selection of targets defined by the global development conferences convened by the UN during the 1990s. There is nothing really new about these goals. A version of these OECD goals was incorporated into the Millennium Declaration which emerged from the Millennium Summit of world leaders called by the UN in September 2000.[5] Following the Summit, an eighth goal, containing mainly the obligations of the developed countries was added (UNDP 2003a).[6]

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3 The HDI is a composite index which purports to measure average achievement along three dimensions of ‘human development’: longevity, knowledge and standard of living. For these it uses proxies: life expectancy for longevity; a combination of adult literacy and gross combined enrolment rates for knowledge; and a normalized calculation of GDP per head for standard of living. The HDI is measured from 0 to 0.100 and a level below 0.500 is determined to be ‘low human development’.

4 UNDP was actually expelled from Oman because of an observation in a Human Development Report comparing the country unfavourably with Costa Rica.

5 The term ‘Millennium Development Goal’ was first used in a country progress report on Tanzania, developed by the author in February 2001.

6 Even though it was an obvious quid pro quo for monitoring developing country performance, the idea of goal 8 was strongly opposed by some of the donors at first. One of the most vocal opponents was the UK Secretary of State at the time, although subsequently the British government became more supportive.

Table 1
Fragile states by different definitions

Country[a]	LDCs[b]	Low & falling HDI	MDG under-performer[c]	LIPPS[d]	Corruption perception index (out of 145) 2004	Conflict-prone[e]
Afghanistan	√		√		na	√
Angola	√		√		133	√
Bangladesh	√			√	145	
Benin	√		√		77	
Bhutan	√				na	
Burkina Faso	√		√	√	na	
Burma (Myanmar)	√				142	√
Burundi	√	√	√		na	√
Cambodia	√				na	√
Cameroon		√	√	√	129	
Central African Rep.	√	√	√	√	na	√
Chad	√		√	√	142	
Congo DR	√	√	√		133	√
Congo Rep.			√		114	√
Equatorial Guinea	√				na	
Eritrea	√				102	√
Ethiopia	√		√	√	114	√
Gabon					74	
Gambia	√			√	90	
Guinea	√		√	√	na	
Guinea-Bissau	√			√	na	
Haiti	√		√	√	145	√
Indonesia					133	√
Côte d'Ivoire		√		√	133	√
Kenya		√	√	√	129	
Korea, North		(√)	(√)		na	
Laos	√			√	na	
Lesotho	√		√		na	
Liberia	√		√		na	√
Madagascar	√		√	√	82	
Malawi	√				90	
Mali	√		√	√	77	
Mauritania	√		√	√	na	
Mongolia			√		85	
Mozambique	√		√		90	√
Nepal	√			√	90	√
Niger	√		√	√	122	
Nigeria			√	√	144	√
Pakistan				√	129	√
Papua New Guinea					102	√
Rwanda	√		√	√	na	√
Senegal	√			√	85	
Sierra Leone	√		√		114	√
Somalia	√				na	√
Sudan	√		√		122	√

Table 1 continues

Table 1 (con't)
Fragile states by different definitions

Country[a]		LDCs[b]	Low & falling HDI	MDG under-performer[c]	LIPPS[d]	Corruption perception index (out of 145) 2004	Conflict-prone[e]
Tanzania		√	√	√	√	90	
Timor-Leste		√				na	√
Togo		√		√	√	na	
Uganda		√			√	102	√
Yemen		√		√	√	112	
Zambia		√	√	√	√	102	
Zimbabwe			√	√	√	114	
TOTALS	**52**	**40**	**9**	**32**	**28**		**25**

Notes: [a] Excluding the smallest states and the transition countries;

[b] Excluding: Cape Verde, Comoros, Djibouti, Kiribati, Maldives, Samoa, Sao Tome & Principe, Solomon Islands, Tuvalu, Vanuatu;

[c] Countries listed as 'top priority' for attainment of two or more MDGs (Source: UNDP 2003a);

[d] Low-income poorly performing states, defined by Center for Global Development, Washington, DC;

[e] Open civil or international armed conflict since 1990. See also Annex on Episodes of State Failure.

A comprehensive analysis of country performance in terms of MDG achievement was undertaken by the UN Development Programme in 2003 (UNDP 2003). The report identified some 30 'top priority' countries, signifying failure to make progress towards achieving the goals from already very low starting levels, and a further similar number of 'high priority' countries, which either harbour acute poverty levels and are making moderate progress towards the goals, or have medium poverty levels but are regressing. Countries are designated as top or high priority according to different goals (see Table 2).

Of the countries in the poor-performers table, 32 are included in the top priority category for MDG non-achievement in two or more areas. Unfortunately, even this figure is probably understated because of data shortfalls. Intuitively, Burma, North Korea and Somalia would probably belong here too. Some of the transition countries from the former Soviet bloc (such as Tajikistan) would also be included. On the basis of the data available, the worst all-round performers were Burundi, Central African Republic, Democratic Republic of Congo, Guinea, Madagascar, Sierra Leone, Tanzania and Togo, which all underperformed in three or more of the MDG criteria. The results confirm the predominance of Sub-Saharan Africa as the region of greatest concern.

There are also inconsistencies in MDG performance. Countries which perform worse on some indicators perform better on others. There are variations over time. But while there is no definitive list of consistent under-performers, up to one-third of all developing countries are, by different measures, falling short of sustainable development progress.

Table 2
MDG poor performers*

Top priority	High priority
Income poverty (Goal 1)	
Angola, Burundi, Cameroon, Central African Republic (CAR), Chad, Congo, DR Congo, Gambia, Guinea-Bissau, Côte d'Ivoire, Kenya, Madagascar, Niger, Nigeria, Rwanda, Sierra Leone, Tanzania, Togo, Zambia, Zimbabwe	Gabon, Mauritania, Senegal, Swaziland
Mongolia	Pakistan
Ecuador, Haiti, Honduras	Algeria
	Bolivia, Jamaica, Paraguay, Venezuela
Hunger (Goal 1)	
Burundi, DR Congo, Kenya, Lesotho, Liberia, Madagascar, Rwanda, Sierra Leone, Tanzania, Zambia	Botswana, Burkina Faso, CAR, Congo, Gambia, Niger, Senegal, Swaziland, Zimbabwe
Afghanistan, Bangladesh, Mongolia, North Korea	Cambodia, India, Nepal
Iraq, Somalia, Yemen	Cuba, El Salvador, Guatemala, Panama, Trinidad, Venezuela
Dominican Republic, Nicaragua	
Primary education (Goal 2)	
Burkina Faso, Burundi, CAR, DR Congo, Mozambique, Niger, Tanzania	Botswana, Eritrea, Gambia, Côte d'Ivoire, Mali, Namibia, Senegal
Iran, Oman, Saudi Arabia	United Arab Emirates
	Chile, Honduras, Venezuela
Gender equality (Goal 3)	
Burkina Faso, Burundi, Eritrea, Ethiopia, Guinea, Mali, Mozambique, Niger, Sierra Leone, Togo	Cameroon, Congo
	India, Laos
	Iraq
Child mortality (Goal 4)	
Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, CAR, Chad, Congo, DR Congo, Ethiopia, Côte d'Ivoire, Kenya, Lesotho, Liberia, Mali, Mauritania, Nigeria, Rwanda, Senegal, Sierra Leone, Swaziland, Tanzania, Togo, Zambia, Zimbabwe	Eritrea, Equatorial Guinea, Gabon, Gambia, Guinea-Bissau, Madagascar, Malawi, Mozambique, Niger, South Africa, Uganda
Afghanistan, Cambodia	Burma, North Korea, Papua New Guinea, Pakistan
Iraq, Somalia, Sudan	Lebanon, Yemen
	Haiti
Access to water (Goal 7)	
Ethiopia, Guinea, Madagascar, Mauritania, Togo	Cameroon, Malawi, Côte d'Ivoire, Namibia, Niger, Nigeria, South Africa, Uganda
Papua New Guinea	China, Philippines
Libya, Oman	Trinidad
Haiti	
Access to sanitation (Goal 7)	
Benin, CAR, Ethiopia, Guinea, Madagascar, Mali, Mauritania, Niger, Nigeria, Togo	Botswana, Burundi, Cameroon, Chad, Côte d'Ivoire, Malawi, Namibia, South Africa, Zimbabwe
Sudan, Yemen	Bangladesh, China, India, Indonesia, Nepal, Papua New Guinea
Dominican Republic, Haiti	Brazil, Mexico

Note: * Excluding the smallest states and countries in transition, and subject to availability of country data. Source: UNDP (2003a).

3 Fragility factors: maturity, government size, leadership, conflict

What are the origins of fragility? And what are the conditions and circumstances which cause states to become and remain fragile? In this section we review several of the factors which help to explain why some developing countries are weaker and more poorly governed than others, starting with history.

3.1 Maturity

Some independent states have existed for many centuries; several millennia in the case of China. But most developing countries have led an independent existence for only a few decades, since the post-war end of colonialism. The so-called transition countries emerged (or re-emerged) when the Soviet Union splintered in 1991. Some states—such as Timor-Leste (2002)—are even newer than that, and some are still emerging—Kosovo. Some states in the modern era have, in a sense, already come and gone: Somalia lasted for barely 30 years as a unified territory and is trying again to reconstitute itself.

Longevity confers confidence and identity, and while it does not guarantee capability, it is true to say that most of today's fragile states are among the newest. The experience of the post-war states has been highly variegated, however. Inevitably, the degree of colonial penetration was a major factor in these experiences, particularly in Asia and Africa, from where most of the post-war states emerged.[7] (In Latin America, decolonization had been much earlier). In Asia, colonial rule was broad and shallow. There were not the resources to maintain a large presence, and given the strength of culture and religion, local elites were empowered as much as they were co-opted. Mostly, states emerged strongly from the colonial presence, but statehood was under assault from cold war rivalry in Indochina and the Korean peninsula, and by the contestation by minorities in several countries. The two states which were not formally colonized—Nepal and Thailand—were both under authoritative regimes, but adjusted very differently to the new era.

In Africa, states in many cases had been the original creation of colonial powers, with national boundaries clumsily etched across ethnic lines. Some were thus inherently artificial and the deeper colonial presence attempted to foster new (western) traditions of education, religion and culture. Moreover, statehood was superimposed on the powers of local chiefdoms, whose authority had been determined in traditional ways, including heredity. Statehood was not underlined by 'nationhood' in the single-people sense and was an inherently unfamiliar concept. It tended to be identified with, and driven by, one strong man,[8] often a pioneer of the independence movement. Some of these states became what have been described as 'neo-patrimonial'. They depend on personalized exchanges, clientelism and politics by patronage. There is a strong executive—i.e. the male head of state—a weak judiciary and parliament and a corrupt and ineffective civil service (Bratton and van de Walle 1997).

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7 See discussion in Pinkney (2003).

8 In our table of fragile states, only two—Bangladesh and Liberia—are headed by women.

3.2 Big government

These executives were strong because much was expected of the state at independence. Worldwide, the growth of government had followed from the conduct of and recovery from two world wars. In the developing world, it was natural for the new governments to grasp the levers of political, social and commercial control. There was a patriotic attachment to big government and a prevailing sentiment of state nationalism.

In most of the newer states civil society was weak, or lacking altogether. There were no organized social groups or political parties which states were required to accommodate and adjust to. The authoritarian governments which most often emerged in the newer states were thus ‘filling a vacuum that would have been filled in Europe by political parties, pressure groups, and a variety of autonomous bodies (Pinkney 2003).[9] In most developing countries, the emergence of civil society, which helped to dilute the monopolization of political power by the state, was to come much later.

The newly independent states also assumed wide-reaching economic powers made fashionable by the successful examples of state intervention in the west epitomized by the Marshall Plan, the emerging welfare systems and Keynesian-style demand management. The Soviet Union also provided a central planning model for many countries. Newly independent states took responsibility for building infrastructure, developing infant industries, directing agricultural production and playing a large part in the allocation of resources, including through the administering of prices and subsidies and the control of labour, foreign exchange and financial markets (World Bank 1997).

These extensive powers of the state were used to very different effect. In some countries (including the East Asian tigers: Korea, Taiwan, Hong Kong, Singapore), government built an efficient and well-coordinated planning system, while also investing in human resources through the social sectors. The private sector also thrived and was provided with incentives to develop. But in many other countries, state-led development turned out very differently. Public sectors became bloated and were run inefficiently, and the monopolistic powers of governments—often with political power overlapping with commercial and economic interest—left very little space for independent private enterprise and initiative to flourish. The ‘dirigiste dogma’ (Lal 1983) was driven as much by form as by function. Big government seemed the natural accompaniment of development and alternative means of public goods and service provision were never explored.

An acid test of state effectiveness was the use of resources. Some developing countries used the commodity price booms of the early 1950s—and indeed in 2006—as a basis to expand state activities, but never adjusted to the ensuing decline in revenues. The oil price shocks of the 1970s were a proving ground. Some oil exporters, such as Malaysia, built productively on their windfall while others, such as Nigeria and Angola, used it

9 Pinkney (2003). See also IDS (2005): ‘Many countries in the South today have formal institutions of representation, accountability and administration built on models transferred from OECD countries, but they often work very differently. They lack legitimacy and effectiveness because they were not forged through a political process of state/society negotiation, and are not supported by socioeconomic structures that encourage organization around broader, common interests. In particular, organization around ethnic identity rather than economic interests can be problematic because the former is less likely to provide a basis for compromise, and for identifying positive sum outcomes’.

wastefully. For many oil importers, the shocks were disastrous. Many were driven to a level of indebtedness from which they have never recovered. But not all. In some, like South Korea, the government built economic strength through a deliberate policy of diversification.

3.3 Leadership

Leadership qualities have also played a critical part in determining development capacity, particularly in younger, institutionally immature states, where the character of the ruling elite, and particularly the head of government, can exert a major influence. Even in the absence of democratic institutions, enlightened and committed leadership can be instrumental in guiding countries onto paths of solid progress. But ill-motivated leadership will have the opposite result. Strong leaders can, for good or ill, create or influence policies and lay down norms of procedure and execution. Their personality and example is a further guiding factor. In many developing states, strong leaders often emerged from within the most disciplined and cohesive institution—the armed forces—which then served to buttress the leader's position. The manner in which they have led, however, has then depended on their personalities and their patterns of co-opting support within the elite: in the best case, by soliciting individuals on the basis of merit; in the worst case, through family and crony relationships. The record of generals has mostly been egregious. From Argentina to Burma, from Liberia to Zaire, development has suffered the depredations of military men.

Damaging leadership has not been confined to military dictators; civilian leaders have also presided over self-interested kleptocracies. But there have also been some shining exceptions. Seretse Khama, the first President of Botswana, inherited an impoverished state from British tutelage in 1966. For the next 14 years, until his death in office in 1980, Botswana had one of the fastest growing economies in the world, turning revenues from beef, copper and diamonds into investments in infrastructure, education and health. President Khama used his authority to foster democracy and promote the rule of law, helping to set the country on a course of steady progress, which has been followed by his two successors (Quett Masire in 1980, and Festus Mogae in 1998).[10]

In pre-modern states, Weber (1946) emphasizes the significance of charisma and tradition in the vesting of authority. Charisma is the factor that precipitates the emergence of an individual leader, but tradition begets continuity and can reinforce dynastic tendencies, handing succession down the generations. It can also perpetuate authoritarian rule. The nature of leadership, and of its perpetuation, can take a very different hold over the fortunes of new states. Contrast the divergent fortunes of the two halves of the culturally homogeneous Korean society, led down different paths by strong but very differently motivated authoritarian regimes. One half has joined the OECD club of rich democracies as a full-fledged industrial power, while the other is a quintessential failed state and one of the single greatest threats to global security.

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[10] Botswana today has one of the highest levels of per capita income in Africa. But its success has not been entirely unalloyed: it suffers from chronic inequality, a very high rate of HIV/AIDS incidence and one of the lowest life expectancies in the world.

Some states that have benefited from strong and developmentally-effective leadership have never been democracies (Uganda, Vietnam). But most have become more democratic and clearly choice provides a better guarantee of good leadership. With very few exceptions, poorly-led crisis states have remained undemocratic and fragility and weakness are perpetuated where leaders are resistant to more democracy.

3.4 Conflict

Within the developing world, those states which have made the least progress and have remained mired in low income and high poverty levels have been the most prone to conflict, while those which have done relatively better have reduced the risks of conflict and insecurity. Here the statistical correlations are quite solid: there is a close empirical relationship between civil war and low income. Poverty increases the likelihood of civil war and war is a prime cause of poverty. Conflict vulnerability is also chronic: within five years, half of all countries securing peace slip back into conflict (Collier et al. 2003). In our table of fragile states, nearly half of the poor performers are listed as conflict-prone.

Over the last four decades, following completion of the main independence wave, there was a substantial increase in the number of civil wars. The 1990s saw a subsequent reduction. But while wars have been contained in Angola, Guatemala, Liberia, Mozambique, Peru and Sierra Leone, some long-standing conflicts have continued to fester (e.g., in Burma, Colombia, Indonesia, Papua New Guinea, Somalia, Sri Lanka, Sudan and Uganda) and some new conflicts have started or been re-kindled (Afghanistan, Côte d'Ivoire, Haiti and Nepal).[11]

Civil war incurs huge costs and has been described as development in reverse. The human cost through loss of life is compounded by injury and permanent disability. There are also the psycho-social consequences associated with the destruction of livelihoods and the concern for survival. Economies are undermined, not just at the local level, but through the diversion of resources into expanded military budgets, at the expense of social development.

Unfortunately, the impact of civil conflicts is rarely confined within one country. Fragility is exacerbated by conflict in a contiguous state. Civil wars in recent years in Afghanistan, Angola, Burma, Colombia, Congo (Democratic Republic), Liberia, Rwanda, Somalia—and now Iraq—have all burst their borders, adding to refugee burdens and destabilising their neighbours.

4 Aiding fragility

For the OECD's Development Assistance Committee (DAC) fragile states constitute 'difficult partnerships', a term coined to connote countries (OECD/DAC 2001):

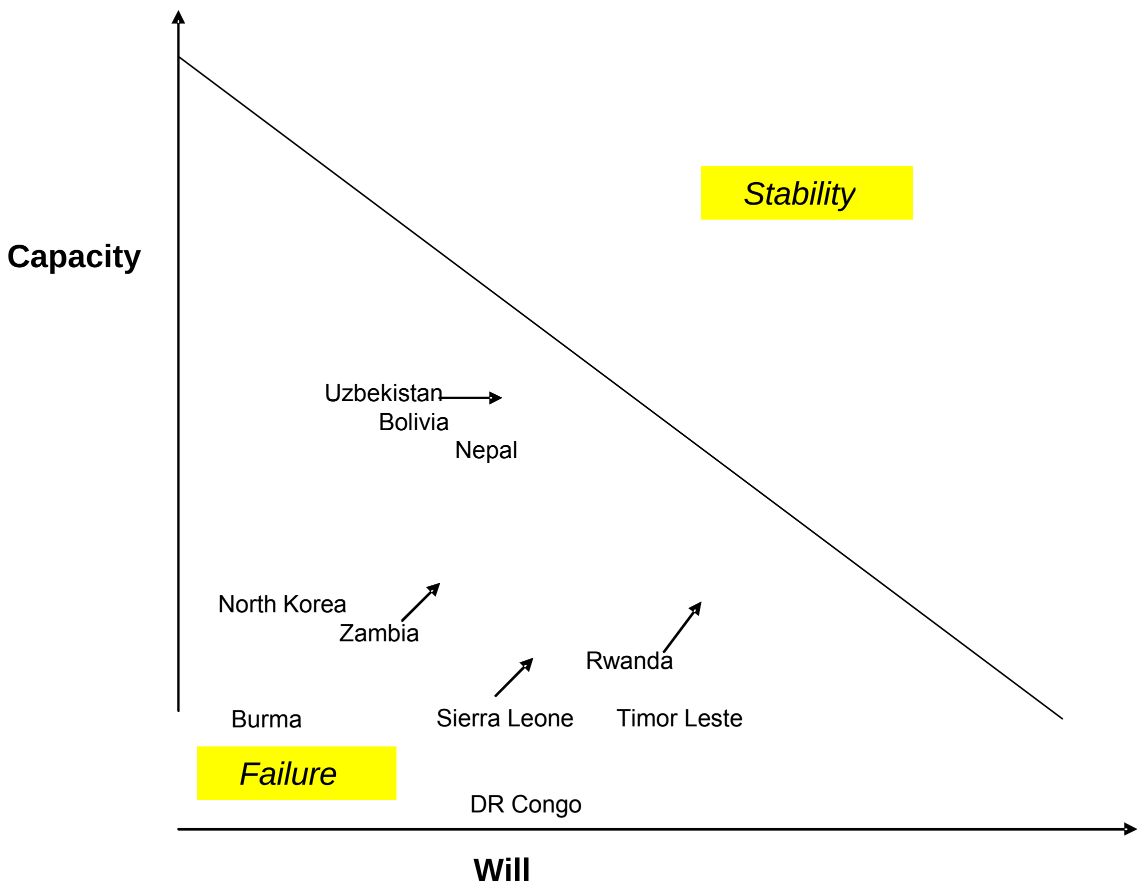
[11] During the 1990s an estimated six million people were killed in violent conflict, most of them poor and civilian. Some 40 million people were internally displaced or became refugees, 80 per cent of them women and children.

where development objectives play little role compared with prolongation of power, with the result that partner governments do not have credible commitment to effective policies and their implementation….corruption and political repression, among other characteristics, are commonly associated with such regimes

In 2002, the World Bank identified a category of low-income countries 'under stress' (LICUS), which pose liabilities for its lending portfolio. They include the delinquent debtors and the least bankable clients. Among bilaterals, the UK's Department for International Development (DFID) has defined a target group called Poverty Reduction in Difficult Environments (PRIDE). DFID talks about 'difficult environments' where the state is 'unwilling or unable to harness domestic and international resources for poverty reduction'. The US Agency for International Development (USAID) refers to 'failing, failed and recovering states' and stresses concerns of conflict and security (USAID 2005).

As these definitions imply, there are two dimensions of state fragility which donors seek to address: lack of political *will* and weak development *capacity*. State failure may reflect the unwillingness of a government to commit itself to policies of inclusion and human welfare, and to ensuring that available resources are utilized for productive purposes. Will may be bound up with political legitimacy. Where a regime is undemocratic and unrepresentative, its leadership is less likely to pursue a development agenda.

Figure 1
Capacity versus *will*



Capacity determines effectiveness: in administration and service delivery, in the maintenance of order and security and in economic and resource management. Both *will* and *capacity* are important for effectiveness in the utilization of aid and for the quality of the relationship between recipients and donors.

Figure 1 attempts to plot the two dimensions of fragility for several failing states.[12] Bolivia and Uzbekistan are shown as relatively more capacitated states (with stronger institutions and human resources). Sierra Leone is shown as relatively less capacitated, but more willing in its post-conflict phase. Several states, such as North Korea, are shown as lacking both capacity and will. The arrows indicate (often changing) trends towards or away from greater stability.

The role of donors is to help countries to move from the fragility to the stability zone, by influencing political will and supporting development capacity. But there are no simple formulae linking aid and fragility and the record of aid has been ambiguous. The examples of Burma, Rwanda and Zambia—three quintessentially fragile states embroiled in different kinds of development crisis—are illustrative of this ambiguity.

4.1 Burma—donors at odds

Burma[13] emerged at independence in 1948 with seemingly bright prospects, based on rich endowments of minerals and natural resources and highly fertile soil. It was widely regarded as having one of the most literate and educated workforces in the region. For most of its independent history, however, it has been ruled by military regimes, which have presided over impoverishment and internal conflict.

The first Prime Minister was U Nu, a statesman who helped found the non-aligned movement along with India's Nehru and Indonesia's Sukarno. He was replaced in 1962 in a coup by General Ne Win who came to dominate the government until the late 1980s. In 1988 a military junta formed the State Law and Order Restoration Council (SLORC) following widespread anti-government rioting which was brutally put down by the army. The SLORC permitted elections in 1990 which were won in a landslide by the opposition National League for Democracy, led by Aung San Suu Kyi, daughter of the country's post-war liberation hero. The result was ignored by SLORC which has continued its iron rule (since 1997 as the equally euphemistic State Peace and Development Council) under the chairmanship of Than Shwe, effectively the head of state.

Daw Suu, who won the Nobel Peace Prize in 1991, continues to retain iconic status within and outside the country and her treatment by the regime is considered by western donors to be a bellwether of democratic progress.[14] She has been confined under house arrest for most of the period since 1988 and in May 2003 she was almost killed in a brutal massacre ('Black Friday') of NLD supporters orchestrated by the junta.

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12 Figure 1 is inspired in part by the analysis in the USAID paper (2005) on 'Service delivery in fragile states'.

13 Also referred to as Myanmar by the regime.

14 In reality, there have been periods during her house arrest when prospects for change were quite positive, and periods during her freedom when matters were worsening.

The country has been virtually isolated since the time of Ne Win who sought to take the country down the inward-looking 'Burmese way to socialism'. The results in terms of human development indicators have been mostly disastrous and the country is probably much worse off now than at independence, belying the largely meaningless official statistics which purport to reveal significant progress.[15] According to UN figures, poverty rates may be over 70 per cent of the population, one-third of all children are chronically malnourished[16] and only 50 per cent of children complete primary education. There is a growing incidence of HIV/AIDS, tuberculosis and malaria.[17]

Burma is a collection of semi-autonomous states of many different peoples, including Shans, Karens, Rakhine, Mon, Chin and Kachin. Following independence, Burma took an initially tolerant attitude towards these minorities. But the military juntas have since sought to repress any moves towards autonomy or separatism. The armed forces, or *Tatmadaw*, number almost 400,000 and have used appalling brutality in their dual war on democracy and separatism. These internal wars have diverted considerable resources away from development and accelerated the impoverishment of the country, driving large numbers of people across the borders to Thailand and Bangladesh.

Burma is a comprehensively mismanaged military dictatorship. The junta runs much of the economy, including its key enterprises. There is little understanding of a market economy and despite its apparent expressions of interest in foreign investment, it succeeds in deterring investors through the preponderance of regulations and licences, a multi-tiered exchange rate and the absence of a private banking system. The regime is also heavily involved in the gem trade and the exploitation of natural gas, as well as the fast-diminishing forest resources. The junta has locked up large numbers of those opposed to the regime. It indulges in rampant human rights violations and the *Tatmadaw* has been accused of the most inhumane acts of war. Burma is the largest producer and exporter of heroin, after Afghanistan, and although production has fallen in recent years with the help of a UN-sponsored crop-substitution programme, the junta has been accused of involvement in the drugs trade.

As the graph below indicates, Burma was a growing recipient of aid until the late 1980s when it reached over US$400 million per year. Since the SLORC assumed power, aid has fallen sharply overall, but individual donors have taken rather different stances in their dealings with the country, reflecting their individual interests. The western donors, for whom Burma holds little strategic significance, have shunned Burma because of its human rights record, its resistance to democracy and continuing incarceration of the main opposition leader. At one extreme is the USA which since 2002 has completely shut off all development assistance through the regime and tried to influence other donors to do the same. The Americans also seek to prevent the assistance of multilateral agencies such as the World Bank, IMF or UNDP going to any government recipients.

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15 An official report on the MDGs produced in April 2005 claims average annual real growth above 10 per cent between 2001 and 2004, an adult literacy rate of 93 per cent and steadily improving health statistics.

16 According to James Morris who, as head of the World Food Programme, visited Burma in August 2005.

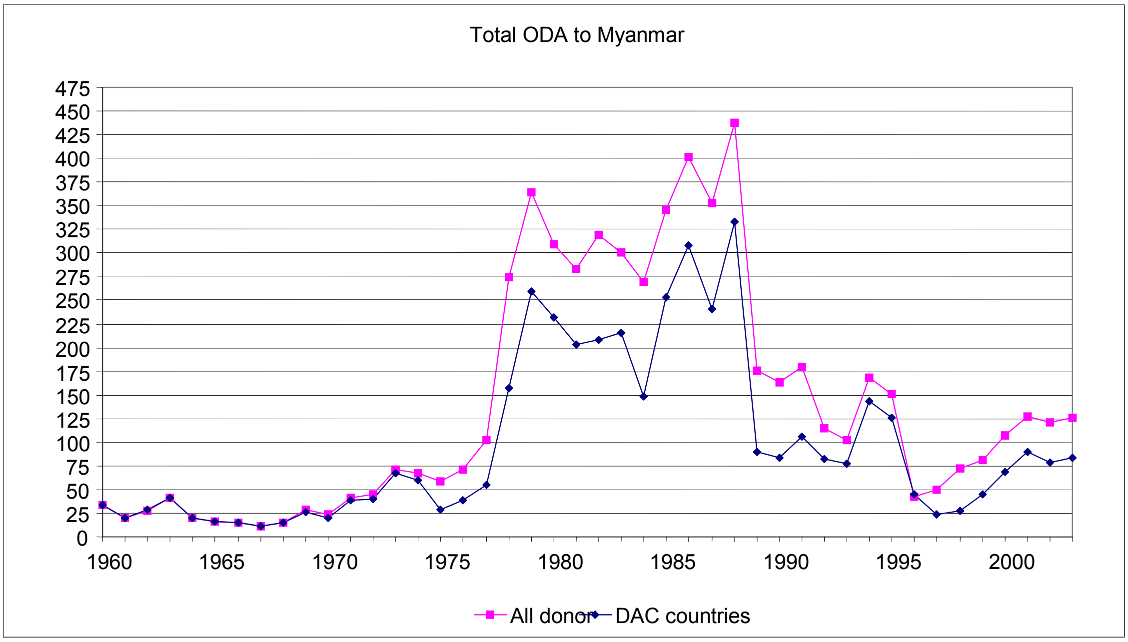
17 Hard facts have always been hard to come by. In the early 1980s, the author was the Burma correspondent for a country intelligence service and had to rely extensively on secondary sources.

The European donors have joined the USA in imposing sanctions on Burma—mainly through a travel ban on the leadership of SPDC (Burma's State Peace and Development Council). But the investments by Unocal and Total in natural gas, which earn substantial annual royalties for the regime, are tolerated. Some European donors provide humanitarian assistance, mostly through non-governmental entities. The EU (and the USA) provides assistance to refugees from the Burmese minorities along the border with Thailand. Japan has taken a more ambivalent stance. It curtailed its major aid programme after 1988. Since 2003, assistance has been limited still further. It has not applied sanctions, however, and continues to provide aid to the regime. Total official aid in 2005, including humanitarian, amounted to about US$25 million.

Burma's largest donors, however, are not from OECD/DAC, but from its neighbours, China and India. Thailand, Malaysia and Singapore are also significant partners. Chinese influence is most evident in parts of the Shan and Kachin states bordering China, where transactions are made in Yuan and even the school curricula are in Chinese. China (and particularly the Yunnan administration) has invested in power-plants and infrastructure, mainly in order to support its own investments in the northern and eastern parts of the country. Some of the aid is in military hardware provided through loans, repayable in kind in raw materials. China has been allowed to establish a military surveillance station off the coast of Burma, and probably hopes eventually to develop a corridor across the country to facilitate the access of Yunnan to the Bay of Bengal.

India's aid also carries influence. Politically, it has anxieties about China's growing role; economically, it is concerned to meet its growing energy needs. India has invested (with South Korea) in a new offshore gas field and it is providing infrastructure assistance, including the construction of a pipeline through which it intends to import natural gas. Thailand also benefits from Burmese gas and includes Burma in its programme of assistance to the three poorest ASEAN countries (also including Cambodia and Laos). Malaysia and Singapore also provide training and scholarships to Burmese as part of their own ASEAN assistance.

Figure 2



Source: OECD/DAC (2001, 2005).

Western aid to this failing state is clearly not working. Humanitarian assistance is helping to support Burmese livelihoods, but it needs to be complemented by other forms of engagement. The regime has little capacity and little will—it is the lowest ranked country on our diagram (Figure 1)—but it is more entrenched than ever. Certainly, the junta will not change its ways as a result of western displeasure, as long as it enjoys the embrace of its neighbours.[18] Just at a time when the US Congress is trying to isolate the regime further and tighten the screw on the multilateral organizations, observers in Burma are unanimous that exactly the opposite should happen. Western donors do not like to deal with egregious regimes but they should be concerned about turning failure, and its damaging consequences, around. If both capacity—in a country with chronically weak institutions of statehood—and will are to be enhanced, there is no alternative to more, not less, engagement.[19]

4.2 Rwanda—complicity, oblivion and state collapse

Rwanda is a central African country of eight million people. It is one of the world's most conflict-prone states, with which donors have maintained ambiguous and at times perilous relations. The story of rich country involvement was already a complex one before 1962 when it came to independence against a backdrop of seething ethnic conflict. Belgium, the colonial power, had decided to prepare the ground by abolishing the monarchy and switching patronage from the minority Tutsi elite to the Hutu majority 'in the name of a suddenly discovered attachment to democracy' (Uvin 1998). On assuming sovereignty, the regime of President Kayibanda chased down and eliminated most of the Tutsi elite. In 1973, he was removed by his cousin General Habyarimana in a coup which ushered in a military dictatorship for the next 20 years.

A modicum of stability was maintained, but it was a lid firmly battened on the ethnic Hutu-Tutsi rivalries beneath, a situation characterized as 'structural violence' (Galtung 1969). Open conflict broke out in late 1990 with incursions from Uganda by a force of Tutsis who were exiled there. Civil war continued with sporadic outbreaks of fighting until April 1994 when Habyarimana was killed and the world's worst genocide in the post-war period began, resulting in the slaughter of some 800,000 people—nearly all of them Tutsis—in the space of 100 days.[20] Nine-tenths of the Rwandan population was dispersed by the fighting, within the country and over the border, and it was several years before resettlement was completed.[21]

Against this turbulent background, Rwanda nevertheless had made reasonable development progress in its first two decades. Per capita income, food production and

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[18] 'Sanctions, ostracism and tough talking have clearly all failed to make the slightest dent in the regime's behaviour', said the *Economist* (2005).

[19] Representatives of donors in Yangon (2005) all advocated more engagement, and in some cases expressed frustration with the policies of their capitals—an all too frequent pattern in the aid business.

[20] The massacres in Cambodia in the late 1970s were even more deadly, but they were not ethnically-based.

[21] There is a large and passionate literature documenting the Rwandan genocide, including Melvern (2000); Gourevitch (1998); Keane (1995), and Prunier (1995). Most of these sources apportion a large part of the blame for the genocide on the international community.

the manufacturing sector all showed positive growth. The HDI improved quite significantly between 1975 and 1985. Rwanda seemed to be on a solid path. But then from the mid-1980s, progress started to unravel. There was drought in 1984 and from the following year, the export prices of coffee and tea began to slide. These factors caused the primary sector to shrink and set off a period of profound crisis which continued up to and beyond the genocide. Rwanda had no recourse but to turn to the international financial institutions to shore up a yawning external deficit. From modest levels in the early part of the decade, the country's debt grew to more than 60 per cent of GNP by 1993, a long way beyond sustainability levels, since this was equivalent to more than eight times the value of its exports.

From the mid-1960s, development assistance from the donor community flowed freely and showed a steady upward trend (see Figure 3) as the donors considered Rwanda something of a model among African developing countries. Up until the 1980s crisis, the country had been thought to be doing many things right. Although democracy was not practised and human rights were beneath the vision of the despotic first and second republics, the government was credited with a developmental orientation. Reports from the pre-genocide period talk of stability and discipline. As the economy deteriorated, some development assistance yielded to humanitarian, but the amount continued to grow.

The general sense of goodwill towards Rwanda was one of the factors favouring high aid levels. Habyarimana was rewarded for maintaining stability. His popularity was not in question, and donors overlooked the autocratic nature of the regime whose mandate was regularly renewed with near-unanimity. The existence of a growing NGO sector was noted positively. For some donors, Rwanda was also linguistically strategic. Being at one of the borders between francophone and anglophone Africa, it was favoured by France, Belgium and Switzerland.

But as history has subsequently told us, the donor community suffered a massive deception in Rwanda. In the early 1990s, while a few concerns had begun to surface about the nature of the Habyarimana regime, the international community neither spoke out against nor acted on the perpetration of structural violence which led directly to the massacre of 1994 (Uvin 1998). Rwanda was constructed on a foundation of institutionalized racism that marginalized the Tutsi minority. The regime also sanctioned an ill-intentioned militaristic elite (the *Akazu*) which manipulated the social and political processes to its own ends. Observers have been astounded by the rapidity of the call to arms by the Hutu and the incredible vehemence of the 100-day slaughter. But it can be at least partially explained by the existence of the genocidal edifice which Rwandan society had become.

The donors missed the signals or chose to ignore them. The awful probability of either complicity or oblivion only compounds the sin of vacillation by the UN in 1994 which denied Rwanda a peacekeeping force, which many feel would have been able to forestall the genocide.[22]

The aftermath of the genocide brought substantial new humanitarian aid, which also ran immediately into controversy. Very large numbers of Hutu people fled with the militias

22 For example, Dallaire (2003) and des Forges (1999).

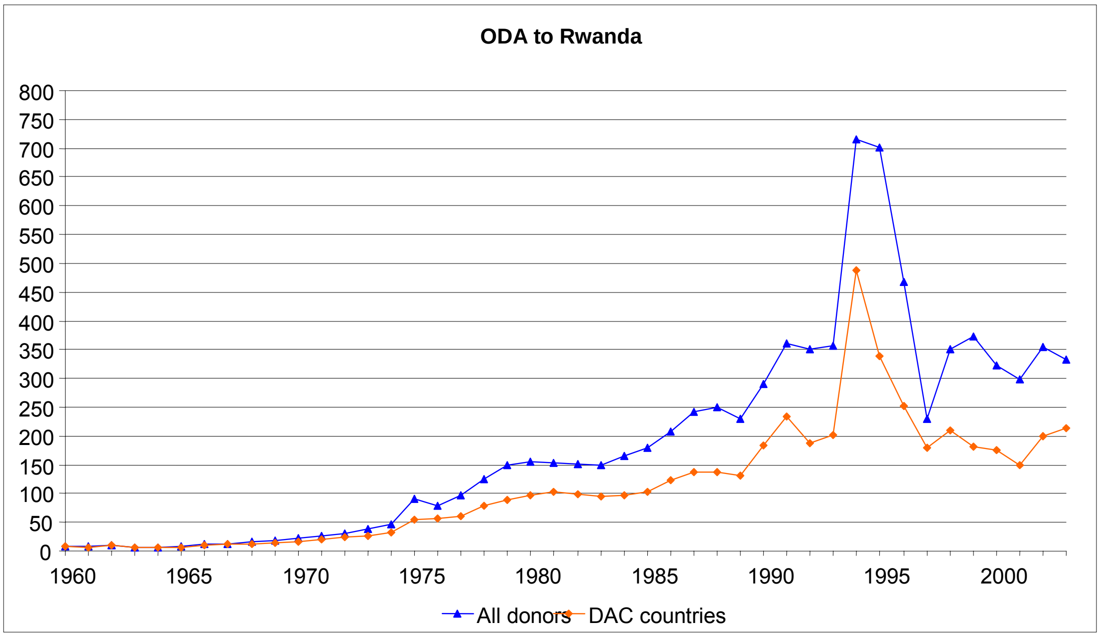
who had committed the genocide into eastern Zaire, where they would undoubtedly have perished through hunger and disease. The first wave of humanitarian assistance was therefore concentrated on these perpetrators of the genocide, rather than the victims who remained in Rwanda. This bias was only gradually corrected, partly as a result of the enforced repatriation of the Hutus in 1995.

In the development phase which followed, a somewhat different set of donors—more anglophone in profile—has emerged to champion Rwanda, which again continues to benefit from high levels of assistance. As the author witnessed in the late 1990s, there are some frightening echoes of the earlier ethnic myopia in some aid programmes. However, donors are more aware of the underlying social tensions and there is support for the re-building of a justice system and for fostering reconciliation.

But Rwanda exposed many fallabilities of the 'development enterprise'. The country has also proved to be a jousting field for donor influence. Some donors were historically and sentimentally loyal to the Hutu cause and acted accordingly. After the genocide, they played a limited role. Other donors emerged as supporters of the Tutsi government, whose leadership emerged from Rwanda's anglophone neighbours. But then these new donors also became politically indulgent patrons. They maintained their high levels of assistance even after it became known that the new regime was actively perpetrating rebellion across the border in the Congo on a scale which went beyond mere self-defence.

Donor divisions linger as a result of differing perceptions of this aid client. Donors have made their own assessments of the intentions of the government and there is no collective view of where Rwanda is placed on the 'will' scale (Uvin 2001). Aid follows influence and is at least partially related to the degree to which individual donors believe Rwanda is amenable to their agendas.

Figure 3



Source: OECD/DAC (2001, 2005).

4.3 Zambia—an unsuitable case for Bretton Woods treatment

Zambia is a land-locked country of ten million people in southern Africa. It came to independence in 1964 under the presidency of Kenneth Kaunda who ruled Zambia as a one-party state continuously for 27 years. His vision was of a dominant government with widespread ownership of productive assets. Soon after assuming power he nationalized many key enterprises, as well as all private land. Following the adoption of a multi-party constitution, Frederick Chiluba was elected president in 1991. But accusations of corruption and mismanagement dogged his decade-long tenure.

Zambia has been a consistent poor-performer almost throughout its independent existence. Economic growth has been paltry, well below rates of population increase. During the 1990s, growth fell almost to zero (0.3 per cent per year). Consequently, per capita income has fallen from over US$750 at independence in 1964 to about half that level now. Poverty rates are close to 70 per cent of the population and rose during the last decade. The HDI, measuring income, education and health, has fallen from 0.47 in 1975 to 0.39 today, ranking Zambia 164th out of 175 countries. Zambia is further than ever from achieving the MDGs, which span the 25-year period 1990-2015.

Several factors have played a part in Zambia's poor performance. Kaunda's attempt to run the economy as a bureaucracy was a dampener on enterprise and efficiency. The economy was also heavily dependent on mineral production and exports (mainly copper, but including zinc and cobalt) and was seriously undermined by long-term falls in international prices, which brought the purchasing power of copper down to barely one quarter of the level of the 1960s. Zambia did not succeed in diversifying its economy away from the mining sector, but continued to incur loans in the expectation that copper prices would revive. The country is also disaster-prone. Droughts have been a persistent affliction and more recently HIV/AIDS—which the government was very slow to recognize and act upon—has ravaged the population. One in five adults is infected, life expectancy has fallen below 40 years, and more than half a million children have been orphaned.

When it comes to aid, the country is an extreme example of why poor countries with falling export revenues, geographic disadvantage and a proneness to crises make highly unsuitable banking clients. Its international indebtedness began soon after the collapse of copper prices in the mid-1970s. The price never revived, no other significant sources of foreign exchange were ever developed, and the country has been saddled with the huge additional burdens of debt repayment and servicing ever since. By the late 1990s, international debt owed to donors and the Bretton Woods was larger than the country's entire GNP. The cost of servicing this debt has mounted in spite of 'emergency interim' debt relief, but by 2004 the amount owed was close to US$400 million—more than the combined health and education budget of the government. Debt has dominated all other development efforts. It has been claimed that in that year an additional 9,000 available trained teachers—urgently needed for the expanding education programme—could not be hired because of spending restrictions imposed by the IMF-led macroeconomic programme (Oxfam 2004b). Aid has been generous, but fickle. At its peak in 1995, it reached the equivalent of 30 per cent of GNP, but fell back to a third of the level soon afterwards (see Figure 4).

In fact, Zambia did not intend to remain a one-commodity economy. After independence, it established a domestic textile and garment industry, which by 1970 comprised more than 80 companies employing 10,000 workers. Like its agriculture, the manufacturing sector was walled off from foreign competition by high import tariffs—a strategy of incubation successfully followed by the dynamic economies of Southeast Asia. Much of the economy was in state hands and it was managed inefficiently. However, it was a broader-based economy in the making.

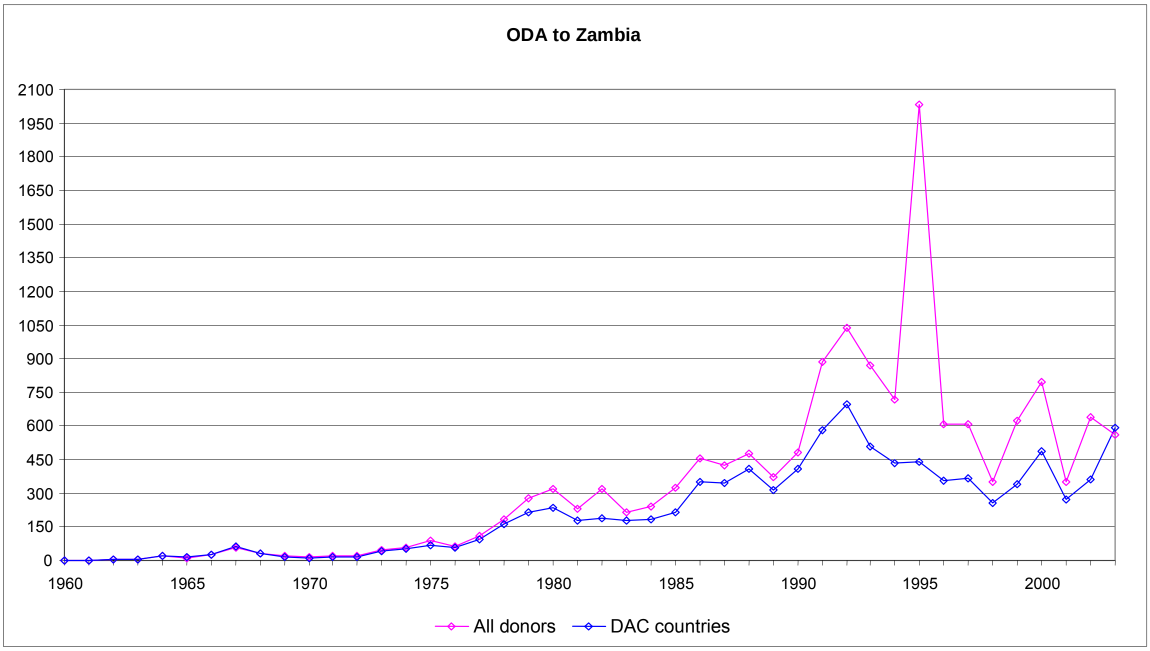
When copper prices collapsed in the early 1970s, accompanied by huge hikes in the costs of imported oil, Zambia was forced to borrow. But the lending programmes of the Bretton Woods came with the familiar prescriptions of privatization and trade openness. During the 1990s, the state was urged to sell factories and lower import tariffs. The textile sector could not compete. During the decade, the number of textile manufacturers fell from 140 to 8 and the number of employees from 34,000 to 4,000. Zambia became a large importer of tariff-free second-hand clothes from the USA. The manufacturing sector as a whole did not fare much better. More than 300,000 jobs were lost out of 800,000.

That Zambia has been economically mis-managed is not in doubt. Yet trying to direct Zambia's economic affairs from Washington with the support of some of the major bilateral donors has not succeeded in building capacity within the country. Numerous donors have brought their many forms of project assistance to bear. But the large bilaterals have tended increasingly to line up with the Washington agenda, cheerleading when the agenda advanced and withdrawing support when it foundered. In 1983, Zambia agreed to a structural adjustment programme and bilateral aid flowed generously (see Figure 4). After the abandonment of that agreement in 1987, some of the major donors reduced their assistance and the USA, UK and Germany temporarily suspended disbursements entirely. Aid again grew in the early 1990s as a positive response to the holding of democratic elections, and there was a spike in 1995 with the release of substantial IMF assistance (under the structural adjustment facility (SAF) and the extended SAF). Aid levels again dropped off however during the 1990s as the country was perceived to be slipping off the good governance track (Carlsson et al. 2000).

Zambia was one of 14 developing countries (eight of them fragile) recently included in an OECD/DAC survey of donor 'harmonization and alignment'—a report card on the Rome process (OECD/DAC 2005). The survey maintains that Zambia has begun to take control of its development agenda. But it is an agenda based on a poverty reduction strategy paper (PRSP) and underpinned by a medium-term expenditure framework (MTEF) and a public expenditure management and accountability review (PEMFAR)—all instruments (and acronyms) invented by, and developed in very close consultation with, the donor community.

Today, Zambia is trying again to steer itself back to the donor agenda. But the 40-year aid balance sheet has scarcely been propitious. The country has received aid at some of the highest levels in Africa and it has borrowed well beyond the limits of debt sustainability. Yet its people are considerably poorer than at independence. In the matrix of fragility, capacity has remained stubbornly low, while the government has moved up and down the x-axis of willingness. There is no doubt that government attempts to run the state like a huge public sector utility sapped the economy of some of its dynamic potential. However, trying to force on the state a series of uncompromising reform

Figure 4



Source: OECD/DAC (2001, 2005).

agendas has been politically unpalatable and has resulted in a growing, not a diminishing, dependence on external assistance.

In sum, each of these three states has suffered from some of the major causes of fragility, including the four outlined above, but to differing degrees. All of them can be described as new and relatively immature states, their boundaries determined by colonial powers, vesting them at independence with a degree of artificiality. All three have also attempted to go down development paths characterized by excessive statism, from which Rwanda and Zambia are beginning to retreat. Burma is an extreme example of a monolithic state, having not developed either political or economic institutions of any significance outside the auspices of the current regime.

Each of the three has also suffered from different kinds of leadership crisis, usually with a single strong-man at the helm. In Burma, a more enlightened leadership in its early days soon gave way to a series of security-obsessed and self-interested regimes. In Rwanda, the leadership showed a distinct ethnic bias, which led to serious distortions and created a 'structurally violent' society. Zambia had more benevolent but developmentally incompetent leadership. In both Rwanda and Zambia, however, the advent of more democratic openness will provide a counterweight to the risk of autocracy. Rwanda has been historically the most conflict-prone of the three, but in Burma regional ethnic aspirations have been harshly suppressed at enormous cost.

In each of these states, donor engagement has been a very mixed blessing. It has not been very successful in altering political will, nor in building capacity. In fact, there are all too few examples of fragile states transported from failure to stability by aid. We need to know why if we are to propose how aid could become more effective.

As the examples of three countries help to illustrate, the circumstances of every fragile state is unique. However, the two-dimensional (capacity/will) challenge of overcoming fragility and backwardness applies to all: how much are they willing to change and how much are they able to improve? The most egregious regimes are the unwilling, those whose leaderships have impoverished their countries and are resisting change, whatever the reasons: dogma, greed, military paranoia, but invariably a determination to hold on to power whatever the development cost. In other fragile states, the leadership may be more amenable, but capacity is limited. Such would be the case in Liberia, Rwanda, Sierra Leone and other countries emerging from conflict, or Mali, Nicaragua, Niger, Zambia and others seeking to compensate for poor management and the adversities of HIV/AIDS, natural disaster or global economic conditions. We shall look respectively at these challenges for donors.

5 Aid and will—engagement and consistency

There is an extensive literature on the limited effectiveness of donor conditionality.[23] Some of these arguments apply *a fortiori* to fragile states that are not in open conflict, but where the leadership is more entrenched and plays an unchallengeable role in steering the direction of the country. Since the record of conditional aid shows that it has limited impact in countries where the leadership is at least developmentally inclined and open to examining policy alternatives, aid with strings is even less likely to lead to beneficial change in the circumstances of fragile states. However, *political engagement* by donors can stimulate change if certain conditions are met.

First, engagement can help to connect cynical regimes with global values. While it may be premature to talk of universal convergence, those values are becoming increasingly centred on more open democracy and market principles. This growing consensus can play a helpful framing role in advocating for political and economic change.

Advocacy is being driven by demonstration, in a world in which globalization has sharpened the sense of inter-state competition and when development performances are compared more overtly than before. For example, reform in India has been goaded in part by a desire to catch up with the growth and income levels of China. South Korea has set its sights on Japan. Brazil, Malaysia, Nigeria, South Africa, Thailand and others aspire to middle-income status. All these countries have been finding their own way to the democratic free-market road.

Demonstration effects have become extremely powerful for at least two reasons. One is the spread of global information and media via new information technologies, which allow people in one country to learn about and compare life in almost every other. The second is the rise of the global civil society movement, which has helped to connect people within and between countries and act as an alternative voice to governments.[24] In the west we now take technologically-facilitated networking for granted, but connected civil society has become a redoubtable force for change. In the late 1980s and early 1990s, it helped turn Eastern Europe from autocracy and accelerated the demise of the Soviet Union by piercing the barriers to information exchange. It has raised the

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[23] A sample includes Browne (2006); Buira (2003); Hall and de la Motte (2004); Kanbur (2000); Killick (1997), and Uvin (2004).

[24] This phenomenon has been appropriately described (by *The New York Times*) as the second global super-power.

aspirations of people in the developing world by making millions more aware of how much better their lives could be.

Connectedness is specifically denied in the more abject examples of state failure such as Burma and North Korea, where governments have permitted very limited internet access and placed drastic restrictions on the media. As in the states of the Soviet Union before the break-up, isolation is taking a heavy toll. If these barriers cannot be broken down, then the role of donors should be to encourage more engagement, and not reinforce a country's isolation. The process needs to start with this same cynical leadership.

Engagement—through dialogue and demonstration—should then be the conduit of value change. Minds cannot be altered from behind unbroken walls, but they can see through the cracks. In the northern parts of both Burma and North Korea it is—almost ironically—China which is encouraging a furtive encroachment of capitalism via the development of free enterprise enclaves. These small bridgeheads could become significant forces for change, and could precede a wider opening of these societies.

In the second place, solidarity and consistency are important. The impact of US and European sanctions on Burma is already diluted by the breaches in their own foreign investment ban. But more importantly, the country's immediate neighbours are willing to engage. To be effective, Burma's partners should—at least with respect to influencing political will—speak with a single voice. Similar arguments apply to Zimbabwe. The political (if not the economic) impact of US and European sanctions is undermined by close and generally uncritical relations which the country enjoys with South Africa and China. On Cuba, the world is similarly divided—the US and Canada cannot agree on relations with the regime (even to the extent of the US threatening to impose sanctions on Canadian and European companies which continue to do business with Havana). The chinks must be mended, not only between the rich states, but among all the partners of fragile states.

An OECD consensus around fragile states has often proved elusive. But aid from the rich West is losing its influence anyway. Trade and economic relations within developing regions are growing in importance, and non-DAC donors, such as India, China and Brazil have entered the stage. India looms large on the strategic horizons of its neighbours, including the fragile states of Burma and Nepal. China has long been a significant donor to recipient countries in Asia and in Africa (where it has built a sports stadium in virtually every country).[25] Through aid, it actively supports weak states such as North Korea, Burma, Laos and Zimbabwe. Like India, China's aid is strongly influenced by commercial interest, currently driven by the need to secure supplies of energy and raw materials to fuel its voracious expansion. The desire for influence leads to aid, and vice versa. In 2005 and 2006, China has succeeded in preventing Sudan from a harsher censure by the UN Security Council over Darfur, and it is an important counterweight to western donor interest as a member of the 'Group of 77' developing countries.

In some circumstances, regional organizations could play a role in influencing states. For Burma, the Association of Southeast Asian Nations (ASEAN), to which it belongs

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[25] Except the few that recognize Taiwan. Chinese aid can therefore be seen as a means of buying loyalty.

(along with Thailand, Malaysia, Singapore and others), could help the international community to forge a common position on a desirable political roadmap for the country. An opportunity has already been provided by the agreement by Burma not to take up chairmanship of ASEAN in 2006, in order to save the grouping from an embarrassing boycott by western countries. A similar position with respect to Zimbabwe could be taken by an African subregional grouping (such as the South Africa Development Community (SADC) to which South Africa and Zimbabwe both belong) or by the African Union, which plays a more political role in the continent.

Third, donors need to stay engaged with the people of fragile states. Their humanitarian needs should be met even though they are exacerbated by the actions of misguided leadership. Humanitarian engagement is important for several reasons. One is obviously altruistic. Others are more political. Aid connects people in need with the international community and is a foundation for building longer-term goodwill beyond periods of crisis. Humanitarian aid has its own beneficial demonstration effect from the sacks of 'USAID' wheat and UNHCR tenting to the selfless toil of the camp doctors. Humanitarian aid, if sensitively applied, can make an example of bad government.

In sum, (i) engagement is better than isolation, particularly where fragile states are already seeking to isolate themselves; (ii) engagement should be consistently applied and based on collective action, preferably backed by the authority of a regional grouping and by globally acknowledged norms of international comportment; (iii) donor engagement should take full cognisance of, and attempt to compensate for, the humanitarian plight of the populations in fragile states who are the victims of wrong-headed policies which are driving them to impoverishment.

6 Aid and capacity

The record of aid in building sustainable capacity has been a very mixed one, even where leadership is committed. The record is unfortunately no better in the building or reconstruction of fragile states, where failure comes at much higher costs, but where the dividends of success can be enormous.

In this section, we review the impact of aid on capacity in three different scenarios: during what may be described as 'pre-conflict' periods; during conflict; and during periods of reconstruction and state-building (which are quite often post-conflict).

6.1 'Pre-conflict'

Somalia in the mid-1980s was a country at peace, and Mogadishu was one of the safest capitals in Africa. But all was not well. A despotic president ruled with total intolerance of dissent as well as indifference to the process of development. The country was one of the most generously aided in the world but the donors were having a negligible impact on either the policies of the regime or the capacities of the country. Supply-driven aid carried the donors' trademarks and the landscape was littered with some of the starkest relics of aid failure: broken tractors, silted pumps, fuel-less turbines, vacant schools, darkened hospitals and crumbling new roads to nowhere. Typical of 'capacity building' was a large bilateral programme at the National University of Somalia, worth much more than the total national education budget. The main beneficiaries were the expatriate professors from the donor country who enjoyed lucrative 6-monthly tours of duty in the capital.

Somalia began to implode in the late 1980s as the president sought with mounting desperation to hold onto power, favouring his own and discriminating against unfriendly clans. A country in which so much hope had once been vested as an example of unique ethnic, cultural, linguistic and religious uniformity, splintered into domains of warlord-ism and remains divided today.[26] In 1960, the international community had successfully reunited Somalia under a UN mandate but subsequent donor interests were dominated by cold-war competition. First the Russians sought to bring the country into their sphere and then, quite abruptly, the western camp, as allegiances switched in 1977. When the country began to fall apart, the western donors departed except for the hardiest humanitarian agencies. Unluckily for Somalia, the cold war was ending and most of the remaining strategic interest in the country evaporated. Italy—the former colonial power—decided to back one of the warlords attempting to form a new government, but he was virulently opposed by other factions and civil war raged openly from 1991. The international community returned to Somalia in 1993 but in different guise.

Through complicity in or oblivion to state collapse, Rwanda has also taught us that aid can do harm in the wrong circumstances, with deadly results. The nexus between aid and conflict is extremely delicate and deserves much closer and more subtle consideration than it has received in the past (Andersen 1999). To the sounds of stable-doors closing, there has been considerable donor introspection on Rwanda, Somalia, Bosnia, Angola and the many other war-torn states. It has led to the development of increasingly sophisticated methodologies for analysing conflict-proneness,[27] as well as whole new 'crisis' departments. This new-found conflict sensitivity among donors is only to be welcomed. As with much that is good about donor intention, however, it is important that it is followed in practice.

6.2 During conflict

Attempts by the international community to stop civil wars have had mixed success. An analysis by Dobbins et al. (2005) finds that of seven UN-led peacekeeping operations since 1989, all had been partially or wholly successful.[28] Where the USA led the missions, or was heavily involved, there were successes in Bosnia and Kosovo, but failures in Somalia and Haiti (Dobbins et al. 2003).

Somalia was a watershed, for troops were sent in for the first time under a Chapter VII UN Charter mandate to try to quell a civil conflict through force, without a government invitation. The intervention was, as we know, spectacularly unsuccessful. Soldiers under UN command were killed, prompting the US to send troops to join them. But when the

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[26] The territory includes two self-proclaimed mini-states in the north: Somaliland and Puntland

[27] See, for instance, DfID (2002); World Bank (2005); UNDP (2003b); GTZ (2001), and the Netherlands Ministry of Foreign Affairs (2005).

[28] A study by Dobbins et al. (2005) notes that the 8th mission to Congo (1960-64) had been a failure.

US lost 18 of its own men,[29] they began to withdraw. By 1995, there were no UN troops in Somalia, but civil conflict—albeit at a more subdued level—still simmered.

Rwanda was another failure when, in April 1994, the UN did not deploy peace-enforcing troops which by all accounts could have stopped the slaughter of 800,000 civilians. Unquestionably, failure in Somalia was a factor in dissuading intervention in Rwanda, although the two situations and the anticipated results would have been very different. Again since 2004, a UN mandate has not been forged in time to quell genocide in Darfur (Sudan).

Whatever the outcomes of these peace-enforcing initiatives, an important threshold was crossed in the 1990s. For the first time since the beginning of the post-war independence movement, sovereignty is being subordinated to the notion of wider responsibility. As the UN High-level Panel on Threats, Challenges and Change puts it:

> successive humanitarian disasters … have concentrated attention not on the immunities of sovereign governments but their responsibilities, both to their own people and to the wider international community (UN 2004).

The Panel—which comprised eminent persons from both north (seven) and south (nine)—went on to provide the rationale for engagement:

> while sovereign governments have the primary responsibility to protect their own citizens from such catastrophes, when they are unable or unwilling to do so that responsibility should be taken up by the wider international community.

In effect, the right to intervene under Chapter VII is reinterpreted as responsibility to protect:

> We endorse the emerging norm that there is a collective international responsibility to protect, exercisable by the Security Council authorizing military intervention as a last resort, in the event of genocide and other large scale killing, ethnic cleansing or serious violations of international humanitarian law which sovereign Governments have proved powerless or unwilling to prevent.

The report provides a clear mandate for intervention in Sudan.

In spite of mixed outcomes, international engagement is morally correct where regimes have lost control. There is also an important economic rationale. While enforcing and keeping the peace can be expensive, the prospect of reducing the catastrophic costs from civil conflict can easily be justified. By way of illustration, an economic study has attempted a cost-benefit analysis of peacekeeping initiatives (Collier and Hoeffler 2004). It yields an impressively positive ratio. Based on the record of recent civil wars, it finds that US$4.8 billion spent on peace-keeping could yield almost US$400 billion in benefits.

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29 In an operation which was the subject of the 2001 film, 'Black Hawk Down'.

6.3 Reconstruction and state-building

After conflict, and in all other circumstances where states are attempting a fresh start, the role of development assistance can and should be of primordial importance in building sustainable new capacity. As conflicts are resolved, as wills turn, and as persistent non-performance finds fewer excuses, there is a keener edge to the realization that rich countries hold some of the keys to the prosperity of the recipients. More-of-the-same aid will perpetuate failure because it has for so long pursued the wrong objectives.

A recent verdict by Francis Fukuyama (2004) on the role of gap-filling is less than sanguine: 'the international community is not simply limited in the amount of capacity it can build; it is actually complicit in the destruction of institutional capacity in many developing countries'. And speaking of the public sector in fragile states, he goes on the say that the '…deterioration in capacity has happened precisely during a period of accelerating external aid flows'. The correlation may not be robust, but the fact is that donors' efforts in capacity development have failed to arrest failure.

The author's own conclusions from a study of aid and capacity development in six major aid recipients, two of them on our 'fragile' list (Bangladesh and Uganda), are also sceptical about the sustainability of the results of past aid:

> The outputs of aid projects have abounded and these are manifestations of development. But they are also in part a substitute for it … many countries have not been able to use technical assistance [TA] as a tool to build sustainable capacities and manage their development independently. The word sustainable is important. Inappropriate TA, far from building sustainability, may undermine it (Browne 2002).

But if it is not to be more of the same, then more of what? Analysis suggests that there are several ways in which aid could be better applied to the reconstruction of fragile states.

Treat every case as unique: 'know thy subject'

No two fragile states are similar. They are not similar in current profile, and there are always unique sets of causes of fragility. We should therefore beware of standard typologies, as well as the kind of standardized solutions which have undermined aid effectiveness in the past. Donors have an uncomfortable tendency to consider some fragile states as ailing patients amenable to standard types of treatment, whether humanitarian, reconstructive or developmental. There are some common manifestations of fragility, however, and these can be used to determine appropriate types of donor engagement. As mentioned earlier, they include: institutional maturity; nature of leadership; size and role of state; and proneness to conflict.

The proclivity for standardization is related to a poverty of learning which must also be addressed. Donor and development agencies are notorious re-inventers of wheels. There are many thousands of development practitioners who would have worked in or on any one of the recipient countries, fragile states included. There is a vast and rich experience to draw on, but it is rarely captured, codified and shared even within individual agencies, let alone between them.[30] Because this knowledge is not tapped, standardized

[30] The UN system is certainly one of the worst offenders.

clean-slate solutions are often applied to states in crisis by donor staff who actually have very limited experience of the countries in question and who fail to discover and build on the experience of others.

Understand what state capacity means

The challenge in fragile states is the reconstitution of basic state functions of three general kinds: political and institutional; economic and social; security. All are important and they are interconnected. Table 3 outlines some of the main challenges which need to be addressed in these three spheres, implying that any aid effort should be both broad-based and finely-tuned.

Table 3:
Major characteristics of fragile and war-torn states

	Fragile states	+ Conflict prone
POLITICS		
	Lack of regime legitimacy	Exclusionary policies; discrimination against ethnic/other marginal groups
	Concentration of government power	
	High centralization	Poor/non-existent communications with regions
	No opposition parties	Armed insurgency
	Lack of transparency; no access to information	
	High levels of corruption	
	No access to justice	
	Weak/no civil society	
	No fair elections	
	Incapacity to provide services	
ECONOMIC & SOCIAL		
	Poor human development indicators	Civilian casualties; refugees; internally displaced people; child soldiers
	Low income; low growth	
	Dependence on single export commodity	
	Severe income/asset inequalities	Competing claims to assets/resources
	High HIV/AIDS incidence	HIV spread by armed forces
	Excessive state control of productive sectors	
	Chronic budget deficit	Excessive military spending
	Chronic external indebtedness	
	Poor/deteriorating infrastructure	Extensive damage through conflict
	Absence of economic opportunities; high unemployment	Economic disruption; livelihoods based on war conditions
	Weakened social capital	Destruction of communities; culture of violence and mistrust
SECURITY		
	Oversized security forces	Proliferation of small weapons among opposition groups and citizenry
	Armed forces control over internal security	
	No accountability of armed forces	
	Culture of impunity	

Source*:* Ball (2002) and author.

An understanding of the different dimensions of state capacity is also vital, but there has been a tendency in the past for donors to concentrate on state size as of primordial importance. It is true that oversized public sectors, in concentrating too many resources and powers to themselves and using them inefficiently, have been a detriment to development progress. But the alternative is not simply the dogmatic pursuit of small government and the wholesale reduction of state capacity. There are activities of governments that may be better in private hands, but there are important functions of government that also need strengthening. The planning and formulation of national policies; the promulgation and enforcement of laws; the guaranteeing of basic social services—these are just a few of the indisputably essential state functions. Fukuyama makes the useful distinction between the scope of state activity—some of which could be reduced—and the strength of state power—which often needs strengthening (Fukuyama 2004).

As part of the Washington paradigms, many western donors have been over-zealous in their advocacy of privatization in developing countries (reduction in state scope). But there has been inadequate attention to the development of adequate checks and safeguards under public auspices (state strength) to ensure that privatization results in better and more affordable services and that public good (e.g., universal service) is not sacrificed to private gain (von Weizsacker, Young and Finger 2005).

Build up, not down

One of the more serious illusions in donor approaches to capacity development is the notion of gap-filling. The build-down fallacy is based on the assumption that there are 'levels' of capacity that can be prescribed in advance, that the gaps between these levels and present levels can be determined, and aid provided as the filler. All too often gap-filling approaches lead to the artificial grafting of 'capacity solutions' onto unwilling institutional hosts. Where these solutions amount to a significant diversion for these institutions, long-term capacity may actually be undermined.

In reconstructing fragile states especially, building up, rather than down is all the more imperative. Donors need to take cognisance of the capacity that exists, whether in the public, private or civil sectors. Where governments are weak, or where they barely exist as in the first stages of rebuilding after conflict, humanitarian assistance through multilateral organizations and through international NGOs provides for populations directly. But as stability is restored, appropriate local partners—within or outside the state sector—should be brought in and their capacity to administer services gradually be built up.[31]

Eschew lending and top-down prescriptions

When we looked at Zambia, we discovered an unsuitable case for the standard Bretton Woods lending treatment, whereby countries in difficulty are given loans well beyond any realistic prospect of repayment, in return for some forcible advice on reforming their economies. In many cases, this advice has led to the shrinking of the state sector

[31] The transition is often difficult. In the course of major humanitarian interventions, many well-resourced international NGOs are present and are inclined to stay on as long as possible, leading to their subsequent expulsion by governments (e.g., Rwanda in 1995, Indonesia—post-Tsunami Aceh—in 2005).

and the cutting of vital public services like health and education, already circumscribed by the necessity to repay the mounting costs of lending. When the author lived in Somalia in the mid-1980s, the same prescriptions were being paid for and the scramble was already on to find donor grants to pay off the IMF and World Bank. In Haiti, in the early 1990s, new aid was contingent on new grants to pay World Bank and IMF arrears. This rob-Peter-pay-Paul merry-go-round has continued for over two decades, in fact about as long as structural adjustment itself. The momentum is maintained because even where multilateral debt is cancelled through new gifts of aid, the lending process repeats itself. The July 2005 G8 meeting in Scotland, like almost every other before it, began with the familiar hand-wringing on indebtedness and ended with another 'path-breaking' declaration on debt cancellation. But among the big bucks, the small penny hasn't dropped: many countries, and most of the fragile ones, were never suitable clients for the Washington consensus. The results are eloquent enough evidence.

In fact, the World Bank has begun to provide more grant assistance—an average of around 20 per cent—out of its international development association (IDA) programmes for the poorer countries. Donors, outside and within the multilateral system, should provide only grants to fragile states and they should also retreat from imposing their agendas. Rather, as part of ground-up capacity development, they should allow consensus to build around national strategies.

Choose an intermediary

Donors do harm by bringing their own agendas to their support for weak states, and one of the hardest principles to try to enforce is one of donor disinterest. Iraq is an extreme case. Over Rwanda, donors have also manifested their strong individual interests, and there is baggage of different shape and bulk associated with many other fragile states. Many of these interests relate to the old colonial ties of European countries (mainly UK, France, Portugal, Belgium, Italy and the Netherlands) and Russia.

In circumstances of chronic administrative weakness and high insecurity, donor engagement with fragile states needs to be mediated, preferably through multilateral means, until the governments concerned can gain the strength and confidence to play the mediation role themselves. The UN, OECD, or a suitable regional grouping can play such a role—even a bilateral - but not an organization with a significant financial stake or other special interest in a country. Smart mediation is not just about managing the aid but managing the transition process cohesively across the whole range of state capacity: political and institutional; economic and social; security.[32]

The UN can claim some success in concerting the management of recovery processes following serious conflict. The UN Transitional Authority for Cambodia (UNTAC) was set up following the signing of the Paris Agreements in October 1991. With support of different donors, it organized elections, maintained security, helped re-establish the civil administration, rebuilt some infrastructure and repatriated and resettled refugees and displaced people. In Timor-Leste, the UN established another Transitional Authority following 1999 elections to lead the country to independence (May 2002). UNTAET administered the territory, exercised legislative and executive authority and helped build

[32] A very early model for such an arrangement was the Organization for European Economic Cooperation—later the OECD itself—established by the recipients of Marshall Aid in 1948.

capacity towards self-government. It was succeeded after independence by the UN Mission of Support in East Timor (UNMISET), which continued to provide assistance to core administrative structures of the new country.[33] After conflict, the UN also assisted in the establishment of an interim administration in Afghanistan in 2001, led by Afghans, to lead the country to elections and rebuild capacity. The organization of these arrangements could be further improved.[34] For post-conflict states, the UN Secretary-General has accepted the proposal of the High-Level Panel for the establishment of an intergovernmental peace-building commission. It would seek to improve UN planning and coordination in the immediate recovery phase, help to ensure predictable financing, encourage donors to share information about their programmes, monitor progress and—importantly—'extend the period of political attention to post-conflict recovery' (UN 2005).

These arrangements are possible and necessary where governments are chronically weak or virtually non-existent, and where even country representation is unclear. In other circumstances, local administrations should be supported. They should be assisted at an early stage of rehabilitation to develop comprehensive strategies that lay down a clear itinerary, setting out tasks and timing, and identifying resources and responsibilities. A monitoring mechanism is also needed, and there have been proposals for 'transitional results matrixes' to track progress.

Coordinate aid

This principle is all of a piece with the preceding one. If assisted rehabilitation is to succeed, then donors need to subsume their individual programmes for a country within a coordinated framework. This could mean the adoption by individual donors of specific parts of an agreed recovery programme, or the contribution of unearmarked resources into a central pool.

Donors have been agonising for many years about coordination and harmonization and some progress is being made.[35] There are agreements by a growing number of bilateral agencies to untie their assistance and mingle it more flexibly with that of others. But to be effective, aid needs to move a radical step beyond the adaptation of individual practices by donors to each other. In each instance, there should be complete alignment with the frameworks and management capacities of recipients. However, the principle of country alignment needs to be reaffirmed, especially in the context of recovery and rehabilitation.

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33 Following a one-year extension until 2006 to complete the handover to the new government, the mission was re-named UNOTIL. However, the outbreaks of conflict in 2006 would seem to indicate that the UN phased out its military presence too soon.

34 These institutional arrangements are normally headed by a 'Special Representative of the Secretary General', the experience and qualities of whom are usually critical to the success of the enterprise. Unfortunately, the process of appointment is rather subjective. Knowledge of the country—even the region—and prior experience are often not considered in the selection and in some cases no briefing at all is provided, apart from casual encounters with relevant desk officers.

35 The OECD/DAC Working Party on Aid Effectiveness and Donor Practices set up in May 2003 coordinates donor efforts at harmonization and alignment (www.oecd.org/dac/effectiveness).

Sustain the support

Being to a significant degree supply-driven, aid is subject to the vagaries of donor circumstances and preferences. Individual recipients are often subject to ebbs and flows. For recovering fragile states, sustained capacity development cannot be realized without an assurance of resources over the long-term, and donors need to sign up to multi-year engagements.

To encourage sustained support, aid planning needs to become more open-ended. Even while broad objectives need to be defined to permit the monitoring of progress, planning should not be narrowly tied down—project-style—to fixed costs within strict time boundaries. Indeed, traditional project approaches should be avoided entirely. Facilitating the renewal of capacity is fundamentally an unpredictable, even idiosyncratic, trial-and-error process, especially in the more hazardous contexts of fragile states.

Be coherent

Donors give with one hand and take with the other. Surprisingly, the necessity to view donor engagement in terms of the totality of economic and other interactions with recipients has virtually eluded the analysis of aid effectiveness until very recently. Yet, the impact of bilateral trade terms, investment patterns, migratory flows and other factors can have consequences which outweigh, and often directly detract from, the potential benefits of aid.

An interesting attempt to gauge the comparative impacts on developing countries of a range of donor policies has been undertaken by the Center for Global Development since 2003. A 'commitment to development index' is calculated for the 21 richest donor countries, ranked according to their policies on aid (relative amount, destination, aid tying, project density), trade (import tariffs and domestic agricultural subsidies), investment (incentives to invest in south), technology (share of research and development in GDP), security (contributions to peacekeeping), environment (levels of pollution emissions, commitment to multilateral agreements) and migration (net immigration flows from the South).[36] There have been other attempts to determine in global terms the total resource flows between donors and recipients. For example, World Bank sources reveal that in 2003 there was a net reverse financial flow—from south to north—of over US$200 billion. Aid and other private capital inflows were dwarfed by loan repayments and purchases of foreign exchange (World Bank 2004, quoted in ActionAid 2005)

Fragility is exacerbated by these uneven terms. Any comprehensive solution to the challenges facing fragile states must take into account not only the non-aid inflows of resources, but also the outflows and the financial and other impediments for which the same donor countries are responsible. This must be done, not globally, but on an individual country basis. Balance sheets should be drawn up, calculating with respect to each major donor the total financial value of the bilateral relationship. The trade/aid nexus alone is important. The rich countries collect in tariffs on the imports of some of the poorest much larger sums than they provide in aid to the same countries. The subsidies provided to rich country farmers distort global markets against the interests of

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36 See Carnegie Foundation (2005).

lower-cost producers in the poorer countries.[37] Manifestly, donor engagement with fragile states cannot just be about aid. It has to encompass the totality of bilateral economic and other relationships.

7 Conclusion

How donors meet the challenges of fragile and failing states provides the acid test for aid. While most aid has been a vehicle for donors to build relationships with individual developing countries, the predicament of the fragile states presents two outstanding justifications for activism. One is obviously humanitarian, since development failure has continued to impoverish the lives of many hundreds of millions of people. The other is self-interest, given the dangers posed by the fragile states to global security and health.

The donor record is patchy to say the least. And the closer you come, the worse it looks. Donors bear some responsibility for not being there, but that is not the worst accusation. Donors also appeared at the wrong times with the wrong attitudes. Working within their own scripted agendas, they succeeded in sometimes unpicking and undermining development progress.

Now, being there in the right frame is the urgent order of the day. Failure demands constructive engagement, in some cases to save people from their leaders, and in all cases to save some of those failing states from circumstances they cannot control. These adversities are in some cases natural, such as isolation and drought. But mostly they are man-made, whether triggered by internal demagogy, HIV/AIDS and strife, or resulting from conditions which the rich countries themselves can control and ameliorate. Aiding the fragile states means more and better forms of engagement. It also means lifting some of the impediments to progress.

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[37] One of the most glaring examples is provided by the US cotton subsidies, which amounted to US$4.5 billion in 2004. Oxfam has calculated that the economies of the West African countries Benin, Burkina Faso and Mali lose between 1 and 2 per cent of their GDP as a direct result of these subsidies (Oxfam 2005). The total annual cost to developing countries of rich farmer subsidies has been calculated at US$20 million.

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